

Ms Michelle Calder
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Dear Ms Calder

KEY FACTS SHEET (KFS): HOME BUILDING AND HOME CONTENTS INSURANCE POLICIES (DISCUSSION PAPER)

The Insurance Council of Australia (Insurance Council) welcomes the opportunity to comment on the Discussion Paper released on 29 February 2012 containing proposals for the KFS regulations for home building and home contents (HBHC) or combined policies. We appreciate the additional time provided to prepare this response which builds on our previous submissions to the *Reforming Flood Insurance: Clearing the Waters* Consultation Paper (16 May 2011) and the *Insurance Contracts Act Amendment Bill* (IC Bill) (18 January 2012).

Purpose of the KFS

The KFS initiative is being pursued by the Federal Government to improve people's understanding of their cover and make it easier to compare policies. The Insurance Council supports the KFS as an important measure to enhance consumer awareness of HBHC policies.

Due to its one page length, the KFS is necessarily restricted in the information it can provide on policy coverage and exclusions and can therefore only assist the consumer to compare insurance policies at a fairly low level of detail. Given that the KFS will provide a basic overview of the policy, the Insurance Council submits the KFS should be regarded as a tool to help consumers determine which policies they wish to seek further information about from the Product Disclosure Statement (PDS).

For this reason, the Insurance Council has consistently submitted the KFS should be provided whenever a PDS is required. The recognition in the Discussion Paper that the KFS is not a substitute for the PDS is therefore welcomed.¹

Prescribed content in the regulations

The key points of the Insurance Council's **attached** response which addresses the detailed questions in the Discussion Paper include:

- practical difficulties with the policy types classifications;
- the need to alter the proposed structure of the KFS to improve clarity and allow consumer consideration of optional cover where available;
- a suggestion for a single statement about the uses and limitations of the KFS;
- practical considerations such as size and paper type required for the KFS; and
- views on the content and format of the KFS which could be used to develop a prototype KFS for consumer testing.

¹ Discussion Paper, paragraphs 61-63.

In addition, it is submitted the regulations setting out the KFS requirements must:

- provide sufficient flexibility in the provision of KFS and mirror the time critical provisions for a PDS under the *Corporations Act 2001* (Cth) (Corporations Act) to ensure the KFS and PDS may be provided together; provide consistency in communication; and reduce compliance costs for industry.

The Insurance Council strongly supports the use of electronic communication to provide the KFS but would urge the Government to make necessary amendments to the IC Act to clarify that all notices required under the IC Act can be provided electronically if the customer agrees and in accordance with the *Electronic Transactions Act 1999* (Cth).

Given the range of views outlined in the attachment that should be taken into account before determining a model KFS for consumer testing, the Insurance Council considers it would be valuable for further discussion to determine how the various issues might best be addressed. We welcome the foreshadowed opportunity to discuss these matters with you on 12 April.

If you require any further information, please contact the Insurance Council's General Manager Policy – Regulation, Mr John Anning on (02) 9253 5121 or janning@insurancecouncil.com.au.

Yours sincerely



Robert Whelan
Executive Director & CEO

2.1.2 CONTENT - Type of policy (page 10)

- ***Are there practical difficulties in classifying insurance policies into the types of insurance policies outlined? If so, how should the type of policy be outlined in the KFS?***
- ***Are there any other major types/ classifications of insurance policies? If so are additional types of insurance policy descriptions required?***
- ***Should a definitive explanation/ outline of the type of policy be on the front side of the KFS with general explanations of the different policy types provided on the reverse?***
- ***Will including information on the type of policy increase costs for industry? If so, please elaborate and provide the magnitude of costs where possible.***

Industry response:

The Insurance Council understands the rationale for wanting the KFS to state the “type” of policy it relates to close to the top of the front page. However, when considering the classifications that should be consumer tested, the following issues have been identified by our members for consideration:

- When one refers to Policy “types” one is usually referring to whether the policy is a home buildings, home contents, motor or some other type of policy. The proposed three classifications of sum insured, sum insured plus margin or total replacement might more accurately be considered a feature of the policy rather than policy “types”.
- The three classifications are most relevant when there is a total loss claim under the policy, which is uncommon. Day to day claims under building or contents policies are not total loss claims. Therefore placing these classifications at the top of the KFS may mislead a customer into believing they are the most significant feature of the policy when in fact a policy has many features. Some of these features may be more significant than others depending on individual needs and circumstances.
- There is some concern that the classifications could create an incorrect impression that, for example, the sum insured amount may be available for a routine claim rather than in the event of a total loss claim this would be the ‘maximum cover’ available under the policy. Also with contents policies where individual items can be specified and insured up to a particular amount customers may consider this amount will be paid in all cases where repair of the item may be an option available to the insurer under the policy. For example if the KFS read “Policy type: sum insured”.

