



## FINANCIAL SERVICES FEDERATION

### **Draft Financial Services Federation Response to the Review of the Insurance Council of New Zealand's Fair Insurance Code**

The Financial Services Federation ("FSF") is grateful to the Insurance Council of New Zealand ("ICNZ") for the opportunity to submit on the review of their Fair Insurance Code ("the Code"). The FSF values the positive and co-operative working relationship between our two organisations and strongly supports the objective of the Code to set minimum best practice conduct standards that general insurers can provide for their customers.

By way of background, the FSF is the industry body for the responsible and ethical finance and leasing providers of New Zealand. We have nearly sixty members and associates providing financing, leasing, and credit-related insurance products to more than 2 million New Zealanders. Our affiliate members include internationally recognised legal and consulting partners. A list of our members is attached as Appendix A.

The FSF has also developed Codes over recent years to set responsible standards to which its members adhere and which have become industry standards in some areas. These are:

- The Responsible Lending Guidelines: this informed consumers of the sorts of questions responsible lenders would ask them; asked consumers to consider whether the loan sought was appropriate for their circumstances; questioned whether the consumer fully understands the terms of the loan contract before they sign it; and advised consumers of what to do if they were having difficulty making their repayments. The Responsible Lending Guidelines formed the basis for the Lender Responsibility Principles which were written into law for all lenders in New Zealand following the review of the Credit Contracts and Consumer Finance Act ("CCCFA") in 2014;
- The Code of Responsible Borrowing: this was written for consumers to help them to consider whether in fact taking out a credit contract was the appropriate thing for them to do; it suggests they work out a budget and consider all their options before doing so; it suggests that consumers should provide all the information a responsible lender would need to make an informed decision as to whether to extend credit to them; it suggests consumers should ensure they understand the terms and conditions of the loan before they sign it; it provides guidance to consumers as to what to do if their loan application is declined; and it asks consumers to keep lenders informed if life events make repayment difficult. This Code was launched at the same time as the Responsible Lending Code which

came about as a result of the review of the CCCFA as mentioned above to inform consumers of their obligations to lenders as the other side of the credit contract.

- The Responsible Credit-Related Insurance Code: this was written for consumers to help them to understand the value of credit-related insurance products; what they are and what they do and how they provide assistance if something untoward occurs in their lives; it outlines consumer rights under such a contract as well as the responsibilities of consumers to provide the insurer with accurate and honest information both at application and claims time; and it outlines the way in which responsible credit-related insurance providers will behave towards their customers. This Code was launched in June of last year by then Minister of Commerce and Consumer Affairs, the Hon Jacqui Dean.
- The Responsible Mobile Shop Code: this was written for consumers to understand their rights when dealing with mobile traders as far as the sale of the goods is concerned and any associated credit; it outlines how responsible mobile traders will treat them in respect to the goods themselves; their cancellation rights; and the way in which any associated credit will be provided responsibly.

The most relevant of these to the ICNZ is the Responsible Credit-Related Insurance Code. The FSF believes that this Code and the Fair Insurance Code can work together effectively to ensure that appropriate standards exist to protect consumers across the range of insurances available in New Zealand.

The FSF notes that the Fair Insurance Code does not specifically mention credit-related insurances although clause 3 does state that the Code covers all insurance products except health insurance and life insurance. The FSF would be grateful if the Code could refer to our Responsible Credit-Related Insurance Code at this point for further information for consumers on how these products are provided responsibly.

Other than that, the FSF believes that the Fair Insurance Code is an excellent document and is fully supportive of the ICNZ's initiative to develop such a resource and to hold their members to its observance. The FSF has no further comment to make on the content of the Code which it believes to be entirely appropriate for its purpose.

Thank you again for the opportunity to comment on the review of the Code. The FSF wishes ICNZ all the best in their review.



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