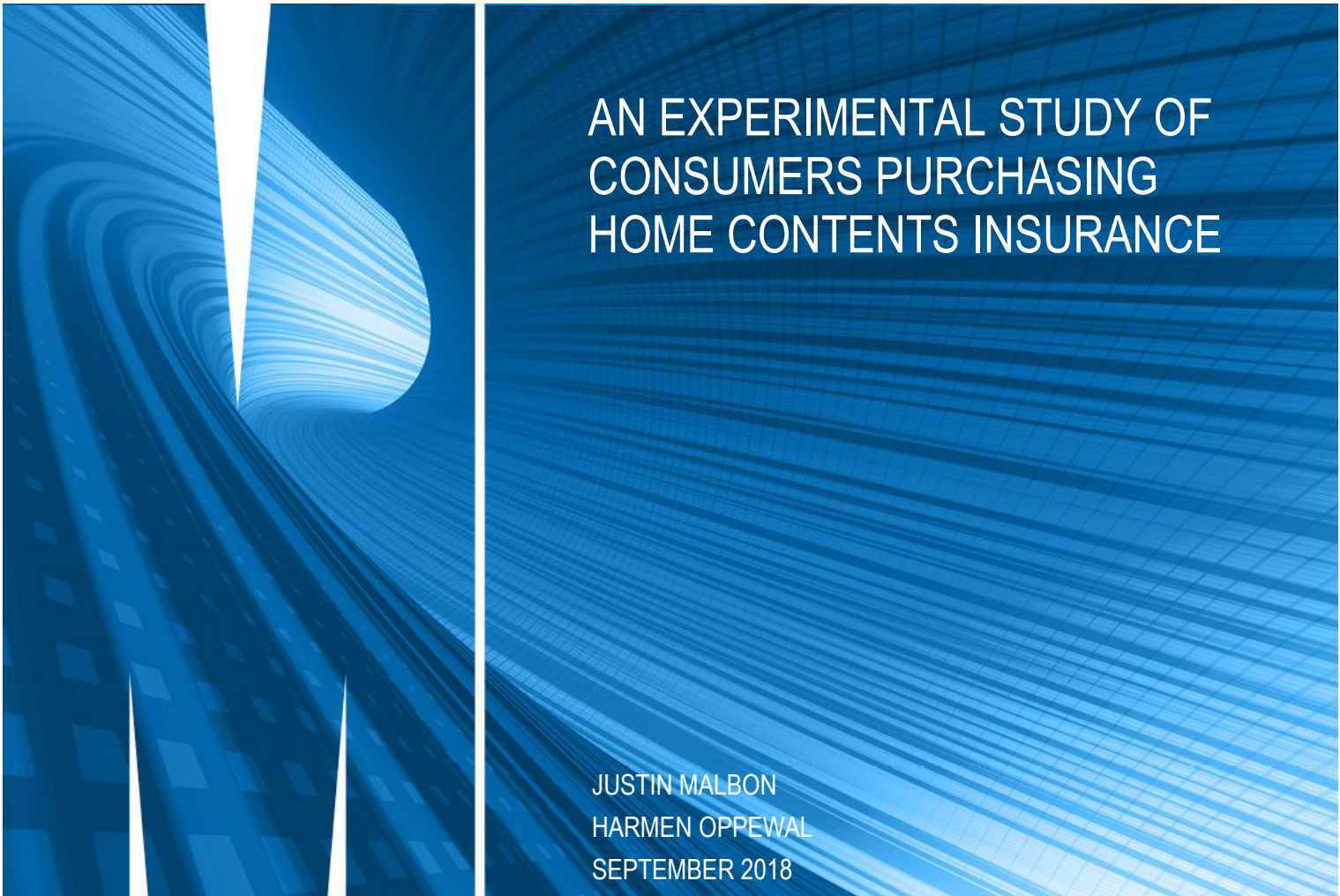


(IN)EFFECTIVE DISCLOSURE



AN EXPERIMENTAL STUDY OF
CONSUMERS PURCHASING
HOME CONTENTS INSURANCE

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SEPTEMBER 2018

(IN)EFFECTIVE DISCLOSURE:

An experimental study of consumers purchasing home contents insurance

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EXECUTIVE SUMMARY

This is a report into a study that aimed to find out how consumers engage with mandated disclosure information for home contents insurance. Insurers are required to provide consumers a product disclosure statement (PDS) and a two-page a key fact sheet (KFS) before they purchase home contents insurance.

Other studies suggest that consumers tend not to read the mandated disclosure information before they make a purchase, and even if they do read it, tend only to gain a superficial understanding about the disclosed information. Other studies into consumers' behaviour regarding disclosure information tend to focus on finding out how well they comprehend the information. The unspoken assumption appears to be that if the information is made more comprehensible, then consumers will become better informed, which in turn will lead them to make rational choices about the product they are intending to purchase. However, this assumption is rarely if ever tested.

Consumers make purchasing decisions based on a range of factors including price, brand recognition, inertia (i.e., simply renewing a policy each year without first checking alternatives) and recommendations from friends or family. This study sought to narrow things down to test the relationship between the provision of disclosure information and purchasing decisions. The study does not directly test the relationship between comprehensibility and purchasing behaviour. Rather, it seeks to find out whether consumers are likely to make optimal purchasing choices when their decision-making can only be made on the basis of the mandated disclosure information. The study tested this in better than real world settings. The idea was to find out whether mandated disclosure has reasonable prospects of being effective, even idealised circumstances. If not, it raises serious doubts about relying on mandated disclosure as being an effective means for promoting market competition and protecting consumer interests and welfare.

The study involved 406 participants from across the Australian population, who were recruited via an online panel organisation. Participants were provided a PDS and/or a KFS designed for the study that provided information about a hypothetical insurance policy. So as to test whether the participants made a rational purchasing choice, PDSs and KFSs were designed for a hypothetical relatively good policy, okay policy and bad policy. Purchasing decisions were tested under various scenarios where participants were given access to a PDS only, KFS only or both.

Participants were invited to make a 'purchase' after having access to the information. They were informed before they started the experiment that after they made a purchase (or decided not to make a purchase) a computerised simulator would report whether over the following 12 months an incident would occur affecting the insured home such as a fire, flood, robbery or earthquake, or report that no incident would occur. Participants were told that the simulator would make its report based on statistical information about the likelihood of an incident occurring to the hypothetical home. Each participant was led to believe that if he or she either did not purchase insurance, or purchased insurance that did not cover the incident cited by the risk simulator, he or she would not receive their bonus payment for participating in the study.

The study tested purchasing decisions in an idealised environment that was broadly approximate to real insurance purchasing environments. A number of findings were obtained from the study including that:

- A significant number of participants made a suboptimal decision, with up to 42% choosing the worst product on offer. When able to choose from three policies, 35% chose the worse policy and only 46% found and selected the best policy.
- There is no simple overall and consistent effect of disclosure. In some instances, the study offered participants disclosure information for two hypothetical policies, and in other instances three. Participants were more likely not to purchase an insurance product at all when they had only access to the PDS. There were no other consistent effects on purchasing decisions based on if they were given only a PDS or only a KFS or both. Being able to choose from three instead of two policies did not increase the percentage of purchases.

- A significant proportion of participants did not fully access the available policy information. For example, if information on two policies was made available, many would only view the disclosure information for one policy before making a purchase.
- Most participants proceeded to purchase a hypothetical policy, however others decided not to purchase any insurance. There was no relationship between the participants' perception of the likelihood of an event occurring during the following 12 months (e.g., a fire, flood or robbery) and the decision to purchase or not purchase insurance.
- Purchasing behaviour was not affected by the type of electronic device (e.g., a computer or smart phone) used to view the information and make the purchase (or non-purchase). Nor was it affected by the participant's gender, age, education or income.

The outcomes of the study raise doubts about the effectiveness of mandated disclosure in nudging consumers towards making rational insurance product choices – even in the most ideal of circumstances. The study does suggest that even in idealised circumstances where consumers are provided KFSs for making a simple choice between a good and a bad policy, there is no systematic increase in the number of consumers who will purchase the good product. While caution must be exercised in extrapolating this finding to real world circumstances, it may be noted that in reality the disclosure documents are often difficult to locate on an insurer's website. The information about what is and is not covered is not always easy to make sense of, and even more difficult to compare with other products. The KFS was designed to make this information easier to find and compare, but the outcomes of this study show mixed results about the effectiveness of the KFS.

Overall, this study suggests that the mandated disclosure information does not reliably assist consumers in making better purchase decisions. Nor does it appear to do a great deal to optimise their chances of obtaining suitable insurance cover.

1. INTRODUCTION AND MAIN FINDINGS

1.1 PURPOSE AND AIMS OF THE STUDY

This study sought to find out how consumers engage with mandated disclosure information for home contents insurance. An insurer is required under Australian law to provide a product disclosure statement (**PDS**) and, since 2012, a key fact sheet (**KFS**) to a consumer before he or she purchases its home contents insurance.¹

There is existing research literature about mandated pre-contractual disclosure information for consumer contracts, including for insurance and financial products such as loans and credit cards. Overall, the literature suggests that consumers tend not to read much if any of the mandated information. Some of the literature is summarised in this report.² Even if they do read some of the disclosure information, consumers appear not to comprehend much of it. According to the findings of a 2017 study based on 30 face-to-face ethnographies with participants and a survey of 2,430 participants published by the Insurance Council of Australia:

- Consumers seek information for guidance mostly on price, with a minority of consumers looking for information about policy limits and exclusions.
- Although most consumers believe they have looked into the detail of their policy, this is not evidenced by their observed behaviour.
- Most consumers consider the price and level of cover as the only “detail” that is required to make an informed decision.
- Consumer comprehension of generic policy exclusions and limits is poor.
- There is significant consumer misunderstanding about the type of home policies purchased.³

Despite the existing evidence, public policy aims, and legislative requirements, remain fixed on requiring mandatory pre-contractual disclosure. The current public policy assumption is that mandating disclosure is not at issue, rather it is the lack of comprehensibility of that information that is the problem. PDSs, for instance, are often lengthy, dense and complex documents. For home contents insurance in Australia, a PDS will typically range between 30 to 130 pages in length.⁴ The perceived problem of length and complexity was amplified by the natural flood disasters in NSW, Victoria and Queensland in 2010-11, in which many consumers were astounded to find their insurance either did not include flood cover, or if it did, the policy’s definition of flood did not cover the kind of flooding that caused their losses.

In response, the federal government in 2012 legislated for the provision of a KFS for home building and home contents insurance (the requirement came into effect in 2014).⁵ The reform was introduced by amendments to the Insurance Contracts Act. The explanatory memorandum for the amendments stated that:

4.27 Currently, some consumers may find it difficult to easily access key information within their insurance policies. This may lead to some confusion in relation to what is and what is not covered under HBHC [Home Building and Home Contents] insurance. In this regard, the PDS

¹ Insurance Contracts Amendment Regulation 2012 (No. 2) introduced the requirement for a Home Building KFS and a Home Contents KFS. For ease, we have referred throughout to “home contents” KFSs although in the experimental stimuli the term home and contents insurance was also used.

² We provide a summary of some of the existing research in Appendix A.

³ Insurance Council of Australia, *Consumer Research on General Insurance Product Disclosures: Research findings report* (February, 2017) at page 5.

⁴ See Table 1, Financial Rights Legal Centre, *Overwhelmed: An overview of factors that impact upon insurance disclosure comprehension, comparability and decision making*, September 2018 at <http://financialrights.org.au/publication/>.

⁵ Insurance Contracts Amendment Regulation 2012 (No. 2). The present requirements are in the Insurance Contracts Regulations 2017.

rules for general insurance, as currently implemented, may not be as effective as they could be for informing consumers about HBHC insurance policies, and enabling comparisons between these policies.

4.28 If key information about policies is not readily accessible to consumers, there is potentially a greater risk of consumers acquiring insurance that does not fully match their requirements. This may result in consumers facing adverse outcomes when seeking to claim the replacement of, or financial remuneration for, property damaged as a result of unforeseen events.

4.29 It should be noted that there are a number of uncertainties surrounding the identification and magnitude of the problem due to the lack of data.⁶

As mentioned, the 2012 reforms mandated the requirement that consumers intending to purchase home contents insurance be provided with a Key Fact Sheet (KFS) for the proposed insurance. A KFS is a two-page summary document about the insurance on offer and sets out *some* of the events covered and not covered. The mandated form of the KFS for a home building policy is as shown below in *Figure 1* and **Appendix B**.⁷

Figure 1. Mandated form of the KFS.

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.

⁶ Commonwealth Senate, Insurance Contracts Amendment Bill 2012, Revised Explanatory Memorandum.

⁷ Schedule 5, Insurance Contracts Regulations 2017.

(continued).

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].

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When this study was commissioned by the Financial Rights Legal Centre, there was limited knowledge about whether the KFS nudges consumers towards making 'rational' decisions about which home contents insurance policy to buy. While some consumer testing of a prototype KFS was undertaken, to our knowledge the effectiveness of these documents in assisting consumers to shop around for the best insurance cover for their needs was not (and is not) adequately understood. Nor was it known whether the KFS helps consumers better understand the type or extent of cover offered or make better purchase decisions.⁸ The study we undertook sought to respond to these knowledge gaps.

⁸ Since we commenced this study, the Insurance Council Australia's 2017 study found that 19% of participants used the PDS when choosing domestic insurance, and about the same proportion used the KFS. The same study however also reported that 75% of participants found that they had looked at most or all of the details of their policy before purchasing it: Insurance Council of Australia, *Consumer Research on General Insurance Product Disclosures: Research findings report* (February, 2017) at page 19.

Insurance is essentially a promise made by the insurer that it will pay the insured consumer for losses arising from specified events they may suffer during the period of the insurance. In essence, a consumer is buying a promise. The terms of the promise are found in various places, including the insurance policy itself and in the PDS, and to some extent the KFS. Because the insurer is selling a promise, a rational consumer would find out what the terms of the promise being offered are before he or she makes a purchase. Otherwise the consumer would in effect be playing a game of pin the tail on the donkey. That is, buying whilst blindfolded and thereby making a random choice.

A rational consumer, therefore, would require a reasonable understanding of the nature of the promises made in the insurance policy, just as a rational consumer would have reasonable understanding of the nature of any other product they might intend buying, such as a car or a refrigerator.

One problem with consumers having insufficient knowledge about the insurance promise is that they may develop unfounded expectations about what they purchased. For instance, with the flood events in 2010-11 consumers assumed either they had flood cover, or if they did have the cover, that it insured them for losses suffered from the type of flooding they suffered, when in fact this was not the case. It is often only when consumers seek to make a claim or have their claim rejected do they realise their assumptions were misplaced. According to the explanatory memorandum for the 2012 amendments to the Insurance Contracts Act:

4.42 Although there is no available data regarding the particular issues surrounding the reasons why members denied liability, anecdotal evidence suggests that the main reasons were due to the fact that the insureds had thought they had a basis for making the claim.

Misplaced assumptions about the terms of the insurance policy can lead to poor consumer outcomes, underinsurance, and consumer anger and resentment. It can also use up a considerable amount of an insurer's time and resources in dealing with complaints, let alone impact significantly upon levels of trust and confidence in individual insurers and the insurance sector as a whole. It is therefore in the interests of both the consumer and insurers for the consumer to have a reasonable understanding of the nature and scope of the insurance.

The explanatory memorandum stated that poor purchasing decisions are generally made in relation to:

- insufficiencies in the sum insured to cover replacement costs;
- failure to take into account other incidental costs in the sum insured; and
- failure to cover for specific risks such as flood.⁹

The explanatory memorandum further stated that:

- the current disclosure requirements for HBHC may not be effective in providing consumers with the information they require in order to make effective decisions regarding their HBHC insurance policies; and
- if consumers make ineffective decisions regarding their insurance needs, adverse outcomes may arise for both the individuals affected and society as a whole.¹⁰...

4.86 The Commonwealth's aim is to assist consumers with understanding the basic terms of their HBHC insurance policies (combined and separate policies), including the nature of cover and any key exclusions.

The underlying assumptions for the 2012 reforms that mandated the KFS appear to be that if the information is made clear and concise, and therefore (apparently) more comprehensible, it will increase the overall chances of consumers making 'effective', or rational, choices. Somewhat surprisingly, the current research literature into pre-contractual disclosure does not test that assumption. As a Taskforce

⁹ Commonwealth Senate, Insurance Contracts Amendment Bill 2012, Revised Explanatory Memorandum at paragraph 4.73.

¹⁰ Commonwealth Senate, Insurance Contracts Amendment Bill 2012, Revised Explanatory Memorandum at paragraph 4.84.

to Insurance Council Board noted in their 2015 report *Too Long; Didn't Read*: 'A literature review of insurance disclosure research reveals a notable absence of empirical research around how consumers actually use disclosure documents to inform their decision-making'.¹¹ We provide a summary in **Appendix A** of some of the literature relating to research into pre-contractual disclosure.

One study, mentioned in **Appendix A**, that did examine buying decisions was a US study about purchasing decisions for mutual fund shares involving about 190 participants who were invited to allocate hypothetical amounts of money to a number of hypothetical funds. One group was provided copies of prospectuses in the then existing (detailed) format (the long form format), the other group was provided a brief summary prospectus in a form proposed by the Securities and Exchange Commission (the short form format). The researchers concluded that the 'buying' decisions of both groups were about the same. The short form format appeared not to improve buying choices.¹²

US regulators have committed a considerable amount of resources into testing and improving the comprehensibility of mandatory disclosure documents for consumers, including for financial products. However, as Gillis observes: 'While regulators seem to be concerned with improving consumer decision-making, they confuse improved decisions with improved comprehension of disclosures'.¹³ Putting it another way, just because consumers are provided a disclosure document that is written in a clear and concise way, it does not necessarily mean it will cause all or most consumers to make better buying choices than if they had been provided a document that was not clear and concise. So, although there is a considerable amount of existing research about whether consumers read and comprehend disclosure documents, and the ways of making documents more comprehensible, there is very little research on the relationship between the comprehensibility of the documents and the buying decisions of consumers.¹⁴

Given the paucity of existing knowledge about the relationship between the information being made available to consumers for insurance and their subsequent buying decisions, we designed our study to explore that relationship. We sought to find out the buying decisions participants of our study would make when they were either given access only to a KFS or a PDS, or where given access to both. We also examined their buying choices when they were offered those disclosure documents for two or three hypothetical insurance policies. We also designed the study to find out whether participants would buy a relatively good, bad or okay product, or decide not to buy at all when offered such products.

1.2 BACKGROUND OF THE STUDY

In 2015 the Financial Rights Legal Centre (FRLC) was provided with funding from over-collected fire services levies distributed in accordance with a process set up by the Victorian Fire Services Levy Monitor for projects benefitting Victorian consumers of insurance. Using a part of this funding, the FRLC commissioned us to undertake an empirical study into the effectiveness of the pre-contractual disclosure requirements for home contents insurance. One of the reasons home contents insurance was singled out for study was because it was, and still is, the only insurance product that has a mandated requirement for consumers to be provided a KFS. As mentioned above there was insufficient knowledge about the effectiveness of the KFS at the time of commissioning this study.

The FRLC commissioned this study, in part, because of earlier findings about the need for effective disclosure. For instance, the Fire Services Levy Monitor (Victoria) issued a Discussion Paper in 2014 in which it concluded that 'insurers could do much more to provide consumers with useful and accessible

¹¹ *Too Long; Didn't Read: Enhancing General Insurance Disclosure Report of the Effective Disclosure - Report of the Effective Disclosure Taskforce to Insurance Council Board*, October 2015, at p.i.

¹² Beshears J et al, 'How Does Simplified Disclosure Affect Individuals' Mutual Fund Choices?' (2009) National Bureau of Economic Research, Working Paper 14, 859.

¹³ Talia B. Gillis, 'Putting Disclosure to the Test: Toward Better Evidence-Based Policy' (2015) 28 *Loyola Consumer Law Review* 31 at 104.

¹⁴ We provide a summary of some of the existing research in Appendix A.

information about the coverage and pricing of their home insurance policies’.¹⁵ The paper referred to the ‘investigation of complaints to the FRLC and insurers’ responses to a request for information on how bushfire, flood and reinsurance are reflected in residential property insurance premiums’. According to the Discussion Paper, a ‘well-functioning competitive and efficient insurance market requires consumers of insurance to be well-informed’. It further stated that:

- There is much room for improvement regarding the presentation of key policy information to consumers in an accessible way.
- The long form PDS does not contribute greatly to the understanding of complex insurance contracts, nor does it promote product comparison—note however the Discussion Paper was written before the introduction of the KFS requirement.
- There are difficulties for consumers in understanding and comparing policies because there is no standardised form for presenting PDS information.¹⁶

The FRLC found from its experience in advising aggrieved consumers who had had their claims rejected that the disclosure regime had not resulted in consumers making informed decisions or purchasing financial products and services that meet their needs. They also found that consumers are often disappointed when making claims about the limits of their coverage. The FLRC observed that suitable insurance cover is critical for consumers, and society as a whole. It believed that the consequences of consumers receiving unsuitable cover can range from financial hardship to homelessness and the need for government assistance.

The FRLC noted that the effectiveness of the mandated disclosure documents in assisting consumers to shop around and make decisions about the amount of the premium and the scope of the cover had not been independently evaluated. It therefore commissioned our study to gain insights into the effectiveness of KFSs, along with the effectiveness of the PDS disclosure requirements for home contents insurance.

The purpose of the study was to add to our existing knowledge of consumer behaviour and comprehension of pre-disclosure information by:

- Tracking consumer behaviour to find out what purchasing decisions consumers make after they are offered pre-contractual disclosure information; and
- Studying whether consumers are more likely to make more optimal decisions if provided brief information about the insurance in the form of a two-page KFS.

1.3 STUDY DESIGN

1.3.1 RATIONALE FOR THE STUDY

The authors of this study worked closely with the FRLC in refining the objectives of the study and the experimental design. The decision was made that there was not a great deal of value to be gained in testing consumer comprehension of mandated disclosure documents, primarily because there had been quite a number of such studies in relation mandatory disclosure for other consumer products, such as consumer finance – e.g., housing loans and credit cards.¹⁷

We subsequently decided to test consumer behaviour in hypothetical ‘best-shot’ experimental scenarios. That is, we decided to test whether there are any reasonable prospects of disclosure ever being able to incline (or nudge) consumers towards making rational, or optimal, choices across a range of choice

¹⁵ Fire Services Levy Monitor (Victoria) *Enhancing the Consumer Experience of Home Insurance: Shining a Light into the Black Box: Discussion Paper* (2014) at p.ix.

¹⁶ Fire Services Levy Monitor (Victoria) *Enhancing the Consumer Experience of Home Insurance: Shining a Light into the Black Box: Discussion Paper* (2014) at p.xi.

¹⁷ See Appendix A.

conditions. Put simply, we wanted to find out whether the mandated disclosure could be effective, even in the most ideal of circumstances.

There are reasonable grounds for being pessimistic about the effectiveness of the PDS and the KFS. For instance, in a study published by the Insurance Council of Australia in February 2017 (after we had commenced our study) it was found as a result of a quantitative survey involving 2,430 participants that:

...around 2 in 10 report to have used the PDS, but far fewer actually use it as the main source of information.... Usage of the KFS was similarly low...While awareness of the KFS (48%) was relatively low, 72% of respondents reported being aware of the PDS prior to purchasing their policy.¹⁸

Our thinking for our study was that if in ideal circumstances consumers are more likely to make optimal choices when provided with comprehensible documents, government and industry could move towards ensuring disclosure information is readily available in an easily understandable form. If, however, even in ideal circumstances, disclosure makes little if any difference to consumer choices, the debates should shift to other approaches for assisting consumers with their insurance purchase decisions.

We faced several challenges in designing the research study. First, we needed to design the experiments to replicate the purchasing process as close to reality as we could, whilst retaining an ideal or best-shot environment. Second, we needed to know whether a consumer had or had not made a 'rational' choice when they purchased the insurance policy. Insurance is a complex product. An insurance policy that might be suitable for one consumer might be unsuitable for another. Also, the purchasing decision will usually depend on the consumer's personal circumstances. For example, rational purchasing decisions may be affected by considerations relating to the value people attach to their property, whether they own much property, and whether the area they reside in is notorious for robberies, flooding or fire?

We also had to design the study so as to look only at the effect the PDS or KFS or both had on the buying decision. We wanted to narrow down to examining the effect of the mandated disclosure on product choices. In the real-world, consumer choices are heavily influenced by price, brand recognition and loyalty, and inertia arising out of automatic renewals and other factors – where consumers simply renew their policy without first shopping around for alternatives. We needed to exclude these conditions so we could assess the impact of information disclosure without the confounding effects of price, brand loyalty, inertia and other factors.

As mentioned, in designing our experiments, we aimed to examine consumer purchasing choices in an ideal (or best-shot) environment. We aimed to create experimental settings that were better than real world conditions, without departing too far from reality. Mandated disclosure includes a 'product disclosure statement' (PDS). That term is unintentionally ironic, as a PDS is never a plain and simple 'statement'. Rather, these documents are usually lengthy and convoluted. They are generally 30 to 130 pages long and are packed with detail.¹⁹ The important information, such as the events that are covered and excluded from cover under the policy, may be buried deep within the document. Research undertaken by the FRLC for this project observed that finding the PDS on an insurer's website is often no easy task.²⁰ In many cases, a consumer has to make a determined effort to find it.

As we also mentioned, we needed to be able to assess whether the participants in our study were making rational product choices or not on the basis of the mandated information. We needed to know

¹⁸ Insurance Council of Australia, *Consumer Research on General Insurance Product Disclosures: Research findings report* (February, 2017) at page 18.

¹⁹ See Table 1, Financial Rights Legal Centre, *Overwhelmed: An overview of factors that impact upon insurance disclosure comprehension, comparability and decision making*, September 2018 at <http://financialrights.org.au/publication/>.

²⁰ See Table 2, Financial Rights Legal Centre, *Overwhelmed: An overview of factors that impact upon insurance disclosure comprehension, comparability and decision making*, September 2018 at <http://financialrights.org.au/publication/>.

this so that conclusions could be drawn as to whether the mandated disclosure documents would result in consumers being more or less likely to make rational choices in at least idealised circumstances.

In designing a best-shot or idealised disclosure environment we created PDSs and KFSs of imaginary insurance policies that represented either a relatively good, okay or bad product. The **good** provided the most insurance coverage of the three imaginary policies. That is, the insurer promised to pay the highest amount for a valid claim (relative to the amount payable under the other products on offer). It also provided insurance coverage for more events and had the least number of exclusions. Note the information about the insurer's promise, or policy (or 'product'), was contained in the PDS or KFS so the participant had to access these documents to find out about the product details.

The next product provided for lower payments for claims than the good policy and had more exclusions from cover but could still be deemed a reasonable product (**okay**). The third product on offer was **bad**, because relative to the other two products, it had a considerable amount of extra exclusions and was not better on any other feature. Consequently, a rational well-informed consumer would be expected to always buy the good product, and no rational well-informed consumer would buy the bad one.

The good PDS is shown in **Appendix D**.²¹ We designed the document to look very similar to many of the PDSs existing in the market but reduced the length and retained the clearest and most succinct pieces of information from the real world PDSs. We placed the information about what the insurance covered and excluded in a table near the beginning of our hypothetical PDS so it could be easily found. A similar table with equivalent content appeared in the KFS; the good KFS appears in **Appendix C**.

We kept the wording of each PDS and KFS the same for each product, except for the tables shown below that set out what the insurance product covered and excluded. As explained above, the good product provided the most coverage, the least exclusions, and the highest payouts for any claimed losses. The 'okay' product provided slightly less coverage but could be still deemed acceptable. In contrast, the 'bad' product provided poor coverage and had exclusions that a reasonable consumer could be expected to find unacceptable, for example an exclusion of water damage "caused by any rain related events".

The PDS for the good product included a table, a part of which is shown in *Figure 2*.

Some of the additional information about what was covered was set out as in the PDS (*Figure 3*, example fragment only).²²

²¹ For completeness we note that due to a production error the KFS and PDS documents referred to 'home and contents insurance'; the scenario instructions and also the presented details of the cover in the experimental policies however all referred to home contents and there were not any comments or queries regarding this from participants. We therefore regard it unlikely this has affected any of the findings. The same applies for the term Key Fact Statement used in the stimuli instead of Key Fact Sheet.

²² for the full document see Appendix C.

Figure 2. Cover as presented in the first part of the PDS (good product version; fragment only).

What we cover	What we do not cover	What we cover	What we do not cover
Fire & Explosion 	we do not cover damage that occurs within 72 hours of the beginning of your policy For more details Go to page 6 	Flood 	we do not cover damage that occurs within 72 hours of the beginning of your policy For more details Go to page 6 
What we cover	What we do not cover	What we cover	What we do not cover
Storm 	No specific exclusions For more details Go to page 7 	Accidental breakage 	We do not cover accidental breakage of glass, glass or ceramic cooking surfaces if the breakage does not extend through the entire thickness of the item For more details Go to page 7 
What we cover	What we do not cover	What we cover	What we do not cover
Earthquake 	No specific exclusions For more details Go to page 7 	Lightning 	we do not cover loss or damage caused by power failures or surges by your power provider For more details Go to page 8 

Figure 3. Cover details as presented in the PDS (good product version; fragment only).

Event	What we cover	What we do not cover
Storm 	Loss or damage caused by a storm ☐ Violent wind, cyclone or tornado ☐ Thunderstorm, hail, rain or snow ☐ Sudden, excessive run-off of water as a direct result of a storm in your local area.	☐ Loss or damage caused by actions or movements of the sea or storm surge, but we will cover loss or damage caused by storm surge if it occurs at the same time as other insured damage at the insured address caused by the storm ☐ Resultant cracking to paths, driveways, any outdoor surfaces, but we will cover them if they are washed away by storm ☐ Loss or damage to gates, fences or wall fences that were in a state of disrepair which would have been obvious to a reasonable person before the loss or damage occurred
Accidental Breakage 	Accidental breakage of glass, glass or ceramic cooking surfaces of any kind, shower bases, wash basins, sinks, baths, lavatory pans or cisterns when they are permanently fixed to buildings	☐ Glass, fittings or equipment as detailed which was in a damaged or imperfect condition before the breakage happened ☐ Glass forming part of any glass-house or conservatory ☐ Items such as crockery, porcelain, china, hand mirrors, glassware, crystal or glass in clocks, vases, ornaments, pictures, radios, visual display units or televisions ☐ Any part of a ceramic or glass cooking surface of any kind, oven doors, heaters ☐ If the breakage does not extend through the entire thickness of the damaged item

Table 1. Overview of cover and variations across the good, okay and bad policy options.

Event / Cover	Some examples of specific conditions / limits that apply to events / covers
Fire and Explosion	[Good:] Excludes damage that occurs within 72 hours of the beginning of your policy
	[Okay:] Excludes fires igniting outside the premises
	[Bad:] Excludes fires igniting within or outside the premises
Flood	[Good:] Excludes damage that occurs within 72 hours of the beginning of your policy
	[Okay:] Excludes loss or damage caused by any event related to stormwater run-off
	[Bad:] Excludes loss or damage caused by any rain related events
Storm	Excludes damage to gates, fences or wall fences that were in a state of disrepair
Accidental Breakage	Excludes cost of accidental breakage if the breakage does not extend through the entire thickness of the damaged item
Earthquake	No specific exclusions or conditions apply
Lightning	Excludes loss or damage caused by power failures or surges by your power provider
Theft and Burglary	[Good:] Excludes loss or damage caused by someone who entered house with your consent
	[Okay:] Cover limited to \$10,000
	[Bad:] Cover limited to \$1,000
Escape of liquid	Excludes costs to repair or replace the item that the liquid leaked or escaped from

We tested the effects of these KFS and PDS documents by administering a hypothetical purchase task as explained below which provided participants access to either of three conditions: Participants received **only KFS** information, or **only PDS** information, or **both KFS and PDS**, as further explained below. These survey conditions were administered online to a random sample of 406 participants from across the Australian population, who were recruited via an online panel organisation and received a small payment for participation. They received extra payment depending on their policy selection and outcome of the ‘risk simulator’ as explained below.

1.3.2 THE INSTRUCTIONS GIVEN TO PARTICIPANTS

Participants were asked to assume that they were moving house and so needed to consider whether to purchase home contents insurance. The instructions given to participants included the following:

We ask you to imagine that you would be moving to a new house in the next several weeks and that you have already signed the rental or purchase contract so are ready to move. **The reasons for the move [to a new house] may be personal or work related but are not relevant to this study.**

As part of the preparation for the move, **you have been shopping around for a home contents insurance.** This is to allow you to make an insurance claim if you suffer loss regarding your household items and personal belongings.

They then were told that we had a computerised ‘risk simulator’ that would be run after they made their purchasing choice. They were told that the simulator would produce a randomised outcome based on statistical information about the likelihood of an incident occurring over the next 12 months, such as the hypothetical insured premises being subjected to a robbery, fire, earthquake and so forth. Each participant was led to believe that if he or she either did not purchase insurance, or purchase insurance that did not cover the incident cited by the risk simulator, he or she would not receive their bonus payment for participating in the study. This was to ensure that participants would be sufficiently involved in the task and would believe they would be exposed to a real risk of losing something of value if they were not sufficiently insured. Consequently, participants were informed before they proceeded to a purchasing decision that:

If in this simulation an incident with damages occurs, and your insurance does not sufficiently cover the incident type, you will have significant costs to bear. In case an incident happens in your scenario, **you will lose the bonus incentive that was promised in the study invitation**. This is to make you aware of the significance of this potential consequence.

At the conclusion of the study the researchers decided to allow all participants to receive their bonus payment so as to minimise administration costs for the research panel as well as to avoid a need to explain the details of the draw. Importantly however the participants did believe and understand they could lose their bonus; questions were included in the survey to measure these perceptions.

1.3.3 PROCEEDING TO MAKING THE PURCHASE DECISION

A participant was allowed access to the PDS and/or the KFS, depending on which experimental group we were running: they either received access to the KFS only, or to the PDS only, or to both as shown in *Figure 4*. The disclosure documents were in a pdf format, and each document was accessible via a new tab in the browser using an interface panel as in the figure below. They also either received **two policies** or **three policies** to choose from. If they received two policies, these were either a good and okay, a good and bad or an okay and bad policy.

No restrictions were set, and no browser checks were conducted, so participants could open the information options either in separate tabs or windows and keep them open or they could close them at any time. A question at the end of the survey revealed that 38.9% had had multiple windows open during the task. One participant left a comment at the end of the survey saying he had printed out all available policies to allow for better comparison.

In the condition where the KFS and/or PDS access option were both available, the list order of the KFS and PDS was randomly varied so that the PDS appeared in the top position equally often as the KFS. Similarly, the brand names (Red, Blue or Purple) were systematically varied.

Figure 4. Participant interface 'home page': Layout of information access screen.

POLICY SELECTION TASK

You can choose from two insurance policies (brands "Red" or "Blue").

FOR EACH POLICY YOU HAVE ACCESS TO:

A full description (PRODUCT DISCLOSURE STATEMENT), which is a 20-page document

A simplified overview (KEY FACTS STATEMENT), which is a 2-page document

YOU CAN ACCESS EACH OF THESE DOCUMENTS (BUT ONLY ONE AT A TIME).

Below now choose which information your first wish to **ACCESS** (a new window will open where you can read the information in a pdf file reader).

Note the policies may look the same but they are different brands (marked by different colour fonts) and may vary in the conditions of cover.

☐ Access Policy Red – KEY FACTS STATEMENT	☐ Access Policy Blue – KEY FACTS STATEMENT	
☐ Access Policy Red – PRODUCT DISCLOSURE STATEMENT	☐ Access Policy Blue – PRODUCT DISCLOSURE STATEMENT	
☐ Purchase Policy Red	☐ Purchase Policy Blue	☐ Purchase No Policy at all ¹

¹ The purchase response option was only available after having accessed at least one information item.

1.3.4 POST PURCHASE SURVEY

After the purchase task had been completed participants answered some additional questions including perceived likelihood of an incident occurring in the scenario, whether the participant currently holds a home contents insurance and if so, of what brand (as a recall based open question), when it was last renewed, and what was most important to them when last renewing or purchasing their home contents insurance. It was finally also asked if participants had any final comments about the survey. An overview of the questions is presented in **Appendix E**.

1.3.5 SUMMARY OF THE STUDY DESIGN

In summary, we tested to see what home contents insurance policy, or product, participants would 'purchase' under various **conditions**. Participants were offered **information** about the products to assist them to make their choice. Indeed, the only way they could make a decision about the nature of the products on offer was by reading the information (or making an uninformed, stab in the dark, decision without reading any information).

The product **information** was in the form of either a product disclosure statement (PDS) or a key fact sheet (KFS), or both.

Each PDS and KFS disclosed information about one of three imaginary **products** on offer. The only knowledge participants could gain about a product was through the information about it provided in the PDS or KFS, or both. The products were either a relatively good, okay or bad product. After having access to the information, and having the opportunity to read the information for each product on offer, a participant could then click the appropriate button to ‘buy’ the product. Upon indicating the purchase choice (or declining to purchase any product), the participant had completed their task and proceeded to completing a set of additional survey questions.

The buying **conditions** we tested were where we offered participants the opportunity to buy a product:

- from two on offer. We offered a choice between the good or the bad product; the good or the okay product; or the okay or the bad product; or
- from three on offer. These were the good, the okay and the bad products.

1.4 WHAT WE FOUND OUT

Our overall findings from observing which products the participants purchased under the various conditions just mentioned, are as follows. Note, however, that in some cases a participant decided not to buy any product at all (which was allowed in the task, see *Figure 4*, and so take the risk of an incident occurring and losing their payment.

1.4.1 A SIGNIFICANT NUMBER OF PARTICIPANTS MADE A SUBOPTIMAL DECISION

Up to 42% chose the bad product

As shown in table of outcomes below (Table 2), we found that –

- The worst result had 41.9% choosing the bad product. Here participants were only offered an okay and a bad product, with access to both the KFS and the PDS to assist them decide on which product to buy.
- The best result was where participants were offered only a good and a bad product and only had access to the KFS. Here, only 9.5% of participants chose the bad product with 14.3% choosing not to purchase.
- When offered three products, 34.9% of the participants chose the bad or okay product, less than half only (46.3%) were able to find and select the good product.
- The best result had 76.2% choosing the good product. Here only a good and bad product were offered and only a KFS was available.

So, even in this simplified and systematized environment, a large minority ended up making a suboptimal or bad decision. If the participants’ decisions had been perfectly rational, the above percentages should be zero for purchasing the bad policy, and one hundred for the good policy.

