Who is the Responsible Credit-Related Insurance Code for?

- Consumers to understand their rights and obligations when dealing with credit-related insurance products and providers;
- Regulators to know how to determine if an insurance provider is behaving irresponsibly.

What is Credit-Related Insurance?

Credit-related insurance is designed to protect your lifestyle and/or your vehicle if something goes wrong. The types of credit-related insurance available include:

- Consumer Credit Insurance which includes Credit Contract Indemnity, Payment Protection Insurance and Repayment Waivers and covers your obligations under a credit contract, and may protect you and your family if some of the following happen: you are off work due to accident, illness, redundancy or hospitalisation. It may cover your loan repayments in these events or repay your loan in full in the event of your death;
- Guaranteed Asset Protection to cover the gap between what your vehicle insurance pays out and the balance you owe under your loan agreement if your vehicle is written off;
- Motor Vehicle Insurance covers accident, loss or damage to your motor vehicle. It will almost always be required if a loan has been provided for you to purchase the vehicle.

Why is it good for consumers?

Having appropriate credit-related insurance protection means:

- Your loan repayments may be covered if something goes wrong; or
- Your loan is repaid in full if you die; or
- Your credit rating is protected in the event of an

insured loss; or
- Your asset is covered if it is lost or damaged through accident, fire or theft; or
- Your loan is repaid in full if your vehicle is written off.
- You may also be able to purchase mechanical breakdown insurance covering your vehicle against defined mechanical or electrical failure.

Consumers - understand your rights:

You do not have to buy credit-related insurance (except where it is a condition of taking out the loan) and you do not have to take it out with the credit-related insurance provider recommended by the lender.

Responsible credit-related insurance providers will:

- Ensure that the insurance being provided to you meets your requirements and objectives and that it protects you against the risks you want to cover; and
- Ensure that the policy sold is appropriate when compared to the loan amount or credit limit or value of the asset being insured; and
- Assist you to understand the terms of your insurance contract and make sure you understand key features like:
  - How much it will cost (the amount of the premium) and that you can afford it;
  - If the premium is being added to the loan, the total amount of interest that will be paid over the term of the loan as a result;
  - What the insurance contract covers you for (and what it does not cover you for);
  - How long you are covered for;
  - The period of time during which you can cancel the policy if you change your mind after taking it out.

Consumers - Your responsibilities:

- Act honestly and provide full and accurate information when applying for credit-related insurance, or when making a claim;
- If you need to make a claim under your policy, please do so as soon as possible after the incident or situation occurs;
- Read and understand your terms and conditions, keep a copy of your contract, and contact your provider if circumstances change or something needs updating;
- All motor vehicles should be covered by comprehensive insurance (this may be a requirement if you have taken out a loan to buy the vehicle). If this is not required and the vehicle is of low value then third-party insurance should be held at least. This protects you if you cause damage or loss to someone else's property. You are however responsible for your own damage or losses.

Insurers - Responsible credit-related insurance providers will:

- Ensure all their products comply with all requirements under New Zealand law; and
- Be easy to get hold of and will return your calls and answer your questions; and
- Allow you to make sufficient inquiry to satisfy yourself that you are getting value for money; and
- Before cover is arranged, give you a policy document written in plain English explaining what you are covered for and what you are not; and
- Include full instructions for making a claim on your insurance policy if necessary and help you to make a claim; and
- Make a decision on any claims and communicate it to you as soon as possible.

Other helpful resources:

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HIKINA WHAKATUTUKI

• The Responsible Lending Code, and the Credit Contracts and Consumer Finance Act, can be found on the Ministry of Business, Innovation and Employment's website.

ICNZ Insurance Council of New Zealand

• Fair Insurance Code, developed by the Insurance Council of New Zealand describing industry best practice standards for their members who are providers of fire and general insurances.

The Responsible Credit-Related Insurance Code is produced by:

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FINANCIAL SERVICES FEDERATION

These guidelines are for consumers to understand the benefits of credit-related insurance products and how they should be sold responsibly.
They are not a substitute for reading and understanding a credit - related insurance policy before buying it.

If you have a complaint about your insurance provider:

If talking to the insurance company doesn't help, ask the company which independent dispute resolution scheme they belong to. The scheme will be one of these listed below, which are free for consumers.

The Insurance and Financial Services Ombudsman Scheme
Freephone: 0800 888 202
Email: info@ifso.nz
Website: http://www.ifso.nz/

Financial Services Complaints Limited
Freephone: 0800 347 257
Email: complaints@fscl.org.nz
Website: www.fscl.org.nz

Financial Dispute Resolution
Freephone: 0508 337 337
Email: enquiries@fdr.org.nz
Website: www.fdr.org.nz

For more information about the Financial Services Federation, head to our website, www.fsf.co.nz.

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RESPONSIBLE CREDIT-RELATED INSURANCE CODE:

WHAT CONSUMERS SHOULD EXPECT FROM RESPONSIBLE INSURANCE PROVIDERS

HOW RESPONSIBLE INSURANCE PROVIDERS BEHAVE

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