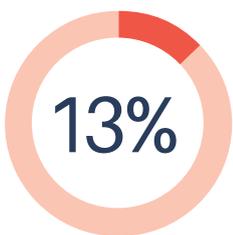




FIXING THE INSURANCE MARKET

Consumers are paying more than ever for insurance. But they're not getting a fair deal.

Our latest survey research found:



Consumer trust in the insurance industry was low. Just **13 percent** of consumers felt confident insurers could be trusted.



Only **eight percent** thought insurers always offered fair terms.



Just **18 percent** felt they fully understood their insurance policy.



one
IN FOUR

have had a problem with their insurer.

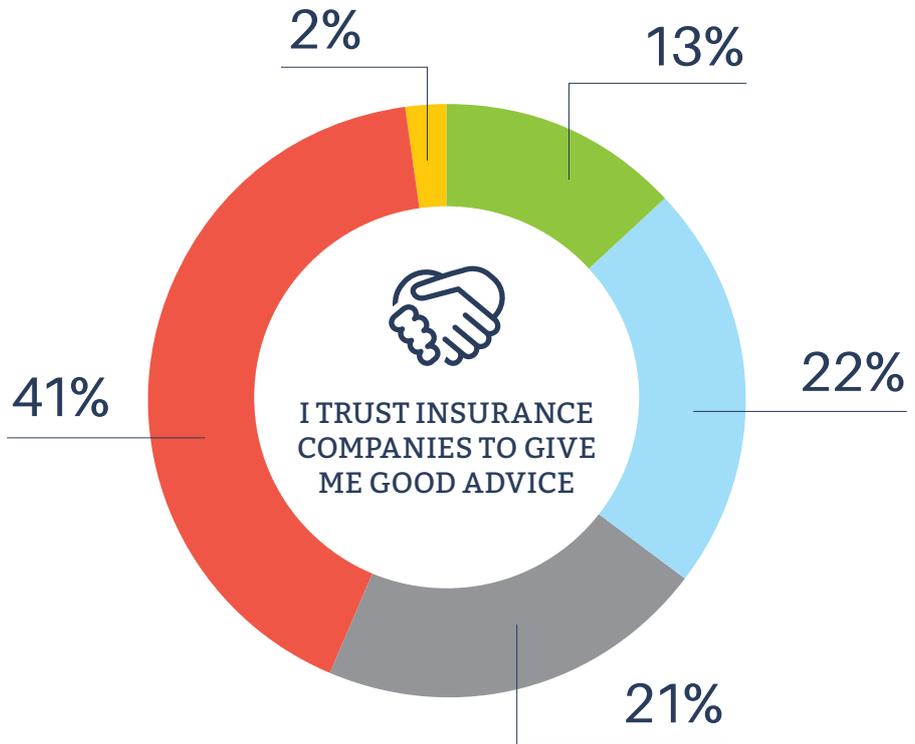


Our investigation found consumers who bought insurance through an adviser or broker were getting a worse deal. They were significantly less likely to be satisfied with the service they got compared with those who bought direct from an insurance company.



1 TRUST IN INSURERS IS LOW

For an industry that markets its products as providing “peace of mind”, trust in insurers is low. Our research found just 13 percent of consumers strongly agreed they can trust insurance companies to give them good advice.



2 UNCLEAR AND UNFAIR POLICIES

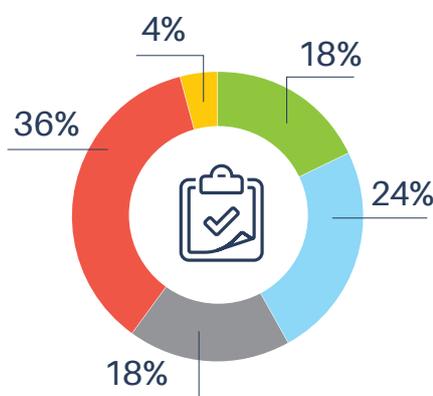
An insurance policy should clearly set out what your insurer will provide if you need to make a claim.

However, our survey found only 18 percent of consumers felt confident they understood their policy.

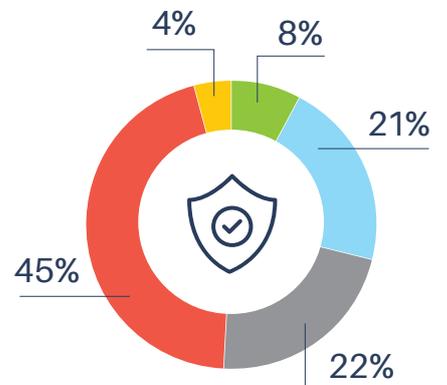
For many, complex terms and conditions made weighing up different insurers’ policies hard work. One in four said they found comparing insurance companies and policies difficult.

The result for consumers? It’s that much harder to shop around and make an informed choice about the best policy.

