



8 November 2019

Financial Markets Policy
Building, Resources and Markets
Ministry of Business, Innovation & Employment
PO Box 1473
Wellington 6140

Emailed to: faareview@mbie.govt.nz

Tower Insurance submission on Financial Markets Conduct (Regulated Financial Advice Disclosure) Amendment Regulations 2019

Thank you for the opportunity to provide a written submission on the exposure draft of the *Financial Markets Conduct (Regulated Financial Advice Disclosure) Amendment Regulations* ('Disclosure Regulations'), released for comment by the MBIE on 10 October 2019.

Tower Insurance is the third largest insurer of domestic buildings in New Zealand, with a market share of approximately 10% in that sector. It is listed on the NZX and has a subsidiary Tower Insurance Limited which is a licenced insurer. Tower Insurance offers products across the domestic and small business space in both New Zealand and the Pacific Islands.

Whilst we have contributed to the Insurance Council of New Zealand (ICNZ) submission and are largely in support of it, we would like to express our views on a number of important points and have therefore have elected to also make our own submission.

Digital Distribution

Tower Insurance sees significant opportunity in the New Zealand insurance market to deliver better customer outcomes by challenging and breaking industry norms. Tower Insurance has publicly challenged the industry to increase transparency and firmly believe that this will level the playing field between customers and insurers.

Tower Insurance is a digital challenger brand and is committed to delivering products directly to customers through digital channels. We firmly believe that digital distribution of insurance products is good for customers and the economy more broadly. In the General Insurance market we believe it has a positive impact on insurance penetration, simplifies the process of purchasing insurance, removes "hard-sell" tactics, is convenient for many customers and in the case for Tower Insurance's customers, makes insurance more affordable by reducing processing costs.

To achieve better customer outcomes through digital channels, Tower Insurance strongly supports the development of clear and flexible guidance on disclosure. The current Disclosure Regulations do not provide explicit guidance on disclosures required for advice provided through digital channels.

Tower Insurance seeks greater clarity on the application of the disclosure regulations to advice provided digitally. To ensure that customers receive the maximum benefit of innovation through digital channels, it is important that flexibility is taken into consideration. While we recognise that the balance between clarity and flexibility will require work, we believe that it will enable greater innovation and increased education and financial literacy of customers.

Disclosure of Fees, Commissions and Incentives

Tower Insurance firmly believes that all fees, commissions and incentives be transparently disclosed to customers and welcomes any progression toward increased transparency for insurers and brokers and the broader industry.

Tower Insurance believes that commissions can create, or can create the perception of, skewed advice or non-independence of the relationships of an advisor and the client.

Tower Insurance recognises the need for customers to seek advice and to be fully informed in regards to fees, commissions and incentives when receiving advice.

While Tower Insurance does not utilise large broker networks, it understands that large brokerages can often have facilities and relationships in place with underwriters that result in scale benefits for brokers, to the detriment of customers and their needs.

Tower Insurance recommends that the Financial Markets Policy team completing the Financial Markets Conduct review look at models used in other countries where commissions are rebated to the customer and fees for service charged that eliminates any conflict of interest.

Responses to Questions in the *Financial Markets Conduct (Regulated Financial Advice Disclosure) Amendment Regulations* Exposure Draft

1	Will the proposed record-keeping requirement be workable in practice?
	N/A
2	Do you have any comments on the drafting of the Regulations that will require information to be made publicly available?
	Tower Insurance strongly supports increased transparency and visibility of key information to customers.
3	Do you have any comments on the draft Regulations that will require the disclosure of information when the nature and scope of the advice is known?
	<p>We welcome further guidance and clarity regarding the application of these regulations for advice provided digitally. Greater clarity on these expectations will lead to better customer outcomes and provide a foundation for insurers who seek to go above and beyond in not only disclosing information, but educating their customers.</p> <p>In relation to advice provided over the phone, the regulations should avoid imposing any requirement to disclose the same information more than once during a call. This is partially clarified under 229E(5), but could go further in being more explicit that information does not need to be repeated in one customer interaction unless this information is re-requested by</p>

the customer.

We believe that it is appropriate to focus the disclosure to the channel of choice for a customer rather than force them to seek disclosure through channels they do not prefer to use; or in the case of omni-channel service, make the process overly cumbersome for the customer.

4

Do you have any comments on the draft Regulations that will require the disclosure of information when the financial advice is given?

Please refer to comments under question 3.

5

Do you have any comments on the draft Regulations that will require the disclosure of a provider's complaints handling and dispute resolution processes when a complaint is received?

N/A

6

Do you have any comments on the draft Regulations that set the manner in which information must be disclosed?

While we welcome the flexibility intended to be provided by this section, we would want to ensure this extends to digital distribution channels. Furthermore, it should allow the use of other appropriate methods of disclosing this information, for example through the use of digital content such as videos or diagrammatic content to help customers understand the meaning of the disclosure in easy to understand, plain language.

7

Are there instances in your business when regulation 229D might apply to someone who is not the one to give advice to the client? Please give examples and provide any comments on how the draft Regulations apply in such scenarios.

In an omni-channel environment, there are instances where initial contact may be with a call centre nominated representative and advice is subsequently provided by a separate nominated representative through an online chat service, or vice versa. Similarly, a customer may chose to engage through a combination of self-serve web quoting processes, with questions answered via online chat and call centre representatives. Ensuring that the experience is seamless and simple for the customer through this journey is key to good customer outcomes.

8

Do you have any further comments on new regulation 229A to 229H of the draft Regulations?

N/A

9

Do you have any further comments on new Schedule 21A in the draft Regulations?

N/A

10

What (if any) transitional provisions should be included in the regulations?

N/A

Conclusion

Thank you again for the opportunity to submit on this consultation. Please contact Richard Harding [REDACTED] should you have any questions regarding our submission or require further information.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'Richard Harding', written over a light blue circular stamp.

Richard Harding
Chief Executive Officer
Tower Insurance