



Fair Customer Outcomes - Customer Vulnerability

What does good look like?

March 2023



Today we will discuss



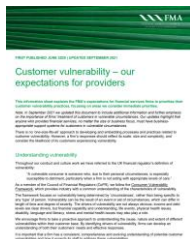
1. Who are vulnerable customers?
2. Your role and obligations
3. Examples of positive actions
4. Questions
5. Activity: Your actions enable fair customer outcomes
6. Reflection



Who are Vulnerable Customers?



FMA Guidance



“A vulnerable consumer is someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care.”

Health and physical factors	Life events	Resilience	Capability
Mental health issues	Recently migrated	Low savings	English as a second language
Physical health issues	Caring responsibilities	Loss of income	Low literacy levels
Addiction issues	Bereavement/ending of relationship	Lack of self-confidence	Lack of knowledge of consumer rights
Learning disabilities	Natural disasters	Over indebtedness	Low level of financial capability
Physical disabilities	Non-standard requirements: women in refuge, ex-offenders, children in care	Lack of time	Digital exclusion

Focus on 'circumstances' rather than 'types' of people
“Drivers of vulnerability”



Kaunihera Kaiwhakarite Ahumoni
Council of Financial Regulators

FMA Research

88% of participants had a least one characteristic of vulnerability



JULY 2022

Consumer experience with the financial sector

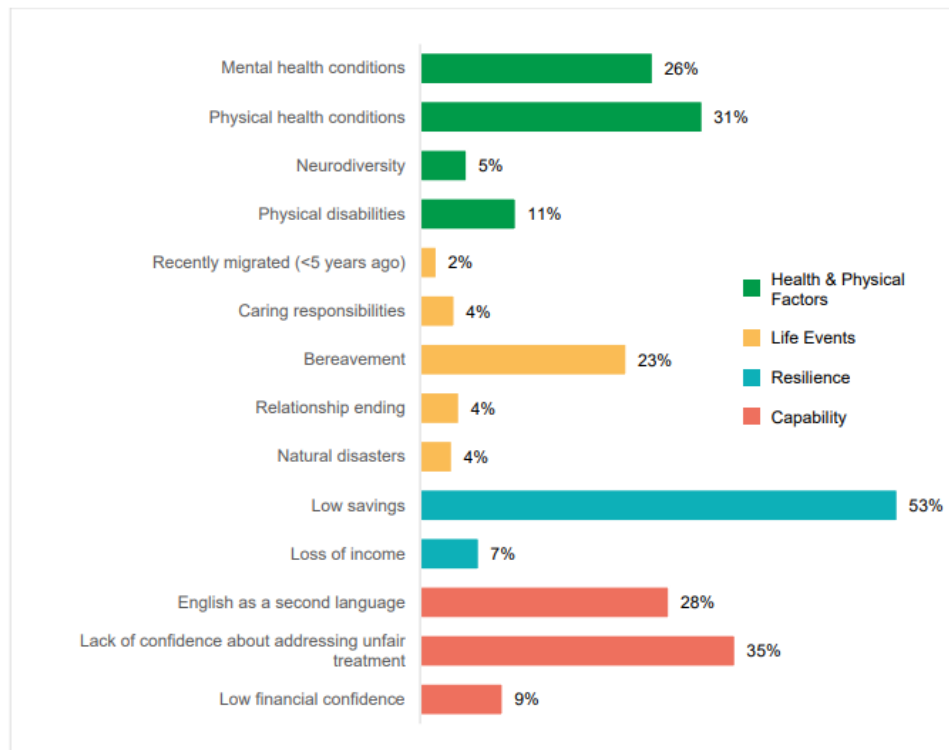
Research report

fiftyfive5

FMA
FINANCIAL MARKETS AUTHORITY
TE Kaitiaki Take Kōwhiri



Figure 2. Proportion who meets each vulnerability risk factor



Base: Total New Zealanders 18+ (n=2509)

Characteristics of Vulnerability



- Can affect anyone, at any time
- May be more likely to have additional or different needs
- Increased risk of harm or poor customer outcomes
- Vulnerability looks different for everyone – impacts can be experienced differently
- Complex and intersecting, one not more important than the other
- Many customers do not see themselves as vulnerable – consider the language you use
- Can be permanent, temporary, sporadic, short or long term



