



INSURANCE & SAVINGS
OMBUDSMAN

Annual Report Summary 2014

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

Contact us now.

Ph: 0800 888 202

Email: info@iombudsman.org.nz

Full report available online: www.iombudsman.org.nz

The Insurance & Savings Ombudsman Scheme Inc.

The ISO Scheme is independent, impartial and free for consumers.

The ISO Scheme responds to complaints about:

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

Since the ISO Scheme was established in 1995:

45,894
complaint
enquiries
handled

5,182
complaints
investigated

Membership

ISO Scheme membership has rapidly expanded from 47 in 2010 to our current 4,386 Participants. This includes providers of insurance, investments, loans and credit, superannuation, financial advice and foreign exchange.

As our membership grows, our priority is to consistently provide support, guidance, training and professional development opportunities.

This year 837 people attended 11 ISO Webinars focusing on effectively handling issues which can cause complaints, and improving business practices.

The ISO Scheme membership team, Penelope England and Felicity Bunny, look forward to supporting all current and future Participants.

Contact

0800 888 202 or

membership@iombudsman.org.nz

“ *In my dealings with the membership team I have found them to be professional, proactive and above all, deliver a quality service. They are a pleasure to deal with.*”

Bryce Marsden,
Chief Operating Officer,
Milford Asset Management Limited

“ *We chose the ISO Scheme because it was an established body with a depth of knowledge and capacity in dealing with financial service complaints and consumers.*”

Rebecca Thomas
Chief Executive Officer,
Mint Asset Management

A portrait of Karen Stevens, a woman with blonde hair, smiling, wearing a dark blue top. The background is a blurred natural setting with green foliage and a waterfall.

Karen Stevens

Insurance & Savings Ombudsman

Complaints resolution is our core business, and with 19 years' experience, we are leaders in the field.

The ISO Scheme had an extremely productive year, resolving the largest number of complaints since 1998 – with 3,215 complaint enquiries and 300 complaint investigations.

Our service is independent, impartial and free for consumers. The aim is to reach an agreed outcome, but when this is not possible, both parties can trust our process to deliver a fair and reasonable decision.

Providing information for consumers and training for Participants is an increasingly important part of our role. If consumers can understand the issues, they can make informed choices. If Participants can learn how to better serve their customers, they can avoid potential complaints.

Improved business practice has a flow on effect for financial services customers and the entire New Zealand economy.

A portrait of Paula Rebstock, a woman with blonde hair and glasses, smiling, wearing a dark blue jacket. The background is a blurred natural setting with green foliage and a waterfall.

Paula Rebstock

ISO Scheme Commission Chair

The ISO Scheme had a very successful year providing a high quality dispute resolution service for our 4,386 Participants and their customers.

The ISO team adapts swiftly to change, as they apply their extensive industry and legal knowledge across an increasingly broad subject range.

Insurance, superannuation, investments, loans and credit, financial advice and foreign exchange are among the issues dealt with on a daily basis.

A well informed and well run dispute resolution scheme helps to protect and guide the financial

services sector. While consumers have access to justice, the industry has an essential indicator of business practice. Lessons can be learnt from past complaints, and business improvements made, which gives businesses a competitive advantage.

Equally, the new ISO Scheme visual identity reflects a leading financial dispute resolution service with a clear focus on the future.

Complaint Summary 2014

The ISO Scheme received and resolved the largest number of complaints since 1998, with 3,215 complaint enquiries and 300 complaint investigations.

Complaints Received by Sector	2013/2014		2012/2013	
Credit Contracts	5	(2%)	2	(1%)
Financial Adviser	5	(2%)	8	(3%)
Fire and General	188	(62%)	167	(61%)
Health Life and Disability	92	(31%)	86	(31%)
Investment and Savings	1	(0%)	1	(0.5%)
Request for services outside scope	6	(2%)	1	(0.5%)
Superannuation	3	(1%)	9	(3%)
Total	300		274	

62% of complaints	31% of complaints
in 'Fire & General' insurance.	in 'Health, Life and Disability' insurance.
The most common complaints relate to:	The most common complaints relate to:
1. House insurance	1. Health insurance
2. Travel Insurance	2. Life Insurance
3. Contents insurance	3. Income Protection
4. Motor vehicle insurance	

Outcomes	2013/2014		2012/2013	
Complaints Upheld	30	(10%)	16	(6%)
Complaints Partly Upheld	11	(4%)	3	(1%)
Complaints Settled *	60	(20%)	55	(20%)
Complaints Withdrawn	3	(1%)	2	(0%)
Complaints Not Upheld	196	(65%)	203	(73%)
Total	300		279	

* Complaint settlements were achieved through negotiation, conciliation and mediation.

91.28 days
was the average time it took to close the 300 complaints (down from 94.85 last year).

