

MARKET BULLETIN

REF: Y4673

Title	Australia – New 'Key Facts Sheet' Disclosure Requirements
Purpose	To advise stakeholders of new disclosure requirements introduced by the Insurance Contracts Amendment Regulation 2012 (No.2) mandating the use of a standard 'Key Facts Sheet' disclosure document to be used in Australian home building and home contents insurance contracts.
Type	Event
From	Cameron Murray, Senior Manager, International Regulatory Affairs General Counsel Division +44 (0)20 7327 6677 or LITA@lloyds.com
Date	8 February 2013
Deadline	9 November 2014
Related links	Y4540 Y4588 Y4615

Issue

The Australian government has recently enacted the [Insurance Contracts Amendment Regulation 2012 \(No. 2\)](#) (the Regulation).

The Regulation requires an insurer to provide a one page 'Key Facts Sheet' (KFS) for home building and home contents insurance contracts. The KFS will have to include particular content presented in a specified format and structure and will have to be provided by Australian coverholders transacting this class of retail business.

Background

In 2010-11 Queensland, New South Wales and Victoria experienced a number of severe flood events. Since then the government has been working to introduce legislation to standardise flood insurance.

The government believed that these natural disasters brought to light the fact that many consumers lacked awareness regarding the content of their insurance policies and found it hard to access key information in relation to their insurance cover.

The KFS Regulation aims to reduce consumer confusion regarding what is and is not included in insurance contracts.

Key Facts Sheet

Definitions

Home building and home contents policies are contracts which provide cover for destruction, loss or damage of or to residential property or contents where the insured is a natural person.

These contracts are already described in Regulations 9 – 16 of the Insurance Contracts Regulations 1985.

Provision of KFS

An insurer must provide the KFS to the consumer when that consumer requests information about that contract for the purposes of comparison with other insurers.

The same consumer must be provided with the KFS again if the consumer enters into the contract. This does not apply at renewal or if the insured seeks to vary or extend the contract unless the KFS is different to what they received, ensuring they have received the most recent version of the KFS.

The KFS must be provided as soon as soon as reasonably practicable, but no later than 14 days after the KFS is requested or required.

The KFS may be provided by electronic means. For example an insurer may provide the KFS via a link sent by email to the consumer's email address, upon request. Insurers are, where possible, required to also provide access to KFS through their website.

KFS Requirements

The KFS must be set out, formatted and designed in a prescribed manner. It must be on A4 paper and in Arial font. Additionally, certain headings, columns and sections must be in particular colours and font sizes. The prescribed forms, as provided in the Regulations, are included in Appendix I to this Market Bulletin.

The specific requirements which spell out the manner in which a KFS is to be designed and filled out are contained in the [Regulations](#) and in more detail in the [Explanatory Statement](#).

Exemptions

The requirement for the insurer to provide the KFS does not apply if:

- The consumer seeks information on a contract from an insurance broker or the consumer enters into an insurance contract through an insurance broker acting as an agent of the consumer, i.e. not under a binder.
- The insurer has provided a KFS (or reasonably believes that a KFS has been provided) to a consumer at a previous time and the only difference is the date.
- The consumer informs the insurer that the consumer does not want the KFS.
- The consumer does not provide the insurer with the address (postal or electronic) to which the KFS is to be sent.

Next Steps & Transitional Provisions

There is a 2 year transitional period and the Regulations will become effective on the 9 November 2014.

Further Information

Lloyd's International Trading Advice

Ground Floor, Underwriting Room

Tel: +44 (0)20 7327 6677

Email: LITA@lloyds.com

Appendix I - Form One (Home Building)

The content of this Key Facts Sheet is prescribed by the Australian Government and is a requirement under the *Insurance Contracts Act 1984*

KEY FACTS ABOUT THIS HOME BUILDING POLICY

[insert policy name]

Prepared on: [insert date of this key facts sheet's preparation]

[Insert insurance provider's/
distributor's logo or brand]

THIS IS NOT AN INSURANCE CONTRACT

STEP 1 Understanding the Facts Sheet

This Key Facts Sheet sets out some of the events covered and not covered by this policy and other information you should consider. This sheet does not provide a complete statement of the cover offered, exclusions, conditions and limits that apply under the policy. You should carefully read the **Product Disclosure Statement (PDS)** and all policy documentation for more details.

