

# Insurers 'favour the rich'

**Insurers are offering poor insurance contracts knowing that only the rich can fight for a better deal, says an insurance specialist.**

The practice highlights the need for new insurance guidelines from the Human Rights Commission and a revised draft is expected in April.

Brian Klee of Special Risk Insurance helps clients who have been quoted unreasonably high premiums or offered policies with unfair exclusions for broad categories of illness.

He claims success - a policy issued or harsh terms softened - in eight out of 10 cases.

That indicated unfair discrimination in the way insurance companies underwrote policies, said Klee. But only people who could afford his \$350 plus GST fee and know about his unique service could make a challenge.

Gilbert Wong, spokesman for the Human Rights Commission, said Klee's comments showed why the commission's insurance guidelines were being updated.

The guidelines were designed to allow insurers to vary premiums only where actuarial statistics or medical advice supported the move.

Klee said among the most pressing issues were addressing insurers' paranoia about mental illness and stress, putting firmer guidelines around what conditions insurers could exclude from policies, and putting limits on the length of time an insurer could delay giving a quote to an applicant in hard cases.

He said in order to avoid finding themselves involved in a test case, some insurers were perpetually deferring quotes.

The commission has signalled the direction the draft is likely to take.

It believes, for example, there is a presumption among insurers that any past condition, no matter how distant, is a pre-existing condition, and warrants exclusion.

There also appears to be an over-use of broad exclusions such as excluding all forms of cancer in cases where people have had, for example, breast cancer, even though there is only a tenuous link between having breast cancer and developing other forms of cancer.

The draft rules are likely to propose tougher guidelines in both areas, including whether insurers are using assumptions they can justify. Ruth Harrison from the Mental Health Commission said insurers were particularly blinkered about mental health issues.

She said the the underwriting guidelines used by many insurers were based on international data, and did not take into account the comparative strength of New Zealand's mental health system and the better recovery rates it had.

That was unfairly penalising people. In some cases people were being told they could be insured only if all mental illness was excluded from the policy, simply because they had one session of counselling after a relationship split up 10 years before. That was also partly the fault of the reinsurers, the giant insurance firms that insure New Zealand's insurers, Harrison said.

Their contracts required New Zealand insurers to follow international underwriting standards, and that was unfairly discriminating against some New Zealanders.

She favoured the Human Rights Commission's rules being extended to cover the reinsurers, although there are fears that could lead to some leaving the market.

The insurance industry, represented by Vance Arkinstall of the Investment Savings and Insurance Association, maintains it is doing a good job, but will offer to enter into a memorandum of understanding with mental health groups to work together to produce fairer outcomes.

Harrison said such a scheme would be acceptable, and a meeting would happen next week on the suggestion.

The ISI also said it would support making the current voluntary moratorium on genetic testing mandatory and being given

the force of law by enshrining it in legislation.

But insurers want some quid pro quos. At present, they had to quote on every application, said Vance Arkininstall, even when a person was such a terrible risk that the premium would be enormous, and that was a waste of everyone's time.

Klee said those quotes could be for life insurance premiums of 150 times the average. But he said that in 90% of cases, people were being offered affordable premiums. Only 2%-3% of the population would find they were effectively uninsurable.