

Submission on discussion document: Insurance contract law review

Your name and organisation

Name	s 9(2)(a)
Organisation	N/a

Regarding consumers' disclosure obligations

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?
<i>Sort of – I understand that I have to be honest and frank in any application for insurance but I have to wonder how material info from 30 yrs ago is and have no clue as to what a prudent insurer may consider “material.” For example: Car insurance – I've been driving for almost 50 yrs and have no idea how many speeding tickets I've had overall. I can say I've had one or two a year for the past 10 years except between 2011 and 2015 when I had none. What's material?</i>
If you were aware of your duty to disclose material information, who informed you of this duty?
<i>I'm aware as part of general knowledge – I'm fairly well educated. But again there is no definition of “material.” Perhaps the definition of “material” could be “info deemed relevant by a normal applicant for insurance”</i>
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?
<i>Obviously not: I have to rely on answering questions as fully as possible as far as I can – if there aren't questions relevant to a material risk then I'm unlikely to consider it material. For example. I'm a motorcyclist – consequently I will do anything to avoid a crash (because its going to hurt physically and cause damage. I would regard this as material to car insurance because I'm more likely than a car only driver to avoid a crash)</i>
Do consumers understand the potential consequences of breaching their duty of disclosure?
<i>I think so but almost nobody will be aware that they have breached such duty until the insurer decides unilaterally that they have.</i>
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?
<i>Not consciously, but since I make almost no claims I wouldn't know and wouldn't have had any consequences. Such breaches only occur when there are claims.</i>

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?

I think, if an insurer accepts a premium then they should provide the cover. Breaches should be ascertained before the contract is agreed. If customers have a duty of care so do insurers!

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)

I only have one recent claim which I have asked my insurance company (FMG) to hold fire on, which they have done

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

My 90 yr old aunt has contents insurance that she renews annually. We looked at the policy to find that they attributed no value to items over 10 yrs old. Her policy is worthless to her as all her possessions are much older.

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?

No – I suspect this is more relevant to life insurance which none of the family indulge in.

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)

Two of the family moved to FMG because of their quick response to settling claims in the CHCH earthquake. We also like that they're a NZ organisation and their phone-centric operations.

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

Don't be silly: you don't get the policy until you have purchased it: and these days its often web based: my responsibility to read the pages of guff if I can be bothered

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

No. I work on the principle that I have bought insurance to cover the generally perceived risk. If it occurs I have to hope that the insurer will act in good faith to meet the claim. I suspect that expecting an insurer to act in good faith is naive but what else can I do.

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

Lack of good faith from the insurer. While the language has improved over the years and

	<i>things are quite clear finding the exceptions (such as 10 yr old household goods being valueless) requires a level of dilligence beyond what is reasonable.</i>
	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.
	<i>Only because I don't make claims</i>
	Would you like to switch insurance providers? If so, what is your main barrier to switching?
	<i>No and no problem switching although I did switch at the end of a policy.</i>
	What, if anything, should the government do to make it easier for consumers to compare and change insurance providers and policies?
	<i>Don't know – from my perspective its not what's required</i>

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.
	<i>I regard most contract terms in an insurance policy as unfair: like all big business its a fixed contract giving them all the power – the customer can take it or bugger off. The FTA gives us some protection from other business, but not from insurance. Insurance should be subject to the FTA.</i>
	More generally, are there terms in insurance contracts that you consider to be unfair? If so, why do you consider them to be unfair?
	<i>The fact that the insurer gets to decide unilaterally whether to meet the claim or not is unfair because the contract has already been made. Also the use of their size to frustrate claims – who can afford to take an insurance company to court – and then through appeal. A minor example of this is the insurance companies management of claims through the Disputes Tribunal. In these cases the claimant is nominally the insured but an experienced insurance company representative manages the claimant's case.</i>

Other comments

	We welcome any other comments that you may have.
	<i>There is one other issue that keeps appearing: compulsory 3rd party vehicle insurance. I am vehemently opposed to this: in countries where it applies, such insurance is incredibly expensive and thereby limits the gaining of vehicles by young people, and even dictates what sort of vehicles people purchase. The Government should not legislate compulsory customers for private companies.</i>