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An Evaluation of the Treating Customers Fairly (TCF) Concept and Its Influence on Consumers' Purchase of Non-Life Insurance Products

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UNIVERSITY OF THE WITWATERSRAND, JOHANNESBURG
FACULTY OF COMMERCE, LAW, AND MANAGEMENT

SCHOOL OF ECONOMIC AND BUSINESS SCIENCES

RESEARCH THESIS

AN EVALUATION OF THE TREATING CUSTOMERS FAIRLY CONCEPT AND ITS INFLUENCE ON CONSUMERS' PURCHASE OF NON-LIFE INSURANCE PRODUCTS.

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ABSTRACT

In recent years, the financial services sector, particularly insurance, has seen a rise in attention toward fairness and unfairness, driven by a focus on how policyholders view equitable treatment from insurers. This study focuses on assessing the concept of treating customers fairly (TCF) and its influence on consumer perceptions of fairness in South Africa's non-life insurance industry. The study employed an experimental methodology incorporating survey data collection in which a sample of 241 respondents completed the questionnaire, which assessed how non-life insurance customers perceive fairness in the renewal of their policies, how TCF principles influence customers' purchase of non-life insurance products, and how TCF principles influence consumers' intentions to purchase additional non-life insurance products. Data obtained from the questionnaires underwent rigorous examination using three statistical approaches: confirmatory factor analysis (CFA) to verify the constructs, structural path modelling (SPM) to examine the pathways, and logistic regression to assess the predictive relationships.

Survey responses indicate that most customers feel adequately served by their insurance companies. Factors such as transparency, product suitability, integrity, clear communication, and disclosure of information play a crucial role in customers' positive perception of fairness. However, concerns about unfair treatment exist in connection with the changeability of policies and post-sale barriers. The study identified five TCF principles that adversely influenced consumer choices regarding non-life insurance products. The only principle that positively and significantly impacted customers' purchase of additional non-life insurance products was TCF Principle 5, the Principle of Performance and Service Expectations. This means that customers are satisfied with the insurer if the insurer's products perform as the companies lead customers to believe and if the service provided is acceptable and meets expectations, leading them to buy additional non-life products.

The study revealed contrasting effects of TCF standards on non-life insurance purchasing behaviour. Consumer willingness to acquire supplementary coverage increased in relation to three key principles: (1) organisational culture and governance structures, (2) appropriateness of product offerings, and (3) transparency in communications. Conversely, purchase intentions diminished when influenced by (4) advisory quality concerns, (5) service delivery expectations, and (6) post-purchase accessibility limitations. This indicates that implementing the first three

principles fosters an environment of customer satisfaction and trust, directly impacting customers' buying intention. The findings indicate that the correlation between the principles and customer purchase intentions is important for aligning business practices with customer-centric values to foster long-term relationships and success.

DECLARATION

I, Thato Gladys Monaheng, declare that the work presented in this research report is my original work. This thesis was prepared under the supervision of Dr. Mushai and Dr. Horvey, and all sources, references, and acknowledgments used were cited correctly.

I further declare that this thesis has not been submitted before, either in whole or part, for the award of any master's degree or any other degree at this or any other institution.

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Signed: 

Date: 4 September 2025

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Table of Contents

ABSTRACT 2
DECLARATION 4
ACKNOWLEDGEMENT 5
LIST OF TABLES 8
LIST OF FIGURES 9
CHAPTER 1: INTRODUCTION 10
1.1 Introduction 10
1.2 Background of Research 11
1.3 Research Problem 15
1.4 Aims and Objectives 16
1.5 Research Questions 16
1.6 Significance of the Study 17
CHAPTER 2: LITERATURE REVIEW 19
2.1 Theoretical Background 19
2.2 Regulatory Theories 22
2.2.1 Public Interest Theory 22
2.2.2 Capture Theory 25
2.2.3 Economic Theory 26
2.3 Treating Customers Fairly 28
2.4 Hypothesis Development 32
2.4.1 TCF 1_Principle of Culture and Governance & Customer Perception of fairness 32
2.4.2 TCF 2_Principle of Product Suitability & Customer Perception of fairness 33
2.4.3 TCF 3_Principle of Disclosure & Customer Perception of fairness 33
2.4.4 TCF 4_Principle of Suitable Advice and Service Expectations & Customer Perception of fairness 34
2.4.5 TCF 5_Principle of Performance and Service Expectations & Customer Perception of fairness 34
2.4.6 TCF 6_Principle of No Unreasonable Post-Sale Barriers & Customer Perception of fairness 35
2.5 Conclusion 36
CHAPTER 3: METHODOLOGY 37
3.1 Research Design 37
3.2 Research Paradigm 37
3.3 Target Population and Demographics 39
3.4 Sampling Techniques 39
3.5 Sampling Size 40

3.6 Data Collection 41
3.7 Data Collection Instruments 42
3.8 Data Analysis 42
3.9 Validity and Reliability 44
3.10 Ethical Considerations 44
3.11 Conclusion 45
CHAPTER 4: PRESENTATION AND ANALYSIS OF RESULTS 46
4.1 Research Setting and Data Collection 46
4.2 Demographics 47
4.2.1 Summary of respondents' characteristics 58
4.3 Measurement for the Study 61
4.3.1 Descriptive Statistics 61
4.3.1.1 Overall Positive Perceptions: 61
4.3.1.2 Principle of Culture and Governance: 62
4.3.1.3 Principle of Product Suitability: 63
4.3.1.4 Principle of Disclosure: 65
4.3.1.5 Principle of Suitable Advice: 66
4.3.1.6 Principle of Performance and Service Expectations: 68
4.3.1.7 Principle of No Unreasonable Post-Sale Barriers: 70
4.3.1.8 Non-life Insurance Purchase Intentions: 72
4.4 Exploratory Factor Analysis & Common Method Variance 78
4.5 Confirmatory Factor Analysis (CFA) 81
4.6 Reliability and Validity of the Final Measurement Model 84
4.7 The Structural Model 87
4.7.1 Structural Equation Model Assessment 87
4.8 Logistic Regression 90
4.9 Conclusion 93
CHAPTER FIVE: DISCUSSION OF RESULTS 95
5.1 Introduction 95
5.2 Objective 1: Explore non-life insurance customers' perceptions of fairness when renewing policies. 95
5.3 Objective 2: Determine whether customers have non-life insurance products and how TCF principles influence the customers' purchase of non-life insurance products. 97
5.4 Objective 3: Evaluate the non-life customers' intentions when purchasing additional insurance products. 98
5.5 Conclusion 100
CHAPTER 6: CONCLUSION AND RECOMMENDATIONS 101

6.1 Conclusion 101
6.2 Recommendations 103
6.3 Limitations of the Study 104
6.4 Scope of Future Study 106
2 References 108
APPENDICES 117
Appendix A: Research Cover Letter 117
Appendix B: Research Instrument 119

LIST OF TABLES

Table 1 Summary of respondents' characteristics (N=241) 58
Table 2: Principles of Culture and Governance 62
Table 3: Principle of Product Suitability 63
Table 4: Principle of Disclosure 65
Table 5: Principle of Suitable Advice 66
Table 6: Principle of Performance and Service Expectations 68
Table 7: Principle of No Unreasonable Post-Sale Barriers 70
Table 8: Non-life Insurance Purchase Intentions 72
Table 9 Descriptive Statistics 74
Table 10 KMO Test and Bartlett's Test 79
Table 11 EFA Findings - Rotated Factor Loadings 79
Table 12 Explained Variance in Factor Solution 80
Table 13 Preliminary Measurement Model for Constructs 81
Table 14 Confirmatory Factor Analysis (CFA) Findings for Final Measurement Model 84
Table 15 Goodness Fit of the Final Measurement Model 85
Table 16 Pearson Correlation 86
Table 17 Structural Equation Modelling Analysis Findings 89
Table 18 Fit Assessment Measures for Binary Logit Modelling 90
Table 19 Model Fitness of Logistic Regression 91
Table 20 Category Prediction 91
Table 21 Statistical Significance of Logistics Regression Outcomes 93

LIST OF FIGURES

Figure 1 Gender 47
Figure 2 Age Group 49
Figure 3 Ethnicity 50
Figure 4 Ownership of Non-life Insurance Policy 51
Figure 5 Number of Active Insurance Policies Owned 52
Figure 6 Type of Communication Channel 53
Figure 7 Level of Education 55
Figure 8 Employment Status 56
Figure 9 Level of Annual Income 58
Figure 10 Structural Equation Model 90

CHAPTER 1: INTRODUCTION

1.1 Introduction

The concept of fairness is becoming increasingly integral to consumer contracts, particularly in the financial services industry. According to Stoop (2015), this concept is incorporated in South African law through the Consumer Protection Act 68 of 2008. Regulators have been progressively implementing stricter compliance requirements for financial institutions, including banking and insurance entities. These mandates compel such organisations to integrate fair treatment standards throughout all customer interactions and operational procedures. At face value, the reasons behind this trend are the complexity of financial services products and the ease with which providers can mislead or deceive consumers. For example, insurance contracts often come with numerous terms and conditions that are not easily understood by ordinary consumers. Furthermore, these contracts are typically drafted exclusively by insurers (i.e., insurance companies) with minimal or no involvement from the insured (i.e., the customer). Consequently, the scope for consumers being misled or mistreated is vast (Viljoen, 2022).

Customers' perceptions of how they receive information, as well as the characteristics of the market, remain a subject of debate. In the insurance market, various perceptions and factors influence the conclusion of insurance contracts between insurers and insureds. According to a study by Ioncică, Petrescu, Ioncică, and Constantinescu (2012), the consumers' perceptions of insurance services are influenced by various factors, which can be categorised into several groups. First, the situational factors relate to contextual circumstances surrounding the insurance lifecycle, spanning from initial consideration through policy acquisition to ongoing coverage maintenance. Secondly, the factor about organisational marketing strategies encompasses product features and service delivery mechanisms. Third, financial considerations involving premium structures, remuneration alternatives, and intermediary interactions. Lastly, the external environmental factors such as demographics, economic, and technological influences, and sociological characteristics of customers like culture, social class, as well as individual characteristics of the policyholder, including age, gender, employment, and educational background.

Building upon the foundational work of Nguyen and Klaus (2013), which highlighted significant gaps in understanding consumer perceptions of equitable treatment across non-retail

industries, and a study by Fernandes and Calamote (2016) indicating that further investigation is necessary to explore additional pertinent variables such as demographic characteristics and that supplementary study should concentrate on real-life situations rather than experimental scenarios when evaluating the perceptions of unfairness. This study examines how the Treating Customers Fairly (TCF) regulatory framework influences the customers' perceptions of fairness within the non-life insurance sector.

1.2 Background of Research

Regulation of insurance has a long history dating to the Babylonian times of King Hammurabi. During 1792 – 1750 BC, the king protected the people through the Code of Hammurabi. This code allowed the king to regulate society by implementing laws and heavy fines on those who took advantage of the weak (Thompson, 2023). Today, regulation is an integral part of the insurance business. Insurance markets worldwide are subject to extensive monitoring and supervision.

According to Webel and Cobb (2005), insurance regulation aims to protect consumers by monitoring the solvency of insurers and their business practices. This view is reflected in the recently adopted regulatory framework, the twin-peaks model, which divides regulation into two essential functions. Goodspeed (2013) identifies solvency monitoring or prudential regulation as the primary essential function of regulation, which emphasises the financial stability of insurers, while the second is market conduct regulation, which focuses on the business practices of insurers. The idea behind regulation is that customers are not in an equal bargaining position with insurers, so the government needs to intervene to restore parity. Celestin and Vanitha (2022) contend that the pervasive use of intricate terminology and conditional clauses in insurance policies frequently obscures the true extent of coverage, creating a substantial information asymmetry between insurers and their customers. This inherent complexity often leaves policyholders unable to fully comprehend their contractual obligations. Consequently, in such an environment of confusion and imbalanced knowledge, it becomes rational to anticipate that insurers may prioritise their own commercial interests, potentially to the detriment of consumers, in the absence of robust regulatory intervention to ensure fairness and transparency.

den Hertog (1999) states that legal and economic literature has no fixed definition for ‘regulation.’ This implies that regulatory concepts are inherently contested, with definitional differences emerging both among theoretical standards and between individual theorists'

formulations. For example, research by Adams and Tower (1994) cites Mitnick (1980, p. 5), who states that regulation constitutes the deliberate limitation of behavioural alternatives imposed by an authoritative entity that maintains governance over, but operational distance from, the regulated activity. Wilson (1974, p. 138) proposes that regulation originates from a desire to redistribute wealth, which is recognized as a political motivation or economic reason, for example, intervention to correct market imperfections such as the abuse of monopoly power. Adams and Towers (1994) argue that regulation enables regulators to access the insurance market by monitoring monopoly pricing practices and promoting competition by removing barriers to entry.

Uche (2000) conceptualises regulation as governmental or organisational intervention existing on a spectrum from formal legal authority to informal social control. Similarly, Posner's (1974) conceptual framework characterises regulation as encompassing fiscal measures, statutory mandates, and governmental oversight mechanisms that affect market participation, pricing structures, and commercial operations.

Echoing the theorists above, Kumar (2014) posits that regulations constitute a formalized system of legal and supervisory mandates that govern financial institutions. According to this view, the principal aims of such a system are multifaceted, targeting macroeconomic stability, equitable market practices, and consumer safeguarding. A synthesis of these diverse regulatory perspectives reveals a common underlying principle: regulation entails some form of restriction or control of the behaviour of parties to whom regulation applies.

Uche (2001) identified two types of regulation, both of which have been observed in the insurance sector. The first is government regulation, also known as statutory or public regulation, and the other is self-regulation. Government regulation is often enforced by agencies supported by statutory laws enacted through parliamentary acts. If rules are not followed, penalties for non-compliance are applied. The latter, in contrast, argues that the industry itself, rather than outsiders, has a better understanding of the issues that are to be regulated (Cambridge University Press, 2022). Both types of regulations help ensure that various sectors and industries operate within the established norms and guidelines.

Regulation is a hotly contested concept. Academics, economists, and social scientists have developed diverse theoretical frameworks to explain regulatory processes and behaviour, which are classified into two categories: positive and normative (Yeung & Ranchordás, 2024).

Positive theories of regulation seek to explain why regulation exists and how regulators behave in practice (Klein, 1995). Klein further states that normative theories of regulation aim to explain what regulation should be. These theories assert that regulation ought to promote competition whenever feasible, by reducing the cost associated with information asymmetries through information acquisition and incentivising companies to enhance their performance (Klein, 1995). Given the two mentioned categories of regulation, three main theories of regulation exist within them, which are directed to the economic explanation of regulation. The theories are the public interest theory (PIT), the capture theory, and the economic theory of regulation (Posner, 1974).

Adams and Towers (1994) illustrate the differences between the three theories, stating that the public interest theory adopts the view that regulation results when the government is forced into action to protect the public interest and correct the misallocation of information or resources stemming from the failure of the market. On the other hand, the capture theory holds that regulation is a one-sided political process presenting benefits to politically effective groups whose capture dominates the regulatory process. The economic theory extends the capture theory. The economic theory argues that regulation is an economic commodity whose allocation is dictated by the laws of demand and supply, augmented by the cartel theory.

Regulation continues to evolve, sometimes in ways that seem detached from mainstream theories. However, it remains important to understand these developments in the context of existing theories of regulation. One such development that has emerged in the past few years is the treating customers fairly (TCF) framework. Although the objectives of this framework are clear, its theoretical underpinning is less so.

Fairness is described by Nguyen and Simkin (2012) as a prerequisite for improving the relationship between the consumer and the company they are dealing with.

The Treating Customers Fairly (TCF) initiative rose to significance in Britain during the 1990s under the advocacy of the Financial Services Authority (FSA), which served as the UK's primary financial regulator during that period. On 1 April 2013, the UK government decided to restructure its regulatory system by disbanding the FSA. The revised regulatory framework, structured around a dual-pillar approach commonly referred to as Twin Peaks, was formally implemented. The twin peak system consists of two pillars: the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA). While the UK adopted the Twin Peaks regulatory framework in 2013, South Africa only integrated this dual supervisory approach into

its financial oversight system five years later, in 2018 (National Treasury Republic of South Africa, 2018).

Like the twin peaks model, which seeks to protect customers through prudential regulation and market conduct, the TCF framework ensures that regulated financial institutions provide well-defined and equitable outcomes for financial customers. Regulated entities must substantiate compliance with the six core TCF principles across all customer interactions spanning the entire life cycle of the product (Financial Sector Conduct Authority, 2022). Through the six outcomes of TCF, the regulation's objection to fair seeking is present by preventing information disparities from affecting the market and causing disadvantages to the customer.

While the concept of TCF is applied throughout the financial services sector, it is of particular importance in the non-life insurance sector. The work of Grové (2021) outlines that TCF is of even greater importance in non-life insurance than in the financial services industry in general due to factors such as product complexity, information asymmetries, the centralised nature of claims handling, and historical mis-selling practices. These factors, combined with the sector's traditionally low level of consumer engagement in the sector, emphasise the need for increased scrutiny and regulation to protect consumer interests.

Non-life insurance products such as vehicle, property, and household content insurance are often poorly understood by consumers. Unlike banking or investment services, where customers have regular and visible interactions with their accounts or portfolios, non-life insurance products usually only become relevant in the event of a claim. This leads to a situation where expectations and reality can diverge greatly, especially if exclusions, limitations, or deductibles are not clearly communicated at the point of sale. Research by Benston (2000) has shown that consumers often do not clearly understand the terms and conditions of their policies, leading to disappointment or financial loss if claims are declined or partially paid. Therefore, the need for transparent communication and fair treatment is more pressing in non-life insurance than in many other areas of financial services.

As observed by Nguyen and Klaus (2013) observed treating consumers fairly has received great attention and has become one of the most critical issues for marketers over the years as marketing is increasingly perceived negatively due to unethical and unfair business practices and marketing plans. In today's world, a company's commitment to fairness is beyond mere necessity; it has become a critical differentiator among companies.

1.3 Research Problem

In many industries, the general assumption is that the regulatory framework ensures that customers are safe and treated fairly in many industries. Due to today's competitive marketplace, customers consistently demand transparency, fairness, and equality in how businesses treat them. Despite the increasing importance of customer satisfaction, many companies struggle to ensure consistent and fair treatment of their customers, leading to dissatisfaction and a lack of trust. This problem is particularly pronounced in the financial sector.

Customer dissatisfaction in the non-life insurance sector is evident from the high volume of complaints reported by Moonstone Information Refinery (2025). The findings from the report were that motor vehicle insurance accounted for the largest proportion (42%) of complaints finalised by the non-life division, followed by homeowners' insurance (27%), commercial insurance (14%), household contents insurance (6%), and other insurance or non-claim-related grievances (11%). Collectively, motor and homeowners' insurance complaints represented 69% of all complaints, highlighting persistent issues in service delivery, claims handling, and perceived fairness. These findings underscore widespread consumer discontent, suggesting a need for stronger regulatory oversight and operational reforms to restore trust in the sector.

Research has shown that perceived unfair treatment of customers caused by disparate treatment can damage a company's long-term reputation and competitive advantage. Companies often state that they prioritise fairness within their organisation, but inconsistent policy application, a lack of clear communication, and bias in service delivery can undermine these efforts.

The problem of ensuring fair treatment of customers is particularly pressing as organisations increasingly use automated systems and algorithms to deal with customers. This can inadvertently lead to bias or decisions that are not transparent or fair, which could drive customers away from their current provider. Companies, therefore, need to reassess their internal practices, develop clear standards for fairness, and implement systems that ensure fair treatment for all customers, regardless of their circumstances.

According to the literature, scholars have examined various theoretical aspects of regulation in the financial sector to gain a deeper understanding of regulation. The literature also indicates that regulation may fulfil various functions for distinct interest groups at different times (Uche, 2001). Falkena, Bamber, Llewellyn, and Store (2015) state that over time, it has become

abundantly clear that regulation has a strong influence on the financial system, the way firms operate, and the competitive conditions in the market.

Beyond understanding regulation, another area explored in literature is the implementation of TCF within financial services and how differential treatment of customers may affect the customers' perception, satisfaction, and trust in a firm (Fernandes & Calamote, 2016). These efforts enhance our understanding of the importance of regulating an industry and ensuring fair treatment of customers. Scholars have yet to explore the role of TCF principles in influencing the customers' perception of fairness and purchase intention, a gap that this study addresses.

1.4 Aims and Objectives

The main objective of this study is to evaluate the TCF concepts and their influence on consumers' perceptions of (un)fairness in the non-life insurance industry. Essential to this objective is to determine whether customers have non-life insurance products and how the TCF principles influence the consumer's purchase of non-life insurance products. In addition, the study examines how TCF principles influence consumers' intention to purchase further non-life insurance products. By bridging these gaps, the study provides new insights into consumer fairness perceptions in non-life insurance; empirical evidence on how TCF principles shape purchasing behaviour, and practical implications for insurers on having TCF to improve trust and retention. This alignment strengthens the study's relevance and positions it as a meaningful extension of existing research relating to TCF.

1.5 Research Questions

TCF is a relatively recent addition to the insurance regulation toolkit. However, its proper context within the existing theories of regulation has not been explored. In addition, how TCF influences the consumers' perception of fairness during the recurring point of purchasing insurance is an important issue yet to be explored.

There is insufficient research demonstrating the connection (if any) concerning the main theories of regulation and TCF. Available literature does not find evidence of the growing concept of TCF in the context of the three theories of regulation. Understanding how non-life insurance customers perceive TCF is also important.

According to Kimes and Wirtz (2003) as well as Nguyen, Li, and Chen (2012), firms treat customers through targeted marketing tactics. The benefit of understanding the customers' needs is that it results in better relationships between the buyer and seller (Kimes, 2002). Although treating customers equally may result in a positive outcome for firms. Firms sometimes use differential treatment towards their customers, which could cause different perceptions and unfairness among the customers. Therefore, according to Nguyen and Klaus (2013), focusing on fairness has been an increasingly important differentiator between companies.

Recognizing the importance of fairness perceptions in consumer behaviour, this research assesses TCF's role in shaping customer relationships within the non-life insurance market. The study specifically explores three research questions:

Research Question 1:

How do non-life consumers perceive fairness when renewing policies?

Research Question 2:

Based on whether customers have non-life insurance products, how do the TCF principles influence the customer’s purchase of non-life insurance products?

Research Question 3:

How do the TCF principles affect the consumers’ intention to purchase additional non-life insurance products?

1.6 Significance of the Study

South Africa has undergone significant regulatory changes that have impacted several industries in recent years. Starting in 2002, new regulations were enacted that drastically changed the way the financial industry was previously regulated. After 2002, stricter laws and regulations followed. Therefore, a constant tightening of regulations has become an integral part of the financial industry today. The aim of regulators in implementing such changes is to regulate the interaction of the various players with each other and with the public to ultimately protect the public (Lehmann, 2016).

According to Lehmann (2016), regulation aims to protect the public's interest. This view primarily relates to the regulatory theory known as “public interest theory” and is based on two key assumptions. First, free markets without oversight frequently fail due to monopolistic tendencies. Second, the theoretical premise suggests that state intervention can effectively correct these market failures through regulatory measures, assuming governmental competence and compassionate intent (Shleifer, 2005). Both these assumptions have been strongly questioned by other leading writers on regulation, such as Posner (1974) and Stigler (1971). Furthermore, this theory has also been criticised by Adams and Towers (1994) and Uche (2000), who argue that neither the public interest theory nor the other regulatory theories - capture theory and economic theory of regulation explain the rationale of regulation.

Unlike previous studies, this thesis reviews the three theoretical theories of regulation and seeks to reconcile them with the TCF concept. Additionally, the thesis evaluates how the TCF concept influences the customers’ perception of fairness.

This study makes a significant contribution to the insurance field in several ways. Firstly, the study contributes to current knowledge on the importance of regulation and the fair treatment of customers in the context of non-life insurance. The study highlights historical theories rooted in consumer protection and their connection to the current TCF regulatory framework. Secondly, the study helps non-life insurance practitioners better understand consumers’ perceptions of fair treatment when dealing with insurers. Finally, the study provides important insights into understanding customer behaviour within the product lifecycle, which influences the customer's decision for further interactions with the company. This depends on whether general insurance companies protect and treat the customer fairly.

CHAPTER 2: LITERATURE REVIEW

2.1 Theoretical Background

Regulation typically entails the involvement and enforcement of a government or governing body establishing the rules or standards to control or influence behaviour within a particular industry or sector.

Mathur (2001), highlights the importance of providing consumers with clear and understandable information about financial products. Therefore, the objective of financial regulation is multi-faceted, encompassing customer protection, financial institution stability, fairness, efficiency, and transparency within the financial industry. Ensuring a level playing field for both buyers and sellers, along with effective disclosure regulations, contributes to achieving these objectives (Botha & Makina, 2011).