Additionally, home contents policies do not lend themselves easily to the three classifications:

- Total replacement cover is not available for a home contents only policy. Where a KFS relates to a combined HBHC policy with total replacement cover, the KFS should make it clear the cover applies to the home building component.
- Where the KFS covers a combined policy, there will need to be sufficient space to show the cover/events for both the building and the contents components.
- Although home contents policies will have a sum insured figure (relevant in the event of a total loss) there may be cover limits on individual items (such as jewellery, works of art) which may also depend on how/where the contents were lost or damaged.

The description of a sum insured plus margin policy also requires re-consideration as there are a variety of margins in the marketplace and it may be difficult to clearly prescribe how and what the relevant margins encompass. For example, a building policy that pays as its ‘maximum cover’ the sum insured plus GST and an additional 10% of the sum insured for removal of debris and

professional fees could arguably provide a similar level of benefits as a policy that covers the sum insured +20% margin but not GST, removal of debris and professional fees. Additionally some customers may not understand the term “margin” particularly if another term is used in the PDS such as “safety net”.

It is recommended Treasury should consider:

- *Whether the proposed three policy “types/classifications” should only apply to building cover, not home contents cover;*
- *How to describe home contents cover (see more details below);*
- *If the words ‘maximum cover’ might be a clearer heading than “policy type (types)” and if so, how the maximum cover should be described;*
- *Whether it is more appropriate to put the “policy type/maximum cover” details under the “What is covered” table.*

As set out in the Insurance Council’s submission to *Clearing the Waters*, the Insurance Council does not support references in the KFS to policies other than the type in question. This additional material would detract from the key policy information and may create an impression that the insurer offers the other policy types referred to when they may not. As noted above it also emphasises one policy feature over all others. Should the inclusion of other policy types be required, some insurers consider it would be clearer if only the policy classifications they offer were required on the KFS.

Although the Insurance Council does not oppose inclusion of generic information on the reverse side of the KFS, it is submitted that consumers are unlikely to read standardised wording on a reverse side and therefore consumer testing should consider the usefulness of this option.

Costs will be minimised if the KFS is restricted to the front page. Electronic communication will assist to minimise cost impacts.

2.1.3 What is covered (page 13)

- ***Of the prescribed events in the standard cover regime, which events (if any) lead to consumer confusion or lack of understanding about what is covered by the policy? What evidence is there that this confusion leads to adverse outcomes? Will the inclusion of these events (if any) in the KFS reduce the level of consumer confusion?***
- ***Of the prescribed events in the standard cover regime, which events, if they occur, are most likely to have a significant financial impact on consumers? Is there any evidence that the inclusion of these events in the KFS will reduce the potential for significant financial to occur?***
- ***In general, what standard cover events should be included in the KFS? What standard cover events should not be included in the KFS?***
- ***Are there any other events outside standard cover that should be included?***
- ***Will costs (monetary and non-monetary) for industry increase with an increase number of standard cover events? If so, please elaborate and provide the magnitude of costs where possible.***

Industry response:

The Insurance Council submits the ‘What is Covered’ list should be prescribed and determined by Treasury with input from industry, consumer advocates, FOS and ASIC.

The length of the KFS prevents it from providing a comprehensive overview of the features of an insurance policy. This limitation can be appreciated when it is remembered that a PDS for a buildings, contents or combined HBHC policy broadly contains:

- listed events which set out the parameters of the cover for the buildings and/or contents;
- additional covers that the insurer may offer such as temporary accommodation, identity theft, mortgage discharge costs etc;
- optional covers such as accidental damage cover, fusion cover, pet cover, and for contents cover valuable and portable contents cover;
- general exclusions and conditions which may apply to all listed events, additional covers and optional covers;
- specific exclusions and conditions which may apply to specific listed events, additional covers and optional covers;
- wording detailing information about other relevant matters such as payment of the premium, excesses etc, and
- wording required to comply with specific disclosure requirements under the Corporations Act such as detailing how the insurer handles complaints, cooling off and the financial claims scheme.

