



GENERAL INSURANCE
Code Governance Committee

**2012 GENERAL INSURANCE
CODE OF PRACTICE
ANNUAL REPORT 2014–2015**

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ABOUT THIS REPORT

This Annual Report covers the Code Governance Committee's key activities during the 2014–15 financial year (1 July 2014 – 30 June 2015), in accordance with its governance requirements.

This includes the discharge of specific functions previously the responsibility of the former Code Compliance Committee (Former Committee) and refers to activities of Code Subscribers under the 2012 General Insurance Code of Practice (2012 Code).

It also shares the Committee's experience of good industry practice to improve standards of practice and service in the Australian general insurance industry, recognising that Code Subscribers began operations under the new 2014 General Insurance Code of Practice (2014 Code) on 1 July 2015.

The Committee will publish a second Annual Report in April 2016 focusing on aggregated general insurance industry data for the 2014–15 financial year. The latest report on industry data which is for the 2013–14 year, was published by the Financial Ombudsman Service Limited and is available through this hyperlink: [Code Compliance publications :: Financial Ombudsman Service](#).¹

A list of Code Subscribers as at 30 June 2015 is in **Schedule 3** and all references to individual Code Subscribers throughout this Annual Report use a unique identifier.

All the data in this Report was correct at the time of reporting.

¹2012 General Insurance Code of Practice Aggregated Industry Data Report Overview of the Year 2013–2014.

CHAIR'S MESSAGE

I am pleased to be able to present my first report as Independent Chair of the General Insurance Code Governance Committee.

It has been an exciting transition year as the new Committee oversaw the 2012 Code, while working with the general insurance industry and consumer representatives on processes associated with, and planning for, the new 2014 General Insurance Code of Practice, with required adoption by insurers on 1 July 2015.

The manner with which both industry and consumers engaged with us has been professional, supportive and helpful, and we are grateful to you all.

The general insurance industry has played a very important implementation role through the Insurance Council of Australia (ICA) and its Code Reference Group, and a robust set of policies and guidelines is now in place. Consumer representatives advised us about issues confronting them on a day to day basis, and welcomed the inclusion of new provisions around Financial Hardship in the Code. Their input has helped us formulate our 2015–16 work plan.

It is great that we have been able to implement all of our work priorities in the transition year in time for the start of the new Code. I am particularly grateful to the FOS Code team for the assistance that they provided us over the year with the important implementation framework and associated actions.

Over the course of the year, general insurers and Lloyd's Australia coverholders and claims administrators, have been making their preparations for the adoption of the new Code on 1 July 2015.

Code breach data over the course of the 2014–15 year is based on the 2012 Code and tells a consistent story of occasional break downs in Code observance, much of which is around timeliness of claims processing and failure to provide correct and full information, including review rights, at the time a consumer's claim is denied. Measures to fix these breaches typically involve training, adjustments to policies and procedures, systems improvements and updated documents.

In 2014–15, 430 Code breaches were recorded and finalised – only one of these breaches was significant, which is much less than in the previous years (for example, in 2013–14 there were 21 significant breaches closed). Importantly, the obligation to report significant breaches of the Code did not alter during the transition year. The significant breach that did occur was about the way in which a general insurer's assessors had calculated market value when settling several total loss motor vehicle claims.

Under the 2012 Code, Code Subscribers voluntarily reported matters to us that were possibly significant breaches, and FOS Code worked with them to determine whether the breaches were significant in nature and the appropriate remedial action. This demonstrates the industry's willingness to work with the Committee to resolve issues and its strength of commitment to supporting the Code.

The new Code has extended the factors the Committee and Code Subscribers must have regard to when determining whether a breach is significant (and reportable) to include greater consideration of the impact of a "likely breach" on a Code Subscriber's ability to provide its services. A Code Subscriber is "likely" to breach a Code obligation if it will not be able to comply with that obligation.

