



INSURANCE & FINANCIAL SERVICES
OMBUDSMAN

Annual Report 2019

The Insurance & Financial Services Ombudsman resolves complaints about insurance and financial services.

Our service is independent, fair and free for consumers.

Contact us

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For 24 years, the IFSO Scheme has provided an independent, fair and free dispute resolution service for consumers.

Since the IFSO Scheme was established in 1995:

62,533

complaint enquiries have been responded to

6,724

complaints have been investigated

We resolve complaints and respond to enquiries about:

- Insurance: including house, contents, vehicle, travel, health and life insurance
- Superannuation, investments and securities
- Financial advice and broking services
- Loans and credit
- Foreign exchange and money transfer services

“ Grateful to IFSO and particularly our case manager when I felt I couldn't go any further by myself. The IFSO is very professional, thorough and competent.”

Access to quality dispute resolution is the heart of the IFSO Scheme. Experience sets us apart. When investigating complaints, our team of case managers apply negotiation, conciliation and mediation to reach agreement where possible. The process is fair, transparent and impartial.

“ Fantastic communication at all points of the process and very thorough with explanations, while not in our favour, I walked away extremely happy with the service provided by IFSO.”

Preventing complaints is as important as resolving them. Insights from complaints can help improve industry conduct and increase consumer financial capability. Future issues and complaints can be prevented. That is the aim.

“ While waiting for a resolution is stressful, the process is very fair and transparent.”

Over 80% of people surveyed said:



they were given a clear explanation about the IFSO Scheme process



the case manager was helpful and easy to speak to on the telephone



they were kept well informed about the entire process

“ Everyone I dealt with (even prior to my complaint being lodged) was approachable, respectful, and responded in a timely manner.”

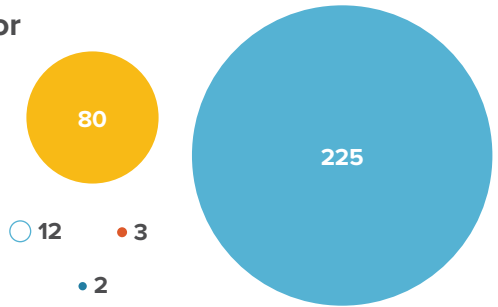
Complaint summary 2019

Complaints increased in 2018–2019, with **322 complaints** (320 in 2017–2018). Complaint enquiries increased significantly with **3,805 complaint enquiries** (3,357 in 2017–2018).

Complaints received by sector

2018/19 Total 322

- Insurance: Fire and General
- Insurance: Health, Life and Disability
- Credit Contracts
- Financial Adviser
- Other Financial Services



Complaints have been accepted by the IFSO Scheme for investigation and resolution, by agreement where possible (through negotiation, conciliation or mediation), or by decision.

Complaint enquiries are any questions or issues brought to the IFSO Scheme.

Top 5

Complaint issues

1. Policy exclusion
2. Scope of cover
3. Non-disclosure
4. Pre-existing conditions
5. Gradual damage

Complaint resolutions


Complaints Upheld	16
Complaints Partly Upheld	15
Complaints Settled	66
Complaints Withdrawn	2
Complaints Not Upheld	219
TOTAL	318

Top 5

Complaint enquiry issues

1. Scope of cover
2. Uninsured third party
3. Premiums
4. Delays
5. Customer service

3,805 complaint enquiries

 **76** by post
694 by email

 **2,599**
by telephone

 **2** in person
434 online

In the year ended 30 June 2019

- **75 complaints** resulted in **\$1.8 million** being paid by Participants to consumers.*
- The average time taken to close complaints was **71.87 days** (about 53 working days). This is a reduction from last year's average of **78.19 days**.

Systemic issues

We queried 3 potential systemic issues with Participants. 2 were resolved and 1 is ongoing.

* This does not include weekly disability benefit payments under income protection, superannuation or life policies.



Karen Stevens

Insurance & Financial Services Ombudsman

Changing culture and conduct involves understanding and learning from complaints.

This year the message from regulators to the financial sector has been to change culture and conduct to deliver consistently good outcomes for consumers. The IFSO Scheme has contributed its voice to the discussion, because one of the points highlighted in the FMA-RBNZ “*Life Insurer Conduct and Culture*” review is about what can be identified, rectified and learnt from complaints.

Root cause analysis of why customers are making complaints is crucial for overall business improvement. The IFSO Scheme has embarked on a challenging course to provide information using our new Salesforce system – in the form of dashboards and insights to our insurance Participants. The knowledge gained will help to understand the reasons why customers are not satisfied and how to prevent complaints from arising.