If selections had been made randomly (coin toss) it would be expected that 33% would choose the good policy where there were two products on offer – the choices being between either of the two products on offer, or the choice of not purchasing either of them. It would be expected that 25% would choose the good product with a coin toss where three products were on offer. Here the choice would be between one of the three products or choosing to make no purchase.

As mentioned, the best result we observed was 76% of participants choosing the good product, when the choice was between the good or the bad product or a choice of no-buy. That was 43% better than a random choice. This result, however, arose in this most ideal of circumstances, where participants were simply offered a choice between a good and a bad product and were only required to make the choice based on a two-page KFS – a document that was drawn to their specific attention before they made their purchase decision. Even in these circumstances about 24% of participants either purchased the bad product or no product.

When the Financial Rights Legal Centre undertook shadow shopping for home contents insurance they found it difficult to find the PDS and KFS on the websites of many insurers.²³ The ICA research also found that very few people referred to a PDS or KFS at all.²⁴ It can therefore be expected that in real world circumstances a significant proportion of consumers either make a purchasing choice without first informing themselves about the product based on a PDS or KFS or both, or if they do use those documents, do not necessarily make optimal decisions based on the information they provide.

Table 2. Quality of final decision, by disclosure condition and by two/three products on offer

		Two Products: Good & Okay	Two Products: Good & Bad	Two Products: Okay & Bad	Three Products: Good, Okay & Bad
Only KFS	Good	58.8% ¹	76.2%		41.3%
	Okay	23.5%		72.2%	34.8%
	Bad		9.5%	22.2%	10.9%
	Non-buy	17.7%	14.3%	5.6%	13.0%
Only PDS	Good	62.5%	66.7%		41.2%
	Okay	12.5%		58.3%	19.6%
	Bad		13.3%	25.0%	9.8%
	Non-buy	25.0%	20.0%	16.7%	29.4%
KFS & PDS	Good	59.3%	65.5%		51.6%
	Okay	37.0%		35.5%	19.0%
	Bad		13.8%	41.9%	13.6%
	Non-buy	3.7%	20.7%	22.6%	15.8%
AVERAGE	Good	60.0%	69.2%		46.3%
	Okay	26.7%		52.1%	22.9%
	Bad		12.3%	31.5%	12.0%
	Non-buy	13.3%	18.4%	16.4%	18.8%

¹ bold marked numbers indicate the best available option in the set.

1.4.2 THERE IS NO SIMPLE OVERALL AND CONSISTENT EFFECT OF DISCLOSURE

Optimality of choice observed in the only KFS versus only PDS versus KFS & PDS conditions varied depending on the number of products offered

As can be seen in the table of outcomes above (Table 2), we observed no simple pattern in the effects of disclosure. Where participants were only presented with two products, the presentation of a KFS

²³ See Table 2, Financial Rights Legal Centre, *Overwhelmed: An overview of factors that impact upon insurance disclosure comprehension, comparability and decision making*, September 2018 at <http://financialrights.org.au/publication/>.

²⁴ Insurance Council of Australia, *Consumer Research on General Insurance Product Disclosures: Research findings report* (February, 2017) at page 18.

only resulted in the highest percentage (76.2) of good choice outcomes when there were only the good and bad option but when presented with three products, participants performed worst (41.3%) when they had only access to a KFS and best (51.6%) when they were offered both a KFS & PDS. The PDS only condition scored in-between but resulted in the highest percentage (29.4) of non-purchases. Being able to choose from three instead of two policies did not decrease the percentage of non-purchases.

None of the differences between disclosure conditions were however statistically significant. The only exception was that the percentage of participants who chose not to purchase a policy was significantly higher when only the PDS was available. This means that apart from this opt out effect there is no consistent effect of disclosure through a KFS or PDS on decision quality. The following table shows the buying decisions made by participants under the various conditions.

1.4.3 PARTICIPANTS DISPLAYED LIMITED INFORMATION ACCESS AND APPLIED A LIMITED DECISION TIME BUDGET

25% of participants made a purchase decision after only accessing one document for one product (KFS or PDS)

We tested to see how many items of information participants accessed before making a purchase decision. Before deciding which product to buy (or deciding not to buy at all), a participant might, for example be placed in the condition in which he or she is only offered access to the KFS for each of two products on offer. The participant, however, might simply access the KFS for one product and proceed to make a purchase without bothering to access the KFS for the other product. So, although a participant was given access to the disclosure documents for each product on offer, he or she did not necessarily **access** every document offered – that is open the file containing the KFS or PDS on their electronic device (i.e., their computer, tablet or smartphone).

We only tested whether they accessed a document and did not test whether they actually read (let alone comprehended the contents of) the document. We did however measure the time taken to complete each step in the decision process.

We found overall that participants did not increase their access to the available documents when we increased the number of products on offer from two to three. We found that the following proportion of participants **only accessed one document** before making a purchase decision:

- if offered two products - an average of 23% of participants;
- if offered three products - 26%;
- if only given access to a PDS for each product - 35%;
- if only a KFS - 23%; and
- if a KFS & PDS - 20%.

Overall, about 25% of participants made a purchase decision after only accessing one document.

The average time spend on the actual policy selection task was 4.4 minutes (out of a total survey time of 14 minutes including scenario instructions) while the median time spent was only 2.9 minutes. This means many participants completed the selection task quite quickly whereas some others took much longer.

Time spend did not differ between disclosure conditions, except that participants in the PDS only condition spent more time completing the task than those in the other two conditions. They however accessed fewer documents on average. The latter can be explained from the greater amount of information available in the PDS.

Overall, participants were willing to spend only a limited amount of time on the task. While this may relate to the online survey setting, the task was nevertheless highly realistic, and participants did perceive that they could lose their payment for participating in the study if they would not purchase a

suitable policy. So, this finding seems indicative of a wider reluctance to spend more than a minimum amount of time on selecting an insurance policy.

1.4.4 PARTICIPANTS WERE OVERALL SATISFIED WITH THEIR CHOICES

Disclosure conditions did not affect satisfaction with the decision and there is no evidence that participants perceived information overload

After participants made their purchasing decision, we surveyed their attitudes to the test. One of the questions we asked was how satisfied they felt about the purchasing decision they had just made. We found from the survey that participants were overall satisfied with their decision (5.2 on a 7-point scale). Moreover, despite the differences in information availability and the resulting differences in choice outcomes, there was no indication that a participant in one particular disclosure condition felt less satisfied with their decision compared with those in the other conditions.

The participants were asked if they had wanted access to more information than we had provided them before they made their purchase decision. We found that the participants in the KFS only condition indicated a greater desire for more information (4.8) than participants in the other conditions (4.2 on a 7-point scale).

We asked participants how difficult they found it when making a decision about which product to purchase. Participants offered only the good and okay products found it more difficult (4.3) making a choice than the participants in the other conditions (3.9 on a 7-point scale). This accorded with findings from the literature that consumers find it more difficult to make a decision when options are more similar.

The findings presented no evidence that participants experienced information overload in the task.

1.4.5 CHOICES OF PRODUCTS DID NOT RELATE TO PERCEIVED RISKS

Decision quality and level of risk taking relate to factors other than risk perceptions, including ease of product comparison

We measured how participants perceived the risk of an ‘event’ occurring over the 12 months after they made their purchasing decision. An event might be a burglary, fire, flood or other event. We asked them what they believed was the likelihood of an event taking place over the following 12 months.

We were interested in the relationship between a participant’s perception of risk and his or her decision whether or not to purchase insurance. Intuitively, it might be expected that participants who perceived a low risk would be more likely to decide not to buy insurance. However, we found there was no direct relationship between a participant’s decision to insure and his or her levels of perception of the risk of an event occurring. This suggests that policy selection is not related to risk perceptions and that instead decision quality and level of risk taking relate to other factors including ease of policy comparison. For instance, as noted above, when there were three products available, the PDS only condition had the highest proportion of no purchase decisions (29%). This outcome may relate to participants finding the task too difficult. However, as noted, no such effects were observed for task perceptions.

1.4.6 FINDINGS HOLD REGARDLESS OF DEVICE TYPE AND THE CONSUMER'S DEMOGRAPHIC BACKGROUND

Neither use of a mobile device, gender, age, nor income affected the results

We tested to see if the kind of device a participant used to view the documents and make the purchasing choice--i.e., whether using a smartphone or tablet versus a computer, had any effect on the

participant's choosing and purchasing behaviour. We found the kind of device used made no difference in the behaviour.

One third of the participants completed the task on a mobile device. While this might seem to limit information access opportunities, there were no differences in behaviour in the policy selection task. Those conducting their selection on a mobile device performed equally well in the task.

Participants were from across the population. Testing for differences by gender, age, income or education level did not reveal any differences in policy selection behaviour except for younger participants completing the overall survey more quickly (but not the policy selection) and perceiving a greater need for more information and finding the task more difficult.

1.5 CONCLUDING COMMENTS

The present study focused on studying participant engagement and choice behaviour in a highly controlled setting, such that many external, confounding factors could be excluded from consideration. As a consequence, the scenario task was quite artificial and made many assumptions about the policy decision process. Nevertheless, our measures and the open comments obtained from participants after completing the task confirmed that participants considered the task highly realistic and engaging, as shown in our measures and in participants' comments (see pp. 36, 46). This is encouraging and suggests that an approach as adopted here can provide powerful insights that have a high level of internal validity, a level that cannot easily be achieved from field observations or self-report surveys and related methods. While acknowledging the limits to the external validity of the present study, this means the finding that consumers - even in an idealised decision situation as used in this study, including where participants were incentivised to find the best option - often end up choosing a poor option has significant implications.

Future work could extend the current experimental approach by providing more choice options, varying brand and price information, specifying greater risks and other costs of purchasing an insurance policy and by including a longer time window for both the selection task and for the risk cover period. Also, future work could explore how consumers engage with less well-defined situations where the initial exploration and preselection process is not assumed to have been completed, as it was in the present study.

The present study also was confined to engaging with the policy information through only written information as available in a KFS and PDS. In reality consumers can talk to others, including friends or relatives, and can contact insurance companies by means of various media including phone, email or, increasingly, online chatting. According to the 2017 study published by the Insurance Council of Australia: 'where consumers do use mandated disclosures, such use is not isolated from the influence of other information sources on decision-making', including from informal sources.²⁵ In addition, in real settings, the online setting typically provides more means for interaction and possible assistance through for example calculators and help menus.

Our study was implemented in an online format but, like reality, there were no restrictions as to how participants would engage with the material. Indeed, one third of the participants completed the task on a mobile device. Further research could be undertaken in the future into how the device features including for example screen size but also the immediate decision environment (e.g. selection at work or at home or during transport) influence information search and decision making. Based on participants' positive comments about the experimental task in this study, it is also worth exploring how exposure to simulated settings as used in this study may help create awareness and educate consumers about the importance of selecting appropriate insurance cover.

²⁵ Insurance Council of Australia, *Consumer Research on General Insurance Product Disclosures: Research findings report* (February, 2017) at page 16

Many other factors can be considered but essential findings nevertheless hold that many consumers even in such simplified decision environments end up choosing a poor option. Although we tested this for the context of home contents insurance, these limits to consumer decision making may equally apply to other services contexts. Although in our study we found no differences between types of consumers, such different may well apply in other settings. Further research could explore how the effectiveness of types of disclosure varies across types of consumers, for example, by level of education and claims history, or by decision setting, for example renewal versus new purchase decisions.

To conclude, our findings suggest that there is considerable room for improvement in mandated insurance disclosure documents. The documents in this study were shorter, clearer and set out in a consistent manner for ease of comparison, in stark contrast to many documents currently used by insurers. Even in these idealised circumstances, and with starker differences in policy coverage than usually exist in the market, sub-optimal decisions were frequently made and there was no statistically reliable effect of the various combinations of mandated disclosure documents on decision quality (apart from the PDS only condition resulting in a significantly greater percentage of decisions to not purchase an insurance policy at all). This raises the question whether mandated disclosure is an effective tool to aid consumers when making product selections. Mandated disclosure may serve other purposes, including informing the purchase choices of highly literate and motivated consumers, guiding consumers through the claims process and ensuring they have a clear guide as to the limits of their policy in the event of a dispute, but the findings from this study indicate that even in ideal circumstances disclosure does not ensure that consumers make high quality purchase decisions nor does it optimise their chances of obtaining suitable cover.

2. STUDY DETAILS

2.1. PURPOSE AND OVERVIEW OF THE EXPERIMENTAL TASK

The empirical study for this project aimed to examine how the newly introduced requirement for providing a KFS enhances consumer perceptions and decision outcomes.

The study in particular examined how—

- consumers engage with the KFS and/or PDS at the point of sale;
- consumers perceive the information provided by the KFS and/or PDS;
- the obtaining of this information and knowledge leads to perceptible changes in consumer decision-making behaviour.

The study tested engagement, comprehension and behaviour of consumers in a specifically designed, experimentally controlled environment that nevertheless closely reflects real life situations.

The study focused on the purchase of a new home contents insurance. Home contents insurance was selected because it is a relevant product for virtually all households; home contents was considered as a stand-alone product even though it is often offered in combination with a home owners insurance to avoid having to limit the sample to owner occupiers only. All effort was made to make the scenario seem natural and realistic for the participants, as detailed further below.

Participation in the study involved completing a computer-based task in which participants first received a briefing about a situation where they need to purchase a new home contents insurance policy. They then completed an unguided insurance selection task from two or three preselected but unfamiliar insurance policy options. For each policy, they could access either a KFS, a PDF, or both a KFS and PDS in order to find out about the policy details.

After accessing the disclosure documents and completing the selection task they were asked for their comprehension and perceptions of the documents and selection task and provided additional demographics.

The study was designed such that the set of policies that participants received included varying levels of cover; the participant task was to find the best policy option in the various disclosure conditions, which comprised selecting from either two or three policies for which either only a KFS, only a PDS or both were available.

The task design ensured that participant would be sufficiently involved, despite the hypothetical-experimental nature of the simulation task. This was achieved by including a participation incentive that would depend on the extent to which sufficient cover was selected in the task.

2.2 PROCEDURE AND DESIGN

2.2.1 PRETEST AND MAIN STUDY

As a pretest, an initial study was conducted on a sample of 92 students, who completed the study in a computer lab. This study involved a limited design where always only two policy options were available, which (unknown to the participant) always were a relative good and a relatively poor policy. The participation incentive consisted of a donation to a selected charity.

The main study involved 406 adult participants from across Australia recruited through an online panel organisation. The design was more elaborate as it presented participants with either two or three policy options. This allowed testing the effect of increased choice complexity. When provided with two options, these (again, unknown to the participants) participants were offered a choice between a policy that was either: good or bad; good or okay; or okay or bad.

The key observables are whether participants were able to find and select the better policy option and their perceptions of the task and satisfaction with the decision process.

2.2.2 THE POLICY VARIANTS

The available policies (KFS and PDS documents) consisted of a generic description of the seven types of cover as listed earlier in *Table 1*. Of these, three items (fire and explosion, floods, and theft and burglary) were varied to create either a ‘good’ or an ‘bad’ policy, plus in the main study also an okay policy. These three items were selected as they were deemed most widely applicable and salient among the wider population. Three items were selected to be experimentally varied as a middle ground between, on the one hand, selecting so few that differences might not matter for a majority of participants and/or the study would depend on a singular item, versus on the other hand, the consideration that with more items differing, participants might expect that differences are not systematically in favour of one option and hence that item performances would need to be traded off against each other. While this may well be the case in the real market place, the current study design was limited to a simplified setting where there would always be a clear good, okay and bad option. Measuring the trade off or relative importance of the different items was beyond the scope of this study. The differences created in the KFS documents are summarised in the table; a complete copy of the three KFS versions is shown in **Appendix C**; the corresponding PDS documents are shown in **Appendix D**. The PDS document was designed in a style that would resemble PDS documents as existing in the market place but condensed and shortened to only 20 pages instead of the 30 to 130 pages that are typical, in order to make the task feasible in a computer based task.

All tasks included non-branded policies only. Policies were identified by a letter (Policy A or B in the student pretest) or colour name (blue, purple, or red policy in the main study); and by the (corresponding) colour of the (otherwise identical) text heading of the presented policy documents. Hence, the potential effects of brand names were controlled and could be further ignored although this also means no brand effects can be tested. In the pretest the colour assignment was systematically and independently varied; in the pre-test analysis no colour preference effects were detected however. Therefore in the main study colour was not fully randomized, although it was still balanced and independent from the experimental factors.

Consumers are known to be prone to select on price and/or to just choose a familiar brand when selecting or renewing a policy. We aimed to investigate how consumers engage with KFS and PDS information and were concerned that this information would too easily be ignored by our participants, in which case our findings would be relevant but not address the question how consumers may engage with and can use this information if they have a genuine reason to do so. We therefore kept prices constant and did not include real brand names. So, as explained to participants in the scenario introduction, all tested policies were also equally priced. This means that while the effects of brand and price differences are controlled effects, neither brand nor price differences could be tested in our study.

2.2.3 TASK STRUCTURE

The task commenced with an explanatory statement based on which the participant could consent to participate and then received an introduction of the scenario and the incentive details. Then followed the policy selection component. After completing the policy selection task the survey asked perceptual questions and demographics.

The explanatory statement provided basic details about the study and details of ethical approval. In particular it explained the purpose of the study as “We aim to examine consumer understanding of policy documents when purchasing domestic insurance products” and “You will be asked to complete a simulated insurance purchase. You will be asked to explore details and then choose from different insurance policies for a specific domestic setting as detailed in a written scenario. The scenario and policy details will be presented on screen.” It continued that “Once you have completed your policy selection you will fill out a short questionnaire with questions about the task, insurances and some

demographics.” And that “the total task will take about 15 to 20 minutes to complete, but some may want to take some more time.” It also briefly explained the participation incentive.

The scenario introduction first explained the context in which the policy selection should be assumed to take place. For the pretest study among students, participants were to assume that they had recently graduated and had rented an apartment for which they presently sought to purchase a home contents insurance. For the main study, participants assumed they were moving to a similar location and type of house in new suburb or town and so needed to purchase a new home contents insurance; they also had to assume any current insurance cannot be transferred or extended. They then were told that based on some initial search two [or three] options of equal price have been preselected from which they now can choose one, or they can choose to not purchase any insurance at all.

They were next instructed that after completing their task a ‘risk simulator’ would be applied to their scenario. Depending on the outcome of the simulator and on whether they had selected relevant insurance cover in the task, an extra incentive would be awarded (that is, inclusion in a draw for a possible donation of \$500 to a preferred charity in the pretest study, or a \$2 extra individual payment in the main study), but only if no event occurred in the risk simulation or if an event occurred and appropriate cover had been purchased.

The next part of the task presented an information panel with buttons that allowed, depending on the experimental condition, to access (open) either the KFS and/or the PDS of each policy on offer as a pdf document in a new tab in the browser. While in an initial run of the pretest multiple tabs could be opened, in the actual pretest the software was set such that participants could open only one information tab at a time. In the main study this was however reversed back because online participants cannot be forced to use only one tab at a time. They were hence allowed to keep multiple tabs or windows open. While the latter implies a more realistic task setting it also meant the researchers cannot determine which information is being looked at once multiple tabs or windows have been opened.

A screen shot of the information panel that presented the access options is shown in *Figure 4*.

After having accessed at least one information item (KFS or PDS for any of the two policies), participants were given the option to access any other information item in the table, or read the previously accessed options again, or make a purchase (see *Figure 4*). They could access the items as many times as they wished before making a purchase.

They then proceeded to the final task component which asked a set of survey questions about how realistic and how easy they found the purchase scenario and answered demographic and psychological questions.

2.2.4 SURVEY QUESTIONS (PERCEPTIONS AND DEMOGRAPHICS)

After making their purchase decision, participants answered two questions about how realistic and how easy they found the purchase scenario, both on five point scales (1 = very easy/very unrealistic; 5 = very difficult/very realistic).

Participants next rated 14 items indicating “to what extent you agree or disagree with the following statements about the insurance policy” on a 7-points Likert scale ranging from 1=strongly disagree to 7=strongly agree to give their opinions about the decision process. Analysis of the ratings of these 14 items using factor analysis (for both studies 1 and 2) resulted in a condensed set of five decision satisfaction components that summarises each participant’s view of the task:

- Decision satisfaction
- Decision difficulty
- Need for more information
- Task realism and involvement
- Perceived incident likelihood

As a manipulation check participants next answered “to what extent does the selected policy cover for each of the following items?”. They provided their answers on a scale indicating “no cover”, “okay cover”, “maximum cover”, “I cannot recall”, and “not applicable”.

As a further manipulation check and to be used as a possible covariate the main study in addition asked how likely they perceived an incident of a particular type to happen (in their area in the next twelve months: 1= extremely unlikely, 2= very unlikely, 3= unlikely, 4 =somewhat unlikely, 5 = likely). A general incident likelihood question was also asked as follows: “Indicate your personal estimate of *how likely it is that any* of these incidents happens in your area in a period of twelve months. Specifically, estimate *out of how many people* in this area, at least one person will have an incident over this period (on a ranked scale starting with ‘one in 5’, ‘one in 10’, ‘one in 50’, ‘one in 100’, ‘one in 500’, then progressing further over similar categories to ‘one in 1,000,000’; consequently, the scale had a total of 12 categories).

Then followed questions regarding the participant’s experience with insurance purchases and history of making any claims followed by general demographics. These questions included general risk proneness and whether the participant currently holds a home contents insurance and if so, of what brand (as a recall based open question), when it was last renewed, and finally: “What was most important to you when renewing or purchasing your current home contents insurance? (Brand; Ease of purchasing or renewing; Price (premium); Details of cover; Recommendations from others; Any other). (These latter questions had not been asked in the pretest). It was finally also asked if participants had any final comments about the survey.

Further details of the procedures and design for the main study are presented below; for details about the pretest sample, procedure and findings, see **Appendix F**.

2.2.5 SAMPLING PROCEDURE

Participants were invited through a professional online permission-based market research panel called Research Now. The panel organisation has volunteers registered from across the population to participate in online studies for small reward payments, typically no more than one dollar, depending on the length of the survey, which members accumulate in their online accounts held with the organisation. The panel organisation holds a large number of members on file from across the population, and regularly recruits new members and conducts quality control on registrations and participants. It can invite members for any study and also can selectively invite members based on their registered demographic characteristics.

Members received an email inviting them to participate in a survey regarding “finance” and could follow the link to the online survey. They could complete the survey on their own device, either desktop or mobile device, at their convenience at any time after receiving the invitation, although they understood the survey link would be closed once a sufficient number of participants had been acquired. 675 invited members responded to read the explanatory statement and find out what the survey was about including the possible rewards. This latter included the explanation that an additional reward of \$2.00 might be obtained for survey completion depending on their risk choices in a choice simulation (this was a payment on top of the standard \$1.50 participation reward for a survey of up to 20 minutes; it had been explained the survey would take 15 to 20 minutes).

Of the initial participants 574 met the initial criteria of needing to be at least 18 years old and having purchased at least one insurance (either building, car, health, home contents, or travel insurance) in the past. These selection criteria were on purpose held broad so the sample could contain participants with a range of experience levels. While age and gender were monitored during data collection no quota were set so the achieved sample directly reflects that characteristics of the population of invited panel members, which was selected by the panel organisation to be representative of the Australian population.

The survey link was closed for new commencements once the target number of 400 completed surveys had been achieved. Of the 410 who eventually completed the scenario task, 406 participants passed the imposed quality checks, the final sample for analysis therefore consists of 406 participants.

2.2.6 FURTHER DESIGN DETAILS

2.2.6.1 EXPERIMENTAL DESIGN

While the pretest included only two options, which were always a good and bad option, the main study included conditions where three instead of two options were available and in addition included an okay policy option. The total design therefore comprised six main conditions: A three-level factor of whether only the KFS was present, or only the PDS, or both was fully crossed (all combinations) crossed with a two-level factor of whether two or three policies had been preselected for exploration and possible final selection.

Within the two-policy condition there were however three sub-conditions as they could present either the good and bad, good and okay or okay and bad policy. Participants were randomly assigned to one of the six main condition (KFS only, PDS only or KFS & PDS x Two or Three options) and then within the ‘two options’ condition participants were randomly assigned to one of these three sub-conditions. The final distribution is shown in *Table 3*. Because of the greater complexity of the condition with three policies there was a concern there would be greater response variation within this task, also the condition with three policies was considered the most relevant one in the study. The condition with three policies was therefore oversampled such that it would comprise approximately 50% of the sample. Similarly, the condition where the KFS and PDS were both were available was oversampled compared to the KFS only and PDS only conditions.

In addition, within the KFS & PDS condition there was full randomization across conditions where the KFS appeared on top versus where the PDS appeared on top in the policy list on the main access page. The left, middle or right positions of the good, okay and bad option on the screen were also randomized. The policy colours however had fixed positions on the screen such that always the first (most left) was blue, next was purple and the third (only in case of three options) was the red policy. This decision simplified the survey design and was based on a finding from the pretest study (not reported further here) that colour had no effect on perceptions and choice outcomes.

Table 3. Distribution of participants across the experimental conditions.

KFS/PDS	Two/Three	Count	Percentage
KFS only	Two: Good & Okay	18	17.1%
	Two Good & Bad	21	20.0%
	Two Okay & Bad	18	17.1%
	Three	48	45.7%
PDS only	Two: Good & Okay	17	15.7%
	Two Good & Bad	15	13.9%
	Two Okay & Bad	25	23.1%
	Three	51	47.2%
KFS & PDS	Two: Good & Okay	30	15.5%
	Two Good & Bad	32	16.5%
	Two Okay & Bad	32	16.5%
	Three	100	51.5%

2.2.6.2 PROCEDURE

Participants were to assume that they were moving to a new house in a similar location and type of house in new suburb or town and so needed to purchase a new home contents insurance; they also had to assume any current insurance cannot be transferred or extended. Specific instructions are shown in **Appendix E**, the instructions were designed to convey a concise but clear picture of the decision context, and for example included that

“The reasons for the move may be personal or work related but are not relevant to this study. We just ask you to imagine that you would be moving to a new house in the next several weeks and that you have already signed the rental or purchase contract so are ready to move.”

“As part of the preparation for the move, you have been shopping around for a home contents insurance. This is to allow you to make an insurance claim if you suffer loss regarding your household items and personal belongings.”

They then were told that based on some initial search two (or three, depending on the experimental condition) options of equal price have been preselected from which they now can choose one, or they can choose to not purchase any insurance at all.

They were instructed that after completing their task a ‘risk simulator’ would be applied to their scenario that would determine whether they will receive their bonus payment. Instructions included that:

“It is most likely (given the incident rates in your area) that the simulator will state – ‘no-incident’. However, it may state ‘incident’, and name the incident, for example, fire, flooding, robbery, etc.”

“If in this simulation an incident with damages occurs, and your insurance does not sufficiently cover the incident type, you will have significant costs to bear. To make you aware of the significance of this potential consequence, we have agreed with your panel organisation that in case an incident happens in your scenario, you will lose the bonus incentive that was promised in the study invitation.”

At the conclusion of the study the researchers decided to allow all participants to receive their bonus payment so as to minimise administration costs for the research panel as well as to avoid a need to explain the details of the draw. Importantly however the participants did believe and understand they could lose their bonus; questions were included in the survey to measure these perceptions.

The information panel, depending on the experimental condition, allowed to access (or open) either the KFS and/or the PDS of each policy on offer as a pdf document in a new tab in the browser.

No restrictions were set and no browser checks were conducted, so participants could open the information options either in separate tabs or windows and keep them open or close them any time. A question was included in the survey to ask if one or multiple browser tabs or windows had been kept open, 38.9% reported to have had multiple windows open during the task. One participant left a comment at the end of the survey saying he had actually printed out all available policies to allow better comparison.

In the condition where the KFS and/or PDS access option were both available, the list order of the KFS and PDS was randomly varied such that the PDS appeared in the top position equally often than the KFS.

2.3 FINDINGS

2.3.1 SAMPLE DESCRIPTIVES

2.3.1.1 DEMOGRAPHICS

Descriptives for the sample in terms of their key demographics are provided in *Table 4*. They show adequate distributions for gender, age and home status, and types of living arrangement and also show that a vast majority has lived in Australia for many years and has English as their first language. Just over one third (36.9%) were observed to have completed the survey on a mobile device (comprising either iPad 12.8%, iPhone 10.3%, or an android device 13.8%).

Table 4. Participant demographics.

N=406		Count	Percentage
Characteristic	Variation		
Gender	Male	197	48.5%
	Female	209	51.5%
Age	18 to 24	46	11.3%
	25 to 34	79	19.5%
	35 to 44	76	18.7%
	45 to 54	84	20.7%
	55 to 64	55	13.5%
	65 or over	66	16.3%
Home status	Rented	133	32.8%
	Owner occupied	268	66.0%
	Other	5	1.2%
Living arrangement	Young single	47	11.6%
	Young couple, no children	31	7.6%
	Family, children 0-4	46	11.3%
	Family, children 5-12	52	12.8%
	Family, children 13+	59	14.5%
	Older couple with no children	93	22.9%
	Older single	58	14.3%
	Other	20	4.9%
Household income	< \$29,999	51	12.8%
	\$30,000 - \$49,999	65	16.3%
	\$50,000 - \$99,999	136	34.0%
	\$100,000 - \$149,999	68	17.0%
	> \$150,000	37	9.3%
	Unsure/Prefer not to say	43	10.8%
Education	Primary school	6	1.5%
	Secondary school	98	24.5%
	Technical/TAFE or equivalent	126	31.5%
	Bachelor degree	112	28.0%
	Postgraduate degree	54	13.5%
	Other	4	1.0%
Occupation	Employed full-time	134	33.5%

	Employed part-time	67	16.8%
	Self employed	23	5.8%
	Housewife/husband	31	7.8%
	Retired	91	22.8%
	Student	21	5.3%
	Unemployed	21	5.3%
	Other	12	3.1%
House Move	Don't recall	1	0.3%
	Less than a year ago	53	13.3%
	Between one and five years ago	144	36.0%
	More than five years ago	202	50.5%
Primary language	English	358	88.2%
	Non-English	48	11.8%
English fluency (when primary is Non-English)	Not fluent at all	0	0.0%
	Not very fluent	3	6.3%
	Somewhat fluent	8	16.7%
	Quite fluent	12	25.0%
	Very fluent	25	52.1%
Years in Australia	2 years or less	12	3.0%
	2 to 5 years	18	4.4%
	5 to 10 years	21	5.2%
	More than 10 years	355	87.4%
Survey device	Desktop or laptop computer	256	63.1%
	Mobile device (iPhone, iPad, android)	150	36.9%

2.3.1.2 EXPERIENCE WITH INSURANCES

Participants at the end of the survey also indicated their insurance purchase related experience which is summarized in *Table 5* and shows that 75% had previous experience with purchasing a home contents insurance and 77% considered themselves responsible for purchasing an insurance. 27% reported having made any insurance claim in the past.

Table 5. Insurance related experience.

N=406 Characteristic	Variation	Count	Percentage
Buying insurance experience	Travel insurance	219	57.8%
	Car insurance	355	93.9%
	Home contents insurance	285	75.2%
	Building insurance	216	57.3%
	Private health insurance	281	74.1%
	No insurance	0	0.0%
Responsible for insurance purchase	Myself	313	77.1%

	Partner or flatmate	82	20.1%
	Other	11	2.7%
Claim history	No	287	70.8%
	Yes	109	26.8%
	Cannot recall	10	2.5%
Claim history date	Less than one year ago	14	12.8%
	Between one and five years ago	39	35.8%
	More than five years ago	56	51.4%

Participants were also asked to recall the brand name of their current or most recently purchased home contents insurance provider. *Table 6* lists the frequency of answers. AAMI and the NRMA/RACV/T/SA/WA are the largest providers in the sample, followed by Coles, Suncorp and Allianz.

Table 6. Current home contents insurance (when known).

Brand/answer	Count	Percentage	Brand/answer	Count	Percentage
Not answered/ d.k.	58	14.29%	Hollard	1	0.25%
Not asked/shown	128	31.53%	ING	1	0.25%
A&G	1	0.25%	MHIC	1	0.25%
AAMI	31	7.64%	NAB	2	0.49%
Allianz	9	2.22%	NRMA	22	5.42%
ANZ	2	0.49%	Onepath	1	0.25%
APIA	6	1.48%	Over 50s	1	0.25%
Australian Seniors	2	0.50%	QBE	6	1.48%
Australian Unity	1	0.25%	RA(SA,Q,T,V,WA)	35	8.63%
Bank SA	1	0.25%	Real	1	0.25%
Bank West	1	0.25%	SGIC	1	0.25%
Budget Direct	7	1.72%	Shannon's	3	0.74%
Bupa	1	0.25%	St George	1	0.25%
CAN	1	0.25%	Suncorp	9	2.22%
CBA	5	1.23%	Sunrise	1	0.25%
CGU	7	1.72%	TIO	1	0.25%
Coles	14	3.45%	Vero	1	0.25%
Comminsure	8	1.97%	Virgin	1	0.25%
Defence Housing	1	0.25%	Westpac	3	0.74%
Dodo	1	0.25%	Woolworths	4	0.99%
GIO	11	2.71%	YHU	1	0.25%
Gmhpa	1	0.25%	Youi	8	1.97%
Grand Total				406	100.00%

Those who recently had renewed or purchased an insurance policy it was asked to select the factor most important in their decision. As shown in *Table 7*, cover details are most important, followed by

price. Brand plays a smaller factor. Note this question was asked after participants had completed the policy selection task so the high percentage for cover details will likely be inflated when comparing this to naïve participants who were not exposed to such a task.

Table 7. Factor indicated as most important when deciding to renew or purchase home contents insurance (when answered).

Factor	Count	Percent
Details of cover	117 ¹	48.8% ¹
Price (premium)	66	27.5%
Ease of purchasing or renewing	24	10.0%
Brand	17	7.1%
Recommendations from others	11	4.6%
Any other	5	2.1%
Total	240	100.0%

¹ note this question was asked only after the policy selection task had been completed so this number is likely inflated.

2.3.1.3 PARTICIPANT END OF SURVEY COMMENTS

At the end of the survey participants were asked if they had any final comments about the study. Many commented very positively about the survey experience, entering comments like “A great survey”, “Really enjoyed this survey!”, “Good survey, made you think this one”, “Interesting survey”. Others provided comments about their experience and/or frustrations with selecting policies in general, for example:

“I found it extremely hard to compare the policies - I needed to see them side by side in a table. I didn't think any of the policies suited my situation and in real life, would have looked elsewhere for better cover with less exclusions.”

“Surprisingly enjoyable (and thought-provoking - how many people don't understand what they have paid for and what their cover is/isn't?)”

“An interesting and enjoyable survey - one of the best I've done!”

“Actually quite good scenarios but real-world insurance policies are a little more tricky and confusing”

“This was a very interesting and rewarding survey that me want to ensure my current home insurance policy is best for us and has no loopholes in it.”

“The survey was very interesting. It dealt with the situation one would face in real life.”

“Thank you - an interesting survey that has prompted me to look more closely at terms and conditions of my content policy”

“This survey was incredible! I had heaps of fun choosing the best policy. It also opened up my eyes to how some insurance companies worded things. I feel slightly disappointed because my insurance cover wasn't tested, but still had fun! Thank you very much, and thanks for the bonus \$2”.

There were only very few negative comments. One person commented the survey was hard and another found it complicated, yet another referred to an issue when completing the survey on an iPad. A few commented they felt the survey was long relative to the promised base reward. Finally, one commented only that “I think I need to get cover”, which corresponds to comments from several other

participants that they found the survey illuminating and that it made them want to reconsider their actual insurance arrangements.

2.3.2 SCENARIO COMPLETION TIMES

The main observables in the policy selection task are whether the participant accessed the PDS and/or KFS; how long it took to access them and how much time was spent reading them; the final selection of policy, and also observations about what detailed information was accessed. Task perceptions are also observed. Given the study included a ‘okay’ policy option, it can be observed how participants respond when they encounter a reasonably good but not optimal policy in the various conditions.

To analyse how the various disclosure conditions (KFS only, PDS only, KFS & PDS) as well as the number of options and type of options (good/bad, good/okay, okay/bad, good/okay/bad) influenced the dependent variables, we apply analysis of variance (ANOVA) for most dependent variables (when they are numerical and can be assumed to be of interval scale level), the selection choices are analysed using Chi-square analysis.²⁶

We first inspect the completion times. The mean time to complete the whole survey was 23 minutes, however the median time was only 13 minutes. This is due to several participants taking a long time to complete the survey; 6.7% spent more than 35 minutes on the survey. This may be due to genuine interest but possibly also because some of them left the survey unattended for some time due to interruptions, which was allowed. Others however completed the survey very quickly, with 3.4% completing it in less than 3 minutes. A good measure is therefore the 5% trimmed mean, which was 860 seconds, or 14.3 minutes.

To analyse how survey duration varies with the disclosure options, we conducted a two-way analysis of variance (ANOVA) with the type of provided information (KFS only, PDS only, KFS & PDS) as independent variable crossed with number of options and type of options (good/bad, good/okay, okay/bad, good/okay/bad) and with time spent as the dependent variable. To avoid that outlier values unduly influence the findings and violate the key statistical assumptions we capped times at the value the 95th percentile score of the variable.

The results indicate that there are significant differences among conditions KFS/PDS conditions, with the PDS only condition spending significantly more time to complete the survey (*Table 8* and *Table 9*). There are however no significant differences between the number of options conditions.

Table 8. Survey completion time (minutes), time taken to select a policy (minutes) and number of rounds used for policy selection, by KFS/PDS condition.

Variable	KFS only	PDS only	KFS & PDS	F-stat ¹
Duration	14.4	18.0	14.4	4.372*
Time used to select a policy	4.2	6.5	4.7	5.349**
Decision rounds	3.51	3.20	4.07	12.066**

¹ F-values marked * are significant at $p < .05$; those marked ** at $p < .01$. Starred F values mean that some or all of the group means in a row are significantly different of each other.

²⁶ Analysis of variance is a standard method for analysing differences in group means for numerical variables and tests how likely it is the observed differences in means would have resulted on a mere chance basis and so might occur even if the group means do not differ in the population; as a reference it uses the F-statistic. Chi-square measures are used when the variable is categorical and so represents counts instead of numbers; the test measures how likely differences in counts or proportions are likely to have resulted on a mere chance basis. Both measures are typically reported as the observed score being less than 10% likely ($p < .10$, sometimes referred as ‘marginally significant’; or less than 5% ($p < .05$, this is the standard benchmark for accepting or rejecting a hypothesis), or even less than 1% likely ($p < .01$).

Table 9. Survey completion time (minutes) and time (minutes) and number of rounds used for policy selection, by Two/Three condition.

