

OMG!

FSG

SOA

PDS

Policy Schedule

Policy Wording

NOW:

KFS

How will the provision of another document help a consumer understand what is undoubtedly a complex product?

How will another document encourage the consumer to read the important things - the Policy schedule and Policy Wording?

When the consumer opens the envelope containing all this stuff, (It will be a large envelope) how will she know which ones to read? Is it anticipated she will read them all?

Rather than insist upon another document why not simply ask insurers to include a note on their policy schedule, near the sums insured, advising whether flood is covered? If a consumer does not read the Sum Insured page it is unlikely she will read anything else!

Policy Type

The 'type' of policy suggested is almost irrelevant. Policies can be categorised in many ways.

Including:

Insuring Clause: eg Defined (or Listed) Events versus Accidental Damage

Basis of Settlement: eg Indemnity versus Replacement

Both of the above are more important than the 'type' suggested.

Choosing 'Sum Insured' is confusing and dangerous. Policies described as being 'Total replacement cost' require policyholders to declare the size of their homes. Many consumers do not know this information, and may woefully underestimate the size. In this case an Insurer may reduce (or if they believe the underestimate is fraudulent avoid) any payment.

It would be preferable for an insured to have a 'Replacement policy' with a 'Sum insured' rather than an 'Indemnity' based policy with a 'Sum insured plus margin'. The proposed KFS will suggest otherwise.

How to use this Statement

Any Insured who does look at this statement will use it to compare the KFS against another KFS. It will be seen as a Government mandated insurance comparator. Clever Insurers will be able to manipulate their policies to provide cover that looks

superior under the necessarily restricted 'What is Covered' scenarios. The reality will be that those same policies may provide substantially inferior protection for consumers than other policies who's KFS looks less impressive.

What is covered

Of the suggested events the only one with a proposed standard definition is Flood. The other events have long explanations contained in policy documents. For example, Impact, is dependant upon the item that does the impacting, and the item that is impacted, as well as when where and how. Asking an insurer to explain this in a few lines is unfair.

Further, policies with 'Accidental Damage' insuring clauses (which generally provide much better protection than defined event policies) may be at a disadvantage because they are not written to cover only listed events.

There are literally hundreds of scenarios which may lead to loss, damage or liability under a home policy, choosing which ones are most important in a KFS is extremely dangerous. There is no way of knowing the most important scenario until after the event has happened.

As examples of the problem I would suggest that 'Flood' will never effect 95% of policyholders, whereas an exclusion for liability to persons living in the home with the Insured may potentially effect all but singly occupied dwellings.

Conclusion

Adding more noise to the deafening is pointless. If it were possible to provide a meaningful comparison between home insurance policies in 1 page, the industry (particularly Insurance Brokers) would have done it! None of the legislation enacted in the past 10 years has assisted consumers understand their policies, indeed the PDS for general insurance products is an abject failure. The proposed KFS will hinder product innovation and competition, and add to costs. Please stop and reconsider.

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