



30 May 2024

Select Committee on the Impact of Climate Risk on Insurance Premiums and Availability

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Parliament House

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RE: AiBEC Submission: Select Committee on the Impact of Climate Risk on Insurance Premiums and Availability

Dear Committee,

We formally write to you by way of introducing ourselves and the formation of a newly established professional body, **AiBEC** Association of Insurance Building and Engineering Consultants.

AiBEC, as a representative association for Insurance Building and Engineering Consultants [Experts], respectfully wishes under our volition provide assistance in bettering the actions and services as professionals engaged by Insurers in providing reporting and scope of work services for insurable claim assessment, loss and valuation.

We consider the question raised in the Terms of Reference prudent for our commentary and your consideration on this particular question as raised.

(c) the underlying causes and impacts of increase in insurance premiums.

Introduction: Who is AiBEC?

AiBEC, Association of Insurance Building and Engineering Consultants, has been established to be a dedicated, industry-specific organisation supporting professional Engineering and Building Consultants in the Insurance Industry.

We aim to raise this sector's professional standing by providing training and professional development opportunities to our members, enabling them to deliver the highest possible level of service to their clients and stakeholders.

Ultimately, we aim to represent this growing sector of the Insurance Industry and have our members recognised as the preferred **professional** advisors concerning building and engineering insurance claims.



AiBEC was formally announced to the Insurance Industry through Insurance News Today publication on 21 May 2024, ***New Association aims to raise quality of expert reports.***

“We’re taking it upon ourselves to answer the call of what industry is requiring. As professionals, someone needs to put their hand up and start to form betterment that can only happen internally,” Mr Bekir told insuranceNEWS.com.au today.

The Reasoning behind the need to form AiBEC in Response to an Insurance Industry Problem!

The General Insurance Code of Governance Committee produced a Thematic Inquiry titled ‘Making better claim decisions’ July 2023.

[Making better claims decisions – a thematic inquiry \(insurancecode.org.au\)](https://insurancecode.org.au/making-better-claims-decisions-a-thematic-inquiry)

This inquiry set out to determine whether the selected participating Insurers [6 of] used complaints to improve business processes, practices and compliance with the General Insurance Code of Practice.

In addition to the above, GCG Thematic Inquiry: Oversight of External Reports has been published in October 2023 which considers how general insurers onboard and monitor External Experts that provide an opinion about the likely cause of the loss or damage in relation to a home insurance claim.

[Oversight-of-External-Experts-TI-Information-Request.pdf \(insurancecode.org.au\)](https://insurancecode.org.au/oversight-of-external-experts-ti-information-request.pdf)

Both Inquires have identified significant flaws and issues relating to the engaged's processes, practices, and quality of training. It relied upon Experts by Insurers when basing decisions on policy determination and exclusions, which are relied heavily upon when assessing the merits of a claim.

The inquiry opined that the current Expert reporting lacked consistency, used incorrect information and facts, and commented on policy responses contrary to the spirit, practices, and compliance with the General Insurance Code of Practice.

Equally, the inquiry identified and recommended that Insurers and their relied-upon Experts improve standards and provide higher-quality input, including the establishment of comprehensive training, to achieve better outcomes consistent with the standards and policies of the Insurance Code of Practice.

January 2024, GCG has offered for opinion with *Experiences with external experts on insurance claims – a survey* requesting how insurers monitor the external experts who provide an opinion on the cause of loss or damage in a home insurance claim.

The Survey requesting experience with a home insurance claim that involved an expert assessing the loss or damage will help us identify what insurers are doing well and where they can improve.

As representative agents of Insurers, Experts engaged as Building and Engineering Consultants, specifically servicing and working within the Insurance Industry under the formation of AiBEC, realise that significant professional changes are required to proactively respond to the loss of consumer and industry confidence in experts relied upon by insurers in insurance claim determination.

AiBEC, as an independent regulated professional Association, will drive for regulation to ensure higher-quality input, processes, and practices, including the establishment of specifically targeted insurance related training.



AiBEC will ensure its members via a code of professional conduct **adhere** to the spirit, practices, and compliance with the findings of the General Insurance Code Governance Committee and General Insurance Code of Practice.

Our Submission Response

We kindly request a collaborative involvement and partnering as a professional body to offer our services in bettering and improving the experiences of Experts used within the Insurance Industry and involvement in home insurance claims, in particular with flood claims when experts are used.

