
From: Insurance Review
Subject: FW: insurance Submissions.

From:
Sent: Tuesday, 25 June 2019 12:11 pm
To: Insurance Review <insurancereview@mbie.govt.nz>
Cc:
Subject: insurance Submissions.

Good Morning.

Firstly, I support the submissions being made by Consumer NZ.

I would also like to add two further submissions.

A. I believe a strong case exists for insurance policies to be charged/paid for on a monthly basis, not yearly in advance, as is the case now.

1. It returns the 'use of money' benefit away from the insurance company and back to the insured, where it should be.
In the case of householders, the cash benefit may only be about \$5,000, but at least the money sits in the right hands.
In the case of a businesses however, it can be tens, even hundreds of thousands, which deprive them of significant working capital.
2. Yearly premiums discourage and/or deprive the insured of the financial ability to walk away from an insurer with whom they may be having a dispute.
When a dispute happens, whilst finding another insurer to replace the incumbent is the insured's obvious option, it will instantly incur another 12 months premium, which, of course, has already been paid to the first insurer. With a refund from that first insurer being highly unlikely, it's a cashflow double-whammy for the consumer.

B. Insurers pay excessive amounts in 'brokerage' and 'commissions'.

1. For run-of-the-mill personal and business policies, i.e. fire, theft, damage etc, brokerage fees are typically 20%, perhaps a little more. This is just for filling in a few forms or sending a payment reminder.
2. The premium for house/contents insurance for a homeowner is typically about \$5,000 or so a year. So brokerage or commissions are about \$1,000, which would be a substantial saving for the insured.
3. For 'Life' insurance sales through agents, commissions are usually the equivalent of the first two year's premiums. It is quite common for these fees to run up to \$20,000 and \$30,000 or more, and the agent usually only spends a few hours completing the sale.

I believe the insurance industry needs to review how it does business and address these costs, which ultimately, are all paid by the consumer.

Yours faithfully

Riverhead
Auckland

