

Submission to Discussion Paper - Disclosure in General Insurance

February 2019



Good Shepherd
Microfinance

About Good Shepherd Microfinance

- Good Shepherd Microfinance works to enable financial inclusion for people on low incomes, especially women, girls and families
- We do this through strategic partnerships with community organisations, corporations and governments
- We are the driving force behind the iconic No Interest Loan Scheme
- We are responsible for the Financial Inclusion Action Plan Program in Australia
- In collaboration with Suncorp we co-designed Australia's first insurance product specifically designed for people on low incomes – the multi-award winning **Essentials by AAI**



Executive Summary

Our submission addresses Consultation Questions 35, 36, and 37

On the critical issue of disclosure in general insurance, we see the **problem** in very simple terms:

Product complexity,
driven by word count



has profoundly negative impacts on eight distinct
aspects of the insurance industry



contributing directly to
financial exclusion

*Which makes it
our business*

We also see the **solution** in very simple terms, though we recognize the journey to radical simplification will not be easy

We propose that the necessary changes or suspensions to the law be made to encourage industry innovation towards a simple but compelling idea

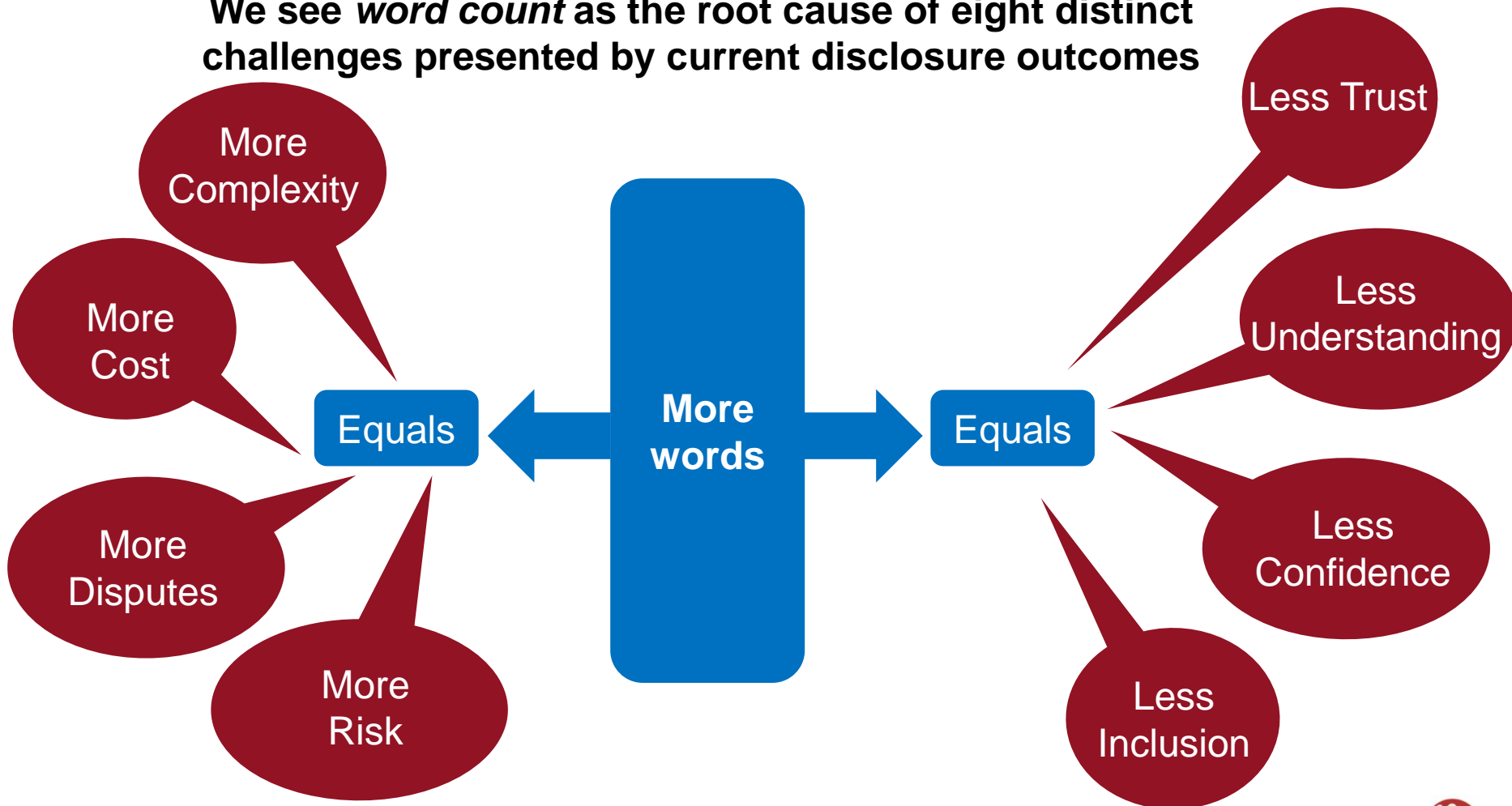
The One-Page PDS

Our Case

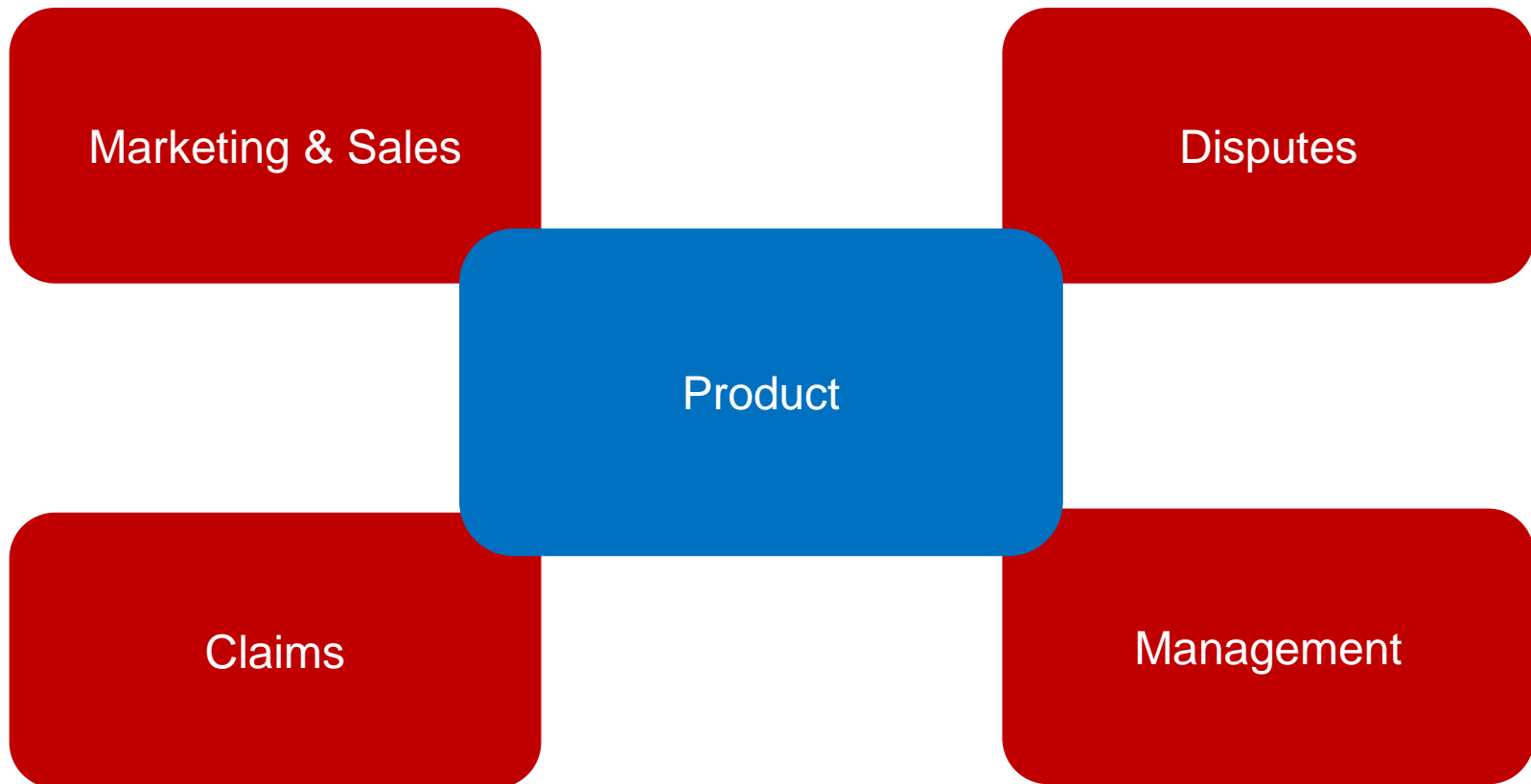


An insurance product is, fundamentally, words on a page

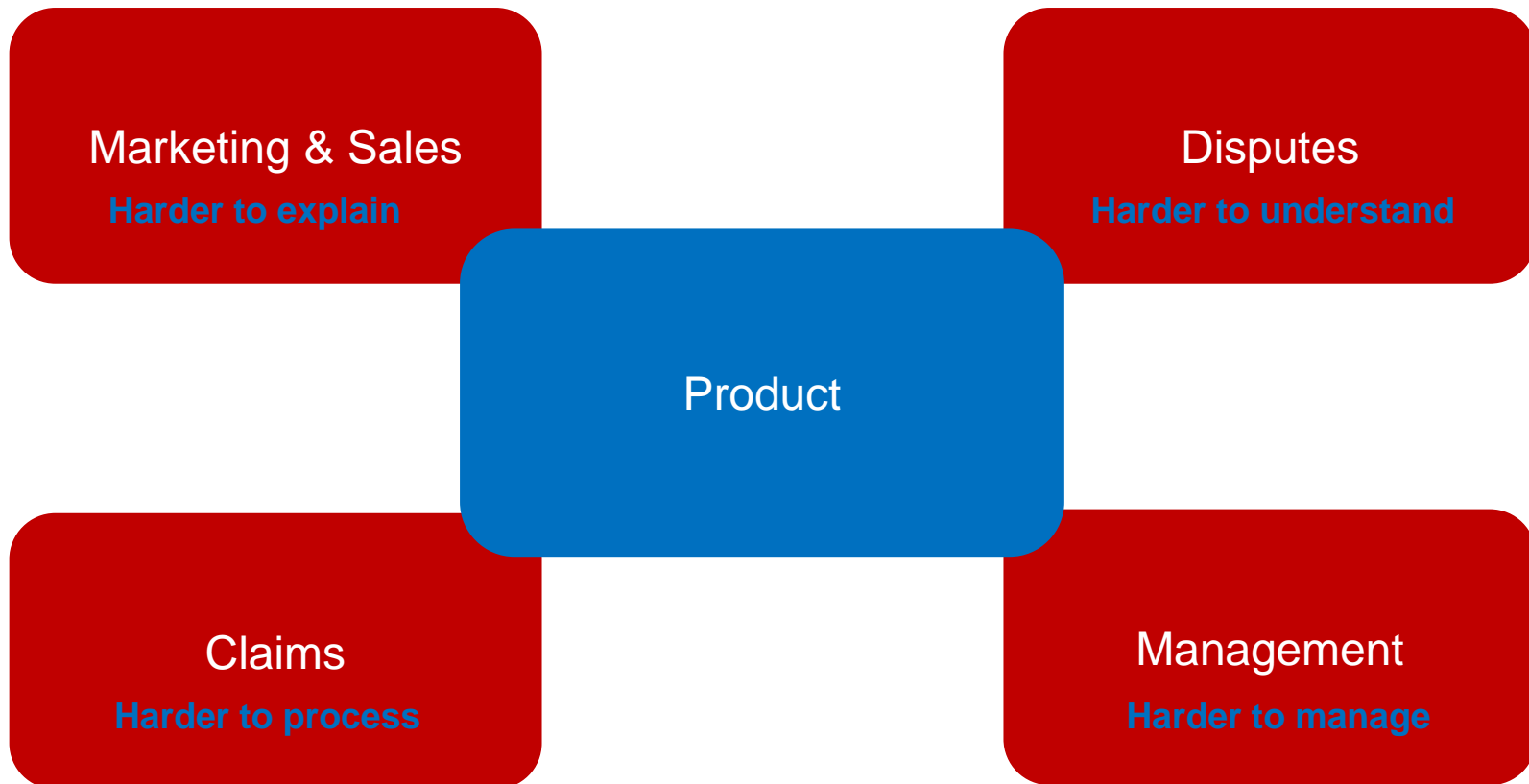
We see *word count* as the root cause of eight distinct challenges presented by current disclosure outcomes