Variable	Two: Good Okay	Two: & Good & Bad	Two: Okay & Bad	Three options	F ¹
Duration	17.4	13.8	14.7	15.6	1.317
Time used to select a policy	6.1	4.0	4.3	5.3	2.053
Decision rounds	3.51	3.43	3.31	4.02	5.257**

¹ For explanation of asterisks, see Table 8.

We calculated the time spent on the actual selection task, from the moment the initial instructions had been completed to making the final purchase decision. The median time was 2.9 minutes (or 176 seconds), again with several participants taking much longer, resulting in a mean information search and decision completion time of 8.1 minutes (485 seconds); the 5% trimmed mean was 4.4 minutes (263 seconds).

To analyse how time spent varies with the disclosure options, we again conducted a two-way analysis of variance (ANOVA) with the type of provided information (KFS only, PDS only, KFS & PDS) as independent variable crossed with number of options and type of options (good/bad, good/okay, okay/bad, good/okay/bad) and with time spent as the dependent variable. To avoid the outlier influences we again capped times at the value the 95th percentile score of the variable.

The ANOVAs reveal a significant difference with the PDS only condition spending more time on the policy selection task than the other two conditions (see earlier table above). This suggests that those who were in the KFS & PDS condition relied most on the KFS. There are no significant effects for whether there are two or three options available.

We also checked how much time was spent in each decision round. The results are in Table 10. They reveal that the median time per round was just over half a minute, the trimmed mean indicates participants spent on average about one minute per round.

Table 10. Time spent per round accessing information the information item (in seconds).

	N	Min	Max	Mean	Std. Dev.	5% trimmed Mean	Median
Time1	406	1	25306	240	1476	80	36
Time2	285	1	7002	105	432	60	44
Time3	162	1	6267	108	499	54	38
Time4	59	1	1044	83	154	60	27
Time5	21	1	190	29	42	22	19
Time6	10	1	382	49	117	33	15
Time7	4	1	50	21	24	Na	10
Time8	3	3	22	12	10	Na	10

We next assessed the number of rounds used to make a decision. Participants on average accessed three to four items of information before making their purchase decisions (mean = 3.69 rounds; st. dev. = 1.58).

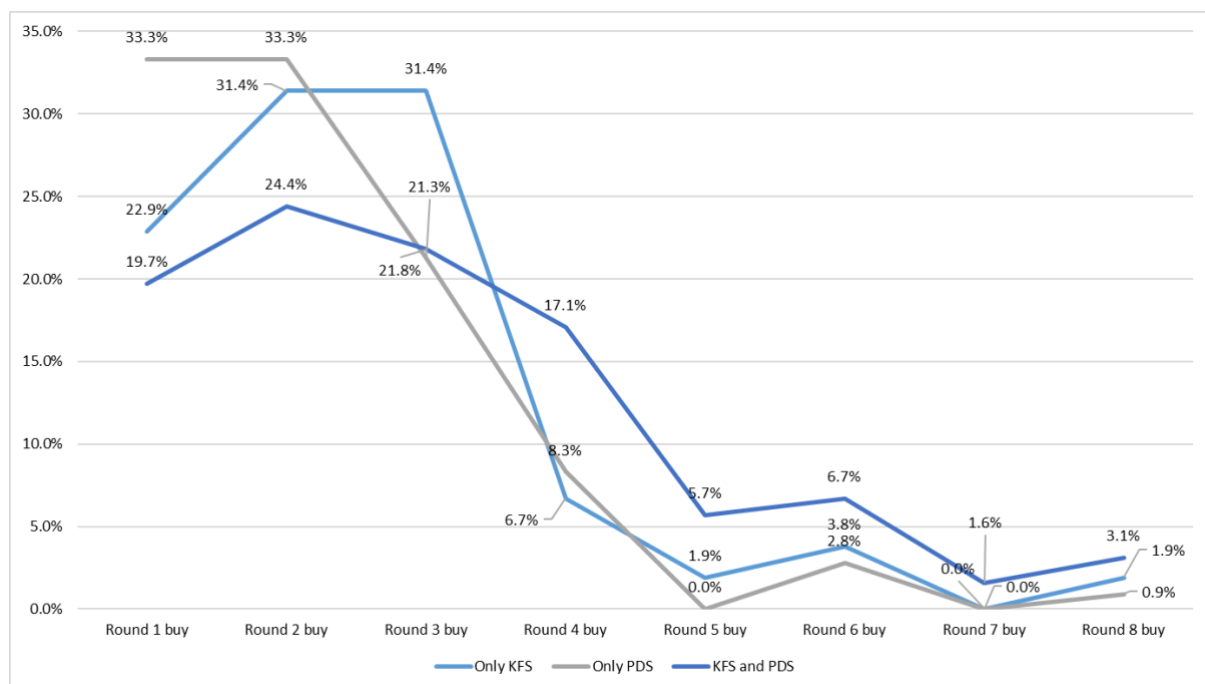
To assess the effects of the disclosure conditions on the number of information access rounds, another ANOVA was conducted with disclosure conditions as independent variable and number of rounds as dependent variable. The findings are in *Table 8* and *Table 9* (earlier shown) and reveal significant differences based on both KFS/PDS and on number and type of policies available. More rounds were used for the KFS & PDS condition and for the condition with three policy options. Further testing showed there was no significant interaction effect between these factors. *Table 11* displays the distribution of number of rounds by disclosure condition.

Table 11. Purchase decisions per round, by disclosure conditions.

	Only KFS		Only PDS		KFS and PDS	
	Column N %	Count	Column N %	Count	Column N %	Count
Round 1	22.9%	24	35.3%	38	19.7%	38
Round 2	31.4%	33	31.5%	34	24.4%	47
Round 3	32.4%	34	21.3%	23	21.8%	42
Round 4	6.7%	7	8.3%	9	17.1%	33
Round 5	2.0%	2	0.0%	0	5.7%	11
Round 6	2.9%	3	2.8%	3	6.7%	13
Round 7	1.0%	1	0.0%	0	1.6%	3
Round 8	1.0%	1	0.9%	1	3.1%	6

Figure 5 visually displays after how many times of accessing information the participants of each group made a decision. “One round” means deciding after having accessed only the first of the information items (all participants were obliged to access at least one item).

Figure 5. Purchase decisions per round, by disclosure conditions.



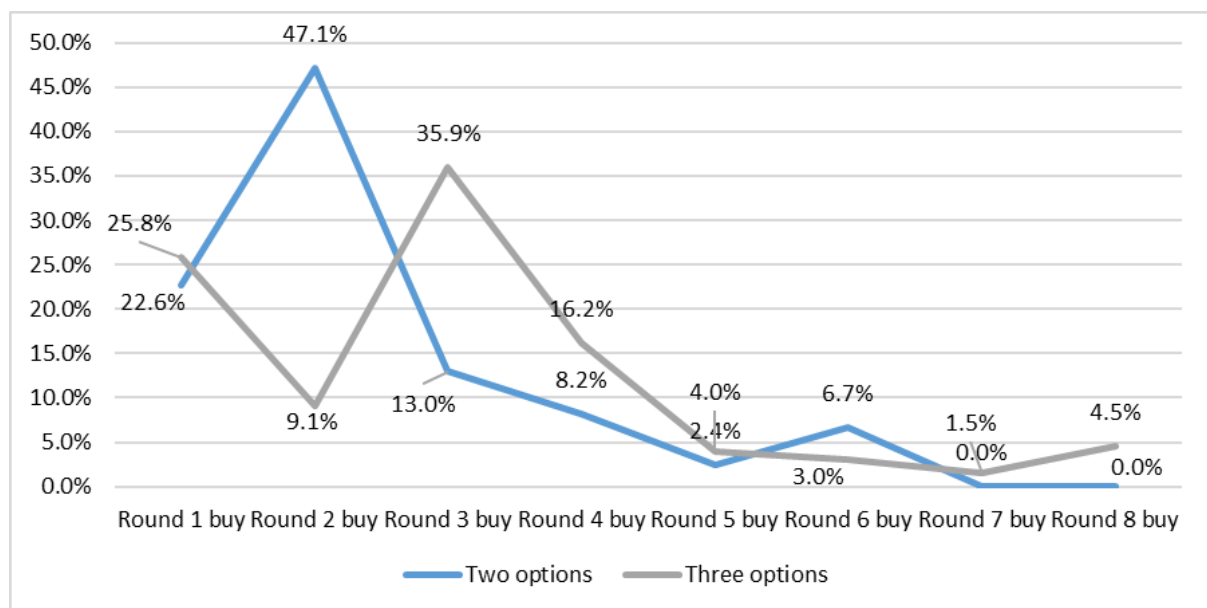
The figure shows that in the PDS only condition more than 35% of participants made a decision already after accessing information for only a single (the first) document, vs in the KFS only 23% doing so and in the KFS & PDS only 20% did so. Of the latter group 44% made their decision after having accessed only up to two of the four or six available information options.

A similar analysis conducted with the number of options as the independent variables reveals (*Table 12*) that across the conditions with only two options, 18 to 29% (average 23%) make a purchase decision after having accessed information about only one policy; when there are three options, 26%, but for the remaining participants, this condition has a higher proportion who continue to access at least 3 or 4 information items (see also *Figure 6*).

Table 12. Purchase decisions per round, by number of options (two vs three options).

Round	Two: Good & Okay		Two: Good & Bad		Two: Okay & Bad		Three	
	Column %	Count	Column %	Count	Column %	Count	Column %	Count
1	18.5%	12	22.1%	15	29.3%	21	26.3%	52
2	49.2%	32	45.6%	31	45.3%	34	8.6%	17
3	13.8%	9	16.2%	11	10.6%	8	35.9%	71
4	7.7%	5	7.4%	5	9.3%	7	16.2%	32
5	3.1%	2	1.5%	1	2.6%	2	4.0%	8
6	7.7%	5	7.4%	5	4.0%	3	3.0%	6
7	0.0%	0	0.0%	0	0.0%	0	2.0%	4
8	0.0%	0	0.0%	0	0.0%	0	4.0%	8

Figure 6. Purchase decisions per round, by number of options.



To further refine this analysis and test for any effect of the quality of the first encountered policy, we tested the effect of separating those who had first received (by random allocation) the good policy

option from those who had received the okay from those who had received the bad policy option. There were however no significant differences between these groups in terms of time used to select a policy or in terms of number of rounds.

2.3.3 POLICY SELECTION AND QUALITY OF DECISION

As a first impression of the key outcome variable as to which policy option participants selected and whether it was the best available option in their condition, *Table 13* provides an overview of the choice distribution across policy options. The table separates the distributions for each of the two-three variation conditions to account for the differential availability of the options; note the final column (Average) is calculated across the Two/Three conditions and so while the percentages represent choice shares, they should be interpreted with care because of structural zeroes. The results indicate a relatively high choice share of the no purchase option in the condition with three options, especially when considering that this condition has more options, so the share of the no purchase option would be expected to be lower in this condition than in the conditions with only two options. The statistical analysis below will confirm this finding and reveal that indeed when three instead of two options were available participants more than proportional chose to not purchase a policy.

Table 13. Distribution of final choices for each of the two/three options conditions.

N=390 ¹	Two: Good Okay	&	Two: Good Bad	&	Two: Okay & Bad	Three options	Total (unweighted, unadjusted) ²
Buy							
Good	60.0%		69.2%		na	46.3%	44.0%
Okay	26.7%		na		52.0%	22.9%	24.8%
Bad	na		12.3%		31.5%	12.0%	13.6%
No buy	11.3%		18.5%		16.4%	18.7%	17.6%
Total	100.0%		100.0%		100.0%	100.0%	100.0%

¹ 16 participants (3.9% for the total sample of 406) were excluded as they, for technical or other reasons, did not submit a final choice.

² Proportions are from totals across all conditions, unadjusted for non-availability of options.

We next analysed how the quality of the final decision (i.e., whether the best option was discovered and chosen) depended on the KFS/PDS conditions. *Table 14* lists the percentages of choice outcomes for each condition, noting the table is aggregated across the Two/Three conditions and so while the percentages represent choice shares, they should be interpreted with care. The results show how the PDS condition results in the lowest share (39.0%) of optimal (good) choices and results in the largest share for the non-purchase decision (25.2%), participants taking the risk of losing their bonus incentive. The condition where the KFS and PDS are both available results in the greatest choice share for the good option (47.0%) but also the greatest share for the bad option (16.7%). So, whereas the KFS/PDS condition on the one hand results in the best outcome for many, it also resulted in the worst outcome for another subgroup of participants.

Table 14. Choice shares by disclosure condition.

N=390 ¹				
Buy ²	Only KFS	Only PDS	KFS and PDS	Total ³ (unweighted)
Good Buy	43.7%	39.0%	47.0%	44.0%
Okay Buy	32.7%	23.8%	21.1%	24.8%
Bad Buy	10.8%	11.9%	16.7%	13.6%
Non-Buy	12.8%	25.2%	15.9%	17.6%
Total	100.0%	100.0%	100.0%	100.0%

¹ 16 participants (3.9% for the total sample of 406) were excluded as they, for technical or other reasons, did not submit a final choice.

² Proportions are from total counts across all Two/Three conditions, unadjusted for non-availability of options.

³ Proportions are from totals across all columns, unadjusted for differences in sample size.

In order to test to what extent the two experimental factors significantly influenced the distribution of choices, logistic regression models were used. First a multinomial logistic regression was applied, which revealed both factors to be significant (Two/Three: Chi-square = 158.76, df = 12, $p < .001$; KFS/PDS Chi-square = 14.44, df = 8, $p < .07$, marginally significant) and also indicated that the two factors do not significantly interact (Chi-square = 19.38, df = 24, n.s.). This suggests the effects are independent of each other and so we can directly inspect the differences for the KFS/PDS conditions across the Two/Three conditions, as was done above already based on *Table 14*.

To better account for the fact that the different conditions have different numbers of choice options we next also estimated a conditional logistic regression. We first estimated a base ‘constants only’ logistical model (with constants for each of the options Good, Okay, Bad) and then added effects that represent the influence of the KFS/PDS. This resulted in a significant model improvement (LR difference in Chi-square = 10.92, d.f. = 6, $p < .05$). This confirms that the disclosure conditions have a significant effect on the choice patterns.

Specifically, the conditional logistical model with the added effects for disclosure conditions firstly indicate there are significantly higher choice shares for the good ($p < .10$) and okay ($p < .05$) options in the KFS only condition than in the PDS only condition while the condition where the KFS and PDS are both available takes a position in between, as was shown in *Table 14*. Further testing, when looking specifically within the condition with three options only, reveals the good option has a significantly larger choice share ($p < .10$) in the KFS/PDS condition than in the PDS only or KFS only conditions, as shown in *Table 15*.

The second effect is revealed when we extend the model with the effect of having two or three options. This results in a significant model improvement (LR difference Chi-square = 12.31, d.f. = 3, $p < .01$), the estimate however reveals that being able to choose from three instead of two policies did not increase the percentage of purchases. In contrast, the ‘no purchase’ option received an even larger share in choices in the condition where three options are available, as was discussed above and shown earlier in *Table 13*.

We will now further explore the descriptive details as presented in the table, noting only the differences mentioned above are statistically significant. The detailed differences in percentages discussed below are only tentative and should be interpreted with caution.

Looking first at the condition that provided only the good and bad option, it can be observed that 76.2% of participants in the KFS only condition chose the good option, versus 66.7% in the PDS only condition and 65.5% in the KFS & PDS condition, noting in the latter there was the highest percentage of participants not purchasing any policy (20.7%).

Comparing this condition to the one where the okay option is available instead of the bad option, in the KFS only condition the percentage drops to 58.8%, and for PDS only to 62.5%, and to 59.3% for KFS & PDS, indicating that in the good vs okay condition a larger proportion of participants chose the suboptimal option, noting this option is less suboptimal than the bad option in the other conditions.

Table 15. *Quality of final decision, by disclosure condition).*

N = 390 ¹		KFS PDS Variation			
Two Three Variation	Option bought	Only KFS	Only PDS	KFS & PDS	Total ² (unweighted)
Two options (Good, Okay) n=60	Good	58.8%	62.5%	59.3%	60.0%
	Okay	23.5%	12.5%	37.0%	26.7%
	Bad	na	na	na	na
	Not buy	17.7%	25.0%	3.7%	13.3%
	Total	100.0%	100.0%	100.0%	100.0%
Two options (Good, Bad) n=65	Good	76.2%	66.7%	65.5%	69.2%
	Okay	na	na	na	na
	Bad	9.5%	13.3%	13.8%	12.3%
	Not buy	14.3%	20.0%	20.7%	18.4%
	Total	100.00%	100.0%	100.0%	100.0%
Two options (Okay, Bad) n=73	Good	na	na	na	na
	Okay	72.2%	58.3%	35.5%	52.1%
	Bad	22.2%	25.0%	41.9%	31.5%
	Not buy	5.6%	16.7%	22.6%	16.4%
	Total	100.0%	100.0%	100.0%	100.0%
All three options n=192	Good	41.3%	41.2%	51.6%	46.3%
	Okay	34.8%	19.6%	19.0%	22.9%
	Bad	10.9%	9.8%	13.6%	12.0%
	Not buy	13.0%	29.4%	15.8%	18.8%
	Total	100.0%	100.0%	100.0%	100.0%
Total² (unweighted, unadjusted) n=390	Good	44.1%	38.7%	46.2%	43.6%
	Okay	32.3%	24.5%	21.4%	25.1%
	Bad	10.8%	12.2%	16.5%	13.9%
	Not buy	12.8%	24.5%	15.9%	17.4%
	Total	100.0%	100.0%	100.0%	100.0%

¹ 16 participants (3.9% for the total sample of 406) were excluded as they, for technical or other reasons, did not submit a final choice.

² Proportions are from totals across all conditions, unadjusted for non-availability of options and differences in sample size.

In the condition where only the okay and bad option were available, the choice percentage for the (relatively) best option was close to the earlier condition for the KFS only condition (72.2% choosing the best option) but was less for the PDS only condition (58.3%), and very low for the KFS & PDS condition, with only 35.5% choosing the best option versus a high of 41.9% choosing the bad option.

Finally looking at the condition with three options (good, okay, bad), in the KFS only condition, only 41.3% selected the good (best) option, an almost similar percentage (41.2%) as in the PDS only condition. In contrast, 51.6% selected it in the KFS & PDS condition. It should be noted however that in the PDS only condition a high percentage (29.4%) chose to not purchase at all, versus only 13.0% not purchasing in the KFS only condition and 15.8% in the KFS & PDS condition. Once again however, it should be noted these detailed differences are not statistically significant. In fact, the broader finding is that the effects of disclosure do not differ consistently across the conditions, apart from the effect observed for the increase in the percentage of no purchase decisions in the PDS only condition.

We next further explored how much information participants had accessed before making their purchase decision, *Table 16* lists within each choice outcome the distribution across the number of rounds used to make a decision (column percentage), see also *Figure 7*.

Table 16. Distribution of rounds within quality of final decision, across all conditions (column percentages).

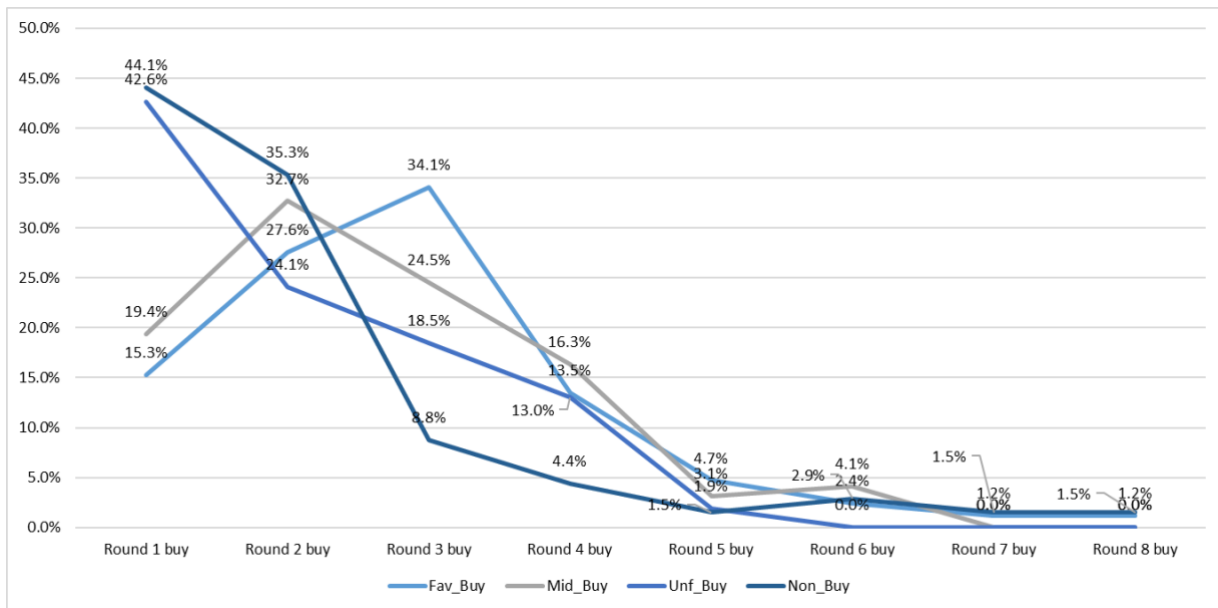
All conditions

Round buy	Good		Okay		Bad		Not buy	
	Column N %	Count	Column N %	Count	Column N %	Count	Column N %	Count
1	15.3%	26	19.4%	19	42.6%	23	44.1%	30
2	27.6%	47	32.7%	32	24.1%	13	35.3%	24
3 or later buy	57.1%	97	48.0%	47	33.3%	18	20.6%	14
Total	100.0%	170	100.0%	98	100.0%	54	100.0%	68

3 or later buy: category break down

3	34.1%	58	24.5%	24	18.5%	10	8.8%	6
4	13.5%	23	16.3%	16	13.0%	7	4.4%	3
5	4.7%	8	3.1%	3	1.9%	1	1.5%	1
6	2.4%	4	4.1%	4	0.0%	0	2.9%	2
7	1.2%	2	0.0%	0	0.0%	0	1.5%	1
8	1.2%	2	0.0%	0	0.0%	0	1.5%	1

Figure 7. Distribution of purchase rounds, by quality of final decision.



The table and figure show that, across all conditions, of those who ended up choosing the bad option, 42.6% chose this option without having seen any other option. This suggests that many poor decisions were made based on accepting any first alternative available, not allowing for sufficient exploration of other available options.

Table 17 shows the same data but presented as row percentages (choice distribution per round) which reveals that of those who made their purchase decision at the first possible opportunity (after seeing only one information item), 30.6% chose not to purchase and 23.5% chose to adopt the first policy they had received information about even though it was a poor policy. In contrast 26.5% of those choosing in round 1 had received information about the good policy.

Table 17. Distribution of quality of outcomes within purchase rounds, across disclosure conditions (row percentages).

Round buy	Good		Okay		Bad		Not buy		Other	
	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	Count	Row N %	Count
1	26.5%	26	19.4%	19	23.5%	23	30.6%	30	--	--
2	40.5%	47	27.6%	32	11.2%	13	20.7%	24	--	--
3	59.2%	58	24.5%	24	10.2%	10	6.1%	6	--	--
4	46.9%	23	32.7%	16	14.3%	7	6.1%	3	--	--
5	61.5%	8	23.1%	3	7.7%	1	7.7%	1	--	--
6	20.0%	4	20.0%	4	--	--	10.0%	2	50.0%	10
7	66.7%	2	--	--	--	--	33.3%	1	--	--
8	22.2%	2	--	--	--	--	11.1%	1	66.7%	6

For completeness, we finally also present how the quality of the decision varies within each disclosure condition (Table 18). In the condition with three options, 34.8% of those selecting the bad option did so in the first round and so did not investigate any further information. However 52.2% selected the bad option after having accessed at least three information items.

Table 18. Distribution of rounds within quality of final decision, per disclosure condition (column percentages).

Good & Okay								
Round buy	Good		Okay		Bad		Not buy	
	Column N %	Count	Column N %	Count	Column N %	Count	Column N %	Count
1	16.7%	6	31.3%	5			12.5%	1
2	55.6%	20	31.3%	5			87.5%	7
3 or later	27.8%	10	37.5%	6			0.0%	0

Good & Bad								
Round buy	Good		Okay		Bad		Not buy	
	Column N %	Count	Column N %	Count	Column N %	Count	Column N %	Count
1	8.9%	4			62.5%	5	50.0%	6
2	55.6%	25			37.5%	3	25.0%	3
3 or later	35.6%	16			0.0%	0	25.0%	3

Okay & Bad								
Round buy	Good		Okay		Bad		Not buy	
	Column N %	Count	Column N %	Count	Column N %	Count	Column N %	Count
1			18.4%	7	43.5%	10	25.0%	3
2			57.9%	22	30.4%	7	50.0%	6
3 or later			23.7%	9	26.1%	6	25.0%	3

Three options								
Round buy	Good		Okay		Bad		Not buy	
	Column N %	Count	Column N %	Count	Column N %	Count	Column N %	Count
1	18.0%	16	15.9%	7	34.8%	8	55.6%	20
2	2.2%	2	11.4%	5	13.0%	3	22.2%	8
3 or later	79.8%	71	72.7%	32	52.2%	12	22.2%	8

2.3.4 SCENARIO PERCEPTIONS

2.3.4.1 PERCEIVED USEFULNESS, NEED FOR MORE INFORMATION AND REALISM

To assess how participants evaluated the accessed policy information we analysed the ratings provided after the first information item and tested if these ratings differed depending on the information received. As shown in *Table 19*, none of the conditions significantly differed in the average rating obtained, neither for usefulness nor for interest in more information.

Table 19. Ratings provided after encountering first information item, by first selected or encountered policy information.

Variable	Good KFS	Good PDS	Okay KFS	Okay PDS	Bad KFS	Bad PDS	F-stat ¹
Usefulness	3.46	3.60	3.55	3.61	3.52	3.52	0.255
Interest in more info about previously accessed policy	3.22	3.09	3.13	2.93	3.00	2.76	1.369
Interest in info about other policy	3.70	3.43	3.55	3.33	3.59	3.48	.985

¹ F-values marked * are significant at $p < .05$; those marked ** at $p < .01$. In this table there are no significant differences.

We also tested how these usefulness ratings (across rounds for each participant) varied across the KFS and PDS disclosure conditions. There were no significant differences (Table 20).

Table 20. Mean usefulness ratings per participants across rounds, by KFS/PDS condition.

Variable	KFS only	PDS only	KFS & PDS	F-stat ¹
Usefulness (mean rating per participant)	3.48	3.60	3.47	0.958

¹ F-values marked * are significant at $p < .05$; those marked ** at $p < .01$. In this table the differences are not significant.

After completing their scenario task, participants also rated the difficulty of the scenario. The average was 2.50 (standard deviation 1.02; scale midpoint = 3), so participants found the task relatively easy, and they rated the realism as 3.51 on average (standard deviation 1.02, scale midpoint = 3) and so rated it as somewhat more realistic than unrealistic.

2.3.4.2 PERCEIVED LEVEL OF COVER AND INCIDENT LIKELIHOOD

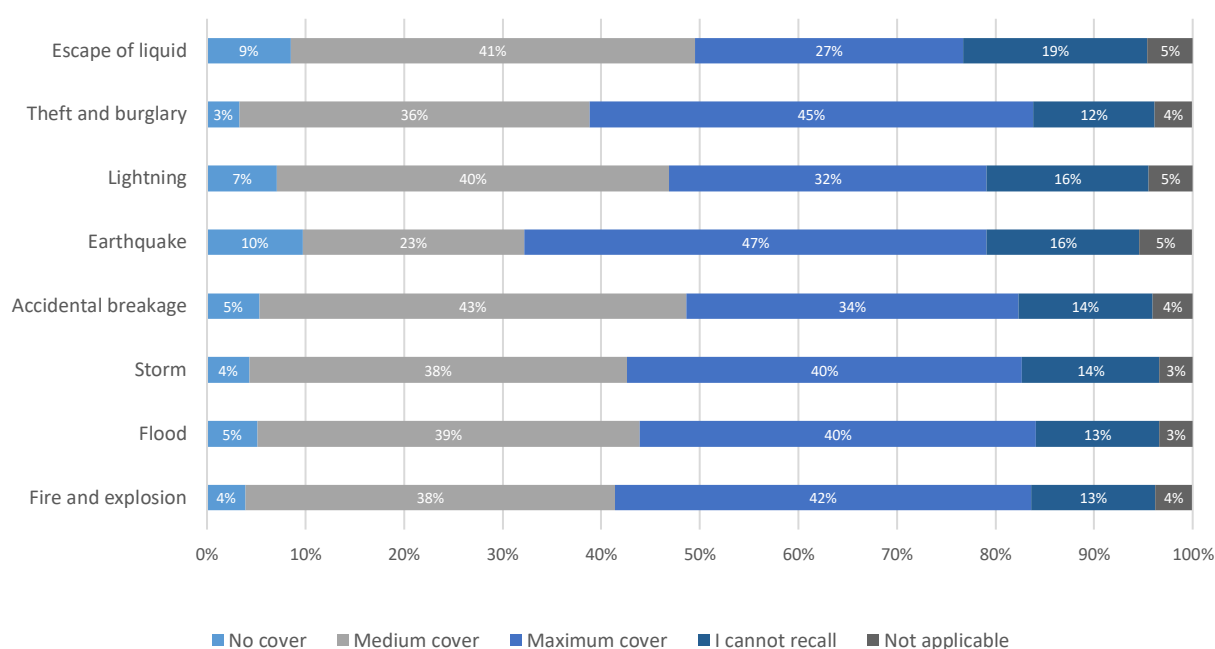
Participants were also asked “to what extent does the selected policy cover for each of the following items?”. They provided their answers on a scale indicating “no cover”, “okay cover”, “maximum cover”, “I cannot recall”, and “not applicable”. The responses are summarized in Table 21 and Figure 8. To further summarize these perceptions, they were recoded into 1=no, 2=okay, 3=maximum and these scores averaged, while excluding the other two response types. The results are in Table 21.

Table 21. Perception of cover and of likelihood of event, by type.

	Estimated cover (To what extent does the policy you selected provide cover for each of the following item)		Likelihood of event (How likely do you regard this type of incident to happen in the next twelve months in your area?)	
Fire and explosion	No cover	3.4%	Extremely unlikely	12.8%
	Okay cover	37.2%	Very unlikely	24.6%
	Maximum cover	41.4%	Unlikely	34.5%
	(I cannot recall)	13.8%	Somewhat likely	22.4%
	(Not applicable)	4.2%	Likely	5.7%

Flood	No cover	4.7%	Extremely unlikely	20.7%
	Okay cover	40.4%	Very unlikely	19.2%
	Maximum cover	38.4%	Unlikely	34.0%
	(I cannot recall)	12.6%	Somewhat likely	20.2%
	(Not applicable)	3.9%	Likely	5.9%
Storm	No cover	3.2%	Extremely unlikely	5.4%
	Okay cover	39.9%	Very unlikely	11.3%
	Maximum cover	39.4%	Unlikely	22.7%
	(I cannot recall)	13.8%	Somewhat likely	46.1%
	(Not applicable)	3.7%	Likely	14.5%
Accidental breakage	No cover	4.9%	Extremely unlikely	4.9%
	Okay cover	42.9%	Very unlikely	10.6%
	Maximum cover	34.2%	Unlikely	28.1%
	(I cannot recall)	13.5%	Somewhat likely	44.3%
	(Not applicable)	4.4%	Likely	12.1%
Earthquake	No cover	9.6%	Extremely unlikely	35.7%
	Okay cover	22.7%	Very unlikely	22.2%
	Maximum cover	47.0%	Unlikely	26.6%
	(I cannot recall)	15.0%	Somewhat likely	12.1%
	(Not applicable)	5.7%	Likely	3.4%
Lightning	No cover	5.9%	Extremely unlikely	9.4%
	Okay cover	40.6%	Very unlikely	15.5%
	Maximum cover	32.5%	Unlikely	30.3%
	(I cannot recall)	16.5%	Somewhat likely	34.0%
	(Not applicable)	4.4%	Likely	10.8%
Theft and burglary	No cover	3.0%	Extremely unlikely	5.7%
	Okay cover	36.5%	Very unlikely	11.8%
	Maximum cover	44.1%	Unlikely	31.3%
	(I cannot recall)	12.3%	Somewhat likely	36.5%
	(Not applicable)	4.2%	Likely	14.8%
Escape of liquid	No cover	8.4%	Extremely unlikely	11.3%
	Okay cover	41.6%	Very unlikely	20.2%
	Maximum cover	26.6%	Unlikely	40.9%
	(I cannot recall)	18.5%	Somewhat likely	23.2%
	(Not applicable)	4.9%	Likely	4.4%

Figure 8. Perception of cover, by type.



To further summarize these perceptions of cover they were recoded into 1=no, 2=okay, 3=maximum and these scores averaged, while excluding the other two response types. They were now also analysed, first, per exposure condition.

The results are in *Table 22* and show there are differences as expected in the assumed cover for fire and explosion, and for flood, with the lowest level of cover being perceived by those being exposed only to the okay and bad option, which is consistent with the manipulations. Storm also show a difference even though the policies did not differ in storm cover. Finally, theft and burglary are different, too; the highest level of cover is perceived in the condition where the good and bad options only are available – noting the perceptions refer to the selected policy so this is still consistent with the manipulation. None of the other events are significantly different, which further supports the success of the experimental manipulations.

Table 22. Assumed cover per event, by disclosure condition.

	Two: Good Okay	Two: & Good & Bad	Two: Okay & Bad	Three
Fire and explosion	2.44 ^{1,2} _{a, c, d}	2.61 _{a, b}	2.26 _c	2.50 _{b, d}
Flood	2.35 _{a, c, d}	2.54 _{a, b}	2.17 _c	2.47 _{b, d}
Storm	2.39 _{a, b}	2.60 _a	2.26 _b	2.47 _{a, b}
Accidental breakage	2.36 _a	2.40 _a	2.25 _a	2.39 _a
Earthquake	2.46 _a	2.58 _a	2.41 _a	2.46 _a
Lightning	2.22 _a	2.49 _a	2.28 _a	2.35 _a
Theft and burglary	2.31 _a	2.61 _b	2.45 _{a, b}	2.54 _b
Escape Liquid	2.17 _a	2.24 _a	2.09 _a	2.32 _a

¹ Averaged score; non applicable and don't know answers excluded

² Differences in subscripts within a row indicate these means are significantly different

Second, to further check these effects, the averages are also calculated by purchased option (*Table 23*). The findings again support the manipulations. Fire and explosion cover was perceived as highest for those who purchase the best option and lowest for those who purchased the bad option or purchased no policy. A similar pattern holds for flood cover. The third manipulated event, theft and burglary shows differences in means in the expected direction. Although the latter differences are not statistically significant, overall the pattern is consistent with our expectations.

Table 23. Assumed cover per event, by final purchase decision.

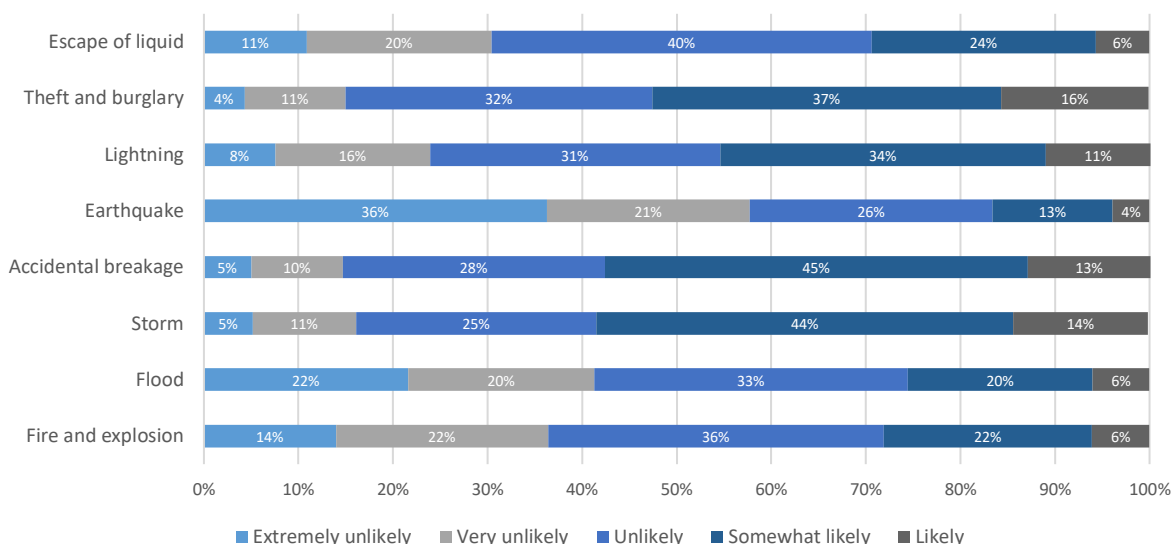
	Good Buy	Okay Buy	Bad Buy	Non-Buy
Fire and explosion	2.61 ^{1,2} _a	2.33 _b	2.38 _{a,b}	2.27 _b
Flood	2.57 _a	2.30 _b	2.27 _b	2.24 _b
Storm	2.59 _a	2.28 _b	2.44 _{a,b}	2.24 _b
Accidental breakage	2.39 _a	2.34 _a	2.41 _a	2.13 _a
Earthquake	2.59 _a	2.41 _a	2.31 _a	2.32 _a
Lightning	2.41 _a	2.29 _a	2.35 _a	2.14 _a
Theft and burglary	2.55 _a	2.51 _a	2.44 _a	2.31 _a
Escape Liquid	2.31 _a	2.18 _a	2.25 _a	2.06 _a

¹ Averaged score; non applicable and don't know answers excluded

² Differences in subscripts within a row indicate these means are significantly different

Participants also answered how likely an incident would be to happen in their scenario (*Figure 9*).

Figure 9. Perceived likelihood of incident, by type.



Conducting similar ANOVAs as before, no significant differences were revealed based on disclosure conditions (*Table 24*), and neither were any of the policy choices related to perceived event likelihood (*Table 25*). While this latter table shows some significant differences in event likelihood by policy selection, none are related to the actual differences in policies, so there is no consistent relationship between the selected policy cover and the perceived event likelihood.

Table 24. Perceived incident likelihood per event, by disclosure condition.

