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General Insurance Code Governance Committee Monitoring and Compliance Priorities 2024-25

Financial Counselling Victoria (FCVic) welcomes the opportunity to make a submission to the General Insurance Code Governance Committee's consultation on the 2024-25 GICGC Monitoring and Compliance Priorities.

About Financial Counselling Victoria

Financial Counselling Victoria (FCVic) is the peak body and professional association for financial counsellors in Victoria. Financial counselling is a regulated profession providing free, confidential and independent advice and advocacy for people experiencing, or at risk of, financial hardship. FCVic advocates on behalf of financial counsellors and their clients on systemic issues that cause and exacerbate poverty and hardship.

A financial counsellor can support an insurance customer through the entire claims process, and will often (with consent) advocate and negotiate with the insurer on behalf of the customer.

In preparing this submission, FCVic has consulted with and drawn on the experience of disaster recovery financial counsellors, who have been supporting disaster-affected insurance customers to ensure that they receive fair and reasonable outcomes to their insurance claims. Based on the prevalence of insurance-related issues identified through financial counsellor casework, FCVic has established an Insurance Working Group to support the ongoing advocacy concerns relating to the insurance industry.

This submission will focus primarily on home and contents insurance customers.

Executive Summary

As large, community-scale catastrophic weather events become more common, financial counsellors working on the frontline have gained considerable and unique insights into the challenges affecting people recovering from floods, storm events, and bushfires, and in some cases multiple events. The most significant set of consumer issues being identified by disaster recovery financial counsellors relate to insurance claims. Financial counsellors have reported to FCVic on widespread poor practice by insurers, specifically around treatment of vulnerability of customers and transparency during claims processes. The failure of Code subscribers to recognise and appropriately support customers following these types of extreme events has exacerbated insurance customers' distress and impeded their recovery. This places insurers at risk of causing additional harm and detriment to their customers.

Key concerns identified in financial counselling casework during 2023 relate to the Code Part 9: Supporting customers experiencing vulnerability; Part 8: Making a Claim, and Part 12: Access to information.

Examples are documented in the case studies provided in **Appendix A** of this submission, and have predominantly been identified through supporting people significantly impacted by natural disasters.

FCVic provides the following recommendations for consideration of the GICGC:

Recommendation 1: That the Code Governance Committee issue a guidance note to Code subscribers to support the consistent implementation of Part 9 of the Code, with regard to defining, identifying and supporting customers experiencing vulnerability. The guidance note should consider the impacts of trauma following a significant event on cognitive capacity, and the extra care and additional support for customers that this may entail.

Recommendation 2: That the Code Governance Committee issue a guidance note to Code subscribers to support the consistent implementation of Part 8. The guidance should provide clear advice regarding

- **paragraph 61, what constitutes a reasonable number of scopes of works, and what is an accessible scope of works;**
- **paragraph 75, the sharing of details of expertise of contractors used in assessments; and**
- **paragraph 64, how “urgent need” is determined, and the best practice time frames for fast tracking a claim following a natural disaster.**

Recommendation 3: That the Code Governance Committee issue a guidance note to Code subscribers relevant to Part 12 (162) on the provision of information to customers relevant to their claim, regarding the breakdown of costings, and any uplifts comprised in an offer.

Recommendation 4: That the Code Governance Committee publish details of Code breaches, including the name of the code subscribers.

In addition, FCVic’s submission to the GICGC consultation of 2023-2024, made the following *currently relevant* recommendations:

- That the Code Governance Committee conduct a follow-up inquiry into the implementation of Part 9 by Code subscribers as a priority.
- That the Code Governance Committee issue a guidance note to Code subscribers, on identifying and adequately supporting customers experiencing vulnerability, in consultation with the financial counselling sector.
- That the Code Governance Committee prioritise Part 9 of the Code for compliance monitoring under its Priority Monitoring Framework for 2023-24.
- That the Code Governance Committee update its financial hardship guidance note to Code subscribers in consultation with the financial counselling sector.

Part 9: Supporting customers experiencing vulnerability

Financial counsellors have identified industry-wide failings by insurers in effectively supporting customers experiencing vulnerability, consistent with paragraphs 91, 92, 96, 97, 98, and 104(b) – from failing to recognise the customer’s signed authority to communicate with a financial counsellor acting for a vulnerable customer, to front line staff inadequately supporting customers experiencing *disaster related trauma*.

