Insurers say no to database

By ROB STOCK

THE BANKERS Association is seeking to create a database of house insurance contracts to allow mortgage lenders to keep tabs on whether borrowers are keeping their homes adequately insured.

The proposal, however, has been rebuffed by insurers.

Tim Grafton, chief executive of the Insurance Council, said the Bankers Association had floated the idea of the "insurance bureau", but insurers did not support the move.

Grafton said insurers' concerns were over the cost of building such a database, adding that there were also privacy concerns.

"We said to them that we acknowledged it was an issue for them, but such a system does not exist elsewhere in the world as far as we were aware," Grafton said.

Instead of insurers wearing the costs of building such a database, Grafton said it was up to mortgage lenders to put in place systems to verify their borrowers had insurance in place. This would most likely result in banks requiring borrowers to make annual declarations.

However, it seems credit reporting bureau Veda would have operated the database and paid for it by charging $5 each time it sent an alert to a lender that a borrower had let their insurance lapse.

John Roberts, Veda's managing director, said the cost to insurers would have been minimal.

"It seemed like a win, win, win to us," he said, with borrowers protected against loss, lenders' security preserved and the insurance industry getting extra business.

In time the database could have been used for other assets bought with finance such as cars, trucks, and boats.

Mortgage contracts require homeowners to have house insurance so banks can be sure even a devastating fire or earthquake will not prevent loans from being repaid.

Banks are concerned that the shift from replacement house policies to "sum insured" policies could result in some borrowers underinsuring. Photo: Warwick Smith/Fairfax NZ

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But the earthquakes in Christchurch, and more recently land-slips in Wellington, revealed that not all borrowers were keeping insurance in place.

Added to that, the banks have become concerned that the shift from total replacement house insurance policies to "sum insured" policies could result in some home-loan borrowers underinsuring their homes. Sum insured policies require the homeowner to specify the maximum sum the insurer is liable to pay to replace or repair a damaged or destroyed home.

If borrowers are unable to reinstate a home completely that could reduce the value of the security lenders hold against their loans.

Mortgage lenders are generally noted on borrowers' house insurance policies as parties of special interest, giving insurers the right to speak with them about policies. Bankers Association chief executive Kirk Hope said insurers used to notify banks if a borrower's policy lapsed.

"It used to happen," Hope said. "Essentially, it stopped because what was happening was there was an incredible amount of churn, with people changing their insurance policies very regularly."

Rising insurance costs have driven such frenetic policy-swapping.

just overpaid coffee drinkers, right? Actually, your salesforce is statistically less likely to contain poor performers than any other function, because they get paid on performance.

I'm not saying all salespeople are perfect. But if sales are the difficult, the problem might be your value proposition.

Look at your "return on sales" over time. For every dollar you put into sales, what do you get back in revenue/profit? This might be a guide to the health of your product/service – and a guide as to how customer centric you really are.

2. How transparent is your business, really?

If we agreed to open up your whole business to customers on facebook or twitter, how uncomfortable would you feel? Remember, in social media you can't "control" your brand in the traditional sense.

If this leads to conversations like "we need to carefully manage our messaging", or more alarming "we need to reword that customer feedback so it's more positive," it's a sign of discomfort about being transparent. You need to find out why.

Because customers aren't stupid and they appreciate honesty. For instance, in a previous company I worked for we opened a $10 million pitch by highlighting our terrible Net Promoter Score of minus 78! We won, because we convinced the customer that we were taking action to fix the problems. And two years later, our net promoter score went from -78 to +22 (I'll put more on this on stuff.co.nz/betterbusiness in the future).

Being willing to really engage with your customers can be hard on the ego - but it's a sure sign of a customer-centric business. Suck it up – your customers will love you for it.

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