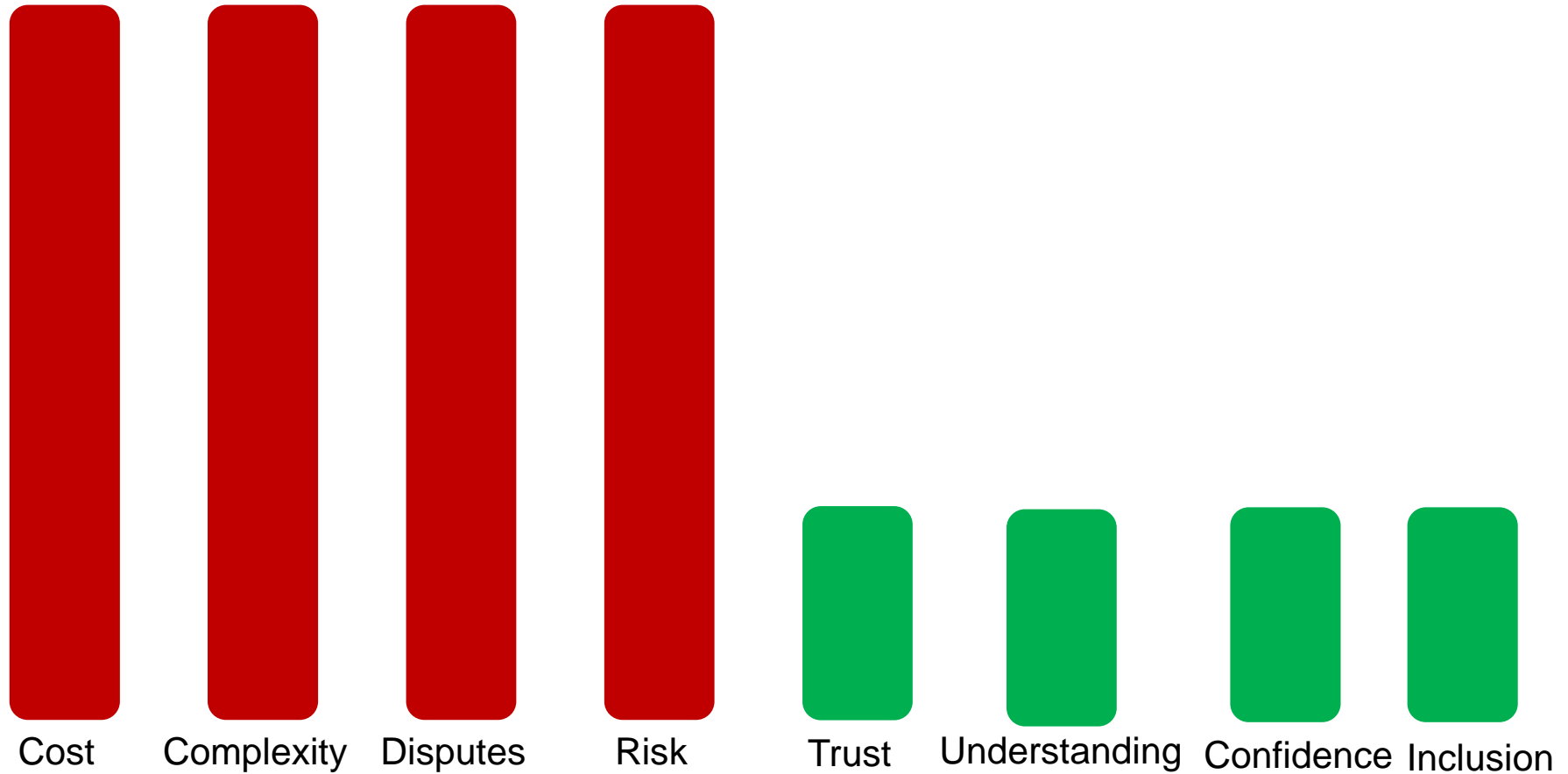
Consider the implications of PDS content for the cost and complexity of key insurance activities



