

JUNE 2026

# Insurer benefits and campaigns insights

This document is for insurers that are licensed as financial institutions under the Financial Markets Conduct Act 2013. It shares our observations on the approach insurers are taking to ensure consumers are treated fairly in relation to incentives – specifically non-monetary benefits and short-duration sales campaigns – and includes questions for insurers to consider.

## Overview

Insurers are required to treat consumers fairly<sup>1</sup>, including when offering and providing relevant services and associated products<sup>2</sup>. Non-monetary benefits and short-duration sales campaigns that promote services and products are considered incentives that can heighten the risk of unfair treatment of consumers, even if they are not ‘prohibited incentives’. While there are specific regulations relating to incentives<sup>3</sup>, compliance with these regulations alone is not enough – additional obligations under the Conduct of Financial Institutions (CoFI) regime apply. Fair conduct programmes (FCPs) must include effective policies, processes, systems and controls (PPSCs) for ensuring incentives<sup>4</sup> are designed and managed to mitigate or avoid adverse effects on consumers’ interests, so far as reasonably practicable<sup>5</sup>.

Insurers may interpret the terms ‘non-monetary benefits’ and ‘short-duration sales campaigns’ differently – they are sometimes referred to as ‘soft commissions’. We explain these terms below, and refer to them collectively as **‘benefits and campaigns’** in this document.

- Non-monetary benefits are advantages that are non-monetary in nature and may directly or indirectly incentivise employees, agents and/or intermediaries to encourage consumers to consider, commit to, or purchase a product or service, whether this is intentional or not. Examples include gifts, prizes, trips, tickets to sporting events, and professional development such as training, events and conferences.
- Short-duration sales campaigns are initiatives conducted over a limited period that aim to incentivise employees, agents and/or intermediaries to encourage consumers to consider, commit to, or purchase a product or service. For the purposes of this report, this does not include campaigns aimed at customers. For example, an insurer or financial advice provider running a two-month campaign to boost sales by entering employees, agents and intermediaries into a prize draw for a trip with every new policy sold.

This document has been developed to help insurers take into account consumers’ interests<sup>6</sup> when designing, offering and managing incentives, including benefits and campaigns. It does not create new legal obligations or replace existing obligations. This document may also assist intermediaries with understanding insurers’ obligations in relation to incentives, specifically benefits and campaigns.

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<sup>1</sup> FMC Act s446C

<sup>2</sup> FMC Act s446D(1)(b) and 446F

<sup>3</sup> FMC Act Regulations 237D - 237H

<sup>4</sup> FMC Act s446M

<sup>5</sup> FMC Act s446J(1)(i)

<sup>6</sup> FMC Act s446C(2)(a)

## Fair treatment and incentives

Under the CoFI regime, insurers must treat consumers (including potential consumers) fairly. This is the fair conduct principle<sup>7</sup>, which also applies when the insurer's relevant services or associated products<sup>8</sup> are provided through intermediaries. Insurers must establish, implement and maintain an effective FCP in accordance with the provisions of section 446J of the Financial Markets Conduct Act 2013 (FMC Act)<sup>9</sup>.

In addition to complying with incentive regulations, insurers' FCPs must include effective PPSCs for designing and managing incentives. This requires insurers to consider the potential impact of their incentives – including benefits and campaigns – on consumers when creating and updating these PPSCs. Some benefits and campaigns may be inconsistent with this requirement even where they do not amount to a prohibited incentive. Where benefits and campaigns create, or risk creating, adverse effects on consumers' interests, and those risks cannot be effectively managed through the PPSCs in an FCP, insurers should consider whether it is appropriate to offer that benefit or campaign at all. For example, if the effect of any incentive is that one product is disproportionately promoted, and it results in customers' objectives not being met, we expect the insurer to not offer the benefit or campaign if its PPSCs can't effectively address that risk.

Insurers' boards are ultimately accountable for ensuring their FCP and PPSCs are effective, and for complying with incentives regulations and the CoFI regime. We expect directors to take a proactive approach in relation to oversight of conduct risk.