The information included in a KFS should be able to be understood at a glance by consumers to allow an initial assessment before investigating particular policies in further detail. Issues which insurers have raised for Treasury's consideration include:

- The current linkage of the 'What is covered' section directly to the 'What is not covered' section adds complexity to the KFS. One possibility is to remove the 'What is not covered' column entirely. Furthermore, it is not as simple as saying 'What is not covered' because there are exclusions and conditions that can be specific to an event (such as retaining walls) and exclusions and conditions that apply across all cover (such as deliberate acts by the insured). One could not possibly include all such conditions and exclusions on one page along with all the other relevant information;
- Consideration needs to be given as to how exclusions and conditions can generally be referred to in the KFS, such as in the 'How to Use the KFS' statement referred to below at 2.1.7.
- A range of insurer issues have been identified with the content and format of the KFS:
 - Key fact events could be listed together with a 'yes', 'no', 'optional' and 'can opt out' notation. This would enable an insurer to notify where flood cover is provided with an opt out or where accidental damage cover may be optional;
 - Alternatively, optional covers such as accidental damage cover could be referred to in the 'Optional Cover' section of the current KFS prototype included in the Discussion Paper. However placing them there may take away the prominence of options that customers may see as significant to their individual circumstances;
 - A further suggestion is that 'What is covered' events might have a conditions/exclusions column adjacent to it. However one could not restrict the document to one page if one was to do this. Also if one included specific conditions or exclusions that apply to the risk/event, consideration needs to be given to how to deal with the general conditions and exclusions;
 - What is a 'key matter' to some consumers will be of little interest to others. It should be recognised that the risk of an event occurring and the financial impact it may have depends on a number of factors such as location (for example, a home in Mackay might consider cyclone and/or storm surge as its financial risk and an Adelaide Hills home owner may be more interested in cover for bushfire or earthquake), the occupants and whether the occupants are home most of the time (retired), maintenance of the home and the age and building materials used in the construction of the home;

- The key fact events should not be drawn solely from the standard cover regulations, as the language may benefit from updating and these events may not reflect the scope of events for which insurers provide cover;
- Home Contents – consideration of how the KFS for contents policy or combined HBHC should list events and whether for contents cover there should be details as to the types of covers available eg general contents cover, valuables cover, portable valuables cover, specified item cover etc;
- The combined HBHC KFS presents spacing challenges given some information will need to be included that relates specifically to the buildings cover and some that relates specifically to the contents cover.

Individual insurers may provide separate submissions to Government outlining their experience of areas commonly raised by consumers when buying or claiming on a home building or home contents policy which may be of further assistance to Treasury.

It is noted that the consumer representative submission to *Clearing the Waters* stated the KFS will only be effective if the front page refers consumers to specific paragraphs or pages of the PDS that relate to particular events and exclusions. The Insurance Council reiterates there are significant cost implications of including page references in the KFS including the possibility of reissuing the KFS in the case of what might be minor changes to PDS which affect page numbering, and where the index of the PDS clearly outlines the PDS contents. The Insurance Council therefore maintains its opposition to this suggestion.

Generally electronic communication will assist to minimise cost impacts.

Natural Disaster Events (page 14)

- ***Should all of the natural disaster events that are considered to be prescribed events in the standard cover regime be included in the KFS? If not which natural disaster events should not be included?***
- ***Are there any other natural disasters that should be included?***
- ***Will the inclusion of the natural disaster events in the KFS increase costs for industry? If so, please elaborate and provide the magnitude of costs where possible.***

Industry response:

As mentioned above, the risk of some events taking place and the resultant financial impact will depend on the circumstances of each individual case. The Natural Disaster Insurance Review noted, for example, that between 5-10% of dwellings in Australia are subject to risk of flood. However, due to public concern, it is clear the KFS must include a reference to flood.