STEP 2 Check the maximum level of cover and the events covered

Under this policy [insert details of the maximum cover provided in accordance with step 3]

Event/Cover	Yes/No Optional	Some examples of specific conditions, exclusions or limits that apply to events/covers (see PDS and other policy documentation for details of others)*
Fire and Explosion	[Yes/No Optional]	[insert policy specific condition, exclusion or limits] [if the wording of event/cover in column one is not consistent with the wording used in the PDS insert an explanation on how the event cover applies in respect to the policy]
Flood	[Yes/No Optional]	[insert policy specific condition, exclusion or limits] [if the wording of event/cover in column one is not consistent with the wording used in the PDS insert an explanation on how the event cover applies in respect to the policy]
Storm	[Yes/No Optional]	[insert policy specific condition, exclusion or limits] [if the wording of event/cover in column one is not consistent with the wording used in the PDS insert an explanation on how the event cover applies in respect to the policy]
Accidental breakage	[Yes/No Optional]	[insert policy specific condition, exclusion or limits] [if the wording of event/cover in column one is not consistent with the wording used in the PDS insert an explanation on how the event cover applies in respect to the policy]
Earthquake	[Yes/No Optional]	[insert policy specific condition, exclusion or limits] [if the wording of event/cover in column one is not consistent with the wording used in the PDS insert an explanation on how the event cover applies in respect to the policy]
Lightning	[Yes/No Optional]	[insert policy specific condition, exclusion or limits] [if the wording of event/cover in column one is not consistent with the wording used in the PDS insert an explanation on how the event cover applies in respect to the policy]
Theft and Burglary	[Yes/No Optional]	[insert policy specific condition, exclusion or limits] [if the wording of event/cover in column one is not consistent with the wording used in the PDS insert an explanation on how the event cover applies in respect to the policy]
Actions of the sea	[Yes/No Optional]	[insert policy specific condition, exclusion or limits] [if the wording of event/cover in column one is not consistent with the wording used in the PDS insert an explanation on how the event cover applies in respect to the policy]
Malicious Damage	[Yes/No Optional]	[insert policy specific condition, exclusion or limits] [if the wording of event/cover in column one is not consistent with the wording used in the PDS insert an explanation on how the event cover applies in respect to the policy]
Impacts	[Yes/No Optional]	[insert policy specific condition, exclusion or limits] [if the wording of event/cover in column one is not consistent with the wording used in the PDS insert an explanation on how the event cover applies in respect to the policy]
Escape of liquid	[Yes/No Optional]	[insert policy specific condition, exclusion or limits] [if the wording of event/cover in column one is not consistent with the wording used in the PDS insert an explanation on how the event cover applies in respect to the policy]
Removal of debris	[Yes/No Optional]	[insert policy specific condition, exclusion or limits] [if the wording of event/cover in column one is not consistent with the wording used in the PDS insert an explanation on how the event cover applies in respect to the policy]
Alternative accommodation	[Yes/No Optional]	[insert policy specific condition, exclusion or limits] [if the wording of event/cover in column one is not consistent with the wording used in the PDS insert an explanation on how the event cover applies in respect to the policy]

* This Key Facts Sheet is a guide only. The examples provided are only some of the conditions, exclusions and limits in this policy. You must read the PDS and policy documentation for all information about this policy.



The content of this Key Facts Sheet is prescribed by the Australian Government and is a requirement under the *Insurance Contracts Act 1984*

STEP 3 Other things to consider

Limits

This policy has restrictions that limit your cover for certain events and items, for example [insert policy specific example]. To find out these limits you need to read the PDS and other relevant policy documentation.