	Two:_ Good Okay	& Two:_ Good & Bad	Two:_ Okay & Bad	Three	Total
	Mean	Mean	Mean	Mean	Mean
Fire and explosion	3.03 ^{1,2} _a	2.66 _a	2.79 _a	2.85 _a	2.83
Flood	2.85 _{a, b}	2.37 _a	2.61 _{a, b}	2.83 _b	2.71
Storm	3.63 _a	3.47 _a	3.33 _a	3.59 _a	3.53
Accidental breakage	3.60 _a	3.46 _a	3.39 _a	3.48 _a	3.48
Earthquake	2.20 _a	2.13 _a	2.48 _a	2.23 _a	2.25
Lightning	3.34 _a	3.09 _a	3.23 _a	3.21 _a	3.21
Theft and burglary	3.58 _a	3.47 _a	3.43 _a	3.36 _a	3.43
Escape Liquid	2.85 _a	2.62 _a	2.93 _a	2.98 _a	2.89

¹ Averaged score; non applicable and don't know answers excluded.

² Differences in subscripts within a row indicate these means are significantly different.

Table 25. Perceived incident likelihood per event, by final purchase decision.

	Good Buy	Okay Buy	Bad Buy	Non_Buy
	Mean	Mean	Mean	Mean
Fire and explosion	2.80 ^{1,2} _a	2.77 _a	2.98 _a	2.78 _a
Flood	2.65 _a	2.63 _a	2.93 _a	2.71 _a
Storm	3.68 _a	3.64 _a	3.46 _{a, b}	3.06 _b
Accidental breakage	3.56 _a	3.55 _{a, b}	3.52 _{a, b}	3.09 _b
Earthquake	2.05 _a	2.11 _{a, c}	2.70 _b	2.46 _{a, b}
Lightning	3.22 _a	3.23 _a	3.28 _a	3.06 _a
Theft and burglary	3.50 _a	3.49 _a	3.43 _a	3.12 _a
Escape Liquid	2.82 _a	2.87 _a	3.15 _a	2.78 _a

¹ Averaged score; non applicable and don't know answers excluded.

² Differences in subscripts within a row indicate these means are significantly different.

Finally, it was tested how the disclosure conditions affected the perceived overall likelihood of any incident occurring (after log transforming the provided probability in the “one out of ...” question). There were no significant effects of either of the disclosure conditions (KFS/PDS or Two/Three options). However, when testing for differences by selected policy a significant difference appeared between those who purchased the bad policy (mean score 4.71) and those who did not purchase at all (mean score 4.14); the overall mean across conditions being 4.48 on this scale). This finding suggests that those who did select a bad policy were perceiving a greater overall risk than those who opted out of selecting any policy in the scenario.

2.3.4.3 DECISION SATISFACTION

After completing the policy selection task, participants answered questions (in randomised order, all on 7 point scales) about the satisfaction with the provided information and decision process (the final two items had been adjusted relative to the pretest). A descriptive overview is provided in *Table 26*.

Based on exploratory factor analyses (including identical analyses conducted for the pretest) these items were next condensed into five constructs (by averaging scores of relevant items): decision satisfaction (2 items), decision difficulty (2 items), information need (2 items), task realism and involvement (2 items), and expected incident likelihood (2 items, in the pretest the additional item that asked for a direct probability estimate had not been included). The mean scores are in *Table 26*. In a later section the effects of the experimental conditions on these measures will be assessed.

Table 26. Task perceptions, raw items.

Construct ¹	Statement	Mean ²	Std. Dev.
Dec difficulty	I found it difficult to make a decision when choosing a policy.	4.05	1.60
Dec difficulty	I felt confused when deciding which policy to purchase.	3.97	1.55
Dec satisfaction	I am satisfied with the insurance policy selection I have made.	5.18	1.24
Dec satisfaction	I am certain that I have made the best decision which policy to choose.	5.15	1.27
Incident likelihood	An incident is likely to happen in my scenario	4.36	1.24
Information need	I wished I had received more information about the available policies.	4.25	1.46
Information need	With more information I could have made a better decision in this task.	4.57	1.43
(Information need)	The policies offered a lot of information about the insurance products.	4.96	1.30
Realism & involvement	I care a lot about receiving the bonus incentive money	4.85	1.39
Realism & involvement	I will be very pleased if I will receive the bonus money from this research	5.62	1.24
(Realism & involvement)	The task setting was very realistic.	5.06	1.18
(Realism & involvement)	I fully understood what I was supposed to do in this simulation task.	5.41	1.26
(No construct)	I chose the maximum possible cover in my policy	5.11	1.23
(No construct)	I did not feel much need to buy an insurance in this scenario	3.56	1.60
Incident likelihood (item only used in main study)	Incident estimate (log of expected incidents per year)	4.49	1.01

¹ The left hand column indicates to which construct the statement contributed and was assigned for calculating the construct scores in *Table 27*; when a construct is marked in brackets it was not included in the construct score calculation. For example, the average score of the top two items comprises the score for construct ‘decision difficulty’.

² Mean score on 7-point scale.

Table 27. Descriptive statistics of satisfaction with decision.

Statement	Mean	Std. Deviation
Decision satisfaction	5.16	1.17
Decision difficulty	4.01	1.46
Information need	4.41	1.31
Task realism and involvement	5.24	1.16
Incident likelihood	4.48	1.01

To investigate whether the disclosure conditions affected participants' decision and task satisfaction perceptions, ANOVAs were performed on the five perceptual constructs (see *Table 28*; averages for decision satisfaction (2 items), decision difficulty (2 items), information need (2 items), task realism and involvement (2 items), and incident likelihood (2 items, compared to study 1 now including the additional item that asked for a direct probability estimate).

We first tested the effects of information disclosure type, using KFS/PDS as the factor (*Table 28*). Surprisingly, there is no significant difference between groups (KFS only, PDS only, KFS & PDS) in terms of their response to these questions, other than information need. Interestingly, the KFS only group responded significantly higher to information need compared to the PDS only and KFS & PDS groups (4.8 vs 4.2 on the 7-point scale).

Table 28. Comparing task perceptions across disclosure conditions.

Statement	KFS only	PDS only	KFS & PDS	F-stat ¹
Decision satisfaction	5.02	5.19	5.23	1.116
Decision difficulty	3.97	4.12	3.97	0.392
Information need	4.82	4.16	4.33	7.600**
Task realism and involvement	5.07	5.32	5.28	1.532
Incident likelihood	4.40	4.49	4.53	0.621

¹ F-values marked * are significant at $p < .05$; those marked ** at $p < .01$. Starred F values mean that some or all of the group means in a row are significantly different from each other.

A similar analysis was conducted to test the effects for the number and types of options (*Table 29*). The findings show, again, that there are very little systematic differences between conditions in terms of task perceptions. Surprisingly, perceived decision difficulty was highest for the condition where a good and okay option are shown (4.3, versus 3.9 average across the other conditions), which may relate to not an easily rejected option being available. Surprisingly also, in terms of perceived difficulty the condition with three options is not significantly different from the other conditions.

Table 29. Comparing task perceptions across number of options conditions.

Construct	Two: Good & Okay	Two: Good & Bad	Two: Okay & Bad	Three	F-stat ¹
Decision satisfaction	5.30	5.24	5.07	5.13	0.595
Decision difficulty	4.31	3.61	4.01	4.05	2.654*
Information need	4.72	4.21	4.31	4.42	1.910

Task realism and involvement	5.19	5.17	5.32	5.25	0.243
Incident likelihood	4.66	4.25	4.55	4.48	2.042

¹ F-values marked * are significant at $p < .05$; those marked ** at $p < .01$. Starred F values mean that some or all of the group means in a row are significantly different from each other.

Additional ANOVAs that included both disclosure factors and their interaction did not reveal any additional significant effects for the above analyses.

Next, to also investigate whether the quality of their decision, in terms of having chosen the good or bad option, is linked to their perceptions of their decision process, a one-way ANOVA was performed (Table 30).

This analysis reveals that participants who made a decision and chose the good option felt significantly more satisfied about their decision than those who had selected the bad option or had chosen not to purchase a policy. Moreover, those who chose the good option also found the task less difficult compared to especially those who did not buy. There are no differences in terms of information need and task realism and involvement. Although the test indicated there are differences in perceived incident likelihood none of the post hoc pairwise comparisons are significant for incident likelihood.

Table 30. Comparing task perceptions across purchase decisions.

Construct	Good Buy	Okay Buy	Bad Buy	Non-Buy	F-stat ¹
Decision satisfaction	5.40	5.29	4.93	4.66	6.511**
Decision difficulty	3.60	4.07	4.23	4.54	8.254**
Information need	4.27	4.57	4.36	4.43	1.949
Task realism and involvement	5.24	5.47	5.12	5.07	1.950
Incident likelihood	4.50	4.52	4.71	4.14	3.090*

¹ F-values marked * are significant at $p < .05$; those marked ** at $p < .01$. Starred F values mean that some or all of the group means in a row are significantly different from each other.

2.3.5 ADDITIONAL ANALYSES

2.3.5.1 DEVICE TYPE

Participants were allowed to participate using any device. 36.9% of participants completed the survey on a mobile device (12.8% on iPad, 10.3% on iPhone, 13.8% on an Android device). Given mobile devices have smaller screens than desktops or laptops it will be more difficult to access relevant policy information. This may be expected to be the case especially for PDS information as it comprises many pages of pdf information.

We therefore repeated the main analyses, now testing for possible differences between computer and mobile users. However there were surprisingly few differences. Overall, neither the decision quality nor the quality of the experience outcomes were significantly affected by the device type:

- Total time spent on the survey (duration) showed no significant differences between computer and mobile users. The time within the survey spent on selecting the policy revealed statistically significant main effects, with on average 5.6 minutes spent when on a desktop or laptop vs 4.1 on average on mobile, a difference that is statistically significant ($F = 6.67$, $p < .05$). There were no interactions however with any of the experimental conditions (KFS/PDS of two/three policies), so there was just an overall shorter time spent on selecting the policy independent of the actual condition.

- Relatedly, the average number of information items accesses (rounds) neither differed between the two device types (when analysed in isolation, disregarding the experimental factors, there was a marginally sign main effect for device ($F=2.84$, $p<.10$), with desktop/laptop showing a mean of 1.55 rounds vs a mean of 1.47 for mobile, so slightly fewer rounds were used on the mobile device but this difference was constant across conditions.
- The distribution of choices and, so, the quality of the selection did vary across conditions, as there was a greater percentage of non-buy choices for mobile in some of the two vs three conditions but this was not consistently so across conditions. Similarly, the choices for the most good option varied but were not consistently lower, and sometimes even higher, when the survey was answered on a mobile device. So, there is no systematic deterioration of the decision when people use a mobile device.
- In terms of decision experience, the level of decision satisfaction was slightly worse when answered on a mobile device but again this was regardless of the experimental condition (marginally significant main effect for device: on the 7-point scale the mean score was 5.25 for computer vs 5.03 for mobile, $F=3.30$ $p<.10$); there were no differences in the other task experiences measures.

2.3.5.2 DEMOGRAPHICS

To test if the task behaviour, experience and performance differed between demographic groups we tested for differences by gender, age, education level, and income level. There were only few effects and no significant effects of the experimental factors. A few exceptions were where there were very specific combinations of factors significant or marginally significant but there is little rationale for these and these effects may be a chance effect result due to multiple testing and therefore are not further reported or discussed. Below is a summary of findings for each of the variables:

- Gender revealed no significant differences in task behaviour (e.g. duration) nor in perceptions except a small difference in perceived realism and involvement in the task, with females being more involved (5.41 females vs 5.07 for males on the 7-point scale, $F=9.49$, $p<.01$), this however did not vary with the conditions.
In terms of policy selection, the patterns for males and females were largely similar. In the condition with the favourite and okay option, females more often chose the good option (66.7% vs men only 46.7%) where men more often chose to not buy (16.7% vs females 9.1%) – there however does not appear to be a systematic pattern and is neither statistically significant.
- Education was recoded to three levels (schooling completed up to secondary school; Tafe or diploma; university degree). There were no differences in duration or time spent selecting the policy. There was a marginally significant effect for the need for further information, with higher educated perceiving a greater need (mean low = 4.24, okay = 4.32, high = 4.53 on the 7-point scale; $F=2.38$, $p<.10$). There were no systematic effects on the selected policy.
- Income was similarly recoded into three categories (<50k; 50-100k; >100k) and resulted in a main effect of duration of the total survey, with the lower income group taking more time to answer the survey (lowest income group taking 17.6 minutes; okay = 14.5; high = 12.9; $F=3.42$, $p<.05$). However, there was no difference in the time spent on the actual policy selection task; nor an effect of perceived need for further information (Low = 4.19; okay = 4.36, high = 4.59; $F=2.60$, $p<.10$). Neither of these effects varied by experimental condition. In terms of policy selection, there was again no systematic pattern in terms of choosing the ‘better’ option more.
- Age was recoded also into three categories (<35 years old, 35-55, >55). Results showed a main effect for total duration of the survey, with younger participants completing the survey in significantly less time (youngest group taking 11.2 minutes, middle 14.8, eldest 20.3, $F=18.36$, $p<.01$)—however, again there was no difference in time spent on the policy selection task; and a

marginally significant main effect for information need, younger participants feeling less a need for more information (youngest 4.57, middle 4.40, eldest 4.28, $F=2.49$, $p<.10$), perceived decision difficulty, the oldest participants perceiving the task as less difficult (on the 7-point scale: youngest 4.15, middle 4.11, eldest 3.71; $F= 2.53$, $p<.10$), and perceived incident likelihood with the youngest perceiving a higher likelihood (mean 4.67 on the 7-point perception scale) than the middle (4.39) and the older group (4.42; $F= 2.43$, $p<.10$). Again, there were no systematic effects on policy choice.

2.4 KEY FINDINGS, CONCLUSIONS AND DISCUSSION

2.4.1 RECAP

This study examined how consumers engage with KFS and/or PDS information in the context of the purchase of a home contents insurance. We developed a scenario that presents a highly controlled but nevertheless realistic decision environment for such a purchase. The scenario presented either two or three policy options, which were supposed to have been pre-selected but yet unexplored. In all conditions except one, scenarios included one option that was clearly a ‘bad’ choice although participants were not alerted or aware there could be such a lemon option. One of the key observables was whether participants would choose the best option and/or avoid the bad option. The task incentivised participants to choose the best option as there was a small but real risk of losing the participation reward. Participants consisted of a sample of 406 adults from the Australian population, recruited through an online panel.

The policy options that were presented were unbranded and all had the same premium, so participants could not rely on simple price or brand cues to make their decisions. The KFS and PDS for different policies all had the same format and used the same terminology so were much easier to compare than in real decision settings, where formats can be quite different. Participants also had the option to not purchase a policy at all but this meant they explicitly would take the risk of not being insured and so possibly losing their participation reward. Participants in principle had an unlimited time budget to explore policy options and make their choice, although in practice very few took any longer than 30 minutes to complete the whole survey; the average time to complete the policy selection scenario was 8 minutes.

The analysis focused on how consumers engage with the KFS and/or PDS policy information, how they perceive this information, and how the exposure to KFS and/or PDS information changed their decision-making behaviour and decision outcomes. We now summarize the key findings of the study.

2.4.2 KEY FINDINGS

Finding 1: Despite the ‘ideal’ decision setting, a significant number of participants made a suboptimal decision: Up to 42% chose the bad option.

In the various conditions, minimally 9% and maximally 42% of participants chose the bad option, versus minimally 35% and maximally 76% finding and choosing the best option available. So, even in this simplified and systematized environment, a large minority ended up making a suboptimal or bad decision. If decisions had been perfectly rational, the above percentages should be zero and one hundred, respectively. If selections had been made randomly (‘coin toss’) they would all have been expected to be 33% or 25%, depending on whether two or three options were available (plus the option to not purchase a policy).

See *Table 2* or *Table 15* for choice percentages for each condition.

Finding 2: There is no simple overall and consistent effect of disclosure: Optimality of choice observed in the only KFS versus only PDS versus KFS & PDS conditions varied depending on the number of options.

When there were only two options and only the KFS was available, a relatively large number of participants were able to find the best option (between 59 and 76%); the number was smallest when both the KFS & PDS were available (between 35 and 65%) while the PDS only condition scored in between (58% to 67%). Conversely when there were three options available, the KFS & PDS condition with 52% had the highest number of choices for the best option (vs KFS only and PDS only both 41%), while with three options the PDS only condition with 29% had the highest proportion of no purchase decision (vs KFS & PDS 16% and KDS only 13%).

There is therefore not a simple pattern in the effects of disclosure. With only two options, the presentation of KFS only results in the most good choice outcomes, while with three options this condition performs worst and the KFS & PDS scores best in terms of relative choices for the best option. The PDS only scores in between but results in the highest proportion of non-purchases.

Finding 3: Consumers displayed limited information access and applied a limited decision time budget: 25% of participants made a purchase decision after only accessing one document for one product (KFS or PDS).

Information access in terms of the number of information items accessed did not increase with the available number of options. When there were only two policy options, 18 to 29% (average 23%) made their purchase decision after having accessed information for only a single policy; when there were three options, 26% made their decision after having accessed information for only one option. In terms of disclosure, in the PDS only condition 35% of participants made a decision already after accessing information for only a single (the first) document, vs in the KFS 23% doing so while in the KFS & PDS only 20% doing so. Overall, about one fourth of participants made a purchase decision after having seen only one information option.

Also, the average time spend on the policy selection task was 4.4 minutes (out of a total survey time 14 minutes average) but the median was only 2.9 minutes so many participants completed the task quite quickly. Time spend did not differ between disclosure conditions, except that participants in the PDS only condition spent more time completing the task than those in the other two conditions. They however accessed fewer information items on average. The latter can be explained from the greater amount of information available in the PDS. Overall, in the presented setting, consumers were willing to spend only a limited amount of time on the task. This is understandable from the survey setting but may reflect a wider reluctance to spend more than a minimum amount of time on the selection of an insurance policy.

Finding 4: Disclosure conditions did not affect satisfaction with the decision and there is no evidence that participants perceived information overload.

Despite the differences in information availability and the resulting differences in choice outcomes, there is no indication that participants in particular disclosure conditions felt less satisfied with their decisions; the average satisfaction rating was 5.2 on a 7-point scale. The only effects were for information need, with participants in the KFS only condition indicating a greater need for more information about the available policies than the other conditions (4.8 vs 4.2 on a 7-point scale), and for decision difficulty, participants in the condition with only a good and okay option indicating a greater perceived task difficulty (4.3 vs 3.9 average across the other conditions, on a 7-point scale).

The above findings present no evidence that participants perceived information overload in the task.

Finding 5: Choices of policy cover did not relate to differences in perceived risks.

When there were three options available the PDS only condition had the highest proportion of no purchase decisions (29%). This implies an increased level of risk taking. This may relate to participants finding the task too difficult. However, as noted, no such effects were observed for task perceptions. Moreover, there was no direct relationship between the selected cover and the perceived level of risk. This suggests that policy selection is not related to risk perceptions and that instead decision quality and level of risk taking relate to other factors including ease of policy comparison.

Finding 6: Findings hold regardless of device type and do not depend on the consumer's demographic background.

One third of the participants completed the task on a mobile device. While this might seem to limit information access opportunities, there were no differences in behaviour in the policy selection task. Those conducting their selection on a mobile device performed equally well in the task. Participants were from across the population. Testing for differences by gender, age, income or education level did not reveal any differences in policy selection behaviour except for younger participants completing the overall survey faster (but not the policy selection) and perceiving a greater need for more information and finding the task more difficult.

2.4.3 LIMITATIONS AND FURTHER RESEARCH OPPORTUNITIES

The present study focused on studying participant engagement and choice behaviour in a highly controlled setting, such that many external, confounding factors could be excluded from consideration. As a consequence, the scenario task was quite artificial and made many assumptions about the policy decision process. Nevertheless, our measures and the open comments obtained from participants confirmed that participants considered the task highly realistic and engaging. This is encouraging and suggests that an approach as adopted here can provide powerful insights that have a high level of internal validity, a level that cannot easily be achieved from field observations or self-report surveys and related methods. While acknowledging the limits to the external validity of the present study, this means the finding that consumers, even in an idealized decision situation as used in this study, even when incentivized to find the best option, often end up choosing a poor option.

Future work could extend the current experimental approach by providing more choice options, varying brand and price information, specifying greater risks and other costs of purchasing an insurance and including longer time window for both the selection task and for the risk cover period. Also, future work could explore how consumers engage with less well defined situations where the initial exploration and preselection process is not assumed to have been completed, as it was in the present study. The present study also was confined to engaging with the policy information through only written information as available in a KFS and PDS. In reality consumers can talk to others, including friends or relatives, and can contact insurance companies by various media including phone, email or, increasingly, online chatting. Also in real settings, the online setting typically provides more means for interaction and possible assistance through for example calculators and help menus.

Our study was implemented in an online format but, similar as in real settings, there were no restrictions as to how participants would engage with the material. Indeed, one third of the participants completed the task on a mobile device. Further research into how the device features including for example screen size but also the immediate decision environment (e.g. selection at work or at home or during transport) influence information search and decision making.

Many other factors can be considered but essential findings nevertheless hold that several consumers even in such simplified decision environments end up choosing a poor option. Whereas we tested this for the context of home contents insurance, these limits to consumer decision making may equally apply to other services contexts. Certain types of consumers may be particularly prone to making such poor decisions. Further research should explore how the patterns observed in our study vary across different types of consumers, for example, by level of education.

APPENDIX A. LITERATURE REVIEW

Home Contents Insurance Disclosure: What Works, What Doesn't, and What Should Insurers do to Improve Consumer Decision Making?

Justin Malbon and
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A1. INTRODUCTION

This literature review outlines existing research on pre-sales disclosure in the insurance market. The conclusion drawn is that there is a lack of sufficient empirical research about the effectiveness of Australia's insurance disclosure regime. Where empirical research does exist, it tends to address a single element of the disclosure regime, for example consumers' engagement with the PDS or consumer suggestions for the improvement of disclosure documents, rather than taking a holistic view of the effectiveness of the disclosure regime in helping consumers to make better decisions.

The review suggests that other areas of consumer disclosure, such as consumer credit, have received far greater attention by empirical researchers. There are significant parallels between the consumer credit and insurance markets in terms of their complexity and heavy reliance on disclosure as a means of promoting consumer welfare. Therefore, the key research into disclosure in the consumer credit market is also summarised in detail, with a focus on the salient lessons for the insurance disclosure market.

The review is divided into three sections:

- Empirical research into the impact of disclosure on consumer purchasing of insurance over the past decade
- Empirical research into the impact of disclosure on consumer purchasing behaviour in other financial product markets (specifically consumer credit and investment products) over the past decade
- Secondary sources that address the issue of disclosure in the consumer insurance market and other consumer financial product markets, including arguments about rational choice and behavioural economics theories of consumer behaviour in response to disclosure.

A2. EMPIRICAL RESEARCH ON THE IMPACT OF DISCLOSURE IN THE INSURANCE MARKET

Susan Bell Research, 'Insuring your home: Consumers' experiences buying home insurance'²⁷

In 2013-14, ASIC commissioned Susan Bell Research to conduct research into how consumers' experiences with the home insurance enquiry and sales channels potentially affected the adequacy of their home building and contents cover. The research included qualitative interviews of 30 individual insurance consumers to better understand their experiences with the channels, followed by a quantitative survey of 1058 consumers to measure the proportion of consumers using each channel, including their use of disclosure material.

As part of the quantitative survey, only 20% of consumers who had taken out a new policy or considered switching their policy reported reading the PDS. The qualitative part of the survey suggested that 'reading' the PDS generally meant selecting and reading certain pages of the document

²⁷ Susan Bell Research, 'Insuring Your Home: Consumers' Experience Buying Home Insurance', ASIC Report 416, October 2014.

rather than all of it. Some people also ‘flick through the PDS, seeing what it contains rather than reading it or absorbing any specific information’.

The reasons given by consumers for not reading the PDS included:

- They assumed they did not need to
- They did not expect policies to differ
- They trusted the insurer to meet what they believed to be its obligations
- It was too long to read
- Though some PDSs were easier to read than others, some were ‘mumbo jumbo’
- The PDS was received too late in the purchase process, when the consumer was already ‘emotionally committed’ to the product and did not want to spend the time and effort to read the PDS.

Of consumers who did read the PDS, most only wanted to check particular matters, rather than read the whole document. A number of consumers stated in the qualitative interviews that they preferred a ‘more comprehensive’ document, especially if it had an index which would make it easier to navigate.

The research found that consumers made decisions based on price and familiarity with the insurer’s brand rather than using the PDS and other related documents.

Inside Story Research, ‘Consumer Insurance Product Information Needs’²⁸

In 2010, the Insurance Council of Australia, the industry body for Australia’s large insurers, commissioned a study by Inside Story Research into the sources of information that consumers consider when purchasing home insurance products. The study concluded that a limited number of consumers (51%) referred to the PDS when purchasing insurance. Of this group, most participants only ‘flicked through’ the PDS or read the sections that they were most interested in, with only 19% of the total indicating that they had read the PDS.

This research also asked participants about their ability to understand a sample home insurance PDS. A significant number of participants (26%) rated the sample PDs as either ‘somewhat difficult’ or ‘very difficult’ to understand. This was due to a combination of factors including that the information was too detailed, the conditions/fine print in the document were ‘confusing and complicated’ and the ‘information was not clear or understandable’.

For these reasons, the PDS did not rank highly as a source of information when purchasing insurance. When asked to rank the importance of a number of sources of information for making a purchase decision participants: rated their previous experience with the company (59% considered important), information on the company website (58%), insurance product comparison websites (46%) and recommendations from family and friends (42%) as more useful than those who nominated the PDS as important (33%).

The research also sought feedback about a number of variations to the PDS. Researchers noted significant variance in the preferences of older and younger participants regarding the content and form of the PDS. Younger insurance customers (those under 40) preferred a short form online PDS with a number of linked references that consumers could use to obtain further detail if required. On the other hand older customers wanted a simple summary to assist in understanding the product more clearly and compare between different types of cover, as well as being provided a long form PDS with the full details of the policy that they could refer to for specific queries.

²⁸ Inside Story Research for the Insurance Council of Australia, ‘Consumer Insurance Product Information Needs’, Phase 2 Quantitative Report, October 2010.

UMR Research, ‘Insurance Council of Australia Community and Stakeholder Study’²⁹

Prior to the Inside Story Research report, the Insurance Council commissioned UMR Research to investigate the views of existing insurance customers on the usefulness and content of insurance PDS documentation. The majority of participants suggested they would prefer to be given a shorter disclosure document that contained the key terms of the policy, which could be easily compared between products, as well as also being given a longer form PDS which they could refer to where necessary.

The UMR research echoed the Susan Bell and Inside Story studies in terms of participant’s views of the value of PDS documentation. 71% agreed that many people find the PDS either too long or difficult to understand, and as a result most people skim through the document focussing on key areas of interest such as exclusions and significant expense items such as excesses.

Research participants were also asked for their suggestions to address these concerns. Suggestions included preparing a document in simpler and plainer English with no confusing ‘technical terms’. In addition, participants considered that it would be useful to break the PDS into logical sections for easier navigation, provide examples of the events covered and not covered, and provide an upfront summary document of 4-10 pages containing the key terms and conditions of the policy (note that this research was conducted before the Key Facts Sheet requirement was introduced in 2011).

Cude B, ‘Insurance Disclosures: An Effective Mechanism to Increase Consumers’ Market Power’³⁰

Cude reported on a study conducted at the University of Georgia into consumers use and comprehension of insurance disclosures.

24 participants participated in three focus groups, representing a diversity of age, ethnicity and gender. Two focus groups were conducted in urban areas (Atlanta, Georgia and Phoenix, Arizona) whilst one was conducted in a rural area (Thomasville, Georgia). Participants were existing insurance customers were asked to read a disclosure document, followed by participating in a moderated discussion on what the participants understood the disclosure to mean, what they thought was important about the disclosures, whether the disclosures implied there was some action they should take, whether they would actually read the disclosures and their suggestions for changing the disclosures.

In six of the nine focus groups, one half or less of the participants self-reported that they understood the disclosure. A typical response was “I just had a hard time putting all those words in context. You know, it’s sort of insurance jargon, it’s just not part of my daily communication”. In addition, the author states that many people in the focus groups did not appear to understand the disclosure when asked simple questions or when asked about the implications of receiving the disclosure, though these results were not quantified in the study.

When asked about the likelihood of reading the disclosure, no more than two of the eight participants in any focus group said that they would be likely to read the disclosure being discussed when buying an insurance policy. Several consumers said that they would not read the disclosure straight away, but may save and file it for future reference.

A number of suggestions were made for increasing the usefulness of disclosure, which the participants considered would make them more likely to read the disclosure. These included putting the most important information in the disclosure document first, using titles and headings to segment the text, making disclosures short and straight forward, and formatting the disclosure to make it more readable.

²⁹ UMR Research for the Insurance Council of Australia, ‘Insurance Council of Australia Community and Stakeholder Study’, November 2008.

³⁰ (2005) 24(2) *Journal of Insurance Regulation* 57.

The author concludes that, based on the focus group evidence, that many consumers do not read and understand insurance disclosures, and misinterpretations are likely amongst at least some consumers who do read the disclosures. Participants suggested that changes in format might encourage consumers to read disclosures and increase understanding among those who read them.

The author also notes the limitations of focus group research which may impact these conclusions, including the fact that focus group participants are in some ways self-selecting and therefore cannot be considered a truly representative sample, and the difficulty of comparing results across groups.

***Greenwald M, 'Using Research to Help Make Disclosure Statements More Effective: A Case Study in Research Design and Implementation'*³¹**

Greenwald was engaged by the American Council of Life Insurers (ACLI) to conduct research about disclosure statements on annuity contracts. A series of disclosure statements developed by the ACLI was shown to consumers. Focus groups were used to identify parts of the disclosure statements that were confusing and recommend how to revise and improve the documents. The documents were then revised, followed by further focus groups to test the effectiveness of the revised documents. It was concluded the successive rounds of iteration with consumers through focus groups can improve their perceptions of the usefulness of disclosure.

The samples for the first and second rounds of focus groups included retirees between the ages of 61 and 75, with at least a high school education and at least \$75,000 of investable assets. This group was selected because they were considered especially vulnerable to exploitation through the sale of financial products. The third round of focus groups included a group of consumers aged 45 to 65, with household incomes over \$100,000 to \$200,000 and investable assets of at least \$10,000. The reactions of the younger group were sought to make sure the language effective the older groups would meet the needs of somewhat younger consumers as well. A separate focus group was also conducted with financial advisers.

Each of the focus groups began with a general discussion about financial products. Following this, each group of consumers was provided with a disclosure statement, which they were invited to read. Participants were asked to cross out any word or sentence that they found confusing or hard to understand, and circle and word or sentence they found especially useful. Participant understanding was confirmed by asking each consumer to answer "yes or no" to whether they understood a section of a particular document. In a moderated discussion, participants also gave feedback on potential improvements to the documents. After each round of research, the documents were revised and a new set of documents presented to the next focus group.

The authors drew a number of conclusions about what makes good disclosure from comments in the focus groups. These include that a short document (around 2 pages) is considered by consumers to be more appropriate and useful, that confusing words and phrases such as 'joint and last survivor' and 'partial surrender' should be avoided, and that formatting changes such as bullets, bolding and charts should be included. Consumers also stated that disclosure should be given in a written form, rather than electronic, and should be provided to consumers after they have expressed an interest in buying the product.

A number of conclusions around research design were also made. The authors state a document developed by experts should be the starting point for research. Several rounds of research, revising after each round, should be undertaken until consumers report that the document is sufficiently clear. In addition, consumer feedback should be used to rework specific sections of the document, including assistance from focus groups in formulating a method to communicate complex points.

³¹ (2007) 26(2) *Journal of Insurance Regulation* 11.

Lanam L, 'Consumer Disclosure as Consumer Protection'⁸²

The American Council of Life Insurers conducted research to improve the disclosure around life annuities. It used focus groups to refine a set of documents that had been developed by disclosure experts. The result was a disclosure guide, accompanied by a model disclosure form, for insurance companies issuing annuities.

A number of observations were made based on the focus groups and final documents:

- Information should be presented in question and answer format
- Bullet points should be used, with as much 'white space' as possible
- Simpler language should be used as opposed to legalistic phrases and jargon
- Examples should be used to describe abstract concepts
- Charts and graphs should be used where possible to simplify numerical information

Financial Services Authority, Consumer Research Paper 55: Investment Disclosure Research³³

The Financial Services Authority commissioned IFF Research to investigate the potential impact of new disclosure rules for the sale of regulated packaged life investment products. As part of the changes, a new 'Quick Guide' was proposed to be provided, which would cover key points about the product, and a new format used for disclosing charges. The aim of the guide was to increase consumers' knowledge and understanding of the product they were buying, to increase the likelihood of the consumer selecting the right product and increase the likelihood of the consumer monitoring the performance of their investment on an ongoing basis.

The study, into whether the Quick Guide would increase customers' knowledge and understanding of the products that they had purchased, was predominantly conducted through post-sales research. Two hundred face-to-face interviews were conducted. Participants were selected who had recently purchased investment bonds, personal pension or other investment products. Participants were sent a pack of documents to review before the interview. Half received a document which included the new 'quick guide' (test group), whilst the other half received a good example of the pre-existing documents (control group).

The research concluded that generally, levels of product knowledge were very low. On average, both the test and control groups scored 18 out of a total possible 100 points for correct responses given. There was no significant difference in consumers' knowledge and understanding between those who saw the new disclosure document pack and the control group who received the pre-existing disclosure.

De Meza M et al, 'Disclosure, Trust and Persuasion in Insurance Markets'⁸⁴

This research concerned the impact of disclosure in the sale of payment protection insurance in the UK. Payment protection insurance (PPI) covers a borrower who is unable to make repayments as a result of illness or loss of employment. These insurance policies are typically bundled with a loan made by a credit provider. The payout ratio (the amount of total premium received that is paid out in claims) on PPI policies is typically much lower than on other kinds of insurance, suggesting that consumers may not receive value for money when purchasing a PPI policy.

As part of the experiment, participants were placed in an insurance buying roleplay, with real sales people also being recruited to 'sell' an insurance policy to each participant individually. As part of the

³² (2008) 26(2) *Journal of Insurance Regulation* 7.

³³ November 2006, available at <http://hb.betterregulation.com/external/crpr55.pdf>

³⁴ Institute for the Study of Labor Discussion Paper No 5060, July 2010 available at <http://anon-ftp.iza.org/dp5060.pdf>

sales process, one group received disclosure of the insurance payout ratio for the PPI policy, and was told that the seller would receive a commission for selling the policy. The other group was given no disclosure.

The researchers observed no difference in likelihood to buy between those participants who received disclosure and those who did not. The research suggested that the most influential factor in determining a participant's likelihood to purchase an insurance policy in a face-to-face sales situation was the individual's propensity to trust others, and that the disclosure actually had very little impact.

A3. EMPIRICAL RESEARCH ON THE IMPACT OF DISCLOSURE IN THE OTHER CONSUMER FINANCIAL PRODUCT MARKETS

O'Shea P and Finn C, 'Consumer Credit Code disclosure: does it work?'³⁵

O'Shea and Finn tested two related questions: (1) whether or not consumer credit contract documents could be quickly and easily understood, and (2) whether or not contract documents with disclosure in compliance with the Code were easier to understand than those that embedded disclosure items in the operative clauses of the contract.

Under the Consumer Credit Code disclosure requirements, a consumer credit provider must provide to a consumer with a table containing a range of information about the consumer credit contract before the consumer enters the contract. This information includes the name of the credit provider, the amount of credit to be provided, the annual percentage rate, the total interest payable under the loan, and the repayment details, amongst a range of other information. This is intended to make the key terms of consumer credit contract simpler for a consumer to understand.

To design the experiment, the researchers drafted two sets of documents, which were based on a real life transaction and the documentation provided by a credit provider. One set of documents consisted of a consumer credit contract and the statutorily required disclosure documents as required by the *Code* (labelled the 'normal documents'). In the other set of documents, the disclosure information was included within the contract, embedded in the appropriate operative clauses within the contract (the 'embedded documents'). The embedded documents were intended as a proxy for the non-disclosed situations which existed in unregulated credit prior to the Code. To test comprehension, a number of basic questions were developed relating to information contained in the documents.

The sample consisted of students from the University of Queensland, aged between 16 and 37 with an average age of around 20. This was considered to be 'quite typical of consumers buying used cars on credit and, particularly, their first car'. The final sample contained 215 students. The participants were each asked to read the document in a controlled setting under two conditions: a noise-free or exam-like environment, and a second environment with distractions designed to proxy for the used-car yard environment.

After collating the results, the researchers compared the comprehension of the normal documents (which included the Code compliant disclosure arrangements) and the embedded documents. It was concluded that the Code disclosure regime 'makes very little difference in the comprehension levels of important features of the transaction for participants in this experiment'.³⁶

O'Shea P, 'Simplification of Disclosure Regulation for the Consumer Credit Code: Empirical Research and Redesign – Final Report'³⁷

³⁵ *Consumer Credit Code* ss 14 and 15

³⁶ (2005) 16 *Journal of Banking and Finance Law and Practice*, 5, 14.

³⁷ Uniquist, 2010.

O'Shea was commissioned by the Uniform Consumer Credit Code Management Committee to develop a new set of disclosure requirements for the Consumer Credit Code which, based on research findings, are to be more meaningful to consumers, helping them make better choices about which credit products to buy. The study tested a set of model disclosure documents developed as part of the *Pre-Contractual Disclosure and the Uniform Consumer Credit Code Consultation Package* (the Consultation Package), designed and released by the Australian Government as part of the consumer credit disclosure reform process. The outcome of the study was a revised set of model disclosure requirements intended to be implemented as part of a package of Consumer Credit Code disclosure reform.

The study is tested the effectiveness of different forms of long and short-form disclosure for home loans, credit cards, car loans and store cards through a three-dimensional method of comprehension testing, focus groups and cognitive interviews.

Comprehension testing was used to provide a quantitative assessment of consumer understanding of disclosure documents. 201 participants were shown two sets of documents, a set which complied with the existing law and another which were based on the Consultation Package, and their comprehension of each was tested. Focus group discussions with a representative sample of consumers (five focus groups each with ten participants) were used to illicit their opinions about credit and pre-contractual disclosure in consumer credit, intended to provide qualitative data to inform the document redesign process. Finally, cognitive interviews were conducted with 32 participants to test their understanding of the revised disclosure documents prepared by the research team, and iterate further to produce a final set of documents.

The results suggest that comprehensive and detailed pre-contractual disclosure is not effective in helping consumers to make better choices about consumer credit products, despite the revised disclosure documents being an improvement over the previous documents. Comprehension testing showed that the redesigned disclosure documents hardly improved overall comprehension of home loans, but did provide some improvement in comprehension of individual questions such as the true cost of credit. However, consumers had limited understanding of key questions such as the true cost of the loan, the cost of late payment and the variability of the interest rate. A similar lack of comprehension was also observed across car loans, credit cards and store card products.