Part 9 of the Code provides only a vague description of what is expected of insurers in supporting customers experiencing vulnerability, with no guidance on what appropriate training for employees might look like. It is unclear through what lens insurers define vulnerability in their internal policies and processes, and whether it would amount to a consistent, industry-wide approach to identify and adequately support customers in a state of post-disaster event trauma, as *vulnerable* as they might, for example, with someone experiencing family violence. This is despite the code referencing “Extraordinary Catastrophe”, and “Natural Disasters” as significant issues.

Recommendation 1:

That the Code Governance Committee issue a guidance note to Code subscribers to support the consistent implementation of Part 9 of the Code, with regard to defining, identifying and supporting customers experiencing vulnerability. The guidance note should consider the impacts of trauma following a significant event on cognitive capacity, and the extra care and additional support that this may entail.

Further guidance should be provided to Code subscribers to ensure that vulnerable customers will not suffer detriment due to inconsistent implementation of Part 9 of the Code.

Part 8: Making a claim

Similar to Part 9 of the Code, inconsistent implementation of Part 8 of the Code by insurers particularly places vulnerable customers at risk of further detriment.

With regard to cash settlements (79), financial counsellors have reported concerns about insurer practices placing pressure on vulnerable customers to accept cash settlements, low/inadequate settlement offers, and insufficient information to show how cash settlement figures were determined.

Financial counsellors identified systemic breaches by insurers relevant to paragraphs 61, 64, and 75 during the claims process, that caused obstructions and delays in decisions and considerable distress to customers.

Regarding scope of works (61), financial counsellors see cases where policy holders had received numerous scopes of work, where the first appeared to be more like a rough draft, followed by subsequent assessments and additions, before receiving a final document. Between 6-8 scopes of works were not uncommon, which places undue stress on customers, both in the time taken, and in their efforts to comprehend and examine for errors/omissions.

Regarding fast tracking of urgent claims (64), financial counsellors raised concerns about the time insurers took to process a (home building/contents) claim, where customers were displaced after a natural disaster - many with time limits (up to 12 months) on accommodation support from the insurer.

The length of time taken for insurers to initially respond to a claim, or an assessment and make a final decision, whether within Code guidelines or not, added distress to people in a state of trauma, the longer it went on. Financial counsellors have reported that “fast tracking” is not applied consistently (if at all), despite the urgency of the claims.

Recommendation 2: That the Code Governance Committee issue a guidance note to Code subscribers to support the consistent implementation of Part 8. The guidance should provide clear advice regarding

- **paragraph 61, what constitutes a reasonable number of scopes of works, and what is an accessible scope of works;**
- **paragraph 75, the sharing of details of expertise of contractors used in assessments; and**
- **paragraph 64, how “urgent need” is determined, and the best practice time frames for fast tracking a claim following a natural disaster.**

Part 12: Access to relevant documentation

Financial counsellors have been refused access to information pertinent to Part 12 (162) of the Code, specifically *to full cost breakdowns in scopes of works*, where the insurer had redacted detail citing Australian Privacy Principles 12.3b relevant to their contractors. We do not believe that the Privacy Act is relevant to the rate and amount being quoted, as it is not personal information, however, we can appreciate that the builders contact details are sensitive information and should remain redacted.

In the interests of the intent of the Code and transparency we request that this be reviewed, as the rate and amount prescribed on the scope of works is pertinent to the claim and the insured’s ability to make decisions.

In other examples, financial counsellors have seen several cases where the insurer has not provided the requested file notes & reports at all - either promising to provide them, or extending the date of provision, then failing to produce anything. Some of these cases have been referred to AFCA.

Recommendation 3:

That the Code Governance Committee issue a guidance note to Code subscribers relevant to Part 12 (162) on the provision of information to customers relevant to their claim, regarding the breakdown of costings and any uplifts comprised in an offer.

Other considerations:

Financial Counselling Victoria supports the GICGC’s call to publish the names of code subscribers who breach the code as a way of strengthening compliance.

FCVic believes naming Insurers who breach the code will foster a culture of benchmarking and transparency, and help consumers make informed decisions, which in turn will strengthen Insurers’ compliance with the code.

Recommendation 4:

That the Code Governance Committee publish details of Code breaches, including the name of the code subscribers.

Thank you for the opportunity to make a submission to the General Insurance Code Governance Committee's consultation on the 2024-25 CGC Monitoring and Compliance Priorities. Please contact Tracey Blythe tblythe@fcvic.org.au if you have any questions about this submission.

