

**From:** s 9(2)(a)  
**To:** [Insurance Review](#)  
**Cc:** s 9(2)(a)  
**Subject:** Trade Me: Submission on Insurance Contract Law Review  
**Date:** Friday, 13 July 2018 9:44:07 a.m.

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Hi there,

Thank you for the opportunity to submit on the Insurance Contract Law Review.

We recommend issuing a mandate that New Zealand insurers should transition to standardized insurance documentation for all of the common policies that they offer to consumers.

## Context to Trade Me's submission

Trade Me is New Zealand's largest online auction and classified listing platform. We also operate a number of other sites including Trade Me Insurance (which is underwritten by Tower) and LifeDirect (an online insurance comparison service). While Trade Me Insurance operates in much the same way as other online insurance offerings, LifeDirect is one of the few online comparison tools for insurance products in New Zealand. What we have found is that consumers interact with comparison sites quite differently, and as a result, we can offer a reasonably unique perspective on some of the issues faced by consumers going through the insurance process.

As a starting point, we are concerned by the number of New Zealanders that are under insured. According to the 2011 Financial Services Council Under Insurance Project conducted with Massey University "New Zealand has the third lowest penetration of insurance among 31 OECD countries." Translating that into numbers the estimated level of under insurance is:

- Life \$195.606 billion
- Trauma \$58.678 billion
- Permanent disability \$351.827 billion
- Income Protection \$2.966 billion (per month)

Our feeling is that these statistics are partially the result of the variety and complicated nature of the documentation required to be completed by consumers when applying for insurance. These documents are long and confusing, which can be exacerbated by a consumer's specific circumstances. For example, for many consumers English will not be their first language, so interpreting the sometimes very nuanced distinctions between similar questions asked by different insurers can be a real challenge.

As a further example, where a consumer is assessing their health or life insurance needs, that consumer may have pre-existing conditions that are difficult to categorise. We are aware of one insurer that no longer uses the word “suffer” because the consumer failed to disclose a material (at least, from the insurer’s perspective) prior ailment that they had, but did not “suffer” from. However, this terminology is still widely used by other insurers, which creates further confusion about what a consumer must disclose.

This confusion makes it painful for consumers to fully assess their needs against the offerings of different insurers. We think this produces negative consumer outcomes because it’s entirely possible that a consumer will simply select the best option offered by a single insurer to avoid going through any additional application processes. This suggests to us that the idea of having to complete more than one lengthy insurance application is a barrier in and of itself to a more informed selection process.

To address this problem, we recommend standardising an insurance application form for all common policies offered by insurers in New Zealand. In addition to resolving the previously mentioned issues, we think that this will encourage:

- better data portability - it’s currently really hard to move insurers, and a standardised form would make an individual consumer’s insurance information easy to transfer.
- consumers to more frequently compare multiple quotes for insurance, from a variety of insurers.
- insurers to offer application forms in a variety of languages - a standardised form will be easy to consistently translate.
- consumers to give better, more informative responses to questions included in the form.

We work with a number of insurers on a day to day basis. If you would like to meet with our LifeDirect team to explore some of the specific challenges we face in trying to provide information about multiple policies, that have a range of different features and supporting terms and conditions, we would be happy to share our experiences with you.

Yours sincerely,

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