The insurance industry has been highly regulated for centuries. This is evident in countries such as the United States and the United Kingdom. In America, the power to regulate the insurance sector is the responsibility of individual states (Webel & Cobb, 2005). However, the protection and fair treatment of customers are more recent regulatory functions. In the UK between 2001 and 2013, the regulatory oversight of the country's financial services industry was the responsibility of the Financial Services Authority (FSA), a quasi-judicial government agency, currently referred to as the Financial Conduct Authority (FCA) (Msimango, 2023). As outlined by Lanstra (2003), the FCA was established following the dissolution of the FSA, emerging as an independent regulatory entity operating independently of the U.K. government. The FCA was established by merging two existing authorities, known as the Twin Peaks Model, which comprises the Financial Conduct Authority (FCA) and the Bank of England's Prudential Regulation Authority (PRA). The FCA mandate was tasked with enhancing the financial markets' efficacy and integrity and protecting customers by promoting fair treatment and providing them with financial education to ensure they purchase the correct products from financial institutions. Over the years, the FCA has sought to rebuild customer confidence in financial services by pursuing initiatives that have established TCF as one of the biggest.

Following the UK's precedent, South Africa implemented the Twin Peaks regulatory framework in 2017. Following this implementation, the Financial Sector Regulatory Act of 2017 initiated a significant restructuring of South Africa's financial regulatory system. This led to the dissolution of the Financial Service Board (FSB) and the establishment of the Financial Sector Conduct Authority (FSCA), which commenced operations on April 1, 2018,

(National Government of South Africa, 2023). Msimango's (2023) analysis indicates that the transition from the FSB to the FSCA was defined by a deliberate narrowing of scope, establishing the new authority as a specialist body with a concentrated mandate on conduct regulation.

The transition from the FSB to the FSCA under the Financial Sector Regulation Act (2017) marked a shift from a compliance-focused paradigm to a more proactive, risk-informed conduct regime. TCF became a central tool in this regulatory transformation, enabling the FSCA to move away from detailed rule enforcement toward a model that holds firms accountable for the quality of customer experience. Recent research by Ingenbleek et al (2013) and Woker (2010) highlights both progress and persistent gaps in the implementation of TCF in South Africa, stating that while major insurers have integrated TCF into governance structures and product development processes, challenges remain in translating principles into consistent claims-handling practices, particularly in non-life insurance, where customer disputes and complaints remain high (FSCA, 2025).

Within this transformation, the TCF framework emerged as a pivotal mechanism, enabling regulators to transition from rule-based to principles-based financial regulation. Rather than imposing detailed rules for every customer interaction, TCF identifies six desired outcomes that reflect fairness throughout the product life cycle, from design and marketing to claims handling and complaint resolution (FSCA, 2025). The TCF framework, therefore, shifts the regulatory lens from inputs and processes to outcomes and culture, making it particularly significant in sectors like non-life insurance, where customer understanding is often low and interaction is limited until a claim arises.

According to Georgosouli (2008), the traditional paradigm of financial regulation was fundamentally rules-based, requiring firms to adhere to prescriptive legal requirements. This approach provided clarity and enforceability, making it easier for regulators to detect non-compliance and for firms to understand their obligations. However, rules-based systems have been criticised for promoting a tick-box culture that encourages minimal compliance rather than ethical conduct (Black, 2008). In contrast to the rule-based approach Schmulow (2022) argues that the principle-based regulation focuses on broad, outcome-oriented standards rather than specific rules. This allows for flexibility, enabling firms to tailor their conduct to suit different contexts while still aligning with regulatory objectives. This model demands that

firms demonstrate intentionality and cultural commitment to fair outcomes, rather than mere procedural compliance.

The implementation of both FSCA and FCA regulatory boards has greatly helped consumers within the financial sector by improving the transparency, accessibility of financial services, and fairness. Both regulators have worked to protect consumers from harmful practices within the financial sector. The regulators have also assisted with improving the customers' understanding of financial products and ensuring they can access the information and services they need to make informed decisions. By creating a more transparent, fair, and stable environment, regulators play a central role in promoting consumer confidence within the financial system.

In South Africa, the financial services industry is one of the most competitive financial services because of competition for market share. This means customers are not restricted in choosing financial service providers as the market has intense competition. Increasing competition between companies could have a negative impact on customers, as companies offer lower prices and services to grow their business, potentially leading to information asymmetry between providers and customers. This can lead to unfair treatment of customers and a decline in customer satisfaction. Luthuli (2015) notes that, as a dominant player in global finance, South Africa maintains particularly rigorous insurance regulations comparable to those set by international standards, such as those established by jurisdictions like the UK. These regulatory measures implement robust consumer protections and transparency requirements through multiple legislative instruments (Moodley, 2023).

Like other countries, South Africa has enforced and adapted acts that ensure customers' protection and fair treatment (Stoop, 2015). The consumer in the financial sector, specifically the insurance sector, is the most regulated of all the financial sectors in the world because, in the past, insurance consumers were not provided with enough information to adequately shop around for prices and appropriate coverages that best suited them. In addition, the bonding contracts provided to customers in the past within the industry were found to be complex and not easy to understand. This resulted in disadvantaged customers with complex policies (National Association of Insurance Commissioners & The Centre for Insurance Policy and Research, 2011).

Recent empirical studies Xin & Huang (2014), demonstrate uneven implementation across the insurance sector. While large insurers have successfully integrated TCF into governance

structures, smaller non-life insurers struggle with resource constraints. Most critically, FSCA (2025) market conduct reports reveal persistent gaps in claims handling, the very moment when consumers most acutely experience (un)fair treatment. Hawkins (2010) submits that the likelihood of customers moving away from an organisation is merely based on detecting the unfair treatment and poor performance. This shows that the customer as a buyer, borrower, and saver in the market is not just another link in the chain but plays a central role in the financial performance. Therefore, they can be impacted by ill-treatment (Chakrabarty, 2013). This paper examines the South African customer, highlighting the observations of Chakrabarty (2013) and Hawkins (2010) regarding the necessity of integrating TCF into the culture and overall operations of organisations, emphasising that the responsibility for enforcing market conduct should not rest exclusively with the financial regulator.

Despite understanding the importance of regulation and its role within the financial market, economists have created various ways of thinking about regulation using regulatory theories over the years. The debate has been about whether government intervention provides adequate consumer protection or if government involvement benefits the industry rather than the public. To obtain an understanding of this debate, three regulatory theories are discussed.

2.2 Regulatory Theories

2.2.1 Public Interest Theory

The public interest theory (PIT), referred to as the original theory by Posner (1974), explains that the fundamental objective of regulation is centred on safeguarding societal welfare and consumer interests (Uche, 2001). This is achieved by ensuring all customers have the information necessary to decide. The PIT relies on two assumptions: (1) unregulated markets frequently fail due to monopolistic practices or externalities, necessitating regulation to safeguard the public from monopolies and sectors that produce significant external costs or benefits; (2) governments possess the ability to rectify market failures through regulation by implementing laws and rules with industries (Shleifer, 2005). Intuitively, these two assumptions appear consistent with what the ordinary person would consider to be the necessity of regulation. Most people look to the government to correct any wrongs that may exist in markets or society. Many also view service providers, especially insurers, as schemers bent on taking their money, and they also believe that the government is the only institution capable of ensuring that this does not happen. From that perspective, the PIT resonates strongly with how

the ordinary person may view regulation and its objectives. Whether this perspective affects or influences the decision of consumers to buy things like insurance is unclear, and there is a dearth of literature on this point. This study seeks to contribute towards filling this gap.

As previously mentioned, the financial sector is one of the world's most contested and regulated sectors due to past market failures affecting its customers. The earlier development of PIT assumed that a market failure was sufficient to explain why government regulation is required to deal with market failures. With the introduction of regulation by the government and the role of PIT, it seems that the two co-exist, as both look to protect the public from market failures and improve economic performance (den Hertog, 2010).

Evidence of how government regulation benefits the public is seen through the global financial crisis of 2007-2008. During this time, governments introduced regulations to deal with market failures, where millions lost their jobs and homes; this was the most serious economic financial crisis since the Great Depression. Implementing regulation within the financial sector assisted the sector in avoiding further damage to individuals and the global economy. While reactive regulation after a financial crisis is necessary to address immediate threats and prevent further economic damage, it is insufficient to ensure long-term stability. It often focuses on repairing damage rather than preventing it in the first place. A balanced approach that combines proactive risk management with the ability to adapt after a crisis can more effectively ensure the financial system's resilience.

Like regulation, the PIT aims to protect the customer and the public at large; this theory stands out from the other two mainstream, the Capture Theory and Economic Theory, as the only one that supports this study, which focuses on the protection and fair treatment of customers dealing with non-life insurance companies.

The PIT, although it aligns with the study due to its qualities, this theory has been criticised by economists. Shleifer (2005) critiques the theory by stating that markets and private ordering may address market failures independently of government action or regulation. The economist further argues that the PIT neglects to acknowledge the ability of competition and private ordering to address alleged problems within the market. In addition, government regulators are corrupt, incompetent, and captured. The comments by Shleifer (2005) are noted. However, it is also true that legislation such as the Non-life Insurance Act 53 of 1998 and The Consumer Protection Act 68 of 2008, passed in South Africa has consumer protection provisions (National Government of South Africa, 2023). Furthermore, regulation profoundly and directly

impacts consumer purchasing decisions in the financial sector. Regulation safeguards clients by ensuring that financial goods are fair, transparent, and appropriate for their needs, thereby protecting them from harmful practices, empowering informed decision-making, and fostering trust in the market. When there is fairness, transparency, and accountability in insurance companies, customers have more confidence in purchasing insurance products, and this can significantly influence their decisions and choice of insurers and products purchased.

Hantke-Domans (2003) further criticises the PIT theory by questioning the validity of the theory, stating that there is a possibility that PIT does not exist. This is despite British and American law accepting PIT as a theory in the nineteenth century. Hantke-Domas (2003) states that no economic author has ever claimed intellectual control over the PIT, and no theory has been developed to support it. The economist continues to mention that the PIT has no known origin. This is despite some evidence, as shown in Posner's writing (1974), that PIT can be linked to welfare economists and the concept of market failure. In addition, with the introduction of the TCF framework, which is still currently applied in the market, traces of PIT can be seen, as both the theory and the framework were introduced to regulate how institutions conduct their day-to-day business with customers and to ensure fair treatment of customers and market efficiency.

Although Posner (1974) initially seems to support the PIT he also criticised the theory by pointing out that the PIT is unsatisfactory since it does not consider that there is much evidence that the undesirable outcomes of regulation for society are often designed by groups that were influential in drafting the legislation that creates the regulatory system. Like Posner (1974), Stigler (1971) initially mentions that regulatory agencies are intended for the protection and benefit of the public. However, this idea is soon rejected and replaced with the idea that regulation is purchased by industry, designed, and operated primarily for its benefit, which Stigler (1971) has stated to be the capture theory.

Although many economists have criticised the PIT, the theory is firmly rooted in consumer protection. For this reason, the researcher finds that the PIT can be effectively linked to the concept of TCF by reviewing the fair treatment of customers as an essential part of serving the public. TCF ensures that insurers act in ways that benefit customers and promote transparency, trust, and fairness, all of which are consistent with the goals of PIT. By linking theory to the concept, regulators can demonstrate that treating customers fairly is not just a matter of

business ethics but also a key element in promoting the public good and ensuring the integrity and stability of financial markets.

2.2.2 Capture Theory

The capture theory for this study will be discussed briefly to understand better why the theory does not apply and support this research.

This theory claims that regulation is predictably and routinely captured and controlled to serve the interest of the officials and legislators who write or control them or those who are supposed to be subject to them (Etzioni, 2009). The capture theory of regulation is not interested in public well-being but serves the interests of groups such as businesses and professionals. This is supported by Posner (1974). Posner (1974) outlines the capture theory in two distinct versions: the Marxist political economic perspective and the Muckraker investigative tradition, which, when explained, is the big business known as the capitalists' control of societal regulation. The latter is the political scientists' formulation; this version highlights the crucial role that special interest organisations play in shaping public policy.

Unlike the PIT, the capture theory is said to be a proven theory that has been discussed and criticised over the years by economists such as Stigler (1971) and the originator of the theory Posner (1974). Posner (1974) contends that the theory identifies specific interest groups, namely the regulated firms, as pivotal in the endeavour to shape regulation and forecasts a consistent pattern wherein the initial intent of a regulatory program is subsequently undermined by the actions of these interest groups

Adams and Tower (1994) elucidate that industry groups endeavour to influence the regulatory process. One such reason is the desire to prevent outside competition and new firms from entering the market. The capture theory focuses mainly on the interests and well-being of the regulated industry. The theory states that to reduce the likelihood of less effective groups, such as consumers facing disadvantages; the government ought to create a high-profile, well-financed, and politically autonomous board to oversee the industry like the FSCA in the South African context.

Integrating capture theory and fair treatment of customers could be difficult, as capture usually leads to policies that undermine consumer protection. However, perhaps more assertive and independent regulation that creates rules and enforces standards, such as consumer protection

laws and anti-capture policies, can help mitigate the influence of capture theory. Suppose companies know that regulators are actively working to prevent their influence. In that case, they may be more inclined to comply with customer fairness requirements, knowing there are consequences if they take advantage of customers.

2.2.3 Economic Theory

George Stigler (1971) introduced the economic theory of regulation. The economic theory of regulation is a refined version of the capture theory, which partly explains why the two theories are sometimes confused. The theory acknowledges the possibility of capture by interest groups rather than the regulated firms, and it posits that regulation is an economic good whose allocation is governed by the laws of supply and demand (Posner, 1974).

Stigler's (1971) study disputes the traditional public interest theory of regulation, which posits that government intervention principally corrects market failures. Instead, Stigler (1971) claims that regulatory frameworks are often co-opted by the industries they oversee, resulting in governance structures that primarily serve corporate interests rather than public interest. The observation made by Stigler is also illustrated in the study by den Hertog (2010) asserts that Stigler's foundational proposition maintains that regulatory frameworks are frequently secured through industry influence and subsequently formulated to serve corporate interests above public interest.

The mention of the economic theory being a rule makes a compelling argument that the economic theory may have more theoretical support than the PIT and capture theory. Stigler (1971) mentions that the economic theory is not perfect even though of all three theories of regulation by conventional measures, it has been the most successful in literature; this is seen through the work by Peltzman (1976) and Becker (1983).

The economic theory is founded on two significant and clear insights. The first type is coercive power, meaning the state possesses a core resource that it does not, in theory, share even with its most influential citizens. The manifestation of this power inside the economy might be perceived as a commodity whose distribution is governed by market forces of supply and demand (Posner, 1974). The second insight pertains to the theory of cartelisation, which explains the entry barriers faced by potential competitors. Stigler (1971) contends that businesses want regulatory bodies that enforce price limits within their industries, particularly when such bodies can be influenced to maintain prices above those of their competitors. In an

ideal market with perfect competition, it might be possible for fair treatment of customers to coincide with economic efficiency. This may be the case if firms compete by offering better products and services to their customers, leading to a more efficient allocation of resources. However, suppose companies mistreat customers by charging excessive prices or deceiving them. In that case, the market equilibrium is disturbed, leading to market failures such as monopolies or information asymmetries where the customer is exploited.

Many economists and scholars have praised the economic theory since its existence. However, even with the positive feedback relating to the theory, there is criticism surrounding what Stigler (1971) stated about the economic theory of regulation.

A study by Coglianese (2021) states that Stigler's work is one of the most influential political economy accounts of regulation. However, the theory has many apparent limitations. In the study, Coglianese outlines five core weaknesses relating to the theory, one of which is Stigler overclaims, the language used "as a rule, regulation is acquired by the industry and is designed and operated primarily for its benefit" (Stigler, 1971, p. 3). Using such forceful language begs whether the statement is true and can ultimately be challenged by others. Carrigan and Coglianese (2016) contends that the notion of business exerting a conflicting influence over regulatory policy is undermined by the ongoing and ineffective resistance by businesses against the implementation of expensive regulatory obligations. Furthermore, Carrigan and Coglianese (2016) assert that it is unjust to attribute to Stigler the bold assertion that regulatory capture occurs as "a rule," given the paper lacks evidence supporting the regularity of regulatory capture.

Carrigan and Coglianese (2016) observed through the statement "does not mean that every large industry can get what it wants or all that it wants" (Stigler, 1971, p. 11); this observation indicates that Stigler did not subscribe to the notion that all regulation is obtained by industry. This allows for his initial observation that regulation is obtained for the advantage of the general population. Although not investigated in the economic theory, it leaves the impression that it is possible, and that can be seen through the PIT.

Posner's (1974) study critiques the economic and public interest theories, stating that both theories have no substantial empirical support. Still, Posner states that both theories have not yet been refined to the point where one can generate hypotheses precisely to verify the theories through empirical observation. This leaves both theories open for additional analysis, from which this study tends to build.

Despite criticism of the economic theory, which does not advocate for the public interest, it remains regarded as the most effective framework for interpretative analysis and empirical study. According to Adams and Tower (1994), unlike the public interest theory's idealistic focus on welfare optimization, the economic theory grounds regulatory analysis in practical market mechanisms of supply and demand.

2.3 Treating Customers Fairly

TCF is not a new regulatory requirement that firms must follow to protect their customers from unfair treatment. The regulatory framework originates from the UK Policyholder's Act of 1975, which introduced principles of fair treatment for policyholders, along with the establishment of Self-Regulatory Organisations (SROs) and the Securities and Investment Board (SIB), these entities are tasked with ensuring investor protection by offering principles, guidance, and rules regarding the conduct of business under the Financial Services Act 1986. These rules were implemented as part of a system in the customer's interest, focusing on the suitability of products aligned to the customer's needs, treatment of risk, and information disclosure, particularly at the point of sale (Georgosouli, 2011). Therefore, TCF can be understood to be a concept that ensures that companies prioritise their customers' interests, needs, and rights when providing products and services. It also aims to ensure that customers are not exploited or taken advantage of. The fair treatment of customers goes beyond compliance with legal requirements and should be based on ethical principles, transparency, and honesty.

As previously mentioned, the UK financial services sector was the first to implement a rational approach to understanding customers' legal needs and rights through a TCF policy. TCF was initially introduced in the 1990s by the UK's Financial Services Association (FSA), which is now known as the Financial Conduct Authority (FCA). This practice was later adopted in many countries worldwide, including South Africa. Some have argued that this development came from many customers being exploited by dishonest and/or ineffective financial, insurance, and credit market operators (Hogan Lovells, 2016).

Hogan Lovells (2016) argues that financial sectors must be well-regulated and stable, to prevent customers from being ill-treated and abused by firms that charge excessive fees and sell or design products unsuitable for their needs. Economists Millard and Maholo (2016)

demonstrate that TCF principles are a crucial component of the Twin Peaks model, serving as a vital tool for maintaining high standards of financial consumer protection.

The conceptual foundations of the Twin Peaks regulatory framework date back to Michael Taylor's 1994 policy paper, which was developed for the Centre for the Study of Financial Innovation. Originally, this model centred on restructuring the Bank of England's supervisory functions. The model soon became one that was adopted across the globe, including in South Africa (Schmulow, 2018). South Africa implemented the Twin Peaks regulatory framework in 2017 following its formal adoption through National Treasury policy directives. The Twin Peaks framework structurally divides regulatory oversight between two distinct entities: the Prudential Regulatory Authority (PRA), responsible for financial stability, and the Financial Sector Conduct Authority (FSCA), which oversees market conduct. Both the PRA and FSCA were given equal weight to ensure that consumer protection and market integrity are adequately prioritised and not regularly regarded as subordinate to prudential considerations(Goodspeed, 2013). In essence, the adoption of the Twin Peak Model aims to enhance customer protection by addressing the safety and soundness of financial institutions through prudential regulation and how institutions interact with customers through conduct regulation. By splitting these responsibilities into two distinct areas of focus, the model ensures that customer protection is holistic, addressing both the financial stability and the ethical treatment of customers.

At face value, a relationship exists between PIT and the TCF. PIT is a historical mainstream theory with no practical evidence as to whether it is true or works, but it has been made clear that the main purpose of the theory is to prove that regulatory implementation is in the interest of the public, not the industry (Posner, 1974). TCF, on the other hand, is a regulatory framework implemented in the financial service sector to regulate the way business is conducted with customers to ensure fair treatment, public awareness, and general market confidence throughout all phases of the product life cycle (Edwards, 2006). Their similarities are that the TCF concept and the PIT theory are both frameworks aimed at promoting ethical practices and protecting the public. There are, however, differences; TCF focuses on ensuring that companies treat their customers fairly and provide transparent services. Whereas the PIT is about ensuring that the law and regulations serve the greater good of society.

According to the FCA Handbook (2022), TCF is fundamentally rooted in the FCA's eleven fundamental requirements for regulated entities, specifically principle 6, which is Consumers' Interest: "A firm must pay due regard to the interest of its customers and treat them fairly"

(Financial Conduct Authority, 2023, p. 2). The regulatory framework, according to Black (2009), is generally described as principle-based regulation, indicating that regulators are shifting from dependence on detailed rule-based regulations to more broadly stated and high-level principles that provide the criteria by which regulated entities must operate their companies. This ensures that customers are treated fairly throughout their product life cycle.

Safeguarding consumer interests constitutes one of the four legislatively mandated priorities for South Africa's Financial Sector Conduct Authority (FSCA). Within the FSCA, the regulatory framework of TCF is present to ensure the common rights and responsibilities of both firms and customers. This assists in helping managers and organisations to independently determine which operational protocols best ensure fair client treatment. Financial institutions must achieve six specified outcomes, including the requirement to deliver clear and comprehensible information to consumers. The following six key objectives must be achieved by firms: (1) Customers should trust that the companies they deal with place fair treatment at the core of their business values; (2) Retail products and services should be designed to meet the needs of specific consumer groups and promoted in a way that reflects this; (3) Buyers must be given clear and sufficient information before, during, and after purchasing; (4) Any advice provided should be appropriate and consider the individual's situation; (5) Products should function as promised, with service quality matching customer expectations; (6) There should be no unreasonable barriers preventing consumers from switching providers, making changes, submitting claims, or raising complaints after purchase (Georgosouli, 2011, p. 412).

What constitutes fairness has not been evident over the years, especially in the context of TCF. However, Bolton, Warlop, and Alba (2003, p. 474) define fairness as "a judgment of whether an outcome and/or the process to reach an outcome is reasonable, acceptable, or just." According to Fleisher (2021), fairness is predicated on the principle of similar treatment that individuals who are alike should receive like treatment.

Considering the two definitions, fairness, in short, means treating customers equally or in a proper manner and without favouritism or discrimination.

Consumer behaviour encompasses the decision-making patterns individuals employ when selecting suppliers, products, and purchasing methods to fulfil their personal requirements and desires (Stávková, Toufarová, & Stejskal, 2008).

According to Nguyen and Klaus (2013), fairness has received significant attention in consumer behaviour research. They explain the importance of understanding fairness in terms of

customer benefits, as it enables firms to recognize unfairness and its impact on consumer behaviour. As a result, understanding fairness plays a critical role in shaping customer behaviour and perception, driving important actions such as repeat purchases, loyalty, word-of-mouth, and trust. Suppose a customer feels they are being treated fairly through transparent pricing. In that case, those with good customer service or ethical business practices are more likely to engage positively and remain loyal to the business. In contrast, perceived unfairness can lead to negative customer behaviour, including negative reviews and loss of trust. Therefore, fair treatment is not just a moral or ethical decision but an important factor for business success and long-term customer relationships.

Stávková et al (2008) identifies three factors that influence the customer's behaviour: (1) Personal factors, which are factors such as age, gender, occupation, etc, which are unique from one individual to the next; (2) Psychological Factors refers to one's perception, personality, skills, and knowledge; (3) Social Factors also referred to Situational factors can notably influence one's purchase decision, such as the physical or social environment. In addition, a study by Stávková et al., (2008), Singh (2010) identifies a fourth factor called Culture that influences consumer behaviour, which refers to one's values, beliefs, and customs within society.

Based on the above six factors, one can establish a connection between the three factors influencing a customer's behaviour and the 6 TCF outcomes. TCF is one of the most impactful ways to shape customer behaviour. When customers feel respected, valued, and treated with honesty and transparency, they are more likely to recommend products and services and make repeat purchases or remain loyal to a specific brand or company. Therefore, understanding customers' behaviour is important because companies use customer information to market their products.

Around the world, the TCF framework is a requirement by all financial sector firms at present; however, the framework has not always been favoured specifically since the FCA initially introduced it. Some firms deemed TCF as an additional rule, over and above those contained in the FAIS Act. The FAIS Act mandates that advisers and intermediaries comply with the General Code of Conduct (GCC). McMillan (2012) critiqued the framework in his article, stating that TCF is structured on six regulatory outcomes, which could quickly become a tick box for firms. Furthermore, McMillan (2012) mentions that many industry participants have moved from the day-to-day client-facing tasks and responsibilities to how firms keep track of

how customers are being treated. Given the comments by McMillan (2012) about firms seeing TCF as an additional task and tick box, further questions arise regarding how customers perceive fair treatment.