Our focus continues to be on preventing, as well as resolving, complaints. We run an extensive webinar programme for IFSO Scheme Participants and also partner with Professional IQ College and Financial Advice NZ, specifically for advisers. Professional development is, of course, part of the new obligations on advisers under the new Code of Professional Conduct. We will be supporting our financial adviser Participants to assist their response to changes as the result of the FSLAA.

We provided submissions in response to the Conduct of Financial Institutions, the Ombudsman Act 1975 and the

Insurance Contract Law Review, where we were able to share our experience about what happens to consumers who do not disclose material information to their insurers – forgetting, or simply not knowing, the importance of getting it right. We support the UK model where consumers have a duty to take reasonable care not to make a misrepresentation.

We have been more involved with the Insurance Council of NZ’s Fair Insurance Code, with increased complaints about breaches of transparency and delays. Often the breaches are only technical but lead to useful learnings for General Insurers about compliance and better communication with customers.

Overall, it has been a busy year with a significant increase in the number of complaint enquiries, and complaints holding at the same level as last year – the highest numbers in 20 years. With the financial sector under the spotlight, we can expect increased consumer awareness and a greater number of complaints. While this will undoubtedly bring challenges, it also gives the industry the opportunity to engage with customers, understand the issues and get it right.

Karen Stevens

Insurance & Financial Services Ombudsman

ANZOA and INFO Network

The IFSO, Karen Stevens, is the current Chair of the International Network of Financial Services Ombudsman Schemes (INFO Network). She is also on the Executive Committee of the Australian and New Zealand Ombudsman Association (ANZOA), the professional association and peak body for Ombudsmen in Australia and New Zealand.

“ I can’t thank the IFSO Scheme enough, very fair and thank goodness we have it in New Zealand.”



Sue Suckling

IFSO Scheme Commission Chair

The IFSO Scheme is ideally placed to work with industry on improving consumer outcomes.

Supporting change, sharing solutions, the theme of the IFSO Scheme’s May 2019 conference, will continue to guide the IFSO Scheme’s work, in collaboration with our industry partners and consumers.

The constant challenge of change has been a focus in every governance role I have had over 25 years. But the rate of change demanded of all corporates is increasing daily as a result of the pressures of convergent digitised technologies, and the demand for social equity, transparency, and sustainability. In my experience, success can only be achieved when change is embraced, and when organisations see challenges as opportunities.

Among the challenges facing the NZ insurance industry, “*weak governance and management of conduct risk*” has been brought to light by the FMA-RBNZ “*Life Insurer Conduct and Culture*” review this year following on from the issues raised in Australia. To make meaningful change, Boards must set the tone, clarify expectations and oversee processes. A culture shift requires Boards to lead the charge and bring their teams with them. The IFSO Scheme is ideally placed to work with industry on improving consumer outcomes.

This year, the IFSO Scheme invested in upgrading our IT capacity and organisational capability to enable us to better service our Participants and their customers in the future. Further investment will be required in the year

ahead. This activity contributed to a loss this year, while the underlying operating performance of the business was sound.

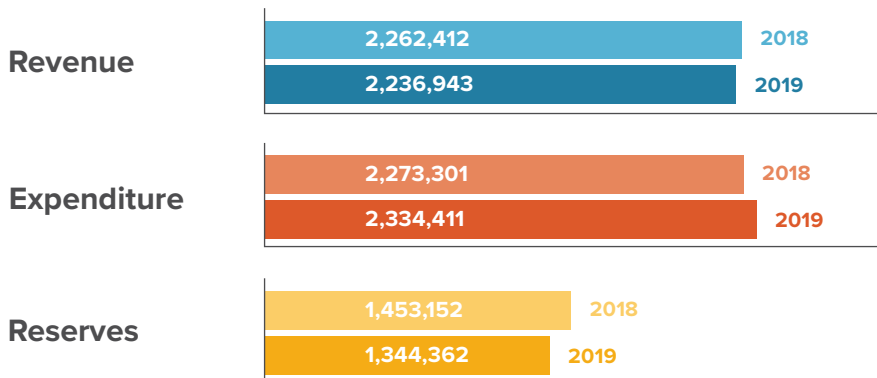
The independent review of the IFSO Scheme, conducted every five years, was completed and is available on the website. The reviewer, former Australian Commonwealth Ombudsman and NSW Ombudsman, Professor John McMillan AO, measured performance against industry-based customer dispute resolution benchmarks, focusing on accountability and effectiveness. The results are resoundingly positive, and the Commission is implementing the recommendations.

