

**INVESTMENT SAVINGS & INSURANCE ASSOCIATION OF NZ  
INC**

SUBMISSION  
TO THE  
MINISTRY OF ECONOMIC DEVELOPMENT  
ON THE  
REVIEW OF FINANCIAL PRODUCTS AND  
PROVIDERS

*Consumer Dispute Resolution and  
Redress*

**13 December 2006**



**I.S.I**

## Introduction

The Investment Savings and Insurance Association ("ISI") welcomes the opportunity to comment on the Discussion Document *Consumer Dispute Resolution and Redress* issued as part of the Review of Financial Products and Providers ("RFPP"). Our comments are made on behalf of our members who are the issuers and managers of life insurance, superannuation and managed funds listed at the end of this paper. Our members are keenly interested in promoting a high standard of consumer service, including effective dispute resolution and redress, in the financial services industry and we have appreciated the consultation on these issues with officials and advisory groups.

ISI supports option 4C. We see this option as being the most effective means of providing valuable and efficient dispute resolution processes and outcomes – providing the industry with a streamlined service while giving consumers an easily accessible dispute resolution process for all their financial arrangements.

Option 4C is also in line with our previous submission to the Ministry in October 2006 on the *Financial Intermediaries* discussion document to merge the existing Banking Ombudsman and Insurance & Savings Ombudsman to form a single Financial Services Ombudsman scheme with a wider jurisdiction.

## Consumer Dispute Resolution and Redress

ISI is a strong believer in the value of consumers having easy access to a robust and well-advertised complaints service. Experience with the Insurance and Savings Ombudsman Scheme has shown that giving consumers the opportunity to obtain redress from an independent body when they have been poorly served is an excellent incentive for an improvement in the standard of service.

It is essential that there is a single point of contact for consumers who wish to make a complaint about financial services. It can then be promoted and publicised to gain high public recognition. While this may initially result in an increased number of disputes, over time the financial services industry will be encouraged to improve their consumer services to a level that will see the number of disputes level out. We believe that this will also be a significant factor in building consumer confidence in the industry.

ISI sees option 4C as comprising an all-encompassing ombudsman scheme covering all sectors of the financial services industry. This option would have the advantage of being cheaper to run than maintaining several separate schemes behind a common portal. Paragraph 174 of the *Consumer Disputes* discussion document notes that specialisation could still be achieved by having separate teams or divisions for different sectors of the industry. We support this proposal.

ISI sees the government's role as being that of an overseer. While some level of government involvement will be necessary to coordinate the initial setup process and an ongoing oversight role may also be necessary, ISI believes that if the industry is to

take ownership of the dispute resolution scheme then it must be under the industry's control. This will allow the industry to have a greater degree of confidence in the effectiveness of the scheme and is likely to attract a higher level of involvement and commitment from the industry as a whole.

ISI does see the government providing a valuable role in educating the public with a view to creating a higher level of financial literacy in the general population. Such education would provide the public with a greater degree of knowledge when choosing a financial product, and so the product would be more likely to be suitable to the individual consumer's needs. A financially literate populace would be less likely to make wrong choices at the start and would therefore avoid the need for dispute resolution at a later date.

In conclusion, we support option 4C as proposed, but reserve the right to make further comments when the detailed design is revealed.

## **List of ISI Members**

### **ISI MEMBERS**

American International Assurance  
AMP Financial Services  
Asteron Life Ltd  
AXA New Zealand  
BNZ Investments and Insurance  
BT Funds Management Ltd  
CIGNA Life Insurance NZ Ltd  
Equitable Group  
Fidelity Life Assurance Co Ltd  
Gen Re LifeHealth  
Hannover Life Re of Australasia Ltd  
ING New Zealand Ltd  
Medical Assurance Society NZ Ltd  
Munich Reinsurance Co of Australasia Ltd  
Public Trust  
RGA Reinsurance Co. of Australia Ltd  
Save and Invest Ltd  
Sovereign Ltd  
Swiss Re Life & Health Australia Ltd  
TOWER New Zealand

### **Associate Members**

Bell Gully Buddle Weir  
Bravura Solutions  
Buddle Findlay  
Burrowes & Co  
Chapman Tripp Sheffield Young  
Davies Financial & Actuarial Ltd  
Deloitte Touche Tohmatsu  
Ernst & Young  
InvestmentLink (New Zealand) Ltd  
KPMG  
Kensington Swan  
Melville Jessup Weaver  
Mercer Human Resource Consulting Ltd  
Morningstar Research Ltd  
Phillips Fox  
PricewaterhouseCoopers  
Russell Investment Management  
Russell McVeagh  
Simpson Grierson