In the focus groups, participant feedback was that disclosure would be most useful if it were simpler, clearer and more concise. Comments like "I just want it to be short and simple", "It's too daunting to be faced with pages and pages of information" and "I need it to be set out in a way that catches my eye" were common. Those who reported that they had read the full document in the past when applying for credit believed that they had not retained a significant amount of information, saying things like "I am sure I read something, but don't asked me to repeat it back to you" and "...you need a law degree or a lawyer to get to trawl through all that information, and I have neither".

The study concluded that comprehensive and detailed pre-contractual disclosure should be replaced with short form disclosure, which focused on the information required by consumers to make informed choices. Disclosure should be less text-based than a typical legal document, and instead focus on simplicity and be presented in self-explanatory formats which are easy for consumers to understand. The study also showed that providing consumers with disclosure documents earlier would assist in their understanding of consumer credit products, and therefore that opportunities for earlier disclosure (such as pre-approval letters and advertisements) should be further explored.

***Choi J et al, 'Why Does the Law of One Price Fail? An Experiment on Index Mutual Funds'*³⁸**

The research intended to evaluate why individuals invest in high-fee index funds, despite all funds investing in the same underlying index and providing the same return (before fees). Groups of participants received different types of disclosure about four index funds and were asked to make a

³⁸ (2010) 23 *Review of Financial Studies* 1405.

theoretical allocation of their money between these funds. The participants did not generally use the fee information to select between funds, leading the researchers to conclude that they were either unable to find this information or did not understand it.

Two groups of subjects (total of 730 participants) were used in the research. The first group consisted of non-faculty staff members from Harvard University, 88% of whom have a college degree and 60% of whom also have a graduate degree. The second group included MBA students from Wharton and college students from Harvard, who received higher SAT scores and did better in tests of financial literacy than the typical American investor.

All participants received the funds prospectuses, which are the typical disclosure documents provided to investors. In addition, three treatment conditions were also imposed. In the first treatment condition participants were given a one-page 'cheat sheet' summarising the fees payable. In the second condition, a one-page frequently asked question sheet was distributed which stated that the funds all track the S&P 500. In the third condition, a summary sheet containing the funds' historical returns were provided.

The researchers found that almost none of the participants minimised fees, with staff, MBA students and college students who only received the funds' prospectuses respectively paying 201, 112 and 122 basis points more in fees than they needed to. Participants reported that the most important decision criteria for them was the historical return of each fund, despite the fact that historical returns were calculated over different periods of time and therefore were not comparable. In addition, the provision of cheat sheets, FAQ sheets and historical returns summaries did not have statistically significant impacts on the fees paid by any group. As such, the research concluded that demand for high-fee index funds is largely driven by mistakes customers make, resulting from financial illiteracy.

Beshears J et al, 'How Does Simplified Disclosure Affect Individuals' Mutual Fund Choices?'³⁹

Beshears et al conducted a similar experiment to Choi et al in relation to mutual fund disclosure. The research was conducted in response to an SEC proposal to provide a 'Summary Prospectus' to purchasers of mutual fund shares to improve understanding of disclosure.

A similar approach to the research by Choi discussed above was adopted. Three groups of non-faculty staff members of Harvard University (186 participants) were presented with different forms of disclosure for various mutual funds. One group were provided the existing prospectus, another with the summary prospectus, whilst the third were given the summary prospectus but could request access to the existing prospectus. Participants were asked to allocate hypothetical amounts of money to each fund.

The research concluded that the summary prospectus did not alter the investment decisions made by the group. The differences in allocations made by each group were statistically insignificant. It was noted that the participants who received the summary prospectus spent less time on their investment decision, and therefore it could be argued that there was a welfare benefit to the shorter disclosure. This research provides an example of a situation in which an attempt to create shorter, simpler disclosure was not effective in altering consumers' decision making.

Macro International, 'Design and Testing of Effective Truth in Lending Disclosures'⁴⁰

Macro International was contracted by the Federal Reserve Board to investigate the effectiveness of the 'Schumer Box' disclosures implemented as part of the Truth in Lending Act. The study used focus groups and cognitive interviews to redesign the Schumer Box for credit cards and other continuing

³⁹ (2009) *National Bureau of Economic Research*, Working Paper 14, 859.

⁴⁰ (2007) *Report to the Board of Governors of the Federal Reserve System (US)* available at <http://www.federalreserve.gov/newsevents/press/bcreg/bcreg20081218a8.pdf>

credit products in the US. The result was a ‘cleaner, simpler and more concise’ set of Schumer Box disclosures for the products tested as part of the research.

As part of the research, four focus groups and cognitive interviews with 33 participants in five cities in the US were used to iteratively redesign the Schumer Box. The focus groups were used to better understand the types of information that consumers use for financial decision making. Four rounds of cognitive interviews were then conducted. A set of revised disclosures was developed for each round. In the interviews, participants were asked to read and use these forms as they typically would, and data was collected on which aspects of the form were most successful in providing information clearly and effectively. The findings from each round were used to refine the models for the next round of interviews.

The researchers concluded from their study that information should be presented in plain, ‘everyday’ language and using as few words as possible, given consumers’ unwillingness to read information that is too long. In addition, significant revisions to the structure and format of disclosure should only be made when absolutely necessary, given that consumers in the market are typically already used to seeing disclosure in a certain form. The ordering and placement of information should also correspond to the way in which consumers read forms, for example by excluding footnotes which consumers are unlikely to read and placing important information together to make it easier to find.

The study also pointed out that despite disclosure that explains financial products as clearly and simply as possible, many consumers do not have the financial literacy to fundamentally understand these products. Some of the concepts that were not understood include the method for calculating interest, the concept of fees versus interest rates, and the interest costs for balances from different types of transactions (e.g. purchases and cash advances). The participants with lower levels of understanding also tended to be poorer and with lower educational levels, meaning that the impact of selecting suboptimal credit provides is likely to be disproportionately greater on this group.

European Commission, ‘Study on the effects of information disclosure on consumer choice of payment instruments’⁴¹

The European Commission commissioned TNS Research to assess whether consumers would change their payment method (credit card, EFTPOS, cash etc.) in response to disclosure of the fees charged for each payment type.

A large multi-country quantitative study was conducted in 10 EU Member States through a survey of 10,041 participants. Multiple shopping contexts were tested, including online and offline and small (20 Euro) and larger (200 Euro) transactions. Different payment methods were available, including credit card, cash, credit card and an online payment system (for the online store only). In the part of the experiment relevant to this research, some participants were provided with disclosure about merchant fees, either through directly providing the information in written form or through a simulated education program, whilst others were given no disclosure.

The research showed that simply being provided with payment cost information has no impact on consumers’ choice of payment type. However, the simulated education program did provide a significant and positive impact on consumer behaviour, but only where consumers were already concerned about payment costs. It was concluded that payment choice is largely based on habit, with little or no attention given to additional information.

Hogarth J and Merry E, ‘Designing Disclosures to Inform Consumer Financial Decision making: Lessons Learned from Consumer Testing’⁴²

⁴¹ 2013, available at http://ec.europa.eu/competition/sectors/financial_services/mif_final_report_en.pdf

⁴² (2011) 97(3) *Federal Reserve Bulletin* 1.

The Federal Reserve Board has conducted and sponsored a large number of empirical studies, both qualitative and quantitative, measuring the impact of disclosure. This paper summarises the key lessons for designing good disclosure documents captured through the research.

The key lessons are:

- Disclosure language should be plain but meaningful, using straightforward terminology despite the fact that complex concepts can be difficult to explain in plain language
- Visual elements, such as headings, titles and charts, can increase consumers' willingness to read disclosures and ability to navigate and understand them
- Providing context to frame information can help consumers understand both the specific content of a disclosure and its overall message
- Disclosure should be written in a neutral tone, to avoid steering the consumer in one direction or another, though it is acknowledged that this can be difficult
- Standardising disclosure across products can be beneficial, but creating standard documents that are effective in all contexts can be difficult
- Disclosure that is effective in print may not work online, needing to take account of the opportunities and limitations of digital delivery channels
- Too much information can overwhelm consumers or distract their attention from key content.

Lacko J and Pappalardo J, 'Improving Consumer Mortgage Disclosures – An Empirical Assessment of Current and Prototype Disclosure Forms'⁴³

The study by Lacko and Pappalardo aimed to test how well consumers understand mortgage cost disclosures, and whether better disclosures can help consumers shop for mortgages and avoid deceptive lending practices. The researchers conducted in-depth interviews with 36 recent mortgage customers and tested disclosure forms on 819 mortgage customers. It was concluded that existing disclosures failed to convey key mortgage costs and terms, but that better disclosure could significantly help consumers recognise loan costs and make better decisions. The study also found that disclosure had a greater benefit to customers considering more complex loan products, in which they could be considered likely to have the greatest difficulty understanding loan terms.

A4. SECONDARY SOURCES WHICH ADDRESS DISCLOSURE IN CONSUMER FINANCIAL MARKETS

Gillis T, 'Putting Disclosure to the Test: Toward Better Evidence-Based Policy'⁴⁴

Gillis makes an important contribution to the debate surrounding the effectiveness of disclosure by arguing that the methods used to test the effectiveness of disclosure, and therefore to justify the use of disclosure as a regulatory tool, are flawed. Two examples of attempts to test disclosure before its adoption, by the US Consumer Financial Protection Bureau (CFPB) and the European Union, are analysed and found to be flawed. A number of improvements to the testing regime are suggested.

⁴³ (2007) US Federal Trade Commission's Bureau of Economics Staff Reports available at <https://www.ftc.gov/sites/default/files/attachments/educational-materials/p025505mortgagedisclosurereport.pdf>

⁴⁴ (2015) 28 *Loyola Consumer Law Review* 31.

The first testing methodology discussed by Gillis is the EU's testing of the 'Key Investor Information Document', which is provided to Collective Investment in Transferable Securities (UCITS, the equivalent of Australian managed funds) investors. UCITS are required to provide investors with a Key Investor Information Document (KIID), a requirement which came into effect in 2012.

As part of the KIID design process, research was conducted to test which standardised format of the KIID would be most comprehensible to customers. Gillis focuses on the methodology used to conduct the quantitative aspect of the study, in which 1100 participants were shown different versions of the KIID and then asked questions about the content of the document to test understanding.

The second methodology Gillis discusses relates to the US CFPB's testing of mortgage disclosure. The CFPB embarked on a project to design new disclosure requirements for mortgages in 2011. As part of the process, a professional research company was contracted to test various types of disclosures through a qualitative study. Informed by the qualitative study, the CFPB proposed two new disclosure documents (one provided after consumers apply for the mortgage, and one provided before the loan closing), replacing the existing disclosure documents.

In the quantitative study, which Gillis focuses on, both the previously existing disclosure documents and the new disclosure documents were presented to separate sets of consumers. A total of 858 consumers participated in 20 different locations. Each subject received copies of disclosure documents and was asked comprehension questions, relating to nine different financial concepts that the CFPB identified as considered essential for informed consumers. The accuracy of answers to these questions was compared between the previously existing and new disclosure documents.

Gillis identifies three key issues with these experimental designs. Firstly, neither the CFPB nor EU tests provide a benchmark for the required level of comprehension needed to justify the adoption of the proposed disclosures. As the level of comprehension required for regulatory change is not stated, even a marginal improvement in comprehension of a product would be sufficient to warrant regulatory change. Secondly, the difficulty of generalising testing results to real-life situations is questioned, given that testing takes place in a controlled environment where participants are isolated from distractions, which is not reflective of the real life context of exposure to financial disclosures.

Thirdly, and most relevant to this research, Gillis notes that disclosure testing focuses explicitly on consumer comprehension of disclosure documents, rather than on whether or not the documents can be used to help consumers make better decisions. For example, the testing does not focus on whether consumers notice important information – the use of comprehension necessarily focuses the participant's attention on the information that is most relevant to them. In addition, there is no evidence that comprehension of information alters a consumer's decision, rather than merely enabling the consumer to answer questions about the information. Consumers may be able to replicate information in a comprehension test (as required by the format of questions in both the CFPB and EU tests), but not necessarily understand its relative importance in relation to other information in the document or its applicability to their circumstances. There may also be a temptation for regulators to create documents that are easily comprehensible but are not in fact useful to consumers in selecting financial products.

The author concludes that rather than focusing on 'comprehension testing', evaluation of the effectiveness of disclosure should instead be based on 'decision testing', determining whether consumers make better decisions based on their use of disclosure information. This means that benchmarks for determining whether decisions are in fact improved must be agreed. In addition, reliance on lab testing to determine the impact of disclosure is argued to be sufficient. Testing should instead use methods such as randomised controls and retrospective analysis, conducted after disclosure has been adopted.

Kirsch L, 'Do Product Disclosures Inform and Safeguard Insurance Policy Holders'⁴⁵

Kirsch's paper aims to provide an overview of insurance disclosure as a means of protecting consumers and suggest a number of potential avenues of disclosure research. The author notes that although reliance on disclosure tools has increased, particularly as financial products have become increasingly complicated, there has been no evaluation of the effectiveness of insurance price and product disclosures for the past two decades. The author argues that this has resulted in very little being known about how insurance disclosures work in practice.

The author identifies three objectives of insurance disclosure, against which the effectiveness of disclosure can be measured. These objectives are to inform consumers about the main features of the insurance products being offered (product understanding), to provide an accurate means for comparing products (comparison shopping) and to ensure insurers provide full and accurate information about all relevant issues and communicate in a way that consumers will properly interpret (fairness and transparency).

A number of empirical studies conducted between 1981 and 1999 are reviewed, concluding that disclosure fails to meet these objectives. The author argues that it is not clear whether this failure of disclosure results from poor execution of the concept of disclosure, or whether the concept of disclosure in itself is flawed.

The author uses a cost-benefit framework to assess the obstacles that are faced by disclosure in meeting these objectives. It is argued that consumers are more likely to pay attention to, and use, product disclosure information when the perceived costs of information search and processing are perceived to be low compared to the relative benefits of having the information. The costs of obtaining information are argued to be higher where information is more voluminous and complex, not perceived to be credible, or formatted and displayed in a way that makes cognition more difficult, as well as factors specific to the consumer such as the amount of familiarity they have with the product.

It is concluded that insurance disclosure can be made more effective by either reducing the cost burden or shopping time and effort for a consumer in obtaining information from disclosure, or improving the perceived benefits to consumers from the disclosure. It is recommended that further research, including consumer surveys regarding consumers' awareness and exposure to disclosure messages, comprehension of disclosures and their ability to use these disclosures correctly, be conducted to better understand what makes for effective disclosure tools.

George Loewenstein, Cass Sunstein & Russell Golman, Disclosure: Psychology Changes Everything⁴⁶

The authors describe the psychological mechanisms that impact the relationship between disclosers and disclosees, and therefore the effectiveness of disclosure, arguing that disclosure tends to be less useful than is commonly presumed. A large number of empirical sources are reviewed, describing a number of limitations on the ability of consumers to make the best decisions, despite having access to all of the relevant information. The authors then make a range of recommendations for the improvement of disclosure, taking into account the consumer's inherent limitations.

The authors list and discuss a number of limitations on efficient economic decision making, including:

- Limited attention and awareness, meaning that consumers may be unable to attend to all of the information in a disclosure document, or fail to pay attention to the important information contained in a document.

⁴⁵ (2003) 20(3) *Journal of Insurance Regulation* 271.

⁴⁶ (2013) 6 *Annual Review of Economics* 391.

- Inattention to missing information, with people having difficulty determining when information that they need to help make a decision is not available, and therefore making sub-optimal decisions.
- Motivated attention, the propensity to pay less attention to information that is negative or unpleasant, potentially mitigating the effectiveness of warnings in disclosure.
- Biased probability judgments, in which people inaccurately estimate the likelihood of an outcome as a result of pre-existing beliefs. This can be especially impactful in the insurance market, which relies on people making accurate assessments of their risks.
- Moral licensing, in which a discloser's perception that a discloser has received 'fair warning' may cause the discloser to perceive that they have a licence to act in their own best interest.

The authors propose a number of implications for effective disclosure regimes as a result of the insights of behavioural economics. They echo much of the disclosure literature in arguing that disclosure documents should be simple. However they apply this concept both to the simplification of individual disclosure documents and also to the overall amount of disclosure that consumers are expected to digest, advocating a reduction in the number of unimportant disclosures to increase the salience of the most important ones. As well as being simple, information should also be presented vividly, including using pictorial representations or warnings where possible.

It is recommended that disclosure should present standardised and comparative information, allowing them to compare between different products easily and make better choices. In addition, providing 'social comparisons', providing consumers with information about what other, similar people have done in their situation. Taking this one step further, information should also be personalised to the individual receiving it, taking account of their interests, needs, numeracy or format preferences. We note that personalising disclosure may impose significant costs on providers and may therefore not be appropriate for the insurance market.

Interestingly, the authors also note the potential usefulness of intermediaries, between the discloser and the discloser, to help inform the consumer. This service could be provided either for a fee or pro bono. We note that the most complex insurance policies are typically brokered by a third party, but that this does not occur in the consumer insurance market.

***Ben-Shahar O and Schneider C, 'The Failure of Mandated Disclosure'*⁴⁷**

The authors explore the widespread use of disclosure as a regulatory technique and conclude that despite its ubiquity, disclosure requirements are not effective. The article is not limited to financial disclosure, but also includes legal disclosures such as *Miranda* rights and medical disclosure requirements. A wide range of empirical research across a large number of types of disclosure is surveyed. It is argued that although disclosure is not doomed to fail in every case, it often does so because it requires three actors, lawmakers, disclosers and discloses, to 'play demanding parts properly'.

Lawmakers, it is argued, have a tendency to add to the range of disclosure requirements without proper assessment of whether disclosure is necessary or likely to be effective. Disclosure is a simple legislative intervention, and therefore often forms the path of least resistance for lawmakers when attempting to solve a problem. There is no reason to enquire as to the effectiveness of disclosure, because its effectiveness is rarely questioned. The 'political utility' of disclosure therefore explains its profusion.

The increasing number of disclosure requirements is argued to reduce its effectiveness further. As disclosure requirements relating to a single product increase, they tend to 'overload' consumers, resulting in disclosure being ignored or not understood. This leads to a second problem, the 'accumulation effect'. As disclosures for individual products build up, these disclosures compete for

⁴⁷ (2011) 159 *University of Pennsylvania Law Review* 647.

consumers' attention with those relating to other products. The impact is that 'en masse disclosures are overwhelming' and consumers are less likely to absorb anything contained in any disclosure.

Disclosees are also likely to face difficulty in using disclosure which makes it ineffective. These critiques are based on behavioural economics. People tend to have lower literacy and numeracy than is required to read and understand many disclosures. They may not be able to remember or process all of the information contained in disclosure documents. There is no guarantee that even if information is remembered and understood, that it will be used effectively, with many consumers using mental shortcuts and heuristics which result in suboptimal decision making.

The problems for disclosers in complying with disclosure, including interpretation of mandates and gathering of information, are less of a problem in the insurance market and are therefore not addressed in detail here.

The authors do not argue against the provision of information to aid with decision making, but instead suggest that any disclosure should be 'very brief, simple and easy', and that any additional information or complexity in fact makes disclosure less effective.

***Richard Craswell, Static Versus Dynamic Disclosures, and How Not to Judge Their Success or Failure*⁴⁸**

Craswell presents a riposte to Ben-Shahar and Schneider, arguing that it is too broad to say that disclosure does not work, and instead regard must be given the purpose of disclosure to determine whether it meets those objectives. Adding an additional layer of nuance to Ben-Shahar and Schneider's work, Craswell distinguishes between 'static' disclosure, which aims to increase consumer knowledge of products on the market, and 'dynamic' disclosure which sharpens seller's incentives to offer improved products in the market.

It is argued that static disclosures should be assessed based on their costs and benefits, rather than in regard to an arbitrary number of consumers who 'changed behaviour' or 'comprehended information' on the basis of the disclosure. Assessing disclosure on this basis would ask whether the benefits of disclosure, in terms of the number of minds changed or level of increased comprehension, outweigh costs such as the burden of imposing a disclosure requirement. However, Craswell does not comment on what criteria for success (comprehension, change in behaviour etc.) are most appropriate in terms of measuring benefits.

A number of examples of dynamic disclosure, and means of assessing their effectiveness are given, but these are not relevant to this research.

***Walden, M, 'Can Regulators Help Consumers Make Better Choices? The Case of Life Insurance Policies'*⁴⁹**

Walden argues that compulsory price disclosure regulators for life insurance policies have not been demonstrated to be necessary to the efficient functioning of the consumer life insurance market, and should therefore be abandoned.

Walden establishes two criteria which must be met in order to justify regulating the information that is given to consumers. Firstly, does the regulation require or account for the relevant information the consumers need for a decision, and secondly, can regulations communicate this information better than the market place?

In answer to the first question, it is argued that while compulsory price disclosure does provide some of the information that consumers need to purchase life insurance (including dividends and cash value),

⁴⁸ (2013) 88 *Washington Law Review* 333.

⁴⁹ (1985) 3 *Journal of Insurance Regulation* 244

additional information such as the insurer's customer service activities and financial stability is not provided. An empirical assessment of life insurance policies in North Carolina suggests that 90% of the variation in price between various life policies can be explained by differences in cash value schedules and dividends, as well as contract provisions and the service and financial characteristics of the company offering the policy.

This, the author argues, suggests that the market communicates all the relevant information needed for policy evaluation, largely through the price of the policy. Therefore, in answer to the second question, the regulator has no ability to communicate information better than the marketplace. Interestingly, Walden also notes that a market can still efficiently communicate information even if consumers are uninformed, as long as the companies in the market effectively compete and prices therefore reflect the value of the product.

***Furletti M, 'Federal Consumer Protection Regulation'*⁵⁰**

Furletti's paper summarises the discussions at a symposium entitled 'Federal Consumer Protection Regulation: Disclosures and Beyond', which was convened to discuss the US Truth in Lending regime. A number of key recommendations came out of the symposium, which are summarised briefly below.

Participants recommended the improvement of current disclosures by reducing the number of elements disclosures, increasing ease of use, and offering disclosure at the most useful time. Consensus was reached that beyond a certain point, disclosure ceases to be informative. To improve the quality of disclosure, most participants agreed that the process of creating disclosure needs to be revisited, becoming more reliant on quantitative insights from empirical research rather than qualitative data.

Participants also believed that better use of technology provides an opportunity to improve the accessibility and reliability of disclosures. The internet can be used to provide consumers with real-time, customised information, as well as calculators and tools that they can use to better understand products. Some noted that many consumers, especially the most vulnerable, have limited access to the internet and therefore caution must be exercised before introducing internet based solutions.

***Harvey H, 'Opening Schumer's Box: The Empirical Foundations of Modern Consumer Finance Disclosure Law'*⁵¹**

Harvey argues that the modern consumer credit disclosure regime in the US is fundamentally flawed. To be effective, it is argued, disclosure must have regard to consumers' socio-demographic information, including race, gender and other characteristics.

The author surveys a number of behavioural studies (including the work of Ben-Shahar and Schneider discussed in this literature review) which contend that the current disclosure regime fails as a result of flaws in the decision-making of even the informed consumer. There is no need to repeat this critique here.

The additional suggestion that Harvey brings is the argument that educators and disclosers should have regard to consumers' socio-demographic data when attempting to optimise disclosure. An example given is, in providing disclosures to consumers with limited knowledge of English, identifying a local financial planning workshop conducted in the consumer's own language as part of the disclosure. Though this is an interesting concept, the author fails to address how this approach could be implemented by disclosers, and how the costs of such a scheme would be shared.

⁵⁰ Paper presented at the Disclosures and Beyond Conference, Federal Reserve Bank of Philadelphia, June 10, 2005 available at <https://www.philadelphiafed.org/consumer-credit-and-payments/payment-cards-center/events/conferences/2005/consumerprotectionsymposium-summary.pdf>

⁵¹ (2005) 48(1) *University of Michigan Journal of Law Review* 59.

Willis L, 'Decision making and the Limits of Disclosure: The Problem of Predatory Lending'⁵²

Willis presents a critique of the strategies adopted by US sub-prime lenders, relying on consumers' internal biases, to sell overpriced home loans. Disclosure, it is argued, does little to mitigate these effects. Much of the theory of behavioural economics addressed in this article has been covered elsewhere in this literature review. As an aside, this paper was written in 2006, with the impact of predatory subprime lending on the world economy to be realised within 12 months of its publication. In response, updated Truth in Lending disclosure requirements have been introduced, meaning that this article is only useful as an explanation of theory.

The author argues that even a 'rational consumer', according to the classical economic definition, would have been unable to use consumer mortgage disclosures. This is because of the timing of disclosure, which was given too late in the process for consumers to price shop, and the fact that disclosure documents lacked sufficient information to determine the 'true price' of the loan. Consumers of subprime loans also tended to be financially illiterate, which means that they did not understand the concepts underpinning the disclosure.

Furthermore, Willis argues, consumers do not live up to the ideal of the rational consumer, meaning that they face further challenges in making economic decisions. A new model of decision-making, the 'transaction costs schematic' is proposed which calls on the literature of behavioural economics. This proposes that consumers, when making decisions, aim to minimise the cognitive effort and resources spent on decision making, and minimise the negative emotions associated with making decisions. Together, these factors are referred to as 'intangible transaction costs'. This model also focuses on the importance of socio-economic context, recognising that people will not behave in a uniform way, despite sharing common behavioural biases.

The author applies this model, and further insights from a review of the behavioural economics literature, to the US subprime mortgage market pre-2006. However, this discussion is of little relevance to our research.

Edwards M, 'Empirical and Behavioural Critiques of Mandatory Disclosure: Socio-economics and the Quest for Truth in Lending'⁵³

The Edwards article is relevant to this research to the extent that it summarises the behavioural and neo-classical arguments surrounding disclosure, specifically in relation to consumer credit regulation in the US.

The behavioural arguments have largely been canvassed in this literature review (see above Gillis, Ben-Shahar and Schneider), but the neo-classical response has not. Neoclassical economics suggests that if a minority of consumers are sufficiently informed that they change their decisions based on the quality of products in the market, this is sufficient to encourage producers to compete effectively. This will in turn make sure that all consumers in the market are treated fairly.

Therefore, the argument follows that disclosure need not improve the decision making of all consumers. Merely impacting the comprehension or behaviour of a small number will be sufficient to remedy market failure.

⁵² (2006) 65 *Maryland Law Review* 707.

⁵³ (2005) 14 *Cornell Journal of Law and Policy* 199.

APPENDIX B. MANDATED FORM OF THE KFS

Source⁵⁴

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.

⁵⁴ Schedule 5, Insurance Contracts Regulations 2017.

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].

APPENDIX C. KFS FULL VERSIONS (GOOD, OKAY, BAD)

KEY FACTS ABOUT THIS HOME CONTENTS POLICY

1. Understanding this 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.

2. Check the Maximum Level of Cover and the Events Covered

Event / Cover	Yes / No / Optional	Some examples of specific conditions / limits that apply to events / covers
Fire and Explosion	Covered	Excludes damage that occurs within 72 hours of the beginning of your policy
Flood	Covered	Excludes damage that occurs within 72 hours of the beginning of your policy
Storm	Covered	Excludes damage to gates, fences or wall fences that were in a state of disrepair
Accidental Breakage	Covered	Excludes cost of accidental breakage if the breakage does not extend through the entire thickness of the damaged item
Earthquake	Covered	No specific exclusions or conditions apply
Lightning	Covered	Excludes loss or damage caused by power failures or surges by your power provider
Theft and Burglary	Covered	Excludes loss or damage caused by someone who entered house with your consent
Escape of liquid	Covered	Excludes costs to repair or replace the item that the liquid leaked or escaped from

3. Other Things to Consider

Excesses

If you make a claim, the excess is the amount you may have to pay for each incident. A number of difference excesses may apply in respect to this policy, for example a basic excess applies to the events we cover. You may be able to increase these excesses to lower your premium. For more details, please read the PDS and other policy documentation.

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 of their property. It is limited to incidents that take place in your home or at the site and the most we will pay is \$20 million for any one incident. You should read the PDS carefully to determine the extent of this cover.

Cooling Off Period

If you decide you don't want this policy within 21 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 to your home and / or 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 cover above that amount (*Sum Insured plus safety net*)

*The insurer may provide some cover above this amount.

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

Failure to adequately insure your home contents 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

4. Seek More Information

If you want more information on this policy, please contact us on 13 INS URE (13 467 873) or www.insurancecompany.com.

KEY FACTS ABOUT THIS HOME CONTENTS POLICY

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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.

2. Check the Maximum Level of Cover and the Events Covered

Event / Cover	Yes / No / Optional	Some examples of specific conditions / limits that apply to events / covers
Fire and Explosion	Covered	Excludes fires igniting outside the premises
Flood	Covered	Excludes loss or damage caused by any event related to stormwater run-off
Storm	Covered	Excludes damage to gates, fences or wall fences that were in a state of disrepair
Accidental Breakage	Covered	Excludes cost of accidental breakage if the breakage does not extend through the entire thickness of the damaged item
Earthquake	Covered	No specific exclusions or conditions apply
Lightning	Covered	Excludes loss or damage caused by power failures or surges by your power provider
Theft and Burglary	Covered	Cover limited to \$10,000
Escape of liquid	Covered	Excludes costs to repair or replace the item that the liquid leaked or escaped from

3. Other Things to Consider

Excesses

If you make a claim, the excess is the amount you may have to pay for each incident. A number of difference excesses may apply in respect to this policy, for example a basic excess applies to the events we cover. You may be able to increase these excesses to lower your premium. For more details, please read the PDS and other policy documentation.

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 of their property. It is limited to incidents that take place in your home or at the site and the most we will pay is \$20 million for any one incident. You should read the PDS carefully to determine the extent of this cover.

Cooling Off Period

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



If you decide you don't want this policy within 21 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 to your home and / or 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 cover above that amount (*Sum Insured plus safety net*)

*The insurer may provide some cover above this amount.

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

Failure to adequately insure your home contents 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

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KEY FACTS ABOUT THIS HOME CONTENTS POLICY

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2. Check the Maximum Level of Cover and the Events Covered

Event / Cover	Yes / No / Optional	Some examples of specific conditions / limits that apply to events / covers
Fire and Explosion	Covered	Excludes fires igniting within or outside the premises
Flood	Covered	Excludes loss or damage caused by any rain related events
Storm	Covered	Excludes damage to gates, fences or wall fences that were in a state of disrepair
Accidental Breakage	Covered	Excludes cost of accidental breakage if the breakage does not extend through the entire thickness of the damaged item
Earthquake	Covered	No specific exclusions or conditions apply
Lightning	Covered	Excludes loss or damage caused by power failures or surges by your power provider
Theft and Burglary	Covered	Cover limited to \$100
Escape of liquid	Covered	Excludes costs to repair or replace the item that the liquid leaked or escaped from

3. Other Things to Consider

Excesses

If you make a claim, the excess is the amount you may have to pay for each incident. A number of difference excesses may apply in respect to this policy, for example a basic excess applies to the events we cover. You may be able to increase these excesses to lower your premium. For more details, please read the PDS and other policy documentation.

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 of their property. It is limited to incidents that take place in your home or at the site and the most we will pay is \$20 million for any one incident. You should read the PDS carefully to determine the extent of this cover.

Cooling Off Period

If you decide you don't want this policy within 21 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 to your home and / or 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 cover above that amount (*Sum Insured plus safety net*)

*The insurer may provide some cover above this amount.

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

Failure to adequately insure your home contents 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

4. Seek More Information

If you want more information on this policy, please contact us on 13 INS URE (13 467 873) or www.insurancecompany.com.

APPENDIX D. PDS FULL VERSIONS (GOOD, OKAY, BAD)



INSURANCE COMPANY “BLUE”

Why insure with us?

If you suffer loss, theft or damage to the things that belong to you that were in your house or apartment at the time they were lost, stolen or damaged we will cover you for that, according to the terms of the insurance policy as set out in this document. The policy may cover you for events such as:

- Fire
- Theft
- Flood
- Accidental loss of your contents

Cooling Off Period

After this insurance begins or you renew your policy for another period of insurance, you have 21 days to consider the information in this Product Disclosure Statement (**PDS**).

This is called the 'cooling off period'. If you have not made a claim, you can exercise your cooling off rights within 21 days from the day cover began or was renewed.

If you exercise your cooling off rights, we will refund in full the money you have paid for that period of insurance but you will have no cover from when your policy would have otherwise begun or from your renewal date.

Alternatively, you can cancel your policy at any time during the period of insurance. When you do this, and unless we tell you otherwise, you will have cover up until the date of cancellation.

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Here is a summary of how we have you covered

The summary lists the insured events that we cover. We may, however, limit or exclude the extent to which we cover an insured event. For example, if we cover loss of or damage to your property from a fire, we *may* (depending on what is set out below) limit how much we will pay for the loss or damage, or we may exclude any damage occurring within 72 hours of the beginning of the policy).

This is a summary only and there are other things we do not cover. For full details of what we cover and do not cover you for, read the full PDS carefully, including pages 4 to 8 and 'General exclusions' on pages 11 to 12 of this PDS.

What we cover	What we do not cover	What we cover	What we do not cover
Fire & Explosion 	we do not cover damage that occurs within 72 hours of the beginning of your policy For more details 	Flood 	we do not cover damage that occurs within 72 hours of the beginning of your policy For more details 
What we cover	What we do not cover	What we cover	What we do not cover
Storm 	No specific exclusions For more details 	Accidental breakage 	We do not cover accidental breakage of glass, glass or ceramic cooking surfaces if the breakage does not extend through the entire thickness of the item For more details 
What we cover	What we do not cover	What we cover	What we do not cover
Earthquake 	No specific exclusions For more details 	Lightning 	we do not cover loss or damage caused by power failures or surges by your power provider For more details 

What we cover	What we do not cover	What we cover	What we do not cover
Theft & Burglary 	we do not cover loss or damage caused by someone who entered your house with your consent For more details Go to page 8 	Escape of Liquid 	We do not cover costs to repair or replace the item that the liquid leaked or escaped from For more details Go to page 8 

More detail about how we have you covered

Event	What we cover	What we do not cover
Fire and Explosion 	Loss or damage caused by accidental fire (burning with flames) or explosion	Loss or damage arising from: • Glowing, heat, ash, soot and smoke when your contents has not caught on fire unless it is caused by flames within 10 metres of the insured address • The cost of repairing or replacing the item that exploded • Loss or damage caused by nuclear or biological devices • Loss or damage caused by erosion, vibration, landslip, landslide, mudslide, collapse, shrinkage or any other earth movement, but we will cover loss or damage caused by a landslide or subsidence if it occurred within 72 hours of, and directly because of, an explosion and not because of erosion over time, structural fault or design fault
Flood 	Loss or damage caused by flood. Flood means the covering of normally dry land by water that has escaped or been released from the normal confines of a: (a) lake (b) river (c) creek (d) another natural watercourse (e) reservoir (f) canal (g) dam	• Resultant cracking to paths, driveways, any outdoor surfaces, but we will cover them if they are washed away by flood

Event	What we cover	What we do not cover
Storm 	Loss or damage caused by a storm - Violent wind, cyclone or tornado - Thunderstorm, hail, rain or snow - Sudden, excessive run-off of water as a direct result of a storm in your local area.	- Loss or damage caused by actions or movements of the sea or storm surge, but we will cover loss or damage caused by storm surge if it occurs at the same time as other insured damage at the insured address caused by the storm - Resultant cracking to paths, driveways, any outdoor surfaces, but we will cover them if they are washed away by storm - Loss or damage to gates, fences or wall fences that were in a state of disrepair which would have been obvious to a reasonable person before the loss or damage occurred
Accidental Breakage 	Accidental breakage of glass, glass or ceramic cooking surfaces of any kind, shower bases, wash basins, sinks, baths, lavatory pans or cisterns when they are permanently fixed to buildings	- Glass, fittings or equipment as detailed which was in a damaged or imperfect condition before the breakage happened - Glass forming part of any glass-house or conservatory - Items such as crockery, porcelain, china, hand mirrors, glassware, crystal or glass in clocks, vases, ornaments, pictures, radios, visual display units or televisions - Any part of a ceramic or glass cooking surface of any kind, oven doors, heaters - If the breakage does not extend through the entire thickness of the damaged item
Earthquake 	Loss or damage caused by an earthquake.	No exclusions

Event	What we cover	What we do not cover
Lightning 	Loss or damage caused by lightning, including power surge caused by lightning	- Any claim where the Australian Government Bureau of Meteorology has no record of lightning in your area at the time of the loss or damage - Loss or damage without written confirmation from a qualified repairer saying that lightning was the cause of the damage - Loss or damage caused by power failures or surges by your power provider
Theft and Burglary 	Loss or damage caused by a theft or attempted theft.	Loss or damage caused by: - You or someone who lives at the insured address - Someone who entered the insured address with your consent or the consent of someone who had your authority to allow them access to the insured address
Escape of Liquid 	Loss or damage caused by liquid (e.g. water or oil), leaking or escaping from an item shown in this section	- Water leaking or escaping from a: - shower recess or shower base - stormwater channel or canal - stormwater pipe off your site - Costs to repair or replace the item that the water or oil leaked or escaped from - Locating the cause of the damage unless it is causing permanent damage and we have agreed to the costs beforehand

About Your Cover

Who is covered

You/Your refers to the person or persons named as the insured on your certificate of insurance and members of your family who normally live with you at the insured address.

If the insured shown on your certificate of insurance is a company, trustee of a trust or body corporate, then you/your refers to:

- That company, trustee or body corporate;
- The following if they normally live at the insured address:
 - Any company director, company owner or trust beneficiary; and
 - Their respective family members

Family means:

- Your spouse, partner or de facto;
- Your parents, parents-in-law, grandparents;
- Your children, grandchildren, brothers and sisters, including their respective spouse, partner or de facto;
- People who provide care or services to you

At what place are you covered – the insured address

We cover your contents (including contents in the open air) at the insured address. The insured address is the address/location shown on your certificate of insurance.

What is covered as your contents

Contents are your household items that you own or are responsible for a use primarily for domestic or personal purposes. Contents are items which are not permanently attached to your home or insured address such as, but not limited to, furniture, furnishings, clothing, home computers and printers, unfixed electrical goods and appliances not housed in a cabinet, internal blinds, drapes and curtains, carpets and plants in pots, medical equipment and aids.