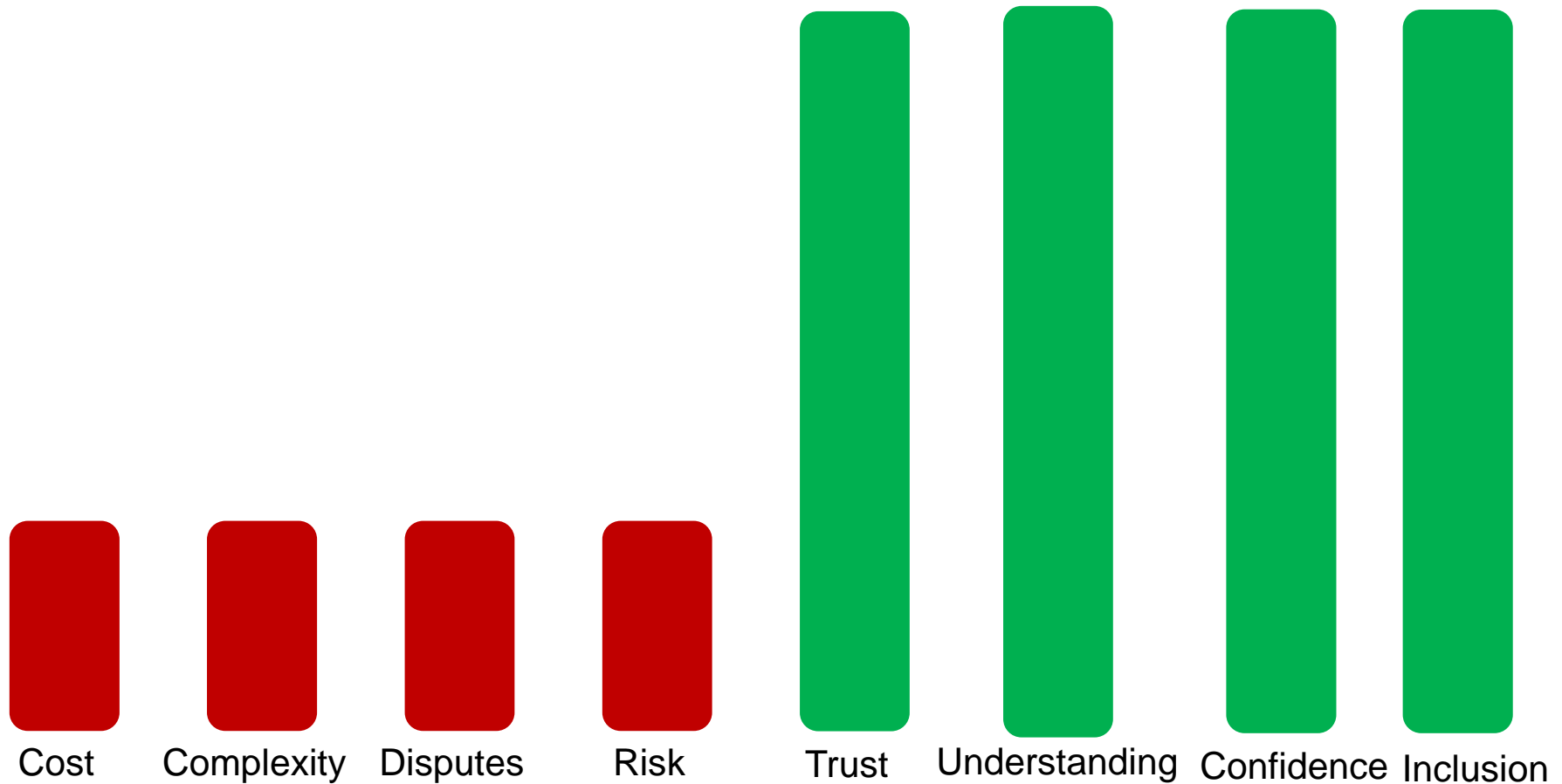
By definition, higher word counts create more complexity, with inevitable flow-on effects



Consider how PDS word counts play out for the insurance industry today in eight critical ways



Consider the potential benefits of radically reduced PDS word counts, for the insurance industry



We propose that the necessary changes or suspensions to the law be made to encourage industry innovation towards a simple but compelling idea

The one page PDS

If your home is **damaged**
by weather

We'll **repair** it

(example)

If your home is **destroyed**
by weather

We'll **rebuild** it



Consultation questions and answers

Question 35

Are there more effective or innovative ways to communicate information on policies to consumers?

Our answer

Yes.

But if the underlying complexity of the product has not first been addressed, the net effect will be greater complexity, not reduced complexity.

The PDS, and all its implications, will remain standing behind such innovations, and the opportunity to transform the industry through simplification will be lost



Consultation questions and answers

Question 36

Is the law currently preventing more effective methods of disclosure? If so, how?

Our answer

Yes.

By way of example, Regulatory Guide 168 (Disclosure: Product Disclosure Statements) runs to 44 pages. This sets the scene for lengthy documents with which to comply with the Guide.

Furthermore, the guide specifically prohibits short-form PDSs for general insurance products (RG 168.108)



Consultation questions and answers

Question 37

How could the law facilitate new methods of disclosing the content currently required in the PDS, while still ensuring adequate consumer protections?

Our answer

We recognize the critical importance of consumer protections in any industry, and certainly in the financial services industry.

However we believe that the current state of the general insurance market and its regulatory overlay have generated the eight unintended consequences outlined in this pack, all of which are ultimately negative outcomes for **consumers**.

For this reason we advocate for changes in the law to enable radical simplification of PDSs, rather than changes in the law to enable new methods of disclosing content in PDSs as they stand.



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