The Insurance Council submits Treasury should, after further consultation, determine which additional natural disaster events to prescribe on the KFS, including the terminology to be used in the KFS. See 2.3 below for further comments relating to terminology in the KFS and PDS.

2.1.4 What is NOT covered (page 18)

- ***What exclusions should be included in the “what is NOT covered” section?***
- ***Should the “what is NOT covered” section of the KFS only reflect the reverse of the “what is covered” section?***
- ***Should the “what is NOT covered” section reflect only events in relation to those contained in standard cover or should it be extended to include parts of the standard cover exclusions?***

- ***Will costs for industry increase with an increase number of excluded events and exemptions? If so, please elaborate.***

Industry response:

See industry response to 2.1.3 above.

2.1.5 Sub-limits and Excesses (page 20)

- ***Is it appropriate to include information on specific excesses in the KFS?***
- ***Is it appropriate to include a statement in the KFS acknowledging that sub-limits/excesses apply in relation to a HBHC insurance policy?***
- ***Is the wording of the statement regarding sub-limits and excesses appropriate?***
- ***What percentage of HBHC policies have excesses in respect of covered events?***
- ***Is it appropriate to include information on specific sub-limits in the KFS or should sub-limits be required to be acknowledged on the KFS with a reference that more information should be obtained from the relevant PDS?***
- ***What percentage of HBHC insurance policies contain sub-limits?***
- ***Will the use of sub-limits increase if mandatory flood cover with opt-out is introduced?***
- ***Will the inclusion of information on sub-limits and excesses increase costs for industry? If so, please elaborate and provide the magnitude of costs where possible.***

Industry response:

The Discussion Paper proposes that, where a policy contains one or more sub-limits or excesses which may be selected by the consumer, the KFS include a statement indicating that the PDS should be read prior to entering the policy. The Insurance Council supports this position.

In addition, the Discussion Paper proposes where sub-limits or excesses apply consistently across an insurance policy irrespective of the circumstances of an insured, the amount of the sub-limit or excess would be required to be listed in the KFS adjacent to the covered event in the 'What is covered' section.

The Insurance Council's submission to *Clearing the Waters*, recognising the public concern in relation to flood cover, supported the inclusion of any sub-limits relating to flood cover on the KFS. Upon further consultation with members, we are pleased to provide in principle support for disclosure of those sub-limits which apply to a key fact event and which limit the cover provided in relation to the maximum home building or contents cover otherwise available for other events. (However the difficulty is in determining what events are key for, as noted in this submission, what are key events for one customer may not be for another. For example if a customer lives in an area that never floods they would not see flood as a key event.) Any other detailing of sub-limits for subsets of contents or parts of buildings or property may have decreasing relevance as a 'key fact'. There are however varying insurer views as to how and where the sub-limit should be referred to on the KFS.

A number of examples have been suggested by insurers for inclusion in the 'How to use this statement' (discussed further at 2.1.7 below):

"For excesses or other monetary limits which may apply to your cover please refer to your policy schedule/certificate of insurance and PDS"

"Some events/risks have a sub-limit and you may not have full replacement cover for that event/ risk"

"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".

However, in relation to excesses, the Insurance Council maintains its view that it is not practical to include a dollar value for excesses on the KFS, as standard excesses do not universally apply, and may be varied by consumers, a practice which promotes insurance affordability and enhances competition in the insurance market. Voluntary excesses, for example, will not be known at the time the KFS is prepared and customisation is not an option. In addition, dollar amounts are usually set out in the policy schedule (otherwise referred to as certificate of insurance) which contain information specific to the consumer, not the PDS which has general information about premiums and excesses.

2.1.6 Cooling off period (page 21)

- ***Should the time period for the cooling off period be in the KFS?***
- ***Is the wording of the cooling off period statement appropriate?***
- ***Are there any practical concerns regarding the inclusion of a section providing consumers with a time period of the cooling off period on the front of the KFS with an explanation on the reverse side?***
- ***Will the inclusion of the cooling off period (including a statement) increase costs for industry? If so, please elaborate and provide the magnitude of costs where possible.***

Industry response:

Insurance Council commissioned research found that while 72% of surveyed consumers were aware of the existence of the statutory cooling off period, only 25% were able to identify the statutory period. The Insurance Council therefore supports the inclusion of a prescribed statement referring to the cooling off period provided by the *Corporations Act*.

