

JULY 2021

Conduct and culture: Fire and general insurers update

FANZ Presentation

Findings from our evaluation of New Zealand fire and general insurers' responses to the 2019 Life Insurer Conduct and Culture review

Context

- Australian Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry 2018
- **The Bank Conduct and Culture Review 2018 found issues related to systems and process weaknesses**
- The Life Insurer Conduct and Culture Review 2019 found extensive weaknesses within the life insurance sector
- We asked fire and general insurers to review their businesses to make sure no material conduct issues existed.





What we asked insurers to do

Develop an action plan to address any issues.

Meet FMA's expectations on incentives and commissions.

Complete gap analyses against the ARC report and FMA's Conduct Guide.

Review products and policies.



Findings



95%

Around 95% of responses did not meet our expectations.

71%

of responses were considered inadequate. A further **24%** were considered deficient, addressing some but not all of our expectations.

57%

Only slightly more than half of respondents completed the gap analysis against the Australian Royal Commission Final Report, despite the FMA providing a how-to guide.



Only **14** insurers demonstrated that they had completed and presented all five items in their action plan to the Board.

30

insurers out of 42 completed the action plan, but **19 provided insufficient detail.**

27

insurers completed the FMA Conduct Guide gap analysis, but only **15** addressed this by adding the subsequent actions to their plan.

2

Just 2 insurers out of 42 met the FMA's expectations in full.

9

Just 9 insurers recognised customer vulnerability as a key issue.

36

insurers out of 42 provided the requested explanation on how they would meet FMA's expectations on incentives and commissions.



Key observations

- Product and policy-holder review processes need to be improved.
- Insurers need a clearer line of sight on commissions, including if they are fair and reasonable to the customer and understood by customers.
- Insurers should have greater oversight of how intermediaries are selling and managing their products.
- Boards must support a culture that promotes good conduct.
- Remediation should be prompt and address the root cause of issues.



“The vast majority of fire and general insurers need to do much more work to meet our expectations and prepare for the new regime.”



Next steps



We have written to review participants and asked providers to complete any missing work.



We are meeting with industry bodies and stakeholders to advise them of our findings.



Our findings were released on Thursday, 22 July.

Thank you.