



INSURANCE & FINANCIAL SERVICES
OMBUDSMAN

Annual Report Summary 2016

The Insurance & Financial Services Ombudsman Scheme Inc. is independent, impartial and free for consumers. We resolve complaints about insurance & financial services.

Contact us now.

Phone: 0800 888 202

Full report available online: www.ifso.nz

21 years' resolving disputes

The IFSO Scheme provides an independent, impartial and free dispute resolution service for consumers. We resolve complaints and respond to complaint enquiries about:

- Insurance: including house, contents, vehicle, travel, health, life and small business
- Superannuation, investments and securities
- Financial advice and broking services
- Loans and credit
- Foreign exchange and money transfer services.

On 1 November 2015, we changed part of our name from the "Insurance & Savings" Ombudsman Scheme to the "Insurance & Financial Services" Ombudsman Scheme (IFSO Scheme). This better describes our growth in membership across the financial services sector, and means that consumers will have a better understanding of the service we provide.

Since 1995, when the IFSO Scheme was established, more than:

52,000

complaint enquiries have been handled

5,760

complaints have been investigated

Investigating Complaints

Effective dispute resolution is about bringing two parties together, listening to both sides and considering the law, the facts and the evidence as an independent third party.

When investigating complaints, IFSO Scheme case managers apply negotiation, conciliation and mediation skills to reach agreement where possible. The process must always be fair, reasonable, transparent and impartial. Whether the complaint is resolved by agreement or decision, it is essential that both parties feel they have been heard and understood.

Our work preventing complaints from arising is as important as our complaint resolution work. The IFSO Scheme provides information for consumers to make informed choices, and extensive professional development for Participants.

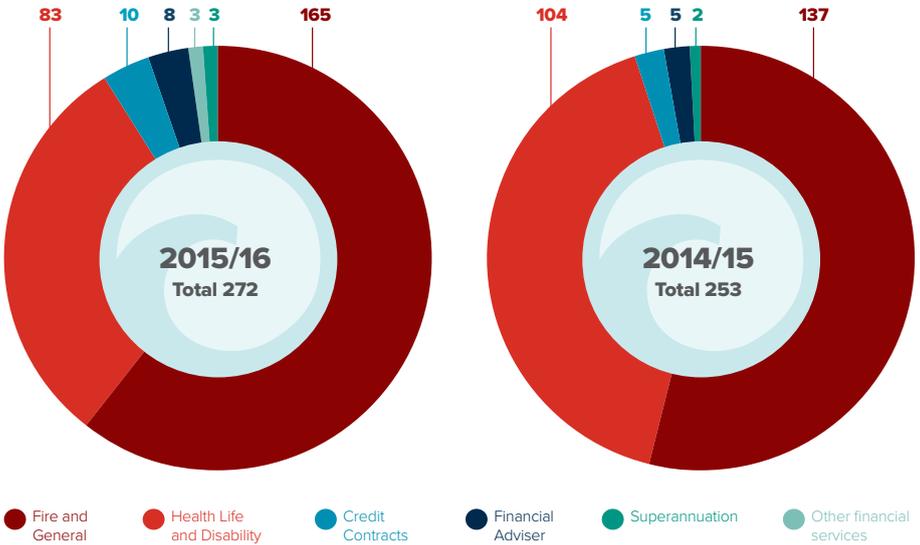
Over 90% of people surveyed said:

- they were given a clear explanation about the IFSO Scheme process.
 - the case manager was helpful and easy to speak to on the telephone.
 - they were kept well informed about the entire progress.
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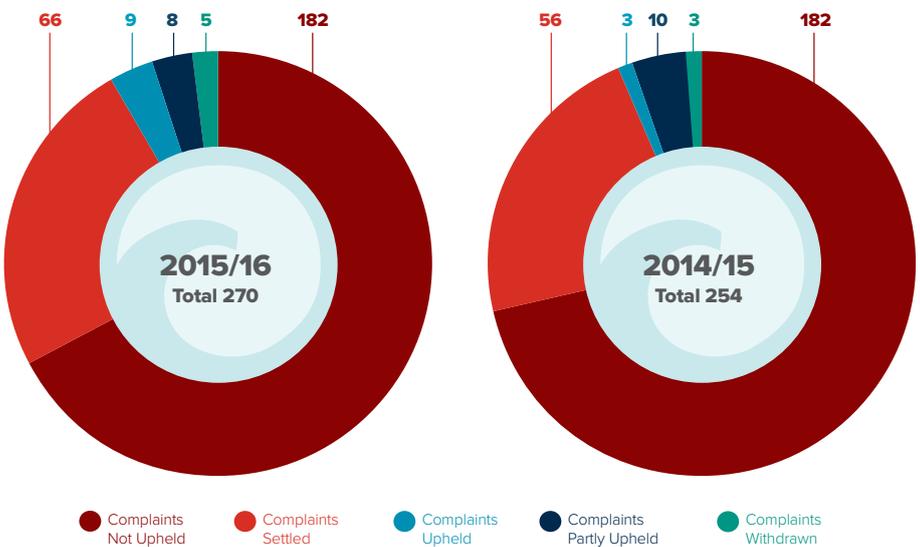
Complaint summary 2016

