

Source: STAR

Date: 27-May-2013

Topic: 08

Ref No: 4123



1

ID: 04156414-01 Source Page: 11

CONSUMER WATCH

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Just how does your insurer fare when it's claim time?

The office of the Ombudsman for Short-Term Insurance reveals the scorecards

SHORT-TERM insurance is a highly competitive industry, each of the players trying hard to convince consumers that it provides the best-value premiums and that it'll look after us in our hour of need: claim time.

But how do the companies shape up when it comes to dealing with claims?

Well, the office of the Ombudsman for Short-Term Insurance (OSTI) has, for the first time, provided some insights into just this, by publishing statistics relating to 51 insurers ranging from Absa to Zurich.

Big, small and in-between, their stats, relating to personal lines, are laid bare in the ombud's 2012 annual report, released in Joburg last week.

Among the numbers are the number of claims each insurer received, the number of complaints received by OSTI last year, the number of rejected claims "overturned" by OSTI, and the number of complaints received by OSTI per 1 000 claims received by the insurer.

"What is important is the proportion of complaints to this office relative to an

insurer's share of the total claims reported to the Financial Services Board," says ombud Dennis Jooste.

"The clearest indicator of this is the number of complaints to this office per 1 000 claims received by an insurer."

That's because that number gives consumers an idea of how many of that insurer's clients felt that their claims were unfairly repudiated.

In most companies - 38 - it was fewer than five out of 1 000 claims: many insurers had proportionally so few of their claims end up in the ombud's office that they registered as 0 out of 1 000.

They include Ace, Lloyds, NMS, Old Mutual Health Insurance, Relyant and Vodacom.

So how did the industry's five biggest players fare, in terms of number of claims received last year?

They are Santam (385 449 claims), Hollard (300 635), Absa (286 956), OUTsurance (284 576)

and Auto & General (220 930 claims, which include Budget and First for Women).

Santam's share of claims that ended up as complaints to OSTI was 2/1 000, Absa's was 3/1 000, OUTsurance 2/1 000, Auto & General's 5/1 000 and Hollard's 2/1 000.

Eight insurers, all with relatively few claims, had relatively large percentages of their claims end up as OSTI complaints, indicating a relatively high level of dissatisfaction among their clients.

They are:

Oakhurst: 37/1 000

Chartis (now AIG Insurance): 30/1 000

RMB Structured: 25/1 000

Saxum: 17/1 000

Centriq: 16/1 000

Lion of Africa: 15/1 000

King Price: 11/1 000

New National: 11/1 000

The "overturn rate" - an

average of 33 percent for the year, 2 percent down on the previous year's figure - is a little controversial. First, the figures don't only relate to cases that were repudiated by the insurer and then that decision "overturned" by the ombud's office on review because the decision was felt to be wrong or unfair.

It includes any resolution that resulted in some benefit for the consumer which he or she wouldn't have got without the ombud's intervention.

Discovery Insure's Anton Ossip said, for example, that of the company's nine claims that were finalised with some benefit to the client, one involved a claim for a stolen bicycle which was repudiated because it wasn't specified on the policy.

"It was the correct decision, but we took too long to finalise the claim, so we gave him a gift voucher to apologise for the

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1



ID: 04156414-02 Source Page: 11

poor service," he said.

Discovery's overturn rate was 36.84 percent, slightly higher than the average rate of 33 percent for the office, for the year.

"But we are very happy for the ombud's decision to publish the stats," Ossip said. "It's a real game-changer for the industry and will ensure that we all strive to increase our standards."

"No one wants to be on the wrong side of the statistics."

Speaking of which, bearing in mind that average overturn rate of 33 percent, among the companies that had considerably more of their decisions overturned were JDG (Joshua Doore Group) Micro with an overturn rate of 64.71 percent and Relyant (60 percent).

Both are insurance arms of this country's major furniture retailers, which sell short-term insurance policies on goods bought in their stores.

Vodacom, like JDG Micro and Relyant, had a small number of its claims decisions result in complaints, but the overturn rate was high – 66.67 percent.

With Vodacom, two out of three cases went the way of the consumer; in the case of Relyant it was three out of five cases; and with JDG Micro, it was 11 out of 17 cases.

It could be that those policyholders – mostly "mass mar-

ket" consumers – are generally less likely to contest an insurance repudiation.

Insurer NMS had all four of the complaints against it "overturned" or finalised with some benefit to the insured, as did SASRIA and King Price, both just one case each.

Both Renasa (48.9 percent) and RMB Structured's (49.45 percent) overturn rates were also significantly higher than the overall rate, the former having 47 out of 96 cases "overturned" in some way by the ombud's office, and the latter 135 out of 273.

In all, the office received 9 123 complaints against insurers last year, an increase of 1.7 percent over 2011, and resolved claims worth R113.7 million in favour of the insured, slightly down on the previous year's figure.

As always, most (48.4 percent) of those complaints had to do with motor claims, followed by householder's (22 percent) and homeowner's claims (8 percent).

The office's core function is to consider complaints about repudiated insurance claims fairly and impartially – and it's a free service to the consumer.

"We should be seen as a consumer watchdog to ensure that fair play prevails," Jooste says.

"But in order to maintain our unbiased, impartial role, we should not become consumer activists, nor a spokesperson for the insurance industry."

To contact OSTI, call 0860 726 890. To see all the stats, go to www.osti.co.za and click on Annual Reports, 2012.

Wendy Knowler sits on the Ombudsman for Short-Term Insurance's board, as one of four consumer representatives. The rest of the board comprises two independent and three industry representatives, and two *ex officio* reps – one from the Financial Services Board and one from the South African Insurance Association.