



# How do we know it's not happening here...?

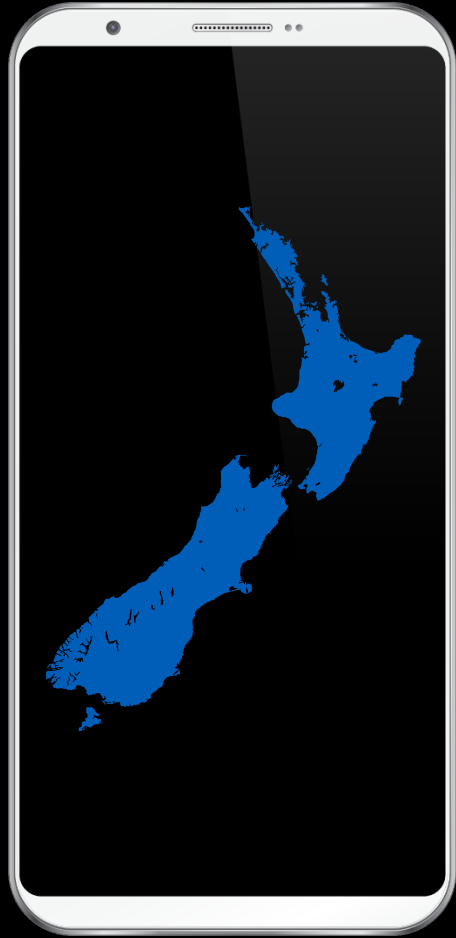
**What you can do to truly understand how your business is delivering on its promises**

**Kate Stewart**

Senior Manager, Risk Consulting

16 October 2019





# FUELLING PROSPERITY

We passionately believe that the flow-on effect from focusing on helping **fuel the prosperity** of our clients significantly contributes to ensuring that our communities, and ultimately our country and all New Zealanders, will enjoy a more prosperous future.

# Agenda



**Current regulatory landscape and what this means for you.**



**Challenges – are we asking the right questions?**



**How do we know it's not happening here?**



**How do we know we're delivering "Good Customer Outcomes"?**



**Are we delivering what we say we will for our customers?**

# Current regulatory landscape and what this means for you



**Banks take 1,726 days to realise they've broken the law: ASIC**

Financial Markets Authority considering prosecuting life insurers over sales tactics; says 'there will be more remediation, more repayments to consumers'; Commerce and Consumer Affairs Minister warns NZ isn't immune from a royal commission

**Coalition clamps down on banks, insurers**

New legislation will regulate conduct for financial services.

**Read: Strong-worded FMA letter addressed to NZ banks**

**Banking royal commission: Thousands of funeral insurance customers may be 'unaware they're not covered'**

**Insurers let down at least 75,000 customers, FMA and Reserve Bank say**

# Are we asking the right questions?



How do we know it's  
not happening here?



How do we know  
we're delivering  
Good Customer  
Outcomes?



Are we delivering  
what we say we will  
for our customers?

# How do we know it's not happening here?



“

**We expect you to show us what you have done in order to be comfortable that there are no material conduct issues within your business.**

”

Letter to Banks May 2018  
Rob Everett, CEO FMA & Adrian Orr, Governor RBNZ

# How do we know it's not happening here?



**Frontline staff are the key to success**

---



**Be explicit on the customer impact**

---



**Use the FMA's Guide to Good Conduct**

“...the failure of most life insurers to read, consider and act on that guide or get involved in the preceding consultation was one of the big disappointments I took from our conduct and culture reviews.”

Rob Everett  
CEO, FMA

# How do we know we're delivering Good Customer Outcomes?



“

**When we talked in our reports about good customer outcomes, some of you came forward and asked for more clarity – what does it mean?...**

”

Rob Everett  
CEO, FMA



# Polling booth - what is the Good Customer Outcome?



A

Customer walks away with a larger loan to buy an even more expensive car than the one they wanted to buy.

---

B

Customer gets their loan quickly and buys the car they want even though it will stretch them financially.

---

C

Customer can't afford the amount they want so they walk away with less debt and purchase a more realistic car for their circumstances.

