

6 March 2018

Insurance Council of New Zealand  
P O Box 474  
WELLINGTON 6140

**SUBMISSION on  
Fair Insurance Code review**

**1. Introduction**

Thank you for the opportunity to make a submission on this review. This submission is from Consumer NZ, New Zealand's leading consumer organisation. It has an acknowledged and respected reputation for independence and fairness as a provider of impartial, and comprehensive consumer information and advice.

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**2. Customer satisfaction in the insurance industry**

Consumer NZ continues to receive regular complaints from members about insurance and our satisfaction surveys show customer service in the industry varies widely.

Our 2016 member survey found satisfaction scores for companies providing house insurance ranged from 39 to 82 percent.<sup>1</sup> On average, just 52 percent of house insurance policy holders were very satisfied with the service provided by their insurer.

Similar differences were seen among companies providing contents and car insurance.

Many of the issues raised with us by members relate to the lack of clarity of insurance policies. Our survey found that, on average, just 50 percent of respondents were very satisfied their insurance policy documents were easy to understand.

The survey also found:

- only 39 percent were very satisfied their house insurance policy provided value for money; the figure was 42 percent for contents insurance.
- satisfaction with the customer support provided by insurers ranged from 52 percent (house insurance) to 59 percent (car insurance).

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<sup>1</sup> Based on the percentage of respondents who rated their insurer 8,9 or 10 on a scale from 0 (very dissatisfied) to 10 (very satisfied).

### **3. Consumer protection improvements**

As stated in previous submissions on the code, we consider there are several areas where consumer protection needs to be improved in the insurance industry.

The following are among the issues we consider the code review should address.

#### *3.1 Making cover clearer*

Complaints made to our office often result from the failure of insurers to provide adequate information to customers about policy cover. For example, the extent of cover provided or specific exclusions may not have been made clear.

In addition, headline statements made in advertising can lead consumers to believe cover is more extensive than actually provided.

To improve the information available to consumers, we believe insurers should provide a simple, one-page summary of core policy features. Consumers also support this approach. Ninety-one percent of members in our 2016 survey agreed a simple, one-page summary would make it easier to compare and understand policy features.

#### *3.2 Improving price disclosure*

Research by the UK's Financial Conduct Authority has found the failure of insurers to clearly display premium increases at the time policies are renewed means customers may not realise they're paying more than necessary.

To improve the operation of the market, we believe insurance renewal notices should include details of the previous year's premiums.

We suggest the Fair Insurance Code include a requirement for this information to be provided. Consumers have already indicated the information would be useful: 84 percent of members in our survey agreed renewal notices should disclose the previous year's premium.

Thank you for the opportunity to make a submission on this review. If you require any further information, please do not hesitate to contact me.

Yours sincerely

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Consumer Advocate