The Committee encourages Code Subscribers to report a breach or likely breach even if they are unsure whether it is significant. The Committee is confident that Code Subscribers will continue to develop their ability to proactively detect significant and likely breaches.

In working through the strategy for our 2015–16 work plan, the Committee felt that it would be important in the first year of the new Code to assess carefully the success of implementation arrangements within general insurance. For example, as part of our regular system of audits, we will be paying close attention to how the new Financial Hardship arrangements are managed. Also, for the first time, this Committee will introduce an Own Motion Inquiry into Code compliance by Service Suppliers to general insurance.

The Committee is pleased to see that the ICA has established an Effective Disclosure Task Force, chaired by Mr Michael Gill who so successfully managed the Former Committee for many years. It will be valuable to understand if there are any Code obligation issues that surface as a result of the work done by the Effective Disclosure Task Force. The Code Governance Committee plan to conduct an inquiry into Product Disclosure Statements in 2016–17 and how the selling practices of Code Subscribers align with their Code obligations.

While there are longstanding and formal mechanisms in place for ongoing discussions between the general insurance industry and the Committee which work very well, consultation and feedback arrangements with consumer groups have tended to be less formal and there may be non-compliance that we would not be routinely aware of.

In the future, we intend to find more regular means of engagement with, and reporting from, consumers so that their Code concerns can be addressed by the Committee.

I would like to thank Dr June Smith who has so ably supported this Committee and its predecessors over several years. It has been a pleasure working with her and we wish her well in her new role as Lead Ombudsman, Investments and Advice, with the Financial Ombudsman Service Australia. I would also like to thank Ms Rose-Marie Galea and the team who work with her for all the meticulous and thoughtful work they do to support us.

The Committee welcomes Ms Sally Davis, who began her new role as FOS Code's General Manager on 1 September 2015. We are looking forward to building a strong working relationship with Sally in the coming months.

As well as this, I have found the CEO of the ICA, Mr Robert Whelan, to be extraordinarily helpful in supporting me as the new Chair, and supporting and contributing to our work through the Code Governance Association.

We couldn't wish for better support.

Finally, and most importantly, I wish to thank my fellow Committee members – Mr Ian Berg and Ms Julie Maron – who have actively and very ably contributed to Committee discussions and activities in their representative roles for the general insurance industry and consumers, respectively. We are very much looking forward to 2015–16 and all the new opportunities it brings.



Lynelle Briggs AO
Independent Chair
Code Governance Committee

2014–15: YEAR AT A GLANCE – COMMITTEE ACHIEVEMENTS

30 July 2014 - Insurance Council of Australia announced inaugural Code Governance Committee



Held its first meeting on 26 August 2014, set key priorities for 2014-15 & met on 4 more occasions



Considered 4 reports from FOS Code on Code Subscribers' compliance with 2012 Code obligations



Proactively engaged with Code Subscribers to ensure effective transition to the new 2014 Code obligations which apply from 1 July 2015



Developed & implemented new governance & secretariat functions, processes & procedures to enable it to meet its 2014 Code & Charter obligations



Approved an annual work plan for 2015–16 which began on 1 July 2015



Engaged with the Insurance Council of Australia & industry stakeholders in building the Code monitoring framework for 2015–16



Developed a communications strategy to facilitate engagement with key stakeholders & ensure its visibility & transparency of its operations



Developed a logo to assist in ensuring independence & branding of its obligations



Met with the FOS Chief Ombudsman & Lead Ombudsman General Insurance



Met with Consumer Advocates in Melbourne & Sydney



Met with the Chairs of the Code of Banking Practice, the Customer Owned Banking Code of Practice & the Insurance Brokers Code of Practice

2014–15: YEAR AT A GLANCE – CODE COMPLIANCE OUTCOMES

FOS Code provided 4 reports to the Code Governance Committee about Code Subscribers' compliance with 2012 Code obligations

FOS Code resolved & closed 430 Code breaches, including 1 significant breach & multiple breaches involving 4 Code Subscribers
Up 61% on 2013–14

