

Member forum

General Insurance

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Insurance

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General Insurance

Today's session includes



Setting the scene – the data



Some key themes



Update on fairness



Claims handling

Year at a glance

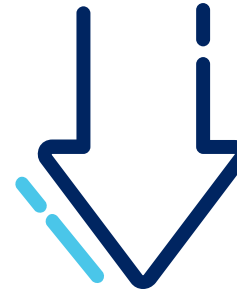
Between 1 July 2020 to 30 June 2021



Complaints received

70,510

complaints received



12%

decrease in complaints
compared to 2019-20



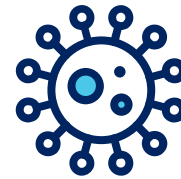
76%

of complaints
lodged online



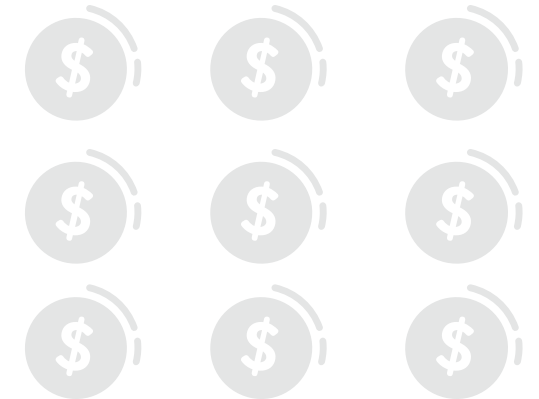
3,562

complaints from
small businesses



8,303

complaints related
to COVID-19



7.35%

complaints involved
financial difficulty

Products complained about



42,261

Banking and
finance



16,912

General
insurance



5,249

Superannuation



3,888

Investments and
advice



1,623

Life insurance

General insurance complaints



Complaints received

16,912 complaints received

47% resolved at Registration and Referral stage

Top five general insurance complaints received by product¹

Product	Total
Motor Vehicle-Comprehensive	4,386
Home Building	3,527
Travel	2,477
Home Contents	1,079
Motor Vehicle-Uninsured Third Party	934

Top five general insurance complaints received by issue¹

Issue	Total
Claim amount	3,161
Denial of claim - exclusion/condition	3,146
Delay in claim handling	3,126
Denial of claim	2,479
Service quality	1,164

Complaints closed

17,841 complaints closed²

Average time to close a complaint
87 days

Stage at which general insurance complaints closed

Stage	Total
At registration	8,367
At case management	4,330
Preliminary assessment	1,669
Decision	2,125

Average time taken to close general insurance complaints

Time	Total
Closed 0–30 days	21%
Closed 31–60 days	30%
Closed 61–180 days	38%
Closed greater than 180 days	11%

¹One complaint can have multiple products/issues.

²This includes 4,898 received before 1 July 2020, and 12,943 received from 1 July 2020 to 30 June 2021.

2021 – it's a wrap



Changes at AFCA

New Lead Ombudsmen and Senior Ombudsmen

AFCA and test cases

Test Case 1: business interruption and the Quarantine Act

Test Case 2: other policy terms

Law reform

Post FSRC – DDO, claims handling, disclosure obligation, UCT, DSM, hawking, breach reporting, RG 271

Business as usual – the new normal

COVID and natural disasters

Key learnings

- > Engage with us early!
- > Have you done everything you can to resolve the dispute?
- > If you can't resolve the dispute - have you given us all relevant documents



Systemic Issues – Year at a glance



AFCA Annual Review financial year 2020–21

Identified **1086** potential systemic issues

Reported **36** possible serious contraventions to regulators.

Referred **147** systemic issue investigations to financial firms

Identified and investigated systemic issues resulting in the remediation of **357,959** consumers.

Reported **55** definite systemic issues to regulators

Resolved **59** definite systemic issues with financial firms

Ensured more than **\$31 million** in refunds were made to consumers.

Systemic Issues in General Insurance



AFCA Annual Review financial year 2020–21

Identified **220** potential systemic issues

Referred **33** systemic issue investigations to financial firms

Reported **11** definite systemic issue to regulators

Resolved **15** definite systemic issues to regulators

Incorrect denial of claims for comprehensive motor vehicles based on policy interpretation were the top complaint themes linked to Definite Serious Contravention reports to regulators

Incorrect policy interpretations of home building and motor vehicle claim amounts formed the basis of the most referrals for investigation

Case Study – General Insurance

Systemic Issue - Policy Interpretation

- > We investigated the interpretation of a firm's complementary travel insurance policy offered across a range of products and brands
- > To activate cover the policies required the consumer's travel to be purchased on the relevant credit card with the linked insurance attached
- > The firm previously interpreted the policy as requiring both the departing and returning trips to and from Australia be purchased on the card to activate cover. AFCA did not agree with the firm's policy interpretation. Rather, the policy as drafted only required the insured to purchase one leg of their trip to activate the policy
- > As a result of our enquiries, the firm implemented a remediation program overturning 24 previous claim denials and providing over \$35,000 in compensation.



