

ABC NEWS

Analysis

The worst practices of the insurance industry on show in government grilling

By Adele Ferguson

Posted Mon 12 Feb 2024 at 6:33am, updated Mon 12 Feb 2024 at 10:33am



Allan Bush lost his house in the 2022 floods. (Supplied)

Allan Bush paid premiums for home and content insurance policy for more than 40 years without ever making a claim — until the 2022 floods destroyed his home in regional Victoria.

Instead of paying up, his insurer played hardball and denied the majority of his claim, offering him \$1,633 for a damaged pump and \$10,558 to cover temporary accommodation.

"It was really tough," he told the ABC. "I never raised my voice, I was always polite, but being told I wasn't entitled to my claim was hard."

Besides battling the insurer, relocating to a small cramped caravan on the property because his own home was uninhabitable, Mr Bush is dying of cancer. He said his insurer was aware of his health condition when he lodged his claim.

"The company lacks empathy," the 74-year-old said. "I had been a client for over 40 years and never made a claim. The assessors were rough. I think in cases like mine, for people unable to live in their house, there should be some empathy in dealing with us."

In November 2023, more than a year after lodging his claim, he received a full settlement of more than \$500,000, which he says is largely due to the help of the Financial Rights Legal Centre, another solicitor and his local council.

"I never got a letter apologising for the delay. I suffered for a year. I believe some people suffered a lot worse than me."

Mr Bush is one of thousands of customers treated shabbily by general insurers, who have built a reputation playing hardball with customers at their weakest moments.

Some of the more unsavoury practices of the country's multi-billion-dollar general insurance sector were on full display at a government inquiry into the industry's handling of the 2022 floods, including delays, denials, predatory low-ball cash settlement offers and gaslighting.



Hundreds of flood claims yet to be finalised in Victoria

He brought up specific constituent case studies relating to Allianz, including one vulnerable customer who wasn't treated seriously until a letter was written by Mr Gee's office to the company in May 2023.

"Why did it take a letter from me to get this progressed?" he asked the Allianz executives.

The mea culpas, whether practised or otherwise, raise questions whether some of them are breaches of the Corporations Act in relation to claims and complaints handling, and if so, what is the corporate regulator doing about it.

ASIC didn't answer the question but said it had "active investigations" related to insurance claims handling and dispute resolution.

"We are closely monitoring reports to identify misconduct that could result in enforcement action. We encourage consumers who are dissatisfied to speak up," ASIC said in a statement.

It said it would write to general insurers that provide home and contents insurance to make it clear it expected to see significant improvements in performance, including in the handling of any outstanding claims from the 2022 floods and more recent events.

Since January 2022, insurers who provide claims handling and settling services are required under their Australian financial services licence (AFSL) to provide those services "efficiently, honestly and fairly".

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The clock is ticking

From a shareholder perspective, fund managers will be more concerned about the possibility the inquiry will result in more regulations, and the knock-on effect to the insurer's profit.

The general insurers, IAG (which owns brands including NRMA insurance, CGU and SGIO), Suncorp, (which owns brands including AAMI, Tyndall, Vero, Asteron and Bingle), and QBE, are all trading strongly on the share market, with IAG hitting a four-year high on Friday.

Against a backdrop of Professor Allan Fels' [price gouging inquiry](#), which found evidence of hundreds of cases of price gouging across industries, the general insurance sector is on notice.

In his report, Professor Fels said insurance ranked as the 15th highest price increase in the Consumer Price Index series. It said between March 2021 and September 2023, insurance prices rose 22.6 per cent.

"This compares to growth of 47.1 per cent between December 2009 and December 2019, meaning the price of insurance had grown just shy of half again in the last two and a half years from what it had grown in the ten years prior to the pandemic," the report said.

The clock is ticking for more to be done, not just the usual nip and tucks, but systemic reform including how to deal with insurance affordability, particularly in flood prone areas, standardising definitions in policies so that insurance policies can be compared, more transparency, better training and communications with customers and an industry code that is mandatory rather than voluntary and that is overseen by a regulator with teeth. The list goes on.

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