Contrary to the criticisms made by McMillan (2012), the Financial Sector Conduct Authority (FSCA, 2025) has demonstrated a strengthened commitment to enforcing TCF principles. Recent enforcement actions, including the public censure of non-compliant firms, signify a notable escalation in the regulator's approach to ensuring market adherence. This heightened scrutiny is particularly critical given the rise of fintech within the insurance sector in South Africa, which has prompted growing examination of whether digital services maintain fairness, especially concerning the clarity of terms and conditions (Lamola, 2023). In the evolving landscape, the FSCA (2024) emphasises that financial institutions must identify vulnerable customers and potential risks affecting their engagement with the sector, mandating appropriate measures to ensure fair treatment. Consequently, amongst South Africa's ongoing economic challenges, the non-life insurance sector is under increased pressure to implement robust protections for these vulnerable consumers.

2.4 Hypothesis Development

According to a study by Millard and Maholo (2016), it is important that the financial service sector is well-regulated and stable to prevent customers from being ill-treated and abused by the industry. The 6 TCF principles were implemented to improve customer outcomes, promote behaviour, and rebuild trust within the financial services sector.

Based on the reasons behind implementing the TCF principles, this study will evaluate the six TCF principles against the customer's perception of fairness, which will ultimately positively or negatively impact the customer's purchase decision and/or intention to purchase additional insurance.

2.4.1 TCF 1_Principle of Culture and Governance & Customer Perception of fairness

Williams (2022) explains that the success or failure of an organisation is driven by its culture and governance. The culture shapes an organisation's employee behaviour and influences the company's performance, whereas the company's governance provides the organisation with rules, laws, and structures that must be followed.

The principle of culture and governance ensures that customers are confident dealing with companies where treating them fairly is central to the corporate culture (FSCA, 2025). This indicates that an organization with a strong ethical culture and effective governance can create an environment that fosters customer perception of fairness, ultimately improving customer loyalty and trust. Therefore, we hypothesize that Culture and Governance will likely influence the customer's perception of fairness, leading to customers purchasing non-life insurance products.

H1: The principle of Culture and Governance positively relates to customers' perception of fairness and purchase intention.

2.4.2 TCF 2_Principle of Product Suitability & Customer Perception of fairness

Product suitability refers to how well an organisation's offerings match the customer's specific financial needs, goals, risk tolerance, financial requirements, and level of experience or knowledge (Dvara Research, 2012).

Given the definition of product suitability, the principle of product suitability can be understood to emphasize the importance that products and services provided and marketed by organisations are designed to meet the customer's needs, goals, and circumstances (Chugh, Raghavan, & Singh, 2019). Therefore, when an insurer ensures that products suit the client, it can significantly enhance the customer's perception of fairness. Hence, we hypothesize that if the product suits the customer's needs, there is a positive relation between product suitability and the customers' perception of fairness.

H2: The principle of Product Suitability positively relates to customers' perception of fairness and purchase intention.

2.4.3 TCF 3_Principle of Disclosure & Customer Perception of fairness

Disclosure of information to customers is crucial to the customer's perception of fairness. The dictionary definition of "disclosure" is to reveal or make known all information (Oxford English Dictionary, 2025).

The principle of disclosure guarantees that customers receive clear, accurate, and comprehensive information, keeping them adequately informed about products and services before, during, and after the transaction. (FSCA, 2025). This guarantees that customers are

consistently informed prior to making a transaction, allowing them to understand the risks, costs, terms and conditions, and benefits.

Therefore, if an organisation provides customers with all the necessary information to make an informed decision, the customer is more likely to perceive the company as fair and trust the company. We, consequently, hypothesize that the principle of disclosure will positively influence the customers' perception of fairness.

H3: The principle of Product Disclosure positively relates to customers' perception of fairness and purchase intention.

2.4.4 TCF 4_Principle of Suitable Advice and Service Expectations & Customer Perception of fairness

The principle of suitable advice speaks to making sure that where advice is provided to a customer, that advice is suitable and considers the customer's circumstances (Georgosouli, 2011). The advice provided to customers can be helpful or harmful; Inderst and Ottaviani (2012) argue that conflict of interest can occur within an organisation, which could transform advice into a negative experience for customers instead of helping them, mainly when customers are not careful or aware of the potential issues. As a result, insurers must ensure that the advice provided to customers is personalised and considers the customers' expectations and risks, as this has the potential to impact the customers' perception of fair treatment. By ensuring that the advice is appropriate, insurers can build trust and loyalty with their customers, resulting in customer satisfaction and the purchase of their products. Therefore, we hypothesize that suitable advice will influence customers' perception of fairness in a positive way.

H4: The principle of Suitable Advice positively relates to customers' perception of fairness and purchase intention.

2.4.5 TCF 5_Principle of Performance and Service Expectations & Customer Perception of fairness

The financial sector is required to ensure that the principles of TCF are adopted and implemented to ensure there is fair treatment of customers within the sector (FSCA, 2025). The principle of performance and service expresses that "customers are to be provided with products that perform as companies have led them to expect, and that the associated service is both of an acceptable standard as they have been led to expect." (Georgosouli, 2011, p. 412).

Parasuraman, Leonard, and Ziethaml (1991) state that understanding customers' expectations is essential for providing exceptional service, as customers often evaluate their perceptions against their expectations when selecting a product or service. This shows the importance of having service expectations, and performance aligning with the customers' perception of fairness, as this results in customers feeling that the service and product meet their needs and expectations, which will lead to customers feeling satisfied and purchasing products. Therefore, it can be hypothesised that a company's performance and service expectations will influence the customers' perception of fairness and intention to purchase positively.

H5: The principle of Performance and Service Expectations has a positive relation to customers' perception of fairness and purchase intention

2.4.6 TCF 6_Principle of No Unreasonable Post-Sale Barriers & Customer Perception of fairness

According to the FSCA study (2025), principle 5 emphasises the necessity for the financial sector to guarantee that clients encounter no unjust post-contract obstacles when altering the acquired product, changing providers, or filing a complaint.

Research by Stauss and Schoeler (2004) highlights the significance of claims and complaints management for organisations in a competitive market. The authors assert that most disgruntled customers refrain from lodging complaints, leading to substantial financial losses and reputational risks for companies due to service failures. It was additionally discovered that consumers who receive satisfactory resolutions to service issues demonstrate greater loyalty and are more likely to advocate for their current provider. Luthuli (2015) points out that there is evidence that within the financial sector, companies are neglecting to ensure that complaints are handled fairly. This will, in turn, negatively influence customer perception of fairness and purchase intention.

However, if there are no unreasonable post-sale barriers such as excessive penalties or unexplained terms and conditions in the policy, customers should feel fairly treated and satisfied. Therefore, we hypothesize that if there are no unreasonable post-sale barriers, a positive influence is possible on the customer perception of fairness and/or purchase intention.

H6: The principle of No Unreasonable Post-Sale Barriers has a positive relation to customers' perception of fairness and purchase intention

2.5 Conclusion

Given the foregoing, one may conclude that TCF is a standalone construct. Its connection to the mainstream theories of regulation is subject to argumentation. That said, the PIT theory appears to be the closest to the TCF construct since they share the same focus: the protection of the customer. However, the extent to which TCF influences consumer choices and decisions is unclear. This study seeks to contribute to that regard.

CHAPTER 3: METHODOLOGY

3.1 Research Design

David (2001) submits that research design constitutes the systematic framework and methodological plan researchers employ to integrate study elements while comprehensively addressing the investigation's core questions. A study's design dictates the systematic approach for gathering, quantifying, and making sense of research data. Moissenko et al. (2015) state that research methodologies fundamentally divide into numerical (Quantitative) and non-numerical (Qualitative) approaches. Quantitative studies systematically process countable data through mathematical models to reveal correlations and verify predictions, whereas qualitative explorations interpret symbolic representations through thematic analysis to uncover meanings and experiences (Mcleod, 2023).

The study seeks to examine the consumers' perception towards (un) fairness practices within the non-life insurance sector using the six TCF principles. The research design outlines a detailed plan for experimental testing, and the hypotheses are outlined as correlations and regression analysis (Zimmerman, Zumbo, & Williams, 2003). This study employed statistical analysis to evaluate customers' fairness perceptions and examine intervariable correlations such as cultural governance, product development, information transparency, suitable advice, product performance and standards, claims grievances, and modifications (Financial Conduct Authority, 2023).

3.2 Research Paradigm

Philosopher Thomas Kuhn defines the term paradigm as a conceptual framework for thought (Kuhn, 1962). Research paradigm reflects the researchers' beliefs about the world and how they see and interpret the world (Kivunja & Kuyini, 2017). Research paradigms can be categorized into three principal philosophical traditions: the positivist, interpretivist, and pragmatist. Each type of research paradigm consists of three components: ontology, epistemology, and methodology.

According to Rehman and Alharthi's (2016) analysis, the positivist paradigm operates on the premise that an objective reality exists external to human perception, which can be empirically validated through systematic experimentation. Positivist ontology adheres to a realist perspective, maintaining belief in a singular, objective reality. The epistemological position of

positivists is that of objectivism, meaning that the researcher is independent and separated from the research and the study's objective. The positivist methodology relies greatly on experimentation. Hypotheses are designed to test the causal relation between a phenomenon. Empirical evidence is then gathered, analysed, and formulated to explain the connections among multiple variables. The manner of analysing data is deductive in nature. Positivist research often generates numerical data, suggesting that this paradigm best suits quantitative studies (Rehman & Alharthi, 2016).

Rehman and Alharthi (2016) explain interpretivism as the converse of positivism; interpretivism rejects the idea that there is a single reality. The interpretive ontology is anti-foundationalist, meaning that it refuses to adopt identical standards by which truth can be entirely known. Instead, interpretivists believe there are multiple realities, meaning that reality and truth are constructed rather than uncovered by the researcher. Interpretive epistemology relates to the researcher not being independent of what is being researched. Interpretive epistemology argues that external realities cannot be directly accessible to researchers without interfering with worldviews, backgrounds, and concepts. Regarding interpretive methodology, social phenomena must be understood through the participants of the researcher's view rather than the researchers themselves. The collection of data is typically through a qualitative method using an inductive approach rather than a deductive approach, from participants over an extended period by using open-ended interviews and questionnaires (Rehman & Alharthi, 2016)

Siegfried (2017) posits that pragmatism pertains to the philosophical framework that assesses theories or beliefs based on the success of their practical application. Pragmatist researchers do not commit to one reality or system of obtaining information. The researcher examines what works at the time of the research and where they wish to direct it. This research approach aligns with qualitative interpretive traditions that examine socially constructed realities, emphasizing how practical applications shape the significance of findings. Methodologically, it requires researchers to navigate complex, evolving organizational systems, where carefully designed interventions may manifest differently across contexts and time frames. The pragmatic paradigm acknowledges varying perceptions of change among social actors, necessitating adaptable research strategies (Kelly & Cordeiro, 2020).

By understanding the three paradigms, this research focuses on consumers' perception of (un) fairness within the non-life insurance industry. The research uses the positivist paradigm. This

paradigm is driven by the ideology that there is one reality; the researcher is independent of what is being researched, and a hypothesis is drawn through gathering, analysing, and formulating the data obtained to demonstrate how explanatory variables influence response variables. Using a positivist paradigm provides a basis for this quantitative study and helps establish causal relationships and test the hypothesis.

3.3 Target Population and Demographics

Banerjee and Chaudhury (2010) define the target population as individuals from which the sample of participants has been appropriately selected for the research. Du Plooy (2009) states that the following factors must be addressed while assessing the research population: organisations, groups of people, individuals, and relationships.

This research targeted the population of non-life insurance customers who live in Johannesburg, South Africa. The respondents were over 19 years old but not older than 65 years. This population was chosen due to the limitations imposed by the Protection of Personal Information Act 2013 (POPI) (South African Government, 2023). From the data released by Stats SA (2023), most people living in Gauteng Province, stay in Johannesburg which has a population of approximately 6.2 million as compared to other cities such as the city of Tshwane with 2.9 million people.

Johannesburg is the headquarters of most of the leading insurance companies in South Africa, such as Santam, Guardrisk, OUTsurance Old Mutual, and Hollard, to name a few (Atlas Magazine , 2023). In Johannesburg, the target population consists of customers who have non-life insurance policies with any non-life insurer. The policies could range from cover for vehicles, property, household content, personal liability, all risks cover, or other types of non-life policies (Santam, 2023). The study's conduct within the non-life insurance sector allows the researcher to explore fairness in a natural and realistic setting.

3.4 Sampling Techniques

This research collected data from customers with active or inactive non-life insurance policies living in Johannesburg. Data was collected to obtain the consumers' opinions about their financial literacy and how such knowledge may influence their perception and purchase intentions for non-life insurance products.

The use of a sampling technique was deemed to be the most feasible way to conduct the study. A sample is a group of people chosen from a large population to participate in the research (Mugo, 2002). Research methodologies employ either probability sampling (where selection likelihoods are quantifiable and often equal) or non-probability sampling (where selection chances remain undefined) (Sharma, 2017).

This study employs non-probability sampling techniques, specifically utilising four distinct methods: quota-based selection, purposive participant identification, voluntary self-selection, and snowball referral sampling. (Sharma, 2017). Considering the study's objectives, purposive and snowball sampling methods were the most appropriate among non-random selection techniques. The study employed purposive sampling to enable targeted selection of participants based on specific research criteria. Purposive sampling can be limited to whom the researcher selects. Therefore, the researcher must also employ the snowball sampling technique, as the selection process is conducted through the networks of the participants. This sampling is useful when the researcher knows little about the group to be observed, and the contact with a few people leads the researcher to other groups of individuals. Therefore, for this study, purposive or snowball sampling is more effective given that the study is targeting a specific group of individuals who have direct experience with insurance products and claims. The purposive or snowball sampling methods ensure the sample includes relevant respondents who can provide accurate and meaningful data on the variables being studied (e.g., customer satisfaction, purchase intention). While these techniques may limit generalisability, they are valuable for obtaining focused, reliable insights within a defined segment of the non-life insurance sector, especially when a sampling frame is unavailable or incomplete.

3.5 Sampling Size

Data is collected from a large sample size, which is the total number of completed participants the survey receives (Bhalerao & Kadam, 2010). For this study size was 241 respondents living in Johannesburg with one or more active or inactive non-life insurance policies with any non-life insurer.

3.6 Data Collection

Empirical research utilizes two distinct data types: primary data which is the original data collected by the researcher, and secondary data refers to existing data repurposed from prior studies for new investigations (Hox & Boeije, 2005). Primary data is collected for this study because the researcher has the advantage of having substantial control over the procedure and design, which will lead to a result of the experiment with random interpretation. In addition, primary data is collected because the information on the factors to be considered is not publicly available.

Hox and Boeije (2005) mention several different data collection strategies for quantitative research. One is surveys, which were used for data collection in this research. The questionnaire consisted of structured online questions. One of the reasons for using this type of data collection is that questionnaire research is a cost-effective, less time-consuming form for collecting data, and questionnaires allow for extensive population-based data collection (Ponto, 2015). In addition, questionnaires can provide information that can be generalised to a population. This means that the knowledge gained from the sample size can be applied to everyone (van Holm, 2021).

Participants were emailed a link inviting them to participate in the survey. In the email, participants were informed of the study's purpose and provided with an explanation. Some individuals who received the link were already known to the researcher; others were recruited through referrals and participated randomly after volunteering for the research. The Qualtrics platform was used to create the online questionnaire, along with a unique link to prevent duplication of results. The link was circulated electronically through email and popular social media platforms, including LinkedIn, Facebook, and WhatsApp, to reach more respondents within the targeted sample with almost real-time results. A protected web address was created, guiding respondents to the organised survey instrument for completion and electronic submission.

The digital survey methodology offered significant advantages for data collection and analysis, as it has a high chance of increasing the response rate, as triggered reminders can be automated for the targeted sample. As opposed to paper-based questionnaires, the respondents had the convenience of filling out the questionnaire at any time convenient to them without having to fill lots of papers and losing the research questionnaire.

3.7 Data Collection Instruments

The questionnaires presented to participants had three sections (Sections A, B, and C). The researcher used existing research tools from a study by Luthuli (2015) and built on these existing tools.

Section A of the questionnaire collected demographic information about each participant, consisting of gender, age, ethnicity, etc. Section B measured the six TCF constructs; each of the six constructs consists of five questions relating to each of the 6 TCF principles (the principle of culture and governance, the principle of product suitability, the principle of disclosure, the principle of suitable advice, and the principle of no unreasonable post-sale barriers) (Financial Conduct Authority, 2023).

Section C consisted of questions about how consumers' perception of fairness affects their decision to buy an insurance policy.

A 5-point Likert interval scale was used under sections B and C of the questionnaire as a data collection instrument adopted from Luthuli (2015). A Likert scale, according to Nikolopoulou and Bhandari (2020), is a rating scale used to measure behaviour, opinions, and attitudes. The advantage of using a 5-point Likert scale is that it is skilled at capturing the level of agreement or disagreement of individuals regarding the topic more nuancedly. However, the disadvantage of using this instrument is that it is prone to response bias, where individuals may agree or disagree with all the questions presented due to social desirability or fatigue (Nikolopoulou & Bhandari, 2020).

The questionnaires were rated numerically from 1 to 5 using the Likert scale, with 1 indicating strong disagreement, 2 indicating disagreement, 3 indicating neutrality, 4 indicating agreement, and 5 indicating strong agreement.

3.8 Data Analysis

Data analysis provides insights into trends, relationships, and underlying patterns of the data (Albers, 2017). This study employed a path analysis through hypothesis testing to investigate the relationship between the 6 TCF principles and consumer purchase behaviour of insurance products. The software used in the research is the IBM Statistical Package for the Social Sciences (SPSS). This software provides researchers with advanced statistical analysis, text

analysis, open-source extensibility, and seamless integration with big data. The reason for the use of this software is due to flexibility, accessibility to users, and scalability (IBM, 2023).

Keeping in mind the six TCF outcomes and their influence on the non-life insurance consumer. This research consists of three objectives. Each objective will be measured using different statistical techniques. The first objective of this study is to explore non-life insurance consumers' perspectives on fairness. Descriptive statistics is used for this objective. Descriptive statistics provide a comprehensive overview of the sample characteristics, deliberately avoiding probabilistic inferences or interpretations (Kaliyadan & Kulkarni, 2019). The second objective was to determine whether customers have non-life insurance products and how the TCF principles influence consumers' purchase of non-life insurance products. This study made use of logistic regression to meet the second objective. As a statistical approach, logistic regression analyses the association between explanatory factors and a binary response variable (Ranganathan, Pramesh, & Aggarwal, 2017). The third objective was to evaluate the intention of non-life customers when purchasing additional insurance products. The statistical analysis used for objective three is the Structural Equation Model (SEM). Employing SEM provides multiple benefits for testing theoretical frameworks with empirical data. Additionally, SEM is beneficial as it relies on several fundamental statistical assumptions to ensure valid results. A study by Beharelle and Small (2015) reveals some of the statistical assumptions; first is the multivariate normality which is essential when using maximum likelihood estimation, requiring the data to follow a normal distribution pattern. Second, the methodology assumes linear relationships between all variables in the specified model. Third, the analysis presumes the absence of multicollinearity among predictor variables, as high intercorrelations can significantly distort path coefficient estimates. Fourth, SEM requires an adequate sample size, with conventional guidelines suggesting 10-20 cases per estimated parameter to achieve stable results. Finally, while SEM primarily analyses continuous variables, robust estimation methods can accommodate categorical data through appropriate model specifications. These assumptions collectively form the foundation for proper SEM implementation and interpretation, with violations potentially compromising the validity of model fit indices and parameter estimates. Therefore, SEM allows the researcher to identify directionality in the influence of activity from one region to the next. Structural equation modelling further enables investigators to validate hypothetical frameworks examining interconnected relationships between regional factors, thereby strengthening the study's theoretical foundations

3.9 Validity and Reliability

The concepts of validity and reliability are used in research to assess the quality of the research conducted. The two concepts allow the researcher to indicate how well a technique and measurement of something is. Validity pertains to the accuracy of results, while reliability relates to the constancy of such results (Middelton, 2019). Before proceeding with full-scale data collection, the researcher carried out a preliminary pilot study involving a small group of participants (fewer than five) to assess the reliability and validity of the research design. The purpose of this trial run was to ensure the questionnaire was both clear and effective in gathering meaningful responses. By conducting this pilot test, the researcher aimed to verify whether the collected data would adequately address the study's objectives and research questions. Additionally, a small-scale pilot test was conducted to assess whether participants comprehended the questions in the way the researcher intended. This step ensured clarity and accuracy in data collection. If issues are identified during the pilot study, the researcher can adjust or add to the questionnaire design before launching the final version.

The standardised and unstandardised regression coefficients were used to display the unstandardised regression coefficients and indicate the extent to which the dependent variable changes by one unit for each change in the predicting variable. Like a study by Chan and Idris (2017), this study uses the Exploratory Factor Analysis (EFA) to assess the validity of the constructs, while the Cronbach's Alpha (Cα) composite reliability and average variance extracted are used to evaluate the reliability of the study.

3.10 Ethical Considerations

Maintaining ethical awareness constitutes a fundamental aspect of scholarly investigation, safeguarding participant rights throughout the research process (Saunders & Lewis, 2012). Before the research study could commence, an ethics clearance certificate with protocol number H24/04/29 was obtained through Witwatersrand University Business School.

Ethical research practices were prioritized by implementing anonymized survey responses, where all survey response data were immediately anonymized through the replacement of personal identification with unique codes, aggregation of demographic details to prevent identification, and systematic redaction of potentially identifiable information. Concerning secure data management, the researcher established strict access controls limiting raw data to the primary researcher only. In addition, rigorous data management protocols were enforced,

including restricted access to unprocessed data, encrypted digital storage, and safeguards to minimize risks during participant interactions.

The study implemented robust safeguards to minimise potential physical or psychological harm to respondents. Clear protocols were established for all research interactions, emphasizing three key protections: (1) absolute confidentiality of personal information through comprehensive anonymization of all collected data; (2) guaranteed anonymity in research outputs, with all identifiable details removed before analysis; and (3) explicit assurance of voluntary participation, including the right to withdraw at any stage without penalty or consequence. Participants received detailed advice outlining these protections before providing informed consent, ensuring transparency about their rights throughout the research process. These measures were designed to create a secure research environment while maintaining ethical standards and participant wellbeing.

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3.11 Conclusion

The research design section elucidates the study's structural components, including its epistemological orientation, sampling methodology, target population parameters, instrumentation protocols, and analytical processes featuring Likert-scale measurements. These methodological selections were rigorously evaluated for their appropriateness, ensuring both measurement accuracy and consistency.

CHAPTER 4: PRESENTATION AND ANALYSIS OF RESULTS

4.1 Research Setting and Data Collection

The study explored how the TCF principles influence the customers' perception of (un)fairness within the non-life insurance sector. The study highlights the understanding of the customers' perception of fairness and how this affects their buying of non-life products. It is important to note that a customer's perception of something can be influenced by a variety of factors, both external and internal. Such as level of education, country's economic landscape, income earned, and employment level.

The research employed a quantitative design, utilising an online survey to collect data from individual participants. The questionnaire was hosted on Qualtrics, a data collection platform, and was distributed among potential respondents who wished to participate in the research. The online questionnaire link was shared via email and on various online platforms, including LinkedIn, Facebook, and WhatsApp, to reach a broader audience within the target sample. The survey was structured to be completed within approximately 15 minutes. Its questions aimed to assess customer perceptions of fairness based on the six Treating Customers Fairly (TCF) principles established by the Financial Conduct Authority (2023). These principles include Culture and Governance (TCF1), Product Suitability (TCF2), Disclosure (TCF3), Suitable Advice (TCF4), Performance and Service Standards (TCF5), and Post-Sale Accessibility (TCF6). The last section of the questionnaire assessed the purchase intention of non-life insurance customers.

The questionnaire's cover page outlined the study's purpose, and participants were solicited to participate voluntarily. Participants had been advised that there were no correct or incorrect responses and that their responses would be kept private and anonymous. A cross-sectional approach was used to collect data. Through the online survey, 302 respondents clicked or completed the survey. However, only 241 compelling cases were retained for data analysis after excluding incomplete and irrelevant responses. 241 overall respondents, representing a response rate of 79.80%.

4.2 Demographics

(i) Gender

The gender distribution data shows that out of a total of 241 individuals; there are 102 males and 139 females. This represents 42.3% males and 57.7% females.

From the pie chart, we can infer that the female group is larger than the male group, making up more than half of the total population. The difference between the two groups is 37 individuals, meaning there are more females than males in this dataset. The proportion of females is approximately 1.36 times that of males, indicating a higher female representation. According to Stats SA (2023), the South African population consisted of 51.1% females compared to 48.9% males; this could be why more females than males completed the survey. Additionally, the higher completion rate of females could be driven by the study suggesting that females are more risk-averse than males.

The gender distribution implies that insurance companies may adjust marketing strategies to appeal more to women, emphasising financial security, family protection, and long-term savings.

