



One Company
Many Brands



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30 March 2012

Michelle Calder
Manager, Financial Services Unit
The Treasury
Langton Crescent
Parkes ACT 2600

Email: icareview@treasury.gov.au

Dear Ms Calder,

Key Facts Sheet: Home Building and Home Contents Insurance Policies Discussion Paper

Suncorp welcomes the opportunity to comment on this Discussion Paper, and views Key Facts Sheets initiative as a positive move towards better informed policyholders and improved comparability.

Who are we?

Suncorp Group Limited and its related bodies corporate and subsidiaries (collectively 'Suncorp') offers a range of financial products and services in banking (Suncorp Bank), general insurance, life insurance and superannuation (Suncorp Life) across Australia and New Zealand. Suncorp has around 16,000 employees located across Australia and relationships with over nine million customers. It is a top 25 ASX listed company with over \$95 billion in assets. The following commentary is provided by the Personal Insurance Division of Suncorp.

Introduction

Suncorp believes Key Facts Sheets (KFS) should be used as an opportunity to inform a policyholder or potential policyholder of the essential aspects of the policy concerned, rather than as an educational tool for insurance more generally. For general information about insurance, or more specific policy-type information, Suncorp recommends that the KFS direct the reader to ASIC's MoneySmart website and the information on insurance available there.

Concerns

Suncorp supports the introduction of KFS for Home Building and Home Contents policies, and hopes that their stated outcome - that consumers have a better understanding about the cover they have purchased and are able to easily compare products - will be met.

However, Suncorp wishes to raise concerns regarding the focus of the KFS and unintended consequences of implementing KFS, including possible commoditisation of insurance products and the potential that the KFS may result in fewer people consulting their Product Disclosure Statement (PDS), before or after purchase.

The Government's concern about confusion and misunderstanding among policyholders about what is and is not covered by their insurance policies is understandable. It is apparent that some policyholders are disengaged and do not read their policy information. During the devastating floods of late 2010 and early 2011 many policyholders have voiced that they thought they had cover for an event that was not covered, namely riverine flood. To help resolve this issue, the major focus of KFSs should not be so much whether an event is covered by the policy, but *how* that event is covered, the conditions, and any limitations. It is misunderstanding how a policy addresses an event rather than whether event is covered that fuels disputes and disappointment.

With a focus on this point, Suncorp believes KFSs may not adequately inform policyholders of the nuances specific to their policy. While acknowledging the value of easily digestible information, there are concerns policies that function very differently when called upon at claims time may appear very similar. The rather generic nature of KFSs may well result in most policies appearing to be the same. This could lead to commoditisation of KFSs, disappointed policyholders and ultimately compromise this disclosure measure.

The concern surrounding the commoditisation of KFS centres on potential "policy gerrymandering" that may occur. The introduction of KFS may encourage minor alterations to cover or policy terms and conditions in order to receive more ticks or report fewer exclusions. This would be a particular concern should KFSs be required to be formatted in a fashion similar to the alternative presented in Appendix B of the discussion Paper, as all policies may appear to be essentially the same.

To prevent product commoditisation and ultimate compromise of the KFS, Suncorp recommends Treasury consider ways to enable insurers to show how policies differ (whilst providing regulatory safe harbour – a key requirement for insurers), and monitor this to ensure it is effective. The KFSs will be of most benefit to policyholders if they are transparent and an effective comparison tool.

Suncorp's other major concern is that the implementation of KFS may result in people paying less attention to the PDS. Suncorp agrees that KFS may improve a policyholder's basic understanding of their cover, but given the low proportion of policyholders who read their PDS currently, either before or after purchase, any further compromise of the disclosure regime is undesirable.

Therefore, while supporting the introduction of KFSs, Suncorp believes a wholesale review of the current disclosure regime (widely acknowledged as burdensome and ineffective) is required. Monitoring the effect of the KFS on purchasing decisions, policyholder understanding, and dispute reduction should be included in this review.

Warnings

The Discussion Paper raises a number of warnings which could potentially be included on a KFS. We believe some warnings are essential, they being:

- The existence of limits of cover,
- The need to consult the PDS, and
- That the KFS is not a legal document, contract of insurance or offer to provide cover.

Given the intention of the KFS is to improve policyholder knowledge and allow easier comparison of products, some of the other proposed warnings may be superfluous.

