

s 9(2)(a)

May 26th 2018

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

To whom it may concern

Dear Sir/Madam

Attached is a submission with respect of "Insurance contract law review" made by me, for your perusal.

Yours faithfully

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RELEASED UNDER THE
OFFICIAL INFORMATION ACT

Submission on discussion document: Insurance contract law review

Your name and organisation

Name	s 9(2)(a)	s 9(2)(a)
Organisation	Private citizen	

Regarding consumers' disclosure obligations

<p>Were you aware of your general duty to disclose all material information when applying for insurance, and that the duty goes beyond the specific questions you are asked in your application for insurance?</p>
<p><i>[Insert response here] Yes I was, but every time I have filled in these answers, I have got the definite impression that the Insurance company was setting a trap. Often the questions are open-ended and fraught with fish hooks. Historically I have understood that Insurance companies want to know more than what I feel is really needed. Is having a broken toe way back really that important now? How relevant are old historical experiences. I do wonder if there should be a blanket period of, say five years old as being the cut-off point. That is, anything beyond five years is not relevant to the impending policy.</i></p>
<p>If you were aware of your duty to disclose material information, who informed you of this duty?</p>
<p><i>[Insert response here] Mostly the insurance company points out the requirements.</i></p>
<p>When applying for insurance, do you understand what material information you need to give the insurer so they can assess the risk of providing you with insurance?</p>
<p><i>[Insert response here] I am quite happy to provide information, but I refer you to what I have said above.</i></p>
<p>Do consumers understand the potential consequences of breaching their duty of disclosure?</p>
<p><i>[Insert response here] I really don't think people understand the fine print contained in insurance proposals and how insurance companies can exclude them for non-disclosure. We saw an example of this in last week's "FairGo" program (May 21st)</i></p>
<p>Have you ever breached your duty of disclosure? What consequences were there for you in terms of the insurance cover you were able to obtain under the policy following the breach?</p>
<p><i>[Insert response here] I have never intentionally withheld any information, but again I say that when filling out a proposal something that is way back in my insurance history may no longer seem important to me but withholding that may void my cover.</i></p>

Regarding conduct of insurers

What do you think fair treatment looks like from both an insurer's and consumer's perspective? What behaviours and obligations should each party have during the lifecycle of an insurance contract that would constitute fair treatment?

[Insert response here] When insurance companies begin to behave more honestly and openly with customers would be a very good start. I have an excellent claims experience whereby I wouldn't need the fingers on one hand to count the number of claims I have had in the past forty years. A recent claim told me heaps about how one-sided my insurance business was.

What has your experience been of the claims handling process? Please comment particularly on:

- information from the claims handler about:
 - timeframes and updates on timeframes
 - reasons for declining the claim (if relevant)
 - how you can complain if declined
- The handling of complaints (if relevant)

[Insert response here] The last time I made a claim went something like this: Like a clown, I dropped a pot lid onto the top of our lovely new induction ceramic cook-top and broke it (no, not the pot lid). I phoned Tower, my insurance company and reported the event. It took just over a week for them to find the cheapest replacement and arrange an installer. (This – the cook-top, was our only cooking option for pots) The installer was very good and made a good job of putting it in. I thought it rather odd that he didn't provide me with any paper work such as the guarantee information. I contacted Tower and asked them. They couldn't have cared less and almost made me feel inferior for having the audacity to ask for such a thing. I dug in and they eventually sent me the details I requested. I have always said that it is only at claim time that a customer finds out how good or bad their insurer really is. On a scale of one to ten, they scored at the very lowest level. After this experience, I would hate to go into a claim for something complex, like an earthquake for example.

Have you ever been sold an insurance product that was inappropriate for your circumstances? Or are you aware of this happening to others?

[Insert response here] Yes. I have recently (three months ago) been sold health insurance. I am 67 years old with a "crime sheet" longer than most which excludes so many aspects of normal cover. I also took a voluntary excess of \$4000. I am now in the throes of cancelling that policy as it was rather stupid to take it out due to the lack of cover that just doesn't justify the \$2500 annual premium.