Code Governance Committee was satisfied that the multiple Code breaches were not indicative of a serious or significant Code breach

300 claims handling breaches including multiple breaches involving 3 Code Subscribers
Up 24 % on 2013–14

79% of claims handling breaches due to a failure to inform some consumers in writing about a claim denial &/or give information about their review &/or access rights

130 complaints handling breaches including multiple breaches involving 1 Code Subscriber
Up from 8 breaches in 2013–14

One Code Subscriber identified & reported a significant breach of its obligation to conduct claims in a fair, transparent & timely manner
Total payments of \$21,834 (including interest) to affected consumers

Two Code Subscribers voluntarily reported multiple breaches of some claims handling standards

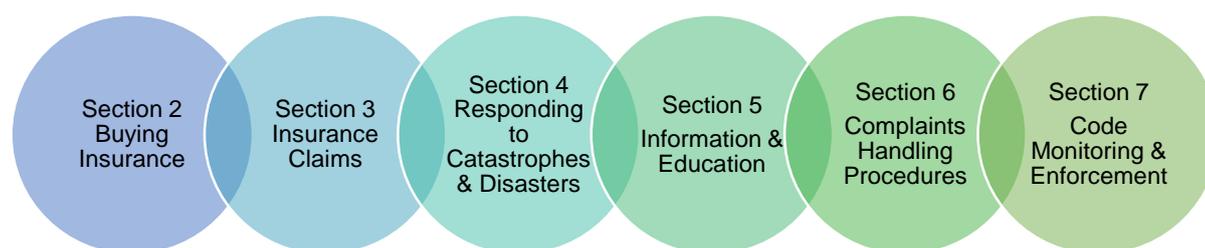
FOS Code concluded 13 desktop audits, including one which found that a Code Subscriber did not comply with a claims handling standard

ABOUT THE CODE

The Insurance Council of Australia (ICA) launched its General Insurance Code of Practice (the Code) in July 2005 and it became operational on 18 July 2006. The 2012 edition of the Code came into effect on 1 July 2012.²

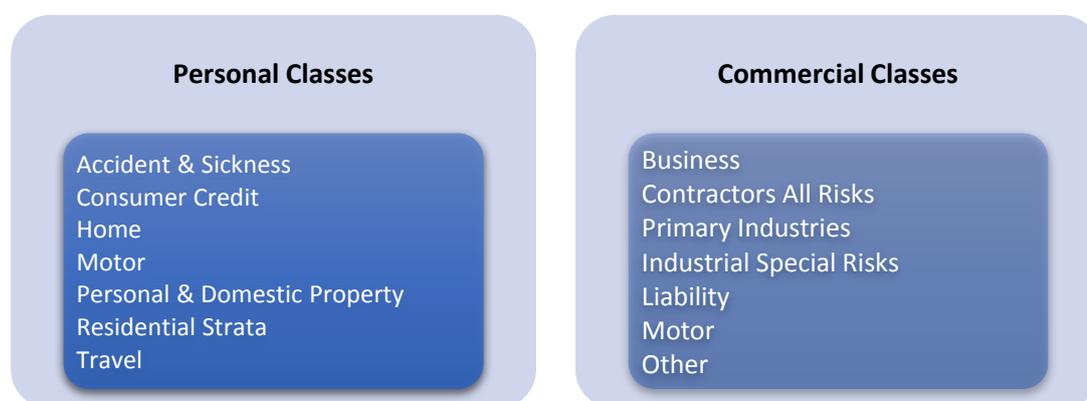
This Report outlines Code Subscribers' compliance with the standards of the 2012 Code. The standards apply to general insurance services in several areas described broadly in the following diagram.

The 2012 Code standards



The 2012 Code applies to most general insurance products, broadly categorised by class here.³

Classes of general insurance covered by the 2012 Code



On 1 July 2014 the ICA launched revised Code standards set out in the 2014 General Insurance Code of Practice (the 2014 Code), replacing the 2012 Code.