In particular, Suncorp believes the inclusion of the Wayne Tank Principle and other highly technical information to be unnecessary. We are concerned excessive warnings may dissuade some potential policyholders from purchasing insurance at all, and confuse or alarm others.

Suncorp believes there is great value in the KFS making insurance less mysterious for Australians, and complex information should be avoided.

The basic warnings we feel are required and sufficient are detailed in our in our proposed KFS, attached at Appendix 1. By way of comparison, these documents would still provide more warnings than currently found on a Home Loan KFS.

When should a KFS be issued?

As KFSs are intended to be a source of information and aid policy selection, it makes sense that they be freely available to interested persons in the following ways:

- Online, through the product issuer's website. A PDS for the same product should also be easily located on the same webpage.
- By email, through the product issuer's call centre, if the KFS is requested.
- By post, through the product issuer's call centre, if the KFS is requested via this delivery mechanism.
- Whenever a PDS is first issued for a new policy. The KFS should accompany the PDS and be distributed at the same time and in the same fashion, i.e. by post or email.

Suncorp does not believe a KFS should be compulsorily distributed when a quote is given. The choice should be left to the customer, as it is with the PDS. A large number of customers ring several insurers for a quote and will choose the policy that suits their own needs, (for example when purchasing a property with a mortgage, the lender requires a certificate of currency for building insurance on that property). Therefore sending them a KFS may be superfluous to their requirements, whilst adding to the insurer's own costs.

Additionally, if a customer has already received a KFS there should be no requirement to resend (as is for PDSs). Policyholders already receive a substantial amount of information about their insurance, and Suncorp cautions that repeatedly issuing the same document would become a source of frustration and potentially dilute the significance of the KFS in the customer's mind. Therefore, there should be no need to send a KFS on renewal, if one had already been received by the policyholder.

Obviously the same exclusions will need to apply to KFSs as are in place for PDSs in relation to telephone sales where the immediate provision of the quote and/or issue of a policy is required by the customer, i.e. they can be sent within five business days.

IDR and EDR

Suncorp believes that information about Internal Dispute Resolution (IDR) and External Dispute Resolution (EDR) should not be placed on the insurance KFS. While there was a spike in disputes across the industry during 2011, Suncorp believes concurrent reforms will improve this situation. Policyholders already receive sufficient information about IDR and EDR in their PDS and when they lodge a complaint or dispute, as required under ASIC RG139 and RG165 and the General Insurance Code. We accept Treasury and other stakeholders may hold a different view, but space limitations dictate this may not be possible.

How should KFS be formatted?

Using the template proposed in the "Clearing the Waters" consultation paper as a starting point, Suncorp has developed two potentially workable KFSs – one each for Home Building Insurance and Home Contents Insurance. Suncorp is aware that KFS will not be able to please all stakeholders, but is confident the KFSs presented in this submission are "clear, concise and effective". We have attempted to provide an uncluttered, easy to read KFS.

Changes from the KFS provided in "Clearing the Waters" include an expanded table of key facts, and an improved, more transparent exclusions and conditions list. While this table is not exhaustive, it includes the key areas of dispute and concerns identified by Suncorp's internal and external dispute resolution teams, other Suncorp staff and the KFS Discussion Paper.

We believe that there are key differences between KFS requirements for insurance and other financial products, such as home loans. Suncorp believes that given the nature of insurance contracts, premium pricing and the concerns being addressed by KFS for insurance contracts, there should be minimal changeability. Variables such as premiums, excesses etc. should not be included as this information is already given to the consumer if they ask for a quote or purchase a policy – via an insurance schedule.

Consultation with IDR, EDR and claims teams has been critical to identifying key misconceptions among policyholders. This should reduce disputes and disappointment.

Other aspects of formatting to be considered are branding, font, stock and overall appearance. While the Discussion Paper shows a space for the product issuer's logo, this alone will not be sufficient to alleviate concerns the KFS will not match other documentation received by policyholders. If KFS are to be sent with mail packs, it would be natural and sensible that they conform and appear to "belong" with the other material.

This is important as each brand has a different base stock onto which material is printed, preferred font, and the branding on that documentation varies between brands. Some may be watermarked, others may have the logo at the top of the page and others at the bottom, This will help make KFS appealing and hopefully ensure it is read.

