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Mr Lachlan Wilson
Committee Secretary
Standing Committee on Economics
PO Box 6021
Parliament House
Canberra ACT 2600

By email: floodinsurance.reps@aph.gov.au

Dear Mr Wilson,

Inquiry into insurers' responses to the 2022 major floods claims – Questions 'on notice' and corrections on proof transcript

I refer to my appearance as a witness at the hearing for the Inquiry into insurers' responses to the 2022 major floods claims on 23 February 2024.

During my evidence, I took questions on notice from the Standing Committee on Economics (Standing Committee).

My response is enclosed.

I have also identified corrections to the proof transcript as set out in Appendix A.

Please do not hesitate to contact me should the Standing Committee require any further information.

Yours sincerely,

Prue Monument
General Manager, Code Compliance and Monitoring
on behalf of the General Insurance Code Governance Committee

Question 1

Mr GEE:

Another submission came from the Victorian Council of Social Service. In their submission, they suggested that the Code of practice should not only be mandatory for all insurers but also be amended to bolster equity and fairness by including the following:

Under 'Assessing your claim', commit insurers to attributing damage to disasters and not pre-existing issues unless it is unreasonable to do so.

Under 'Cash settlements', commit insurers to calculating the sum using reasonable quotes that take into account the higher cost of labour and materials after disasters.

Under 'How we respond to Catastrophes', commit insurers to providing customer-facing staff members with training in trauma-informed practice.

Would you agree with those recommendations from them?

Mr GEE:

Earlier, when we were discussing it and I raised the Victorian Council of Social Service submission, you said, 'I would like to come back to you on that.' I am just confirming that you will come back to the committee with your view on the recommendations regarding the Code in the submission from the Victorian Council of Social Service.

Response:

The ICA owns the General Insurance Code of Practice (the Code) and is responsible for the review of the Code. We have confidence in the review process and encourage stakeholders to provide suggestions to the review panel as part of the public consultation.

Furthermore, the ICA determines which insurers subscribe to the Code. Given the important role that the Code plays in improving practices beyond minimal legal requirements and delivering better outcomes for customers, we welcome initiatives that increase the number of insurers that subscribe.

Generally, we support initiatives that improve outcomes for customers.

Our responses to the recommendations in the Victorian Council of Social Service's submission are as follows:

- *Under 'Assessing your claim', commit insurers to attributing damage to disasters and not pre-existing issues unless it is unreasonable to do so.*

The onus should remain on insurers to prove that a claim should be denied on the basis that loss or damage occurred due to 'wear and tear' or other pre-existing issues covered under an exclusion. Insurers must provide evidence to support their decisions. The decision and the supporting evidence must be transparent and easy for a customer to understand.

We made recommendations to this effect in our report [Making Better Claims Decisions](#).

- *Under 'Cash settlements', commit insurers to calculating the sum using reasonable quotes that take into the account the higher cost of labour and materials after disasters.*

Insurers should be committed to provide reasonable quotes that consider higher costs of labour and materials after a disaster.

- *Under 'How we respond to Catastrophes', commit insurers to providing customer-facing staff members with training in trauma-informed practice.*

Insurers should ensure relevant staff receive training in trauma-informed practice.

- *Under 'Buying insurance', commit insurers to providing insurance information in plain English (not just taking reasonable steps) and including a list of what extreme weather is and is not covered.*

Insurers should be committed to use plain English when providing insurance information. Insurers should be clear with customers about what is and is not covered in their insurance policies.

- *Under 'Buying insurance', commit insurers to providing translated insurance information in all required languages.*

Insurers should translate insurance information into key languages. This is important for improving understanding and accessibility and delivering better outcomes for customers.

- *Under 'Using interpreters', commit insurers to providing interpreting services in all circumstances (not just where practicable).*

Insurers should provide interpreting services to customers who require them, and the insurer should cover the costs of these services. An insurer should proactively offer interpreting services when it identifies the need.

- *Under 'Automatic renewal', commit insurers to notifying customers when their sum insured no longer covers the full rebuilding costs (rather than suggesting consumers check this themselves).*

Insurers' practices should minimise underinsurance and insurers should notify customers when coverage no longer covers full rebuilding costs.

Question 2

Ms TEMPLEMAN:

Thank you for addressing the issues. Mr Gee has followed up particularly on some of the key things around the staffing levels. Perhaps I could revisit that a little bit. Hearing the way that you describe these disasters is quite shocking, particularly as they were not the first in a run of disasters that Australia has had. In the past, we've had bushfires particularly, but we've also had cyclones and storms that have come in bunches. Have you got anything to reflect on regarding guidance with which the industry might have been provided about their

performance in those sorts of disasters where, in effect, you're still saying the same things to them now that might have been fed back to them? I'm thinking about that series of cyclones and storms that occurred, and I probably can't tell you the dates, but things seem to come in a run in different parts of Australia.

Ms MONUMENT:

To be able to give you a comprehensive response to that, we'd need to take that on notice and look back at previous messaging from the Code governance committee. Certainly, it would not be to the extent that we're aware of as to what we saw with these flood catastrophes. We think that insurers were on the back foot to start with and there was that lack of preparedness. We've talked about not only the levels of resourcing and over-reliance on manual processes et cetera but also the challenges in the COVID context. Really, when these major catastrophes hit, it was certainly unlike anything that we've seen for a number of years. The messaging that came out from ASIC, the Code governance committee and others was very clear, in terms of the expectation. Certainly, the Code committee absolutely supports and endorses the November 2022 letter that Mr Gee referenced.

Response:

Since 2007, we and our predecessor organisation, the Code Compliance Monitoring Unit of the Financial Ombudsman Services Ltd (FOS), have provided guidance to the industry on handling claims in a fair, transparent and timely manner.

In recent years, our guidance and messages, as well as those from others such as ASIC, have set clear expectations.

Our [inquiry into insurers' compliance and reporting frameworks](#) emphasised the need for insurers to maintain a culture of fairness and honesty that prioritises the needs of customers.

Question 3

CHAIR:

Exactly. That has been raised with us. Speaking of the inquiry that you're undertaking in relation to expert reports, my understanding from the evidence earlier from Mrs Ifield is that you're probably reporting in the third quarter. We're due to report on 30 September. I am just thinking that it might be useful for us if we could get an interim report, if that is possible. Your examination of that will be very important for us.

Response:

We will liaise with the secretariate on an interim briefing for the Parliamentary Committee.