

Media Release

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FMA Review sends important message to industry

The FMA thematic review on replacement business practices in the insurance industry has a number of important findings for the sector says the Financial Services Council.

“We commend the FMA for the active role it is taking in carrying out these thematic reviews and setting out clear expectations in regards to industry conduct”, said FSC CEO, Richard Klipin.

“We don’t shy away from the fact that the findings of the review are mixed and that there is a clear challenge from the FMA for the industry to improve practices related to replacement insurance transactions.

“The review found a range of different behaviours from good to bad, but the FSC and our members are committed to working with the FMA to lift industry practice in this area across the board.

“As the FMA notes the priority must be ensuring good outcomes for customers, yet it appears when it comes to processes and practices around replacement business this has not always been the case.

“As an industry we acknowledge this and are working hard to ensure our policies are driving the best outcomes for clients.

“The sector is going through a significant period of change relating to conduct with the progress of the Financial Services Legislation Amendment Bill and the Financial Advice Code Working Group. We strongly support these measures.

“Industry leadership and self-regulation also has an important role to play in lifting standards within the sector.

“To this end the FSC board after an exhaustive two year process has this month signed off on an inaugural FSC Code of Conduct which will be launched in September.

“This will represent a substantial step forward in improving industry conduct and delivering strong consumer outcomes”, said Mr Klipin.

“The role of insurance is ultimately to manage risk and to ensure that consumers get the right cover and the right advice.

“This can be done through a range of commercial models, but in all cases it is vital that robust processes and policies are in place to ensure that customer interests are at the centre and any conflicts of interest are properly managed”, Mr Klipin concluded.

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For Further Information

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Information about the FSC

The FSC represents investment and life insurance companies in New Zealand. The FSC has 33 members as at 30 April 2018. Companies represented in the FSC include the major insurers in life, disability, income, and trauma insurance, and some fund managers and KiwiSaver providers, together with law firms, audit firms, and other providers to the financial services sector.

The FSC's purpose is to:

- be recognised as an organisation that represents the interests of the New Zealand financial services industry, including to regulators and Government;
- promote best practice and integrity in the financial services industry, including through the institution of codes of conduct, standards and the publication of guidance for industry participants;
- promote the financial services industry for the economic benefit of New Zealand and to enhance the sustainability of the industry, whilst recognising the primacy of the interests of consumers;
- develop and promote evidence-based policies and practices designed to assist New Zealanders to build and protect their wealth;
- promote the financial services industry as a medium for investment and protection for consumers;
- promote, assist and generally advance the interests of members.