

Credit-related Insurance Code

What consumers should expect from Financial Services Federation insurance provider members

What is Credit-Related Insurance?

Credit-related insurance is designed to help protect your lifestyle and/or your vehicle if something goes wrong. The types of credit-related insurance available include:

- **Credit Contract Indemnity and Payment Protection Insurance** which cover your obligations under a credit contract and may protect you and your family if something unexpected happens, like being off work due to illness, accident, redundancy or hospitalisation. It may cover your loan repayments or repay your loan in full in the event of your death.
- **Guaranteed Asset Protection** to cover the gap between what your vehicle insurance pays out and the balance you owe under your loan agreement if your vehicle suffers a total loss, e.g. if it is written off or stolen.
- **Motor Vehicle Insurance** covers accident, loss or damage to your motor vehicle. It will almost always be required if a loan has been provided for you to purchase the vehicle.
- **Mechanical Breakdown Insurance** covers the cost of repairs for mechanical or electrical breakdown and includes 24/7 access to roadside assistance.

Why is Credit-Related Insurance good for consumers?

Having appropriate credit-related insurance protection means:

- ✓ Your loan repayments may be covered if something goes wrong; or
- ✓ Your loan is repaid in full if you die; or
- ✓ Your asset is covered if it is lost or damaged through accident, fire or theft; or
- ✓ Your loan is repaid in full if your vehicle suffers total loss, e.g. if it is written off or stolen; or
- ✓ Your vehicle can be repaired if it suffers mechanical or electrical failure which is covered under the policy wording.

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Consumers – understand your rights:

You do not have to buy credit-related insurance (except where it is a condition of taking out the loan). You also do not have to take it out with the credit-related insurance provider recommended by the lender (or the lender's dealer or agent).

It should be made clear to you that the insurance policies are optional not compulsory.

It should be made clear to you what insurance you have taken out, what it covers you for and how to make a claim on the policy. If you don't understand the insurance you've bought, your insurer should answer your questions.

Responsible credit-related insurance providers will:

- ✔ Ensure that the insurance being provided protects you against the risks you want to cover, taking into account any existing insurance you may hold; and
- ✔ Ensure that the policy is sold at a reasonable price when compared to the loan amount or value of the asset being insured; and
- ✔ Ensure you are given sufficient information to understand the terms of your insurance contract including key features like:
 - How much it will cost (the amount of the premium) and that you can afford it.
 - That you will be charged interest on the premium by paying the premium in full with your loan.
 - What the insurance contract covers you for (and what it does not cover you for).
 - How long you are covered for.
 - The period of time during which you can cancel the policy if you change your mind after taking it out. This should be a cooling off period of at least 14 days from the time you purchase the insurance.

Consumers – your responsibilities:

- ✔ Be honest and provide full and accurate information when applying for credit-related insurance or when making a claim.
- ✔ If you need to make a claim under your policy, please do so as soon as possible after the incident or situation occurs.
- ✔ Read and understand your policy terms and conditions, keep a copy of the contract and contact your provider if circumstances change or something needs updating.
- ✔ All motor vehicles should be covered by either:
 - Comprehensive insurance which may be a requirement if you have taken out a loan to buy the vehicle; or
 - Third-party insurance which protects you if you cause damage or loss to someone else's property. With third-party insurance you remain responsible for your own damage or losses.

Responsible credit-related insurance providers will:

- ✓ Ensure their products are sold responsibly whether that is directly by them to you or through a third party such as a dealer or agent; and
- ✓ Ensure that proper care is taken to recognise when you may be in vulnerable circumstances; and
- ✓ Ensure that their products and processes provide fair outcomes for you; and
- ✓ Be easy to get hold of and will return your calls and answer your questions promptly; and
- ✓ Allow you to ask questions to satisfy yourself that you are getting value for money; and
- ✓ Before cover is arranged, give you a policy document written in plain language explaining what you are covered for and what you are not; and
- ✓ Include full instructions about how to make a claim if necessary and help you to make a claim; and
- ✓ Make a decision on any claim and communicate it as soon as possible; and
- ✓ Cancel policies and refund premiums in full without delay if their products are mis-sold; and
- ✓ Work constructively with your financial mentor (if you have one); and
- ✓ Maintain regular contact with financial mentors to share issues of concern and best practice in relation to credit-related insurance products.

Other helpful resources:



MoneyTalks is the free non-judgemental helpline that provides support to individuals, family and whānau on all things related to money.

Freephone: 0800 345 123

Email: help@moneytalks.co.nz

Website: www.MoneyTalks.co.nz

The Credit-Related Insurance Code is produced by:



FINANCIAL SERVICES FEDERATION

This Code helps consumers to understand the benefits of credit-related insurance products and how they should be sold responsibly.

This Code is not a substitute for reading and understanding a credit-related insurance policy before buying it. Nothing in this code constitutes financial, regulatory, or other professional advice.

The Code is binding on insurance provider members of the Financial Services Federation and can be used by FinCap supported financial mentors to provide to their clients. FSF owns all copyright and other intellectual property rights in this Code. It is not to be reproduced in part or in full by any other organisation without consent of the FSF.

If you have a complaint about your insurance provider:

Insurers will make it easy for you to make a complaint. They should provide you with details about how to complain to their internal complaints process at the time you make a complaint. However, if communicating with the insurance company doesn't help, ask which independent dispute resolution scheme the insurer belongs to. The scheme will be one from the list below, which are free for consumers.

The Insurance and Financial Services Ombudsman Scheme

Freephone: 0800 888 202

Email: info@ifso.nz

Website: www.ifso.nz

Financial Services Complaints Limited A Financial Ombudsman Service

Freephone: 0800 347 257

Email: complaints@fscl.org.nz

Website: www.fscl.org.nz

Financial Dispute Resolution Service

Freephone: 0508 337 337

Email: enquiries@fdrs.org.nz

Website: www.fdrs.org.nz