

MEDIA RELEASE

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The Ombudsman for Short-Term Insurance

Ombudsman recovers more than R100m for consumers from short-term insurers in 2015

The Ombudsman for Short-Term Insurance (OSTI) recovered more than R100m for consumers during 2015 from the Short-term insurance industry.

Speaking at the release of the office's annual results, the new Ombudsman for Short-Term Insurance, Deanne Wood highlighted some of the key issues dealt with by her predecessor, Dennis Jooste in his 2015 report. She noted that an outstanding feature for 2015 was the continued improvement in turnaround time to resolve disputes.

The Short-Term Insurance Ombudsman aims to resolve short-term insurance complaints fairly, efficiently and impartially. It took just 74 days on average for the office to resolve disputes in 2015, down from 223 days in 2011. Matters resolved after six months numbered just 31 in 2015, compared to 1 319 in 2011.

Last year 9 784 complaints against short-term insurers were received, slightly down from 10 253 in 2014. Of the total complaints, 48% related to short-term motor insurance; 18% to houseowner insurance; 8% to householder insurance, 7% to commercial and 19% to other types of short-term insurance.

Wood explained that the reduction in the submission of complaints could be attributed to "the effect that initiatives such as the Treating Customers Fairly campaign are having on the approach taken by insurers to claims resolution."

Wood said in recent years the publication of insurer statistics had also tended to identify those insurers that attracted a disproportionate number of complaints or had high turnover rates, serving as an incentive to improve service.

But she drew attention to Jooste's comments that policy drafting by insurance companies required attention.

"It is of the utmost importance that insurance policies are drafted with clarity," she said. "Too many policy documents contain unclear and ambiguous clauses that are difficult to understand and problematic to interpret."

The problem of bad communication extended to the scripts used by direct insurers during recorded sales conversations. Wood explained that often the sales

consultant, following a prescribed script, caused confusion in the mind of the consumer due to bad drafting of the script and bad presentation of the policy terms.

The Ombudsman said motor warranty policies continued to cause problems due to a lack of understanding on the part of consumers as to the precise nature of the cover provided.

Cellphone policies too were problematic, especially when it came to consumers understanding the concept of a specified SIM card having to be used with a particular handset at the time of a cellphone loss.

The Ombudsman said that a particular concern addressed by Jooste in his report was the onerous wording of travel insurance policies when it came to emergency situations.

“Compliance with policy terms in emergency situations is very often practically impossible for consumers who find themselves in a stressful situation particularly when abroad,” said Wood, reading from Jooste’s report.

Another cause for concern was the occasional aggressive conduct of insurance assessors when questioning policyholders about claims.

Wood added that the poor performance of state laboratories in analysing blood samples for cases involving driving over the legal limit was most prejudicial to insurers who wished to rely on the outcomes of such laboratory tests in order to repudiate claims.

“There are also ongoing problems with insurers failing to comply with the provisions of the Policyholder Protection Rules particularly in relation to furnishing concise details about policy exclusions, and first amounts payable.”

Statistics showing the number of personal lines complaints received by the Ombudsman against individual insurers can found in the office’s latest annual report.

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