Differences between Home Building and Home Contents

There are clear differences between home building and home contents policies, and these require addressing in each product's KFS. While many of the risks are the same, home contents policies may include cover for possessions away from the home (if purchased or in some policies automatically). They also contain many more conditions with regard to replacement, age of goods, sum insured, and specifying items of high value. This needs to be highlighted by the KFS. Common issues include losses from outside the home, tools of trade, items in the open air, and the value of jewellery and collections.

What is regulated and what is not

Suncorp is in favour of the KFS being tightly regulated, to ensure they are uniform, not favour any brand or policy, and provide an easily digestible source of comparison information. This will minimise the potential for confusion, or the provision of incorrect information. To this end, Suncorp believes Treasury should regulate (within reason) the text size, text areas and wording as much as possible. The required conditions and exclusions should also be stipulated by regulation to ensure comparability. Choice of font would ensure KFS matched other relevant documents. .

Providing a template that is as complete as possible will reduce costs on business and mean minimal changes to be required over time. Based on the draft provided in the Discussion Paper, Suncorp has attempted to provide some guidance as to what we believe a KFS should include. This is attached as Appendices 1 and 2. It will be impossible to accommodate all conditions and sublimits on the KFS, and as such, Treasury should specify those considered most important. As shown in Appendix 1, Suncorp believes limits on alternative accommodation and site clearing after a total loss are important and should be in the KFS. Consultation with our dispute resolution teams, revealed these were areas where policyholder understanding was limited, and failure to read the PDS leads to disputes and disappointment.

Given KFS are intended to provide simple policy information to policyholders and it is predominantly a pre-sales tool for comparison, Suncorp believes choices that are left open to the policyholder, such as excess amount - and therefore premium - should not be included on the KFS. These are often specific to the policyholder's individual circumstances and can be found on the schedule of insurance received by the policyholder. Including variable information such as this will detract from the more important objective of the KFS, namely highlighting the key facts and conditions of cover.

This also applies for some sublimits, sums of contents insured and specified items. Information which is subject to change depending on the underwriting of the risk and the selections made by the policyholder are included on the policyholder's schedule. Those details should not be included on the KFS which is to be available to all policyholders. Including individual, customer-specific information on the KFS would come at great cost and require large investment on systems overhaul. This would render the KFS redundant, as it would essentially be another schedule of cover. We believe improving public awareness and knowledge of variable excesses and how these function should be a priority, and as such have included a statement about variable excesses on our proposed model KFS.

The above view on tight regulation notwithstanding, there are considerations Suncorp would appreciate from Treasury, including that KFS be allowed to be printed on the insurer's paper stock of choice. This is of particular concern if KFS are to be distributed with other material, such as a PDS or schedules of cover, as the KFS should look as if it "belongs" with the other documentation rather than appearing out of place.

Regulatory Safe Harbour

For KFS to function as intended, insurers will need regulatory safe harbour from prosecution or dispute arbitration based on the KFS. This would apply to IDR, EDR and legal action. It is acknowledged this would not extend to conduct outside the defined standards KFS not produced in good faith. To this end, the need for a warning that the KFS is incomplete and not a contract, offer of insurance or legal document is necessary.

Other issues

Suncorp notes that the discussion paper leaves a number of issues unaddressed, including whether Home Building and Home Contents policies will be combined on one fact sheet or separate, and whether other forms of insurance covering contents and buildings will be expected to provide KFS.

On the first issue, Suncorp believes there are three options, with a balance between cost, provision of clear, concise and effective information, and the propensity for insurance documentation to not be read, all being essential considerations.

1. The first option is to mandate the creation of three separate KFS for each of Home Building, Home Contents and Combined Home Building and Home Contents policies.
2. The second option is for a separate KFS to be provided for Home Building and Home Contents policies, and in instances where both Home Building and Home Contents are insured together, two facts sheets could be provided. This would increase costs, but would provide more information and clarity for policyholders. While acknowledging that including two KFS may cause some policyholders to not read their KFS or believe they were sent two of the same document, these issues are not unresolvable.
3. A single KFS could be produced covering Home Building, Home Contents, and combined policies. This could be provided to policyholder of any one of the three options. The problem with this option regarding length was outlined above, although a combined document would more likely be read in its entirety than two separate documents. Of most concern, a combined KFS would likely result in confusion about cover, rendering it pointless.
4. Suncorp supports the proposed KFS from the Discussion Paper, where it indicates a tick box system is adequate differentiation of sum insured, sum insured plus margin, and total replacement policies. Providing a different KFS for each of these different policy types would be inefficient and cumbersome.