Appendix A: Case studies

Client #1	Defacto couple, 2 dependant children, another baby due. Small Business owners in Rochester, both Home and Business Premises flooded and were uninhabitable.
Summary	Clients lodged a Home Insurance claim. Disaster related trauma not recognized by insurer, unreasonable number of Scope of Works, claim mismanagement, full limit of temporary accommodation not paid. AFCA complaint lodged, AFCA advised a 2 month wait for complaint to be reviewed.
Date	July 2024
Issue	Insurer Claim Mismanagement including: <ul style="list-style-type: none">• No case manager assigned• 6 consecutive Scope of Works (SOW) provided and still not accurate• Client vulnerability not recognized in processes: Trauma impact by floods• No contact with client instigated by Insurer over an 8 month period• IDR complaints not responded to• Call holds of over 1 hour
Action by financial counsellor	<p>Financial Counsellor (FC) became involved at the 8 month mark of the claim. At clients' request, FC advocated on clients' behalf with Insurer and identified all key areas of Code breaches.</p> <p>FC identified Insurer had not paid out full temporary accommodation limit, but had advised client no more funds available to client.</p> <p>FC negotiated and Insurer agreed to planned actions to progress claim. Insurer failed to act.</p> <p>Based on discussions with clients about reasonable options and outcomes, clients' instructed FC to negotiate a reasonable settlement with Insurer. Insurer declined proposal.</p> <p>AFCA complaint lodged by FC.</p>
Response	<p>AFCA advised 2 month wait for complaint to be reviewed, even though they were advised the client was flood impacted.</p> <p>AFCA complaint provided impetus for insurer to negotiate with FC and a settlement was agreed to.</p> <p>Insurer acknowledged claim mismanagement and inappropriate number of inaccurate SOW.</p>
Outcome	<p>Approx \$15,000 Temporary Accommodation cash settlement paid to clients.</p> <p>Cash settlement offered to client increased by \$100,000, following FC intervention, including ex-gratia amount to cover claim mis-management, and resulting pain & suffering. Client accepted offer.</p> <p>Due to the Insurer's actions and delays, clients' are still in temporary accommodation, 15 months after the flood.</p>

Client #2	<p>Lisa is 38 years old and lives with her partner Johnny and their 3-year-old child. They live in rural Victoria. Lisa was pregnant and it was expected the child would be born with significant health complications. Both their home and investment property flooded in the October 2023 flood event.</p>
Summary	<p>Lisa was having issues obtaining a cash settlement agreement for both house insurance claims. She was also having issues with the settlement amount offered by AAMI.</p>
Date	<p>Lisa entered case work in February 2023 and her case was closed in December 2023</p>
Issue	<p>The investment property was insured with RACV and deemed a total loss. Lisa was having issues getting Commonwealth Bank Australia (CBA) to release the insurance funds to her.</p> <p>Lisa’s pregnancy was complex and placed significant time restraints on her ability to manage her insurance claims. Lisa wished to finalise her claims prior to giving birth so she could focus on her newborn who would likely be in a Children’s Hospital for some time.</p> <p>The family home was insured with AAMI. AAMI had obtained a Scope of Works (SOW) however there was a dispute regarding the condition of the stumps in the home. This meant that the claim would have to be cash settled.</p> <p>AAMI suggested Lisa to obtain an independent SOW for consideration however there were no local builders able to present this in a detailed way that was suitable to AAMI.</p> <p>Lisa had requested the un-redacted SOW from AAMI who declined to provide it, offering her a letter stating they could not provide it due to Australian Privacy Principals (APP) 12.3b - giving access would have an unreasonable impact on the privacy of other individuals. This made it even more difficult for Lisa to know that what they had quoted was fair, reasonable and at market rate.</p> <p>Lisa cash settled her entire temporary accommodation (TA) benefit component and used this to purchase a camper for the family to stay in until the property was repaired.</p> <p>When Lisa discovered she was pregnant the family relocated to a government funded site. In August 2023 this site was due to close which meant Lisa was at risk of homelessness having accessed her TA benefit.</p> <p>Lisa was incredibly distressed throughout the entire claims process which impacted her ability to make decisions, complete actions required and overall affected her health and wellbeing.</p>
Action by financial counsellor	<p>The financial counsellor immediately lodged an internal dispute with AAMI to address the redacted SOW that was withheld. The complaint directly quoted the General Insurance Code of Conduct – Part 12 (162) and challenged how the APP related to the SOW costings.</p> <p>Given the risk of homelessness and vulnerabilities of Lisa, the financial counsellor escalated the temporary accommodation matter through Financial Counselling Australia (Peak Body) who got the financial counsellor in touch with Suncorp’s Head of Disaster Response and Customer Experience to ensure prompt action.</p> <p>The financial counsellor negotiated with CBA to arrange for both properties to have a valuation on them due to the low mortgage amounts.</p>

Response

AAMI contacted Lisa following the IDR complaint being lodged to advise that they would send through the un-redacted SOW. Additionally, they had said to Lisa “is she sure she understood what she signed?” – referring to the Financial Counselling Australia Authority form. Lisa expressed to the financial counsellor she felt as though they were trying to have her rescind the authority as it would make it harder to get a good outcome.

