




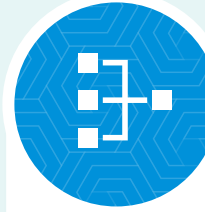
# Where to from here?

## Understanding the path ahead following the FMA's 'Insurance conduct and culture: Fire and general insurers update' (report)

The FMA has recently published its GI report summarising findings from the evaluation of New Zealand fire and general insurers' responses to the 2019 Life Insurer Conduct and Culture review. The review found many insurers had a low level of maturity, failed to actively monitor product suitability, failed to effectively withdraw poor value or legacy products, may have over-charged some customers, need to have a clearer view of commissions paid to, and an overall stronger oversight of intermediaries.

KPMG has seen a shift in the market since the evaluation was done; however, based on our experience there is still a significant uplift for the insurance industry as a whole to restore the trust of customers and regulators who have had their confidence dented from a range of failings.

Insurers also need to be preparing for the upcoming legislative changes.

FMA findings	 <b>CONDUCT</b>	 <b>TONE</b>	 <b>SYSTEMS</b>	 <b>INTERMEDIARIES</b>	 <b>REMEDICATION</b>
	The level of conduct maturity was low, with some insurers demonstrating that they did not see conduct and culture as relevant to their organisation	Many boards are yet to support the development of an organisational culture that promotes good conduct, rebalances shareholder and customer interests, and sets an appropriate conduct risk appetite	Product and policy-holder processes need to be improved	Insurers should have greater oversight of how intermediaries are selling and managing the insurers' products	Not enough has been done to ensure remediation activity is completed promptly and addresses the root cause of issues
	<ul style="list-style-type: none"><li>— Responses should not be treated as a one-off tick box exercise but should result in meaningful change.</li><li>— There is a lack of conduct oversight across the customer lifecycle.</li><li>— Insurers have missed an opportunity to turn good customer outcomes into good commercial outcomes.</li><li>— Product governance continues to challenge the industry, especially getting actionable insights to senior management.</li></ul>	<ul style="list-style-type: none"><li>— The voice of the customer is not always considered during strategy setting at exec and board level.</li><li>— Conduct and culture risks are generally misunderstood or overlooked and not included in risk appetite and risk management frameworks.</li><li>— Boards don't always have conduct and culture experience, skills or knowledge.</li><li>— Board remediation focus is generally on timeliness and not on robustness/substantive delivery of change.</li></ul>	<ul style="list-style-type: none"><li>— Historical constraints around the level of investment in systems and slow legacy replacement have resulted in errors that have required remediation or manual work-arounds which increase risk.</li><li>— A lack of ongoing monitoring of products for insurers - with contact with customers being rare, and only at moments of truth.</li><li>— Investment in systems need to prioritise good customer outcomes and strong product governance.</li></ul>	<ul style="list-style-type: none"><li>— COFI sets a shared responsibility between insurer and intermediary for customer outcomes – many insurers may not sufficiently understand how intermediaries are driving customer outcomes.</li><li>— Care is required around unintended consequences of changes to incentive structures.</li></ul>	<ul style="list-style-type: none"><li>— We are seeing less public tolerance and increased regulatory focus on remediation and increasing fines, settlements and pecuniary penalties.</li><li>— Whilst remediation activity is occurring, it is often without an overarching remediation framework or policy and clear principles on which remediation is completed.</li><li>— Remediations must be timely, transparent and robust.</li></ul>
	<b>How can KPMG help?</b> <ul style="list-style-type: none"><li>— Conduct Governance reviews.</li><li>— Gap analysis or market best practice assessment.</li><li>— Conduct framework or conduct licensing support.</li><li>— Conduct project / change management.</li><li>— Product Governance suite: gap analysis, tool/template development, process/policy design or review.</li><li>— Review and design of vulnerable customer framework.</li></ul>	<ul style="list-style-type: none"><li>— Education sessions and workshops for Boards.</li><li>— Board governance reviews.</li><li>— Customer outcome and conduct risk appetite metric development.</li><li>— Culture (and in particular Risk Culture) surveys to assess organisational culture.</li><li>— Support with remediation programmes.</li></ul>	<ul style="list-style-type: none"><li>— Support with automating manual processes to reduce the risk of unintentional errors.</li><li>— Design, build and implementation of systemised controls to help identify and manage conduct related risks.</li><li>— Assisting with effective architecture transition planning to help reduce risk and fast track any changes.</li><li>— Development of QA across products and services.</li></ul>	<ul style="list-style-type: none"><li>— Review of intermediary contracts / responsibilities from a conduct risk perspective to ensure the customer is receiving the right outcome and the best service.</li></ul>	<ul style="list-style-type: none"><li>— Review and design of remediation framework, models and processes. Support with developing remediation principles.</li><li>— Resourcing and support for remediation execution / delivery.</li><li>— Support in relation to remediation governance and visibility.</li><li>— QA over remediation models.</li></ul>



# KPMG Conduct team

KPMG has a substantial team of specialists with conduct experience.

Feel free to contact your regular contact or contact Ceri or Malcolm to discuss how KPMG can support you.

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