

FAIR INSURANCE CODE

QUESTIONS and ANSWERS

1. What is the Fair Insurance Code?

The Fair Insurance Code encourages good conduct and professionalism in the general insurance industry. The code sets out best-practice standards for insurers in all their dealings with policyholders.

The code describes the responsibilities that insurers have to their policyholders and provides information on complaints processes and how the code is administered. It also sets out some expectations insurers may have of policyholders.

All members of the Insurance Council of New Zealand have to comply with the code.

You can find a list of ICNZ members here: <http://www.icnz.org.nz/about-us/our-members/>.

2. Why doesn't the code cover life and health insurance?

ICNZ only represents general insurers. Life and health insurers have their own representative body and code. Find out more about life and health insurers on the [Financial Services Council website](http://www.fsc.org.nz), www.fsc.org.nz.

3. Why was the code reviewed?

The code has to be reviewed every three years to make sure it stays up to date. It was also a good time to update insurers' obligations based on what we had learnt from the Royal Commission in Australia, and the RBNZ and FMA's Life Insurer Conduct and Culture Review in New Zealand.

4. What did submitters have to say about the existing code?

ICNZ received submissions from individual members of the public, businesses, and ICNZ members. There were some consistent themes in the submissions:

- accessibility of the code
- the need for better explanations of dispute resolution processes
- the need for more explanation of what a "significant breach" of the code is
- more information around privacy
- thinking about what insurers can do for the policyholder to deliver better products and service

5. What changes were made to the code to reflect what submitters said?

To improve the code, ICNZ:

- now offers the code in Te Reo Māori, New Zealand Sign Language and as an audio recording. You can find the different versions of the code at the following link: <https://www.icnz.org.nz/fair-insurance-code/download-the-code/>
- added more information about how the internal and external dispute resolution processes work. This includes a flow-chart from the time you make a complaint through to your complaint being heard by the insurer's external dispute resolution scheme
- has included a definition of "significant breach" in the code along with three examples. A significant breach could be one breach by itself, or a series of smaller breaches (for example, consistently missing complaint deadlines)
- worked with the Office of the Privacy Commissioner to rewrite the privacy section of the code
- has included new obligations for insurers like developing, marketing, and selling their products responsibly, and acting in the interests of their customers by treating you honestly and fairly, and fulfilling their duties and obligations

6. *What other key changes were made to the code?*

ICNZ's members now have an obligation to promote the code. To help do this, ICNZ created a Fair Insurance Code logo which members have to display on their websites and claims and complaints documents.

The Fair Insurance Code logo has been trademarked so that it can't be used by anyone other than ICNZ members.

7. *How does the code fit with legislative requirements insurers already have?*

Insurers have to comply with a number of different pieces of legislation. Some apply to all businesses, others the financial services sector and some just to insurers. The code is designed to sit alongside those obligations. However, there are some areas where the code goes further than what the law says. For instance, it requires insurers to apply the duty of disclosure reasonably and it provides specific timeframes for communicating with customers.

The government is currently looking to introduce new laws relating to the conduct of financial institutions such as banks and insurers. This will bring the law into line with what is already in the code and potentially in time introduce additional obligations. ICNZ will continue to review the Code in future and will revise it where necessary in response to legal changes.

8. *How is the code enforced?*

ICNZ's members have to report their total number of significant breaches and unresolved significant breaches to ICNZ at the end of each quarter. Additionally, at the end of each year, they also report data on the number of complaints they received during the year. This includes how many complaints were referred to the insurer's external dispute resolution scheme. The external dispute resolution schemes ([Financial Services Complaints Ltd](#) and the [Insurance & Financial Services Ombudsman Scheme](#)) also provide data on complaints and significant breaches to ICNZ to ensure that our members are reporting accurately.

If an unresolved significant breach is reported to ICNZ, it can be investigated by ICNZ's Code Compliance Committee (Compliance Committee). If the Compliance Committee agrees that there

has been a significant breach that has brought the industry into disrepute, they will report the breach to the Board of ICNZ and recommend a sanction to be applied. The Board then makes the final decision about whether a sanction should be applied, and what it should be. The possible sanctions for breach of the code include being expelled from ICNZ membership or a fine of up to \$100,000.

At the end of each year, a senior officer of each ICNZ member is also required to submit an annual attestation to ICNZ. The attestation covers the whole code (not just significant breaches and complaints) and confirms that the member has complied with the code during the year.

9. Who is on the Code Compliance Committee?

The Compliance Committee is currently made up of the following independent members:

- Sir David Carruthers – former Chief District Court Judge, Chair of the New Zealand Parole Board, and Chair of the Independent Police Conduct Authority.
- Hon David Caygill – former Minister of Finance, partner at Buddle Findlay, and Commissioner of Environment Canterbury.
- Diane Morcom CNZM – former Secretary of the Cabinet and Clerk of the Executive Council.

The Compliance Committee is chaired by Tim Grafton.

10. Why is the Chief Executive of ICNZ on the Compliance Committee?

It is important for the Chief Executive to be on the Compliance Committee because he brings his extensive knowledge of the insurance sector and its practices to inform its decisions. The Chief Executive is also the most appropriate person to act as a go-between for the Compliance Committee to the ICNZ Board. The Compliance Committee has a majority of independent members to counter any perception of bias with the Chief Executive's presence.

11. Why does the Code only apply to individuals and entities with 19 or fewer employees?

During the review, there was a lot of discussion about whether the code should apply to everyone. However, it was decided to keep the scope of the code to individuals and entities with 19 or fewer employees, because those are the people who need the most protection. Generally, large businesses are better informed and are able to access legal resources if they have an issue with their insurer or their policy.

The ICNZ Board expects that everyone will receive high standards of service but that the code should only be enforceable for individuals and small-medium sized businesses.