AAMI provided the un-redacted SOW to resolve the internal complaint lodged by the financial counsellor.

In full and final settlement of the AAMI claim Lisa received cash settlement including contingencies of 20% and an additional ex-gratia temporary accommodation payment of \$10,000. Lisa was required to sign a term of settlement to release AAMI from any indemnity and close the claim. AAMI then proceeded to cancel Lisa’s insurance policy.

CBA agreed to release all funds for Lisa’s home to her agreed account – AAMI claim.

CBA agreed to release a portion of funds to Lisa and the other portion to sit locked in redraw to reduce interest – RACV claim.

CBA also provided 0% interest on both mortgages, backdated and provided an interest rate reduction moving forward.

Upon CBA making these decisions regarding the insurance claims it took AAMI less than 14 days to issue cash settlement to Lisa.

It took RACV 28 days to make the cash settlement payments after receiving the letter from CBA. RACV said on more than one occasion that the cash settlement fact sheet would be sent over night, and it never arrived each time. Lisa was particularly distressed when the payment was finally issued as she was scheduled to have her baby that very week, which RACV were aware of.

Outcome

It took RACV 28 days to make the cash settlement payments after receiving the letter from CBA. RACV said on more than one occasion that the cash settlement fact sheet would be sent over night, and it never arrived each time. Lisa was particularly distressed when the payment was finally issued as she was scheduled to have her baby that very week, which RACV were aware of.

Client #3	Mary & Stan are in their mid-70's, living in rural Victoria. They are self-funded retirees with strong community ties. Mary & Stan are both very independent and can self-advocate. They have adult children and grandchildren who provide emotional support to them along with their elderly siblings.
Summary	<p>Mary & Stan's home was flooded in the CAT223 event in October 2022.</p> <p>Initially Mary & Stan needed support to access temporary accommodation with WFI and to lodge their contents claim. As their claim progressed, they needed support to navigate a cash settlement agreement and scopes of work as the initially appointed builder couldn't complete the works.</p>
Date	Mary & Stan entered case work in January 2023 and their case was closed in October 2023
Issue	<p>When Mary & Stan presented for service, they expressed concern that they had not been able to access temporary accommodation benefits from WFI insurer. WFI's accommodation team (HRF) had suggested that they place a caravan on the property for Mary & Stan to live in. This decision lacked common sense to Stan who explained that his property is a construction site and unsafe for them given their age.</p> <p>WFI had asked Mary & Stan to provide a detailed list of items with quotes and photos for their contents claim.</p> <p>WFI appointed a builder and Mary & Stan signed the Scope of Works (SOW) promptly in June 2023 however then found out that the builder could not get trades to complete the work. WFI appointed a new builder to re-scope the repairs, Mary & John at this time also explored being cash settled and engaging their own builder. Mary & Stan explained several times that they felt pressured by the loss adjuster to sign the second SOW with the builder.</p> <p>Mary & John had three full SOW with the first having 4 variations attached. The final SOW was completed by the loss adjusters building department.</p>

Action by financial counsellor

The financial counsellor supported Mary & Stan to compile a list of contents with estimated values and quotes (where required) to submit to WFI for the contents claim.

Temporary Accommodation was cash settled every few months to allow Mary & Stan to stay in a bed and breakfast. Given the significant delays with the repairs, the financial counsellor advocated for WFI to continue paying temporary accommodation until they returned to their property.

The financial counsellor explained WFI's obligations to them as the insured, specifically relating to General Insurance Code of Practice Section 12 -162 to ensure that they were able to request the unredacted scope of works.

The financial counsellor supported Mary & Stan to navigate their building claim which included 7 SOW which included 4 variations.

There were numerous issues with the SOW including missing repairs, damages caused by trades and incorrect measurements of supplies required.

Ultimately, they accepted cash settlement as the builder engaged by WFI was unable to locate tradesmen to complete the works. The financial counsellor supported them to understand the risks and advantages of this.

Outcome

The contents claim was cash settled at \$80,000 instead of the initial figure offered of \$50,000. The building cash settlement was paid at \$275,000 instead of the original SOW at offer of \$110,000.

Due to the significant delays in finalising the SOW, WFI agreed to continue paying temporary accommodation until Mary & Stan were able to move back home. This payment is outside the policy limits.