The IFSO Scheme dealt with 270 investigated complaints, and responded to 3,193 complaint enquiries. This is an increase from 254 complaints and 3,057 complaint enquiries last year.

Received by sector



Outcomes



85.1 days

was the average time it took to close the 270 complaints (down from **88.9 days** last year).

179 complaints

and 1,732 complaint enquiries about the **Canterbury earthquakes** have been dealt with by the IFSO Scheme since 2010.



The webinar collaboration between the IFSO and IFA brings timely, relevant continuing professional development for not only the two memberships, but also the wider financial services profession. I believe the cumulative training from these webinars is leading to much better practice and client outcomes.”

Andrew Gunn

Manager, Member Learning & Development, Institute of Financial Advisers (IFA)



Karen Stevens

Insurance & Financial Services
Ombudsman

This year, the IFSO Scheme came of age, marking 21 years' resolving complaints.

With over 52,000 complaint enquiries and more than 5,700 complaints, we have gained extensive knowledge about complaints in the financial sector.

This year, the IFSO Scheme came of age, marking 21 years' resolving complaints. We are a mature scheme; we have learnt from experience. We share that experience with our Participants, so they can develop the skills to prevent customer dissatisfaction. In the event of a complaint, learning from other complaints published on our website can help to achieve an early resolution. Not only does this lead to more agreed outcomes between Participants and their customers, but also to improved business practices.

Another important part of our role is working with agencies to inform consumers more generally about financial products and services and to increase financial literacy.

In 2016, after 21 years in business, we have an established reputation; we have staff with a great deal of practical experience resolving complaints; and we understand the needs of our Participants and their customers when a complaint is made to us.

The statutory principles of accessibility, independence, fairness, accountability, efficiency and effectiveness guide the day-to-day management of the business. They are not simply esoteric concepts – they are essential components of good complaints handling.

Today, the IFSO Scheme can be regarded as being fundamental to consumer confidence in the financial sector. We have come of age in every respect.



Dame Paula Rebstock

IFSO Scheme
Commission Chair

Established in 1995, the Insurance & Financial Services Ombudsman Scheme has had another successful year.

The IFSO Scheme is a mature scheme and has substantial experience in financial sector complaint resolution. We are fortunate to have a wide range of high calibre financial service providers among our 4,299 Participants.

Adding “financial services” to our name in November 2015 was an acknowledgement of our extended membership across the financial services sector.

The sector is always evolving: subject to changes in technology, legislation, customer expectations, and business practice. Complaint data is an essential indicator of business practice, and can give businesses a competitive advantage if they learn from the information and map trends.

The IFSO Scheme Commission is pleased that prudent financial management has

resulted in the building up of sufficient reserves. We are investing in a major upgrade of our technology, and we look forward to sharing the benefits of more targeted, sector specific information.

We can also confirm that business efficiencies have enabled us to provide all Participants with a 10% sustainable reduction in annual membership fees since 2014. Our priority is to provide a high quality, cost-effective service for all of our Participants and their customers.

On behalf of the IFSO Scheme Commission, we look forward to continuing to work with financial service providers and their customers to learn from our complaints experience and improve business practice across the financial sector.

Case studies

Insurance policies – exclusions

Many complaints arise because consumers do not understand their insurance policies. An important part of our role is to provide consumers with information to help them to better understand financial products and services.

To increase consumers' financial literacy, information is provided on our website and through info sheets, and shared with consumer groups and the media. However, complaints continue to demonstrate common misunderstandings, for example, exclusions in insurance contracts. Gradual damage, mechanical breakdown and pre-existing conditions are common examples of complaints to the IFSO Scheme.

