

Why so complicated?

In the words of Avril Lavigne, why do you have to make life so complicated? Vicky Hurley asks if it's time for life insurers to make their literature more consumer-friendly.

AS CONSUMER GROUPS and government think tanks continually push for product simplicity and transparency, insurance is increasingly seen as a commodity product. This means that the process for purchasing insurance needs to be as straightforward as possible. In particular, policy literature needs to be clear and understandable to all who buy insurance.

Definite problems

This is particularly important for new products, such as reviewable critical illness. As reinsurers pulled out of the guaranteed market, direct writers had little choice but to move to a reviewable premium. But any sort of reviewable product is opening itself up to problems further down the line. If you make mistakes in the definitions, method, timing or reasons for review you could land yourself in big trouble.

Add to this the fact that a significant proportion of the business is reinsured. Many insurers seem to think the problem of paying claims has 'gone away'. Will reinsurers pay claims awarded by the ombudsman purely owing to errors in the insurance company's sales and marketing process? I certainly wouldn't if I were a reinsurer.

Finally, there is the increasing ease and speed of the customer complaint process. Even the slightest disagreement about the interpretation of policy wording can escalate rapidly.

Given the pressures this imposes on all stakeholders involved in the product development cycle, I thought it a good idea to have a light-hearted look at some of

the policy and key features wordings I have come across in my search for protection cover. A friendly IFA (my dad) bombarded me with the literature from a variety of products from a wide range of companies.

Just for a bit of fun, forget you are an actuary and pretend that you are normal. Have a look at the quotations below. Do you think the explanations from 'insurance man' are clear?

Call a spade a spade

I appreciate these are the worst examples from the literature I've looked at and there are good reasons for the definitions and exclusions (I am an actuary after all), but why do we have to make life so complicated?

Moreover, even the best UK literature has a long way to go to be as clear as some Australian literature – for example, the lifestyle questionnaire that asks 'have you ever had male-to-male sex, either oral or anal?', 'how many times have you had unprotected sex?', and 'how many sexual partners have you had in the last two years?'. I appreciate that the language is a bit blunt for the average actuary, but at least there is no danger of the ombudsman's accusing you of asking unclear or misleading questions!

Maybe I am a bit of an optimist (or just downright stupid), but I do believe insurers should be clearer with their policyholders and that 'normal man' should not be misled. But at the end of the day, the only way change will happen is if insurers are hit in the pocket, either by the ombudsman, their nasty big brother (the FSA), or by reinsurers removing cover or refusing to pay claims. □



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Insurance man says:	Normal man says:
Waiver of premium benefit will remain in force if you reside in, or travel to, the European Union and/or travel or live temporarily in any other part of the world for a period not exceeding three months in any 12 months.	Am I covered or not?
We won't pay a critical illness claim.... Unless you survive for at least 14 days after diagnosis of a critical illness is made.	Isn't a critical illness one that's about to kill me? Maybe you should rename it 'pretty bad but not absolutely critical illness insurance'.
The deductions include expenses, charges, any surrender penalties, and other adjustments.	Thank you for making this precise.
[Exclusion for Mortgage Protection Insurance – Unemployment] If you come to the intended end of a fixed-term contract, or a period of temporary/casual work or if unemployment is a regular feature of your work.	As my wife asks: 'Anything exciting happening today darling?' I say: 'Not really, I'm just going to the office to be unemployed. After all it is Monday.'
You can have even more than one of the same benefit. For example, you can have a death or earlier critical illness benefit on an income basis for family protection and the same benefit on a decreasing lump-sum basis for loan protection...	Pardon?
Financial independence – the ability to recognise the transactional value of money and the handling of routine financial transactions.	Like filling in this application form, erhhh page 32.
No claims for terminal illness benefit will be paid during the last 12 months of the benefit term	Why am I paying you premiums if you aren't going to cover me?