



Consumer research on general insurance product disclosures – FAQ

What is meant by insurance disclosure?

Disclosure refers to the process of providing customers with legally required information about general insurance. At present, this primarily takes the form of a product disclosure statement (PDS). Insurers will often supplement this with other product information and tools (such as calculators) to help consumers. However insurers are legally prevented from providing personal advice to customers.

Why does the current disclosure system need improvement?

Insurers recognise that mandated disclosure requirements are falling short of their primary purpose: helping consumers buy insurance that best meets their needs. The ICA's Effective Disclosure Taskforce found PDS documents are generally regarded by consumers as too long and complex.

How will this new research benefit customers?

Choosing an insurance policy based primarily on price is risky because the cheapest policy may not have all the features the customer needs. Focusing on price also dissuades consumers from researching policy details, such as exclusions and limits. If customers are better informed, they are more likely to choose the most appropriate policy for their needs, and less likely to have a claim denied due to an exclusion they were unaware of.

What happens next?

The ICA and its members will now develop principles to inform effective disclosure. The ICA will consult with key stakeholders in this process, including the Australian Securities and Investments Commission and consumer advocates. These principles will be used by members to develop their own strategies and tools to more effectively engage customers on product information. It is expected to be a long-term process.

Further, general insurers are restricted in their ability to use electronic methods to distribute mandatory policy information. The ICA has formally asked the Federal Government to allow insurers to do this, in the same way other financial services that are not bound by the Insurance Contracts Act can already do.

Do these findings support the argument for creating a government-run general insurance comparison website?

No. Comparison websites have been shown to increase consumers' focus on price, resulting in policyholders who are less aware of the details of their policies, and therefore at greater risk of not being appropriately covered when they need to make a claim.

The UK Financial Conduct Authority review into comparison websites in 2014 also found the simplification of products on comparison websites fuelled false perceptions that all policies were the same, and discouraged consumers from obtaining knowledge on products.

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