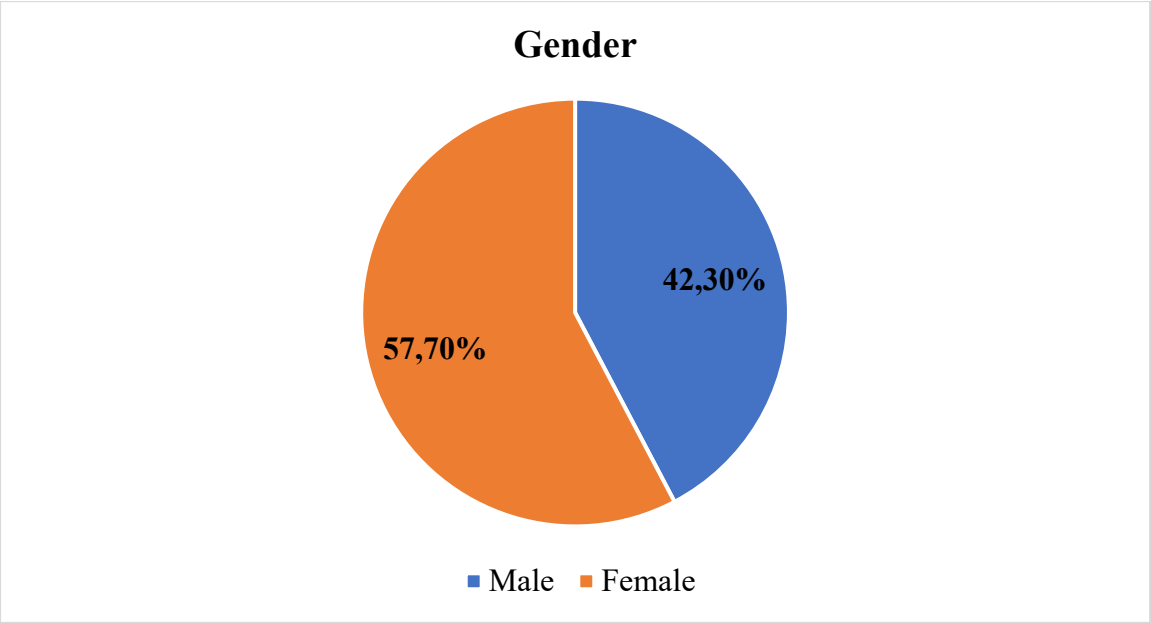


Figure 1 Gender

(ii) Age Group

The sample population (N=241) was stratified across five distinct age cohorts: young adults (19-30 years), early-career professionals (31-40 years), mid-career individuals (41-50 years), late-career workers (51-60 years), and pre-retirement adults (61-65 years).

According to the respondents' age, the largest group, comprising half the population, consists of 121 individuals (50.2%), who are within the 31-40 years age bracket. This indicates that most respondents fall within the early to mid-adulthood or early-career professional category, often associated with significant life changes and developments. The second-largest respondents, making up over one-fifth of the population, were between the age bracket of 41-50 years, with 51 individuals (21.2%). This is followed by the age bracket of 19–30 years, representing 47 individuals (19.5%), which corresponds to the young adult group. This group makes up nearly one-fifth of the total population. The age bracket of 51-60 years represented the second-lowest age group, accounting for 21.2%, which is less than one-tenth of the total population. The age bracket with the fewest respondents was 61-65 years, representing two individuals (0.8%), which makes up less than 1% of the total population.

It is observed that the 19-30 years and 41-50 age groups together account for 40.7%, making them the next most represented. The older age groups (51-60 and 61-65) are much smaller, together forming only 9.1% of the population. This suggests that the population skews toward younger and middle-aged individuals, with a sharp decline in representation for those above 50 years. The decline of 51 years plus representation could be driven by technological barriers as the survey was distributed online. Additionally, the research concerns non-life policies rather than life policies, which could indicate that this age bracket lacked interest or perceived relevance to the topic.

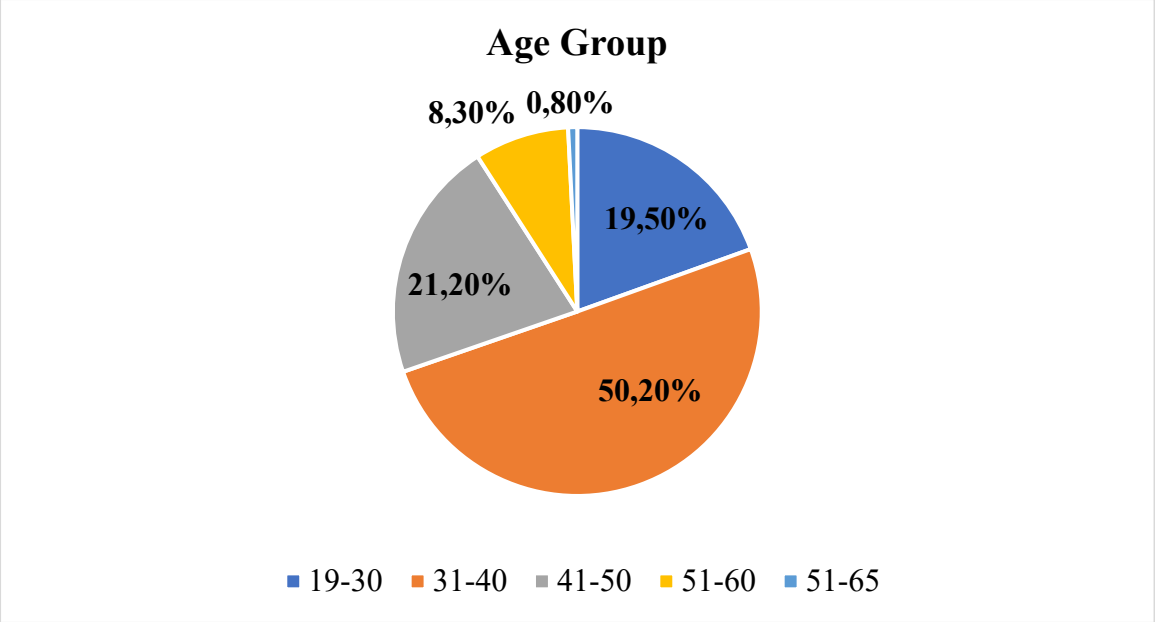


Figure 2 Age Group

(iii) Ethnicity

The ethnicity distribution data represents a total population of 241 individuals, categorised into five ethnic groups. The pie chart shows that the African group dominates, representing the majority, with 151 individuals (62.7%) making up nearly two-thirds of the total population. 40 individuals (16.6%) indicated they were White; this accounted for about one-sixth of the population. The difference between the African group and the next largest group (White) is significant, with Africans being nearly four times as many. This is a mere reflection of the demographic profile of South Africa.

The third highest number of respondents belong to Coloured, with 31 individuals (13.3%), making up just one-eight of the total. Indians comprised 15 individuals (6.2) of the population, the second lowest ethnic group. 3 individuals comprise 1.2% of the respondents, the smallest category belonging to other races. The reason for such a low number of respondents is that the Coloured, Indians, and other groups are the minority in South Africa.

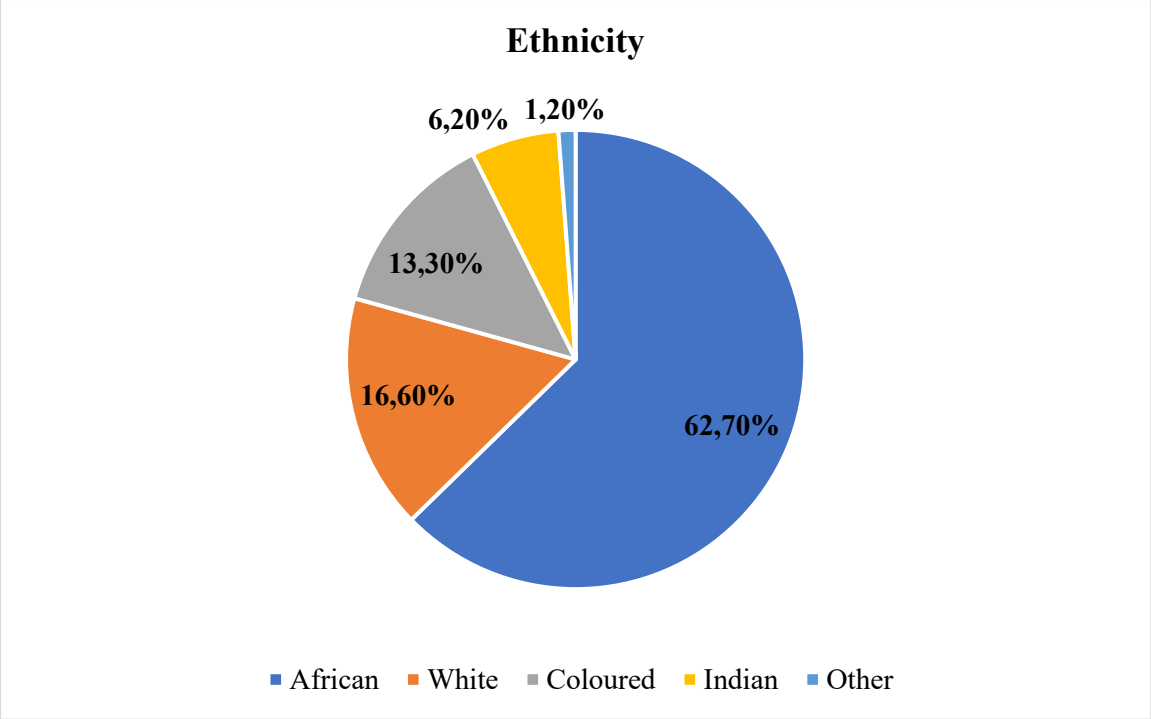


Figure 3 Ethnicity

(iv) Ownership of Non-life Insurance Policy

The data on the ownership of non-life insurance policies reveals a significant level of participation among respondents. Out of a total sample size of 241 individuals**,** a substantial majority, 218 respondents (90.5%)**,** reported having a non-life insurance policy. This indicates a high level of awareness and engagement with non-life insurance, suggesting that most individuals recognize its importance for financial protection against unforeseen risks.

Conversely, only 23 respondents (9.5%) indicated they do not have non-life insurance policies. This relatively small proportion suggests that barriers such as lack of awareness, affordability concerns, or perceived necessity may contribute to the decision not to secure non-life insurance. Overall, the data highlights a strong inclination towards non-life insurance coverage among the surveyed population, emphasizing the role of insurance in financial planning and risk management.

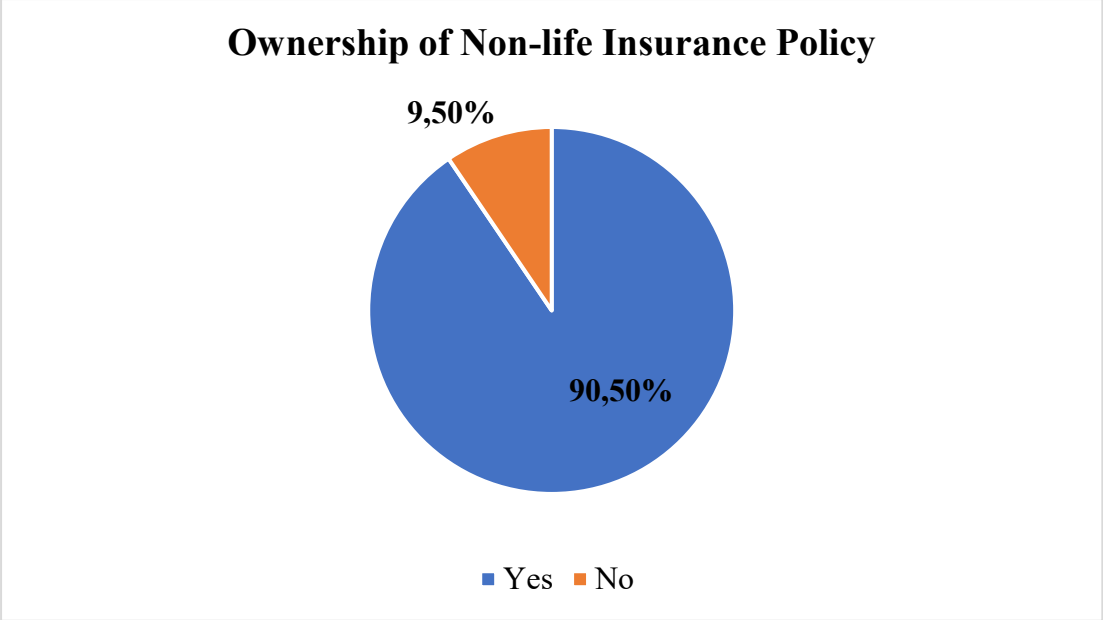


Figure 4 Ownership of Non-life Insurance Policy

(v) Number of Active Insurance Policies Owned

The data on the number of active non-life insurance policies owned by respondents provides insight into their level of insurance engagement and risk management strategies. Out of the 241 respondents, a majority reported holding at least one active non-life insurance policy, with varying degrees of coverage.

The most significant proportion of respondents, 80 individuals (33.2%), indicated that they own one active non-life insurance policy, suggesting that many individuals see the need for some level of coverage but may not feel the necessity for multiple policies. A slightly smaller group, 69 respondents (28.6%), reported owning two active policies, reflecting a more diversified approach to non-life insurance coverage.

Interestingly, a significant proportion, 78 respondents (32.4%), stated that they hold three or more active non-life insurance policies. This suggests a high level of investment in risk protection, possibly among individuals with multiple assets or business interests requiring broader coverage.

On the other hand, 14 respondents (5.8%) reported having no active non-life insurance policies, indicating either a lack of necessity, financial constraints, or limited awareness of the benefits of such policies.

The data illustrates well-distributed ownership of non-life insurance policies, with most individuals opting for at least one policy. At the same time, a notable share of respondents exhibits higher levels of insurance engagement with multiple active policies.

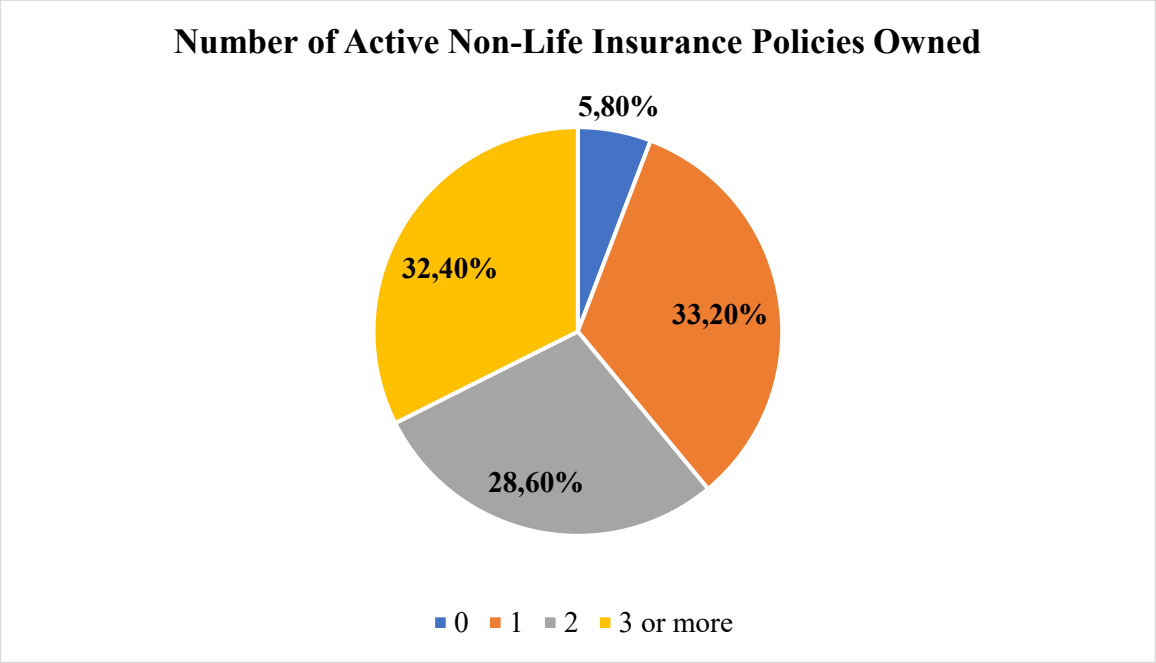


Figure 5 Number of Active Insurance Policies Owned

(vi) Type of Communication Channel

The data on the preferred communication channels used by respondents to contact their non-life insurance companies reveal key insights into customer interaction and service accessibility. Most of the 241 respondents rely on direct and immediate forms of communication, while a smaller portion engage through digital or in-person channels.

The most used communication method is the call centre, with 112 respondents (46.5%) preferring this option. This suggests that many policyholders' value direct verbal communication, possibly for quick resolutions, clarifications, or real-time assistance. The second most popular channel is text-based communication, including WhatsApp, SMS, and email, used by 63 respondents (26.1%). This reflects a growing preference for digital, asynchronous communication, allowing policyholders to interact conveniently. A smaller but notable proportion of respondents, 31 individuals (12.9%), utilize online/self-service facilities, indicating a shift toward digital self-management of insurance policies. Similarly, 28

respondents (11.6%) communicate through a financial adviser, likely seeking personalized guidance and support for complex insurance matters.

Conversely, more traditional or in-person communication methods are less commonly used. Only 5 respondents (2.1%) engage with their insurers face to face, and a mere 2 respondents (0.8%) visit physical branches to communicate, highlighting a significant decline in the preference for in-person interactions.

The data suggests a strong reliance on remote communication methods, particularly call centres and digital messaging, while traditional face-to-face and branch-based interactions remain minimal. This trend may reflect the increasing digitization of the insurance industry and a shift in consumer preferences toward convenience and efficiency in communication.

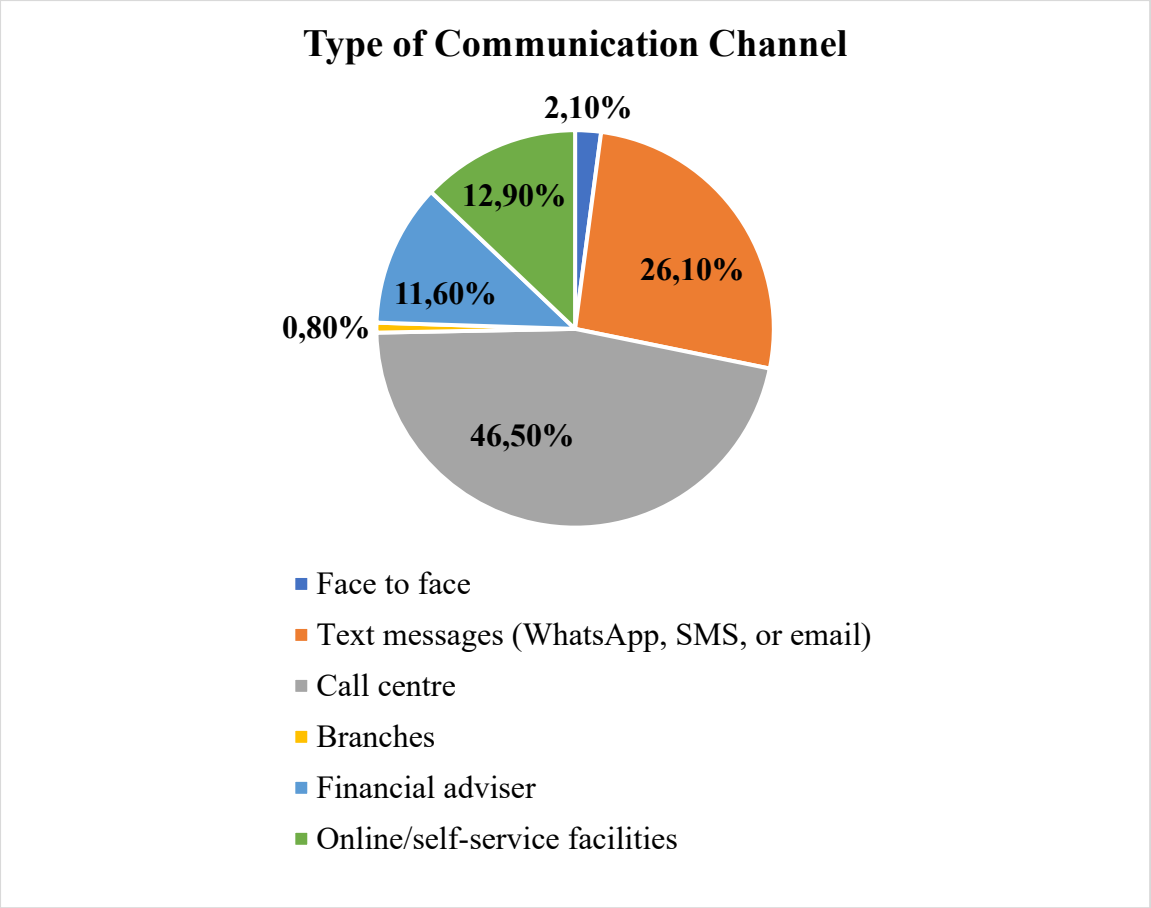


Figure 6 Type of Communication Channel

(vii) Level of Education

The data on the educational background of respondents provides valuable insights into their academic qualifications and potential influences on their decision-making regarding non-life insurance. Out of the 241 respondents, the majority hold higher education qualifications, while a smaller percentage have lower levels of formal education.

The most represented educational qualification is a bachelor's degree, with 122 respondents (50.6%) having completed this level of education. This suggests that over fifty percent of the respondents possess at least an undergraduate degree, which may contribute to greater financial literacy and awareness of insurance policies. The data reveals that 33 participants (13.7% of the sample) have obtained master's degrees, indicating a substantial proportion of respondents with postgraduate qualifications. Additionally, 12 respondents (5.0%) possess a professional degree, and 2 respondents (0.8%) have achieved a Doctorate, indicating that a small but notable segment of highly educated individuals is present in the sample.

Conversely, lower levels of education are less common. 30 respondents (12.4%) have some college credit but no degree, and 10 respondents (4.1%) have completed trade, technical, or professional training. A further 29 respondents (12.0%) are high school graduates, while 3 individuals (1.2%) have attended some high school but did not obtain a diploma.

Overall, the data indicates that most respondents (69.3%) hold at least a bachelor's degree or higher, suggesting a well-educated population. This high level of education may influence financial decision-making, risk assessment, and engagement with non-life insurance policies. The lower representation of individuals with only high school or some college education suggests that insurance participation may be more prevalent among those with higher academic qualifications.

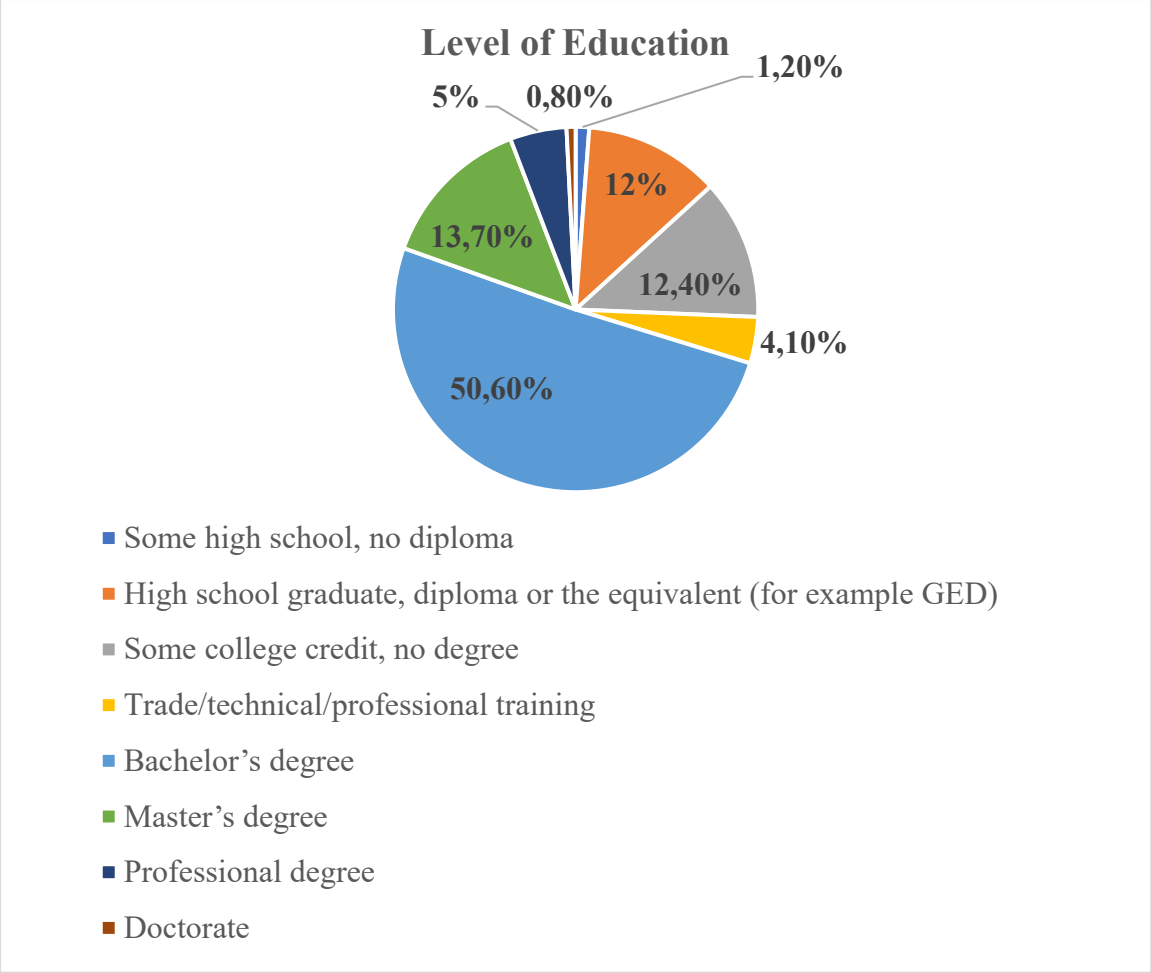


Figure 7 Level of Education

(viii) Employment Status

The employment status data highlights respondents' economic engagement and potential financial stability, which could influence their decisions regarding non-life insurance policies. Among the 241 respondents, the overwhelming majority are employed in some capacity, while a tiny proportion are unemployed.