Suncorp welcomes the Government's objectives of improving policyholder understanding, and hopes the introduction of KFS will help achieve this aim. While supporting the introduction of KFS, Suncorp encourages the Government to fully consider the concerns outlined above, especially those surrounding commoditisation, and ensuring KFS do not focus simply on what is covered by a specific policy, but highlight differences in *how* certain losses are covered.

If you have any questions or comments regarding this submission please contact me on 03 8681 9428 or annabelle.butler@suncorp.com.au. Alternatively contact Mike Thomas, Manager Government Relations on 02 8121 3115 or mike.thomas@suncorp.com.au.

Yours sincerely



Annabelle Butler
Executive Manager
Public Policy and Stakeholder Management

Appendix 1

Examples of Key Facts Sheets for Home Building and Home Contents

Key Facts about this Home Building Insurance Policy

Date Produced: ## ABCDEFG ####



THIS IS NOT AN INSURANCE CONTRACT:

Policy Name			
Policy Type	<input type="checkbox"/> Sum insured	<input type="checkbox"/> Sum insured plus margin	<input type="checkbox"/> Total replacement cover

Warning here about whether insured amount payment includes GST or not

WARNING: NOT ALL INSURANCE POLICIES COVER THE SAME RISKS AND EVENTS THE SAME WAY. CONDITIONS AND LIMITS OF COVER VARY. NO POLICY COVERS ALL POSSIBLE RISKS

This KFS is designed to provide you with some essential information to easily compare different policies and make a decision on which provides cover that best suits your needs. You will need to read the Product Disclosure Statement in order to fully assess this policy

Risk	Is it covered?	Main exclusions or conditions
Fire and explosion		Damage from smoke or soot, damage caused by a fire on another property. Limits apply to the cost of site clearing.
Storm		Damage caused to poorly maintained buildings.
Flood		Not covered if you have opted out of flood cover (please see schedule). Limits apply to the cost of site clearing.
Theft and burglary		Not covered for loss or damage caused by someone who entered the insured address with your permission.
Accidental breakage		Some items excluded, including cook tops.
Alternative accommodation		Limits apply. See the Product Disclosure Statement.
Escape of liquid		We do not cover slowly escaping liquids, or situations where you could have reasonably known about the leak.
Earthquake and tsunami		We do not cover loss or damage occurring more than 72 hours after the event.
Lightning		Damage caused by power failures or surges not covered.
Malicious damage, riot or civil unrest		But we do not cover loss or damage caused by you or someone who lives at the insured address.
Impact by cars, falling trees and space debris		We do not remove fallen trees, or remove dangerous trees still standing. Limits apply to the cost of site clearing.
Actions of the sea		Tsunami is not considered an action of the sea.
Landslip/landslide		Not covered if landslide occurs within days of heavy rain.
Loss caused by power current or surge		Fusion of motors is optional at additional cost. Damage to individual electrical goods not covered.
Slow, gradual or accumulated damage, including rot or decay		We do not cover damage caused by decay, vermin, termites or poorly maintained buildings We do not cover wear and tear.
Legal liability		Limited to \$20 million, with some other conditions.
Other		Limits or exclusions apply to: tools of trade; business stock; uninstalled appliances and devices; items in a garage, shed or left outside; damage caused by animals.

WHICH INSURANCE IS RIGHT FOR YOU?

There are many different insurance policies available, and all offer different cover. Some policies have many options, and others have very few. Some other things you may want to consider include:

- Raising your excess can reduce your premium.
- *How* does this policy apply cover, rather than what is covered? The conditions are important.
- Some risks have a sublimit, and you may have limited cover for that risk.
- Will you pay your premium monthly or annually?

WHERE CAN I FIND OUT MORE ABOUT THIS INSURANCE POLICY?

All policies have a different terms and conditions. For more complete information about this insurance policy you should read the policy's Product Disclosure Statement. This is available from the insurer, and includes more complete information about what is and is not covered under this policy. For more information about insurance in general or a specific type of policy, you may want to visit the ASIC financial information website at www.moneySMART.gov.au.