What is not covered as your contents

Contents does not include:

- Electrical or electronic items that are no longer able to be used for the purpose they were intended;
- Any pets or animals;
- Items that are or were stock or samples related to any business activities;
- Loose or compacted soil, lawn, artificial grass, gravel, pebbles, rocks, granular rubber or water;
- Used or applied chemicals, fertilisers or pesticides;
- Any contents in a vehicle designed for the temporary accommodation of people and/or the conveyance of animals, including contents in a caravan, motorhome, camper trailer, slide-on trailer, slide-on camper, mobile home, trailer or horse float
- Any unlicensed or unregistered firearms;
- Any item which is legally part of a unit building according to the relevant state law.

Exclusions and Conditions

You are **not covered under any section of this policy** for damage, loss, cost or legal liability that is caused by, arises from or involves:

Aircraft shock waves

The gradual effects of vibrations, or shock waves caused by aircraft travelling at high speeds **unless** you can clearly show us that the damage was caused by a single destructive incident (e.g. sonic boom)

Biological, chemical, other pollutant or contaminant

- Any actual or threatened biological, bacterial, viral, germ, chemical or poisonous substance, pollutant or contaminant; or
- Any looting or rioting following the actual or threatened release of any biological, bacterial, viral, germ, chemical or poisonous substance, pollutant or contaminant

Breaking the law

- You, or someone with your knowledge or permission, committing or trying to commit an unlawful or criminal offence, such as assault or malicious damage
- Your possession, supply or consumption of illegal substances or illegal drugs

Building extensions alterations or renovations

Building extensions, alterations or renovations to your home or unit. Specifically, we do not cover:

- Damage caused by cracking, collapse, subsidence or damage to your home and contents caused fully or partially by the building work;
- Damage caused by storm, flood or watering entering your home or unit whether or not they are temporarily covered at the time of the damage;
- Theft or damage by someone who enters or leaves through an unlockable part of your home or unit

Bushfires, storms, floods, tsunamis in the first 72 hours of cover

A bushfire, storm, flood or tsunami in the first 72 hours of cover, **but we will cover** these events if this policy began on the same day you bought your home or unit or you had another policy that expired immediately before the start of your policy with us and there was no break or change in the level or type of cover; or - you moved into the premises or signed a purchase or lease agreement for the premises on the same day your policy with us started;

Deliberate actions by you

An act or omission by you, your family, anyone living at the insured address or any owner or part owner of your home or contents, or anyone acting with your consent which:

- Is deliberate;
- Is a deliberate lack of action; or
- Demonstrates a reckless disregard for the consequences of that action or omission.

Defect, structural fault or design fault

A defect, structural fault or design fault that you knew about (or should reasonably have known about) and did not fix before the loss or damage occurred (e.g. if there are signs that a defect previously caused damage, we will not pay a later claim for further damage from this defect)

Failing to take care of your home or contents

Your failure to:

- Take reasonable care of your home or unit and contents;
- Keep your home or unit and contents well maintained and in good condition. For the meaning of 'well maintained and in good condition' see the 'Words with Special Meanings' section on page [x]
- Fix faults and defects as soon as you become aware of them.

Hazardous materials

Any hazardous materials if not stored or used in accordance with the relevant law, controls and manufacturer's instructions

Non-compliance with building regulations

Your home or unit not complying with building laws or regulations, **except** those laws or regulations introduced after your home or unit was originally built or last altered which you were not required to comply with

Power surge

Power surge, unless the surge or the loss or damage caused by the surge is covered under insured event fire (see page [x]), lightning (see page [x]), storm (see page [x]) or flood (see page [x])

Radioactivity

Radioactivity or the use, existence or escape of nuclear fuel, nuclear material or waste or nuclear weapon

Revolution, war

- Revolution, hostilities, war or other acts of foreign enemy, war like activity (whether war is declared or not), military coup; or
- Any looting or rioting following these incidents

Storm surge

See words "with a special meaning"

Tree lopping

Trees being lopped, felled or transplanted by you or someone authorised by you

If security or alarms are not working

Loss or theft if the door locks, window locks or alarms you told us were installed, were in fact not installed, not in working condition, disconnected, or not used as intended and we relied on them being there as a reason for accepting and continuing your policy (however, forgetting to turn on your alarm or lock a door will not in itself affect theft cover under your policy)

Overdue monthly instalments

If you pay your premium by monthly instalments and payment is overdue we can do one or both of the following:

- Refuse to pay a claim if payment is 14 days (or more) late;
 - Cancel your policy without notifying you in advance if an instalment is 1 month (or more) overdue
-

Important Information

Why is this document important?

This Product Disclosure Statement is an important legal document that contains details of your Home and Contents Insurance if you purchase this product from us. Please read this PDS carefully before you decide to buy this product. If you purchase this product, your policy comprises of this PSD and the Certificate of Insurance which shows the details particular to you.

What is this product designed for?

This product is designed for people who want to insure their contents inside a home or unit.

The policy is not suited for covering your investment home or contents in a unit let out to your tenants. Please ask us about your landlord insurance policy.

Your Duty of Disclosure

You have a duty of disclosure to tell us everything you know, or could reasonably be expected to know, is relevant to our decision to insure anyone under the policy, including you, and on what terms.

The information you tell us can affect:

- The amount of your premium;
- If we will insure you;
- If special conditions will apply to your policy.

You do not need to tell us of anything which:

- Reduces the chance of you making a claim; or
- We should know about because of the business we are in;
- We tell you we do not want to know.

If you are unsure, it is better to tell us. If you do not tell us something which you know or should know is relevant, we might reduce a claim, refuse to pay a claim, cancel your policy or, if fraud is involved we can treat the policy as if it never existed.

About Your Premium

The premium is the amount you pay us for this insurance and it includes stamp duty, GST, other government charges and any fire services levy (FSL) that applies. The total amount payable will be shown on your certificate of insurance or, if you pay by instalments, the amount due each month will be shown on your certificate of insurance as 'monthly instalment'.

In addition to your sum insured, we use many factors about you and your home and contents to work out your premium. These are called premium factors. The premium factors we use reflect the likelihood of you making a claim together with other factors related to our cost of doing business. Each time you renew your insurance your premium is likely to change, even if your personal circumstances haven't changed. This is because premiums are affected by other things such as our cost of doing business and changes in our approach to how we calculate your premium.

Paying Your Premium

We will tell you how much you have to pay and how much time you have for payment on your certificate of insurance. You must pay this premium by the due date to get this insurance cover. You can pay in one annual payment or, if we agree, by instalments. If you pay your premium by instalments it costs you more than if you choose to pay your premium in one annual payment.

Unless we tell you, any payment reminder we send you does not change the expiry or due date. If you do not pay the full amount, we may reduce the period of insurance so it is in line with the amount you paid.

If you make a change to your policy details it may affect your premium you need to pay for the remainder of your period of insurance.

Late Annual Payments

If you do not pay your premium by the due date in the first year of insurance with us, we will give you a written notice of policy cancellation where we are required by law to do so.

If you do not pay the premium due on renewal by the due date, you will have no cover from the due date.

If we accept your late payment, we might recommence cover from the date we receive your payment. If so, you will have no cover for the period from the due date until the date of payment.

Your Responsibilities

You must:

- Keep your home and contents well maintained and in good condition;
- Maintain locks or alarms in good working condition, especially if we relied on burglary security and monitored smoke detectors being installed when accepting your insurance;
- Take all reasonable care to prevent theft, loss, damage or legal liability;
- Follow all the terms and responsibilities set out in your policy;
- Provide honest and complete information for any claim, statement or document supplied to us;
- Ensure that your home complies with local government or other statutory requirements at all times.

Not meeting your responsibilities:

If you do not meet your responsibilities, it may lead us to do one or both of the following:

- Reduce or refuse to pay your claim
- Cancel your insurance policy

When your home or unit will be unoccupied for greater than 60 days

We will apply the unoccupied excess to each incident covered by your policy unless this policy states that no excess applies to your claim if, at the time of the incident, the home or unit has been unoccupied for more than 60 continuous days.

A period of unoccupancy starts when the home or unit becomes unoccupied and comes to an end when you, or someone nominated by you, has occupied the home or unit for at least 2 consecutive

nights. You may be asked to prove the occupancy of the home or unit in the event of a claim. This may be supported by the usage of the utilities that are connected to the home or unit. Sometimes we might ask for other evidence of occupancy. We will decide if the unoccupied excess applies.

If you have to pay an unoccupied excess it is payable in addition to any other excess that applies to your claim.

Resolving Complaints and Disputes

We are committed to providing you with quality products and delivering the highest level of service.

Something wrong?

We know sometimes there might be something you're not totally happy about, whether it be about our staff, representatives, products, services or how we've handled your personal information

Step 1 – Talk to us

If there's something you'd like to talk to us about, or if you'd like to make a complaint, speak to one of our staff. When you make your complaint please provide as much information as possible. They're ready to help resolve your issue.

You can also contact our Customer Care Unit directly to make your complaint. Our aim is to resolve all complaints within 15 business days.

Step 2 – Escalate your complaint

If we haven't responded to your complaint within 15 days, or if you're not happy with how we've tried to resolve it, you can ask for your complaint to be escalated for an Internal Dispute Resolution (IDR) review by a Dispute Resolution Specialist.

The Dispute Resolution Specialist will provide our financial decision within 15 days of your complaint being escalated, unless they've requested and you've agreed to give us more time.

Step 3 – Still not resolved?

If you're not happy with the final decision, or if we've taken more than 45 days to respond to you from the date you first made your complaint, you can contact the Financial Ombudsman Service Australia (FOS Australia). FOS Australia is an ASIC approved external dispute resolution body.

FOS Australia resolves insurance disputes between consumers and insurers, at no cost to you. Insurers are bound by FOS Australia's decisions – but you're not. You can contact FOS Australia directly and they'll advise you if your dispute falls within their Terms of Reference.

Disputes not covered by the FOS Australia Terms of Reference

If your dispute doesn't fall within the FOS Australia Terms of Reference, and you're not satisfied with our decision then you may wish to seek independent legal advice.

Privacy complaints

If you're not satisfied with our final decision and it relates to your privacy or how we've handled your personal information, you can contact the Office of the Australian Information Commissioner (OAIC).

Claims

This section describes what you must do, as well as conditions that apply when you make a claim and at the time loss or damage occurs which is likely to give rise to a claim

What to do and what not to do after an incident

What to do after an incident:

- **Prevent further loss or damage**
- **Inform the police** if something was stolen or vandalised, or if you're required by law to do so
- **Take details** of other people involved in an incident or any witnesses to it
- **Call us** as soon as possible
- **Complete a claim form** if we require it
- **Provide information** in support of your claim, including letters or notices given to you by another party
- **Pay your excess**

What not to do after a claim or incident:

- **Admit guilt or fault** except in a Court or to the Police
- **Offer or negotiate** to pay a claim or make repairs
- **Admit liability**
- **Dispose of damage items** unless we've said you can
- **Authorise repairs** except for essential temporary repairs
- **Delay telling us about an incident** as it may reduce the amount we pay for your claim
- **Give us false or misleading information**

Establishing your loss

Prove that an incident took place

When making a claim you must be able to prove that an incident covered by your policy actually took place. If you do not do this, we will not be able to pay your claim

We may obtain the following from the police:

- Confirmation that you reported the incident
- Details of any investigation they undertook

Describe your loss or damage

You must also give us accurate and full details of what was lost, stolen or damaged and give us proof of value and ownership for items claimed if we request it.

When your contents are damaged

Allowing us, a repairer or an expert appointed by us, to look at what is damaged is usually all that is needed to prove your loss. Sometimes though we might ask you to produce evidence that supports the extent of the loss you have suffered. For valuable and badly damaged items, we may ask you to provide proof of ownership and value.

If we decide that you are unable to reasonably substantiate your claim we may reduce or refuse your claim.

How to prove ownership and value

For lost, damaged or stolen items that are no longer available for inspection, you must validate your claim by giving us details of when and where they were purchased and reasonably proof of ownership and value.

Proofs may include:

- **Proof of purchase**, including documents such as sales receipts or debit details on a credit card or bank statement
- **Sales receipt**, includes the item description or code, a purchase price, date purchased and where the item was purchased
- **Full description**: The specifications particular to an item (e.g. brand and model for an electrical appliance or the title and artist of a CD)
- **Valuation**: A document completed by an Australian qualified professional valuer before the loss occurred. This includes an item description, specifications and the cost to replace the item in Australian dollars
- **Close up photography**: A photograph taken from one metre away from the item(s) that clearly shows the item(s)
- **Original operating manual**: The original printed operating manuals that came with the item
- **Manufacturer's box**: The original box showing the brand and model of the item
- **Certificate of authenticity**: The original documentation from the manufacturer

Your Excess

What is an excess?

An excess is the amount you have to pay for each incident when you make a claim. Sometimes you might have to pay more than one type of excess.

No excess is payable for this policy.

How we settle your claim – contents claim

If we agree to pay a claim for loss, theft or damage to your contents (including contents with flexible limits and portable valuables), we will decide if we will:

- Repair damage to the contents;
- Replace the contents 'new for old';
- Pay you what it would cost us to repair or replace your contents or any lower limit that applies;
- Pay you the sum insured for your contents or any lower limit that applies;
- Give you a voucher, store credit or stored value card for the amount it would cost us to repair or replace the contents

If we replace (or pay you what it would cost us to replace), we will do so on a 'new for old' basis.

If we repair (or pay you what it would cost us to repair), we will at our option do so on a 'new for old' basis or to a similar condition to what the contents were in before the loss or damage occurred.

Unless we tell you otherwise, we will deduct any amounts you owe us from any amount we owe you.

We will not:

- Pay more than the relevant sum insured or policy limit;

- Pay extra to replace your home or contents to a better standard, specification or quality than it was before the loss or damage occurred **except** as stated in the meaning of 'new for old';
- Fix a fault that existed before the loss or damage occurred;
- Pay for any decrease in the value of a pair, set or collection when the damaged or lost item forms part of the pair, set or collection. We pay only for the repair or replacement of the item which was damaged or lost.

'New for old' means:

- We rebuild, replace or repair with new items or new materials that are available at the time of replacement or repair from Australian suppliers;
- We rebuild, replace or repair new for old regardless of age, with no allowance for depreciation
- We replace or repair of the same type, standard and specification (but not brand) as when new. If the same is not available, it means of a similar type, standard and specification (but not brand) when new. We can replace with a different brand.

When we repair or replace your contents

If we choose to repair damage to the contents or replace the contents, we will repair or replace with items or materials that are reasonably available at the time of repair or replacement from Australian suppliers.

We will do our best to replace to the same type, standard and specification as when new. If the same is not available, we will replace with items or materials of a similar type, standard and specification when new. It can be a different brand.

When we will repair or replace undamaged contents

We will only repair or replace contents that are lost or damaged by an incident covered by your policy. You cannot claim to replace undamaged contents or undamaged parts of contents.

But there are limited circumstances where we will repair undamaged parts of contents to create a uniform appearance, when:

- **Internal blinds and curtains:** If we can't match the new material or parts with the undamaged ones, if necessary, we will pay extra to replace undamaged blinds and curtains in the same room, standard, hallway or passageway where the damage occurred
- **Carpets or other floor coverings:** If we can't match the new material or parts with the undamaged ones, if necessary, we will pay extra to replace undamaged floor carpets and other coverings in the same room, stairs, hallway or passageway where the damage occurred.

If you want to change the contents

When repairing or replacing the contents, if we agree, you can choose to change the make and model of the contents item or upgrade to a different make or model of it, providing you pay the extra costs of doing this. If you want to downsize the contents item for less cost than you are entitled to claim, we will not pay more than it costs us to repair or replace the downsized contents item.

Other Claims Information

Potential impact on cover and premiums after a contents claim

If we pay part of, or the full general contents sum insured, the general contents sum insured is automatically reinstated and cover continues for the period of insurance at no extra cost. You may need to change your insured address. You should reassess your general contents sum insured. There is no refund of premium if you reduce your sum insured by the amount of your claim.

Salvaged home and contents items

If we replace or compensate you for an item, we then own the damage or recovered item. If we agree you can keep an item we will determine the salvage value and we can deduct this amount from any payment we make to you.

Our right to recover claims we pay from those responsible

After we pay a claim under this policy we can decide to take legal action in your name to recover money from the person or entity that caused loss, damage or liability. You must give us all the help we need to do this. If we recover money that belongs to you and was not part of the claim we paid, we will give this to you.

Words with Special Meanings

Accidental loss or damage

means loss or damage that occurred without intent

Actions or movements of the sea

means:

- Rises in the level of the ocean or the sea
- Sea waves
- High tides or king tides

Any other actions or movements of the sea **do not** include a tsunami or storm surge

Event or incident

means a single event, accident or occurrence which you did not intend or expect to happen

Family

see page 9

Fixtures and fittings

means items used for domestic and residential purposes and which are permanently attached to your home

Flood

see page 6

Home

see pages 9 and 10

Insured Event

means the insured events on pages 6 to 8

Loss or damage

means physical loss or physical damage

Period of insurance

means when your policy starts to when it ends

Policy

means your insurance contract

Retaining wall

means a wall, which is not part of the residential home, that holds back or presents the movement or earth

Storm

means a storm, cyclone or severe atmospheric disturbance. It can be accompanied by strong winds, rain, lightning, hail, snow or dust

Storm surge

means a rush of water onshore associated with a low pressure system and caused by strong winds pushing on the ocean's surface

Unit

means unit, villa, townhouse or apartment in a strata title development. It does not include common property

Unoccupied and occupied

Unoccupied means:

- Your home or unit is not furnished enough to be lived in; or
- No-one is eating, sleeping and living at your home or unit; or
- The home or unit is not connected to utilities

Occupied means:

- Your home is furnished enough to be lived in; and
- Someone is eating, sleeping and living at the home or unit; and
- The home or unit is connected to utilities

'Furnished enough to be lived in' means the home or unit contains at least:

- A bed; and
 - A clothes and linen storage area; and
 - An eating table or bench; and
 - A refrigerator and a cooking appliance
-

Well maintained and in good condition

means your home or unit and contents do not have any faults or defects that might cause loss or damage to your home and contents, loss or damage to property of others or injury to people. This includes but is not limited to the following:

- The roof does not leak when it rains;
 - There are no areas of roof that are rusted through
 - There is no wood rot, termite or white ant damage to your home or unit;
 - There are no holes in floors, walls, ceilings or any other parts of your home or unit (e.g. external wall cladding, internal plaster, floorboards);
 - There are no boarded up or broken windows
 - There are no steps, gutters, flooring, walls, ceilings or any other areas of your home or unit that are loose, falling down, missing or rusted through
 - All previous damage including damage caused by flood has been repaired
 - Your home or unit is not infested with vermin
 - There are no squatters or unauthorised persons occupying your home or unit
-



INSURANCE COMPANY “BLUE”

Why insure with us?

If you suffer loss, theft or damage to the things that belong to you that were in your house or apartment at the time they were lost, stolen or damaged we will cover you for that, according to the terms of the insurance policy as set out in this document. The policy may cover you for events such as:

- Fire
- Theft
- Flood
- Accidental loss of your contents

Cooling Off Period

After this insurance begins or you renew your policy for another period of insurance, you have 21 days to consider the information in this Product Disclosure Statement (**PDS**).

This is called the 'cooling off period'. If you have not made a claim, you can exercise your cooling off rights within 21 days from the day cover began or was renewed.

If you exercise your cooling off rights, we will refund in full the money you have paid for that period of insurance but you will have no cover from when your policy would have otherwise begun or from your renewal date.

Alternatively, you can cancel your policy at any time during the period of insurance in writing. When you do this, and unless we tell you otherwise, you will have cover up until the date of cancellation.

A cancellation fee stated in our FSG will apply to all cancellations except those during the cooling off period.

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Here is a summary of how we have you covered

The summary lists the insured events that we cover. We may, however, limit or exclude the extent to which we cover an insured event. For example, if we cover loss of or damage to your property from a fire, we *may* (depending on what is set out below) limit how much we will pay for the loss or damage, or we may exclude any damage occurring within 72 hours of the beginning of the policy).

This is a summary only and there are other things we do not cover. For full details of what we cover and do not cover you for, read the full PDS carefully, including pages 4 to 8 and 'General exclusions' on pages 11 to 12 of this PDS.

What we cover	What we do not cover	What we cover	What we do not cover
Fire & Explosion 	we do not cover fires igniting outside the premises For more details 	Flood 	we do not cover loss or damage caused by any event related to stormwater run-off For more details 
What we cover	What we do not cover	What we cover	What we do not cover
Storm 	we do not cover the cost of replacing the insured property For more details 	Accidental breakage 	We do not cover accidental breakage of glass, glass or ceramic cooking surfaces if the breakage does not extend through the entire thickness of the item For more details 
What we cover	What we do not cover	What we cover	What we do not cover
Earthquake 	No specific exclusions For more details 	Lightning 	we do not cover loss or damage caused by power failures or surges by your power provider For more details 

What we cover	What we do not cover	What we cover	What we do not cover
Theft & Burglary 	we do not cover loss or damage over \$10,000 in total For more details Go to page 8 	Escape of Liquid 	We do not cover costs to repair or replace the item that the liquid leaked or escaped from For more details Go to page 8 

More detail about how we have you covered

Event	What we cover	What we do not cover
Fire and Explosion 	Loss or damage caused by accidental fire (burning with flames) or explosion	Loss or damage arising from: • Glowing, heat, ash, soot and smoke caused by flames that are not within the insured address • The cost of repairing or replacing the item that exploded • Loss or damage caused by nuclear or biological devices • Loss or damage caused by erosion, vibration, landslip, landslide, mudslide, collapse, shrinkage or any other earth movement
Flood 	Loss or damage caused by flood. Flood means the covering of normally dry land by water that has escaped or been released from the normal confines of a: - lake - river - creek - another natural watercourse - reservoir - canal - dam	• Resultant cracking to paths, driveways, any outdoor surfaces, but we will cover them if they are washed away by flood • Loss or damage caused by erosion, vibration, subsidence, landslip, landslide, mudslide, collapse, shrinkage or any other earth movement

Event	What we cover	What we do not cover
Storm 	Loss or damage caused by a storm - Violent wind, cyclone or tornado - Thunderstorm, hail, rain or snow - Sudden, excessive run-off of water as a direct result of a storm in your local area.	- Loss or damage caused by actions or movements of the sea or storm surge - Resultant cracking to paths, driveways, any outdoor surfaces - Loss or damage to gates, fences or wall fences that were in a state of disrepair which would have been obvious to a reasonable person before the loss or damage occurred
Accidental Breakage 	Accidental breakage of glass, glass or ceramic cooking surfaces of any kind, shower bases, wash basins, sinks, baths, lavatory pans or cisterns when they are permanently fixed to buildings	- Glass, fittings or equipment as detailed which was in a damaged or imperfect condition before the breakage happened - Glass forming part of any glass-house or conservatory - Items such as crockery, porcelain, china, hand mirrors, glassware, crystal or glass in clocks, vases, ornaments, pictures, radios, visual display units or televisions - Any part of a ceramic or glass cooking surface of any kind, oven doors, heaters - If the breakage does not extend through the entire thickness of the damaged item
Earthquake 	Loss or damage caused by an earthquake.	No exclusions

Event	What we cover	What we do not cover
Lightning 	Loss or damage caused by lightning, including power surge caused by lightning	- Any claim where the Australian Government Bureau of Meteorology has no record of lightning in your area at the time of the loss or damage - Loss or damage without written confirmation from a qualified repairer saying that lightning was the cause of the damage - Loss or damage caused by power failures or surges by your power provider
Theft and Burglary 	Loss or damage caused by a theft or attempted theft.	Loss or damage caused by: - You or someone who lives at the insured address - Someone who entered the insured address with your consent or the consent of someone who had your authority to allow them access to the insured address - Damages and cost over \$10,000 per incident
Escape of Liquid 	Loss or damage caused by liquid (e.g. water or oil), leaking or escaping from an item shown in this section	- Water leaking or escaping from a: - shower recess or shower base - stormwater channel or canal - stormwater pipe off your site - Costs to repair or replace the item that the water or oil leaked or escaped from - Locating the cause of the damage unless it is causing permanent damage and we have agreed to the costs beforehand

About Your Cover

Who is covered

You/Your refers to the person or persons named as the insured on your certificate of insurance and members of your family who normally live with you at the insured address.

If the insured shown on your certificate of insurance is a company, trustee of a trust or body corporate, then you/your refers to:

- That company, trustee or body corporate;
- The following if they normally live at the insured address:
 - Any company director, company owner or trust beneficiary; and
 - Their respective family members

Family means:

- Your spouse, partner or de facto;
- Your parents, parents-in-law, grandparents;
- Your children, grandchildren, brothers and sisters, including their respective spouse, partner or de facto;
- People who provide care or services to you

At what place are you covered – the insured address

We cover your contents (including contents in the open air) at the insured address. The insured address is the address/location shown on your certificate of insurance.

What is covered as your contents

Contents are your household items that you own or are responsible for a use primarily for domestic or personal purposes. Contents are items which are not permanently attached to your home or insured address such as, but not limited to, furniture, furnishings, clothing, home computers and printers, unfixed electrical goods and appliances not housed in a cabinet, internal blinds, drapes and curtains, carpets and plants in pots, medical equipment and aids.

What is not covered as your contents

Contents does not include:

- Electrical or electronic items that are no longer able to be used for the purpose they were intended;
- Any pets or animals;
- Items that are or were stock or samples related to any business activities;
- Loose or compacted soil, lawn, artificial grass, gravel, pebbles, rocks, granular rubber or water;
- Used or applied chemicals, fertilisers or pesticides;
- Any contents in a vehicle designed for the temporary accommodation of people and/or the conveyance of animals, including contents in a caravan, motorhome, camper trailer, slide-on trailer, slide-on camper, mobile home, trailer or horse float
- Any unlicensed or unregistered firearms;
- Any item which is legally part of a unit building according to the relevant state law.

Exclusions and Conditions

You are **not covered under any section of this policy** for damage, loss, cost or legal liability that is caused by, arises from or involves:

Aircraft shock waves

The gradual effects of vibrations, or shock waves caused by aircraft travelling at high speeds **unless** you can clearly show us that the damage was caused by a single destructive incident (e.g. sonic boom)

Biological, chemical, other pollutant or contaminant

- Any actual or threatened biological, bacterial, viral, germ, chemical or poisonous substance, pollutant or contaminant; or
- Any looting or rioting following the actual or threatened release of any biological, bacterial, viral, germ, chemical or poisonous substance, pollutant or contaminant

Breaking the law

- You, or someone with your knowledge or permission, committing or trying to commit an unlawful or criminal offence, such as assault or malicious damage
- Your possession, supply or consumption of illegal substances or illegal drugs

Building extensions alterations or renovations

Building extensions, alterations or renovations to your home or unit. Specifically, we do not cover:

- Damage caused by cracking, collapse, subsidence or damage to your home and contents caused fully or partially by the building work;
- Damage caused by storm, flood or watering entering your home or unit whether or not they are temporarily covered at the time of the damage;
- Theft or damage by someone who enters or leaves through an unlockable part of your home or unit

Bushfires, storms, floods, tsunamis in the first 72 hours of cover

A bushfire, storm, flood or tsunami in the first 72 hours of cover, **but we will cover** these events if this policy began on the same day you bought your home or unit or you had another policy that expired immediately before the start of your policy with us and there was no break or change in the level or type of cover; or - you moved into the premises or signed a purchase or lease agreement for the premises on the same day your policy with us started;

Deliberate actions by you

An act or omission by you, your family, anyone living at the insured address or any owner or part owner of your home or contents, or anyone acting with your consent which:

- Is deliberate;
- Is a deliberate lack of action; or
- Demonstrates a reckless disregard for the consequences of that action or omission.

Defect, structural fault or design fault

A defect, structural fault or design fault that you knew about (or should reasonably have known about) and did not fix before the loss or damage occurred (e.g. if there are signs that a defect previously caused damage, we will not pay a later claim for further damage from this defect)

Failing to take care of your home or contents

Your failure to:

- Take reasonable care of your home or unit and contents;
- Keep your home or unit and contents well maintained and in good condition. For the meaning of 'well maintained and in good condition' see the 'Words with Special Meanings' section on page [x]
- Fix faults and defects as soon as you become aware of them.

Hazardous materials

Any hazardous materials if not stored or used in accordance with the relevant law, controls and manufacturer's instructions

Non-compliance with building regulations

Your home or unit not complying with building laws or regulations, **except** those laws or regulations introduced after your home or unit was originally built or last altered which you were not required to comply with

Power surge

Power surge, unless the surge or the loss or damage caused by the surge is covered under insured event fire (see page [x]), lightning (see page [x]), storm (see page [x]) or flood (see page [x])

Radioactivity

Radioactivity or the use, existence or escape of nuclear fuel, nuclear material or waste or nuclear weapon

Revolution, war

- Revolution, hostilities, war or other acts of foreign enemy, war like activity (whether war is declared or not), military coup; or
- Any looting or rioting following these incidents

Storm surge

See words "with a special meaning"

Tree lopping

Trees being lopped, felled or transplanted by you or someone authorised by you

If security or alarms are not working

Loss or theft if the door locks, window locks or alarms you told us were installed, were in fact not installed, not in working condition, disconnected, or not used as intended and we relied on them being there as a reason for accepting and continuing your policy (however, forgetting to turn on your alarm or lock a door will not in itself affect theft cover under your policy)

Overdue monthly instalments

If you pay your premium by monthly instalments and payment is overdue we can do one or both of the following:

- Refuse to pay a claim if payment is 14 days (or more) late;
 - Cancel your policy without notifying you in advance if an instalment is 1 month (or more) overdue
-

Important Information

Why is this document important?

This Product Disclosure Statement is an important legal document that contains details of your Home and Contents Insurance if you purchase this product from us. Please read this PDS carefully before you decide to buy this product. If you purchase this product, your policy comprises of this PSD and the Certificate of Insurance which shows the details particular to you.

What is this product designed for?

This product is designed for people who want to insure their contents inside a home or unit.

The policy is not suited for covering your investment home or contents in a unit let out to your tenants. Please ask us about your landlord insurance policy.

Your Duty of Disclosure

You have a duty of disclosure to tell us everything you know, or could reasonably be expected to know, is relevant to our decision to insure anyone under the policy, including you, and on what terms.

The information you tell us can affect:

- The amount of your premium;
- If we will insure you;
- If special conditions will apply to your policy.

You do not need to tell us of anything which:

- Reduces the chance of you making a claim; or
- We should know about because of the business we are in;
- We tell you we do not want to know.

If you are unsure, it is better to tell us. If you do not tell us something which you know or should know is relevant, we might reduce a claim, refuse to pay a claim, cancel your policy or, if fraud is involved we can treat the policy as if it never existed.

About Your Premium

The premium is the amount you pay us for this insurance and it includes stamp duty, GST, other government charges and any fire services levy (FSL) that applies. The total amount payable will be shown on your certificate of insurance or, if you pay by instalments, the amount due each month will be shown on your certificate of insurance as 'monthly instalment'.

In addition to your sum insured, we use many factors about you and your home and contents to work out your premium. These are called premium factors. The premium factors we use reflect the likelihood of you making a claim together with other factors related to our cost of doing business. Each time you renew your insurance your premium is likely to change, even if your personal circumstances haven't changed. This is because premiums are affected by other things such as our cost of doing business and changes in our approach to how we calculate your premium.

Paying Your Premium

We will tell you how much you have to pay and how much time you have for payment on your certificate of insurance. You must pay this premium by the due date to get this insurance cover. You can pay in one annual payment or, if we agree, by instalments. If you pay your premium by instalments it costs you more than if you choose to pay your premium in one annual payment.

Unless we tell you, any payment reminder we send you does not change the expiry or due date. If you do not pay the full amount, we may reduce the period of insurance so it is in line with the amount you paid.

If you make a change to your policy details it may affect your premium you need to pay for the remainder of your period of insurance.

Late Annual Payments

If you do not pay your premium by the due date in the first year of insurance with us, we will give you a written notice of policy cancellation where we are required by law to do so.

If you do not pay the premium due on renewal by the due date, you will have no cover from the due date.

If we accept your late payment, we might recommence cover from the date we receive your payment. If so, you will have no cover for the period from the due date until the date of payment.

Your Responsibilities

You must:

- Keep your home and contents well maintained and in good condition;
- Maintain locks or alarms in good working condition, especially if we relied on burglary security and monitored smoke detectors being installed when accepting your insurance;
- Take all reasonable care to prevent theft, loss, damage or legal liability;
- Follow all the terms and responsibilities set out in your policy;
- Provide honest and complete information for any claim, statement or document supplied to us;
- Ensure that your home complies with local government or other statutory requirements at all times.

Not meeting your responsibilities:

If you do not meet your responsibilities, it may lead us to do one or both of the following:

- Reduce or refuse to pay your claim
- Cancel your insurance policy

When your home or unit will be unoccupied for greater than 60 days

We will apply the unoccupied excess to each incident covered by your policy unless this policy states that no excess applies to your claim if, at the time of the incident, the home or unit has been unoccupied for more than 60 continuous days.

A period of unoccupancy starts when the home or unit becomes unoccupied and comes to an end when you, or someone nominated by you, has occupied the home or unit for at least 2 consecutive

nights. You may be asked to prove the occupancy of the home or unit in the event of a claim. This may be supported by the usage of the utilities that are connected to the home or unit. Sometimes we might ask for other evidence of occupancy. We will decide if the unoccupied excess applies.

If you have to pay an unoccupied excess it is payable in addition to any other excess that applies to your claim.

Resolving Complaints and Disputes

We are committed to providing you with quality products and delivering the highest level of service.

Something wrong?

We know sometimes there might be something you're not totally happy about, whether it be about our staff, representatives, products, services or how we've handled your personal information

Step 1 – Talk to us

If there's something you'd like to talk to us about, or if you'd like to make a complaint, speak to one of our staff. When you make your complaint please provide as much information as possible. They're ready to help resolve your issue.

You can also contact our Customer Care Unit directly to make your complaint. Our aim is to resolve all complaints within 15 business days.

Step 2 – Escalate your complaint

If we haven't responded to your complaint within 15 days, or if you're not happy with how we've tried to resolve it, you can ask for your complaint to be escalated for an Internal Dispute Resolution (IDR) review by a Dispute Resolution Specialist.

The Dispute Resolution Specialist will provide our financial decision within 15 days of your complaint being escalated, unless they've requested and you've agreed to give us more time.

Step 3 – Still not resolved?

If you're not happy with the final decision, or if we've taken more than 45 days to respond to you from the date you first made your complaint, you can contact the Financial Ombudsman Service Australia (FOS Australia). FOS Australia is an ASIC approved external dispute resolution body.

FOS Australia resolves insurance disputes between consumers and insurers, at no cost to you. Insurers are bound by FOS Australia's decisions – but you're not. You can contact FOS Australia directly and they'll advise you if your dispute falls within their Terms of Reference.

Disputes not covered by the FOS Australia Terms of Reference

If your dispute doesn't fall within the FOS Australia Terms of Reference, and you're not satisfied with our decision then you may wish to seek independent legal advice.

Privacy complaints

If you're not satisfied with our final decision and it relates to your privacy or how we've handled your personal information, you can contact the Office of the Australian Information Commissioner (OAIC).

Claims

This section describes what you must do, as well as conditions that apply when you make a claim and at the time loss or damage occurs which is likely to give rise to a claim

What to do and what not to do after an incident

What to do after an incident:

- **Prevent further loss or damage**
- **Inform the police** if something was stolen or vandalised, or if you're required by law to do so
- **Take details** of other people involved in an incident or any witnesses to it
- **Call us** as soon as possible
- **Complete a claim form** if we require it
- **Provide information** in support of your claim, including letters or notices given to you by another party
- **Pay your excess**

What not to do after a claim or incident:

- **Admit guilt or fault** except in a Court or to the Police
- **Offer or negotiate** to pay a claim or make repairs
- **Admit liability**
- **Dispose of damage items** unless we've said you can
- **Authorise repairs** except for essential temporary repairs
- **Delay telling us about an incident** as it may reduce the amount we pay for your claim
- **Give us false or misleading information**

Establishing your loss

Prove that an incident took place

When making a claim you must be able to prove that an incident covered by your policy actually took place. If you do not do this, we will not be able to pay your claim

We may obtain the following from the police:

- Confirmation that you reported the incident
- Details of any investigation they undertook

Describe your loss or damage

You must also give us accurate and full details of what was lost, stolen or damaged and give us proof of value and ownership for items claimed if we request it.

When your contents are damaged

Allowing us, a repairer or an expert appointed by us, to look at what is damaged is usually all that is needed to prove your loss. Sometimes though we might ask you to produce evidence that supports the extent of the loss you have suffered. For valuable and badly damaged items, we may ask you to provide proof of ownership and value.

If we decide that you are unable to reasonably substantiate your claim we may reduce or refuse your claim.

How to prove ownership and value

For lost, damaged or stolen items that are no longer available for inspection, you must validate your claim by giving us details of when and where they were purchased and reasonably proof of ownership and value.

Proofs may include:

- **Proof of purchase**, including documents such as sales receipts or debit details on a credit card or bank statement
- **Sales receipt**, includes the item description or code, a purchase price, date purchased and where the item was purchased
- **Full description**: The specifications particular to an item (e.g. brand and model for an electrical appliance or the title and artist of a CD)
- **Valuation**: A document completed by an Australian qualified professional valuer before the loss occurred. This includes an item description, specifications and the cost to replace the item in Australian dollars
- **Close up photography**: A photograph taken from one metre away from the item(s) that clearly shows the item(s)
- **Original operating manual**: The original printed operating manuals that came with the item
- **Manufacturer's box**: The original box showing the brand and model of the item
- **Certificate of authenticity**: The original documentation from the manufacturer

Your Excess

What is an excess?

An excess is the amount you have to pay for each incident when you make a claim. Sometimes you might have to pay more than one type of excess.

No excess is payable for this policy.

How we settle your claim – contents claim

If we agree to pay a claim for loss, theft or damage to your contents (including contents with flexible limits and portable valuables), we will decide if we will:

- Repair damage to the contents;
- Replace the contents 'new for old';
- Pay you what it would cost us to repair or replace your contents or any lower limit that applies;
- Pay you the sum insured for your contents or any lower limit that applies;
- Give you a voucher, store credit or stored value card for the amount it would cost us to repair or replace the contents

If we replace (or pay you what it would cost us to replace), we will do so on a 'new for old' basis.

If we repair (or pay you what it would cost us to repair), we will at our option do so on a 'new for old' basis or to a similar condition to what the contents were in before the loss or damage occurred.

Unless we tell you otherwise, we will deduct any amounts you owe us from any amount we owe you.

