

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



CONDUCT

The level of conduct maturity was low, with some insurers demonstrating that they did not see conduct and culture as relevant to their organisation

KPMG's view



TONE

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

How can KPMG help?



SYSTEMS

Product and policy-holder processes need to be improved

- Responses should not be treated as a one-off tick box exercise but should result in meaningful change.
- There is a lack of conduct oversight across the customer lifecycle.
- Insurers have missed an opportunity to turn good customer outcomes into good commercial outcomes.
- Product governance continues to challenge the industry, especially getting actionable insights to senior management.

- Conduct Governance reviews.
- Gap analysis or market best practice assessment.
- Conduct framework or conduct licensing support.
- Conduct project / change management.
- Product Governance suite: gap analysis, tool/template development, process/policy design or review.
- Review and design of vulnerable customer framework.



INTERMEDIARIES

Insurers should have greater oversight of how intermediaries are selling and managing the insurers' products

- 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.
- A lack of ongoing monitoring of products for insurers - with contact with customers being rare, and only at moments of truth.
- Investment in systems need to prioritise good customer outcomes and strong product governance.

- Education sessions and workshops for Boards.
- Board governance reviews.
- Customer outcome and conduct risk appetite metric development.
- Culture (and in particular Risk Culture) surveys to assess organisational culture.
- Support with remediation programmes.



REMEDIATION

Not enough has been done to ensure remediation activity is completed promptly and addresses the root cause of issues

- We are seeing less public tolerance and increased regulatory focus on remediation and increasing fines, settlements and pecuniary penalties.
- Whilst remediation activity is occurring, it is often without an overarching remediation framework or policy and clear principles on which remediation is completed.
- Remediations must be timely, transparent and robust.

- Review and design of remediation framework, models and processes.
- Support with developing remediation principles.
- Resourcing and support for remediation execution / delivery.
- Support in relation to remediation governance and visibility.
- QA over remediation models.

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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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