If you would like to know more about your rights and the responsibilities of insurance companies, you could have a look at the General Insurance Code of Practice at www.codeofpractice.com.au.

COOLING OFF PERIOD

If you decide this policy is not for you within 14 days of the policy being issued, and you have not made a claim, you may cancel this policy and receive a refund. Some fees may apply. This is called a "cooling off period", and is protected by law.

WHAT TO DO WHEN YOU NEED TO MAKE A CLAIM

When you need to make a claim, you should contact your insurance company. Your insurance company will probably need some evidence of the items you have lost. If possible, it is good to have photographs of items, serial numbers and samples or carpet or fabric. Having these will help make the claims process and replacement easier. If this is not possible, that is ok, but your claim may take longer to settle.

This policy is issued by #####, you can contact ##### on the details below.

Phone: ##### email: ##### online: #####

THIS KFS IS AN AUSTRALIAN GOVERNMENT REQUIREMENT

This KFS is not an offer of insurance, or a contract of insurance. Possessing this sheet provides no cover against the risks detailed here. KFS provide information about insurance policies, presented in a standardised way, to help you compare and select the most appropriate policy for your needs. You can request KFS from multiple insurers in order to compare while shopping around for a policy.

Key Facts about this Home Contents Insurance Policy

Date Produced: ## ABCDEFG ####

Product issuer's logo

THIS IS NOT AN INSURANCE CONTRACT

Policy Name		
Policy Type	<input type="checkbox"/> Sum Insured	<input type="checkbox"/> Sum insured plus margin

Warning here about whether the cover includes GST or not

WARNING: NOT ALL INSURANCE POLICIES COVER THE SAME RISKS AND EVENTS THE SAME WAY. CONDITIONS AND LIMITS OF COVER VARY. NO POLICY COVERS ALL POSSIBLE RISKS

This KFS is designed to provide you with some essential information to easily compare different policies and make a decision on which provides cover that best suits your needs. You will need to read the Product Disclosure Statement in order to fully assess this policy

Risk or event	Is it covered?	Main exclusions or conditions
Fire and explosion		Damage from smoke or soot; damage from a fire on another property.
Storm		Damage caused to poorly maintained buildings.
Flood		Not covered if you have opted-out of flood cover.
Theft and burglary		Not covered for loss or damage caused by someone who entered the insured address with your permission.
Accidental breakage		Glass is an optional extra, some limits apply.
Escape of liquid		Not covered for loss or damage caused by someone who entered the insured address with your permission.
Earthquake and tsunami		We do not cover loss or damage occurring more than 72 hours after the event.
Lightning		We do not cover damage from power failures or surges.
Malicious damage, riot or civil unrest		Not covered for loss or damage caused by someone who entered the insured address with your permission.
Impact (trees, cars, space debris)		We do not remove the fallen tree, or remove dangerous trees still standing.
Actions of the sea		Tsunami is not considered an action of the sea.
Landslip/landslide		Not covered if landslide occurs within 3 days of heavy rain
Loss caused by power current or surge		Fusion of motors is optional at additional cost. Damage to individual electrical goods not covered.
Legal liability		Up to \$20 million. Conditions apply.
Other		Limits or exclusions apply to: tools of trade; business stock; uninstalled appliances and devices; items in a garage, shed or left outside; damage caused by animals.

Cover for valuables, collections and items away from the insured address

Item	Is it covered?	Main exclusions or conditions
High value items and collections		Subject to limits and some restrictions. Please consult the Product Disclosure Statement or contact the insurer.
Items away from insured address		Available for an extra premium. Some conditions apply, please consult the Product Disclosure Statement.



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There are many different insurance policies available, and all offer different cover. Some policies have many options, and others have very few. Some other things you may want to consider include:

- Raising your excess can reduce your premium.
- *How* does this policy apply cover, rather than what is covered? The conditions are important.
- Some risks have a sublimit, and you may have limited cover for that risk.
- Will you pay your premium monthly or annually?

WHERE CAN I FIND OUT MORE ABOUT THIS INSURANCE POLICY?

All policies have a different terms and conditions. For more complete information about this insurance policy you should read the policy's Product Disclosure Statement. This is available from the insurer, and includes more complete information about what is and is not covered under this policy. For more information about insurance in general or a specific type of policy, you may want to visit the ASIC financial information website at www.moneysmart.gov.au

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Phone: ##### email: ##### online: #####

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