We will not:

- Pay more than the relevant sum insured or policy limit;

- Pay extra to replace your home or contents to a better standard, specification or quality than it was before the loss or damage occurred **except** as stated in the meaning of 'new for old';
- Fix a fault that existed before the loss or damage occurred;
- Pay for any decrease in the value of a pair, set or collection when the damaged or lost item forms part of the pair, set or collection. We pay only for the repair or replacement of the item which was damaged or lost.

'New for old' means:

- We rebuild, replace or repair with new items or new materials that are available at the time of replacement or repair from Australian suppliers;
- We rebuild, replace or repair new for old regardless of age, with no allowance for depreciation
- We replace or repair of the same type, standard and specification (but not brand) as when new. If the same is not available, it means of a similar type, standard and specification (but not brand) when new. We can replace with a different brand.

When we repair or replace your contents

If we choose to repair damage to the contents or replace the contents, we will repair or replace with items or materials that are reasonably available at the time of repair or replacement from Australian suppliers.

We will do our best to replace to the same type, standard and specification as when new. If the same is not available, we will replace with items or materials of a similar type, standard and specification when new. It can be a different brand.

When we will repair or replace undamaged contents

We will only repair or replace contents that are lost or damaged by an incident covered by your policy. You cannot claim to replace undamaged contents or undamaged parts of contents.

But there are limited circumstances where we will repair undamaged parts of contents to create a uniform appearance, when:

- **Internal blinds and curtains:** If we can't match the new material or parts with the undamaged ones, if necessary, we will pay extra to replace undamaged blinds and curtains in the same room, standard, hallway or passageway where the damage occurred
- **Carpets or other floor coverings:** If we can't match the new material or parts with the undamaged ones, if necessary, we will pay extra to replace undamaged floor carpets and other coverings in the same room, stairs, hallway or passageway where the damage occurred.

If you want to change the contents

When repairing or replacing the contents, if we agree, you can choose to change the make and model of the contents item or upgrade to a different make or model of it, providing you pay the extra costs of doing this. If you want to downsize the contents item for less cost than you are entitled to claim, we will not pay more than it costs us to repair or replace the downsized contents item.

Other Claims Information

Potential impact on cover and premiums after a contents claim

If we pay part of, or the full general contents sum insured, the general contents sum insured is automatically reinstated and cover continues for the period of insurance at no extra cost. You may need to change your insured address. You should reassess your general contents sum insured. There is no refund of premium if you reduce your sum insured by the amount of your claim.

Salvaged home and contents items

If we replace or compensate you for an item, we then own the damage or recovered item. If we agree you can keep an item we will determine the salvage value and we can deduct this amount from any payment we make to you.

Our right to recover claims we pay from those responsible

After we pay a claim under this policy we can decide to take legal action in your name to recover money from the person or entity that caused loss, damage or liability. You must give us all the help we need to do this. If we recover money that belongs to you and was not part of the claim we paid, we will give this to you.

Words with Special Meanings

Accidental loss or damage

means loss or damage that occurred without intent

Actions or movements of the sea

means:

- Rises in the level of the ocean or the sea
- Sea waves
- High tides or king tides

Any other actions or movements of the sea **do not** include a tsunami or storm surge

Event or incident

means a single event, accident or occurrence which you did not intend or expect to happen

Family

see page 9

Fixtures and fittings

means items used for domestic and residential purposes and which are permanently attached to your home

Flood

see page 6

Home

see pages 9 and 10

Insured Event

means the insured events on pages 6 to 8

Loss or damage

means physical loss or physical damage

Period of insurance

means when your policy starts to when it ends

Policy

means your insurance contract

Retaining wall

means a wall, which is not part of the residential home, that holds back or presents the movement or earth

Storm

means a storm, cyclone or severe atmospheric disturbance. It can be accompanied by strong winds, rain, lightning, hail, snow or dust

Storm surge

means a rush of water onshore associated with a low pressure system and caused by strong winds pushing on the ocean's surface

Stormwater run-off

occurs when a large amount of rain falls in a short period of time, causing drainage systems and/or river and creek systems to overflow

Unit

means unit, villa, townhouse or apartment in a strata title development. It does not include common property

Unoccupied and occupied

Unoccupied means:

- Your home or unit is not furnished enough to be lived in; or
- No-one is eating, sleeping and living at your home or unit; or
- The home or unit is not connected to utilities

Occupied means:

- Your home is furnished enough to be lived in; and
- Someone is eating, sleeping and living at the home or unit; and
- The home or unit is connected to utilities

'Furnished enough to be lived in' means the home or unit contains at least:

- A bed; and
 - A clothes and linen storage area; and
 - An eating table or bench; and
 - A refrigerator and a cooking appliance
-

Well maintained and in good condition

means your home or unit and contents do not have any faults or defects that might cause loss or damage to your home and contents, loss or damage to property of others or injury to people. This includes but is not limited to the following:

- The roof does not leak when it rains;
 - There are no areas of roof that are rusted through
 - There is no wood rot, termite or white ant damage to your home or unit;
 - There are no holes in floors, walls, ceilings or any other parts of your home or unit (e.g. external wall cladding, internal plaster, floorboards);
 - There are no boarded up or broken windows
 - There are no steps, gutters, flooring, walls, ceilings or any other areas of your home or unit that are loose, failing down, missing or rusted through
 - All previous damage including damage caused by flood has been repaired
 - Your home or unit is not infested with vermin
 - There are no squatters or unauthorised persons occupying your home or unit
-



INSURANCE COMPANY “BLUE”

Why insure with us?

If you suffer loss, theft or damage to the things that belong to you that were in your house or apartment at the time they were lost, stolen or damaged we will cover you for that, according to the terms of the insurance policy as set out in this document. The policy may cover you for events such as:

- Fire
- Theft
- Flood
- Accidental loss of your contents

Cooling Off Period

After this insurance begins or you renew your policy for another period of insurance, you have 21 days to consider the information in this Product Disclosure Statement (**PDS**).

This is called the 'cooling off period'. If you have not made a claim, you can exercise your cooling off rights within 21 days from the day cover began or was renewed.

If you exercise your cooling off rights, we will refund in full the money you have paid for that period of insurance but you will have no cover from when your policy would have otherwise begun or from your renewal date.

Alternatively, you can cancel your policy at any time during the period of insurance in writing. When you do this, and unless we tell you otherwise, you will have cover up until the date of cancellation.

A cancellation fee stated in our FSG will apply to all cancellations except those during the cooling off period.

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Here is a summary of how we have you covered

The summary lists the insured events that we cover. We may, however, limit or exclude the extent to which we cover an insured event. For example, if we cover loss of or damage to your property from a fire, we *may* (depending on what is set out below) limit how much we will pay for the loss or damage, or we may exclude any damage occurring within 72 hours of the beginning of the policy).

This is a summary only and there are other things we do not cover. For full details of what we cover and do not cover you for, read the full PDS carefully, including pages 4 to 8 and 'General exclusions' on pages 11 to 12 of this PDS.

What we cover	What we do not cover	What we cover	What we do not cover
Fire & Explosion 	we do not cover fires igniting within or outside the premises For more details 	Flood 	we do not cover loss or damage caused by any rain related events. For more details 
What we cover	What we do not cover	What we cover	What we do not cover
Storm 	we do not cover the cost of replacing the insured property For more details 	Accidental breakage 	We do not cover accidental breakage of glass, glass or ceramic cooking surfaces if the breakage does not extend through the entire thickness of the item For more details 
What we cover	What we do not cover	What we cover	What we do not cover
Earthquake 	No specific exclusions For more details 	Lightning 	we do not cover loss or damage caused by power failures or surges by your power provider For more details 

What we cover	What we do not cover	What we cover	What we do not cover
Theft & Burglary 	we do not cover loss or damage over \$100 in total For more details Go to page 8 	Escape of Liquid 	We do not cover costs to repair or replace the item that the liquid leaked or escaped from For more details Go to page 8 

More detail about how we have you covered

Event	What we cover	What we do not cover
Fire and Explosion 	Loss or damage caused by accidental fire (burning with flames) or explosion	Loss or damage arising from: • Glowing, heat, ash, soot and smoke when your contents has not caught on fire • The cost of repairing or replacing the item that exploded • Loss or damage caused by nuclear or biological devices • Loss or damage caused by erosion, vibration, landslip, landslide, mudslide, collapse, shrinkage or any other earth movement
Flood 	Loss or damage caused by flood. Flood means the covering of normally dry land by water that has escaped or been released from the normal confines of a: (a) lake (b) river (c) creek (d) another natural watercourse (e) reservoir (f) canal (g) dam	• Resultant cracking to paths, driveways, any outdoor surfaces • Loss or damage caused by erosion, vibration, subsidence, landslip, landslide, mudslide, collapse, shrinkage or any other earth movement

Event	What we cover	What we do not cover
Storm 	Loss or damage caused by a storm - Violent wind, cyclone or tornado - Thunderstorm, hail, rain or snow - Sudden, excessive run-off of water as a direct result of a storm in your local area.	- Loss or damage caused by actions or movements of the sea or storm surge - Resultant cracking to paths, driveways, any outdoor surfaces - Loss or damage to gates, fences or wall fences that were in a state of disrepair which would have been obvious to a reasonable person before the loss or damage occurred
Accidental Breakage 	Accidental breakage of glass, glass or ceramic cooking surfaces of any kind, shower bases, wash basins, sinks, baths, lavatory pans or cisterns when they are permanently fixed to buildings	- Glass, fittings or equipment as detailed which was in a damaged or imperfect condition before the breakage happened - Glass forming part of any glass-house or conservatory - Items such as crockery, porcelain, china, hand mirrors, glassware, crystal or glass in clocks, vases, ornaments, pictures, radios, visual display units or televisions - Any part of a ceramic or glass cooking surface of any kind, oven doors, heaters - If the breakage does not extend through the entire thickness of the damaged item
Earthquake 	Loss or damage caused by an earthquake.	No exclusions

Event	What we cover	What we do not cover
Lightning 	Loss or damage caused by lightning, including power surge caused by lightning	- Any claim where the Australian Government Bureau of Meteorology has no record of lightning in your area at the time of the loss or damage - Loss or damage without written confirmation from a qualified repairer saying that lightning was the cause of the damage - Loss or damage caused by power failures or surges by your power provider
Theft and Burglary 	Loss or damage caused by a theft or attempted theft.	Loss or damage caused by: - You or someone who lives at the insured address - Someone who entered the insured address with your consent or the consent of someone who had your authority to allow them access to the insured address - Damages and cost over \$100 per incident
Escape of Liquid 	Loss or damage caused by liquid (e.g. water or oil), leaking or escaping from an item shown in this section	- Water leaking or escaping from a: - shower recess or shower base - stormwater channel or canal - stormwater pipe off your site - Costs to repair or replace the item that the water or oil leaked or escaped from - Locating the cause of the damage unless it is causing permanent damage and we have agreed to the costs beforehand

About Your Cover

Who is covered

You/Your refers to the person or persons named as the insured on your certificate of insurance and members of your family who normally live with you at the insured address.

If the insured shown on your certificate of insurance is a company, trustee of a trust or body corporate, then you/your refers to:

- That company, trustee or body corporate;
- The following if they normally live at the insured address:
 - Any company director, company owner or trust beneficiary; and
 - Their respective family members

Family means:

- Your spouse, partner or de facto;
- Your parents, parents-in-law, grandparents;
- Your children, grandchildren, brothers and sisters, including their respective spouse, partner or de facto;
- People who provide care or services to you

At what place are you covered – the insured address

We cover your contents (including contents in the open air) at the insured address. The insured address is the address/location shown on your certificate of insurance.

What is covered as your contents

Contents are your household items that you own or are responsible for a use primarily for domestic or personal purposes. Contents are items which are not permanently attached to your home or insured address such as, but not limited to, furniture, furnishings, clothing, home computers and printers, unfixed electrical goods and appliances not housed in a cabinet, internal blinds, drapes and curtains, carpets and plants in pots, medical equipment and aids.

What is not covered as your contents

Contents does not include:

- Electrical or electronic items that are no longer able to be used for the purpose they were intended;
- Any pets or animals;
- Items that are or were stock or samples related to any business activities;
- Loose or compacted soil, lawn, artificial grass, gravel, pebbles, rocks, granular rubber or water;
- Used or applied chemicals, fertilisers or pesticides;
- Any contents in a vehicle designed for the temporary accommodation of people and/or the conveyance of animals, including contents in a caravan, motorhome, camper trailer, slide-on trailer, slide-on camper, mobile home, trailer or horse float
- Any unlicensed or unregistered firearms;
- Any item which is legally part of a unit building according to the relevant state law.

Exclusions and Conditions

You are **not covered under any section of this policy** for damage, loss, cost or legal liability that is caused by, arises from or involves:

Aircraft shock waves

The gradual effects of vibrations, or shock waves caused by aircraft travelling at high speeds **unless** you can clearly show us that the damage was caused by a single destructive incident (e.g. sonic boom)

Biological, chemical, other pollutant or contaminant

- Any actual or threatened biological, bacterial, viral, germ, chemical or poisonous substance, pollutant or contaminant; or
- Any looting or rioting following the actual or threatened release of any biological, bacterial, viral, germ, chemical or poisonous substance, pollutant or contaminant

Breaking the law

- You, or someone with your knowledge or permission, committing or trying to commit an unlawful or criminal offence, such as assault or malicious damage
- Your possession, supply or consumption of illegal substances or illegal drugs

Building extensions alterations or renovations

Building extensions, alterations or renovations to your home or unit. Specifically, we do not cover:

- Damage caused by cracking, collapse, subsidence or damage to your home and contents caused fully or partially by the building work;
- Damage caused by storm, flood or watering entering your home or unit whether or not they are temporarily covered at the time of the damage;
- Theft or damage by someone who enters or leaves through an unlockable part of your home or unit

Bushfires, storms, floods, tsunamis in the first 72 hours of cover

A bushfire, storm, flood or tsunami in the first 72 hours of cover, **but we will cover** these events if this policy began on the same day you bought your home or unit or you had another policy that expired immediately before the start of your policy with us and there was no break or change in the level or type of cover; or - you moved into the premises or signed a purchase or lease agreement for the premises on the same day your policy with us started;

Deliberate actions by you

An act or omission by you, your family, anyone living at the insured address or any owner or part owner of your home or contents, or anyone acting with your consent which:

- Is deliberate;
- Is a deliberate lack of action; or
- Demonstrates a reckless disregard for the consequences of that action or omission.

Defect, structural fault or design fault

A defect, structural fault or design fault that you knew about (or should reasonably have known about) and did not fix before the loss or damage occurred (e.g. if there are signs that a defect previously caused damage, we will not pay a later claim for further damage from this defect)

Failing to take care of your home or contents

Your failure to:

- Take reasonable care of your home or unit and contents;
- Keep your home or unit and contents well maintained and in good condition. For the meaning of 'well maintained and in good condition' see the 'Words with Special Meanings' section on page [x]
- Fix faults and defects as soon as you become aware of them.

Hazardous materials

Any hazardous materials if not store or used in accordance with the relevant law, controls and manufacturer's instructions

Non-compliance with building regulations

Your home or unit not complying with building laws or regulations, **except** those laws or regulations introduced after your home or unit was originally built or last altered which you were not required to comply with

Power surge

Power surge, unless the surge or the loss or damage caused by the surge is covered under insured event fire (see page [x]), lightning (see page [x]), storm (see page [x]) or flood (see page [x])

Radioactivity

Radioactivity or the use, existence or escape of nuclear fuel, nuclear material or waste or nuclear weapon

Revolution, war

- Revolution, hostilities, war or other acts of foreign enemy, war like activity (whether war is declared or not), military coup; or
- Any looting or rioting following these incidents

Storm surge

See words "with a special meaning"

Tree lopping

Trees being lopped, felled or transplanted by you or someone authorised by you

If security or alarms are not working

Loss or theft if the door locks, window locks or alarms you told us were installed, were in fact not installed, not in working condition, disconnected, or not used as intended and we relied on them being there as a reason for accepting and continuing your policy (however, forgetting to turn on your alarm or lock a door will not in itself affect theft cover under your policy)

Overdue monthly instalments

If you pay your premium by monthly instalments and payment is overdue we can do one or both of the following:

- Refuse to pay a claim if payment is 14 days (or more) late;
 - Cancel your policy without notifying you in advance if an instalment is 1 month (or more) overdue
-

Important Information

Why is this document important?

This Product Disclosure Statement is an important legal document that contains details of your Home and Contents Insurance if you purchase this product from us. Please read this PDS carefully before you decide to buy this product. If you purchase this product, your policy comprises of this PSD and the Certificate of Insurance which shows the details particular to you.

What is this product designed for?

This product is designed for people who want to insure their contents inside a home or unit.

The policy is not suited for covering your investment home or contents in a unit let out to your tenants. Please ask us about your landlord insurance policy.

Your Duty of Disclosure

You have a duty of disclosure to tell us everything you know, or could reasonably be expected to know, is relevant to our decision to insure anyone under the policy, including you, and on what terms.

The information you tell us can affect:

- The amount of your premium;
- If we will insure you;
- If special conditions will apply to your policy.

You do not need to tell us of anything which:

- Reduces the chance of you making a claim; or
- We should know about because of the business we are in;
- We tell you we do not want to know.

If you are unsure, it is better to tell us. If you do not tell us something which you know or should know is relevant, we might reduce a claim, refuse to pay a claim, cancel your policy or, if fraud is involved we can treat the policy as if it never existed.

About Your Premium

The premium is the amount you pay us for this insurance and it includes stamp duty, GST, other government charges and any fire services levy (FSL) that applies. The total amount payable will be shown on your certificate of insurance or, if you pay by instalments, the amount due each month will be shown on your certificate of insurance as 'monthly instalment'.

In addition to your sum insured, we use many factors about you and your home and contents to work out your premium. These are called premium factors. The premium factors we use reflect the likelihood of you making a claim together with other factors related to our cost of doing business. Each time you renew your insurance your premium is likely to change, even if your personal circumstances haven't changed. This is because premiums are affected by other things such as our cost of doing business and changes in our approach to how we calculate your premium.

Paying Your Premium

We will tell you how much you have to pay and how much time you have for payment on your certificate of insurance. You must pay this premium by the due date to get this insurance cover. You can pay in one annual payment or, if we agree, by instalments. If you pay your premium by instalments it costs you more than if you choose to pay your premium in one annual payment.

Unless we tell you, any payment reminder we send you does not change the expiry or due date. If you do not pay the full amount, we may reduce the period of insurance so it is in line with the amount you paid.

If you make a change to your policy details it may affect your premium you need to pay for the remainder of your period of insurance.

Late Annual Payments

If you do not pay your premium by the due date in the first year of insurance with us, we will give you a written notice of policy cancellation where we are required by law to do so.

If you do not pay the premium due on renewal by the due date, you will have no cover from the due date.

If we accept your late payment, we might recommence cover from the date we receive your payment. If so, you will have no cover for the period from the due date until the date of payment.

Your Responsibilities

You must:

- Keep your home and contents well maintained and in good condition;
- Maintain locks or alarms in good working condition, especially if we relied on burglary security and monitored smoke detectors being installed when accepting your insurance;
- Take all reasonable care to prevent theft, loss, damage or legal liability;
- Follow all the terms and responsibilities set out in your policy;
- Provide honest and complete information for any claim, statement or document supplied to us;
- Ensure that your home complies with local government or other statutory requirements at all times.

Not meeting your responsibilities:

If you do not meet your responsibilities, it may lead us to do one or both of the following:

- Reduce or refuse to pay your claim
- Cancel your insurance policy

When your home or unit will be unoccupied for greater than 60 days

We will apply the unoccupied excess to each incident covered by your policy unless this policy states that no excess applies to your claim if, at the time of the incident, the home or unit has been unoccupied for more than 60 continuous days.

A period of unoccupancy starts when the home or unit becomes unoccupied and comes to an end when you, or someone nominated by you, has occupied the home or unit for at least 2 consecutive

nights. You may be asked to prove the occupancy of the home or unit in the event of a claim. This may be supported by the usage of the utilities that are connected to the home or unit. Sometimes we might ask for other evidence of occupancy. We will decide if the unoccupied excess applies.

If you have to pay an unoccupied excess it is payable in addition to any other excess that applies to your claim.

Resolving Complaints and Disputes

We are committed to providing you with quality products and delivering the highest level of service.

Something wrong?

We know sometimes there might be something you're not totally happy about, whether it be about our staff, representatives, products, services or how we've handled your personal information

Step 1 – Talk to us

If there's something you'd like to talk to us about, or if you'd like to make a complaint, speak to one of our staff. When you make your complaint please provide as much information as possible. They're ready to help resolve your issue.

You can also contact our Customer Care Unit directly to make your complaint. Our aim is to resolve all complaints within 15 business days.

Step 2 – Escalate your complaint

If we haven't responded to your complaint within 15 days, or if you're not happy with how we've tried to resolve it, you can ask for your complaint to be escalated for an Internal Dispute Resolution (IDR) review by a Dispute Resolution Specialist.

The Dispute Resolution Specialist will provide our financial decision within 15 days of your complaint being escalated, unless they've requested and you've agreed to give us more time.

Step 3 – Still not resolved?

If you're not happy with the final decision, or if we've taken more than 45 days to respond to you from the date you first made your complaint, you can contact the Financial Ombudsman Service Australia (FOS Australia). FOS Australia is an ASIC approved external dispute resolution body.

FOS Australia resolves insurance disputes between consumers and insurers, at no cost to you. Insurers are bound by FOS Australia's decisions – but you're not. You can contact FOS Australia directly and they'll advise you if your dispute falls within their Terms of Reference.

Disputes not covered by the FOS Australia Terms of Reference

If your dispute doesn't fall within the FOS Australia Terms of Reference, and you're not satisfied with our decision then you may wish to seek independent legal advice.

Privacy complaints

If you're not satisfied with our final decision and it relates to your privacy or how we've handled your personal information, you can contact the Office of the Australian Information Commissioner (OAIC).

Claims

This section describes what you must do, as well as conditions that apply when you make a claim and at the time loss or damage occurs which is likely to give rise to a claim

What to do and what not to do after an incident

What to do after an incident:

- **Prevent further loss or damage**
- **Inform the police** if something was stolen or vandalised, or if you're required by law to do so
- **Take details** of other people involved in an incident or any witnesses to it
- **Call us** as soon as possible
- **Complete a claim form** if we require it
- **Provide information** in support of your claim, including letters or notices given to you by another party
- **Pay your excess**

What not to do after a claim or incident:

- **Admit guilt or fault** except in a Court or to the Police
- **Offer or negotiate** to pay a claim or make repairs
- **Admit liability**
- **Dispose of damage items** unless we've said you can
- **Authorise repairs** except for essential temporary repairs
- **Delay telling us about an incident** as it may reduce the amount we pay for your claim
- **Give us false or misleading information**

Establishing your loss

Prove that an incident took place

When making a claim you must be able to prove that an incident covered by your policy actually took place. If you do not do this, we will not be able to pay your claim

We may obtain the following from the police:

- Confirmation that you reported the incident
- Details of any investigation they undertook

Describe your loss or damage

You must also give us accurate and full details of what was lost, stolen or damaged and give us proof of value and ownership for items claimed if we request it.

When your contents are damaged

Allowing us, a repairer or an expert appointed by us, to look at what is damaged is usually all that is needed to prove your loss. Sometimes though we might ask you to produce evidence that supports the extent of the loss you have suffered. For valuable and badly damaged items, we may ask you to provide proof of ownership and value.

If we decide that you are unable to reasonably substantiate your claim we may reduce or refuse your claim.

How to prove ownership and value

For lost, damaged or stolen items that are no longer available for inspection, you must validate your claim by giving us details of when and where they were purchased and reasonably proof of ownership and value.

Proofs may include:

- **Proof of purchase**, including documents such as sales receipts or debit details on a credit card or bank statement
- **Sales receipt**, includes the item description or code, a purchase price, date purchased and where the item was purchased
- **Full description**: The specifications particular to an item (e.g. brand and model for an electrical appliance or the title and artist of a CD)
- **Valuation**: A document completed by an Australian qualified professional valuer before the loss occurred. This includes an item description, specifications and the cost to replace the item in Australian dollars
- **Close up photography**: A photograph taken from one metre away from the item(s) that clearly shows the item(s)
- **Original operating manual**: The original printed operating manuals that came with the item
- **Manufacturer's box**: The original box showing the brand and model of the item
- **Certificate of authenticity**: The original documentation from the manufacturer

Your Excess

What is an excess?

An excess is the amount you have to pay for each incident when you make a claim. Sometimes you might have to pay more than one type of excess.

No excess is payable for this policy.

How we settle your claim – contents claim

If we agree to pay a claim for loss, theft or damage to your contents (including contents with flexible limits and portable valuables), we will decide if we will:

- Repair damage to the contents;
- Replace the contents 'new for old';
- Pay you what it would cost us to repair or replace your contents or any lower limit that applies;
- Pay you the sum insured for your contents or any lower limit that applies;
- Give you a voucher, store credit or stored value card for the amount it would cost us to repair or replace the contents

If we replace (or pay you what it would cost us to replace), we will do so on a 'new for old' basis.

If we repair (or pay you what it would cost us to repair), we will at our option do so on a 'new for old' basis or to a similar condition to what the contents were in before the loss or damage occurred.

Unless we tell you otherwise, we will deduct any amounts you owe us from any amount we owe you.

We will not:

- Pay more than the relevant sum insured or policy limit;

- Pay extra to replace your home or contents to a better standard, specification or quality than it was before the loss or damage occurred **except** as stated in the meaning of 'new for old';
- Fix a fault that existed before the loss or damage occurred;
- Pay for any decrease in the value of a pair, set or collection when the damaged or lost item forms part of the pair, set or collection. We pay only for the repair or replacement of the item which was damaged or lost.

'New for old' means:

- We rebuild, replace or repair with new items or new materials that are available at the time of replacement or repair from Australian suppliers;
- We rebuild, replace or repair new for old regardless of age, with no allowance for depreciation
- We replace or repair of the same type, standard and specification (but not brand) as when new. If the same is not available, it means of a similar type, standard and specification (but not brand) when new. We can replace with a different brand.

When we repair or replace your contents

If we choose to repair damage to the contents or replace the contents, we will repair or replace with items or materials that are reasonably available at the time of repair or replacement from Australian suppliers.

We will do our best to replace to the same type, standard and specification as when new. If the same is not available, we will replace with items or materials of a similar type, standard and specification when new. It can be a different brand.

When we will repair or replace undamaged contents

We will only repair or replace contents that are lost or damaged by an incident covered by your policy. You cannot claim to replace undamaged contents or undamaged parts of contents.

But there are limited circumstances where we will repair undamaged parts of contents to create a uniform appearance, when:

- **Internal blinds and curtains:** If we can't match the new material or parts with the undamaged ones, if necessary, we will pay extra to replace undamaged blinds and curtains in the same room, standard, hallway or passageway where the damage occurred
- **Carpets or other floor coverings:** If we can't match the new material or parts with the undamaged ones, if necessary, we will pay extra to replace undamaged floor carpets and other coverings in the same room, stairs, hallway or passageway where the damage occurred.

If you want to change the contents

When repairing or replacing the contents, if we agree, you can choose to change the make and model of the contents item or upgrade to a different make or model of it, providing you pay the extra costs of doing this. If you want to downsize the contents item for less cost than you are entitled to claim, we will not pay more than it costs us to repair or replace the downsized contents item.

Other Claims Information

Potential impact on cover and premiums after a contents claim

If we pay part of, or the full general contents sum insured, the general contents sum insured is automatically reinstated and cover continues for the period of insurance at no extra cost. You may need to change your insured address. You should reassess your general contents sum insured. There is no refund of premium if you reduce your sum insured by the amount of your claim.

Salvaged home and contents items

If we replace or compensate you for an item, we then own the damage or recovered item. If we agree you can keep an item we will determine the salvage value and we can deduct this amount from any payment we make to you.

Our right to recover claims we pay from those responsible

After we pay a claim under this policy we can decide to take legal action in your name to recover money from the person or entity that caused loss, damage or liability. You must give us all the help we need to do this. If we recover money that belongs to you and was not part of the claim we paid, we will give this to you.

Words with Special Meanings

Accidental loss or damage

means loss or damage that occurred without intent

Actions or movements of the sea

means:

- Rises in the level of the ocean or the sea
- Sea waves
- High tides or king tides

Any other actions or movements of the sea **do not** include a tsunami or storm surge

Event or incident

means a single event, accident or occurrence which you did not intend or expect to happen

Family

see page 9

Fixtures and fittings

means items used for domestic and residential purposes and which are permanently attached to your home

Flood

see page 6

Home

see pages 9 and 10

Insured Event

means the insured events on pages 6 to 8

Loss or damage

means physical loss or physical damage

Period of insurance

means when your policy starts to when it ends

Policy

means your insurance contract

Retaining wall

means a wall, which is not part of the residential home, that holds back or presents the movement or earth

Storm

means a storm, cyclone or severe atmospheric disturbance. It can be accompanied by strong winds, rain, lightning, hail, snow or dust

Storm surge

means a rush of water onshore associated with a low pressure system and caused by strong winds pushing on the ocean's surface

Unit

means unit, villa, townhouse or apartment in a strata title development. It does not include common property

Unoccupied and occupied

Unoccupied means:

- Your home or unit is not furnished enough to be lived in; or
- No-one is eating, sleeping and living at your home or unit; or
- The home or unit is not connected to utilities

Occupied means:

- Your home is furnished enough to be lived in; and
- Someone is eating, sleeping and living at the home or unit; and
- The home or unit is connected to utilities

'Furnished enough to be lived in' means the home or unit contains at least:

- A bed; and
 - A clothes and linen storage area; and
 - An eating table or bench; and
 - A refrigerator and a cooking appliance
-

Well maintained and in good condition

means your home or unit and contents do not have any faults or defects that might cause loss or damage to your home and contents, loss or damage to property of others or injury to people. This includes but is not limited to the following:

- The roof does not leak when it rains;
 - There are no areas of roof that are rusted through
 - There is no wood rot, termite or white ant damage to your home or unit;
 - There are no holes in floors, walls, ceilings or any other parts of your home or unit (e.g. external wall cladding, internal plaster, floorboards);
 - There are no boarded up or broken windows
 - There are no steps, gutters, flooring, walls, ceilings or any other areas of your home or unit that are loose, failing down, missing or rusted through
 - All previous damage including damage caused by flood has been repaired
 - Your home or unit is not infested with vermin
 - There are no squatters or unauthorised persons occupying your home or unit
-

APPENDIX E. OVERVIEW OF SURVEY QUESTIONS

Intro and screener questions

Welcome to this survey, which is being conducted by researchers from Monash University in collaboration with the Financial Rights Legal Centre.

We seek participation by people from different backgrounds.

Before commencing we therefore need to ask a few questions to see if you qualify to participate.

Have you ever purchased any of the following insurance policies (tick all that apply)

- ☐ Building insurance
- ☐ Car insurance
- ☐ Private health insurance
- ☐ Home contents insurance
- ☐ Travel insurance
- ☐ None of the above

What is your age group?

- | | |
|--------------------------------|----------------------------------|
| ☐ Under 18 | ☐ 45 to 54 |
| ☐ 18 to 24 | ☐ 55 to 64 |
| ☐ 25 to 34 | ☐ 65 or over |
| ☐ 35 to 44 | |

Which state do you live in?

- | | |
|---------------------------|---------------------------|
| ☐ ACT | ☐ SA |
| ☐ NSW | ☐ TAS |
| ☐ NT | ☐ VIC |
| ☐ QLD | ☐ WA |

What is your postcode?

What is your gender?

- ☐ Male
- ☐ Female

Explanatory statement

EXPLANATORY STATEMENT

Thank you for participating in this study about home contents insurance as conducted by Monash University in collaboration with the Financial Rights Legal Centre.

Aim: We aim to examine consumer understanding of policy documents when purchasing domestic insurance products. Our study is being conducted in collaboration with the Financial Rights Legal Centre (based in Sydney, website financialrights.org.au).

Task: You will be asked to complete a **simulated insurance purchase**. You will be asked to explore details and then choose from different insurance policies for a specific domestic setting as detailed in a written scenario. The scenario and policy details will be presented on screen.

Once you have completed your policy selection you will fill out a short questionnaire with questions about the task, insurances and some demographics.

The total task will take about **15 to 20 minutes** to complete, but participants are welcome to take some more time if they wish to.

Reward: You are guaranteed to receive your survey participation base amount if you complete the survey.

In addition, you will receive a **\$2.00 bonus amount, depending on the outcome of your scenario simulation** as described in the further survey.

(EXPLANATORY STATEMENT - additional details;

this is for your general interest only; to proceed press the button at the bottom of this page)

Consent: Continuation with the survey implies **you are consenting to participate**.

Data storage and usage: All data will be **anonymously** recorded and cannot be traced back to you once responses have been submitted. The data will be stored on the researchers' password protected computers and server for 5 years as required by the university and will be deleted when no longer required. The anonymous data from this study may be used for future research or demonstration purposes, including possible use for research training.

Benefits: The research findings will provide insight into how consumers make decisions when selecting an insurance policy. The insights can help public policy makers design better product offers and consumer policies.

Reporting: Results will be reported in research publications and in a report for the Financial Rights Legal Centre. Findings are expected to be covered by the media and will be presented at academic conferences. A summary of findings once available can be obtained by emailing the researchers.

No personal risk: There will be no personal risks and the research task will not create any inconvenience or discomfort.

Complaints

Should you have any concerns or complaints about the conduct of the project, you are welcome to contact the Executive Officer, Monash University Human Research Ethics (MUHREC), referring to project code: 2016-1404-1388, and project title Insurance Disclosure Study

Executive Officer Monash University Human Research Ethics Committee (MUHREC) Room 111, Building 3e Research Office Monash University VIC 3800 Tel: +61 3 9905 2052 Email: muhrec@monash.edu Fax: +61 3 9905 3831			
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Thank you,

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Scenario introduction

SCENARIO INTRODUCTION

You are asked to complete a **simulated insurance purchase task**.

In the scenario, you will be choosing a **home contents** insurance to purchase. Home contents insurance can recompense for any fire, theft, flooding or other cause for loss or damage to your property and personal items.

However, **not all insurance policies are the same**. For example, some cover only some events, for example theft and fire, but not others, for example flood or earthquake, or vice versa.

You need to purchase a policy that you believe suits your needs.

In this exercise, **each of the policies cost the same**.

A purchased policy will provide you one year of insurance coverage.

Details of the scenario and available policies will be explained in the next screens.

SCENARIO DETAILS (1): YOU NEED TO PURCHASE A HOME CONTENTS INSURANCE

Imagine you are moving to another town or suburb.

The reasons for the move may be personal or work related, but are not relevant to this study. We just ask you to imagine that you would be moving house in the next several weeks and that you have already signed the rental or purchase contract so are ready to move.

Assume you are moving to a similar location and similar type of house as the one you currently reside in. If you are living with other family members, assume your family will move with you.

Further assume that you now need to purchase a new home contents insurance. If you currently have insurance, you cannot extend or transfer the existing insurance.

As part of the preparation for the move, **you have been shopping around for a home contents insurance**. This is to allow you to make an insurance claim if you suffer loss regarding your household items and personal belongings.

Based on a brief internet search, **you have preselected possible home contents insurances from different brands** (identified here by a colour such as "Blue" or "Purple" or "Red"). The policies are equally priced; **each policy costs \$100**.

Your task is to select one of these policies for purchase.

SCENARIO DETAILS (2): IF AN INCIDENT HAPPENS IN YOUR SCENARIO YOU WILL LOSE YOUR PARTICIPATION BONUS

After you have completed your task, a **risk simulator** will be run regarding your scenario.

The simulator will determine whether an incident does or does not occur during the 12 months after you start living in your new location. To do so, the simulator will conduct a random draw using the incidence rates as estimated for your area.

It is most likely (given the incident rates in your area) that the simulator will state – ‘no-incident’. However, it may state ‘incident’, and name the incident, for example, fire, flooding, robbery, etc.

If in this simulation an incident with damages occurs, and your insurance does not sufficiently cover the incident type, you will have significant costs to bear. To make you aware of the significance of this potential consequence, we have agreed with your panel organisation that in case an incident happens in your scenario, **you will lose the \$2 bonus incentive**.

It is therefore important that you select and purchase a policy with the best cover.

SCENARIO: SUMMING UP

You are moving house and need to purchase a home contents insurance.

You have preselected **possible insurances from different brands** (e.g., "Blue", "Purple").

You now need to decide which insurance policy to purchase.

When you have completed this survey, **a risk simulation will be run for your scenario**.

If your simulation results in an incident, you will only receive the regular participation incentive, unless you had selected insurance that covers the incident.

If your simulation does not result in an incident, then you will automatically receive the extra (bonus) incentive.

To see if you comprehend the possible scenario outcomes, what bonus amount will you be receiving if you **purchase an insurance policy** and **an incident** happens but the incident is **covered** by the policy?

\$0

☐

\$1

☐

\$2

☐

[The question was: what bonus amount will you receive if you **purchase an insurance policy** and **an incident** happens but the incident is **covered** by the policy?]

You chose: \$2

That is correct! An incident happened but because your insurance covers the incident they will pay all the damages, you don't have to pay anything, and so you will still receive the \$2 bonus.

[The question was: what amount will you receive if you **purchase an insurance policy** and **an incident** happens but the incident is **covered** by the policy?]

Your answer was not correct. An incident happened but because your insurance covers the incident they will pay all the damages, you don't have to pay anything, and so you will still receive the \$2 bonus.

Please continue with the next question.

And what bonus amount will you receive if you purchase **no insurance** and an **incident happens**?

\$0

☐

\$1

☐

\$2

☐

[The question was: What amount will you be receiving if you purchase **no insurance** and an **incident happens**?]

Your answer was: \$0

That is correct! An incident happened and because you have no insurance, you will have to pay all the damages. No bonus incentive can be paid.

[The question was: What amount will you receive if you purchase **no insurance** and an **incident happens**?]

Your answer was not correct. An incident happened and because you have no insurance, you will have to pay all the damages. No bonus incentive can be paid.

Check below if you would like to read the scenario instructions once more.

Click below to proceed to the insurance policy selection task or to read the scenario once more

- ☐ Proceed to the policy selection task
- ☐ Show me the scenario again

POLICY SELECTION TASK

You can choose from three insurance policies (brands "**Blue**" or "**Purple**" or "**Red**").

FOR EACH POLICY YOU HAVE ACCESS TO:

A full description (PRODUCT DISCLOSURE STATEMENT), which is a 20-page document

A simplified overview (KEY FACTS STATEMENT), which is a 2-page document

YOU CAN ACCESS EACH OF THESE DOCUMENTS (BUT ONLY ONE AT A TIME).

Below now choose which information your first wish to **ACCESS**.