---

D

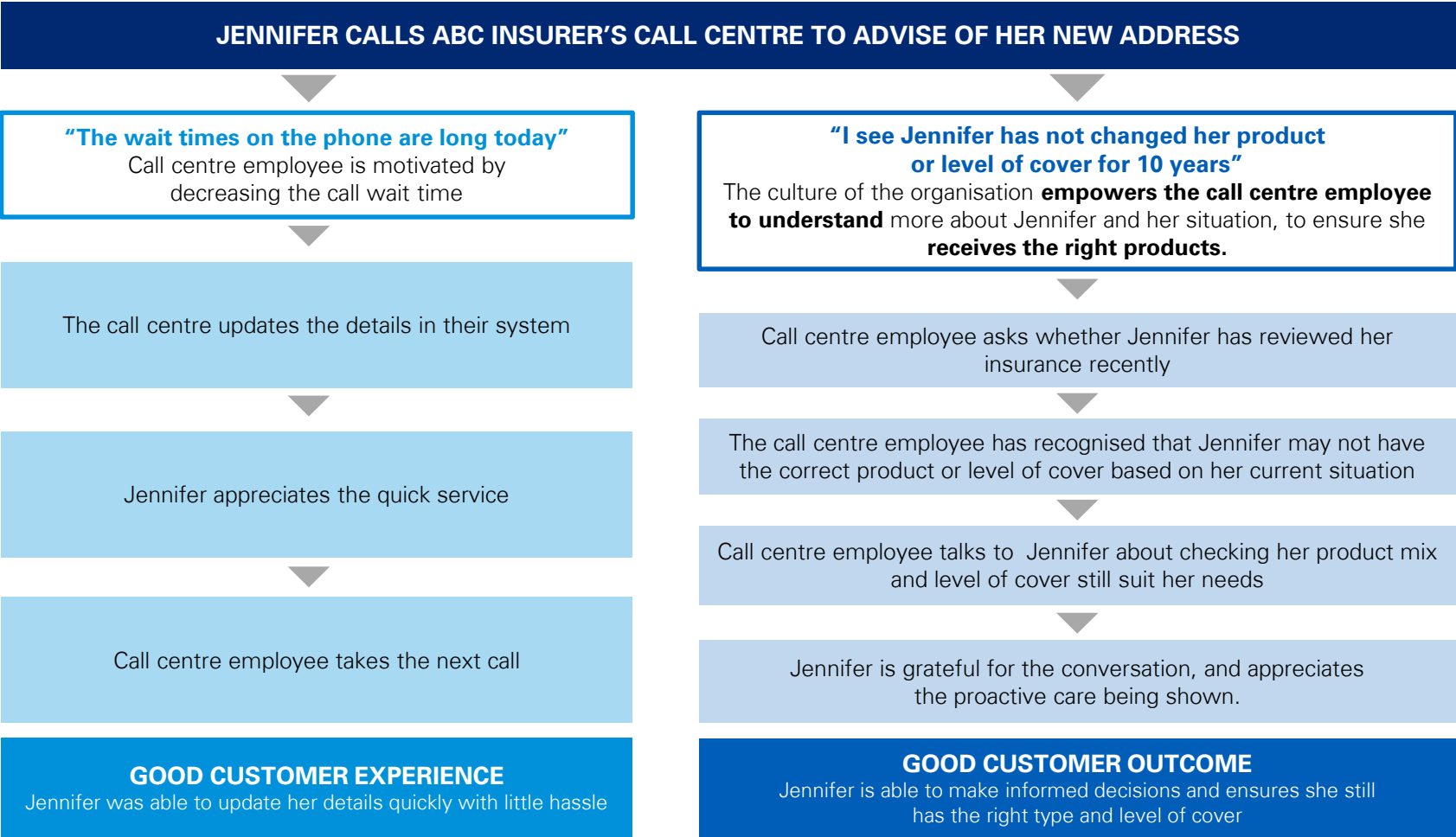
Customer can't afford the loan so they're declined and go down the road to someone offering high risk loans at a higher interest rate.

# Outcomes vs. Experience - what's the difference?



**JENNIFER SMITH**  
35yrs old

- Been a customer of abc insurer for 10 years
- Recently moved to a new house
- Just had her second child



# Good Customer Outcomes - what you can do



Define 'Good Customer Outcomes' for your business



Develop metrics to tell you if you're delivering (or not!)

# Are we delivering what we say we will for our customers?



“

**An effective culture within banks includes consistently putting customers at the centre of decision-making, product design, sales and advice processes, and all day-to-day activities.**

”

Report on Bank Conduct and Culture  
FMA/RBNZ

# Are we delivering what we say we will for our customers?



**Focus on vulnerable  
customers**



**Regular  
product reviews**

**“In terms of how to treat customers of financial services – particularly those who are vulnerable to mis-selling or mistreatment, the rest of the world has been confronting what needs to change for some time. Here in New Zealand we are behind.”**

Rob Everett  
CEO, FMA

# Are we delivering what we say we will for our customers?



**Root cause analysis of  
complaints**



**Get the most  
out of Quality  
Assurance activity**

**“Complaints are one of the great unmined resources for an organisation. In many cases, we saw it was complaints that were highlighting issues to insurers, not their own monitoring processes.”**

Liam Mason  
Director of Regulation, FMA

“

**Good conduct is up to you.**

**Given what we've all seen in other countries, I have to ask why you are waiting for us to come knocking – look at what we are saying, and think about how it applies to your business.**

”

Rob Everett  
CEO, FMA

# Thank you

**Kate Stewart**

Senior Manager, Risk Consulting  
katestewart@kpmg.co.nz

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2019 KPMG, a New Zealand partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and the KPMG logo are registered trademarks of KPMG International Cooperative ("KPMG International"), a Swiss entity.

[kpmg.com/nz](https://kpmg.com/nz)