I’d like to acknowledge the departure of IFSO Scheme Commissioners, Sir John Hansen and Victoria Werohia who both made a significant contribution. We’re delighted to welcome incoming Commissioners, Rob Hennin, CEO of nib New Zealand, and Dr Pushpa Wood, Director of Massey University’s Financial Education and Research Centre. Rob has extensive financial services leadership experience, and Pushpa is an expert in educating financially capable communities.

It’s been a highly productive year. Thanks to Karen Stevens for her leadership, Deputy Ombudsman, Louise Peters, and the dedicated IFSO Scheme team.

Sue Suckling
IFSO Scheme Commission Chair

IFSO Scheme financial summary



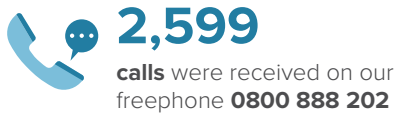
Sharing our message

Free and independent dispute resolution provides access to justice for consumers. We continue to work on visibility and accessibility. We want consumers to know if they have an issue or complaint about insurance or financial services, we are here to help.

Engaging with community organisations helps to spread the word, together with sharing tips and information through media and social media, our website, presentations, workshops, and our 0800 first response line.

Knowledge empowers consumers to be more confident and capable in the financial sector. 24 years of complaints create a wealth of knowledge about how and when things go wrong. Sharing that knowledge can help things go right.

In 2018/2019



Informing customers about complaints processes

Financial Service Providers are required to inform their customers about their complaints process and the IFSO Scheme. This year, 60% of complainants surveyed said they had received enough information from their financial service provider about their internal complaints process. Only 53% said they received enough information about the IFSO Scheme.

Better customer outcomes include ensuring customers know about their right to make complaints to the IFSO Scheme. We will be reminding our Participants that there should be no barriers to access to justice.

Community outreach

We work with community organisations, including the Citizens Advice Bureau (CAB), FinCap, Age Concern, Literacy Aotearoa, the Ministry of Business, Innovation & Employment (MBIE) Consumer Protection Team, and the Commission for Financial Capability.

IFSO Scheme consumer vulnerability Forum, May 2019

Representatives from community organisations, including the Cancer Society, Age Concern, Literacy Aotearoa and FinCap, and Dr Grant Lester, Forensic Psychiatrist, shared how to identify and respond to consumer vulnerabilities.

“ It was really valuable to hear thoughts on consumer vulnerabilities and good conduct from a range of different entities.”

“ Make sure you don't make assumptions about people, but always pay attention to what they're saying for signs of the vulnerabilities or challenges they might be facing.” Soraiya Daud, FinCap

Supporting membership

As at 30 June 2019, our Participants consisted of:

53 Insurers	2,096 Financial advisers	504 Financial adviser businesses	1,667 Other financial service providers*
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* Includes providers of KiwiSaver, superannuation, investments and securities, loans, foreign exchange and money transfer services, and their employees and nominated representatives.

IFSO Scheme membership includes:

- Free helpline to assist early resolution of customer issues.
- Extensive training and professional development opportunities.
- Insights and updates from complaint data.
- Case studies of every complaint from 2000 to date available on website.

2018–2019 professional development programme

The IFSO Scheme offers an extensive webinar programme together with face-to-face training for conferences and groups. This year, in response to feedback from members, we introduced a new series of free 15-minute webinars.

Throughout the year, our 29 IFSO Scheme webinars had a total of over 1,900 attendees. We also presented 9 webinars in partnership with Professional IQ College and 2 webinars in partnership with Financial Advice New Zealand.

Covering a wide range of IFSO Scheme complaints, the key focus of the professional development programme is improved conduct and better customer outcomes. In every webinar we discuss how lessons from complaints can help prevent future issues.

65% of webinar attendees were financial advisers

23% of attendees were insurers or product providers

The response from attendees has been overwhelmingly positive. **97% of attendees rated the webinars as good, very good or excellent, and useful for their business.**

“ Informative, makes me aware of things that need discussing with clients.”

“ I am embracing the shorter webinars. Informative and concise. Doesn't feel like a painful exercise.”

“ It is great to be able to listen, participate and learn on the free webinars.”

IFSO Scheme Conference, Auckland, May 2019: Supporting Change, Sharing Solutions

Our programme included FMA and insurance law updates, a financial advice panel, IFSO Scheme case study workshops, and a half-day Forum focusing on consumer vulnerabilities.