(A new tab or window will open where you can read the information in a pdf file reader; you can close the new tab or window when done, or you can leave them open and move back to the survey tab or window at any time).

Note the policies may look the same but they are different brands (marked by their different colour fonts) and may vary in the conditions of cover.

☐ Access **BLUE** Policy - KEY
FACTS STATEMENT

☐ Access **PURPLE** Policy - KEY
FACTS STATEMENT

☐ Access **RED** Policy - KEY
FACTS STATEMENT

☐ Access **BLUE** Policy -
PRODUCT DISCLOSURE
STATEMENT

☐ Access **PURPLE** Policy -
PRODUCT DISCLOSURE
STATEMENT

☐ Access **RED** Policy -
PRODUCT DISCLOSURE
STATEMENT

Click to access in new tab

[Policy BLUE - KEY FACTS STATEMENT](#)

Click to access in new tab

[Policy BLUE - PRODUCT DISCLOSURE STATEMENT](#)

Click to access in new tab

[Policy PURPLE - KEY FACTS STATEMENT](#)

Click to access in new tab

[Policy PURPLE - PRODUCT DISCLOSURE STATEMENT](#)

Click to access in new tab

[Policy RED - KEY FACTS STATEMENT](#)

Click to access in new tab

[Policy RED - PRODUCT DISCLOSURE STATEMENT](#)

In the next question, choose again the option you wish to access and make sure to click on the following screen the link in the blue text to **access** the policy details.

How **useful** was the information you just accessed?

Not useful at all	Not very useful	Somewhat useful	Very useful	Extremely useful
☐	☐	☐	☐	☐

How **interested** are you in **receiving more information about the insurance you just accessed?**

Not at all interested	Not very interested	Somewhat interested	Very interested	Extremely interested
☐	☐	☐	☐	☐

How interested are you in receiving **more information about the other available insurance(s)?**

Not at all interested	Not very interested	Somewhat interested	Very interested	Extremely interested
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POLICY SELECTION TASK (CONTINUED)

You can choose from three insurance policies (brands " **Blue**" or " **Purple**" or "**Red**").

FOR EACH POLICY YOU HAVE ACCESS TO:

Top-text

Bot-text

YOU CAN ACCESS EACH OF THESE DOCUMENTS (BUT ONLY ONE AT A TIME).

(Please note in our browser you can open multiple tabs or windows).

Below now choose which information you wish to **ACCESS NEXT**

OR YOU CAN NOW CHOOSE TO PURCHASE A POLICY ("Blue" or "Purple" or "Red")

OR YOU CAN NOW CHOOSE TO NOT PURCHASE A POLICY AT ALL
(and so you will not be covered for any possible damage).

Note your purchase decision will be final!

☐ Access BLUE Policy - KEY FACTS STATEMENT	☐ Access PURPLE Policy - KEY FACTS STATEMENT	☐ Access RED Policy - KEY FACTS STATEMENT	☐ (Not available)
☐ Access BLUE Policy - PRODUCT DISCLOSURE STATEMENT	☐ Access PURPLE Policy - PRODUCT DISCLOSURE STATEMENT	☐ Access RED Policy - PRODUCT DISCLOSURE STATEMENT	☐ (Not available)
☐ Purchase BLUE Policy	☐ Purchase PURPLE Policy	☐ Purchase RED Policy	☐ Purchase No Policy At All

Click to access in new tab

[Policy BLUE - KEY FACTS STATEMENT](#)

Click to access in new tab

[Policy BLUE - PRODUCT DISCLOSURE STATEMENT](#)

Click to access in new tab

[Policy PURPLE - KEY FACTS STATEMENT](#)

Click to access in new tab

[Policy PURPLE - PRODUCT DISCLOSURE STATEMENT](#)

Click to access in new tab

[Policy RED - KEY FACTS STATEMENT](#)

Click to access in new tab

[Policy RED - PRODUCT DISCLOSURE STATEMENT](#)

In the next question, choose again the option you wish to access and make sure on the following screen to click the link in the blue text to **access** the policy details.

How **useful** was the information you just accessed?

Not useful at all	Not very useful	Somewhat useful	Very useful	Extremely useful
☐	☐	☐	☐	☐

How **interested** are you in **receiving more information about the insurance you just accessed?**

Not at all interested	Not very interested	Somewhat interested	Very interested	Extremely interested
☐	☐	☐	☐	☐

How interested are you in receiving **more information about the other available insurance(s)**?

Not at all interested	Not very interested	Somewhat interested	Very interested	Extremely interested
☐	☐	☐	☐	☐

[THE ABOVE PROCEDURE WAS REPEATED AS MANY TIMES AS NEEDED]

Reasons for choice

In a few words, can you describe your reasons for choosing your selected policy?

Post scenario questions

Now follow some questions asking your opinion about the insurance purchase task you just completed.

How easy or difficult was it for you to imagine the purchase scenario?

Very easy	Somewhat easy	Neither easy nor difficult	Somewhat difficult	Very difficult
☐	☐	☐	☐	☐

How realistic was the purchase scenario?

Very unrealistic	Somewhat unrealistic	Neither realistic nor unrealistic	Somewhat realistic	Very realistic
☐	☐	☐	☐	☐

During the policy selection task, did you have any problems opening or accessing the policy documents (pdf forms) in your browser?

☐ No

☐

☐ Yes (please give a brief description)

During the policy selection task, did you have the policy documents (pdf forms) for this task open in multiple tabs or windows in your browser and kept them open during the task, or did you open them one at a time and closed each tab or window before reading the next document?

☐ I had only one document tab or window open at any time

☐ I had multiple windows or tabs open at the same time

☐ Other (please describe)

Indicate to what extent you agree or disagree with the following statements about the insurance purchase task you just completed

	Strongly disagree	Disagree	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Agree	Strongly agree
I found it difficult to make a decision when choosing a policy.	☐	☐	☐	☐	☐	☐	☐
I chose the maximum possible cover in my policy	☐	☐	☐	☐	☐	☐	☐
I am satisfied with the insurance policy selection I have made.	☐	☐	☐	☐	☐	☐	☐
With more information I could have made a better decision in this task.	☐	☐	☐	☐	☐	☐	☐
The policies offered a lot of information about the insurance products.	☐	☐	☐	☐	☐	☐	☐
I am certain that I have made the best decision which policy to choose.	☐	☐	☐	☐	☐	☐	☐
I will be very pleased if I will receive the bonus money from this research	☐	☐	☐	☐	☐	☐	☐
I wished I had received more							

information about the available policies.	☐	☐	☐	☐	☐	☐	☐
The task setting was very realistic.	☐	☐	☐	☐	☐	☐	☐
I fully understood what I was supposed to do in this simulation task.	☐	☐	☐	☐	☐	☐	☐
	Strongly disagree	Disagree	Somewhat disagree	Neither agree nor disagree	Somewhat agree	Agree	Strongly agree
An incident is likely to happen in my scenario	☐	☐	☐	☐	☐	☐	☐
I felt confused when deciding which policy to purchase.	☐	☐	☐	☐	☐	☐	☐
I am very confident that I will receive the bonus money for my scenario	☐	☐	☐	☐	☐	☐	☐
I care a lot about receiving the bonus incentive money	☐	☐	☐	☐	☐	☐	☐
I did not feel much need to buy an insurance in this scenario	☐	☐	☐	☐	☐	☐	☐

To what extent does **the policy you selected** provide cover for each of the following items

	No cover	Medium cover	Maximum cover	(I cannot recall)	(Not applicable)
Fire and explosion	☐	☐	☐	☐	☐
Flood	☐	☐	☐	☐	☐
Storm	☐	☐	☐	☐	☐
Accidental breakage	☐	☐	☐	☐	☐
Earthquake	☐	☐	☐	☐	☐
Lightning	☐	☐	☐	☐	☐
Theft and burglary	☐	☐	☐	☐	☐
Escape of liquid	☐	☐	☐	☐	☐

For each of the items below, give your estimate of **how likely or unlikely** you regard this type of

incident to happen in the next twelve months in your area?

	Extremely unlikely	Very unlikely	Unlikely	Somewhat likely	Likely
Fire and explosion	☐	☐	☐	☐	☐
Flood	☐	☐	☐	☐	☐
Storm	☐	☐	☐	☐	☐
Accidental breakage	☐	☐	☐	☐	☐
Earthquake	☐	☐	☐	☐	☐
Lightning	☐	☐	☐	☐	☐
Theft and burglary	☐	☐	☐	☐	☐
Escape of liquid	☐	☐	☐	☐	☐

Indicate your personal estimate of **how likely it is that any** of these incidents happens in your area in a period of twelve months:

Estimate **out of how many people** in this area, at least one person will have an incident over this period.

Further and final questions

Finally, now follow some questions about you and your household.

Have you ever purchased any of the following insurance policies (tick all that apply)

- ☐ Building insurance
- ☐ Car insurance
- ☐ Health insurance
- ☐ Home contents insurance
- ☐ Travel insurance
- ☐ Other
- ☐ None

Do you currently have a home contents insurance policy?

- ☐ No
- ☐ Yes
- ☐ I don't know

What is the brand or provider name of your current home contents insurance?

When did you last renew or purchase your current home contents insurance?

- ☐ Less than a month ago
- ☐ Between one and three months ago
- ☐ Between three and twelve months ago
- ☐ Between one and two years ago
- ☐ More than two years ago
- ☐ I did not renew or purchase

What was most important to you when renewing or purchasing your current home contents insurance?

- ☐ Ease of purchasing or renewing
- ☐ Brand
- ☐ Details of cover
- ☐ Recommendations from others
- ☐ Price (premium)
- ☐ Any other (please briefly describe):

Have you ever made a claim against a home contents insurance

- ☐ No
- ☐ Yes
- ☐ Cannot recall

How long ago did you make this claim?

- ☐ Less than one year ago
- ☐ Between one and five years ago
- ☐ More than five years ago

In a few words, can you describe what type of incident made you make a claim?

Who in your household is the person most responsible for purchasing home contents insurance

- ☐ I am
- ☐ Partner or other household member
- ☐ Other

Are you living in rented or owner occupied accommodation?

- ☐ Rented
- ☐ Owner occupied
- ☐ Other

When did you last move house?

- ☐ Less than a year ago
- ☐ Between one and five years ago
- ☐ More than five years ago

Which of the following best describes your household

- ☐ Young single person living alone or in shared accommodation with no children in the household
- ☐ Young couple with no children
- ☐ Family/ single parent with children mainly 0 – 4 years
- ☐ Family/ single parent with children mainly 5 - 12 years
- ☐ Family/ single parent with children mainly aged 13 years and above
- ☐ Older couple with no children living at home
- ☐ Older single living alone or in shared accommodation with no children living at home
- ☐ Prefer not to say
- ☐ Other

Which of the following best describes your annual household income, before tax?

- ☐ < \$29,999
- ☐ \$30,000 - \$49,999
- ☐ \$50,000 - \$99,999
- ☐ \$100,000 - \$149,999
- ☐ > \$150,000
- ☐ Unsure/Prefer not to say

What is your highest level of completed education?

- ☐ Primary school
- ☐ Secondary school
- ☐ Technical/TAFE or equivalent
- ☐ Bachelor degree
- ☐ Postgraduate degree
- ☐ Other

What is your occupation?

- ☐ Employed full-time
- ☐ Employed part-time
- ☐ Self employed
- ☐ Housewife/husband
- ☐ Retired
- ☐ Student
- ☐ Unemployed
- ☐ Other

Which of the following best describes your occupational group?

- ☐ Manager or administrator
- ☐ Professional
- ☐ Associate professional
- ☐ Tradesperson
- ☐ Clerical, sales and service
- ☐ Production and transport
- ☐ Labourer
- ☐ Home duties
- ☐ Unemployed
- ☐ Other

How long have you lived in Australia?

- ☐ Two years or less
- ☐ Between two and five years
- ☐ Between five and ten years
- ☐ More than ten years

Is English your first language?

- ☐ Yes
- ☐ No

This was the end of the survey, thank you for participating!

Your scenario has now been assessed: **No incident occurred in the simulated period.**

You will therefore receive your \$2 bonus amount.

The amount will be placed into your account as soon as we have confirmed your study participation with the panel organisation. This may take up to two weeks.

Please now **enter any final comments or feedback** for the researchers.

APPENDIX F. PRETEST (STUDENT TRIAL SAMPLE) PROCEDURE AND FINDINGS

APPENDIX F:

PRETEST (STUDENT SAMPLE) PROCEDURE AND FINDINGS

1.1 Pretest - sample details

The pretest involved 92 undergraduate business students at Monash University who received course credit for their participation. Sample descriptives are provide in *Table 1*. They reveal that approximately half the sample are students living with their parents, while 40% have been in Australia for 2 years or less indicating the large proportion of international students in the cohort. This means this sample is far from typical for the Australian population and instead should be considered a sample of young, novice decision makers. Also note more than two third are female.

Table 1. Pretest, participant demographics

Characteristic	Value	Count (N=92)	Percentage
Gender	Male	28	30.4
	Female	64	69.6
Age	18 – 21	71	77.2
	22 – 25	19	20.7
	26 – 29	2	2.2
Home status	Rented	54	58.7
	Owner occupied	37	40.2
	Other	1	1.1
Living arrangement	With parents	43	46.7
	Shared accommodation	30	32.6
	With partner or spouse	6	6.5
	Alone	13	14.1
Primary language	English	52	56.5
	Non-English	40	43.5
English fluency (self stated)	Very fluent	54	58.7
	Quite fluent	13	14.1
	Somewhat fluent	17	18.5
	Not very fluent	8	8.7
Years in Australia	More than 10 years	43	46.7
	5 to 10 years	5	5.4
	2 to 5 years	7	7.6
	2 years or less	37	40.2

At the end of the survey participants indicated their insurance purchase related experience (*Table 2*). Results show that only very few (4%) had any experience with purchasing home contents insurance and the vast majority (86%) leaves it with the parents to purchase home contents insurance. Further, almost one third had no experience with any insurance purchase.

Table 2. Pretest, insurance related experience

Characteristic	Value	Count (N=92)	Percentage
Bought any or more of these insurances	Travel insurance	42	45.7
	Car insurance	38	41.3
	Home content insurance	4	4.3
	Building insurance	4	4.3
	Health insurance	30	32.6
	No insurance	29	31.5
Who is responsible for home contents insurance purchase	Myself	7	7.6
	Partner or flatmate	4	4.3
	Parents	79	85.9
	Other	2	2.2
Any insurance claim made previously	Yes	5	5.4
	No	87	94.6

1.2 Pretest - Design and procedure overview

The pretest comprised three main conditions: one where the KFS is present but not the PDS, one where only the PDS is present, and one where both are present. Participants were randomly allocated to either of these conditions, but the condition where KFS and PDS were both available was oversampled such that it would comprise 50% of the sample.

Participants were to assume that they had recently graduated and had rented an apartment for which they presently sought to purchase a home contents insurance (see further details of instructions in **Appendix F**). Two options were available from which they could choose one, or they could choose to purchase no insurance.

They were instructed that after completing their task a ‘risk simulator’ would be applied to their scenario. Depending on the outcome of the simulator and on whether they had selected relevant insurance cover, an amount of \$500 could be donated to a charity of their choice, if their particular scenario would be drawn from among all participant scenarios as the one to be run through the simulator. Four charity options were offered and participants could indicate their preferred charity. 30% selected the Australian Red Cross, 33% selected OXFAM, 12% chosen the UN Refugee Agency, while 25% selected the World-Wide Fund for Nature. (At the conclusion of the study one charity was randomly drawn based on these proportions; the selected charity was the WWFN and a donation was made accordingly.)

The information panel, depending on the experimental condition, allowed to access (or open) either the KFS and/or the PDS of each policy on offer as a pdf document in a new tab in the browser. While in an initial version of the task multiple tabs could be opened, in the final administration of the pretest, participants could open only one information tab at a time.

In the condition where the KFS and/or PDS access option were both available, the KFS was always listed first, so the KFS may be therefore assumed to be more likely to be selected first (note in the main study this issue was controlled by systematically varying the list order such that the PDS appeared in the top position equally often than the KFS).

1.3 Pretest - Design and procedure details

The opening of the survey was as follows:

Thank you for participating in this study about home contents insurance as conducted by Monash University in collaboration with the Financial Rights Legal Centre.

The aim of this survey is to examine consumer understanding of policy documents when purchasing domestic insurance products. The study is being conducted in collaboration with and with funding from the Financial Rights Legal Centre (based in Sydney, website financialrights.org.au).

You will be asked to complete a simulated insurance purchase task in the browser on your computer. You will be asked to explore details of and then choose from different insurance policies available for a specific domestic setting as detailed in a written scenario. The scenario and policy details will be presented on screen.

Once you have completed your policy selection decision you will fill out a short questionnaire with questions about insurances and demographics.

The total task will take about 20 minutes to complete, but some may need some more time.

You will receive credit towards your study unit as explained in your unit outline.

In the simulation decision task you will receive a budget of \$500, part of which you can use to purchase an insurance policy. The cost of purchasing any policy is the same price, namely \$50. Any budget that is left unspent has the chance of going towards a charity that you can nominate in the survey. Details will be provided in the task.

Afterwards, the participants were asked to consider a situation where they want to buy an insurance policy.

You are asked to complete a simulated insurance purchase task.

In the scenario, you will be choosing a home contents insurance to purchase. Home contents insurance can recompense for any fire, theft, flooding or other cause for loss or damage to your property and personal items.

However, not all insurance policies are the same. For example, some cover only some events, for example theft and fire, but not others, for example flood or earthquake, or vice versa.

You need to purchase a policy that you believe suits your needs.

In this exercise, each of the policies costs the same.

A purchased policy will provide you one year of insurance coverage.

Details of the scenario and available policies will follow next.

Instructions then continued:

Imagine you have just graduated and found a job of your choice in the city of Melbourne. You have decided to rent an apartment in a suburb that allows you to easily travel to work by train.

You have found a suitable apartment and will be moving in next week.

The apartment is a single bedroom located on the ground floor. There is a small backyard, and over the back fence is a park with a number of large gum trees. The apartment building is close to a creek. The street is well lit by street lamps and there is heavy traffic on the road outside.

As part of the preparation for the move, you have been shopping around for a home contents insurance to allow you to make an insurance claim if you suffer loss regarding your household items and personal belongings.

Based on a brief internet search, you have preselected two possible home contents insurances from different brands (A and B).

Your task is to select one of these two policies for purchase.

The following screen revealed:

The policies are equally priced; each policy costs \$50.

In order to be able to purchase your preferred policy in this simulation, you are receiving a budget of \$500.

From this budget, you can purchase the insurance policy of your choice. The remaining funds from your budget will go to your preferred charity.

If you decide not to purchase any insurance, and no incident happens, the whole \$500 will be donated to your preferred charity.

Then followed instructions about the ‘risk simulator’:

However, after you have completed your task a risk simulator will be run regarding your task. The risk simulator will apply the risk incident rates that are typical for the Melbourne market to your apartment.

The simulator will randomly state that either an incident did occur or did not occur during the 12 months after you started living in the apartment. It is most likely (given the incident rates in your area) that the simulator will state – ‘no-incident’. However, it may state ‘incident’, and name the incident, for example, fire, flooding, robbery, etc

If in this simulation an incident with damages occurs, and your insurance does not sufficiently cover the incident type, your whole budget will be lost as it will be needed to cover the damages. No money will be left to donate to your charity.

It is therefore important that you select and purchase a policy with the best cover.

Across all participants in his study, one participant's scenario will be selected for real payment. If this scenario is yours, up to \$500 may go to your preferred charity!

In sum:

At the end of all study sessions, one participant’s scenario will be randomly drawn for real payment of \$500 (or \$450 if a policy was purchased) to that participant’s preferred charity.

However, if the participant has not taken out proper insurance and an incident happens in the risk simulator (reflecting real market risks), no money will be paid.

In this stage, participants are presented with four options to pick their charity.

Next, the participants had the chance to open any of the provided options (i.e., the options designed as always consisting of one good and bad policy option). After that, they were given the option (programmed into the survey) to make a purchase or read any of the options again. They had the option to open the files up to 9 times before making a purchase.

Participants next answered two questions about the purchase scenario which is summarized in table 4.

Table 3. Study 1, purchase scenario evaluations (student sample)

Characteristic	Variation	Count (N=92)	Percentage
How easy was the scenario? (mean 2.78, std. deviation 1.04)	Very easy	7	7.6
	Somewhat easy	37	40.2
	Neither easy nor difficult	20	21.7
	Somewhat difficult	25	27.2
	Very difficult	3	3.3
How realistic was the scenario? (mean 3.17, std. deviation 0.98)	Very unrealistic	4	4.3
	Somewhat unrealistic	21	22.8
	Neither realistic nor unrealistic	26	28.3
	Somewhat realistic	37	40.2
	Very realistic	4	4.3

After completing their policy selection task, participants were asked to answer some demographic and psychological questions.

1.4 Pretest - Information access and policy selection - descriptives

The main observables in the policy selection task are whether the participant accessed the PDS and/or KFS; how long it takes to access them and how much time is spent reading them; the final selection of policy, and also observations about what detailed information is accessed. As a first descriptive, across conditions 60% of participants selected the good option (*Table 4*).

Table 4. Pretest, distribution of final choices.

Option	Count	Percentage
Good_Buy	55	59.8

Bad_Buy	21	22.8
Non_Buy	16	17.4
Total	92	100.0

A technical issue with the survey occurred on the first day of the data collection, and minor changes were made to the survey. This issue caused a restriction in the survey settings such that participants were able to open only one window (tab) at a time. Therefore, for the rest of the analysis, 9 participants who took part in the first day were excluded. Participants took on average 10.5 minutes to complete the survey. *Table 5* summarizes the spent time per round and total time spent on the policy selection task. Participants on average spent close to one and a half minute to complete the policy selection task.

Table 5. Pretest, descriptive statistics of time spent (in minutes) on survey and per selection round.

	N	Min	Max	Mean	Std. Deviation
Timing_1	84	0.02	6.27	0.71	0.93
Timing_2	56	0.02	3.00	0.57	0.59
Timing_3	20	0.03	4.50	0.96	1.28
Timing_4	8	0.09	1.70	0.88	0.65
Timing_5	2	0.03	1.57	0.80	1.09
Timing_6	0	0.00	0.00	0.00	0.00
Total_Selection time	84	0.02	7.68	1.43	1.79
Total_Survey_Time	84	3.18	23.53	10.51	4.04

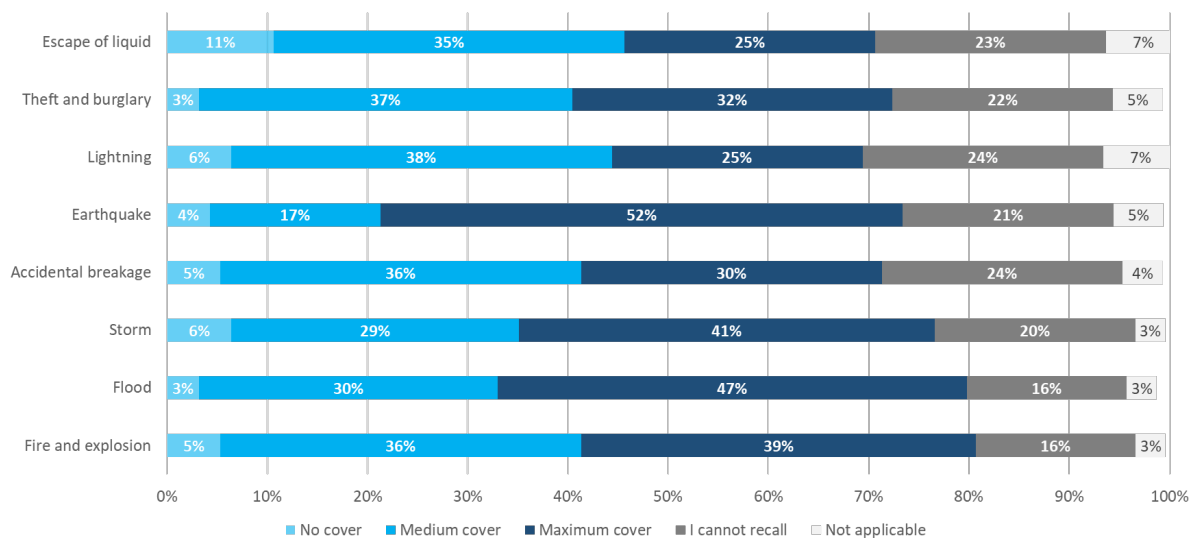
Participants also rated the usefulness of each information item, immediately after having accessed it. This was done on a five-point scale (1= not useful at all; 5 = extremely useful). The mean usefulness score across all accessed information items was 3.2 (standard deviation .65). They next also rated after each round how interested they were in receiving more information about the insurance they had just accessed (1= not at all; 5 = extremely interested), and how interested in receiving more information about the other available insurance (same scale). The mean interest rating was 2.8 (st. dev .7) for receiving more information about the accessed policy, and 4.9 (st. dev .7) for receiving information about the other policy. In a next section, it will be assessed how these scores depend on the type of information that was accessed already.

1.5 Pretest - Survey questions - descriptives

After completing their scenario task, participants rated the difficulty of the scenario, the average was 2.78 (standard deviation 1.04; scale midpoint = 3), so participants found the task relatively easy, and they rated the realism as 3.17 on average (standard deviation 0.98, scale midpoint = 3) and so rated it as slightly more realistic than unrealistic.

Participants were also asked “to what extent does the selected policy cover for each of the following items?”. They provided their answers on a scale indicating “no cover”, “medium cover”, “maximum cover”, “I cannot recall”, ad “not applicable”. The responses are summarized in *Figure 1*.

Figure 1. Pretest, perception of cover.



They next answered questions (in randomised order; 7 point Likert scales) about their satisfaction with the provided information and decision process. A descriptive overview is provided in *Table 6*.

Table 6. Study 1, task perceptions, raw items

Construct	Statement	Mean	Std. Dev.
Dec difficulty	I found it difficult to make a decision when choosing a policy.	4.27	1.45
Dec difficulty	I felt confused when deciding which policy to purchase.	4.02	1.45
Dec satisfaction	I am satisfied with the insurance policy selection I have made.	4.79	1.20
Dec satisfaction	I am certain that I have made the best decision which policy to choose.	4.58	1.35
Incident likelihood	An incident is likely to happen in my scenario.	4.23	1.18
Information need	I wished I had received more information about the available policies.	4.28	1.58
Information need	With more information I could have made a better decision in this task.	4.62	1.33
(Information need)	The policies offered a lot of information about the insurance products.	4.78	1.26
Realism & involvement	I care a lot about the charity I selected for receiving the remaining money.	4.96	1.33
Realism & involvement	I will be very pleased if my nominated charity receives money from this research.	5.59	1.29
(Realism & involvement)	The task setting was very realistic.	4.43	1.34

involvement)				
(Realism & involvement)	I fully understood what I was supposed to do in this simulation task.	4.99	1.43	
(No construct)	I chose the maximum possible cover in my policy.	4.75	1.44	
(No construct)	I did not feel much need to buy an insurance in this scenario.	3.68	1.43	

Based on exploratory factor analyses conducted for both the pretest and the main study these items were next condensed into five constructs (by averaging scores of relevant items): decision satisfaction (2 items), decision difficulty (2 items), information need (2 items), task realism and involvement (2 items), and expected incident likelihood (1 item in the pretest; 2 items in the main study), the mean scores for the pretest sample are in *Table 7*. In a later section the effects of the experimental conditions on these measures will be assessed.

Table 7. Pretest, descriptive statistics of satisfaction with decision

Construct	Mean	Std. Deviation
Decision satisfaction	4.61	1.11
Decision difficulty	4.21	1.34
Information need	4.49	1.24
Task realism and involvement	5.19	1.17
Incident likelihood	4.18	1.17

Participants finally answered questions about demographics and experience with insurance products, results were shown earlier in *Table 1*.

1.6 Pretest - Experimental findings

The main observables in the policy selection task are whether the participant accessed the PDS and/or KFS; what detailed information was accessed; how long it took to access them and how much time was spent reading them; and the final selection of policy, in particular whether the ‘good’ option was discovered and selected.

1.6.1 Pretest - Effects on information access

To analyse how survey duration and time spent on selecting the policy varies with the information options, a one-way analysis of variance (ANOVA) with the type of provided information (KFS only, PDS only, KFS&PDS) as independent variable and time spent as the dependent variable was conducted.

The results indicate that there is little to no difference among conditions regarding the total survey time or the time spent time on selecting the policy.

The results of another one-way ANOVA with disclosure conditions as independent variable and number of rounds as dependent variable revealed that there is a significant difference for

the number of rounds, the PDS only group going through the fewest rounds and the KFS&PDS group using the most.

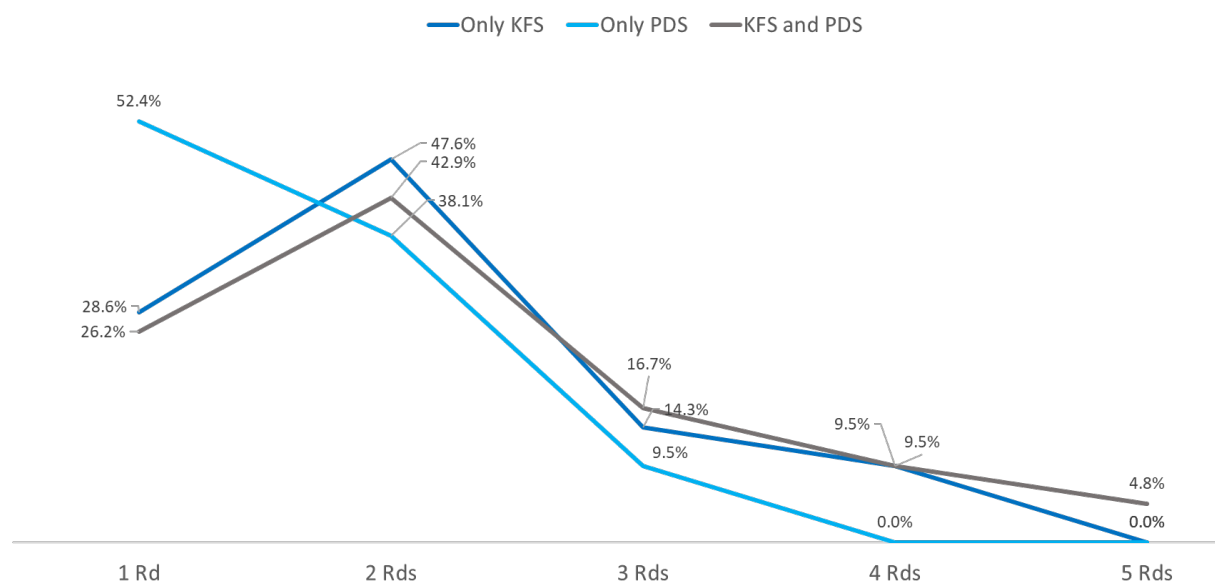
Table 8. Pretest, survey duration (minutes) and length of time (seconds) and number of times (rounds) accessing the disclosure information, by condition.

Variable	KFS only	PDS only	KFS & PDS	F ¹
Duration	10.7	10.6	11.01	.146
Time used to select a policy	85.6	85.3	99.2	.179
Decision rounds	3.05	2.57	3.24	3.337*

¹): F-values marked * are significant at $p < .05$; those marked ** at $p < .01$. Starred F values mean that some or all of the group means in a row are significantly different of each other.

Figure 2 visually displays after how many times of accessing information the participants of each group made a decision; 1 Rd means deciding after having accessed only the first of the information items (all participants were obliged to access at least one item). The figure shows that in the PDS only condition more than 50% of participants made a decision already after accessing information for only one (the first) PDS document.

Figure 2. Pretest, number of rounds of accessing disclosure information, by disclosure condition



To further refine this analysis, we separated those who had first received (by random allocation) the good policy option from those who had received the bad policy option.

Table 9. Pretest, length of time (seconds), number of times (rounds) accessing the disclosure information, by first selected or encountered policy information

Variable	Fav_KFS	Fav_PDS	Unf_KFS	Unf_PDS	F¹
Time used to select a policy	92.70	131.30	99.90	46.61	.146
Decision rounds	3.15	3.00	3.21	2.31	2.981*

¹): F-values marked * are significant at $p < .05$; those marked ** at $p < .01$. Starred F values mean that some or all of the group means in a row are significantly different of each other.

Results in *Table 9* show that there were no differences in duration of accessing the remaining information items, however, those who first opened a PDS and encountered a poor (bad) policy version spent the least time and completed significantly fewer decision rounds on average than those who first encountered a bad KFS or encountered a good PDS. Possibly these participants decided to not purchase a policy at all, instead of continuing to explore the remaining options.

A similar analysis was conducted to assess any differences in perceptions of usefulness – none were significant however (see *Table 10*). Also, it was analysed in how access to a particular disclosure item determines interest in additional information, either about the policy that was just accessed or about the other policy. Neither any of these differences were significant. There is therefore no indication that usefulness perceptions and for more information vary by policy information obtained so far in the process.

Table 10. Pretest, ratings provided after encountering first information item, by first selected or encountered policy information

Variable	Fav_KFS	Fav_PDS	Unf_KFS	Unf_PDS	F¹
Usefulness	3.27	3.45	3.31	2.93	1.656
Interest in more info about previously accessed policy	2.87	2.45	3.11	2.73	2.022
Interest in info about other policy	3.38	2.73	3.37	3.00	2.232

¹): F-values marked * are significant at $p < .05$; those marked ** at $p < .01$. There are no significant differences in this table.

1.6.2 Pretest - Effects on final selection and quality of decision

The data were next analysed to assess how the quality of the final decision (i.e., whether the good option was discovered and chosen) depended on the KFS/PDS conditions. As shown in *Table 11*, within those the condition where participants only received access to the KFS, two thirds (67%) selected the good option while 14% selected the bad option. In contrast, in the

PDS only condition, only 38% were able to find the good option and many (43%) ended up selecting the bad option. The condition where both KFS and PDS were available performed only slightly less than the KFS only condition, with 62% selecting the good option.

To test if these effects are statistically significant a multinomial logistic regression was run. While the overall effect was not significant (KFS/PDS Chi-square = 5.8, df = 4, n.s.) the PDS only condition shows a significant effect such that in the PDS only condition the relative number of selections of the Good option compared to the Bad option is significantly lower in this condition compared to the other two conditions ($b = -1.24$, Wald = 4.18, $p < .04$), so the above described can be deemed reliable.

These results are indicative of the beneficial effect of the availability of a KFS but were conducted on a limited sample and for a limited set of conditions only. Study 2 used a larger sample and will provide more clarity about whether the observed differences are robust and will hold in a sample from across the population.

Table 11. Pretest, quality of final decision, by disclosure condition

	Only KFS		Only PDS		KFS and PDS	
	Column N		Column N		Column N	
	%	Count	%	Count	%	Count
Fav_Buy	66.7%	14	38.1%	8	61.9%	26
Unf_Buy	14.3%	3	42.9%	9	19.0%	8
Non_Buy	19.0%	4	19.0%	4	19.0%	8

1.6.3 Pretest - Effects on task perceptions

To investigate whether the disclosure conditions affected participants' task perceptions, a one-way ANOVA was performed (see *Table 12*). Surprisingly, there are no significant differences between the three groups (KFS only, PDS only, KFS&PDS) in terms of their response to these questions.

Table 12. Pretest, comparing task perceptions across disclosure conditions

Construct	KFS only	PDS only	KFS&PD S	F ¹
Decision satisfaction	4.45	4.64	4.68	0.294
Decision difficulty	4.14	4.40	4.14	0.298
Information need	4.71	4.50	4.38	0.502
Task realism and involvement	5.36	5.05	5.18	0.365
Incident likelihood	4.38	3.90	4.21	0.901

¹): F-values marked * are significant at $p < .05$; those marked ** at $p < .01$. There are no significant differences in this table.

Next, to also investigate whether the quality of their decision, in terms of having chosen the good or bad option, is linked to their perceptions of their decision process, a one-way ANOVA was performed (see *Table 13*).

One interesting finding from this analysis denotes that participants who had made a decision to purchase (either good or bad) felt significantly more satisfied with their decision than participants who did not buy a policy. Moreover, the Bad_Buy group found the task more difficult compared to the Good_Buy group.

Further, remarkably, there were no differences in terms of information need and perceived incident likelihood. However, in terms of task realism and involvement, the Non_Buy group scored significantly lower compared to the other groups.

Table 13. Pretest, comparing task perceptions across purchase decisions

Construct	Good Buy	Bad Buy	Non_Buy	F¹
Decision satisfaction	4.92	4.53	3.81	6.839**
Decision difficulty	3.86	4.90	4.38	4.797*
Information need	4.33	5.03	4.31	2.503
Task realism and involvement	5.49	5.28	4.19	8.901**
Incident likelihood	4.38	4.20	3.56	3.020

¹): F-values marked * are significant at $p < .05$; those marked ** at $p < .01$. Starred F values mean that some or all of the group means in a row are significantly different of each other.

1.7 Pretest - Summary and conclusions

The pretest setting presented the policy selection task to a sample of 92 students in the controlled decision environment of a behavioural lab. The students were incentivised to avoid the risk of their charity not receiving the promised donation. They received always two options in their scenario, of which always one was good and one was bad.

Of these students, 60% discovered and purchased the good option, however 23% of participants selected the bad option, while 17% chose not to purchase (and accept the risk of remaining uninsured).

When the student participants only had access to the KFS, two thirds (67%) purchased the good option while 14% purchased the bad option. In contrast, in the PDS only condition, only 38% were able to find the good option and many (43%) ended up purchasing the bad option. The condition where both KFS and PDS were available performed only slightly less than the KFS only condition, with 62% purchasing the good option

The student participants on average spent less than two minutes to investigate the policy details (after receiving their instructions), before making a decision; time spent on the information exploration did not differ between conditions (KFS, PDS, KFS&PDS), although data suggest those first encountering a poor PDS spent the least time (less than time spent on KFS)

In the PDS only condition 52% of participants made a decision already after accessing information for only one (the first) PDS document (vs 26 to 29% in the other two conditions).

There were no differences between the condition in terms of task perceptions, except that participants who had made a decision to purchase (either good or bad) felt significantly more satisfied with their decision than participants who did not buy a policy.

There were no differences in whether participants felt they had had sufficient information and in how they perceived the likelihood of an incident occurring.

There were no differences between disclosure conditions in perceived usefulness and information.

In sum, the student sample provided a useful first exploration of the method employed in this study and revealed that many could not find the optimal policy even in these realistic but simplified decision conditions.

A limitation specific to this study was that participants could only have one document (pdf) open at any time during the study. In reality, and also in the main study, browsers typically allow opening multiple documents at the same time for easier comparison.

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