A significant 90.9% (219 respondents) report being employed, either full-time or part-time, making this the dominant category. The elevated employment rate indicates that most respondents possess a reliable source of income, which could explain their ability to invest in financial products such as non-life insurance. Additionally, 20 respondents (8.3%) identify as self-employed, indicating a more minor but notable segment of individuals running their own businesses or working independently. This group may have different financial needs and risk management strategies compared to traditionally employed individuals.

On the other hand, only 2 respondents (0.8%) are unemployed, making up a tiny proportion of the sample. This suggests that insurance policy ownership in this dataset is largely associated with financial security, as most respondents have a source of income.

In summary, the high employment rate (both salaried and self-employed) at 99.2% suggests that respondents are financially active, which could impact their ability to afford and maintain non-life insurance policies. The small proportion of unemployed individuals further reinforces that financial stability plays a key role in insurance participation.

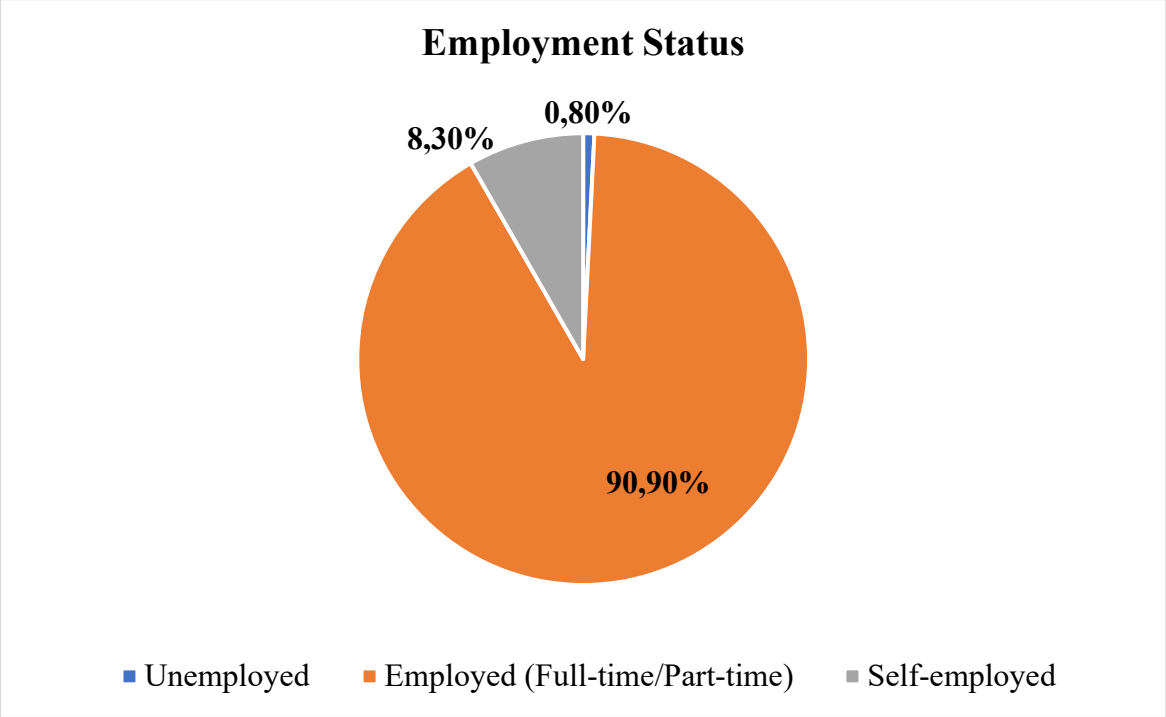


Figure 8 Employment Status

(ix) Level of Annual Income

The data on the level of income provides insights into the financial standing of respondents, which is a key factor influencing their ability to afford and maintain non-life insurance policies. The income distribution among the 241 respondents is evenly distributed, with notable variations across different income brackets.

A significant proportion of respondents (31.5% or 76 respondents) earn between R20,000 and R50,000 annually, making this the joint largest income group. Another 31.5% (76 respondents) report earning more than R80,000 annually, indicating a sizable proportion of higher-income earners. These two groups together account for 63% of respondents, suggesting that most individuals in the sample have moderate to high-income levels, potentially influencing their engagement with financial products like non-life insurance. The R50,000–R80,000 income group comprises 17.8% (43 respondents), representing a middle-income category that likely balances affordability and financial planning when making insurance decisions. A small proportion (2.9%) of respondents earn less than R20,000 annually, indicating a lower-income segment with potentially limited disposable income to allocate toward insurance policies. Interestingly, 16.2% (39 respondents) chose to withhold their salary statistics, indicating a degree of sensitivity to disclosing financial information. This could indicate concerns about privacy or financial insecurity.

Overall, the data suggests that respondents have varied income levels, with a majority falling within the R20,000–R50,000 and above R80,000 brackets. The relatively high percentage of higher-income earners may explain the substantial level of non-life insurance participation observed in this sample.

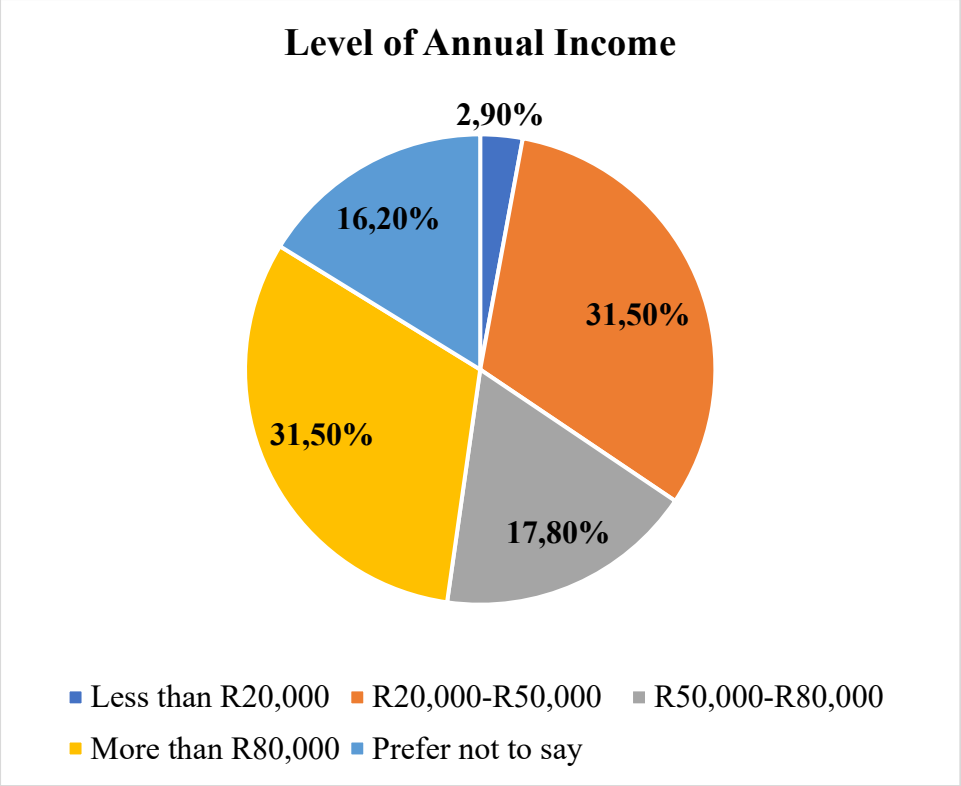


Figure 9 Level of Annual Income

4.2.1 Summary of respondents' characteristics

Table 1 below summarizes the respondents' demographic characteristics, as Figure 1 -9 explains.

Table 1 Summary of respondents' characteristics (N=241)

Descriptives	**Frequency**	**Percentage**
Gender		
Female	139	57.7
Male	102	42.3
Age		
19-30	47	19.5
31-40	121	50.2
41-50	51	21.2
51-60	20	8.3
51-65	2	0.8
Ethnicity		
African	151	62.7
White	40	16.6

Coloured	32	13.3
Indian	15	6.2
Other	3	1.2
Level of education		
Yes	218	90.5
No	23	9.5
Ownership of non-life insurance policies		
Yes	218	90.5
No	23	9.5
Number of active non-life policies		
0	14	5.8
1	80	33.2
2	69	28.6
3 or more	78	32.4
Types of Communication Channel		
Face to face	5	2.1
Text messages (WhatsApp, SMS, or email)	63	26.1
Call centre	112	46.5
Branches	2	0.8
Financial adviser	28	11.6
Online/self-service facilities	31	12.9
Level of Education		
Some high school, no diploma	3	1.2
High school graduate, diploma or the equivalent (for example, GED)	29	12.0
Some college credit, no degree	30	12.4
Trade/technical/professional training	10	4.1
Bachelor's degree	122	50.6
Master's degree	33	13.7
Professional degree	12	5.0

Doctorate	2	0.8
Employment Status		
Unemployed	2	0.8
Employed (Full-time/Part-time)	219	90.9
Self-employed	20	8.3
Level of Annual Income		
Less than R20,000	7	2.9
R20,000-R50,000	76	31.5
R50,000-R80,000	43	17.8
More than R80,000	76	31.5
Prefer not to say	39	16.2

4.3 Measurement for the Study

This section examines the customers' perception of fairness of non-life insurance in relation to the TCF principles. Responses were collected using a 5-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree), with intermediate points representing disagree (2), neutral (3), and agree (4). The overall average response to each question taken is measured by the mean, which is the average or central value within the data set. Each question receives a below-average score if the mean score is less than 3, and an above-average value if the mean score is greater than 3. A high degree of agreement with the survey questions is indicated if the mean score is higher than the average score, and vice versa. Each item's deviation from the mean score of three was assessed using a one-sample t-test.

4.3.1 Descriptive Statistics

The table of descriptive statistics displays the respondents' perceptions of various principles related to TCF principles within the non-life insurance industry. These principles cover aspects such as culture and governance, product appropriateness, disclosure, appropriate advice, performance and service, post-sale obstacles, and purchase objectives (Financial Conduct Authority, 2023). The tables below include each item's response frequencies, mean, and standard deviations (SD). The key findings include:

4.3.1.1 Overall Positive Perceptions:

Most respondents tend to agree (Mean values between 3.5 and 4.0) with statements regarding the fairness and performance of insurance services. High agreement levels are seen in product suitability, disclosure, and performance expectations**,** with many responses clustered around "Agree" and "Strongly Agree."

The overall interpretation is that customers are generally satisfied with insurers' fairness, product offerings, service delivery, and purchase experience. In addition, disclosure and product suitability receive higher agreement levels, while advice trustworthiness and policy changeability show lower agreement. Also, concerns exist about policy cancellation penalties and reliance on insurers' advice. Cost is also an important factor in non-life insurance purchase decisions. This analysis highlights strong customer confidence in insurers and areas for improvement, particularly in policy flexibility, advice trust, and policy cancellation conditions.

4.3.1.2 Principle of Culture and Governance:

Item Principle of Culture and Governance (Financial Conduct Authority, 2023)	Response Distribution (%)					No.	Mean	P-Values
	(1) Strongly Disagree	(2) Disagree	(3) Neutral	(4) Agree	(5) Strongly Agree			
TCF_1A: Principle of Culture and Governance - I am assured that that the fair treatment of customers is fundamental to my insurers' corporate culture (Luthuli, 2015).	7 (2.9%)	20 (8.3%)	42 (17.4%)	130 (53.9%)	42 17.4%)	241	3.75	0.000*
TCF_1B: Principle of Culture and Governance - Do you feel respected when dealing with insurance companies?	6 (2.5)	16 6.6%)	32 (13.3%)	167 (69.3%)	20 (8.3%)	241	3.74	0.000*
TCF_1C: Principle of Culture and Governance - My insurer operates with integrity and transparency (Luthuli, 2015).	3 (1.2%)	20 8.3%)	48 (19.9%)	147 (61.0%)	23 (9.5%)	241	3.69	0.000*
TCF_1D: Principle of Culture and Governance - My insurer provides timely information and feedback.	3 (1.2%)	27 (1.2%)	33 (13.7%)	152 (63.1%)	26 10.8%)	241	3.71	0.000*
TCF_1E: Principle of Culture and Governance - My insurer operates with appropriate due skill, care, and diligence (Luthuli, 2015).	5 (2.1%)	10 (4.1%)	38 (15.8%)	162 (67.2%)	26 (10.8)	241	3.80	0.000*

Table 2: Principles of Culture and Governance

This construct assesses the Principle of Culture and Governance among respondents. This is important because it influences decision-making, risk management, and the overall effectiveness of an insurance policy, as shown in Table 2. Respondents were requested to evaluate their degree of agreement on the elements presented in the table. This was derived using a 5-point Likert scale. More than 70% of the respondents agreed with each of the questions. Most respondents agreed that they believe that insurers treat customers fairly, provide transparent services, and act with integrity, represented by 61.0% agree and 9.5%

strongly agree, with a mean value of 3.69. however, the highest-rated item in this section is "My insurer conducts its business with due skill, care, and diligence" (Mean: 3.80, SD: 0.76). The p-values are statistically significant at 95%, affirming the importance of this construct. Hence, the findings suggest that culture and governance mechanisms ensure transparency, ethical practices, and consumer protection in the insurance industry. Strong governance builds trust, encouraging individuals and businesses to invest in insurance products.

4.3.1.3 Principle of Product Suitability:

Item Principle of Product Suitability (Financial Conduct Authority, 2023)	Response Distribution (%)					No.	Mean	P-Values
	(1) Strongly Disagree	(2) Disagree	(3) Neutral	(4) Agree	(5) Strongly Agree			
TCF_2A: Principle of Product Suitability - My insurer provides non-life products and services tailored to your individual requirements (Luthuli, 2015).	0 (0%)	9 (3.7%)	22 (9.1%)	175 (72.6%)	35 (14.5%)	241	3.98	0.000*
TCF_2B: Principle of Product Suitability - My insurer comprehends my needs regarding product design and servicing delivery (Luthuli, 2015).	1 (0.4%)	14 (5.8%)	36 (14.9%)	168 (69.7%)	22 (9.1%)	241	3.81	0.000*
TCF_2C: Principle of Product Suitability - Do you understand the Terms and conditions of products sold to you by your insurer	7 (2.9%)	25 (10.4%)	22 (9.1%)	158 (65.6%)	29 (12.0%)	241	3.73	0.000*
TCF_2D: Principle of Product Suitability - Are you satisfied with the non-life insurance product you have	3 (1.2%)	14 (5.8%)	33 (13.7%)	162 (67.2%)	29 (12.0%)	241	3.83	0.000*
TCF_2E: Principle of Product Suitability - I feel the product I have is value for money.	6 (2.5%)	35 (14.5%)	46 (19.1%)	132 (54.8%)	22 (9.1%)	241	3.54	0.000*

Table 3: Principle of Product Suitability

This construct assesses the suitability of the insurance product among respondents. Five different items were considered in the table. More than 50% of the respondents agreed with

each of the questions. Most respondents agreed that my insurer offers non-life products and services that address their specific needs, which was represented by 72.5% agree and 35% strongly agree, with a mean value of 3.98. however, about 46% of the respondents remained neutral, while the rest disagreed (slightly disagree and strongly disagree). Most respondents indicated that my insurer understands my needs regarding product design and service, represented by 69.7% agree and 22% strongly disagree. The average mean score from the Table is 3; the respondents highly considered the importance of Product Suitability by agreeing to all the questions. The p-values also confirm it. This means that when an insurance product is well-suited, it provides the necessary financial protection and helps prevent mis-selling, where customers buy insurance that does not serve their interests.

4.3.1.4 Principle of Disclosure:

Item Principle of Disclosure (Financial Conduct Authority, 2023)	Responses Distribution (%)					No.	Mean	P-Values
	(1) Strongly Disagree	(2) Disagree	(3) Neutral	(4) Agree	(5) Strongly Agree			
TCF_3A: Principle of Disclosure - My insurer maintained communication with me prior to throughout, and subsequent to the transaction of your product (Luthuli, 2015).	6 (2.5%)	20 (8.3%)	33 (13.7%)	158 (65.6%)	24 (10.0%)	241	3.72	0.000*
TCF_3B: Principle of Disclosure - I am made aware of any changes in policy long after purchasing the policy	2 (0.8%)	27 (11.2%)	26 (10.8%)	156 (64.7%)	30 (12.4%)	241	3.77	0.000*
TCF_3C: Principle of Disclosure - My insurer explained the product costs, pricing, terms, and conditions	3 (1.2%)	19 (7.9%)	24 (10.0%)	167 (69.3%)	28 (11.6%)	241	3.82	0.000*
TCF_3D: Principle of Disclosure - The policy documents and terminology provided for your product is accurate, clear, fair, and not misleading (Luthuli, 2015).	5 (2.1%)	27 (11.2%)	36 (14.9%)	150 (62.2%)	23 (9.5%)	241	3.66	0.000*
TCF_3E: Principle of Disclosure - You understand the terms and conditions in your policy wording	6 (2.5%)	27 (11.2%)	29 (12.0%)	159 (66.0%)	20 (8.3%)	241	3.66	0.000*

Table 4: Principle of Disclosure

The above table shows respondents' general opinion regarding the principle of disclosure of insurance products. Five questions were asked under this construct. The results show that more than 60% of the respondents agreed with each of the questions outlined under the principle of disclosure. The question which states, “My insurer explained the product costs, pricing, terms, and conditions,” recorded the highest mean of 3.82, comprising an agreement level of (69.3%= Agree; 11.6% = Strongly Agree), while about 10.0% were neutral to this question. Moreover, most of the respondents agreed that “You understand the terms and conditions in your policy wording” (66%= agree; 8.3%=strongly agree). The respondents' results assert that the principle

of disclosure of insurance products is of utmost importance to respondents. The p-values also confirm it. This means that it ensures the insurer, and the policyholder provide complete, accurate, and honest information before and during the policy term, allowing insurers to assess risks properly and set fair premiums. Again, full disclosure fosters trust between the insurer and the policyholder, leading to better long-term relationships.

4.3.1.5 Principle of Suitable Advice:

Item Principle of Suitable Advice (Financial Conduct Authority, 2023)	Responses Distribution (%)					No.	Mean	P-Values
	(1) Strongly Disagree	(2) Disagree	(3) Neutral	(4) Agree	(5) Strongly Agree			
TCF_4A: Principle of Suitable Advice - My insurer provides advice that is suitable to my specific needs, priorities, and circumstances	0 (0%)	27 (11.2%)	49 (20.3%)	151 (62.7%)	14 (5.8%)	241	3.63	0.000*
TCF_4B: Principle of Suitable Advice - My insurer can foster trust when providing financial advice (Luthuli, 2015).	2 (0.8%)	25 (10.4%)	60 (24.9%)	137 (56.8%)	17 (7.1%)	241	3.59	0.000*
TCF_4C: Principle of Suitable Advice - My insurer instils confidence in their ability to cater to your financial needs (Luthuli, 2015).	4 (1.7%)	25 (10.4%)	50 (20.7%)	144 (59.8%)	18 (7.5%)	241	3.61	0.000*
TCF_4D: Principle of Suitable Advice - The product purchased is due to the advice provided by the insurer	8 (3.3%)	53 (22.0%)	43 (17.8%)	119 (49.4%)	18 (7.5%)	241	3.36	0.000*
TCF_4E: Principle of Suitable Advice - The advice received by the insurer is satisfactory	2 (0.8%)	20 (8.3%)	53 (22.0%)	150 (62.2%)	16 (6.6%)	241	3.66	0.000*

Table 5: Principle of Suitable Advice

This construct assesses respondents' views of the principle of suitable advice, which requires insurance professionals to provide recommendations that align with a client's financial situation, risk profile, and coverage needs. This principle seeks to ensure that policyholders

make informed decisions. Five items were considered in Table 5. From the table, more than 55% of the respondents agreed with each of the questions listed under the principle of suitable advice, except for the question “The product purchased is due to the advice provided by the insurer,’’ which 49.8% of respondents agree. The question, which states that “The advice received by the insurer is satisfactory,” recorded the highest mean of 3.66, comprising an agreement level of (62.2% = Agree; 6.6% = Strongly Agree), while about 22% were neutral to this question. Most respondents agreed, "My insurer provides advice that is suitable to my specific needs, priorities, and circumstances” (62.7%= agree; 5.8%=strongly agree). The respondents' results assert that the principle of suitable advice is of utmost importance to respondents. This means that when customers receive suitable advice, they are more likely to retain their policies and continue their relationship with the insurer, which may prevent lawsuits, claims rejections, and reputational damage.

4.3.1.6 Principle of Performance and Service Expectations:

Item Principle of Performance and Service in line with expectations (Financial Conduct Authority, 2023)	Responses Distribution (%)					No.	Mean	P-Values
	(1) Strongly Disagree	(2) Disagree	(3) Neutral	(4) Agree	(5) Strongly Agree			
TCF_5A: Principle of Performance and Service in line with expectations - Your insurer fulfils the commitments they make concerning their products and services (Luthuli, 2015).	1 (0.4%)	18 (7.5%)	34 (14.1%)	172 (71.4%)	16 (6.6%)	241	3.76	0.000*
TCF_5B: Principle of Performance and Service in line with expectations - Your insurer maintains comprehensive risk mitigation protocols to address instances where insurance products may underperform relative to customer expectations (Luthuli, 2015).	2 (0.8%)	31 (12.9%)	84 (34.9%)	116 (48.1%)	8 (3.3%)	241	3.40	0.000*
TCF_5C: Principle of Performance and Service in line with expectations - Your insurer maintains stringent data protection protocols to ensure all client information remains completely secure and private (Luthuli, 2015).	3 (1.2%)	18 (7.5%)	50 (20.7%)	142 (58.9%)	28 (11.6%)	241	3.72	0.000*
TCF_5D: Principle of Performance and Service in line with expectations - Your product purchased provides cover as expected.	2 (0.8%)	12 (5.0%)	36 (14.9%)	164 (68.0%)	27 (11.2%)	241	3.84	0.000*
TCF_5E: Principle of Performance and Service in line with expectations - The insurer's service consistently aligns with both regulatory standards and policyholder requirements (Luthuli, 2015).	3 (1.2%)	12 (5.0%)	27 (11.2%)	170 (70.5%)	29 (12.0%)	241	3.87	0.000*

Table 6: Principle of Performance and Service Expectations

Table 6 presents respondents' views on the principle of performance and service expectations. To achieve this, five statements were considered. Respondents were requested to evaluate their degree of agreement or disagreement with the questions presented in the table. It was observed from the responses that more than 55% of the respondents agree to all the questions listed under the principle of performance and service expectation except the question, "Your insurer maintains comprehensive risk mitigation protocols to address instances where insurance products may underperform relative to customer expectations" which had 48.1% agree. The responses showed the question, which states that "The insurer's service consistently aligns with both regulatory standards and policyholder requirements" obtained the highest mean of 3.87, comprising an agreement level of (70.5%= Agree; 12.0% = Strongly Agree). Most respondents agreed that "Your insurer fulfils the commitments they make concerning their products and services" with (71.4%= agree; 6.6%=strongly agree). However, risk mitigation processes received a lower (mean score =3.40, SD: 0.79)**,** indicating some concerns about insurers' ability to manage performance risks. The mean scores for these items reinforce the descriptive findings. The questions in *Table 6* recorded mean values above the average of 3. This is further confirmed by the one-sample t-test, which produced significant p-values. This suggests that customers develop trust when insurers meet service expectations, that is, timely claims processing, transparent communication, and policy management. When service falls short of anticipated levels, customers often discontinue their policies and form negative perceptions of the company.