Fairness Jurisdiction Project



We have finalised our project

- > Our aim was to create a framework for how we operate in our fairness jurisdiction, making decisions and providing dispute resolution in a fair, independent and consistent way.
- > We have:
 - described and benchmarked our fairness jurisdiction both domestically and internationally
 - built a framework to assist AFCA staff to consistently apply the fairness jurisdiction in our complaint handling
 - articulated how the parties should engage with each other and AFCA to ensure a fair process
 - explained our approach to delivering fair outcomes; and
 - designed systems to calculate and capture fair outcomes once achieved.
- > We thank all of our stakeholders who we engaged with during 2019 to 2021 for their thoughtful feedback which helped shape our work and considerations.

Fairness Jurisdiction Project



AFCA Engagement Charter

- > We recently launched the AFCA Engagement Charter
- > The Engagement Charter shares AFCA's values and outlines the behaviour we expect from financial firms, complainants and AFCA employees when resolving disputes
- > It is a living document that makes the roles, responsibilities and expectations of each party more explicit so that our stakeholders have a shared understanding of good conduct

See more

www.afca.org.au/engagement-charter

Engagement Charter

Purpose

AFCA's Engagement Charter outlines AFCA's expectations about how people using our service will engage with us and each other during our complaint resolution process. It also describes the service standards others can expect from AFCA.

It is a living document, based on core principles and designed to respond to an ever-changing financial landscape. We may amend and expand on the principles set out in this document from time to time.

AFCA's role

AFCA's purpose is to provide fair, independent and effective solutions for individuals and small businesses who have a complaint about a financial product or service.

AFCA has a specific and important role assisting individuals and small businesses to resolve complaints about financial services and products. We are:

- impartial and independent – we do not advocate for either party or their position.
- fair and focussed on dispute resolution outcomes – if everyone cannot come to an agreement, it is our role to decide an appropriate outcome.

AFCA's vision is to be a world class ombudsman service, by:

- raising standards and minimising complaints
- meeting diverse community needs; and
- being trusted by all.

AFCA's jurisdiction

Our **Rules** set out the complaints we can consider, the procedures we use to resolve complaints and the remedies we provide. Our **Operational Guidelines** and **Transitional Superannuation Guidelines** set out how we interpret and apply our Rules.

We can consider a broad range of financial complaints, including:

- errors in banking transactions and credit listings
- difficulty repaying loans, credit cards and short-term finance
- denial of an insurance claim (such as car, home and contents, pets, travel, income protection and trauma)
- investment and financial advice
- a trustee's decision in relation to the administration of a superannuation account including distribution of a death benefit.

Purpose Engagement charter 1

Fairness Jurisdiction Project



Approach to Terms of Settlement

- > We recently completed the final element of the fairness framework
- > Ensuring that the parties capture and document fair outcomes when complaints are resolved is an important aspect of our fairness jurisdiction
- > ASIC also requires us to report when terms of settlement are unfair or inappropriate
- > AFCA's revised Approach to Terms of Settlement has been published and includes information about how to prepare terms of settlement and how terms of settlement can affect a further or current complaint with AFCA
- > We are taking feedback until 8 December 2021

See more

www.afca.org.au/about-afca/publications/approach-terms-of-settlement



Claims Handling

Claims handling



Period	Where did claims handling rank?
2019-2020	Most complained about issue
2020-2021	Third most complained about issue
2021-2022	? Likely to be one of the top issues due to natural disasters, significant events and COVID

AFCA Fact Sheet on home insurance claim delays and COVID

Claims Handling – How do we assess it?



- > Specific facts of the case - factors we look at include:
 - Type of claim (e.g. investment property vs home)
 - The complainant's particular circumstances (e.g. vulnerability)
 - The industry Code of Practice
 - ASIC publications or guides (e.g., INFO 253)
- > We consider the overall claims experience:
 - We do not award compensation for each incident –we look at how it affected the overall claims handling
 - Will consider mitigating factors (e.g. insurer provides hire car when fixing poor car repairs)
 - Isolated incidents may not warrant compensation
 - Compensation not awarded if insurer has acted reasonably
- > A good example of how we approach a particular type of claims handling issue
 - Approach paper about claims delays for motor vehicle parts

Claims Handling



- > This issue is often looked at in context of the following remedies:
 - Making an award for non-financial loss
 - Financial losses (direct or indirect) due to any poor claims handling
- > AFCA Rule D.3.1-3.3 allows us to award compensation for direct financial loss, indirect financial loss or non-financial loss
- > Typically, these types of issues are commonly considered in context of non-financial loss
 - Approach paper available on our website about our general approach
 - Operational Guidelines have relevant information

Claims Handling – Case examples



- > Poor repairs to roof and on a significant claim (659132)
- > Temporary accommodation beyond the policy limit (710534)
- > Delays resulted in indirect financial loss and non-financial loss (711698)
- > No award when insurer makes an offer to match or exceed our limit (714630 & 710863)

Thank you

