

## TREATING CUSTOMERS FAIRLY – IT SHOULD BE IN THE DNA

One has to admit that the life industry across the world has generally poor track record for treating its customers fairly, whether that be on the part of advisers and intermediaries, or companies and their products. While insurers laudably pay great numbers of claims without quibble (which does tend to go unrecognised), they do make some highly questionable decisions at times – as witnessed by some of the cases that reach the UK's Financial Ombudsman Service. And for years there has been a distinct lack of willingness to do better on behalf of customers owing to a lack of vision, lack of imagination and reluctance to invest in improvement.

Industry culture plays a big part: this is a left-brained industry that has struggled to grapple with the right-brain issues of running a successful company in the 21<sup>st</sup> (or even the 20<sup>th</sup>) century. Understanding consumers, engaging with them, understanding what constitutes 'value', successfully developing meaningful products and delivering – really delivering – on promises and service don't come naturally.

The ability to serve customers in every respect, including treating them fairly, is written into any firm's DNA. Either it's there or it's not. In fact that's a slight over-statement, but it's 95% true. Changing corporate mentality and behaviour means getting deep into the heart of a company, into its soul. The change needs to be driven by someone, or maybe a small group, with vision, determination and strong leadership. Significant and consistent new behaviours mean changes tantamount to reinvention

Can the 'Treating Customers Fairly' (TCF) regime of the UK's Financial Services Authority (FSA) really successfully improve the lot of the consumer? It is good that it is forcing companies to examine what they do in this area and to take some action. But:

- Can the application of a regulatory process – even if it is 'principles-based' – get to the heart of a company, modify its DNA?
- How quickly can one expect a truly significant result? Corporate culture, behaviour and values – which are the real underpinnings of any brand – take a long time to change.
- How can one judge whether TCF has been successful? Surely it will be by asking consumers, and that will be a difficult research project. There is little point checking that firms have complied with the regulation. That's like checking with the doctor that the medicine has been prescribed; you need to ask the patient if he's better.
- The FSA says that TCF isn't about ticking boxes, but one fears that often this is exactly what it is. The actions taken are driven by TCF compliance, and the fear of censure, rather than by a genuine desire to improve the lot of customers; it's about doing the minimum, not the maximum. There is a strong 'regulatory compliance' culture. Sure, that is no bad thing. But that is left-brain activity. True TCF needs right-brain solutions.
- How will the FSA judge firms on such intangibles as leadership, strategy and decision-making? How will it judge the quality of actions and the quality of the outcomes?

We would love the FSA's TCF programme to deliver significant change but, as you may gather, we have our doubts. When we talk to our clients we acknowledge the presence of TCF but we

encourage them to think way beyond steps that are regulator-driven towards achieving class-leading propositions that are born out of fresh, alternative thinking and innovation. That sort of culture and mentality is what really makes a difference for customers.

It may be that some companies won't really smell this particular blend of coffee if they are mired in tradition. And of course many have mostly a rather distant relationship with their customers and with consumers in general because of the role and power of distributors. Consumers would be better off if providers had to compete more for consumers', rather than distributors', attention.

In fact, we would like to see insurers compete harder all round, and to develop truly sustainable forms of competitive advantage – like unique corporate DNA from which stem innovation and top-quality service. Is there the will for that?

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