4.3.1.7 Principle of No Unreasonable Post-Sale Barriers:

Item Principle of no unreasonable post-sale barriers (Financial Conduct Authority, 2023)	Responses Distribution (%)					No.	Mean	P-Values
	(1) Strongly Disagree	(2) Disagree	(3) Neutral	(4) Agree	(5) Strongly Agree			
TCF_6A: Principle of no unreasonable post-sale barriers - Your insurer makes it easy for you to change or add to your product or move to another insurer.	6 (2.5%)	29 (12.0%)	37 (15.4%)	133 (55.2%)	36 (14.9%)	241	3.68	0.000*
TCF_6B: Principle of no unreasonable post-sale barriers (Financial Conduct Authority, 2023) - Your insurer makes it easy for you to claim	7 (2.9%)	21 (8.7%)	44 (18.3%)	138 (57.3%)	31 (12.9%)	241	3.68	0.000*
TCF_6C: Principle of no unreasonable post-sale barriers - Your insurer makes it easy for you to complain.	7 (2.9%)	31 (12.9%)	43 (17.8%)	138 (57.3%)	22 (9.1%)	241	3.57	0.000*
TCF_6D: Principle of no unreasonable post-sale barriers - Your insurer gives you realistic time frames to cancel your policy	7 (2.9%)	28 (11.6%)	40 (16.6%)	148 (61.4%)	18 (7.5%)	241	3.59	0.000*
TCF_6E: Principle of no unreasonable post-sale barriers - Your insurer has excessive penalties when leaving them	19 (7.9%)	95 (39.4%)	68 (28.2%)	48 (19.9%)	11 (4.6%)	241	2.74	0.000*

Table 7: Principle of No Unreasonable Post-Sale Barriers

Five questions define respondents' perceptions of the Principle of No Unreasonable Post-Sale Barriers. This construct assesses the Principle of No Unreasonable Post-Sale Barriers. This is important because it ensures that policyholders can efficiently access services such as claims processing, policy changes, renewals, and cancellations without facing unnecessary obstacles. Participants evaluated their level of agreement with each statement presented in *Table 7* using a standardized rating scale. The responses gathered revealed that about 55% of the respondents

agreed with all the questions listed under the Principle of No Unreasonable Post-Sale Barriers, except the question “Your insurer has excessive penalties when leaving them,” which had 19.9% agree, with the lowest mean score of 2.74, suggesting dissatisfaction with policy cancellation terms. However, the responses showed the question, which states that “Your insurer makes it easy for you to change or add to your product or move to another insurer” and “Your insurer makes it easy for you to claim” obtained the highest mean of 3.68 each respectively, comprising an agreement level of (55.2%= agree; 14.9% = strongly agree) and (57.3%= agree: 12.9=strongly agree). Most respondents agreed that “Your insurer gives you realistic time frames to cancel your policy” with (61.4%= agree; 7.5%=strongly agree). All the questions in Table 7 recorded mean values above the average of 3. This is further confirmed by the one-sample t-test, which produced significant p-values. This means insurers must ensure fairness and accessibility in insurance services, enhancing trust, compliance, and customer satisfaction. By eliminating unnecessary hurdles, insurers build credibility and promote ethical business practices

4.3.1.8 Non-life Insurance Purchase Intentions:

Item	Responses Distribution (%)					No.	Mean	P-Values
	(1) Strongly Disagree	(2) Disagree	(3) Neutral	(4) Agree	(5) Strongly Agree			
PURC_INT1: Non-life insurance purchase intention - I would consider buying a non-life insurance product	2 (0.8%)	6 (2.5%)	20 (8.3%)	168 (69.7%)	45 (18.7%)	241	4.03	0.67
PURC_INT2: Non-life insurance purchase intention - I would likely recommend that friends, family, and colleagues buy a non-life insurance product	4 (1.7%)	5 (2.1%)	27 (11.2%)	157 (65.1%)	48 (19.9%)	241	4.00	0.74
PURC_INT3: Non-life insurance purchase intention - I would definitely buy more non-life insurance products	5 (2.1%)	29 (12.0%)	55 (22.8%)	126 (52.3%)	26 (10.8%)	241	3.58	0.91
PURC_INT4: Non-life insurance purchase intention - I prefer to buy non-life insurance products than long-term insurance products.	11 (4.6%)	51 (21.2%)	91 (37.8%)	76 (31.5%)	12 (5.0%)	241	3.11	0.95
PURC_INT5: Non-life insurance purchase intention - The price of non-life insurance product affects if I purchase the product or not.	4 (1.7%)	18 (7.5%)	58 (24.1%)	118 (49.0%)	43 (17.8%)	241	3.74	0.90

Table 8: Non-life Insurance Purchase Intentions

Table 8 above illustrates that respondents are likely to buy and recommend non-life insurance (Mean: 4.00 - 4.03, SD: 0.67 - 0.74). However, preference for non-life over life insurance is moderate (Mean: 3.11, SD: 0.95), indicating no strong inclination toward non-life policies**.** Price is a key factor affecting purchase decisions (Mean: 3.74, SD: 0.90), highlighting cost sensitivity among customers**.**

The overall interpretation is that customers are generally satisfied with insurers' fairness, product offerings, service delivery, and purchase experience. In addition, disclosure and

product suitability receive higher agreement levels, while advice trustworthiness and policy changeability show lower agreement. Also, concerns exist about policy cancellation penalties and reliance on insurers' advice. Cost is also an important factor in non-life insurance purchase decisions. This analysis highlights strong customer confidence in insurers and areas for improvement, particularly in policy flexibility, advice trust, and policy cancellation conditions.

Table 9 Descriptive Statistics

Item	Responses Distribution (%)					No.	Mean	SD
	(1) Strongly Disagree	(2) Disagree	(3) Neutral	(4) Agree	(5) Strongly Agree			
TCF_1A: Principle of Culture and Governance - I am assured that my insurers' corporate ethos prioritises fair treatment as a core operational principle (Luthuli, 2015).	7 (2.9%)	20 (8.3%)	42 (17.4%)	130 (53.9%)	42 (17.4%)	241	3.75	0.94
TCF_1B: Principle of Culture and Governance - Do you feel respected when dealing with insurance companies?	6 (2.5%)	16 (6.6%)	32 (13.3%)	167 (69.3%)	20 (8.3%)	241	3.74	0.80
TCF_1C: Principle of Culture and Governance - My insurer operates with integrity and transparency (Luthuli, 2015).	3 (1.2%)	20 (8.3%)	48 (19.9%)	147 (61.0%)	23 (9.5%)	241	3.69	0.80
TCF_1D: Principle of Culture and Governance - My insurer provides timely information and feedback.	3 (1.2%)	27 (11.2%)	33 (13.7%)	152 (63.1%)	26 (10.8%)	241	3.71	0.85
TCF_1E: Principle of Culture and Governance - My insurer operates with appropriate due skill, care, and diligence (Luthuli, 2015).	5 (2.1%)	10 (4.1%)	38 (15.8%)	162 (67.2%)	26 (10.8%)	241	3.80	0.76
TCF_2A: Principle of Product Suitability - My insurer provides non-life products and services tailored to your individual requirements (Luthuli, 2015).	0 (0%)	9 (3.7%)	22 (9.1%)	175 (72.6%)	35 (14.5%)	241	3.98	0.62
TCF_2B: Principle of Product Suitability - My insurer comprehends my needs regarding product design and servicing delivery (Luthuli, 2015).	1 (0.4%)	14 (5.8%)	36 (14.9%)	168 (69.7%)	22 (9.1%)	241	3.81	0.69
TCF_2C: Principle of Product Suitability - Do you understand the Terms and conditions of products sold to you by your insurer	7 (2.9%)	25 (10.4%)	22 (9.1%)	158 (65.6%)	29 (12.0%)	241	3.73	0.91
TCF_2D: Principle of Product Suitability - Are you satisfied with the non-life insurance product you have	3 (1.2%)	14 (5.8%)	33 (13.7%)	162 (67.2%)	29 (12.0%)	241	3.83	0.76
TCF_2E: Principle of Product Suitability - I feel the product I have is value for money.	6 (2.5%)	35 (14.5%)	46 (19.1%)	132 (54.8%)	22 (9.1%)	241	3.54	0.94

TCF_3A: Principle of Disclosure - My insurer maintained communication with me prior to throughout, and subsequent to the transaction of your product (Luthuli, 2015).	6 (2.5%)	20 (8.3%)	33 (13.7%)	158 (65.6%)	24 (10.0%)	241	3.72	0.85
TCF_3B: Principle of Disclosure - I am made aware of any changes in policy long after purchasing the policy	2 (0.8%)	27 (11.2%)	26 (10.8%)	156 (64.7%)	30 (12.4%)	241	3.77	0.84
TCF_3C: Principle of Disclosure - My insurer explained the product costs, pricing, terms, and conditions	3 (1.2%)	19 (7.9%)	24 (10.0%)	167 (69.3%)	28 (11.6%)	241	3.82	0.78
TCF_3D: Principle of Disclosure - The policy documents and terminology provided for your product is accurate, clear, fair, and not misleading (Luthuli, 2015).	5 (2.1%)	27 (11.2%)	36 (14.9%)	150 (62.2%)	23 (9.5%)	241	3.66	0.88
TCF_3E: Principle of Disclosure - You understand the terms and conditions in your policy wording	6 (2.5%)	27 (11.2%)	29 (12.0%)	159 (66.0%)	20 (8.3%)	241	3.66	0.88
TCF_4A: Principle of Suitable Advice - My insurer provides advice that is suitable to my specific needs, priorities, and circumstances	0 (0%)	27 (11.2%)	49 (20.3%)	151 (62.7%)	14 (5.8%)	241	3.63	0.76
TCF_4B: Principle of Suitable Advice - My insurer can foster trust when providing financial advice (Luthuli, 2015).	2 (0.8%)	25 (10.4%)	60 (24.9%)	137 (56.8%)	17 (7.1%)	241	3.59	0.80
TCF_4C: Principle of Suitable Advice - My insurer instils confidence in their ability to cater to your financial needs (Luthuli, 2015).	4 (1.7%)	25 (10.4%)	50 (20.7%)	144 (59.8%)	18 (7.5%)	241	3.61	0.84
TCF_4D: Principle of Suitable Advice - The product purchased is due to the advice provided by the insurer	8 (3.3%)	53 (22.0%)	43 (17.8%)	119 (49.4%)	18 (7.5%)	241	3.36	1.01
TCF_4E: Principle of Suitable Advice - The advice received by the insurer is satisfactory	2 (0.8%)	20 (8.3%)	53 (22.0%)	150 (62.2%)	16 (6.6%)	241	3.66	0.76
TCF_5A: Principle of Performance and Service in line with expectations - Your insurer fulfils the commitments they make concerning their products and services (Luthuli, 2015).	1 (0.4%)	18 (7.5%)	34 (14.1%)	172 (71.4%)	16 (6.6%)	241	3.76	0.70
TCF_5B: Principle of Performance and Service in line with expectations - Your insurer maintains comprehensive risk mitigation protocols to address instances where insurance products may underperform relative to customer expectations (Luthuli, 2015).	2 (0.8%)	31 (12.9%)	84 (34.9%)	116 (48.1%)	8 (3.3%)	241	3.40	0.79

TCF_5C: Principle of Performance and Service in line with expectations - Your insurer maintains stringent data protection protocols to ensure all client information remains completely secure and private (Luthuli, 2015).	3 (1.2%)	18 (7.5%)	50 (20.7%)	142 (58.9%)	28 (11.6%)	241	3.72	0.81
TCF_5D: Principle of Performance and Service in line with expectations - Your product purchased provides cover as expected	2 (0.8%)	12 (5.0%)	36 (14.9%)	164 (68.0%)	27 (11.2%)	241	3.84	0.71
TCF_5E: Principle of Performance and Service in line with expectations - The insurer's service consistently aligns with both regulatory standards and policyholder requirements (Luthuli, 2015).	3 (1.2%)	12 (5.0%)	27 (11.2%)	170 (70.5%)	29 (12.0%)	241	3.87	0.73
TCF_6A: Principle of no unreasonable post-sale barriers - Your insurer makes it easy for you to change or add to your product or move to another insurer.	6 (2.5%)	29 (12.0%)	37 (15.4%)	133 (55.2%)	36 (14.9%)	241	3.68	0.95
TCF_6B: Principle of no unreasonable post-sale barriers (Financial Conduct Authority, 2023) - Your insurer makes it easy for you to claim	7 (2.9%)	21 (8.7%)	44 (18.3%)	138 (57.3%)	31 (12.9%)	241	3.68	0.91
TCF_6C: Principle of no unreasonable post-sale barriers - Your insurer makes it easy for you to complain.	7 (2.9%)	31 (12.9%)	43 (17.8%)	138 (57.3%)	22 (9.1%)	241	3.57	0.93
TCF_6D: Principle of no unreasonable post-sale barriers - Your insurer gives you realistic time frames to cancel your policy	7 (2.9%)	28 (11.6%)	40 (16.6%)	148 (61.4%)	18 (7.5%)	241	3.59	0.90
TCF_6E: Principle of no unreasonable post-sale barriers - Your insurer has excessive penalties when leaving them	19 (7.9%)	95 (39.4%)	68 (28.2%)	48 (19.9%)	11 (4.6%)	241	2.74	1.01
PURC_INT1: Non-life insurance purchase intention - I would consider buying a non-life insurance product	2 (0.8%)	6 (2.5%)	20 (8.3%)	168 (69.7%)	45 (18.7%)	241	4.03	0.67
PURC_INT2: Non-life insurance purchase intention - I would likely recommend that friends, family, and colleagues buy a non-life insurance product	4 (1.7%)	5 (2.1%)	27 (11.2%)	157 (65.1%)	48 (19.9%)	241	4.00	0.74
PURC_INT3: Non-life insurance purchase intention - I would definitely buy more non-life insurance products	5 (2.1%)	29 (12.0%)	55 (22.8%)	126 (52.3%)	26 (10.8%)	241	3.58	0.91
PURC_INT4: Non-life insurance purchase intention - I prefer to buy non-life insurance products than long-term insurance products.	11 (4.6%)	51 (21.2%)	91 (37.8%)	76 (31.5%)	12 (5.0%)	241	3.11	0.95

PURC_INT5: Non-life insurance purchase intention - The price of non-life insurance product affects if I purchase the product or not.	4 (1.7%)	18 (7.5%)	58 (24.1%)	118 (49.0%)	43 (17.8%)	241	3.74	0.90

4.4 Exploratory Factor Analysis & Common Method Variance

The research employed a data reduction technique using principal components extraction with orthogonal rotation. A cutoff threshold of 0.50 was established for meaningful factor inclusion. To verify sufficient variance explanation, the analysis examined shared variance metrics across all measured variables, with all values surpassing the 0.50 benchmark.

The study utilized Bartlett's Sphericity Test to assess the suitability of data for factor analysis by examining whether the observed correlation matrix significantly deviated from an identity matrix configuration (Shrestha, 2021). A significant result (Chi-Square χ^2 (241) = 4925.594, $p < 0.001$) indicated sufficient correlations for factor analysis, rejecting the null hypothesis of variable independence.

For sampling adequacy assessment, the Kaiser-Meyer-Olkin (KMO) measure yielded an excellent value of 0.923, substantially exceeding the recommended threshold of 0.80 for factor analytic procedures (Shrestha, 2021). The final solution identified seven distinct factors through the dimensionality reduction process.

Principal component analysis identified seven interpretable factors accounting for 60.8% cumulative variance in the dataset. The significant Bartlett's test result ($p < .05$) validated the appropriateness of factor analysis for these variables, confirming adequate intercorrelations among measured items. Additionally, all variables exhibited adequate representation in the factor solution, with each achieving a communality estimate above the recommended 0.50 cutoff value. *Table 10* displays the outcomes of the KMO Test and Bartlett's Test. The 13-component solution emerging from the exploratory factor analysis exhibits significant theoretical consistency, with each identified factor mapping directly onto corresponding constructs in the proposed conceptual model. This empirical confirmation supports the validity of the study's underlying theoretical propositions. Factor 1 comprises 5 components pertaining to the *Principle of Culture and Governance* (*TCF_1*). Factor 2 has 5 items, representing the *Principle of Product Suitability* (*TCF_2*). Factor 3 loaded 5 items, referred to as *Principle of Disclosure* (*TCF_3*). Factor 4 has 5 items, called *Principle of Suitable Advice* (*TCF_4*). Factor 5 includes 5 items, referring to the *Principle of Performance and Service in line with Expectations* (*TCF_5*). Factor 6 has 5 items, called the *Principle of No Unreasonable Post-Sale Barriers* (*TCF_6*). Factor 7 has 5 items representing Non-Life *Insurance Purchase Intention* (*PURC_INT*). Factor Loadings are presented in *Table 11*.

To evaluate potential common method variance, the study applied Harman's single-factor approach (Podsakoff et al., 2003). This technique involves factor analysing all measurement items simultaneously. The conventional threshold for detecting potential method bias, per Harman's (1976) criteria, is exceeded when one latent construct explains more than half of the cumulative variance. The analysis results, presented in *Table 12*, indicate an explained variance of 38%, which falls below the critical threshold and therefore suggests the absence of significant common method bias in the data.

Table 10 KMO Test and Bartlett's Test

Kaiser-Meyer-Olkin (KMO) Index for Sampling Adequacy		.923
Bartlett's Test of Sphericity Test	χ^2	4925.594
	df	595
	p-value.	.000

Table 11 EFA Findings - Rotated Factor Loadings

	Variables						
Items	**1**	**2**	**3**	**4**	**5**	**6**	**7**
TCF_1: Principle of Culture and Governance							
TCF_1A	.591						
TCF_1B	.629						
TCF_1C	.666						
TCF_1D	.650						
TCF_1E	.739						
TCF_2: Principle of Product Suitability							
TCF_2A		.591					
TCF_2B		.639					
TCF_2C		.648					
TCF_2D		.557					
TCF_2E		.580					
TCF_3: Principle of Disclosure							
TCF_3A			.528				
TCF_3B			.554				
TCF_3C			.532				
TCF_3D			.523				
TCF_3E			.565				
TCF_4: Principle of Suitable Advice							
TCF_4A				.516			
TCF_4B				.577			
TCF_4C				.539			
TCF_4D				.792			
TCF_4E				.626			
TCF_5: Principle of Performance and Service in line with Expectations							
TCF_5A					.507		

TCF_5B	.588		
TCF_5C	.578		
TCF_5D	.509		
TCF_5E	.506		
TCF_6: Principle of No Unreasonable Post-Sale Barriers			
TCF_6A		.642	
TCF_6B		.641	
TCF_6C		.724	
TCF_6D		.669	
TCF_6E		.531	
PURC_INT: Non-life Insurance Purchase Intention			
PURC_INT1			.836
PURC_INT2			.779
PURC_INT3			.686
PURC_INT4			.661
PURC_INT5			.576

NOTE: Dimensionality reduction was accomplished through PCA (principal component analysis), applying Kaiser-normalized varimax rotation. The rotational optimization process stabilized after 7 successive iterations.

Table 12 Explained Variance in Factor Solution

Explained Variance in Factor Solution						
	Initial Eigenvalues			Extraction Sums of Squared Loadings		
Factor	Total	% Variance	Cumulative %	Total	% Variance	Cumulative %
1	13.863	39.607	39.607	13.305	38.016	38.016
2	2.136	6.102	45.709			
3	1.636	4.675	50.384			
4	1.360	3.887	54.271			
5	1.215	3.473	57.743			
6	1.088	3.108	60.851			
7	1.004	2.870	63.721			
8	0.969	2.768	66.489			
9	0.958	2.736	69.225			
10	0.840	2.399	71.625			
11	0.801	2.289	73.913			
12	0.720	2.056	75.970			
13	0.711	2.032	78.002			
14	0.633	1.809	79.811			
15	0.570	1.629	81.440			
16	0.561	1.603	83.043			
17	0.498	1.424	84.467			
18	0.467	1.334	85.801			
19	0.457	1.307	87.108			
20	0.434	1.240	88.348			
21	0.413	1.179	89.528			
22	0.410	1.172	90.700			
23	0.387	1.107	91.806			

24	0.364	1.039	92.846
25	0.339	0.968	93.814
26	0.323	0.923	94.737
27	0.281	0.803	95.540
28	0.257	0.733	96.274
29	0.241	0.689	96.962
30	0.222	0.633	97.596
31	0.214	0.612	98.207
32	0.182	0.519	98.726
33	0.165	0.472	99.198
34	0.157	0.448	99.646
35	0.124	0.354	100.000

NOTE: Extraction Method: Principal Axis Factoring.

4.5 Confirmatory Factor Analysis (CFA)

The study evaluated seven key theoretical constructs through confirmatory factor analysis (CFA) using maximum likelihood estimation. These constructs included: (1) Cultural and Governance Standards, (2) Product Appropriateness, (3) Transparency Requirements, (4) Advisory Suitability, (5) Performance and Service Expectations, (6) Post-Transaction Accessibility (as outlined in Financial Conduct Authority guidelines, 2023), along with (7) Non-Life Insurance Adoption Propensity. The initial measurement model's psychometric properties are detailed in *Table 13*, which reports the complete CFA findings.

Table 13 Preliminary Measurement Model for Constructs

Construct Indicator	Item ID	Standardised Loading	*t*-Value	R-Square
TCF_1: Principle of Culture and Governance				
	TCF_1A	0.615	-	0.378
	TCF_1B	0.653	8.269	0.426
	TCF_1C	0.802	9.543	0.643
	TCF_1D	0.684	8.556	0.467
	TCF_1E	0.702	8.724	0.493
TCF_2: Principle of Product Suitability				
	TCF_2A	0.623	-	0.388
	TCF_2B	0.638	10.218	0.406
	TCF_2C	0.524	7.039	0.274
	TCF_2D	0.8	9.761	0.641
	TCF_2E	0.718	9.052	0.516
TCF_3: Principle of Disclosure				
	TCF_3A	0.618	-	0.382
	TCF_3B	0.635	8.694	0.403
	TCF_3C	0.684	8.86	0.467
	TCF_3D	0.775	9.7	0.601
	TCF_3E	0.671	8.732	0.45

Construct Indicator	Item ID	Standardised Loading	*t*-Value	R-Square
TCF_4: Principle of Suitable Advice				
	TCF_4A	0.723	-	0.523
	TCF_4B	0.831	13.721	0.691
	TCF_4C	0.785	11.413	0.617
	TCF_4D	0.438	6.384	0.192
	TCF_4E	0.734	10.692	0.538
TCF_5: Principle of Performance and Service in line with Expectations				
	TCF_5A	0.729	-	0.532
	TCF_5B	0.728	10.211	0.529
	TCF_5C	0.713	10.873	0.508
	TCF_5D	0.782	11.996	0.611
	TCF_5E	0.843	12.859	0.711
TCF_6: Principle of No Unreasonable Post-Sale Barriers				
	TCF_6A	0.734	-	0.539
	TCF_6B	0.764	11.496	0.584
	TCF_6C	0.843	12.682	0.71
	TCF_6D	0.758	11.404	0.574
	TCF_6E	-0.155	-2.277	0.024
PURC_INT: Non-life Insurance Purchase Intention				
	PURC_INT1	0.724	-	0.525
	PURC_INT2	0.876	10.915	0.768
	PURC_INT3	0.654	9.579	0.428
	PURC_INT4	0.219	3.142	0.048
	PURC_INT5	0.464	5.965	0.215

N = 241; Structural Model Fit Indices: χ^2/df = 2.033, RMSEA = .066; GFI = .810; NFI = .794; CFI = .882

The initial data produced by the AMOS software indicated some observed variables with values less than 0.5. Although the model fitness was within the acceptable range (χ^2/df = 2.033, RMSEA = .066; GFI = .810; NFI = .794; CFI = .882), we could further improve the fitness. During the structural equation modelling analysis, several underperforming indicators were systematically eliminated based on diagnostic assessments. This refinement process followed established methodological guidelines (Hair et al., 2010) and considered multiple criteria including: Suboptimal factor loadings (<0.5), excessive cross-loadings between constructs, high measurement error terms and significant error correlations. The modification indices provided by AMOS guided these adjustments, resulting in an improved measurement model with enhanced: overall model fit indices, construct reliability estimates and discriminate validity measures.

Scale items with regression weights below 0.5 were eliminated to improve the fitness. That is, one item each from TCF_4: Principle of Suitable Advice (TCF_4D) and TCF_6: Principle of No Unreasonable Post-Sale Barriers (TCF_6E) was deleted, as well as two items from

PURC_INT: Non-life Insurance Purchase Intention (PURC_INT4; PURC_INT5) were also deleted.

4.6 Reliability and Validity of the Final Measurement Model

Following established psychometric standards (Hair et al., 2014), the research employed: Composite Reliability (CR) analysis to determine scale consistency across measurement contexts, AVE calculations to confirm adequate convergent validity, Cronbach's Alpha testing to verify internal item reliability, and Discriminant validity checks to ensure construct independence. This multi-method validation strategy strengthened the measurement instrument's psychometric properties through complementary assessment techniques.