Have you ever felt undue pressure from an insurer or insurance intermediary (such as an insurance broker or salesperson) to buy or renew an insurance policy?

[Insert response here] There was a fair bit of pressure with this policy but in fairness, the broker genuinely believed it was going to be very good for me. My decision to cancel was aided by the knowledge that in the event of needing an operation requiring a lengthy time on a waiting list, I could probably round up enough money to pay for it. If the condition was serious, it is my belief I would be dealt with quickly via the public health system,

Regarding difficulties comparing and changing providers and policies

When considering the purchase of insurance, what sources of information do you draw upon to make your decision? (e.g. comparison websites, talking directly to different insurance providers, talking to an insurance broker or financial adviser)

[Insert response here] It is damned near impossible to speak to anyone from the fire and general insurance industry face to face. It is all about call centres where one must try and discuss one's business with someone who lacks any authority to deviate from that company's standard policies. My insurance account is in excess of \$6000 pa and with my incredible claims experience, it is difficult to achieve any form of concession. Having an appointed advisor is impossible for example. I am also concerned about the level of competition in the industry. I was delighted to see the takeover of Tower recently by Suncorp was declined.

How long do you think you typically spend reading an insurance policy before you purchase it?

[Insert response here] If I read every single word in my policies, I would be dead by the time I had finished. It might sound cynical, but I believe insurance companies try their hardest to make policy wording and definitions as difficult to understand as they can so that when a claim is attempted, they can worm their way out of it.

Do you think you have a good understanding of the insurance policies you currently hold?

[Insert response here] As best I can given what I have said above. To be honest, I would never confidently proceed into an argument about policy content. Many years ago I worked for the New Zealand Insurance Company; back in the days when companies functioned as best they could to maintain a level playing field for their customers (insurance cheats were disqualified from that concession however) Then, we as employees were encouraged to go the extra mile to make sure the customer was totally happy and understanding of what they were taking out. Those days are long gone.

If not, what is the main barrier to you understanding your insurance policy?

[Insert response here] The surreptitious behaviour of insurance companies.

Have you ever been in a situation where you thought you had a certain level of cover under your policy, but when you went to make a claim found you were not covered? If so, please provide us with a description of the situation.

[Insert response here] Touch wood, I haven't been there yet, but as I have mentioned, I'm a good little boy when it comes to claims.

Would you like to switch insurance providers? If so, what is your main barrier to switching?

[Insert response here] I would be keen to do this, but I have found one of the first questions I get asked is to the effect "may I ask why you are seeking to change insurance companies after such a long time being with Tower?"

What, if anything, should the government do to make it easier for consumers to compare and change insurance providers and policies?

[Insert response here] I am really not sure of any one particular thing the government could do to help. What the government could do in general terms however, is initiate legislation designed to change the culture that lurks within the insurance industry. Some years ago we saw somewhat ruthless changes to the Real Estate industry that established a system that was seen to be fiercely independent in terms of monitoring the behaviour of agents and their companies. Once the government has successfully made such changes within the insurance industry then perhaps they could embark on similar with the legal profession and sort them out as well. Much of the problems in both the insurance and real estate sector are generated by the legal profession.

Regarding exceptions from the Fair Trading Act's unfair contract terms provisions

Are you aware of instances where the current exceptions for insurance contracts from the unfair contract terms provisions under the Fair Trading Act are causing problems for consumers? If so, please give examples.

[Insert response here] No I am not, but to be fair, I haven't had a lot to do with the Act to which you refer.

More generally, are there terms in insurance contracts that you consider to be unfair? If so, why do you consider them to be unfair?

[Insert response here] Insurance companies can appear to have the approach "heads we win, tails you lose!" ("You" being the customer.) That aside, please make policy wording easier to (a) read and (b) understand. Surely my insurance policy doesn't need to be at the sacrifice of a dozen pine trees?

Other comments

We welcome any other comments that you may have.

[Insert response here] I've probably said enough and no doubt insurance companies would heave their hands in the air with horror if they could read what I have said. I can just hear their response "not me, Sir!"