Almost **\$2M**
was paid by ISO Scheme Participants to Complainants.

Over **95%**
of Complainants said our service was easy to use.

More than
1,450
Canterbury earthquake complaint enquiries and over 120 complaints have been dealt with by the ISO Scheme.

Getting our message into the community

With the right knowledge, consumers can understand their options and make more informed choices.

In 2013/2014

3,215
complaint
enquiries

We dealt with 2,400 telephone, 810 written and 5 'in person' complaint enquiries.

29 speeches
& presentations

were delivered nationwide.

43,309
website visits

This is a monthly average of 3,609.
www.iombudsman.org.nz

7,627 calls

were received on our
freephone number:
0800 888 202

1,000
info sheets
& brochures

were distributed to consumer
groups nationwide.

44 media
interviews

The Insurance & Savings Ombudsman provided media interviews on a range of consumer topics. Our media releases covered issues such as floods and cyclones; sum insured house insurance; KiwiSaver withdrawals; contents, travel, health and vehicle insurance; and financial advice complaints.

Website Redevelopment

We initiated a website redesign to make it easier for people to understand and access the ISO Scheme, and to find what they are looking for.

Community Outreach

Consumer outreach is an important part of our work. Activities we have been involved in this year include: working with CERA's Residential Advisory Service in Christchurch; presentations to the NZ Police Welfare Division, Christchurch; discussions with industry groups such as Workplace Savings; and presentations to community groups, such as Cancern, Palmerston North Community Group and Probus.

“

I appreciate having an independent service to investigate a complaint impartially and free of charge.”

Case Studies

House insurance – Canterbury Earthquake

Mr and Mrs Smith's* home was damaged in the Canterbury earthquakes. It was in the Red Zone and assessed as a rebuild. The insurer, ABC*, costed the rebuild at \$390,311, but the Smith's Quantity Surveyor, Bill* costed the rebuild at \$638,414. On the basis of Bill's report the Smiths challenged ABC's rebuild costings. ABC revised its rebuild costings to \$409,319.

The Smiths were under financial pressure. Their bank would not agree to assign the mortgage, as required to complete the CERA Red Zone offer, without the insurance claim being resolved. CERA advised the Smiths they were in default under the agreement to buy their land, and CERA reserved the right to charge penalty interest or issue a settlement notice. The Smiths took out a bridging loan to purchase a new house. Their mortgage lender was threatening to foreclose on that mortgage. The Smiths faced bankruptcy.

On 16 September 2013, after attempting to reach agreement with ABC, the Case Manager issued an interim decision requiring ABC to pay a lump sum directly to the Smiths equal to the costs for which it had acknowledged liability.

On 27 September 2013, the Case Manager facilitated a meeting between ABC, the Smiths and Bill to discuss the differences between ABC's and Bill's rebuild estimates. Many of the differences between the two rebuild costings were resolved at the meeting.

Discussions continued. ABC revised its costings and, on 20 December 2013, ABC provided the Smiths with a final rebuild costing of \$446,369. The Smiths agreed to settle the complaint on the basis of the final costing.

Complaint settled

Health insurance – Exclusion

A gastrointestinal and hepatobiliary surgeon recommended Bob* have gastric bypass surgery for his diabetes. The surgeon wrote to Bob's health insurer to seek cover for the surgery. The surgeon advised that the surgery may bring about some weight loss, but was being performed specifically to "ameliorate or improve [Bob's] type 2 diabetes and metabolic status". The claim was declined on the basis of a policy exclusion for "Treatment for weight reduction (including surgery, whether recommended or not)".

After having the surgery, Bob made a complaint. Bob had established a *prima facie* claim, as the policy provided cover for "general surgery". Therefore the insurer had to prove that the exclusion applied.

Although gastric bypass surgery is often undertaken to achieve weight loss, in this case the surgery was recommended to treat Bob's diabetes. It was not "treatment for weight reduction".

The surgeon confirmed that gastric bypass surgery has been shown to eliminate or substantially improve patients' diabetes regardless of any weight loss.

Within days of the surgery, the glucose levels in Bob's blood had substantially reduced, he had reduced his medication by two-thirds, and his diabetes was under control.

The Case Manager was satisfied that the surgery was not "treatment for weight reduction". The insurer could not prove the application of the exclusion.

Complaint upheld

** Names have been changed to preserve anonymity.*

The ISO Scheme

The ISO Scheme is accessible, independent, fair, accountable, efficient and effective. It is free for consumers.

For the ISO Scheme to investigate complaints, they must relate to an ISO Scheme Participant, and have been through the Participant's internal complaints process.

Negotiation, conciliation and mediation skills are applied to reach agreement where possible. If the

ISO Scheme makes a decision it is binding on a Participant, but not on a consumer.

Consumers can take their complaint to an alternative dispute resolution process or to Court, if they want to pursue other options.

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