Table 14 Confirmatory Factor Analysis (CFA) Findings for Final Measurement Model

Scale Item	Code	Standardised Loading	*t*-Value	Composite Reliability	AVE	Cronbach's Alpha
TCF_1: Principle of Culture and Governance				**0.837**	**0.508**	**0.818**
	TCF_1A	0.712	-			
	TCF_1B	0.652	8.233			
	TCF_1C	0.800	9.498			
	TCF_1D	0.686	8.553			
	TCF_1E	0.704	8.716			
TCF_2: Principle of Product Suitability				**0.841**	**0.516**	**0.788**
	TCF_2A	0.618	-			
	TCF_2B	0.637	10.184			
	TCF_2C	0.512	6.944			
	TCF_2D	0.794	9.645			
	TCF_2E	0.719	9.002			
TCF_3: Principle of Disclosure				**0.833**	**0.501**	**0.815**
	TCF_3A	0.710	-			
	TCF_3B	0.626	8.641			
	TCF_3C	0.768	8.661			
	TCF_3D	0.764	9.547			
	TCF_3E	0.661	8.635			
TCF_4: Principle of Suitable Advice				**0.852**	**0.590**	**0.857**
	TCF_4A	0.721	-			
	TCF_4B	0.830	13.691			
	TCF_4C	0.783	11.344			
	TCF_4E	0.734	10.671			
TCF_5: Principle of Performance and Service in line with Expectations						
	TCF_5A	0.721	-	**0.860**	**0.553**	**0.858**

Scale Item	Code	Standardised Loading	*t*-Value	Composite Reliability	AVE	Cronbach's Alpha
	TCF_5B	0.727	10.465			
	TCF_5C	0.712	10.805			
	TCF_5D	0.744	11.743			
	TCF_5E	0.809	12.283			
TCF_6: Principle of No Unreasonable Post-Sale Barriers				**0.858**	**0.602**	**0.855**
	TCF_6A	0.736	-			
	TCF_6B	0.762	11.494			
	TCF_6C	0.843	12.728			
	TCF_6D	0.757	11.422			
PURC_INT: Non-life Insurance Purchase Intention				**0.802**	**0.579**	**0.785**
	PURC_INT1	0.718	-			
	PURC_INT2	0.891	10.717			
	PURC_INT3	0.654	9.262			
N = 241; Structural Model Fit Indices: χ^2/df = 1.956, RMSEA = .063; GFI = .835; NFI = .838; CFI = .912						

Table 15 Goodness Fit of the Final Measurement Model

Measured Variables	Poor Fit	Acceptable Fit	Excellent Fit	Obtained Value	Reference Threshold	Interpretation
Chi-Square(χ^2)				**786.151**	--	--
DF				**402**	--	--
χ^2/DF	> 5	> 3	> 1	**1.956**	Between 1 and 3	Excellent
CFI	<0.90	<0.95	>0.95	**0.912**	<0.95	Acceptable
RMR	>0.10	>0.08	<0.08	**0.032**	<0.08	Excellent
RMSEA	>0.08	>0.06	<0.06	**0.063**	<0.06	Acceptable
RMSEA p-value	<0.01	<0.05	>0.05	**0.05**	>0.05	Acceptable
Notes: Fit criteria adapted from Hu & Bentler (1999) and Schreiber et al. (2006) recommendations						

The research assessed the validity of constructs using two principal indicators: the magnitude of standardized factor coefficients and the computed average variance extracted values. As shown in *Table 15*, all indicator loadings (0.694-0.958) surpassed the recommended 0.50 benchmark (Hair et al., 2014), demonstrating strong item-construct relationships. Furthermore, the AVE scores (0.595-0.877) exceeded Fornell and Larcker's (1981) minimum requirement of 0.50, providing additional confirmation of adequate convergent validity across all measured constructs.

The study implemented rigorous psychometric testing to ensure measurement precision. Internal consistency reliability was evaluated using Cronbach's alpha coefficients, with parallel assessment of indicator relationships through composite reliability measures (Shrestha, 2021). As presented in Tables 13 and 15, all measurement scales exceeded established psychometric benchmarks: Internal consistency ($\alpha > 0.70$), Convergent validity (AVE > 0.50) and Composite reliability (CR > 0.70). These results meet the rigorous standards set by Hair et al. (2014) and Nunnally (1978), confirming the modified model's measurement reliability across all dimensions. The internal consistencies ($C\alpha = 0.785$ to 0.858 and CR = 0.802 to 0.860) for each construct, the values exceed the minimum threshold of 0.70.

The research applied rigorous statistical standards to confirm construct distinctiveness, implementing Fornell and Larcker's (1981) established validity criterion. This methodological approach requires that: The square root of each construct's AVE (shown diagonally in *Table 16*) must exceed: all inter-construct correlation coefficients and any cross-loading values between factors. This quantitative comparison demonstrates that each latent variable shares more variance with its indicators than with other constructs in the model.

The tabulated results in *Table 16* present both the AVE square roots (diagonal entries) and correlation coefficients, enabling direct comparison per the Fornell-Larcker requirements. All values confirm adequate discriminant validity across the measurement model.

Table 16 Pearson Correlation

Items	PURC_INT	TCF1	TCF2	TCF3	TCF4	TCF5	TCF6
PURC_INT	**0.761**						
TCF1	.450**	**0.713**					
TCF2	.527**	.407**	**0.718**				
TCF3	.482**	.558**	.526**	**0.708**			
TCF4	.547**	.436**	.418**	.543**	**0.768**		
TCF5	.545**	.508**	.564**	.477**	.550**	**0.744**	
TCF6	.571**	.407**	.451**	.534**	.439**	.422**	**0.776**
CR	0.802	0.837	0.841	0.833	0.852	0.860	0.858
AVE	0.579	0.508	0.516	0.501	0.590	0.553	0.602
Cronbach's α	0.785	0.818	0.788	0.815	0.857	0.858	0.855

Notes: *Sample size: 241 participants.*
*** p<.0(two-tailed significance).*
The measurement model demonstrated adequate discriminant validity according to established psychometric criteria. For each construct, the AVE square root (diagonal values) was greater than its highest inter-construct correlation (off-diagonal values), satisfying the Fornell-Larcker (1981) requirement for distinct constructs

4.7 The Structural Model

After verifying the measurement model's psychometric properties, the study progressed to examining the hypothesized relationships between constructs. This analytical stage investigates the causal pathways and associations among latent variables through structural equation modelling. As Byrne (2013) explains, this approach statistically tests theoretical propositions by analysing path coefficients between unobserved variables. The current research applies this methodology to empirically validate the conceptual relationships derived from the study's theoretical foundation.

4.7.1 Structural Equation Model Assessment

Vieira's (2011) framework outlines three essential validation requirements for examining proposed relationships: First, researchers must verify that the directional relationships between constructs correspond with the stated hypotheses, which can be assessed by analysing the relevant parameter indicators. Second, the hypothesized relationships must demonstrate sufficient strength, as confirmed when parameter estimates show statistical significance (specifically, t-values exceeding 1.96). Third, the explanatory power of the model requires evaluation through squared multiple correlations (R^2), which indicate how much variance in dependent variables can be attributed to the proposed explanatory factors within the structural equations.

This study proposes that the *TCF principles affect the consumers' intention to purchase additional non-life insurance products*. The R^2 for *Purchase Intention* is 0.863. This value indicates that about 86 percent of the variation in *Purchase Intention* is explained by *TCF1, TCF2, TCF3, TCF4, TCF5,* and *TCF6*. This indicates that the independent variables may possess significant influence over *Purchase Intention* (Chin, 1998).

Path analysis outcomes were determined by assessing the sign (direction) and size (magnitude) of the structural coefficients. The path analysis is significant for all the path relationships assessed, but TCF1, TCF2, and TCF3 were positive, while TCF4, TCF5, and TCF6 had negative relationships (see Table 17). The considerable amplitude of the parameter estimations strongly supports predictive validity (Blunch, 2012 and Vieira, 2011).

The first three principles of the TCF framework positively impact customer purchase intention by creating a more trustworthy and transparent buying environment. Principle 1 establishes fair treatment as a core company value, which builds customer confidence in the business. Principle 2 ensures products are designed to meet specific customer needs, making them more relevant and appealing. Principle 3 guarantees clear communication throughout the purchasing process, helping customers make informed decisions with greater ease. Together, these principles reduce perceived risk and uncertainty, making customers more comfortable and willing to complete purchases. By focusing on ethical treatment, customer-centric products, and transparent information, TCF principles 1-3 create favourable conditions that actively encourage buying decisions.

The Treating Customers Fairly (TCF) framework, particularly Principles 4, 5, and 6, on the other hand, negatively influences customer purchase intention due to unintended behavioural and perceptual consequences. Firstly, Principle 4, which emphasizes suitable advice tailored to customer circumstances, can introduce complexity and perceived restrictions, discouraging customers who prefer quick or unrestricted transactions. Second, Principle 5 ensures products perform as expected, but overly conservative offerings or inflated service promises may reduce appeal, particularly for risk-tolerant buyers. Third, Principle 6 removes post-sale barriers, yet excessive ease in switching or refunds might diminish perceived product value or stability, deterring long-term commitment. While these principles enhance consumer protection, their stringent application can slow decision-making, increase perceived costs, or trigger psychological resistance, ultimately lowering purchase intent. This suggests a need for insurance companies to align TCF compliance with consumer preferences to avoid unintended deterrent effects.

The proposed model was assessed for both absolute and incremental fit. The analysis revealed a strong model fit across multiple indices, including a χ^2/df ratio of 1.077 (ideal < 3), a root-mean-square error of approximation (RMSEA) of 0.018 (excellent < 0.05), and a goodness-of-fit index (GFI) of 0.988 (approaching a perfect fit). Additionally, the incremental fit measures yielded a normed fit index (NFI) of 0.996 (near maximum) and a comparative fit index (CFI) of 0.999 (almost perfect alignment). These findings confirm that the structural model fits well and exhibits strong nomological validity. The structural equation modelling findings appear in

two formats: (1) numerical output tables containing parameter estimates, and (2) path diagrams illustrating the hypothesised connections between constructs (refer to *Table 17* and *Figure 10)*.

Table 17 Structural Equation Modelling Analysis Findings

Hypothesized Relationship	**β Estimate**	***t*-Value**	***p*-Value**	**Effect Interpretation**
Purchase Intention <----- TCF1	0.182	2.893	0.004	Significant
Purchase Intention <----- TCF2	0.702	6.982	***	Significant
Purchase Intention <----- TCF3	4.070	29.58	***	Significant
Purchase Intention <----- TCF4	-0.399	-4.473	***	Significant
Purchase Intention <----- TCF5	-3.599	-17.459	***	Significant
Purchase Intention <----- TCF6	-0.320	-4.074	***	Significant

Notes:

N = 241; R^2 = .863; Structural Equation Model Fit Indices: χ^2/df = 1.077, RMSEA = .018; GFI = .988;

NFI = .996; CFI = .999.

***. The correlation is significant at the 0.01 level (two-tailed)

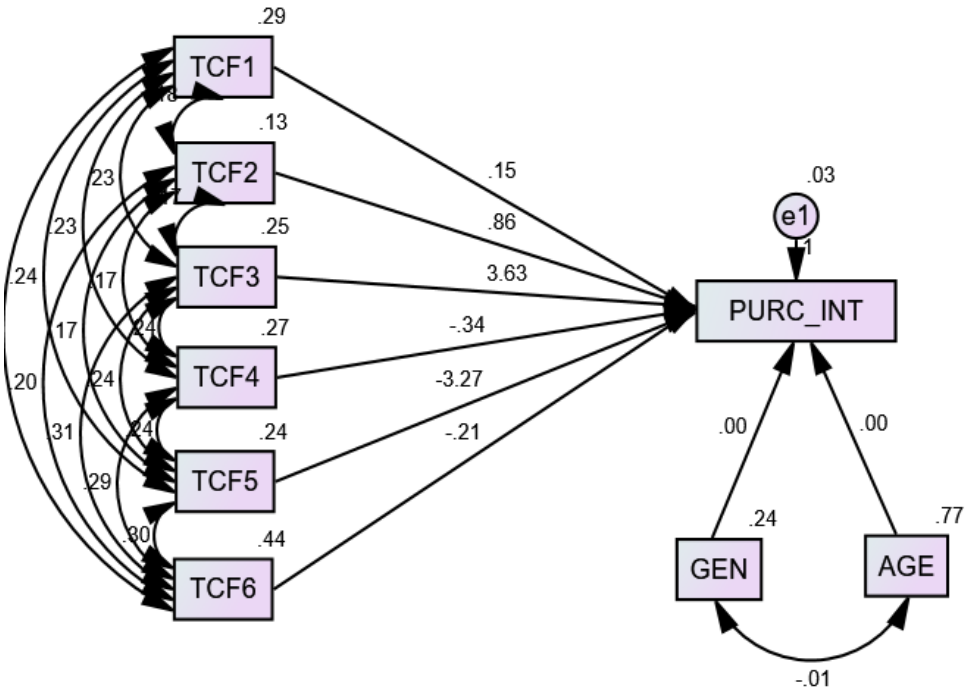


Figure 10 Structural Equation Model

4.8 Logistic Regression

The regression results in Table 18 demonstrate a reasonably well-fitting model, as evidenced by the -2 Log Likelihood value of 137.156. The Cox & Snell R^2 (0.059) and Nagelkerke R^2 (0.126) indicate that the independent variables explain between 5.9% and 12.6% of the variance in the adoption of non-life insurance policies. While these pseudo-R^2 values confirm some predictive capability, their modest magnitude suggests that additional unmeasured factors likely influence insurance purchasing decisions beyond those included in the current model.

Table 18 Fit Assessment Measures for Binary Logit Modelling

Fit Assessment Measures for Binary Logit Modelling

Iteration Phase	Model Deviance (-2LL)	Pseudo R^2 (Cox & Snell))	Adjusted R^2 (Nagelkerke)
Final Model	137.156[a]	0.059	0.126

Note: The computational algorithm converged after 6 cycles when parameter estimates stabilized ($\Delta < 0.001$).

The study employed the Hosmer-Lemeshow goodness-of-fit test to evaluate the logistic regression model's performance. As presented in Table 19, the test yielded a χ^2 statistic of 7.114

(p = 0.524), which exceeds the conventional 0.05 significance threshold. This statistical outcome demonstrates strong model fit, as the high p-value indicates close alignment between the model's predictions and the observed data values. The non-significant result (p > 0.05) confirms the absence of meaningful discrepancies, thereby validating the regression model's appropriateness for the dataset under examination.

Table 19 Model Fitness of Logistic Regression

Hosmer-Lemeshow Goodness of Fit Test			
Step	**Chi-Square**	**df**	**Sig.**
1	7.114	8	0.524

Table 20 below evaluates the model's predictive ability. The model correctly predicts 100% of individuals with a non-life insurance policy but performs poorly in predicting those without (8.7%). The model's overall accuracy is 91.3%, suggesting a high ability to classify individuals who possess non-life insurance policies correctly. However, the model struggles with correctly classifying those who do not have an insurance policy, indicating potential class imbalance or limitations in predictor variables.

Table 20 Category Prediction

Classification Table					
			Predicted		
			INS_POL-Do you have non-life insurance policy?		**Percentage Correct**
Observed			**Yes**	**No**	
Step 1	INS_POL-Do you have non-life insurance policy?	**Yes**	218	0	100.0
		No	21	2	8.7
	Overall Percentage				91.3
The cut value is 0.500					

The logistic regression coefficients and their statistical significance are presented in *Table 21* below.

TCF1 (-0.361, p = 0.736): This predictor is not statistically significant (p > 0.05), meaning it does not have a meaningful effect on the likelihood of having a non-life insurance policy.

TCF2 (-5.395, p = 0.054): This variable is borderline significant (p = 0.054), suggesting a strong negative relationship with insurance policy ownership. The odds ratio (Exp(B) = 0.005) indicates that an increase in TCF2 reduces the likelihood of having an insurance policy.

TCF3 (-4.029, p = 0.091): This variable is not statistically significant (p > 0.05), though it suggests a negative effect on insurance ownership (Exp(B) = 0.018).

TCF4 (0.142, p = 0.929): This variable is highly non-significant (p = 0.929), suggesting no substantial impact on insurance policy ownership.

TCF5 (8.190, p = 0.038): This is the only significant predictor (p = 0.038), indicating a strong positive relationship with insurance policy ownership. The extremely high odds ratio (Exp(B) = 3603.822) suggests that an increase in TCF5 substantially increases the likelihood of having an insurance policy.

TCF6 (-0.966, p = 0.342): This variable is not statistically significant (p = 0.342), indicating no strong relationship with insurance policy ownership.

Constant (2.511, p = 0.082): The constant term suggests a baseline likelihood of having an insurance policy when all predictors are at zero. Although it is not significant at the conventional 0.05 level, it approaches significance (p = 0.082).

The logit model results indicate that most explanatory variables fail to demonstrate statistically meaningful associations with non-life insurance policy ownership except for TCF5, which shows a strong and positive association. The model overall has a high classification accuracy but struggles to predict those without insurance policies correctly. The low R Square values suggest that additional factors influencing insurance policy ownership should be explored to improve the model's explanatory power.

Table 21 Statistical Significance of Logistics Regression Outcomes

Variables in the Model									
								95% C.I. for EXP(B)	
		B	S.E.	Wald	df	Sig.	Exp(B)	Lower	Upper
Step 1[a]	TCF1	-0.361	1.070	0.114	1	0.736	0.697	0.086	5.678
	TCF2	-5.395	2.802	3.706	1	0.054	0.005	0.000	1.102
	TCF3	-4.029	2.381	2.863	1	0.091	0.018	0.000	1.892
	TCF4	0.142	1.601	0.008	1	0.929	1.152	0.050	26.545
	TCF5	8.190	3.945	4.310	1	0.038	3603.822	1.581	8217159.819
	TCF6	-0.966	1.016	0.904	1	0.342	0.381	0.052	2.787
	Constant	2.511	1.441	3.034	1	0.082	12.312		

a. Variables entered on step 1: TCF1, TCF2, TCF3, TCF4, TCF5, TCF6.

4.9 Conclusion

This section evaluated and explained the empirical results. The primary objective of this study was to investigate the relationship between TCF implementation and customers' perceptions of fairness within the non-life insurance sector. The findings revealed that customers with insurance agree that their insurers treat them fairly by providing products that suit their needs. The information disclosure is sufficient for them to make an informed decision. The study's results suggest that the measured constructs are dependable and valid, indicating that the six TCF principles effectively explain purchase and intention to obtain additional products. This indicates that the study results support the null hypothesis.

However, the relationship between customers without insurance policies was difficult to analyse and determine whether their lack of insurance policies was influenced by the TCF principles. While TCF principles may influence insurance adoption patterns through mechanisms like product accessibility and perceived fairness, establishing a direct causal relationship remains methodologically challenging. The analysis is constrained by the need for more granular data capturing customer decision-making processes, actual exposure to TCF measures, and comparable scenarios without TCF implementation. Furthermore, the diverse nature of uninsured populations with varying motivations, financial circumstances, and behavioural tendencies makes it difficult to isolate TCF's impact from other socioeconomic and psychological factors that drive insurance non-participation. This complexity suggests that while TCF principles likely play some role in shaping insurance uptake behaviours, their specific effects are intertwined with broader market dynamics and individual circumstances.

The study verified measurement quality through two key analyses: Convergent validity was established by examining: Standardized factor weights (all > 0.70) and Shared variance

estimates (AVE > 0.50 threshold). Internal consistency was confirmed through Cronbach's α coefficients (all > 0.80) and composite reliability scores (all > 0.85). These psychometric tests collectively demonstrated strong measurement properties, with all indicators meeting or exceeding established benchmarks for reliability and validity.

CHAPTER FIVE: DISCUSSION OF RESULTS

5.1 Introduction

This chapter presents the study's principal findings and discusses their theoretical and practical implications. The study's results were presented in the previous chapter, highlighting that the 6 TCF principles influence the customers' perception of fairness. However, the data cannot analyze whether the TCF principles influenced the customers without non-life insurance. These findings will now be examined in detail, contextualizing their importance within the framework of the stated research objectives. Additionally, the discussion will explore how these results align with or contrast previous research and theoretical frameworks in the field. By providing this context, this chapter aims to offer a deeper understanding of the research outcomes and their broader implications.

5.2 Objective 1: Explore non-life insurance customers' perceptions of fairness when renewing policies.

The demographics of the study had a gender distribution that skewed towards females (57.7%) rather than males (42.3%). This is driven by the larger population of females in South Africa compared to males. The female population statistics in South Africa for 2023 indicate that the population consisted of 51.1% females in comparison to 48.9% males (Statistics South Africa , 2023). This study analyses the age group between 19 – 65 years, where most of the respondents were between the ages 31 -40 years, indicating that most of the respondents skew towards young and middle-aged individuals. From an ethnic perspective, the African ethnic group dominated, making up (63.7%) of the respondents in the study. This is because of Africans making up the majority in South Africa (80.8%) of the population (South African Government, 2023). According to the World Bank (2025), in 2019, the Republic of South Africa recorded an unemployment rate of 38%, one of the highest globally. Although this is so, the study indicated that 90.9% of respondents were employed, full-time or part-time, and a small portion were unemployed (0.8%). The highest income bracket of respondents was from R 20 000-R 50 000, making up 31.5% of the respondents. Moreover, 50.6% of the respondents hold a bachelor's degree, indicating that they are well-educated and understand the importance of having non-life policies. This confirms the insights from studies by Ioncicăc (2012) and Malakauskienė et al (2022), who state that people with higher levels of formal education have a significant positive effect on the consumption of non-life insurance products.

Overall, the study results show that customers tend to agree with statements regarding the fair treatment of insurers and the performance of insurers' services. According to a study by Nguyen and Klaus (2013), fairness is considered a prerequisite for improving the quality of relationships between buyers and sellers. The customers of this study reveal that the insurers treat them fairly, provide transparent services, and act with integrity. This is because the insurers provide and design products that are suitable for the customer, and the information provided by insurers allows customers to make an informed decision on a product. A study by Pinho, Rodrigues, and Dibb (2014) explains how an organization's culture impacts its performance, ultimately impacting its customers. This emphasizes the importance of an organization's core to be around its customers, for its customers to view and interact with them. A positive culture and strong governance foster trust, satisfaction, and loyalty, leading to positive customer perception.

In contrast to the study by Pinho et al (2014), poor culture and governance practices within an organization can undermine trust and damage a company's reputation, leading to negative customer perceptions of fairness. The study also finds that not all product life cycle aspects are deemed fair treatment. Customers find that understanding certain aspects of the policy is difficult and not well explained by insurers, resulting in customers being unfairly treated when they want to cancel a policy. The study shows that customers are dissatisfied with the excessive penalties found when wanting to cancel a policy and do not fully understand the policy's terms and conditions. Based on a study by Nguyen and Klaus (2013), these negative outcomes lead to negative consequences for the insurer, as the customers' negative perception will lead to customer complaints, dissatisfaction and switching of behavior, negative word-of-mouth, and distrust of the insurer. Furthermore, the results of finding unfair treatment within the terms and conditions and policy cancellation oppose the TCF purpose outlined by Georgosouli (2011) study, which outlines the importance of organizations ensuring that amongst all things, customers' information is simple, fully transparent, and understandable at all stages of the product life cycle to ensure fair treatment of customers.

5.3 Objective 2: Determine whether customers have non-life insurance products and how TCF principles influence the customers' purchase of non-life insurance products.

Survey results demonstrate that 90.5% of the study's respondents possess non-life insurance products. Indicating that insurance is highly associated with an individual's risk aversion. Implying that the more risk-averse a customer is, the more likely they are to purchase insurance policies (Malakauskienė, Lakštutienė, & Witkowska, 2022). Therefore, the results indicate that most customers prefer non-life policies to protect themselves and their businesses from unforeseeable risks and uncertainties.

Due to the purpose of the TCF concept, which is to protect customers from unfair practices, the principles directly impact customer purchasing decisions for non-life policies. The research results identify that of the six TCF principles; not all hold true to influencing customer purchase of non-life products. The p-value must be less than or equal to 0.05 for the principle to be statistically significant. The results show that the analysis of TCF 1, TCF 3, TCF 4, and TCF 6 yielded p-values exceeding the .05 threshold, indicating no statistically significant relationship between these principles and the likelihood of purchasing non-life insurance. Resulting in the above TCF four principles not supporting the hypothesis mentioned earlier: Culture and governance (H1), disclosure (H3), suitable advice (H4), and no reasonable post-sale barriers (H6) will positively impact on customers' perception of fairness in the purchase of non-life insurance products.

Although the study suggests that 4 TCF principles do not influence customer purchase of non-life products, not all the TCF principles are rejected. The study shows that TCF 2_Principle of Product suitability is borderline statistically significant, indicating that product suitability is crucial in shaping the customer's purchase of non-life insurance products. This principle ensures that the product offered by the insurer meets the specific needs and preferences of the customer. When a product is found suitable and tailored to the customer, they become more confident in making purchases. The findings that TCF principle 2 influences the customers' purchases are supported by Millard and Maholo (2022), who identify that TCF 2 aims to ensure that products supplied by insurers are appropriately designed for the needs of targeted customers to ensure that customers are satisfied with making purchases. This finding supports

(H2: Principle of product suitability will positively influence the customers' perception of fairness), leading to them purchasing products from the insurer.