I CLEARLY UNDERSTAND THE TERMS AND CONDITIONS OF MY INSURANCE POLICIES

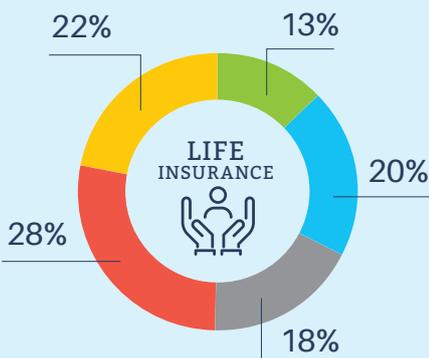
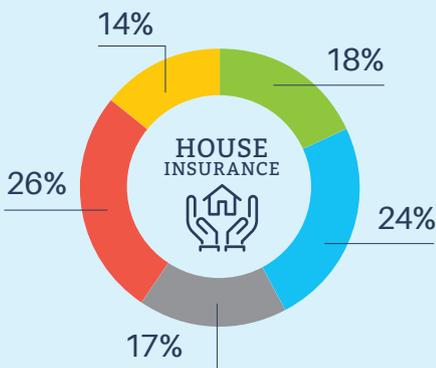
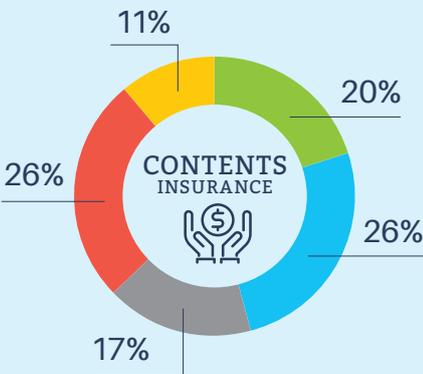
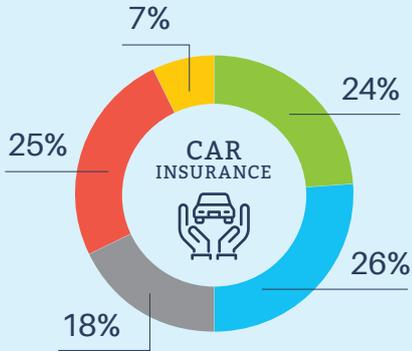


INSURANCE COMPANIES HAVE FAIR POLICIES



HOW EASY IS IT TO COMPARE INSURANCE COMPANIES AND POLICIES?

● very easy ● somewhat easy
● neutral ● difficult ● unsure



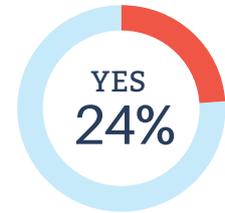
3 COMPLAINTS

Comparing complex terms and conditions isn't the only issue consumers face. Twenty-four percent had experienced a problem with their insurer.

The most common complaint was having a claim unreasonably declined. Insurers can decline a claim if they think the customer hasn't told them something they consider material. It doesn't matter whether the omission was innocent or deliberate.

While other countries have beefed up their laws to protect consumers in cases of accidental or innocent non-disclosure, that hasn't happened here. The result? More claims are likely to be declined because of innocent slip-ups, whether it's forgetting to disclose an old sports injury to your life insurer or a speeding ticket to your car insurer.

HAVE YOU EVER HAD A PROBLEM WITH AN INSURANCE COMPANY?



Poor customer service and steep premiums were the next most common causes of complaint.

Pressure to accept a settlement with their insurer was reported by one in 10.

Six percent had been sold a policy that wasn't suitable while five percent had been stung with incorrect charges.

WHAT WAS THE PROBLEM ABOUT?

Having a claim unreasonably declined



Poor customer service



Expensive premiums



Feeling pressured to accept a settlement



Mistakes in processing a claim



Sold a policy that wasn't suitable for me



Incorrect charges



Having a policy cancelled



Other



GUIDE Our data are from a nationally representative survey of 1069 New Zealanders, aged 18 years and older, carried out online in December 2018. Figures may add to +/- 100% due to rounding.



4 ADVISERS FAILING TO DELIVER

Consumers who buy insurance through an adviser or broker are more likely to feel they're getting a raw deal.

Our research with Consumer NZ members found those who purchased insurance through a broker were significantly less likely to be satisfied with the service they got, compared with those who bought direct from an insurance company.

This difference was the most pronounced among respondents with life insurance policies.

Just 28 percent of those who bought life insurance through a broker were happy with the customer support provided, compared with 44 percent who bought direct from an insurance company.

Similar differences were seen in

satisfaction ratings for price and policy information. Only 34 percent of those who bought life insurance through a broker felt their policy was easy to understand, compared with 49 percent of respondents who bought direct from an insurance company.

Why the difference? Insurance brokers typically work on commission. In the life insurance industry, these commissions can be as high as 200 percent of the premium. Bonuses for meeting sales targets and other incentives can also be paid.

Commission-based selling inevitably raises the risk an adviser will put their interests ahead of the consumer's. Our research suggests commission-based selling is leading to less satisfied customers.

WHAT NEEDS TO CHANGE

The insurance industry needs to work better for consumers. We're proposing simple changes that will help ensure consumers get a fair deal and advice that isn't skewed by commissions.

- **Making cover clearer:** requiring insurers to provide a simple one-page policy summary would make it easier for consumers to understand and compare what's on offer.
- **Fixing unfair terms:** making insurance subject to the Fair Trading Act's ban on unfair terms would help get rid of one-sided policies. Insurance is the only industry that's largely exempt from this ban.
- **Dealing with disclosure:** preventing insurers from unreasonably declining claims where a customer accidentally or innocently fails to disclose information would help ensure fair outcomes.
- **Improving price transparency:** requiring insurers to provide clear information about costs, including increases at the time of renewal, would make it easier for consumers to shop around.
- **Publishing complaints:** requiring industry dispute schemes to "name and shame" companies that aren't playing fair would help push the industry to lift its game.
- **Cleaning up commissions:** getting rid of commissions would be the best way to tackle the conflicts of interest they create.

LIFE INSURANCE CUSTOMER SATISFACTION

🎯 Overall satisfaction | 🌂 Bought directly from insurer | 👤 Bought through insurance adviser or broker



POLICY IS EASY TO UNDERSTAND (%)



CUSTOMER SUPPORT (%)



PRICE (%)



GUIDE OUR DATA are from a survey of Consumer NZ members. Satisfaction ratings show the proportion of respondents who scored their provider 8, 9 or 10 on a scale from 0 (very dissatisfied) to 10 (very satisfied). Number of respondents = 2426.