



## **Commerce Commission – IAG New Zealand Limited Settlement**

### **Questions and Answers for policy holders**

#### **Is my insurance policy affected?**

Not all IAG insurance policies are affected. Some house and contents policies issued through NZI, Lantern, ASB, BNZ and Co-operative bank are affected. No vehicle or business insurance is affected.

#### **What is the problem?**

IAG have discovered an error which affected the annual adjustment of the sum insured of some of its home and contents insurance policies. Their sum insured was supposed to be automatically adjusted each year to reflect rising inflation; however, the sum insured adjustments were incorrectly set below the rate of inflation for much of that period.

IAG represented in its policies that the sum insured under each affected policy would be calculated using a method set out in the contract. IAG then calculated the sum insured using a different method resulting in a sum insured less than it should have been. We consider that this conduct contravenes sections 9 and 11 of the Fair Trading Act.

#### **What is a sum insured?**

The sum insured is a dollar amount stated in the policy to cover the insured house or contents.

#### **What does the error mean to the policyholder?**

The error has created two problems:

- Some current and historic claims have been under-paid on the basis of a sum insured figure that is lower than it should have been.
- All affected current policies have a sum insured figure which is too low and upon renewal this will be corrected to what the sum insured should be. This is likely to lead to an increase in premium for the policy holder.

#### **Who is eligible for compensation?**

IAG has identified 643 past total loss insurance claims where the policy holder may be entitled to compensation. Current claims will be processed using the correctly calculated sum insured in accordance with the relevant policy wording.

**I previously have had a total loss claim. When will I get compensation and how much will it be?**

If a policyholder is eligible for compensation, they will be contacted by IAG. The claim will be re-assessed by IAG using the correct sum insured which may result in compensation being paid. The level of compensation will depend on how long the policy has been in place and the individual circumstances of the claim.

**I currently have a total loss claim. When will I get compensation and how much will it be?**

All current house and contents claims that have not been settled are being assessed using the correct sum insured and so there will be no additional compensation in these cases. If you have any questions about how the error affects your current claim you should contact your insurance provider, broker or IAG.

**Will I be getting interest paid on the compensation amount?**

Those policyholders who had claims which were underpaid will receive interest on the refund amount calculated from when the claim was originally settled.

**I currently have an unresolved total loss claim in Christchurch. How am I affected?**

All current Christchurch claims have been reviewed and the sum insured corrected where necessary so they will be correct when settled.

**Who do I contact to see if I am eligible for claim compensation?**

IAG will contact those policyholders who have claims affected by the error. If any policyholder has other questions they can contact their insurance provider, broker or IAG on 0800 694 694.

**What if I have a claim before my policy renews?**

Any claim that is received before the customer's policy renews will be assessed with a corrected sum insured figure.

**If I am not happy with the level of compensation or with how my claim has been handled who can I contact?**

The policyholder should contact IAG or their broker in the first instance to discuss their complaint. If the dispute cannot be resolved by direct communication with IAG, policyholders can contact the Insurance and Savings Ombudsman of New Zealand (ISO) on 0800 888 202.

**If I am not happy with the Commission's settlement with IAG what can I do? Am I bound by this settlement?**

Affected policyholders are not bound by the settlement. If policyholders are not happy with the terms of the settlement they may be able to take their own private action against IAG under the Fair Trading Act.

**How many people will be affected on the renewal of their existing policy? How will they be affected?**

150,755 policyholders are affected by the error. These policyholders will be advised before the next renewal of their house or contents policy.

**What will the new sum insured figure be?**

The sum insured on affected current policies is too low. This will be changed automatically to the correct sum insured at the renewal of the policy. The increase in the sum insured will depend on when the policy was first started.

**Do policyholders have to accept the increased sum insured?**

No. If a customer with a renewing policy is unhappy with the increased sum insured they can contact their insurer or broker.