## Background

In May 2018, the FMA published 'Conflicted remuneration (soft commissions) in the life and health insurance industry'<sup>10</sup> (**the 2018 report**). The 2018 report identified that soft commissions could influence behaviour and create conflicts of interest which, if not appropriately managed, may lead to poor consumer outcomes. While the regulatory context has evolved since then, the nature of the risks highlighted in the 2018 report remains relevant under the CoFI regime:

- recommending a product or value of insurance cover that is not suited to customer needs
- failing to properly analyse customer needs and instead focusing on selecting products that provide a soft commission
- failing to exercise due care when dealing with vulnerable customers
- recommending that a customer replaces their policy with another policy so that the chance of the adviser receiving a soft commission increases.

Within the context of the CoFI regime, insurers should actively consider these risks to ensure their FCP is designed to support fair treatment of consumers.

In April 2025 the FMA wrote to financial institutions<sup>11</sup> reminding them of their obligations under the CoFI regime. We highlighted our concern that prohibited incentives can be detrimental to fair consumer outcomes.

In June 2025, we followed up by writing to chief executives of insurers<sup>12</sup> noting that we had observed some insurers offering benefits and campaigns designed to drive business from intermediated channels (e.g.

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<sup>7</sup> FMC Act 446C

<sup>8</sup> FMC Act s446D

<sup>9</sup> FMC Act s446G

<sup>10</sup> [Conflicted remuneration in the life and health insurance industry](#)

<sup>11</sup> [FMA Letter to CoFI-Licensed Entities](#)

<sup>12</sup> [FMA Letter to Insurers on Incentives & Fair Conduct](#)

financial advisers and other third parties). We considered it necessary to engage with insurers as these incentives, if not carefully managed, have the potential to create conflicts of interest that put the fair treatment of consumers at risk.

We asked insurers to confirm if they offer such incentives, and provide assurance that these comply with CoFI regulations and that the PPSCs in their fair conduct programme are operating effectively to ensure consumers are treated fairly when these incentives are offered. We made further enquiries with some insurers to understand how they design and manage benefits and campaigns.

## Delivery of benefits and campaigns

Our enquiries with insurers sought to understand how they design and manage benefits and campaigns, including how they take account of consumers' interests. We outline below what we learned about insurers' practices in this area, along with questions that would be useful for insurers to consider when offering benefits and campaigns.

### Design of benefits and campaigns

Benefits and campaigns can create conflicts of interest that compromise the fair treatment of consumers. The PPSCs in insurers' FCPs should provide a framework for those involved in designing benefits and campaigns to ensure consumers' interests are considered.

Designing benefits and campaigns may include:

- determining the nature of the incentive, including criteria for who will be eligible to receive it
- identifying and assessing risks and conflicts
- identifying and implementing controls to mitigate those risks and conflicts
- consulting with internal and external stakeholders
- review and approval processes.

We found that while most insurers have implemented PPSCs to identify and manage conflicts of interest arising from benefits and campaigns, these methods vary:

- Some insurers appear to only involve a narrow group of stakeholders in the initial design stage of their process. By broadening the initial design stage beyond distribution, marketing and campaign managers to include a wider range of stakeholders, insurers can obtain feedback earlier in the process to ensure alignment with the fair conduct principle and identify potential risks.
- Others have multi-layer approval processes and, depending on the nature or value of the incentive, different levels of board visibility or approval.
- Some apply a risk rating to their benefits and campaigns to determine the level of approval and oversight.

We require insurers to keep records that enable adequate assessment of adherence to the fair conduct principle. This includes having documented procedures for designing and approving benefits and campaigns. It is helpful for the processes to outline what type of benefits and campaigns may be offered, regardless of whether such incentives are currently offered. This approach strengthens governance and helps mitigate unfair treatment of consumers by preventing unplanned or ad hoc implementation. Roles and responsibilities for steps in the process, including approvals and management of risks related to approved benefits and campaigns, should be clearly articulated – particularly in relation to higher-risk offerings.

### Questions for insurers

- How could proposed benefits and campaigns impact the fair treatment of consumers?
- How have you decided what consumer outcomes may arise in relation to benefits and campaigns, and whether they are consistent with the fair treatment of consumers?
- What inherent conflicts of interest may arise and how do you effectively manage these so that consumers are treated fairly?

