

Submission template

Review of insurance contract law Submission on discussion document: Insurance contract law review

Your name and organisation

Name	S9(2)(a)
Organisation	Not applicable

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?
Yes
If you were aware of your duty to disclose material information, who informed you of this duty?
I have been informed by insurers.
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?
Yes
Do consumers understand the potential consequences of breaching their duty of disclosure?
Unable to answer.
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?
No

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?

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)

Largely ok, but it has been a while since I have made a claim (and it usually has been on behalf of a body corporate).

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

No

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, I have found banks try to constantly push life insurance and will not separate disability/impairment insurance from life/death insurance.

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)

Use of an insurance broker for body corporate insurance as it is very hard to source willing insurers to insure body corporates in Wellington

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

Several hours and I go back and ask questions.

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

Yes, although there are some oddities as we have body corporate insurance which is also intended to address business insurance or mixed business/residential, whereas I have just been seeking insurance for a residential body corporate. However, in order to make the insurance policy widely acceptable, it covers a variety of scenarios.

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

The main barrier is some terms are better suited to a body corporate which is a business rather than covering residential property.

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.

No

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

The main barrier to insurance is finding insurance companies willing to cover residential body corporates in Wellington/areas with earthquake risk. There are very few providers who are willing to provide insurance in such situations and there is poor visibility as to who they are and what they provide.

Given the Government (and local authorities) want to encourage high density living in urban areas to address housing shortages, and that the Unit Titles Act requires all body corporates to be fully insured, better availability of providers and information as to what insurers are offering is imperative.

A further barrier can be the time it takes to get information from potential insurers (or insurance brokers) to compare different policies and costs and allow a body corporate to make a decision in time.

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

It should encourage ready availability of information and clear ability to compare providers. This will hopefully encourage fair and transparent competition in the market.

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.

No

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

More information on how to sensibly assess an appropriate sum for sum insurance is needed, particularly if you should insure for replacement value or market value etc.

Other comments

We welcome any other comments that you may have.

I have largely confined my comments to considering coverage for house insurance for body corporate buildings. As the Government seeks to address housing shortages in urban areas, it is imperative that New Zealanders can access fair and affordable insurance for body corporates and other ownership models used to encourage high density housing. At the moment, insurance costs keep increasing significantly each year for body corporates and represent a significant cost to unit owners. This has flow on effects as body corporates need to look to minimise costs elsewhere, such as on core maintenance and upkeep of the building or, worse, significantly under insure. (I know of some body corporates that have attempted to self-insure in desperation and this is inherently risky.) It can also generate difficulties between neighbours where people have different financial situations or, for instance, you have retired people with limited sources of income.

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