Excesses

If you make a claim, the excess is the amount you may have to pay for each incident. A number of different excesses may apply in respect to this policy, for example [insert policy specific example]. You may be able to increase these excesses to lower your premium. For more detail, please read the PDS and other policy documentation [if no excesses apply to the policy the words from "A number of different" to "other policy documentation" can be removed and the following wording can be inserted: However under this policy no excesses apply.]

Legal liability

This policy covers your legal liability when you are found to be legally responsible for damage or personal injury to a third party or their property. It is limited to [insert policy specific information]. You should read the PDS carefully to determine the extent of this cover. [if no cover is provided for limited liability under the policy the wording in this section can be deleted and the following wording can be inserted: This policy doesn't provide cover for legal liability.]

Cooling off period

If you decide you don't want this policy within [insert policy specific information] days of it being issued and you haven't made a claim, you can cancel it and receive a refund.

Maximum level of cover offered by insurers

Insurers offer different maximum levels of cover in the event of the loss or destruction your home including where:

- you set the maximum level of cover and your payout is limited to that amount* (*Sum insured*).
- you set the maximum level of cover and the insurer may provide you with some agreed extra cover above that amount (*Sum insured plus safety net*).
- the insurer will cover all the reasonable costs to rebuild your home (*Total replacement*).

* the insurer may provide some cover above this amount.

You should consider which type of cover is best for you.

Failure to adequately insure your home may result in underinsurance.

Warning: this Key Facts Sheet sets out some of the conditions, exclusions and limits in respect to this policy. You should read the PDS and all policy documentation for all the conditions, exclusions and limitations of this policy that limit or exclude cover

STEP 4 Seek more information

If you want more information on this policy contact us on [insert insurer/distributor specific details].

For more information on choosing insurance and to better understand insurance visit the Australian Government website: www.moneysmart.gov.au

The policy this KFS relates to is:

- Provided/Distributed by [insert policy specific details including the AFSL number].
- Underwritten by [insert policy specific details including the AFSL number].

Form 2 (Home Contents)

The content of this Key Facts Sheet is prescribed by the Australian Government and is a requirement under the Insurance Contracts Act 1984

KEY FACTS ABOUT THIS HOME CONTENTS

[insert policy name]

Prepared on: [insert date of this key facts sheet's preparation]

[insert insurance provider/
distributor's logo]

THIS IS NOT AN INSURANCE CONTRACT

STEP 1 → Understanding the Facts Sheet

This Key Facts Sheet sets out some of the risks covered and not covered by this policy and other information you should consider. This sheet does not provide a complete statement of the cover offered, exclusions, conditions and limits that apply under the policy. You should carefully read the Product Disclosure Statement (PDS) and all policy documentation for more details.

STEP 2 → Check the maximum level of cover and the events covered

Under this policy [insert details of the maximum cover provided in accordance with step 3]

