

INSURANCE REGULATORY COMMISSION OF SRI LANKA

PRINCIPLES ON FAIR TREATMENT OF CUSTOMERS

Insurance Regulatory Commission of Sri Lanka (IRC SL) perceives the fair treatment of customers and protection of their interests as key pre-conditions for the development of the insurance industry. Given the nature of business, the success of insurance industry largely depends on the trust and confidence that the customers place on insurers and intermediaries (hereinafter referred to as 'companies') as well as the products and services on offer.

The fair treatment of customers encompasses concepts of ethical behavior and acting in good faith by companies. To ensure that the insurance business in Sri Lanka is carried on with a professional and prudent manner with a view to protect the interests of customers, IRC SL issues the following Principles on Fair Treatment of Customers, to be followed by companies with the aim of elevating fair treatment of customers in their agendas. The companies are expected to have proper policies and procedures in place to achieve the Principles on Fair Treatment of Customers.

Principle 01 Fair treatment of customers shall be at the heart of the business model of all companies

Companies are responsible for ensuring that their customers are treated fairly and must pay due regard to the interests of its customers in conducting the business. Companies are required to adopt fair treatment of customers as an integral part of their business culture and ensure that policies and procedures to support this objective are properly embedded in the organization. IRC SL recognizes that the: leadership; strategy; decision-making; recruitment & capacity building; rewarding and internal controls, as the main areas of management behavior that influence a company's culture of customer treatment.

Principle 02 Products are developed and marketed in a way that pays due regard to the interests of customers

Development and marketing of products by the companies shall be based on a proper study of the likely needs and financial capability of targeted group of customers. The products and marketing material shall be designed to meet the needs of identified customer groups and targeted accordingly.

Principle 03 Customers are provided with clear information before, during and after the point of sale

Companies shall provide clear information and keep the customers appropriately informed of all material facts pertaining to the contract of insurance, before the contract is entered into through to the point at which all obligations under a contract have been satisfied. Importantly, customers shall be given the appropriate information, in good time and in a comprehensible form, before the sale, so that they can make an informed decision on the product being proposed. This involves communicating clearly and fairly the nature of the product, before the customer is 'locked-in'.

Principle 04 Suitability of advice

Where customers receive advice before concluding an insurance contract, companies shall ensure that such advice is appropriate based on the customer's disclosed circumstances. This would involve obtaining information from customers to assess their insurance needs, before giving advice, and providing continuous training to persons giving advice. In case of complex products, the basis on which a recommendation is made may need to be explained and documented.

Principle 05 Managing reasonable expectations of customers

Companies shall ensure that the customers are provided with products that perform as companies have led them to expect, and the associated services are of an acceptable standard, as they have been led to expect. Honoring the representations, assurances and promises (made by companies prior to sale and thereafter) that lead to legitimate customer expectation, will improve public confidence on insurance and make customers confident that they are dealing with companies that they can trust.

Principle 06 Fair handling of claims

Companies shall have written policies and processes in place to handle claims in a timely and fair manner. Informing the claimants of the claim settlement procedure and standard timeframes for settlement, when a claim is made, would help in managing customer expectations and minimizing disputes. Claim determinative factors (such as: violation of conditions, breach of a warranty, application of excess and average clause) shall be illustrated and explained in comprehensible language, when a claim is denied in whole or in part, to ensure that claimants understand the basis of a company's decision.

Principle 07 Analysis of customer feedback and fair handling of complaints

Customer feedback and contents of customer complaints provide valuable information for companies to identify whether their customers are treated fairly and where improvements are needed. Due consideration shall be given to the views and opinions of dissatisfied customers with a view to further improve systems and processes in order to manage customer expectations. It is important to analyze trends and to identify common underlying causes of complaints, in order for the companies to take actions to eliminate the root causes.

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