Regulatory Journey and Context



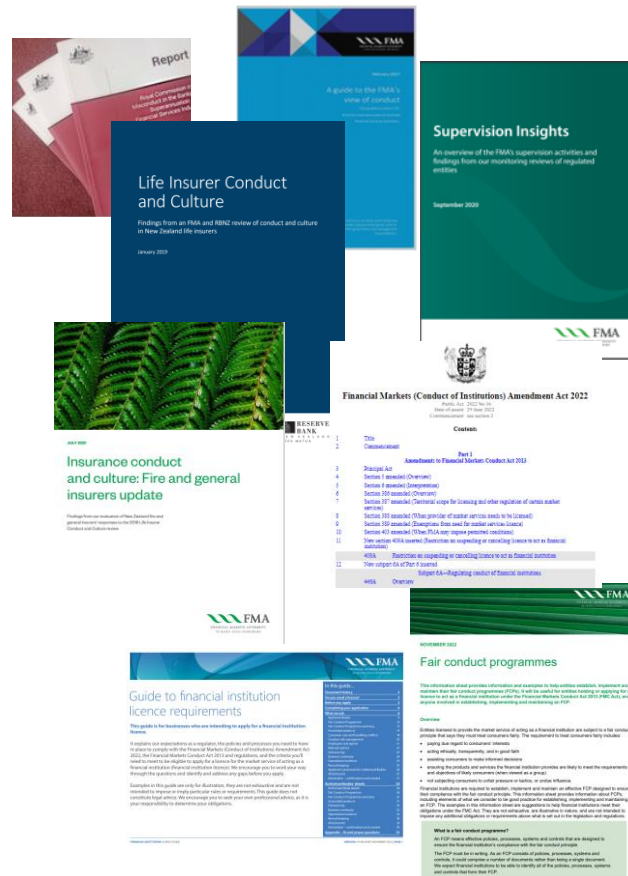
Conduct and vulnerable customers are not new areas for regulators' scrutiny or uplift actions by insurers

Life Insurer Conduct and Culture report 2019

"We expect insurers to identify potentially vulnerable customers, and have policies, processes and training for staff and intermediaries about dealing with vulnerable customers and ensuring they experience good outcomes."

Fire and general insurers update 2021

"At least nine insurers recognised customer vulnerability as a key issue. One insurer developed specific guidance for staff. Several intermediated insurers addressed the issue of vulnerability poorly, appearing to consider it not applicable in situations where they did not have direct contact with customers."



FMA approach: Customer Outcomes

"This is the lens through which we will do our work... This approach ensures regulations and rules are a means to an end, rather than an end in themselves. The real end is fair outcomes."
Samantha Barrass, CEO FMA

The FMA will be looking at how your business lives and breathes conduct. With continued reference to culture, the FMA is looking at how all your teams think about and trace the work they do back to customer outcomes.

The FMA has described CoFI as *"a move away from box-ticking compliance towards a deliberate focus on outcomes"*.



Obligations



CoFI

446J (2) "In considering what policies, processes, systems, and controls are effective for the purposes of subsection (1), the financial institution must have regard to the following:...

(d) the types of consumers it deals with, including consumers in vulnerable circumstances; ..."

Fair Insurance Code

22. "However, when a catastrophe or disaster occurs, we'll: ...

- identify and respond to vulnerable customers based on their individual circumstances..."

FSC Code of Conduct

9. "Members must treat customers fairly"

Guidance

» What processes do you have in place to identify and support customers who may be experiencing vulnerability?

» How do you know that your processes are working for your customers who may be experiencing vulnerability?

Financial Advice Providers

Code Standard 1 – Treat customers fairly.....includes not taking advantage of client's vulnerabilities

4. Ensure customer understands the advice ... reasonable steps for their circumstances and vulnerabilities.



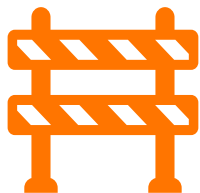
Customers Experiencing Vulnerable Circumstances



CoFI Focus Areas

- Fair Conduct Programme
- Complaints
- Incidents and Remediation
- Intermediaries and agents
- Distribution
- Product
- Customer communications
- Training
- People Management
- Licensing

Focus on positive role you play



**Driver of
Vulnerability**

+



Your Action

=



**Fair Customer
Outcome**



Examples of positive actions



Everyone in the business needs to know the part they play



Utilise your in-house lived experience experts and customer champions



Never underestimate the power of leadership



Examples of positive actions



**Focus on small changes
with big impacts**



**Sometime simple
solutions work best**



**Ensure CEVC are treated
differently (in a positive way)**



**Listen and be prepared
to act on feedback and
complaints**



Examples of positive actions



Bring CEVC into the design of processes



Support your staff



Collaboration can create the best solutions



Pause – questions and comments






Activity: Card Game

Your actions enable fair customer outcomes

Email virginia.douglas@mosaicfsi.com if you would like a set of playing cards to use with your teams.



