

Where to from here?

Understanding the path ahead following the FMA's 'Insurance conduct and culture: Fire and general insurers update' (report)

The FMA has recently published its GI report summarising findings from the evaluation of New Zealand fire and general insurers' responses to the 2019 Life Insurer Conduct and Culture review. The review found many insurers had a low level of maturity, failed to actively monitor product suitability, failed to effectively withdraw poor value or legacy products, may have over-charged some customers, need to have a clearer view of commissions paid to, and an overall stronger oversight of intermediaries.

KPMG has seen a shift in the market since the evaluation was done; however, based on our experience there is still a significant uplift for the insurance industry as a whole to restore the trust of customers and regulators who have had their confidence dented from a range of failings.

Insurers also need to be preparing for the upcoming legislative changes.

	CONDUCT	TONE	SYSTEMS	INTERMEDIARIES	REMEDIATION
FMA findings	<p>The level of conduct maturity was low, with some insurers demonstrating that they did not see conduct and culture as relevant to their organisation</p>	<p>Many boards are yet to support the development of an organisational culture that promotes good conduct, rebalances shareholder and customer interests, and sets an appropriate conduct risk appetite</p>	<p>Product and policy-holder processes need to be improved</p>	<p>Insurers should have greater oversight of how intermediaries are selling and managing the insurers' products</p>	<p>Not enough has been done to ensure remediation activity is completed promptly and addresses the root cause of issues</p>
KPMG's view	<ul style="list-style-type: none"> — Responses should not be treated as a one-off tick box exercise but should result in meaningful change. — There is a lack of conduct oversight across the customer lifecycle. — Insurers have missed an opportunity to turn good customer outcomes into good commercial outcomes. — Product governance continues to challenge the industry, especially getting actionable insights to senior management. 	<ul style="list-style-type: none"> — The voice of the customer is not always considered during strategy setting at exec and board level. — Conduct and culture risks are generally misunderstood or overlooked and not included in risk appetite and risk management frameworks. — Boards don't always have conduct and culture experience, skills or knowledge. — Board remediation focus is generally on timeliness and not on robustness/substantive delivery of change. 	<ul style="list-style-type: none"> — Historical constraints around the level of investment in systems and slow legacy replacement have resulted in errors that have required remediation or manual work-arounds which increase risk. — A lack of ongoing monitoring of products for insurers - with contact with customers being rare, and only at moments of truth. — Investment in systems need to prioritise good customer outcomes and strong product governance. 	<ul style="list-style-type: none"> — COFI sets a shared responsibility between insurer and intermediary for customer outcomes – many insurers may not sufficiently understand how intermediaries are driving customer outcomes. — Care is required around unintended consequences of changes to incentive structures. 	<ul style="list-style-type: none"> — We are seeing less public tolerance and increased regulatory focus on remediation and increasing fines, settlements and pecuniary penalties. — Whilst remediation activity is occurring, it is often without an overarching remediation framework or policy and clear principles on which remediation is completed. — Remediations must be timely, transparent and robust.
How can KPMG help?	<ul style="list-style-type: none"> — Conduct Governance reviews. — Gap analysis or market best practice assessment. — Conduct framework or conduct licensing support. — Conduct project / change management. — Product Governance suite: gap analysis, tool/template development, process/policy design or review. — Review and design of vulnerable customer framework. 	<ul style="list-style-type: none"> — Education sessions and workshops for Boards. — Board governance reviews. — Customer outcome and conduct risk appetite metric development. — Culture (and in particular Risk Culture) surveys to assess organisational culture. — Support with remediation programmes. 	<ul style="list-style-type: none"> — Support with automating manual processes to reduce the risk of unintentional errors. — Design, build and implementation of systemised controls to help identify and manage conduct related risks. — Assisting with effective architecture transition planning to help reduce risk and fast track any changes. — Development of QA across products and services. 	<ul style="list-style-type: none"> — Review of intermediary contracts / responsibilities from a conduct risk perspective to ensure the customer is receiving the right outcome and the best service. 	<ul style="list-style-type: none"> — Review and design of remediation framework, models and processes. Support with developing remediation principles. — Resourcing and support for remediation execution / delivery. — Support in relation to remediation governance and visibility. — QA over remediation models.



KPMG Conduct team

Core KPMG team



Ceri Horwill
Partner

Lead Conduct Partner



Malcolm Bruce
Principal

Conduct, Compliance & Risk Management



Rajesh Megchiani
Partner

Financial Risk Management



Richard Tims
Partner

Cyber, Data & Systems Reviews



David Sutton
Partner

Conduct Audit, Controls, Risk & Insurance Expertise



Bineeta Nand
Partner

Conduct Audit, Controls, Risk & Insurance Expertise



Jamie Munro
Partner

Conduct Remediation Experience



Mike Lowe
Partner

Forensics



Philip Whitmore
Partner

Cyber



Adelle Wallace
Director

UK Conduct SME Banking Lead



James Brownell
Director

Insurance Conduct Lead



Murtaza Ali
Director

Conduct Audit, Controls, Risk & Insurance Expertise



Lucy Neame
Director

Transformation, People, Remuneration & Incentives



Dylan Marsh
Director

Conduct Fees, Product & Customer Experience Expertise



Sean Aitken
Director

Conduct Project Governance Expertise



Gabrielle Wyborn
Director

Conduct Governance Expertise



Kate Stewart
Associate Director

Conduct Subject Matter Expert & EX FMA



Catherine Spencer
Associate Director

Product Remediation, Conduct, Data & Analytics



Johlene Nel-Du Preez
Associate Director

Compliance Governance & Project Delivery



Hester Cutts
Associate Director

Conduct & Culture, Customer Experience, Regulation & Product Lifecycle



Brett Huntley
Senior Manager

Conduct & Risk Expertise



Cecilia Lin
Senior Manager

UK Conduct Risk Expertise



Laura Iddles
Senior Manager

Conduct Risk & Remediation Experience, UK SME



Gordon Johnston
Senior Manager

Project Governance, Transformation & Remediation



Rachel Hunt
Senior Manager

Conduct & Culture, Customer Outcomes



Poorva Ahoja
Manager

Conduct Compliance & Regulation, Ex FMA



Rosie Lang
Assistant Manager

Conduct Remediation & Risk Expertise



Thomas Park
Director

Data and Analytics

KPMG has a substantial team of specialists with conduct experience.

Feel free to contact your regular contact or contact Ceri or Malcolm to discuss how KPMG can support you.

Ceri Horwill
Partner
021 363 966
cerihorwill@kpmg.co.nz

Malcolm Bruce
Principal
021 770693
malcolmbruce@kpmg.co.nz