



Quantifying Risk, Enabling Opportunity.

# Emerging and Persisting Market Conduct Risk

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Market Conduct Committee

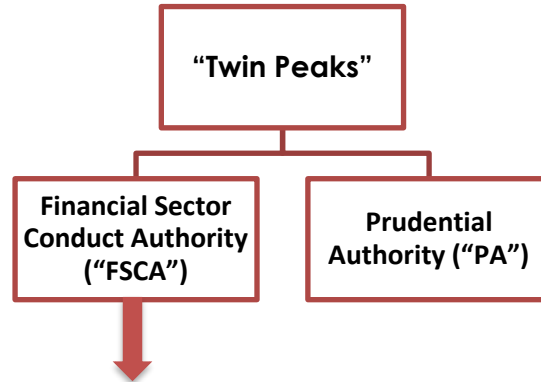
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# A brief recap/overview

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## Financial Sector Regulation Act, 2017



- Operates in conjunction with subsidiary legislation
- Including the Conduct of Financial Institutions Act (still awaited)
- But Financial Sector Regulation Act enables regulators to push ahead
- For example many Conduct Standards issued or in pipeline

# What is “Market Conduct”?

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Purpose and values

Recruitment and onboarding

Training

Products – design, pricing,  
promotion, post-sale services

Performance management including  
remuneration

Complaints / remediation

Communication

Governance

# What is “Market Conduct”?

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“TCF will require regulated firms to consider their **treatment of customers** at all stages of their relationship with the customer, from **product design** and **marketing**, through to the **advice, point-of-sale** and **after-sale** stages. Firms will ultimately be **required to demonstrate** – through management behaviours and monitoring – that they are **consistently treating customers fairly** throughout the stages of the product life cycle to which they contribute.”

FSB TCF Roadmap document, 2011

# What is “Conduct Risk”?

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“Business” practices that can adversely affect customers, the organisation, other employees, and the marketplace.

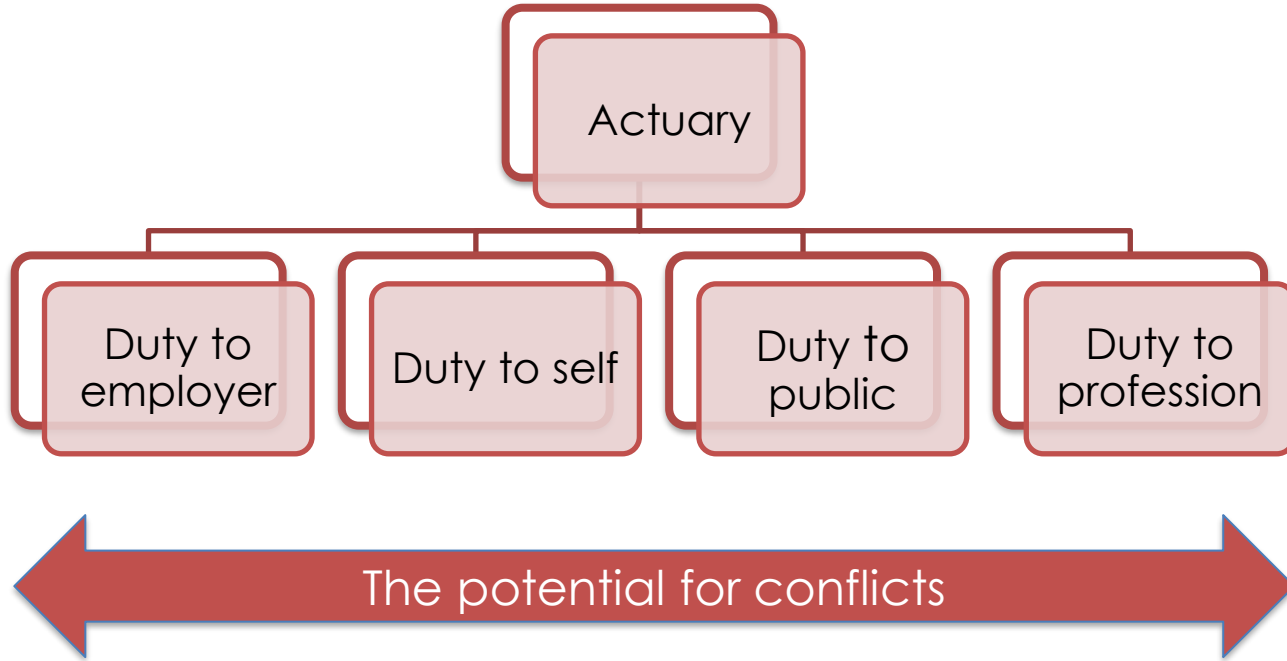
Business -> owners, employees, representatives/agents, partners

Consequences for the Actuary:

- Personal liability
- Personal reputational damage
- Reputational damage to the profession

# Possible Risk Framework

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# Some topical conduct issues

- Underwriting practices
- Premium reviews
- Appropriateness of commission structures

## Life Insurance



- Pricing practices

## General Insurance



- Complexity of the medical aid packages
- Regulatory resistance to Low cost benefit options

## Health Insurance



- Return expectations
- Transparency of fees especially penalties
- The double dipping charging structure
- "Institutional" versus "retail" fee structures

## Investments



- Published interest rates
- Blacklisted customers
- Can borrowing be made too easy?
- Lending practices
- Transparency of fees

## Banking



- Penalties on Retirement Annuity terminations
- Living annuities sold in preference to guaranteed annuities

## Retirement Matters



- Fees charged for actuarial reports/calculations in particular charging more for RAF reports than for other clients

## Damages



- Loyalty programmes
- Socio-economic pricing differentials
- "Free money"
- "Free services"
- ... and what else...?

## Other



# Questions?

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