

Submission on discussion document: Insurance contract law review

Your name and organisation

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| Name | S9(2)(a) |
| Organisation | n/a |

Regarding consumers' disclosure obligations

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| 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? |
| Yes |
| If you were aware of your duty to disclose material information, who informed you of this duty? |
| <i>Application documents, media coverage</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>Not always... sometimes the level of detail required is unclear and prompts/questions are vague or lacking detail.</i> |
| Do consumers understand the potential consequences of breaching their duty of disclosure? |
| <i>Probably not but will vary depending on awareness, media exposure etc.</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 to my knowledge</i> |

Regarding conduct of insurers

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| 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>Insurers and consumers should act in mutual good faith. If a consumer has contacted in good faith and made an honest attempt to give requested information reasonably and accurately (given they are a layperson without total recall of their (eg) medical history or knowledge of what information has been recorded by (eg) their GP) then they should be treated in good</i> |

faith assuming they have paid their premiums and otherwise met their side of the contract.

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

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

Generally good

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

No but we have declined many attempts to sell us products that have been totally unsuitable and/or unnecessary for us.

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?

Yes

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)

Comparing the documentation and using websites. However the insurers often make it very difficult to compare.

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

30 minutes or more depending on the length and readability of the documentation

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

Moderate

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

Changes and updates to policies over time. Lack of plain English in older policies. Difficulty getting a paper copy as it is often hard to read on screen.

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.

Usually more about the excess (or multiple excesses) that eclipse the cover making a claim not worthwhile.

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

The time taken to collect and read information and then the rigmarole of cancelling and setting up revised payments etc. Often claims (such as those made by You/) of cheaper premiums for better cover prove to be false and when told they will modify pricing to give a slight edge in cost albeit often with inferior terms.

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

Require summary declarations of cost and cover in a set format table

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.

YES!! My prime reason for submitting is that I feel the health insurance industry is undermining the governments push for (in my case) men to seek regular health check-ups and follow up on symptoms and prejudicing consumers responsible enough get their health checks. AS A SERIOUS EXAMPLE: I recently had symptoms akin to those shown in the 'who is having the heart attack' TV ads.... I followed up with my GP who could find no evident cause but as a precaution referred me to a cardiologist. After a full check up incl treadmill ECG etc I was declared CLEAR of any evident heart issues. HOWEVER I soon after sought to renew my health insurance via a broker. I responded honestly to the questions about medical appointments/visits and explained the reason for the above; stressing that the outcome was POSITIVE. However at the end of the process when the draft policy was furnished for our purchase HEART ISSUES WERE LISTED AS A PRE-EXISTING CONDITION AND EXCLUDED FROM COVER. This was the same for some other checks I had had (eg. I had a mammogram for breast tenderness some years back... it too came back clear. But because I declared it it too was deemed a pre-existing condition and excluded.

The current situation is therefore that if a customer has followed best practice and has had checks as advised this will count against them. The insurers perverse position in my experience is that:

If a potential customer has acted as per best advice and had possible symptoms checked out and CLEARED they will ironically be deemed a worse risk than someone who has not bothered (symptoms or not) to get checked out in the first place. This is grotesquely wrong both from a public health AND a fair trading act point of view.

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

That insurers will rely on the customer to recall their medical history but at the time of claim will invoke their right to examine the customer's medical records (presumably then looking for reasons to avoid a payout). This leaves the customer vulnerable to failures in recall and of course their own ignorance of what their GPs may have recorded about them over the years. It seems only fair that insurers should apply the same standard to accepting risk as to paying out on risk... ie that they should examine a customer's records at the time of contract rather than (or as well as) the time of claim.

Other comments

We welcome any other comments that you may have.

*I am horrified that customers seeking health insurance are penalised if they have voluntarily sought a check up and been cleared of a condition. This should be seen by insurers as an indicator of less risk... a health conscious client with a medical clearance on a particular condition. Instead (as my experience noted above shows) potential customers are penalised for being proactive about their health and specialists' clearances are ignored. The perverse message is 'if you want health insurance to cover you for something make sure you keep it to yourself and **don't** discuss it with your doctor!' Clearly this is wrong and needs to be rooted out!*

I would be happy to provide the specific examples of this as I believe I still hold the documentation.

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