Event/cover	Yes/No/Optional	Some examples of specific conditions, exclusions or limits that apply to events/covers (see PDS and other policy documentation for details of others)
Fire and Explosion	[Yes/No/Optional]	[insert policy specific condition, exclusion or limits] If the wording of event/cover in column one is not consistent with the wording used in the PDS - insert an explanation on how the event cover applies in respect to the policy
Flood	[Yes/No/Optional]	[insert policy specific condition, exclusion or limits] If the wording of event/cover in column one is not consistent with the wording used in the PDS - insert an explanation on how the event cover applies in respect to the policy
Storms	[Yes/No/Optional]	[insert policy specific condition, exclusion or limits] If the wording of event/cover in column one is not consistent with the wording used in the PDS - insert an explanation on how the event cover applies in respect to the policy
Accidental breakage	[Yes/No/Optional]	[insert policy specific condition, exclusion or limits] If the wording of event/cover in column one is not consistent with the wording used in the PDS - insert an explanation on how the event cover applies in respect to the policy
Earthquake	[Yes/No/Optional]	[insert policy specific condition, exclusion or limits] If the wording of event/cover in column one is not consistent with the wording used in the PDS - insert an explanation on how the event cover applies in respect to the policy
Lightning	[Yes/No/Optional]	[insert policy specific condition, exclusion or limits] If the wording of event/cover in column one is not consistent with the wording used in the PDS - insert an explanation on how the event cover applies in respect to the policy
Theft and Burglary	[Yes/No/Optional]	[insert policy specific condition, exclusion or limits] If the wording of event/cover in column one is not consistent with the wording used in the PDS - insert an explanation on how the event cover applies in respect to the policy
Actions of the sea	[Yes/No/Optional]	[insert policy specific condition, exclusion or limits] If the wording of event/cover in column one is not consistent with the wording used in the PDS - insert an explanation on how the event cover applies in respect to the policy
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Impacts	[Yes/No/Optional]	[insert policy specific condition, exclusion or limits] If the wording of event/cover in column one is not consistent with the wording used in the PDS - insert an explanation on how the event cover applies in respect to the policy
Escape of liquid	[Yes/No/Optional]	[insert policy specific condition, exclusion or limits] If the wording of event/cover in column one is not consistent with the wording used in the PDS - insert an explanation on how the event cover applies in respect to the policy
Cover for valuables, collections and items away from the insured address		
High value items and collections	[Yes/No/Optional]	[insert policy specific condition, exclusion or limits] If the wording of event/cover in column one is not consistent with the wording used in the PDS - insert an explanation on how the event cover applies in respect to the policy
Items away from insured address	[Yes/No/Optional]	[insert policy specific condition, exclusion or limits] If the wording of event/cover in column one is not consistent with the wording used in the PDS - insert an explanation on how the event cover applies in respect to the policy

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STEP 3 → Other things to consider

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This policy has restrictions that limit your cover for certain events and items, for example [insert policy specific example]. To find out these limits you need to read the PDS and other relevant policy documentation.

Excesses

If you make a claim, the excess is the amount you may have to pay for each incident. A number of different excesses may apply in respect to this policy, for example [insert policy specific example]. You may be able to increase these excesses to lower your premium. For more detail, please read the PDS and other policy documentation. [if no excesses apply to the policy the words from "A number of different" to and "other policy documentation" can be removed and the following wording can be inserted: However under this policy no excesses apply.]

Legal liability

This policy covers your legal liability when you are found to be legally responsible for damage or personal injury to a third party or their property. It is limited to [insert policy specific information]. You should read the PDS carefully to determine the extent of this cover. [if no cover is provided for limited liability under the policy the wording in this section can be deleted and the following wording can be inserted: This policy doesn't provide cover for legal liability]

Cooling-off period

If you decide you don't want this policy within [insert policy specific information] days of it being issued and you haven't made a claim, you can cancel it and receive a refund.

Maximum level of cover offered by insurers

Insurers offer different maximum levels of cover in the event of the loss or destruction your contents including where:

- → you set the maximum level of cover and your payout is limited to that amount* (Sum insured).
- → you set the maximum level of cover and the insurer may provide you with some agreed extra cover above that amount (Sum insured plus safety net).
- * the insurer may provide some cover above this amount

When working out how much cover you need for your contents, ensure that you value your possessions correctly. To do this you could start by listing all your contents and working out how much it would cost to replace them.

A failure to adequately insure your contents for their replacement value may result in underinsurance.

Warning: this key Facts Sheet sets out some of the conditions, exclusions and limits in respect to this policy. You should read the PDS and all policy documentation for all the conditions, exclusions and limitations of this policy that limit or exclude cover

STEP 4 → Seek more information

If you want more information on this policy contact us on [insert insurer/distributor specific details]

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- → Underwritten by [insert policy specific details including the AFSL number]