Some insurers offer a cooling off period in excess of the 14 day minimum period and there are varying industry views as to whether the KFS should include a statement specifying the time period offered by the particular insurer or whether the KFS should instead recommend that the PDS be checked for the specific cooling off period which would apply to the policy in question.

It is noted that, providing a claim has not been made, a consumer may cancel a buildings, contents or combined HBHC policy at any time.

2.1.7 WARNINGS/STATEMENTS (page 22)

How to use the KFS

- ***Is a “How to use a KFS” statement required?***
- ***Is the wording of the proposed “How to use a KFS statement” appropriate?***
- ***Should additional information be included in the statement? If so, please elaborate.***
- ***Will the inclusion of a “How to use a KFS statement” increase costs for industry? If so, please elaborate and provide the magnitude of costs where possible.***

Industry response:

The Insurance Council considers the ‘How to use this statement’ to be the most important of the numerous statements/warnings proposed in the Discussion paper and should appear in a prominent position at the top of the KFS.

It is submitted it would be preferable to provide a statement which combines the intent of many of those warning/statements proposed below.

The wording of Option 1 in the Discussion Paper is not supported. As the KFS cannot provide a comprehensive summary of the policy due to its length, it is considered potentially misleading for the wording of the statement to indicate that by reading the KFS alone it could be ensured the policy covers the individual's particular risks and needs, without further reference to the PDS.

Option 2 could therefore be expanded to read:

Important information about this KFS

This KFS outlines some of the key facts and information about this policy. It is not a comprehensive summary of the policy coverage, conditions and exclusions which may limit your cover. You should read the Product Disclosure Statement before making a decision as to whether the policy is right to your needs. When taking out insurance you should also consider whether the amount of cover is adequate for your needs. Not being adequately insured can have a significant adverse impact on you.

Optional or additional cover may be available for purchase. You should seek further information if required.

Some insurers consider a warning that the KFS is not a contract as well as a warning highlighting whether the cover includes GST would be appropriate.

General consumer warning/risk statement: (page 22)

- ***Is a “General consumer warning/ Risk statement” required?***
- ***Is the wording of the proposed “General consumer warning/ Risk statement” appropriate?***
- ***Should additional information be included in the statement? If so, please elaborate.***
- ***Will the inclusion of a “General consumer warning/ Risk statement” increase costs for industry? If so, please elaborate and provide the magnitude of costs where possible.***

Industry response:

It would be unnecessary to include a general consumer warning/risk statement if the statement suggested above is included on the KFS.

Health warning: (page 23)

- ***Is a general health warning required? If so, where should it appear – front or reverse side of the KFS?***
- ***Will a general health warning be beneficial for consumers when looking at particular policies?***
- ***If a health warning is on the KFS, should the warning also focus on the potential risks for failing to secure appropriate insurance cover? Or the adverse effects of underinsurance?***
- ***Will the inclusion of a health warning increase costs for industry? If so, please elaborate and provide the magnitude of costs where possible.***

Industry response:

See industry response above. The Insurance Council considers the wording should not be restricted to natural disasters which may not be a relevant risk to the majority of consumers.

Wayne Tank principle: (page 24)

- ***Will consumers benefit from the inclusion of a statement outlining the application of the Wayne Tank principle? If not, why not?***

- ***Is the wording of the statement regarding the Wayne Tank principle appropriate? If not, why not?***
- ***If space is limited should the Wayne Tank principle be included?***
- ***Will the inclusion of a statement outlining the Wayne Tank principle increase costs for industry? If so, please elaborate and provide the magnitude of costs where possible.***

Industry response:

The Insurance Council does not support the proposed inclusion of the Wayne Tank principle on the KFS. This principle does not lend itself to simple explanation and is irrelevant to key fact matters or selection of policy type. It is submitted the limited space available on the KFS would be better utilised to prioritise other information such as “What is covered”. Furthermore, it is unclear why the KFS should emphasise one legal principle of insurance law over others.

