

TREATING CUSTOMERS FAIRLY (TCF)

Camilla Bennett, Chair of GI TCF Working Party
Nausicaa Delfas, Head of Department, Retail Themes Division,
Financial Services Authority
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TREATING CUSTOMERS FAIRLY?



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SMALL PRINT THAT COSTS £80,000

DOES MY INSURANCE COVER TERRORISM?

At last - a probe into the
pushers of useless insurance

*OFT report criticises 'greedy' sellers: Profits
on payment protection insurance are too high*

FSA retail regulatory priorities

An efficient and effective market for retail financial services and products requires:

- Capable and confident consumers
- Simple and understandable information for, and used by, consumers
- Risk-based and proportionate regulation
- Well-managed and adequately capitalised firms that treat their customers fairly

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Principles-based approach

“A firm must pay due regard to the interests of its customers and treat them fairly.”

FSA Principles for Businesses, Principle 6

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TCF consumer outcomes

1. Consumers can be confident that they are dealing with firms where the fair treatment of customers is central to the corporate culture
2. Products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly
3. Consumers are provided with clear information and are kept appropriately informed before, during and after the point of sale

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TCF consumer outcomes

4. Where consumers receive advice, the advice is suitable and takes account of their circumstances
5. Consumers are provided with products that perform as firms have led them to expect, & the associated service is both of an acceptable standard & also as they have been led to expect
6. Consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint

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July 2006 update on progress

Update paper: 'Treating Customers Fairly – Towards fair outcomes for consumers'

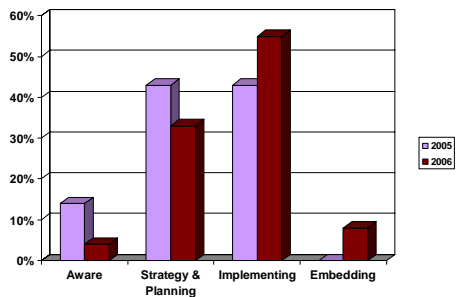
Targeted reports ("clusters") on:

- general insurance
- mortgages
- management information
- quality of investment advice processes

Case studies

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Firms' views on progress with TCF



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FSA perspective on progress

- Encouraging efforts/senior management commitment
- But we continue to see practices in our wider supervisory activities that fall short of treating customers fairly - doubts over how far TCF has become embedded in the corporate culture
- Deadline introduced for firms to be in the implementing stage in a substantial part of their business by end March 2007.

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General Insurance – key messages

- TCF applies for all GI products and to all firms who provide or distribute GI products.
- GI firms should have started their gap analysis and be moving on to making the necessary changes (implementing) and embedding TCF in their firms.
- Some firms have recognised the need for action; others are less engaged.
- Price competition and customer satisfaction not sufficient to achieve TCF.

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General insurance – key messages

- Report highlights examples of good and poor practice
- Key areas the GI industry should focus on:
 - Product design
 - Clarity of disclosure
 - Sales process
 - Claims handling
 - Systems and controls

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Provider / distributor responsibilities

- Statement published September 2006
- Principles-based approach
- Provider responsibilities may include:
 - Product design
 - Choice of distribution channel
 - Communication with/monitoring distributors
 - Post-sale

What about enforcement?

- We will take enforcement action where firms have failed to engage with TCF / where there is the potential for consumer detriment
- Enforcement may take place on the principle alone
- We do not expect to take enforcement action where firms have made a genuine attempt to deliver TCF and there has not been significant risk to consumers

Next steps for firms

- Firms should continue to focus on TCF and progress towards embedding
- We expect to see more change to outcomes as well as process
- Senior management to continue to give leadership
- We expect all firms to have reached the implementation phase by March 2007

Next steps for the FSA – upping the pace

- Monitoring progress of firms
- Measuring progress against consumer outcomes, including work on key topics
 - Delivering cultural change
 - Product design
 - Quality of advice
- Embedding TCF within our business as usual supervision
- Providing industry and supervisor training

Questions?
