

Request for Feedback & Comment: General Insurance Key facts Sheet

This is a personal response to your *Discussion Paper* of February 2012 dealing with a Key Facts Sheet (KFS) proposed to act as an introduction or summary of key facts in a Home Building and Home Contents (HBHC) insurance policy. The objective of the KFS is evidently:

- to complement and supplement the Product Disclosure Statement (PDS), currently in use by the general insurance industry and frequently doubling as a policy document,
- and to identify key facts that need to be brought to the notice of an intending insured; the two documents would, in effect, complement each other with the KFS signalling a key fact and the PDS fully explaining the contractual implications inherent in that fact.

Whilst I have no major problems with a KFS, I have to ask whether this will resolve the existing problems in communication and comprehension. The manner in which insurance has been sold traditionally and the changes that have been brought about by new technologies have, overall, streamlined the sales process and reduced costs significantly to insurance companies but, arguably, the communication of technical insurance concepts has not kept pace. For instance, in the recent past domestic insurances were transacted either in the home, by a visit from the insurance agent or ‘inspector’, or in the insurance company office. Rarely were such transactions concluded over the telephone as it was necessary to complete and sign a proposal form (by the intending insured) which would then be accepted as the basis of the contract (by the insurer) and coverage granted; sometimes an interim cover note

would be issued until such time as the 'offer and acceptance' process had been concluded. The interaction in this very personal process enhanced the understanding of the insurance product as there was an inevitable question and answer dialogue hence misunderstandings about coverage were less likely to arise, but it was a time consuming and costly. Contrast the contemporary sales approach, which is very much online or via a call centre - where the emphasis is on sales and the selling agent frequently has only a limited understanding of the product. The completion of a proposal form has largely been abandoned in favour of answering a few key questions and coverage can be granted instantly on payment of the premium, by credit card or an online payment. The PDS/Policy is then mailed out or frequently delivered online. In contemplating a KFS we are acknowledging that the PDS regime has failed, at least in part, and merely delivering forty pages of fine print insurance jargon and expecting people to read and comprehend without guidance is not going to work. So, will a supplementary piece of A4 paper flagging key facts resolve the problem? I don't think so! In my view, the insurance industry needs to adopt new technologies not only to facilitate sales but also to communicate understanding of its contractual agreements to a public who find the PDS/Policy frequently incomprehensible and find the process of divining the subtleties of Flood (estuarine and ocean), Storm Runoff, Rainwater mystifying.

I made a submission to the NDIR where I noted that around the time of cyclone *Yasi* I had bought several consumer products - a chainsaw (we had big trees down), a prepaid mobile phone, a child's bicycle requiring assembly and a Home & Contents insurance policy. With each of these, other than the insurance policy, I received, in addition to the printed instruction manual, a DVD that outlined the operations of the product, safety features and performance capabilities. Why do *Stihl*, *Telstra* and *RepcO* bother to go the further yards to provide customer service and support and why is it that the insurance companies don't? Perhaps customer care is not a priority. Clearly the insurance industry needs to adopt the DVD approach with a clear and concise introduction to and explanation of their product, ideally in a scripted and

instructional Q & A format (not PowerPoint, please!). Cost of production minimal and is not a major factor, as we know that insurance companies have saved significant amounts of money in the sales and marketing area by utilising new technologies but they have failed to adopt these same technologies to explain and clarify the subtleties of their sometimes technical and highly complex contractual documents. This seems to be the case in Australia at least although I have noted that some general insurers in the UK have adopted the DVD approach as part of their sales delivery process and, as we know, if this is seen to give one supplier an edge, others will follow.

So, in summary, the PDS is necessary, the KFS, in whatever format you settle on, is sensible but, **a well targeted and informative DVD, delivered during the cooling-off period, is the potential solution to overcoming confusion and generating consumer understanding of what they are buying.**

Yours Faithfully

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