“ Very relevant topics, practical solutions recommended that we can actually work with to implement and very good speakers selected. The practical case study groups were really worthwhile too.”

“ Was good to hit on the key points affecting the industry. Was really good to be able to talk with industry colleagues and discuss pain points and different approaches.”

Case studies

Under the CCCFA, lenders must ask for up-to-date information about a borrower's ability to repay a loan. 00206852

When Bev* took out a \$17,000 loan to buy a car, she also purchased payment waiver. Her partner also arranged a consolidation loan, with Bev making the payments. Later, after Bev agreed to be guarantor for her son's \$4,700 car loan, she was made redundant. Bev was told the payment waiver for her car loan did not include redundancy. Bev complained.

The IFSO Scheme found the lender had not met its obligations under the CCCFA and the Responsible Lending Code to make reasonable enquiries that Bev could repay the loan, or act as guarantor, without suffering substantial hardship. The lender didn't get up-to-date financial information. It relied on previous information, and only checked Bev's contact and employer details. The lender also knew it was likely Bev would be made redundant.

During the complaint investigation, Bev was diagnosed with a chronic illness and couldn't work. The premium waiver applied and covered the instalments for her car loan. However, Bev was struggling to meet the consolidation loan payments, so the lender agreed to restructure the loan by extending the period, reducing the interest rate, and waiving the set-up fees. It also agreed to remove Bev as a guarantor for her son's loan. **Complaint settled.**

Insurance provides cover for specified, not all, losses. Check your policy for the limitations and exclusions. 00209124

Viv* kept her home in pristine condition. One day, her full cup of Nespresso coffee "flew" off the table, staining a patch of the dining room carpet. Her house insurer agreed to replace the dining and living room carpet, as the area was open plan. But Viv also wanted the lounge carpet replaced. The insurer said no. The lounge carpet wasn't damaged, and the policy had a loss of match exclusion; there was no cover if items weren't able to be matched. But Viv said the insurer should replace most of the carpet in the house, because the house was open plan and because the policy wording was unclear.

The IFSO Scheme found the loss of match exclusion clearly applied to carpet in separate rooms. The dining and living rooms were separated from the lounge and the rest of the house by doors. The insurer was entitled to limit the claim to the damaged and adjoining areas. **Complaint not upheld.**

It's unlikely travel insurance will cover pre-existing conditions, unless arrangements are made with your insurer. 00206409

Mae* took her daughter Eve* to Australia in August 2017 to see a nutritional expert about Eve's food and health issues. On the last day of their 5-day trip, Eve collapsed at a restaurant, unable to breathe, and was taken to hospital. Mae made a travel insurance claim for \$1,256, the cost of the ambulance ride. The insurer declined, as the claim arose from a pre-existing condition.

Mae argued Eve was diagnosed with her metabolic disorder in October 2017, so it wasn't a pre-existing condition in August. But Eve had a long history of doctor visits and hospital admissions for food allergies, psychiatric episodes, collapsing and hyperventilation. Mae argued the August incident was a "one-off" reaction, but had no evidence. The insurer was entitled to decline the claim. **Complaint not upheld.**

Insurers bound by the Fair Insurance Code must provide agreed minimum standards of service to customers. 00206931

In February 2017, Kim* made a claim for cracking walls in her house caused by vibration from roadworks. In April 2017, the insurer accepted the claim and arranged for experts to assess the damage and undertake temporary repairs.

In February 2018, the insurer told Kim it had declined the claim, based on an exclusion for loss caused by vibration. The insurer offered to continue to investigate the claim on the basis of holding the road construction company responsible.

Members of the Insurance Council of New Zealand are bound by the Fair Insurance Code. While the IFSO Scheme found the insurer could rely on the vibration exclusion to decline the claim, it had significantly breached the Code. The IFSO Scheme had serious concerns about the delays, lack of transparency and follow-up relating to incomplete repairs. After discussions with the IFSO Scheme, the insurer agreed it had significantly breached the Code. The insurer provided a detailed apology and offered Kim an unconditional *ex-gratia* payment of \$50,000 in recognition of customer service issues and Code breaches, and \$5,000 towards Kim's legal fees. Kim accepted the offer and apology. The IFSO Scheme determined the significant breach was resolved. **Complaint settled.**

* Names have been changed to preserve anonymity.

Case study summaries of all complaints are available from the IFSO Scheme website: www.ifso.nz