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Consumers seem to be too hasty to read or understand their policy documents which in turn causes a lot of frustration with their insurers. Picture: African News Agency (ANA)

Consumer Watch: Know thy policy wording

By Georgina Crouth  1h ago



The consequences of not reading terms and conditions loomed large once again in the annual report of the ombudsman for short-term insurance. Consumers, it seems, are too excited, too hasty, too uneducated and simply too disengaged to read their policy documents, which is the source of most friction with their insurers.

Over the past financial year, the ombudsman closed 9167 complaints out of 10367 complaints received and recovered more than R94.9 million in favour of consumers: R47.7m of that went into the pockets of motoring insureds.

Of the 9167 complaints the ombudsman closed in the 2019 financial year, almost 4500 - or 49% - related to motor vehicles, followed by homeowner's insurance at 20.1%, commercial insurance complaints 7.9% and household content insurance grievances at 6%.

The ombudsman's report, which was released towards the end of last week, said it had recovered more than R94.9m for consumers in the past financial year, which is an increase of almost R8m in both 2018 and 2017, when just over R87m was recovered.

Peter Nkhuna, senior assistant ombudsman, says the bulk of their complaints are related to total losses, where vehicles are written off or stolen and there's a credit shortfall on the payout.

"Consumers are often shocked when it comes to the claims settlement calculations. People often have false impressions about the values of their cars, they're underinsured, they haven't disclosed all the extras or failed to specify items so when the insurer pays out they don't cover those things," Nkhuna says.

A surprisingly common issue relates to year models: Nkhuna says many people buy new vehicles in December, once they've received their bonuses. Dealerships often fail to disclose year models accurately and in many cases, sales staff tell customers that if they take ownership in January, it will be registered as a later model vehicle which increases the value. "This is obviously not correct. The year model is the year of manufacture."

First-time and younger buyers are most at risk of falling for the con.

Consumers don't necessarily plan their purchases in advance either, so they don't factor in maintenance and insurance costs. Finance houses require proof of insurance so once the customer realises that they actually can't afford the vehicle, they downgrade the insurance product and buy the cheapest.

"Consumers don't read the fine print of their contracts so they don't realise that their excess might be R50000 or even R100000. So when they suffer a loss they won't have the benefit of their insurance because they can't come up with the money. These policies are structured in such a way that there's a basic excess with a voluntary excess and multiple additional excesses: It might say that if your car is involved in an accident between certain times, you pay 20% - then, if your licence is younger than two years, you pay another 20% of the value of your car. That makes a huge difference.

“Goedkoop is duurkoop”

The ombudsman has taken a dim view of these policies for years, so they've had a “soft” agreement with the sector which has resulted in a reduction of such multiple excess clauses.

Another welcome reduction is driving under the influence of alcohol claims, which have come down due, to a large extent, to consumer education. Non-disclosure or misrepresentation of material information have also declined over recent years.

Driving under the influence declined 13% in 2019 (15% in 2018), while material misrepresentation is down 22% (20% in 2018).

“We are very involved in consumer education and social media, and we send out regular newsletters. The treating customers fairly regime has also forced insurers to pay attention to how they are dealing with their customers,” he explains.

This year has been described as the year of plenty and the ombudsman expects a surge in Covid-19 complaints, especially around business interruption, over which it has limited jurisdiction, and travel. The office is also concerned about lapsed policies, not only related to the tough economy but also due to poor customer service.

The chief executive for the office, Edite Teixeira-McKinnon says: “We don't want to see the lapsing of policies and if there is a bad experience then people might cancel, so we try to restore relationships. In this climate it is not easy to acquire new customers, it is much better to try and resolve issues and restore the relationship between insurers and their customers. So our role becomes even more important.”

Teixeira-McKinnon, says until the end of March this year, they had already seen a substantial increase in complaints, but in April, they saw a significant decline, linked to the lockdown. “In April we saw a decline in complaints, and that was predominantly because 49% of our complaints are from motor accidents and motor vehicle claims. With less vehicles on the road, there are less claims and, therefore, less complaints.”

Travel insurance is likely to remain a feature over the coming months and once again, it comes down to policy wording.

Nkhuna says consumers don't familiarise themselves with the product they purchase and what specifically they are covered for. “They might think they are covered if the flight is delayed or cancelled but the policy might only say you have cover if it was due to your death or your partner's - these are very specific events. All they see or hear is that they are covered for cancelled or delayed flights, not the circumstances in the policy wording.”

Consumers, he says, need to look at the circumstances under which they would be covered.

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