Additional information suggested in Reforming Flood Insurance submissions: (page 25)

- ***Should any of the suggested statements be included on the reverse side of the KFS? If so, which statements do you consider to be most important?***
- ***Are there any other matters to which a statement in the KFS would benefit consumers? If so, please elaborate?***
- ***Will the inclusion of additional statements on the reverse side of the KFS increase costs for industry? If so, please elaborate and provide the magnitude of costs where possible.***

Industry response:

The Insurance Council prefers a combined ‘How to use this statement’ as proposed above at 2.1.7.

It is recommended consumer testing be undertaken to investigate consumer interest in generic matters appearing on the reverse side such as “How to make a claim”, the cooling off period, or other educational material such as references to the General Insurance Code of Practice or external websites such as ASIC’s MoneySmart insurance page. If there is minimal consumer interest, and therefore unlikely to be a real benefit to inclusion, it is submitted consideration should be given to restricting the KFS to the front side to avoid the cost of unnecessary printing.

2.2 STRUCTURE (page 26)

- ***While the final structure of the KFS will not be able to be finalised until the content has been settled, is the prototype contained in the “Reforming flood insurance: Clearing the waters” consultation an appropriate starting point?***
- ***Are there any other feasible ways to structure the KFS outside those provided in the Reforming flood insurance: Clearing the waters” consultation paper? If so, please provide an example of alternative prototypes?***

Industry response:

See the range of issues set out in our response to 2.1.3 above.

2.3 GENERAL FORMATTING (page 27)

Font, Length, Positioning, Wording

- ***Are there any concerns with the proposed approach of prescribing the font requirements on the content (headings, tables, normal text etc.) of the KFS?***
- ***What size should the font for the content of the KFS be? Should it be consistent with other disclosure documents?***

- ***Are there any practical concerns with restricting the KFS to a one A4 page format (both front and reverse sides)?***
- ***Is it appropriate for all of the content of the KFS to be prescribed or should the regulation only provide guidance regarding the wording of some sections of the KFS?***

Industry response:

The Insurance Council considers prescribed wording a critical component of the KFS in order to prevent disputation with customers and avoid any potential allegations of misleading and deceptive conduct

It is intended the KFS will be A4 one-page, contain key information regarding the policy and any other key information on the front, with some generic information on the reverse.

Some members have raised concerns that where they would like to use the KFS flexibly and incorporate it into the PDS the A4 page size may present significant additional costs where the PDS is printed in DL size. Therefore, it is submitted consideration should be given by the Treasury to allowing some flexibility to use different paper sizes while ensuring the amount of text would be the same as the A4 size.

In addition, some insurers have raised issues relating to the paper (such as watermarks) and the branding on the KFS. The use of watermarked paper and logo presentation consistent with other disclosure documents of the same insurer will add to the KFS's visual appeal and make it clear it relates to the other material, such as PDS and Policy Schedule provided.

Some members have identified the need to avoid potential mismatches between the terms prescribed for the KFS and those used in the PDS, for example landslide/landslip, cyclone/storm surge. Some insurers consider the terminology should be able to be adapted to include both terms otherwise customers may get confused as to whether the event listed in the PDS is the same as the event listed in the KFS. However, this may limit the space available for other content. A survey of the most commonly used event terms in buildings, contents and combined HBHC PDSs may be useful to resolve this matter.

It is considered a prescribed format will ensure consistent presentation and safeguard the readability of the KFS for the consumer. A minimum font size such as that prescribed in the simplified PDSs for other financial services could be an appropriate benchmark.

The simplicity of the format must be included in consumer testing.

2.4.1 PROVISION

When the KFS is required to be provided: (page 28)

- ***Are the situations where a KFS is not required to be provided as outlined above appropriate?***
- ***Are there any other situations where a KFS should not be required to be provided be included? If so, please elaborate.***
- ***How will consumers be affected if the scope of any potential exemptions from the requirement for insurers to provide a KFS is wider than those outlined above?***
- ***If no exemptions for the provision of a KFS are provided in the regulation, what will be the cost implications for insurers?***

Industry response:

The Insurance Council's response to *Clearing the Waters* submitted the KFS should not be required upon written quote or renewal to limit the cost impact of the KFS on industry. These issues were raised during the Roundtable Hearing of the House of Representatives Economic Committee Inquiry into the Insurance Contracts Amendment Bill on 8 February 2012. The Committee's Advisory Report notes that these issues would be considered as part of this consultation process.

