



MEDIA RELEASE

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GOVERNMENT'S INSURANCE REFORMS CHALLENGE THE INSURANCE INDUSTRY TO STEP UP

The [Fair Go in Insurance](#) coalition* welcomes the proposed insurance reform package put forward by the Federal Government today but warns that several reforms are not guaranteed and would be unlikely to take place without the cooperation of the insurance industry.

Katherine Lane, Principal Solicitor with the national Insurance Law Service, congratulated the Government for addressing a number of the concerns facing policy holders who had found themselves in an uphill battle against insurers since the recent spate of natural disasters.

"The proposal to provide a clear and universal definition of flood is crucial. Too many long term policy holders affected by the recent floods found out too late that they weren't covered for riverine flooding while their neighbours were. Existing definitions are too complex and inconsistent across the industry and make it very hard for consumers to make an informed choice about their level of insurance cover," she said.

"We've now got a ridiculous situation where many of those same policy holders, months down the track, are still waiting to find out if their claims have been accepted or rejected. Those people need to be able to move on and work out what their next step is and they can't do that when they don't know the outcome of their claims."

"It's astounding that the Government can respond to a whole of industry reform faster than many insurance companies can process a claim. The Government's paper today makes it clear that the industry has only agreed to 'consider' imposing an overall time limit for making decisions on claims. A six month time limit is a no-brainer - it beggars belief the industry can't make this commitment now, but if not, we call on the Government to step in and fix this problem."

Nicole Rich, Director of Policy and Campaigns at the Consumer Action Law Centre said the proposed reform package addressed many of the key issues disadvantaging policy holders and the Government's proposal to include a key facts sheet with each policy would go a long way to removing the confusion that currently reigns.

"One of the issues we constantly see after natural disasters is the prevalence of underinsurance. A major factor contributing to this is that many consumers simply don't understand the difference between a sum insured and a total replacement cover policy," Ms Rich said.

"The key facts sheet proposed would require insurers to tell consumers clearly and upfront whether they get total cover or not, but we'd like to see it go a step further and clearly explain that a sum insured policy is likely to leave you underinsured."

"The Government's decision to allow insurance premiums to be paid via Centrepay is a huge step forward in encouraging consumers on low or fixed incomes to take up insurance where previously they might not have been able to afford it. Insurers spend a lot of time talking about the need for greater uptake of private insurance and this move could contribute significantly to that," Ms Rich said. "However, the challenge now will be to get insurers to put their money where their mouth is and agree to process fortnightly payments. If they won't, the Government needs to step in and require insurers to offer Centrepay as a payment option, which is already done in other essential industries."

The coalition said that several organisations would be providing submissions in response to today's Paper as well as participating in the important Natural Disaster Insurance Review later this year.

** A Fair Go in Insurance includes the Australian Financial Counselling and Credit Reform Association, Brotherhood of St Laurence, Consumer Action Law Centre, CHOICE, Consumer Credit Legal Centre, Financial and Consumer Rights Council, Footscray Community Legal Centre, National Insurance Law Service, Legal Aid New South Wales and Victoria Legal Aid.*

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