



INSURANCE & SAVINGS  
**OMBUDSMAN**

# Annual Report Summary 2015

## Celebrating 20 years

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

### Contact us now.

Phone: 0800 888 202

Full report available online: [www.iombudsman.org.nz](http://www.iombudsman.org.nz)



# 20 years' resolving disputes

The ISO Scheme provides an independent, impartial and free dispute resolution service for consumers.

We resolve complaints and respond to complaint enquiries about insurance, investments, loans and credit, superannuation, financial advice and foreign exchange.

Since the ISO Scheme  
was established in 1995:

48,951  
complaint  
enquiries  
handled

5,496  
complaints  
investigated

## Complaint summary 2015

The ISO Scheme dealt with 254 investigated complaints, and responded to 3,057 complaint enquiries.

The range of complaints was significantly more complex this year, with less complex complaints being resolved before the ISO Scheme was required to carry out a full investigation.

Complaints received by sector	2014/2015		2013/2014	
Credit Contracts	5	(2%)	5	(2%)
Financial Adviser	5	(2%)	5	(2%)
Fire and General	132	(52%)	188	(62%)
Health Life and Disability	104	(41%)	92	(31%)
Investment and Savings			1	(0%)
Not regulated financial service – investigation authorised	5	(2%)	6	(2%)
Superannuation	2	(1%)	3	(1%)
<b>Total</b>	<b>253</b>		<b>300</b>	

Outcomes	2014/2015		2013/2014	
Complaints Upheld	3	(1%)	30	(10%)
Complaints Partly Upheld	10	(4%)	11	(4%)
Complaints Settled*	56	(22%)	60	(20%)
Complaints Withdrawn	3	(1%)	3	(1%)
Complaints Not Upheld	182	(72%)	196	(65%)
<b>Total</b>	<b>254</b>		<b>300</b>	

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

**Canterbury earthquakes:** Since 2010, more than 1,570 Canterbury earthquake complaint enquiries, and more than 140 complaints have been dealt with by the ISO Scheme.

“ We were kept very well informed the whole way through. We felt that whatever decision was reached it would be very fair and unbiased.”

# ISO Scheme 20 years

**62** Participants  
**176** Complaints  
**515** Complaint enquiries

**1995**



ISO Scheme established as an industry based dispute resolution scheme for the insurance industry. Commission and Board are 2 tier governance bodies.

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**Terry Weir** appointed Insurance & Savings Ombudsman.

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**Dr Mervyn Probine** CB, FRSNZ, Chair.

**97**



Independent public review.

**98**



**Karen Stevens** appointed Insurance & Savings Ombudsman.

**51** Participants  
**252** Complaints  
**2,359** Complaint enquiries

**2000**



**Beverley Wakem** DNZM CBE, Chair.

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ISO is a founding member of the Australian and New Zealand Ombudsman Association (ANZO).

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Independent public review.

**03**



**50** Participants  
**178** Complaints  
**1,900** Complaint enquiries  
**\$660K** paid to consumers

**2005**



**Alison Timms**, Chair.

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ISO Scheme is a founding member of the International Network of Financial Services Ombudsman Schemes.

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Independent public review.

**07**



**08**



**09**



**Paula Rebstock** CNZM, Chair.

**47** Participants  
**277** Complaints  
**1,984** Complaint enquiries  
**\$1.8M** paid to consumers

**2010**



ISO Scheme becomes an approved dispute resolution scheme under the Financial Service Providers (Registration and Dispute Resolution) Act 2008.

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Expansion to include all financial service providers.

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Independent public review.

**13**



**4,326** Participants  
**254** Complaints  
**3,057** Complaint enquiries  
**\$2.6M** paid to consumers

**2015**



Commission becomes a single governance body.

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ISO Scheme becomes the **Insurance & Financial Services Ombudsman Scheme** on 1 November 2015 to reflect our expanded membership.



## Karen Stevens

Insurance & Savings  
Ombudsman

The celebration of 20 years is a milestone in the life of any business, even more so when that business is an industry based consumer dispute resolution scheme.

The ISO Scheme was set up as a joint initiative between the insurance industry for its customers and the then Minister of Consumer Affairs.

There have been many changes over the 20 years: the move from a voluntary industry scheme to the statutory requirement for approval by the Minister; the change in the governance structure; the expansion of services and number of Participants; the people; the fluctuating numbers of complaints and complaint enquiries; and the increasing complexity of work.

What have not changed are the core principles which guide the ISO Scheme as a dispute resolution scheme: accessibility, independence, fairness, accountability, efficiency and effectiveness.

This year, complaints have decreased in number, but increased in complexity. We have had to be more flexible in our approach to resolving complaints, working on managing expectations and agreeing outcomes to achieve fair and reasonable resolutions.

Good communication is key. We draw on our experience to provide:

- Participants with the knowledge and means to avoid behaviour that can lead to customer complaints; and
- consumers with knowledge to better understand products and financial services, so they can make more informed choices.



## Paula Rebstock

ISO Scheme  
Commission Chair

This year the ISO Scheme celebrates 20 years of providing a high quality dispute resolution service for insurance and financial services.

Our particular strength is the wealth of knowledge gained from 20 years of resolving complaints in the financial sector.