Aim of the game

Create groups of three or more cards that link  Drivers of Vulnerability to  Your Action to  Fair Customer Outcomes.

How to win

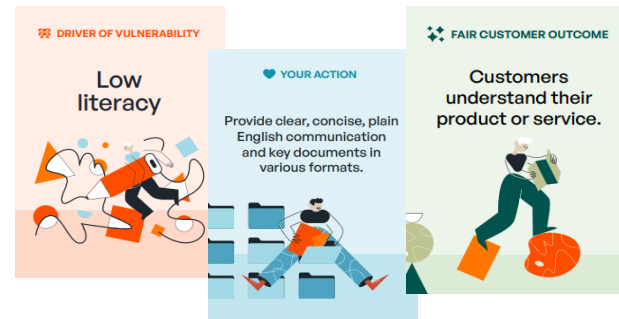
Be the player/group with the most cards down.

Set It Up

1. Form pairs or groups of three at your table.
2. Choose a dealer. The dealer deals 8 cards to each group.

Play!

1. Pick up 2 cards.
2. Play up to 3 cards:
 - a. Make a set
 - b. Add to a set
 - c. Play none.
3. Discard cards.



Reflection



Three questions



What is one thing will you tell someone about this session?



What is one thing you will do differently?



What is one question you would have asked?





What is one thing will you tell someone about this session?



Conference Attendees

- Tell my team about customers experiencing vulnerable circumstances
- Our actions are key to our contribution to customers experiencing vulnerable circumstances
- Focus on circumstances rather than groups of people
- Don't talk about people, talk about their situation.
- Focus on the circumstances rather not the person.
- Importance of culture in the organisation. Everyone in the business needs to know the role they play.
- Care for vulnerable customers affects all part of the business with process, system, decision too. Not just frontline staff.
- All staff (back office included) need to know and consider vulnerability.
- How we all have a role to play to manage our customers
- How we can improve identifying vulnerability
- There is always more than one answer
- Card game was good engagement
- Simple solutions and collaboration
- Ask everyone how many degrees of separation between them and the customer
- Made you put a different lens on all processes





What is one thing you will do differently?



Conference Attendees

- Processes for customers experiencing vulnerable circumstances
- Ensure vulnerable customers are truly reflected in processes
- Focus on a small change with a big impact
- More coaching with staff
- Consider ongoing support to team with managing situations for vulnerable clients once identified
- Not talk about “vulnerable customers” but rather ‘circumstances’ that may make a customer ‘vulnerable’
- Card game activity to engage the team on vulnerability discussion
- Reflect and consider the intended target market more. Consider Māori and Pasifika vulnerabilities.
- Personas - think of these when making changes/ new products
- Add vulnerability question to complaints summary document
- Engage more people from across our business teams to get insights
- CEVC training implemented to all staff, not just customer facing
- Ask risk to consider % vulnerabilities/ impact [in risk matrix]
- Remediation/ risk framework - are vulnerable customers considered?





What is one question you would have asked?

Conference Attendees

- How can we role out CEVC to my team?
 - Have experienced CEVC threatening staff - how to deal with this?
 - What are the types of processes you want to see when responding to CEVC?
 - How to treat all customers fairly, if we focus more/ differently on vulnerable customers?
 - How do we facilitate and share best practice?
 - Life insurance deals with a lot of elderly people at the 'pointy end' of their policies. Should we treat them all as vulnerable? Elderly often means less income but insurance premiums increase. What strategies would you suggest to deal with this?
 - Will we ever do enough?
-
- Thoughts on how to accurately and fairly keep records of vulnerable clients?
 - How much do you have to describe on a customer's file around the customer being subject to vulnerable circumstances?
 - How do you go about 'flagging' a customer vulnerability in your systems? Including down to what level - just that you are experiencing VC or what the VC is?



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