

**Speaking Notes for the Consumer Council of Fiji CEO, Ms Premila Kumar at
the Seminar on Property Insurance in Fiji
11 August 2016, Novotel Hotel, Lami, Suva**

Acting Prime Minister, Attorney-General and Minister for Economy, Hon. Aiyaz Sayed-Khaiyum

Chief Executive Officer of CHOICE Australia Mr Alan Kirkland

Board Members of Consumer Council of Fiji

Members of the Judiciary

Representatives from Insurance Companies & Brokers,
Panelists

Media Representatives

Ladies & Gentlemen

It is my pleasure to welcome you all to this important Forum. Let me first thank the Chief Guest, the Acting Prime Minister for accepting our invitation.

His presence is a clear indication of his and the Government's commitment to engage in issues that can improve the lives of our ordinary Fijians.

I also wish to take this opportunity to welcome and acknowledge our special guest, Mr. Alan Kirkland, the CEO of CHOICE, and his colleague, Ms. Erin Turner for accepting our invitation to speak at this Forum.

Ladies and Gentleman, CHOICE is a leading Consumer Advocacy body in Australia that tests and rates a range of products and services which includes financial services. They produce the magazine called CHOICE for their members.

Today, we have come together to identify issues related to 'Property Insurance' and find solutions to address those issues. I know insurance is not a simple topic.

We cannot discuss all the issues in a day or two. We hope that we can find solutions to address some of the pertinent issues collectively that will be highlighted at this forum even after this seminar.

Today's seminar is timely, given the devastation caused by TC Winston where lives were lost together with livelihood and homes.

At the outset, I wish to say that insurance industry plays an important role in our economy. It provides the financial security against possible risks that could cost the country, business or individuals thousands or even millions dollars. Low-income consumers very often do not have social or financial protection to withstand risks that can worsen their financial situation.

It would be ideal to have every business and every homeowner obtain insurance cover to protect their properties or businesses against losses which they cannot foresee. But that is not the case.

The question is why in Fiji, public rely on government or their FNPF money or their immediate families for assistance to rebuild their lives? Is it because they don't have confidence in the insurance sector or they don't understand the importance of insurance or they can't find insurance products made for their needs?

Ladies and gentleman, in 2008, the Council with the assistance of then AUSAID (Australian Government Aid), published a comprehensive Report titled - **“The Insurance Industry in Fiji – Consumer Protection Issues.”** This was the first comprehensive report on insurance in Fiji.

Before this research was conducted, we had seen, occasional pronouncements made by court judges on aspects of insurance product brought before them in litigations. Other than that, there was hardly any research undertaken by the academia or the regulator. RBF as a regulator has been publishing annual reports on insurance.

We have come a long way. I give credit to RBF for developing a number of policies after the Consumer Council Report was released in 2008. After the launch of the report, a total of 6 Insurance Supervision Policy Statements were issued by RBF in the last 8 years for the insurance sector. Most important one was on Minimum requirements for the Appointment and Supervision of Insurance Agents in Fiji which came into effect in April 2014.

It should be noted that the industry continues to function and grow. This indicates that insurance consumers – whether commercial or residential continue to provide

adequate business to insurance companies. This is on account of various factors, including full satisfaction with the insurance products, lack of options in a concentrated market, and compulsion through compulsory third party insurance, or compulsory property insurance as a condition of property loans.

However, the growth of the industry does not indicate that consumers have confidence in the industry because only **a small portion of consumers believe in investing in insurance when it is not compulsory as compared to businesses or corporates?**

Why is that when we know that the purpose of insurance is to mitigate risks and prevent losses to help families, businesses and assist the country as a whole to bounce back after any unforeseen natural disasters or events.

Are we doing enough to educate the public? Who should take the lead role? We have seen the important role Insurance Council is playing in Australia and New Zealand to educate the public.

Another major concern that is reflected in consumer complaints is lack of full disclosure of information to consumers when they purchase insurance cover. Consumers have little opportunity to shop around to compare different insurance products on offer. Why we don't have Product Disclosure Statements (PDSs) for different types of insurance cover?

Consumer responsibility is also crucial. At the end of the day, consumers should not make insurance decisions based just on price, and on the assumption that all cover are the same. They need to make comparisons before buying insurance covers. But how can they make comparison?

This is where I can say that when it comes to disclosure, the hire purchase industry is much better. It is a legal requirement to disclose all important information on a standard pre-disclosure form even before a consumer enters into hire purchase agreement.

We don't have such standard in the insurance sector where there is a requirement which all insurance companies and brokers must follow to disclose important features of the policy in writing to consumers on a standard form.

We have insured consumers who do not know what all they are covered for. The Council has received concerns from some consumers that the ‘insurance agents’ do not tell them much about the policy at the time of signing for the cover. Some say the policy document has ‘fine prints’, hence, they faced difficulty reading the document, let alone understanding it.

In my view there are two categories of issues. First category is to do with consumers who want to buy the policy or already have a policy and the problems they face. This is more to do with pre-disclosure, how policy is written, how renewals are done, access fee, exclusion clause, and the nightmare when it comes to claims.

The other category is those who are not insured? It’s important to understand why they are not insured? And what can be done to get them insured. Is it lack of awareness on the importance of insurance or is it the high standard and requirements placed by the Fiji Insurance Council or is it because there are no property insurance products in the market that are made to suit their need?

It is ironical that the insurance industry collectively have set standards for compliance to be met by consumers if they want a cyclone cover. BUT the regulator has not imposed any standard in terms of how key information should be disclosed or even a standard Code of Conduct for insurance agents? Why?

I am sure we all like to see a flourishing insurance industry and this can happen with reforms. We need the industry to become more accessible to the consumers. We are calling for more accountability and a more robust monitoring from the Regulator (RBF), which has been lacking. We would like to see a range of property insurance products in the market that gives wider choice to consumers and one that suits the needs of our people.

Today’s seminar is just the start of our work in insurance sector. The Council will hold a series of seminar that will focus on Medical Insurance, Life Insurance and Compulsory Third Party Insurance (CTPI).

Ladies and Gentleman, I now invite the Acting Prime Minister, Attorney-General and Minister for Economy, Hon. Aiyaz Sayed-Khaiyum to deliver his message.

Thank you