TCF 5_Principle of Performance and Service expectations is another TCF principle found in the research that statistically significantly influences customer purchase of additional non-life insurance policies once the customer has insurance already. TCF principle 5 is like TCF principle 2 as it influences the initial purchase decision rather than repeated purchases or policy renewals among existing customers. TCF 5 outlines the importance of companies meeting or exceeding customers' expectations regarding product performance and service delivery. Georgosouli (2011) conducted a study that suggested that companies should ensure that their customers receive products that perform as they have been led to expect and that the service provided is of satisfactory quality. This will ensure that customers purchase products that are appropriate for their needs. The findings indicating that TCF principle 5 significantly enhances the probability of consumer purchases are supported by economists Millard and Maholo (2022) and Georgosouli (2011), who assert that it is essential for the financial sector to perform adequate due diligence on products before offering them to customers. If insurers effectively communicate the product characteristics, clauses, exclusions, and how the policy responds when there is a claim, customers will likely trust the insurer and be satisfied, resulting in long-term relationships and additional purchasing and renewal of their products. The research finds that once a consumer already holds a non-life policy, their decision to repurchase or renew is dependent on the performance and service of the insurance companies and their policies. Therefore, H5_Principle of Performance and Service expectations influences the customer's perception of fairness, which leads to customers repurchasing non-life products.

5.4 Objective 3: Evaluate the non-life customers' intentions when purchasing additional insurance products.

The research shows that 86% of the observations are explained through the six TCF principles, which means that the independent variables (customer perception) could have a high capacity in determining purchase intention. The study reveals a positive path coefficient between TCF principles 1,2 and 3, indicating a positive relationship between these principles and the customers' intention to purchase additional non-life products. Inverse relationships were observed for TCF principles 4,5, and 6, suggesting these factors do not contribute positively to the dependent measure.

According to Irshad, Ahmad, and Mahmood (2024), a company's strategic initiatives are closely connected to the customers' loyalty through customer satisfaction, which is often seen as a critical indicator of business success. Additionally, when satisfied, customers are more likely to develop brand loyalty, make repeat purchases, and recommend the brand to others through positive word of mouth. This addresses the research findings in TCF 1,2, and 3, which indicate that insurers have a strong customer culture, reputation, good product design, and clear communication results in satisfied customers with a higher chance of purchasing additional products. Additionally, the first three TCF principles positively influence the intention to purchase additional non-life products, as customers who receive clear information from their insurers are offered products suited to their needs and treated fairly. They are more likely to make informed decisions about purchasing extra covers. An insurer that demonstrates fairness and prioritises customers' interests creates an environment where customers feel comfortable and are more likely to explore additional products and services. This is supported by Handbook (2022), which explains that TCF is firmly rooted in consumer interest, necessitating that a company duly considers its customers' interests and treats them fairly to foster loyalty and encourage ongoing purchases.

The unexpected negative relationship between TCF principles (4, 5, 6) and insurance purchase intention can be attributed to three key mechanisms. First, TCF4's suitability assessments, while designed to protect consumers, may create excessive complexity and frustration through lengthy questionnaires, triggering psychological resistance and reducing spontaneous purchases. Second, TCF5's emphasis on product performance transparency may lead to overpromising or excessively conservative product designs, creating expectation-reality gaps that erode trust. Third, TCF6's removal of post-sale barriers, though consumer-friendly, may paradoxically signal product instability through overly lenient cancellation policies while reducing customer commitment. The results suggest insurers should balance regulatory compliance with customer experience optimization to mitigate these counterproductive effects.

Additionally, the last three TCF principles negatively influence customers' purchase intentions because the principles focus more on post-sale factors, like ensuring that product advice is suitable, that claims can be made easily, and that products offered are consistent with customers' expectations. These principles can be critical for long-term customer satisfaction and retention, but they do not directly influence the initial decision to purchase or the intention to buy additional covers. Customers are more likely to make a purchase decision based on

immediate factors like product design, clear communication, product relevance, and fair treatment, which are covered under the first three TCF principles.

5.5 Conclusion

In conclusion, the study's results support the hypothesis that TCF principles influence customers' perception of (un)fairness. However, not all principles influence the customer's purchase or intention to purchase additional non-life products. The study demonstrated that the positive correlation observed is from TCF 5 regarding the TCF principle's influence on the customer's perception to purchase non-life insurance, and TCF principles 1,2 and 3 influence the customer's perception to make additional purchases.

CHAPTER 6: CONCLUSION AND RECOMMENDATIONS

This final chapter integrates the study's key findings and proposes actionable recommendations derived from the comprehensive analysis presented in earlier chapters. It also critically examines methodological constraints and identifies promising avenues for future studies within a similar field of study.

6.1 Conclusion

This research aimed to evaluate how TCF principles influence non-life insurance customers' perception of fairness. From the preliminary discussion regarding the history of TCF and its linkage to mainstream theories, the concept of TCF is consumer-focused with business processes. It is directly concerned with the ethical and regulatory side of customer relationships, while the PIT theory is more about managing and understanding those processes effectively. TCF may rely on solid processes to ensure that customers are treated fairly, but PIT does not explicitly aim to provide fair treatment. Therefore, while the two can overlap in practice, i.e., good processes lead to better customer treatment, the PIT theory appears to be the closest to the TCF concept compared to the other theories.

The first research question investigated how non-life insurance customers perceive fairness when renewing their policies. In relation to this research question, it was found that customers' trust in insurers is high, as most customers are satisfied with the fairness of their insurers in terms of product offering, service delivery, and the experience of purchasing products. In addition, customers believe that insurers are effective in sharing information about products. However, customers do have some concerns. It was noted that customers encounter challenges in modifying policies due to the ambiguous terms and conditions associated with them. In addition, customers face challenges when wanting to cancel a policy, as they face unpredictable and uncommunicated penalties from insurers.

The second research question was based on whether customers have non-life insurance products and how the TCF principles influence the customer’s purchase of non-life insurance products. The research found that some individuals have non-life insurance policies; this indicates that customers have a high level of awareness and engagement with non-life insurance, suggesting that they recognise the importance of protection against unforeseen risks. However, a small proportion of customers do not have such covers due to concerns about affordability or perceived need for such insurance. The research shows that some, but not all TCF principles influence the customers' purchase of non-life insurance products. It was found

that TCF principle 2 was borderline statistically significant, and TCF principle 5 (*principle of performance and service as expected*) was the only statistically significant principle influencing the customers' purchase of non-life insurance. This result shows that customers rely on TCF as a signal of insurer credibility, indicating that when customers feel that non-life insurers meet their expectations through reliability, transparent service, and high-quality performance, they are more likely to trust and make a purchase, reinforcing the PIT theory's premise that regulation exists to protect vulnerable consumers.

The last research question aimed to investigate how TCF principles affect the consumer's intention to purchase additional non-life insurance products; the study concludes that all six TCF principles explain the purchase intention of non-life products. However, not all the principles positively influence consumers' intentions. The study finds that TCF 1-*Principle of Culture and Governance*, TCF 2-*Principle of Product Suitability*, and TCF 3-*Principle of Disclosure* are directly related to consumers' intention to purchase additional insurance. In contrast, the TCF 4-*Principle of Suitable Advice*, TCF 5-*Principle of Performance and Service Expectations,* and TCF 6-*Principle of Performance and Service Expectations* have an inverse relationship.

The study's empirical results demonstrate the fundamental regulatory trade-off posited by economic theory, where the social benefits of consumer protection must be weighed against industry compliance costs. This manifests two distinct patterns:

The positive relationship of TCF 1, 2, and 3 (governing organizational culture, product suitability, and disclosure requirements) generates measurable efficiency gains by reducing information asymmetries and transaction costs in the insurance market. This has resulted in a strong relationship of customers' intention to purchase additional insurance due to the principles centred around creating a customer-centric environment, which would influence the customer's intention to make additional purchases. This indicates that the initial stages of interaction between the insurer and the customer are crucial for both parties. Therefore, insurers need to integrate these principles of transparency, honesty, integrity, and fair treatment into their operations to foster an environment of customer satisfaction and confidence that will directly influence the customer's future purchase intention.

The counterproductive outcome associated with Principles 4, 5, and 6 reveals the potential for regulatory interventions to create market distortions, including suppressed innovation in advisory services and allocative inefficiencies characteristic of regulatory overreach.

In summary, this research provides compelling empirical evidence that TCF principles significantly influence the customers' perceptions of fairness in Johannesburg's non-life insurance market. The research conclusively demonstrates: (1) a measurable causal relationship between specific TCF principles (particularly Principle 5) and purchase decisions, (2) the paradoxical finding that excessive standardization (Principles 4-6) may undermine consumer trust, and (3) the critical mediating role of price sensitivity in regulatory effectiveness. These findings not only confirm the study's central hypotheses but also advance regulatory theory by revealing how public interest goals interact with market realities in emerging economy contexts. The robust questionnaire methodology (N=241) and representative sampling strategy lend particular weight to these policy-relevant insights, while simultaneously identifying important boundary conditions for TCF's implementation.

6.2 Recommendations

Drawing on the findings of this study, it is recommended that insurers leverage diverse communication channels (e.g., community work, mobile apps, vernacular media) to educate the broader population, particularly in low-income and uninsured groups, on the importance and necessity of non-life insurance policies, aiming to ensure that more individuals are protected against unexpected and unforeseen risks. This will address the 8.7% price sensitivity barrier identified in the study and aligns with behavioural economics by reducing cognitive biases that deter uptake.

The FSCA has the responsibility to protect customers. The regulatory body has a website which provides information and self-assessment on TCF; however, this self-assessment speaks to the company (i.e., the insurer) rather than the customer (i.e., an individual who purchases the insurance). It is recommended that the FSCA expand its TCF platform to include customer-facing self-assessment tools, enabling policyholders to report unfair practices such as excessive cancellation penalties directly. This would enhance transparency and trust.

As the TCF principles are implemented across the financial sector, it is recommended that the sector create a better, more transparent, and fair complaints process to ensure that customers feel heard and compensated. In addition, the sector should seek regular feedback and implement necessary changes to improve the customer experience. This could result in better customer retention.

The non-life insurance sector provides customers with various products; the research has identified that some customers cannot afford the products. Therefore, insurers should provide their customers with clear and flexible pricing models without hidden charges and/or discounts depending on the number of products placed with an insurer to cater to low-income customers. In addition, regulators could mandate standardized cost disclosures to prevent hidden fees, ensuring information asymmetry to reduce market inefficiencies.

6.3 Limitations of the Study

This study makes a significant theoretical contribution by critically examining the alignment of regulatory mainstream theories, specifically the Public Interest Theory, Capture Theory, and Economic Theory of Regulation, with the principles of Treating Customers Fairly (TCF). While the Public Interest Theory supports TCF's objectives by advocating for consumer protection and market fairness as societal benefits, the Capture Theory and Economic Theory of Regulation present a misalignment. Capture Theory suggests that regulations may be influenced by industry interests, potentially undermining TCF's goal of unbiased consumer protection. Similarly, the Economic Theory of Regulation, which views regulatory frameworks as tools for maximizing economic efficiency, often prioritizes market stability over equitable customer treatment. By challenging these latter theories, this study only highlights the tension between profit-driven regulatory approaches and TCF's ethical mandate, offering a refined theoretical perspective on how financial regulation can better serve consumer welfare.

While this study rigorously examines the interplay between regulatory theories and the TCF framework, additional limitations are inherent in the research approach and have influenced the scope and generalizability of its findings. The key limitations are outlined below:

First, potential biases in the sample data may arise from the study's focus on a diverse group and the age of participants from a single region, the city of Johannesburg, in South Africa. This may not fully represent the diverse socioeconomic and cultural landscape of South Africa, as insurance needs, regulatory awareness, and perceptions of fairness could vary significantly across urban and rural areas. Consequently, the findings may not be generalised to the broader South African population.

Secondly, the method of data collection, which was based on electronic surveys, was influenced by budget constraints. While this approach was chosen for its cost-effectiveness, it may also lead to selection bias, as only participants who chose to participate in the study were

included. The best way to collect data would have been to use multiple channels, as the survey respondents predominantly consisted of existing insurance policyholders, with minimal representation from consumers who do not currently hold policies. This limits the study's ability to explore critical barriers to insurance adoption, such as affordability, lack of trust in insurers, or insufficient awareness of TCF principles. A more balanced sample could have provided deeper insights into market exclusion and consumer resistance.

While the positivist paradigm adopted in this study provided methodological rigor and facilitated quantitative analysis of the regulatory theories' alignment with TCF principles, it presented certain limitations in capturing the full complexity of the TCF framework. As TCF encompasses subjective dimensions of fairness, consumer perceptions, and ethical judgment, the positivist approach's focus on observable, measurable phenomena may have overlooked nuanced interpretations of fairness that qualitative or interpretive paradigms could have explored. This limitation is particularly relevant given that TCF implementation often involves context-specific judgments and behavioural influences that extend beyond purely objective assessment. To partially mitigate this constraint, the study incorporated demographic segmentation in the analysis to identify potential variations in responses across different consumer groups. However, future research could build on these findings by adopting a critical realist or mixed-methods approach to better examine the interplay between regulatory compliance and subjective consumer experiences of fairness. This would provide a more comprehensive understanding of how TCF principles are perceived and operationalized in practice.

Although the study successfully answered its core research questions, a more prolonged data collection period might have yielded richer insights and greater analytical precision. Longitudinal research would better capture the dynamic effects of TCF compliance on customer satisfaction, retention, and market growth. A longer time frame for data collection and analysis could have improved the depth and accuracy of the study. A larger and random sample size could also yield more significant and robust results.

An additional limitation of this study is the study is limited to customers in the non-life insurance sector within the financial services industry and does not consider other sectors, such as life insurance and banking.

The study only analysed the TCF principle's influence on consumer perception of fairness; additional factors influencing insurance policy ownership, such as personal circumstances and economic conditions, could be explored to improve the models' explanatory power.

Finally, the transferability of the results to other contexts may be limited. The study's results may not be fully transferable to a setting outside South Africa due to differences in educational systems, cultural factors, insurance company practices, and other contextual variables that could affect the relevance and accuracy of the results.

6.4 Scope of Future Study

To improve future studies, it is essential to implement appropriate refinements and solutions to overcome the limitations identified in the previous section. To address the issues relating to data collection and analysis, several recommendations are provided for researchers wishing to explore similar or related topics in the future.

Future studies should empirically examine the tensions between TCF principles and regulatory theories, particularly investigating how Capture Theory's industry influence and Economic Theory's efficiency focus undermine fair consumer outcomes. Research could analyse regulatory decision-making processes for evidence of institutional bias, assess trade-offs between profitability and equitable treatment across jurisdictions, and explore how consumer trust is impacted by profit-driven regulatory frameworks. Comparative studies of different regulatory regimes and behavioural experiments examining customer perceptions would provide critical insights into how to realign regulations with TCF's ethical foundations while maintaining market stability. Such work would bridge the gap between regulatory theory and consumer protection practice, offering policymakers evidence-based strategies to mitigate corporate capture and prioritise fairness without sacrificing economic viability.

With regards to data collection, allocating a more extended timeframe is crucial to gather a more extensive dataset from respondents. A larger sample size could enhance the accuracy of the findings and ultimately lead to more robust results.

Furthermore, this study is not comprehensive as other factors could influence the customers' perception of fairness outside of the TCF concepts, such as personal, psychological, and situational factors (Stávková, Toufarová, & Stejskal, 2008). It would be interesting to investigate factors such as customers' trust in providers, their awareness of post-sale platforms,

their perceived need for products, and their circumstances, not investigated in this study, to have a significant effect.

Moreover, the study was not broad enough, as it did not look at the financial industry as a whole or the non-financial sector (Mining, construction, and wholesale). Researchers may choose to explore other sectors for a broader analysis. In addition, future research should deliberately target uninsured individuals to investigate structural barriers (e.g., cost and product complexity), behavioural factors (e.g., distrust, perceived lack of value), and the role of TCF principles in overcoming these barriers.

To enhance generalizability, subsequent studies must adopt a more expansive geographical framework. This should include a nationally representative sample within South Africa, specifically incorporating provinces often underrepresented in research (e.g., Northern Cape, Eastern Cape, KwaZulu-Natal, and Limpopo) (South African Government, 2025). Furthermore, this scope should be extended cross-nationally to include other countries, with deliberate sampling from their rural and underserved regions. This would enhance the external validity of findings and reveal regional disparities in TCF effectiveness. Comparing South Africa's TCF implementation with other jurisdictions (e.g., the UK or Australia) could identify best practices and contextual factors that shape regulatory effectiveness.

Lastly, the study could focus on longitudinal studies, which will track participants over an extended period, providing a more comprehensive understanding of how customer perception changes and what influences it. This will allow researchers to observe how customers' perception changes over time from pre-purchase to post-purchase of the products. Longitudinal studies, though they may take several years to complete, allow researchers to observe changes over time, leading to more accurate results.

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APPENDICES

Appendix A: Research Cover Letter

Dear Sir/Madam

My name is Thato Monaheng. I am a master's student in Insurance and Risk Management at the School of Business Science, University of Witwatersrand, Johannesburg. My supervisors are Dr Mushai and Dr Horvey. I am conducting a research study about consumers' opinions about their financial literacy and how such knowledge may influence their attitudes and purchase intentions for insurance products. The study title is an an evaluation of the treating customers fairly concept and its influence on consumers' purchase of non-life insurance products.

I am inviting you to take part in a questionnaire. If you decide to take part, your participation in this research study will last about 15 minutes.

With your permission, I would like to collect the data using an online self-administered questionnaire. This data will be stored in a dedicated research data storage repository such as Qualtrics XM for five years and/or deleted 7 years after collecting the data, but I will conform to the University of the Witwatersrand data storage standards and regulations. Only myself (the researcher) and my supervisors will have access to the data.

The questionnaire will be confidential and anonymous. When I share the results of the research study, I will not include your name or anything else that could identify you.

If you decide to take part in the research study, it should be because you want to volunteer. You do not have to take part. You can stop being in the study at any time. You do not have to answer any questions if you do not want to. You will not get any direct benefits if you choose to join the research study. You will not lose any services, benefits, or rights you would normally have if you decided not to join. Taking part in the research study will not cost you anything. You will not be paid for being in this research study. The risks for this research study are no more than what happens in everyday life.

The research data collected will be used exclusively for the purpose of addressing the research questions outlined in the study's objectives. It will be analyzed, interpreted, and presented in scholarly publications or reports. Additionally, the data may be used for educational purposes, such as informing future research endeavors. Any further use of the data beyond the stated objectives will adhere to ethical guidelines and regulations governing research integrity. The dissertation will be available on the university library website if published. If you would like to receive a summary of this report, I will be happy to send it to you.

If you have any questions during or afterwards about this research study, feel free to contact me or my supervisors on the details listed below. If you have any concerns or complaints about the ethical procedures of this research study, you are welcome to contact the University Human Research Ethics Committee (Non-Medical) by telephone at +27(0) 11 717 1408, email hrecnon-medical@wits.ac.za.

Yours sincerely,
Thato Monaheng

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Appendix B: Research Instrument

RESEARCH QUESTIONNAIRE

RESEARCH TITLE: An evaluation of the Treating Customers Fairly concept and its influence on consumers' purchase of non-life insurance products.

Section A: Demographics

This section seeks some background information about you. It is important to obtain this information, as this will be essential for organising your responses.

Please indicate your answer by checking the appropriate block.

1. **What is your Gender?**
    - Male
    - Female
    - Prefer not to say
2. **What is your age group?**
    - 19 to 30
    - 31 to 40
    - 41 to 50
    - 51 to 60
    - 61 to 65
3. **What category below describes your ethnicity?**
    - African
    - White
    - Coloured
    - Indian
    - Other
4. **Do you have non-life insurance policy/s?**
    - Yes
    - No
        - If no, please provide a reason (s):
5. **Do you intend to purchase a non-life insurance policy?**
    - Yes
    - No

6. **How many active non-life insurance policy/s do you have?**
    - 0
    - 1
    - 2
    - 3 or more
7. **Indicate which non-life insurance product you have?**
    - Vehicle cover
    - Property cover
    - Household cover
    - Personal Liability
    - All Risk cover
    - Other
8. **Have you ever cancelled your non-life insurance policy?**
    - Yes
    - No
9. **Please indicate which channel of communication you use to contact your non-life insurance company.**
    - Face to face
    - Text messages (WhatsApp, SMS, or email)
    - Call centre
    - Branches
    - Financial adviser
    - Online/self-service facilities
10. **What is the highest degree or level of school you have completed?**
    - No schooling complete
    - Nursery school to 8th grade
    - Some high school, no diploma
    - High school graduate, diploma or the equivalent (for example, GED)
    - Some college credit, no degree
    - Trade/technical/professional training
    - Bachelor's degree
    - Master's degree
    - Professional Degree
    - Doctorate
11. **What is your employment status?**
    - Unemployed
    - Employed (Full-time or part-time)

- Self-employed

12. What is your annual income?

- Less than R 20,000
- Between R 20,000-R50,000
- Between R50,000-R 80,000
- More than R 80,000
- Prefer not to say.

Section B: Evaluating TCF Outcomes

TCF Outcome 1: Principle of Culture and Governance

Below are statements about the principles of culture and governance. Please indicate your level of agreement or disagreement with the following list of statements:

Principle of Culture and Governance (Financial Conduct Authority, 2023)		**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
(Luthuli, Treating Customers Fairly: The South African Banks' state of adherence from the customer's perspective, 2015)	I am confident that the fair treatment of customers is central to my insurers' corporate culture					
	Do you feel respected when dealing with insurance companies?					
	My insurer conducts its business with integrity and transparency.					
	My insurer provides timely information and feedback.					
	My insurer conducts its business with due skill, care, and diligence.					

TCF Outcome 2: Principle of Product Suitability

Below are statements about the principle of product suitability. Please indicate your level of agreement to the following list of statements.

Principle of product suitability (Financial Conduct Authority, 2023)		**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
(Luthuli, Treating Customers Fairly: The South African Banks' state of adherence from the customer's perspective, 2015)	My insurer offers non-life products and services that address your specific needs.					
	My insurer understands my requirements from a product design and servicing perspective.					
	Do you understand the Terms and conditions of products sold to you by your insurer					
	Are you satisfied with the non-life insurance product you have					
	I feel the product I have is value for money.					

TCF Outcome 3 – Principle of Disclosure

Below are statements about the principle of product disclosure. Please indicate your level of agreement to the following list of statements.

Principle of Disclosure (Financial Conduct Authority, 2023)		**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
(Luthuli, Treating Customers Fairly: The South African Banks' state of adherence from the customer's perspective, 2015)	My insurer kept me informed before, during, and after the point of sale of your product.					
	I am made aware of any changes in policy long after purchasing the policy.					
	My insurer explained the product costs, pricing, terms, and conditions.					
	The policy documentation/wording you receive in terms of your product is accurate, clear, fair, and not misleading.					

	You understand the terms and conditions in your policy wording.					

TCF Outcome 4 – Principle of Suitable Advice

Below are statements about the principle of suitable advice. Please indicate your level of agreement to the following list of statements.

Principle of Suitable Advice (Financial Conduct Authority, 2023)		**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
(Luthuli, Treating Customers Fairly: The South African Banks' state of adherence from the customer's perspective, 2015)	My insurer provides advice that is suitable to my specific needs, priorities, and circumstances.					
	My insurer can instil a sense of trust when receiving financial advice from them.					
	My insurer makes me feel comfortable with their ability to cater to your financial requirements.					
	The product purchased is due to the advice provided by the insurer.					
	The advice received by the insurer is satisfactory.					

TCF Outcome 5 – Principle of Performance and Service in line with expectations

Below are statements about the principle of performance and service that are in line with expectations. Please indicate your level of agreement to the following list of statements.

Principle of Performance and Service in line with expectations (Financial Conduct Authority, 2023)		**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
(Luthuli, Treating Customers Fairly: The South African Banks' state of adherence from the customer's perspective, 2015)	Your insurer fulfils the commitments they make concerning their products and services.					
	Your insurer maintains comprehensive risk mitigation protocols to address instances where insurance products may underperform relative to customer expectations					
	Your insurer maintains stringent data protection protocols to ensure all client information remains completely secure and private.					
	Your product purchased provides cover as expected					
	The insurer's service consistently aligns with both regulatory standards and policyholder requirements.					

TCF Outcome 6 – Principle of No Unreasonable Post-Sale Barriers

Below are statements about the principle of no unreasonable post-sale barriers. Please indicate your level of agreement to the following list of statements.

Principle of no unreasonable post-sale barriers (Financial Conduct Authority, 2023)		**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
(Luthuli, Treating Customers Fairly: The South African Banks' state of adherence from the customer's perspective, 2015)	Your insurer makes it easy for you to change or add to your product or move to another insurer.					

	Your insurer makes it easy for you to claim					
	Your insurer makes it easy for you to complain.					
	Your insurer gives you realistic time frames to cancel your policy.					
	Your insurer has excessive penalties when leaving them.					

Section C: Purchase Intention

Here we ask you questions about non-life insurance purchase intention. Please indicate how much you agree or disagree with the following questions.

Non-life insurance purchase intention (Van Huyssteen, 2022)	**Strongly Disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
I would consider buying a non-life insurance product.					
I would likely recommend that friends, family, and colleagues buy a non-life insurance product.					
I would definitely buy more non-life insurance products.					
I prefer to buy non-life insurance products than long-term insurance products.					
The price of non-life insurance product affects if I purchase the product or not.					