

29 April 2020

Tim Grafton
Insurance Council of New Zealand

Richard Klipin
Financial Services Council of New Zealand

Roger Styles
Health Funds Association of New Zealand

Dear Tim, Richard and Roger

Insurer COVID-19 Expectations

Over this past weekend the Hon Grant Robertson, Minister of Finance, wrote to each of you encouraging all insurers to continue to support their customers. To date the FMA has been pleased to see insurers responding to their customers' need for support due to COVID-19.

Our expectation is that insurers remain cognisant of the challenges faced by New Zealanders, continue to offer support and flexibility to assist policyholders and do what is possible to maintain or reduce costs for consumers at this time.

The FMA has been actively engaging with insurers and has seen examples of proactive behaviour we would encourage the sector to follow;

- Insurers utilising additional print and digital media to publicise relief offers encouraging customers to make contact if they are in financial hardship.
- An insurer utilising call-centre capacity to make contact with elderly customers checking on their welfare and directing them to support agencies.
- Resilience and vulnerability training for distributors so they can better support customers.
- Reductions or refunds of premiums where lower than planned claims ratios exist.
- Additional support to existing claimants.

As previously set out in our letter to CEO's on 17 April we expect insurers to address changing circumstances of all customers and maintain proactive and regular communications with them.

More specifically we encourage insurers to;

- Ensure all offers of customer relief, such as cover suspension or payment holidays are clearly explained to distributors and customers. Our expectation is that all relief offers and [their] potential implications for customers (such as inability to claim during the suspension) are clearly articulated.
- Clearly communicate any COVID-19 policy exclusions that may impact cover and use of policies. Customers should be treated fairly where changes are made to existing products.

Coverage should also be clearly explained to customers who are due to renew their policies, such as 'special notices' highlighting where changes have occurred.

- Consider putting in place processes to ensure claims are processed efficiently, taking into account COVID-19 restrictions;
 - Those with new and on-ongoing claims and their ability to meet requirements for medical approvals.
 - Requirements for assessors to validate replacement costs, police or witness attestations.
- Customer complaints processes are fit-for-purpose and any complaints are managed genuinely, promptly, fairly and consistently.
- Have processes in place to underwrite and bind new insurance policies, where possible, without overt reliance or dependence on external parties.
- Where premium increases [above CPI] are being planned or enacted, clients receive additional advanced warning and are provided additional options for those facing affordability issues.
- Provide sufficient training for advisers on new COVID-19 policy terms or changes to underwriting and claims processes so they can support customers.
- Ensure that you and your distributors maintain acceptable advertising standards during COVID-19. As an example, not using COVID-19 as a customer acquisition tool.

Along with the other members of the Council of Financial Regulators we will continue to actively monitor the insurance sector, in particular how companies are responding to customer needs at this time.

We encourage you and your members to work together to identify and share best practice. As an example there are government resources on managing money available on www.sorted.org.nz or the free confidential budgeting advice available at MoneyTalks 0800 345 123.

Finally we do want to acknowledge the leadership you have taken with your members during this evolving situation, and appreciate your continued engagement.

Kind regards

A handwritten signature in black ink, appearing to read 'Clare Bolingford', written in a cursive style.

Clare Bolingford

Director of Banking and Insurance