This year we consulted on changes to our Terms of Reference and Constitution, to align our rules with updated legislation, and to further implement recommendations from our independent review. An important change was the move to a unitary governance structure, with the disestablishment of the Industry Board. We appreciated the valuable and encouraging feedback we received throughout the consultation process.

Becoming the 'Insurance & Financial Services Ombudsman Scheme Inc.' on 1 November 2015 is another significant change, which more accurately reflects our expanded membership.

We acknowledge the professional relationships we have established with Participants over 20 years and, in particular, the original insurance Participants, while maintaining the ISO Scheme's independence at an operational level. The ISO Scheme's ability to resolve complaints fairly and independently is crucially important to consumers of financial services in New Zealand.

# Getting our message into the community

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

**In 2014/2015**

**3,057**

Complaint enquiries were dealt with by the ISO Scheme.

**40**

Speeches, webinars and presentations were delivered to a national audience.

**7,297**

Calls were received on our freephone: 0800 888 202

**1,500**

Info sheets & brochures were distributed to consumer groups.

**30**

Media interviews were provided by the Insurance & Savings Ombudsman.

**47,473**

Website visits to [www.iombudsman.org.nz](http://www.iombudsman.org.nz)

## Case studies

Over the last 20 years, customers' non-disclosure has been a persistent issue in ISO Scheme complaints.

Non-disclosure continues to be a key reason insurers decline to consider claims or avoid policies. Insurers' responses to non-disclosure vary: some opt to exercise their legal right to avoid the policy in its entirety and others adopt a more flexible response, based on what they would have done had the information been disclosed at inception.

While legislation is highly desirable, the ISO Scheme works within the current legal framework for non-disclosure, making decisions that are fair and reasonable in all the circumstances. We aim to improve consumers' understanding of their duty of disclosure and the consequences of failing to disclose material information.

### Life insurance

Mrs Smith\* died and her son made a claim to her life insurer. The insurer said Mrs Smith had not told it about her diabetes, stress, high cholesterol, high blood pressure and asthma, and she had not accurately recorded her weight.

Two independent underwriters confirmed that Mrs Smith's diabetes and high cholesterol were material information.

The insurer offered Mrs Smith's son a reduced payment (to take into account the premiums Mrs Smith would have paid, if the insurer had known her full medical history), plus a goodwill payment of \$10,000. The insurer was not legally obliged to make this offer and the case manager believed this was a fair and reasonable resolution.

### Life and loan protection insurance

Ms Green\* made a claim to her insurer. She had ceased working, because she was suffering from rapid heart rate, hot flushes, headaches, blood pressure issues, sweating, weight gain, fatigue and back pain.

The insurer found that, when she arranged the policy, Ms Green had not told it about a number of blood tests and B12 injections. The insurer avoided the loan protection cover, which meant the claim could not be considered.

On the application, Ms Green was asked whether she had had any medical test or examination in the previous 5 years (disregarding minor ailments such as colds and flu). Ms Green said she had regular medical checks for her job in child care.

In the 5 years prior to arranging the insurance, Ms Green had a number of doctor's consultations and at least 7 blood tests because she was suffering from tiredness. The result was multiple B12 injections for Ms Green over a number of years.

The case manager did not believe this was a minor ailment such as a cold or flu. Ms Green should have disclosed the consultations, tests and results on her insurance application because they were material information.

The insurer was legally entitled to avoid the loan protection cover and decline to pay the claim. The insurer was also legally entitled to avoid the policy benefits for trauma, life and premium cover, and retain all of the premiums under the contract.

*\* Names have been changed to preserve anonymity.  
Full case studies are available on our website:  
[www.iombudsman.org.nz](http://www.iombudsman.org.nz)*



# Working with our Participants

The ISO Scheme's 4,300+ Participants include providers of insurance, investments, loans and credit, superannuation, financial advice and foreign exchange.

We provide added value to our Participants, in a variety of different ways:

- a monthly e-newsletter for Participants, **launched in November 2014**
- Participant-only web area and online resources, **launched in April 2015**
- webinar training, focused on lessons learnt from complaints, data and trends
- face-to-face training on complaint handling and specific issues
- case studies on our website

**557** Participants attended our **10 webinars**, which are run in collaboration with the **Institute of Financial Advisers**. In addition, we have partnered with **Professional IQ College** to provide training to **IBANZ members**, through **8 webinars** with more than **150 attendees**.

We co-hosted workshops on managing customer interaction, facilitated by Dr Grant Lester, Forensic Psychiatrist, with more than 270 attendees; and we ran an industry discussion forum in Auckland.

“

*Ongoing professional development is important, and the ISO Scheme provided a number of excellent webinars again this year.”*

**Brent Ballantyne**

GM Client Contact, Partners Life Ltd

## The IFSO Scheme Inc.

On 1 November 2015, the Insurance & Savings Ombudsman Scheme will change its name to become the Insurance & Financial Services Ombudsman Scheme (IFSO Scheme) to reflect the growing range of financial services among our Participants.

**Website:** [www.ifso.nz](http://www.ifso.nz)

**Information email:** [info@ifso.nz](mailto:info@ifso.nz)

**Freephone:** 0800 888 202

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*Becoming the 'Insurance & Financial Services Ombudsman Scheme' is significant. As our membership continues to expand, we must look to the future.”*

**Paula Rebstock**

ISO Scheme Commission Chair