

25 April 2021
By eMail

Dear Mr Simcock,

Re: Conduct of Financial Institutions Review

Thank you for acknowledging my recent eMail to you.

Since you appear to have found my communication to be of interest I thought I would expand on my thinking (that we urgently an Insurance Commissioner) with further comment and a simple example (a real one).

To make clear; my interest is in Fire and General Insurance rather than Life Insurance (about which I know very little).

Insurance is a complex subject as there are so many variables. Some countries (including America) offer Doctorate Insurance Studies; so it can't be that simple!

The result of this complexity is that even experienced insurance staff (in both Insurance Companies and Insurance Brokers) cannot possibly understand the entire spectrum of what they are administering.

Insurers try to draft policies carefully but very often they get things wrong. Good insurance companies will admit to this and will remedy the mistake but others will simply say that it is 'market practice' to either pay, or not pay, a particular claim.

That is all very well, but an insurance policy is a legal contract and, like any legal contract, it should say precisely what it means (no more and no less). However, this is often not the case.

Lloyds of London used to have 'standard' policy wordings around which any insurance contract revolved. This is also the case for Marine Insurance since then different countries know how a policy will respond.

I do **not** think that there should be 'standard' policy wordings for our local risks simply because it would stifle competition but I **do** think that we need a central authority (i.e. an Insurance Commissioner) to pre-approve policy wording before they can be used.

The Commissioner would need the power to prevent products from being used unless they meet a minimum standard.

As a very simple example of just one product (Travel Insurance) I ask:-

- If you were overseas and driving a rental car would you expect your Medical Expenses to be covered to be covered if you exceeded the speed limit and had an accident?
- If you were overseas and driving a rental car would you expect your Medical Expenses to be covered covered if you accidentally drove up a street the wrong way? Because you don't know the area and perhaps it is dark and wet this is something fairly easy to do.
- If you are renting an apartment overseas, say in Australia, and you accidentally allow the handbasin to overflow, or perhaps you accidentally set fire to that apartment, would you expect your Travel policy to respond for your legal liability in respect of the ensuing damage?

If your answer was yes then you will find out that most Travel policies would NOT respond.

Note that I said that *most* policies would not respond; I did not say that all policies will not respond ~ since a very few do.

We tend to think that in little old New Zealand we are immune to such problems but it is my understanding that Commonwealth countries are party to Acts that will allow a judgement in that other Commonwealth country to be enforced through New Zealand courts. Refer attached (you should check if this is still true).

If held liable for injury or damage overseas one could be liable for **many** millions!

These sorts of problems apply through all areas of insurance in New Zealand.

As another example - from many decades ago:-

I acted as an insurance broker to a large Aviation risk. We placed cover for small aircraft (e.g. Cessna) through an international insurance broker.

That broker had copied what was then the standard aviation insurance policy (the Lloyds AVN1a policy wording) onto their own paper documentation.

I discovered that the *entire* Third Party Liability section of the AVN1a wording had been omitted!

Technically, that meant that had a aircraft hit something they would have had no protection for their legal liability at all.

In this case it was clearly a typist error ~ but still.....

We need a proper authority to:

- Enforce minimum levels of protection; and
- Adjudicate in very complex problems.

Here 'endeth' this epistle.

Regards,

Privacy of natural persons