The Discussion Paper proposes the KFS will be required when the consumer makes an inquiry. However, it recognises there may be a number of situations where it is inappropriate or ineffective to do so. The Explanatory Memorandum to the 2011 Bill provided the following situations where the KFS would not be required by way of an exemption in the regulations:

- The insurer has already provided a KFS and the new KFS would be the same except for the date;
- The Insurer reasonably believes another person has already provided the consumer with a KFS and the new KFS would be the same;
- Where consumers indicated that they do not wish to have a KFS provided in relation to the policy they are seeking information.

The above scenarios are supported. However, the Insurance Council submits in addition to the above, that it would be sensible for the timing requirements of the KFS to mirror as far as practicable those applicable to the PDS under the Corporations Act. This will enable the KFS to be provided with the PDS (the preferred option) as well as flexibly, for example by incorporation into the PDS should insurers so choose, and within the statutory cooling off period.

The Insurance Council submits electronic communication should be allowed in accordance with the *Electronic Transactions Act 1999* (Cth) for all information required under the IC Act. As outlined in our 19 January 2012 submission to the House Standing Committee on Economics, flexibility is necessary, such as during telephone sales, as there will be circumstances where the customer requires a policy immediately and it will not be possible to provide a KFS electronically or otherwise before the policy is entered into, for example where a customer has just purchased a home or entered into a rental agreement.

It would be highly undesirable to create a situation where a customer was left exposed without insurance cover because an insurer could not provide cover (without committing an offence) as it was not possible or practicable to provide a KFS to the customer. Therefore, it is submitted that provisions similar to section 11(11) and section 69 of the IC Act should also be included in the Regulations.

Delays in provision of a KFS (page 28)

- ***Does the timing of the provision of the KFS raise any practical concerns for insurers?***
- ***Are there any circumstances where it is appropriate to allow for insurers to provide a KFS at a later date if it not possible to provide it at the time of inquiry?***
- ***Should the issue of the quotation of HBHC insurance policies over the telephone be considered in the context of the provision of the KFS?***
- ***Are there any cost impacts for insurers if the provision of a KFS is not able to be delayed? If so please elaborate and provide the magnitude of costs where possible.***

Industry response:

See industry response to 2.4.1 above.

2.4.2 METHOD (page 29)

- ***Are there any practical or logistical issues regarding the proposed methods for which the KFS will be provided?***
- ***Are there any cost implications in relation to the allowed methods for the provision of the KFS? If so, please elaborate and provide the magnitude of costs where possible.***

Industry response:

See industry response to 2.4.1 above.

2.7 IMPACTS/COSTS (page 30)

- ***To what extent would different prototypes of the KFS impact on costs? Please provide the magnitude of costs if possible.***
- ***Are there any aspects of the KFS where costs will be significantly increased as a result of proposals outlined in this discussion paper? If so, please elaborate and provide magnitude of costs where possible.***
- ***Are there any areas of this discussion paper where industry cost should be considered/ recognised?***

Industry response:

The Discussion Paper recognises the KFS will increase compliance costs for industry. To reduce compliance costs for insurers and allow greater access for consumers when making their insurance decisions, the provision of the KFS will be able to be made electronically. This will allow insurers to provide a link or details of where a printable copy can be obtained of the KFS on their website and/or send the KFS in electronic form via e-mail. Electronic communication and the provision of the KFS together with the PDS are critical factors influencing the cost of the KFS.

The Insurance Council has provided indicative figures to the Treasury on the costs related to the provision of a highly prescribed KFS, provided together with the PDS and able to be provided electronically and otherwise on the insurers' webpage or upon request. Following consultation with members representing a significant portion of the home and contents insurance policy market, it is estimated the compliance cost of producing a KFS would be approximately \$1.2 million in the initial year and \$1.2 million every year thereafter. This represents establishment costs of the KFS (development and legal) and implementation costs (website, system changes and training of frontline staff). Ongoing annual costs relate to printing and distribution.

After a reasonable implementation period (for instance, two years), it is recommended government should seek to identify through further consumer testing and consultation with industry whether there are any issues which should be addressed.