

June 21, 2013

Green light to electronic communication between insurers and consumers, as Bill passed

The passage of the Insurance Contracts Amendment Bill 2013 through the Senate today will give insurers the certainty they need to communicate with customers electronically, the Insurance Council of Australia (ICA) says.

ICA CEO Rob Whelan welcomed the Bill's movement through parliament and said the landmark piece of legislation would finally allow insurers and their customers to communicate electronically.

"Today's announcement heralds an era of greater communication between insurers and consumers by providing insurers with legal certainty over the use of electronic communication to provide policies and other notices under the Insurance Contracts Act," he said.

"Whether it's shopping, banking or buying insurance, consumers expect to be able to conduct their business online using a computer, tablet or smartphone. These changes will allow that to become a reality and will allow consumers to benefit from a 21st century system.

"The changes mean consumers will benefit from new ways to understand and interpret their policies, while insurers will benefit from the increased speed of which electronic notices are delivered compared to traditional measures.

"It will mean insurers can develop interactive Product Disclosure Statements so consumers can quickly navigate to the parts of their PDS they want to read, while also allowing them to search documents quickly for important terms and definitions.

"Since updating the Insurance Contracts Act was recommended in 2004, the ICA has engaged in lengthy discussions with government and consumer groups about the measures contained in the Bill. The ICA and its members thank the Government for persisting with these amendments and both sides of parliament for helping to make this important piece of legislation a reality."

Electronic communication offers significant benefits for both customers and insurers, including:

- Speed - An electronic notice is likely to be received very shortly after it is sent. Notices sent through the post can take a number of days before they are received
- Navigation – Documents sent online can be searched quickly, with hyperlinks allowing policyholders to easily find important information about their policy
- Consumer expectations - Consumers expect to be able to conduct business online.

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June 21, 2013

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Other changes in the Bill will particularly benefit consumers, notably: making a breach of the duty of utmost good faith a breach of the Insurance Contracts Act, with remedies available for problems with claims handling and settlement; enhancing the Australian and Securities Investment Commission's (ASIC) powers in relation to insurance contracts; and, providing third party beneficiaries with new rights and obligations.

The ICA submission on the Insurance Contracts Amendment Bill is available here:
<http://tinyurl.com/lobnnz8>