



House of Representatives Economic Committee Inquiry into Australia's General Insurance Industry

Opening Statement:

Rob Whelan, CEO, Insurance Council of Australia

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(via videoconference)**

E&OE

Thank you for the opportunity to give evidence and provide this opening statement to the Committee.

The Insurance Council of Australia is the representative body of the general insurance industry. It does not represent the life insurance or health insurance sectors.

I understand the purpose of today's hearing is to discuss self-regulation, the General Insurance Code of Practice and recent reports of the independent Code Governance Committee.

I am supported today by Fiona Cameron, who heads the consumer outcomes policy directorate. This directorate has oversight of the industry's self-regulation.

Karl Sullivan, who heads the risk and operations directorate, is also present. This directorate provides oversight of the industry's catastrophe response.

I will defer to them on areas of specialist knowledge.

As background, insurers provide 41.5 million small business and household insurance policies to customers each year, and pay more than \$169.4 million in claims every working day.

The Code requires subscribers to co-operate with the Insurance Council on industry co-ordination arrangements for Insurance Council-declared catastrophes.

In that context, I am pleased to say that insurers have made impressive progress in helping customers affected by natural disasters over spring and summer.

Insurers have so far received more than 38,000 claims totalling \$2.32 billion from the bushfires.

Almost two-thirds of 9086 residential building claims and more than 80 per cent of 14,033 contents claims have been closed. This means repairs or rebuilds have been completed, items replaced, or payments provided.

The bushfires make up just under half of this season's natural disasters, with the total claims bill now more than \$5.19 billion.

Close to half of all disaster season claims are now closed, even though hundreds of new claims are being lodged every week.

These strong closure rates show insurers have been focusing on helping families and small businesses – and working to the principles of the industry's Code of Practice.

At last week's natural disasters royal commission hearing, AFCA Lead Ombudsman John Price said AFCA hadn't detected any systemic issues with the insurance industry.

He noted insurance companies had become conciliatory in their approach and more proactive since the 2009 Black Saturday bushfires.

I am pleased to now provide information to this committee on self-regulation and the General Insurance Code of Practice, first introduced in 1994.

About the Code: The Insurance Council's role

Self-regulation plays an important role within the broader regulatory landscape. The Code is the general insurance industry's self-regulatory commitment to customers.

On the whole, Code standards go beyond the minimum requirements of the law and drive positive consumer outcomes.

Its objectives are:

- High standards of service
- Better and more informed relations with customers
- Fair and effective dispute resolution

- Continuous improvement of the industry through education and training
- And to maintain and promote trust and confidence in the industry.

The Code plays an important role in raising customer service standards and meeting community expectations.

These standards cover the entire customer service relationship, including sales and distribution, renewals and cancellations, making a claim, and complaints handling.

The Code covers most general insurance products, notably car, home building, home contents and travel.

The Insurance Council owns, develops and – together with member companies – promotes the Code. It is a living document that has been periodically reviewed and improved since its inception 25 years ago.

The latest review is one of the most extensive in its history. It was conducted by the Insurance Council with independent oversight. This led to the development of the new Code, which has been significantly revised and improved.

The new Code is prefaced by industry-developed principles that underpin and shape the way the industry behaves, treats customers and approaches making decisions.

The Code Governance Committee's role

The independent Code Governance Committee operates at arm's length from the Insurance Council.

It monitors and enforces the Code, reports on compliance, and has broad scope to consider breaches and investigate industry issues.

It provides recommendations on the Code, and issues industry guidance on how Code compliance can be improved.

The Committee conducts Own Motion inquiries that can result in recommendations for industry or Code improvement.

The Committee's first Own Motion Inquiry, which looked at claims investigation and outsourced services, is reflected in the new Code.

CGC reports

You will be aware that the Committee recently released its **2018-19 Annual Report**.

The committee acknowledges that the increase in insurer breaches can be viewed as evidence that Code subscribers have improved their cultures so they are more open to reporting breaches, are taking their monitoring more seriously and have more robust and effective breach mechanisms in place.

They are learning from these breaches and are putting in measures to prevent reoccurrences.

The Insurance Council is pleased ongoing improvements to Code governance frameworks will help identify issues and improve consumer outcomes through rectification or compensation measures.

The ***Living the Code*** report was released on Monday. It makes recommendations about how insurers can continue to develop a culture of compliance and breach reporting for demonstrated robust compliance.

These reports are an educative tool to assist subscribers to continue to improve compliance frameworks.

ICA Code Review

The ICA started its latest Code review process before the Hayne Royal Commission was announced.

We extended the process to ensure we could take any recommendations into account. This was a prudent decision.

The new Code now empowers the Code Governance Committee to impose sanctions on Code subscribers for breaches or significant breaches.

It includes a community benefit payment of up to \$100,000 for a Significant Breach.

This is a sanction unique to financial services codes. It originated from the Insurance Council's own review.

The Insurance Council is also working with Treasury on enforceable Code provisions, which was also a Hayne recommendation.

The ICA intends to apply for ASIC approval of the Code once the regulatory framework for enforceable provisions is in place, and ASIC has updated its Regulatory Guide 183.

COVID-19 and the new Code

When the Code transition was launched at the start of this year, we expected it would be business as usual.

This is no longer the case. Insurers wish to focus on helping those customers most in need, while also having sufficient time to implement the new Code.

The new Code addresses societal issues of vulnerability and provides greater support for:

- Those experiencing family violence
- Consumers experiencing vulnerability, including financial distress and hardship, mental health, physical health, age, language barriers, literacy and cultural barriers, first nations status and remote location

The internal complaints process is also being streamlined following stakeholder feedback.

Recently the Insurance Council Board decided insurers should direct urgent resources to customers who are facing vulnerabilities during COVID-19.

- From July 1, or earlier if possible, insurers are fast-tracking where possible, vulnerability and financial hardship measures intended by the new Code
- Insurers are also required to have a family violence policy in place by July 1.

All remaining Code provisions start from July 1, 2021, which is a six-month extension due to COVID-19.

This is in line with the Government's extension to Royal Commission legislation, which has been accepted by consumer organisations.

Conclusion

Self-regulation plays an important role within the broader regulatory landscape.

The principal role of the General Insurance industry's Code of Practice is to continuously improve service standards and customer outcomes, meeting the changing requirements and expectations of the community. The industry continues to demonstrate its commitment to the Code.

We are now happy to take questions from the Committee.

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