Working with the industry, we will continue to find ways to help consumers understand these key concepts, and avoid future issues.

Case Study 134646 Contents insurance – mechanical breakdown

While Mr Jackson* was mowing his lawn with his ride-on mower, the belt which drove the blades snapped. Mr Jackson rode the mower to a repairer to have the belt changed. While the mower was being repaired, the engine was damaged.

Mr Jackson's repairer stated that the damage was a result of the con rod snapping, probably because of a lack of oil.

The insurer declined the claim, on the basis of the policy exclusion for mechanical damage. But Mr Jackson did not think the damage was caused by a "breakdown" or "failure".

Mr Jackson agreed that the damage was internal to the motor; the con rod snapped, possibly as a result of oil starvation. In other words, there was no outside influence which caused the con rod to snap, like a stone getting caught. Therefore, the case manager believed that, on a commercial commonsense approach, the damage was within the ordinary meaning of a "breakdown, failure ... of any mechanical or electrical equipment..." and was excluded from cover.

Complaint not upheld

Case study 131857 House insurance – gradual damage

Miss Bean's* tenant told her that the floor was dipping in the doorway of the kitchen. Further inspection revealed the floor was spongy and soft and wet underneath the lino. Miss Bean made a claim to her insurer for the damage. The insurer declined the claim on the basis that the damage was gradual; but it was not within the scope of the limited cover for gradual damage under the policy, which required the

damage to be hidden and "caused by the leaking or unseen overflowing of any internal water system".

Miss Bean believed the damage was hidden, because the leak had come from a hose, which was behind the washing machine and could not be seen.

However, the hose connecting the washing machine to the wall was not "permanently connected" to the house and, therefore, was not part of the "internal water system". As such, the case manager found the damage was not "hidden gradual damage" and the insurer was entitled to decline the claim.

Complaint not upheld

Case Study 133041 Health insurance – pre-existing condition

Ms Callum* applied for prior approval for surgery to have her wisdom teeth removed. Her insurer declined to pay, on the basis that the claim related to her pre-existing impacted wisdom teeth.

Ms Callum argued that the teeth had not caused her any problems until after she arranged the policy. However, prior to arranging the policy, Ms Callum visited her dentist and he noted her impacted wisdom teeth on an x-ray. The dentist discussed this with Ms Callum, in relation to planned orthodontic treatment. The dentist's notes recorded that Ms Callum was told she would need her wisdom teeth removed for the orthodontic treatment.

Ms Callum's impacted wisdom teeth were a pre-existing condition and, because the claim related to those impacted teeth, the insurer was entitled to decline the claim.

Complaint not upheld

* Names have been changed to preserve anonymity.

Case study summaries of all complaints are available from the IFSO Scheme website: www.ifso.nz

Getting our message into the community

With the right knowledge, consumers will understand financial services better and make more informed choices.

In 2015/2016

3,193

complaint enquiries were dealt with by the IFSO Scheme.

2,500+

info sheets & brochures were distributed to consumer groups.

39

speeches, presentations & webinars were delivered to a national audience.

66

media interviews & responses were provided by the IFSO Scheme.

7,720

calls were received on our freephone: 0800 888 202

52,692

website visits www.ifso.nz

Working with our Participants

Membership of the IFSO Scheme has grown from about 50 insurance Participants to the current 4,299 Participants from across the financial service sector.

IFSO Scheme Participants include providers of insurance, investments, loans and credit, superannuation, financial advice and foreign exchange. We provide added value to our Participants through:

- an extensive professional development programme
- face-to-face training on complaint handling and specific issues
- an e-newsletter for Participants
- a Participant-only web area and online resources
- case studies on our website for every complaint from 2000 to present.

The IFSO Scheme draws on 21 years' experience when delivering industry webinars, focusing on lessons learnt from complaints, data and trends. Webinars are run in partnership with the Institute of Financial Advisers (IFA), and professional IQ College for IBANZ members. Karen Stevens also ran a negotiation series in partnership with Professional IQ.

- **450 people** attended our **9 webinars** in collaboration with the **IFA**.
- **330 people** attended our **13 webinars** and **4 workshops** in partnership with **Professional IQ** for **IBANZ members**.

“

IFSO webinars give helpful tips on improving communication and client relationships. Although I've never had a complaint, the webinars focus on how to avoid future issues, which is important in our business. We believe IFSO are experts in their field and we value their input.”

Alan Jecks
Director, AJIB Insurance Brokers