We acknowledge submission to this Inquiry by General Insurance Code Governance Committee dated 31 October 2023 which identified the following:

“Our inquiry into claims decisions set out to investigate how insurers used complaints data to gain insights into decisions to deny claims. But in investigating this, we found a concerning trend in the number of claims denied because of maintenance or wear-and-tear exclusions.

Claim denials based on such exclusions are commonly associated with extreme weather events. Research by the Financial Rights Legal Centre² found that denials based on wear and tear to be consistently in the top five of all complaints in extreme weather events, including floods.

Our inquiry found:

- ***More than half of the decisions to deny claims were based on maintenance or wear-and-tear policy exclusions***
- ***Insurers overturned almost half of their decisions to deny on review after a complaint from a policyholder***
- ***The expert evidence that insurers relied on to deny claims was of poor quality***
- ***A lack of adequate quality control for the expert reports.***

We saw instances of neighbouring properties with the same type of cover from the same insurer receiving different outcomes for their claims.

It was clear that insurers were getting many initial decisions on claims incorrect. This resulted in customers going through the complaints process, which creates unnecessary stress in the aftermath of an extreme weather event.”

We consider that poor reporting and deliverables by Experts back to Insurers is an underlying cause and factor in the increase of premiums when it is either or in combination incorrect, misinformed or unqualified which ultimately provides Insurers poor choices and information in making fair premium or claim decisions that consequently creates universal commercial surge in premiums within the greater insurance industry and general public as a whole.



We support a collaborative and consultative process with all stakeholders within the insurance industry to develop and better current actions and outcomes for the following processes, which Experts are engaged to deliver during the claims process but limited to:

- A standardised insurance industry approach and formulation that includes training or guidelines of proximate cause when reporting on causation to enable clear and precise assessment of claims by Experts for Insurers.
- An Insurance Industry and Expert defined set of clear terms and definitions of terminology regarding but not limited to proximate cause, wear and tear, maintenance, deterioration, building movement, ground movement, settlement, subsidence, rot, gradual, and progressive to describe loss or damage to a building or structure without ambiguity or misinterpretation.
- A regulated, comprehensive training level and expectation, including minimum qualification requirements for all Experts involved in reporting within the Insurance Industry to ensure that all aspects of the Code are met with professionalism, quality and spirit.
- An ongoing training expectation and standard for all Experts would include formal training relating to The General Insurance Code of Practice, Scopes of Work, including dealing with Vulnerable Consumers, and Mental Health as set by the Insurance Council of Australia.

AiBEC, as a professional body representing Experts nationally, is supportive and ready, under its own volition, to offer consultative advice and assistance to the Insurance Industry in working to better and improve the identified issues relating to Experts' poor performance, expectations and quality of Reports, and Scope of Works used by Insurers.

AiBEC, as a collaborative body of Experts in Building and Engineering Consultants, is best positioned to develop mechanisms for improving current quality and consistency.

Why AiBEC?

AiBEC aims not only to directly respond to The General Insurance Code of Governance Committee's identified flaws and recommendations by forming a professional, regulated, and specific Association but also to better the insurance industry as a whole by providing its members with approved, recognised, and specific insurance training as Expert representatives of Insurers when engaged and acting on their behalf.

AiBEC's objectives include raising the professional standards of Experts working specifically in the insurance industry by facilitating appropriate insurance training, leading to acceptable standards and quality as independent bodies representing Insurers and achieving better outcomes for Consumers.

Equally, by improving the standards, training, and quality that AiBEC will bring, we see further positive effects and benefits within the insurance industry as a whole, including insurers' internal dispute resolution or reaching AFCA stages when reviewing and determining insurance claim response on the basis of Expert Reports produced by AiBEC Building and Engineering Consultants members.



Association of Insurance Building & Engineering Consultants

Our View on Training to Better Experts and Approaches for AiBEC

We consider specific insurance training, particularly with AFCA and their publicised common issues and complaint types with Expert Reports, will improve the assessment of the proximate cause of damage in a general insurance claim.

<https://www.afca.org.au/media/1345/download>

AiBEC aims to improve our members' approaches and deliverables in Expert Reporting to improve quality and outcomes for Insurers and Consumers at such disputed stages.

We welcome the opportunity to meet, discuss and move forward with offence to collaborate and form an integral contribution to your Inquiry with a view of assisting in driving good practices in the general insurance industry as a whole.

Should you require further information or qualifications on our submission, including the inception of AiBEC in response to our professional efforts in bettering the insurance expectations of Experts, we welcome such an opportunity in advance.

Kind Regards,

Deniz Bekir – Director AiBEC

Andrew Morse – Director AiBEC

Tony Libke – CEO AiBEC