### Managing benefits and campaigns

Insurers are responsible for ensuring their products and services are distributed in a manner that is consistent with the fair conduct principle and comply with incentives regulations – including when an intermediary is involved. Controls should be designed to be able to identify and respond to emerging risks and issues before they cause consumer harm. The controls that are relevant will vary depending on the nature, scale and complexity of the business, its products and services, and distribution methods.

The management of benefits and campaigns includes activities undertaken by the insurer during and after a benefits and campaigns period. This may include processes to oversee the operation of the incentive, including how the incentive is influencing the behaviour of those in the distribution chain such as staff and intermediaries, and the decisions of consumers. Other aspects of managing benefits and campaigns may include evaluation of controls, reviews of consumer outcomes, and timely consideration of whether a benefit or campaign should be changed or withdrawn. For benefits or campaigns that operate over an extended period, insurers should assess throughout this lifecycle whether the PPSCs continue to effectively ensure incentives are designed and managed to mitigate or avoid adverse effects on consumers' interests.

We found that while most insurers had some level of oversight of their benefits and campaigns through monitoring and reviews, this varied across insurers:

- Some insurers completed a review at the end of a benefit or campaign period, while some conducted monitoring throughout.
- Some did not appear to have considered intermediary incentives when reviewing distribution methods against the fair conduct principle.
- Levels of involvement by intermediaries and distribution partners differed. In some cases feedback from advisers or external partners was actively sought, and in other cases reviews were managed internally.
- Some insurers incorporated a mix of quantitative and qualitative data in their review process, while others relied on complaints or ad hoc feedback.

We encourage insurers to take a proactive and outcomes-focused approach to overseeing the operation of benefits and campaigns.

Outcomes-based reviews offer greater assurance of fair treatment of consumers when they evaluate the entire customer experience and overall outcomes, rather than focusing solely on compliance with individual procedures or policies. These reviews may consider whether consumers were treated fairly, whether the products offered were suitable for their needs, whether they understood their purchases, and how the benefit or campaign influenced consumer and distribution channel behaviour.

Relying solely on reactive controls, such as complaints and other ad hoc feedback, is unlikely to be sufficiently effective to ensure consumers have been treated fairly, because it may not identify emerging issues early. Longer-term proactive monitoring should also be considered, recognising that unfavourable consumer outcomes can arise well after benefits and campaigns periods have concluded.

### Questions for insurers

- Do your reviews of distribution methods consider intermediary incentive arrangements and whether they could influence behaviour in a manner that is inconsistent with fair consumer outcomes?
- When do you monitor consumer outcomes? Do you use proactive and outcomes-focused metrics?
- If you identify consumer outcomes during a benefit or campaign period that are inconsistent with fair treatment, how will you take prompt and effective corrective and/or remedial action, including ensuring your PPSCs effectively manage that risk, or stopping or withdrawing the benefit or campaign where necessary?
- How does the board gain assurance that incentives, including benefits and campaigns, are designed and managed to mitigate or avoid adverse effects on consumers' interests?

## Next steps

Insurers should be able to demonstrate that their PPSCs in relation to their fair conduct programme for managing incentives are effective in practice. Insurers should not assume that monitoring, governance processes or planned remediation will be sufficient where the arrangement itself would not satisfy the FCP minimum requirements. We will actively test insurers' arrangements through our supervisory and monitoring activities under the CoFI regime. Where we identify weaknesses, we will expect insurers to address them promptly, including by changing or stopping benefits and campaigns that are inconsistent with the fair conduct principle or that expose consumers to unfair outcomes.

### How we may respond

Where an insurer does not comply with its obligations under the CoFI regime, the FMA may take regulatory action. This might occur where there are material weaknesses in the FCP, failures by the insurer to follow its own PPSCs, the insurer continues to offer benefits or campaigns that don't align with its PPSCs, or breaches of incentives regulations.

Depending on the nature and seriousness of the breach, our response may include direction orders, such as requiring the insurer to undertake remedial actions or directing improvements to governance or conduct controls. It may also include adding or varying licence conditions, or pursuing civil action. This is set out in our Enforcement Policy<sup>13</sup>.

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<sup>13</sup> [Enforcement Policy](#)