The key changes to the 2014 Code are:

- The Code now applies primarily to retail insurance products. Wholesale insurance products are only covered in selected circumstances.
- There are increased obligations on Code subscribers relating to customers experiencing financial hardship.

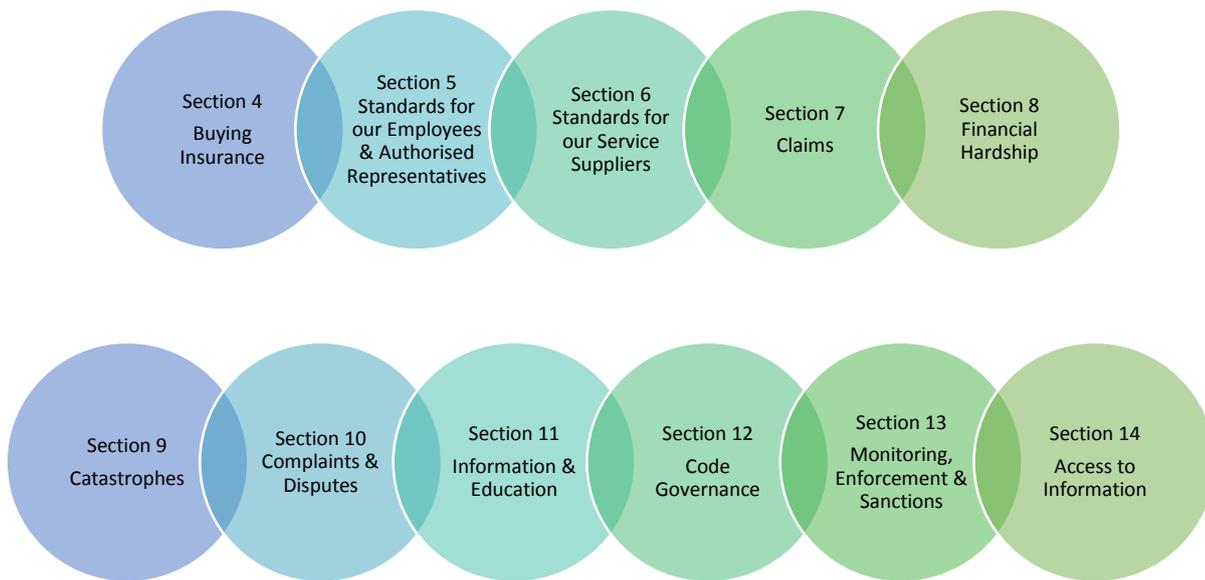
² The new 2014 Code, the 2012 Code and earlier versions are available from www.codeofpractice.com.au.

³ The 2012 Code does not apply to workers compensation, marine, medical indemnity and compulsory third party insurance, reinsurance, and life and health insurance products issued by life insurers or registered health insurers, sections 1.4 and 1.5.

- The Code now applies to third party beneficiaries of insurance policies.
- An increased focus on Code promotion.
- A revised framework for Code governance, monitoring, enforcement and sanctions which are clearly defined.

We have broadly described the key standards of the 2014 Code in the following diagram.

The 2014 Code standards



Code Subscribers used 2014–15 to transition business operations to the standards of the 2014 Code which applies to covered general insurance services from 1 July 2015. At the same time, Code Subscribers, their Employees, Authorised Representatives and Service Suppliers remained bound by the standards of the 2012 Code.⁴

All Code Subscribers who transitioned from the 2012 Code to the 2014 Code must comply with the standards of the 2014 Code from 1 July 2015.

⁴ The 2012 Code, sections 1.6 and 7.4.

ABOUT THE CODE GOVERNANCE COMMITTEE

The Code Governance Committee is an independent compliance monitoring body.

The Committee was established on 1 July 2014 under a new Code governance framework underpinned by the following documents:

- Constitution of Code Governance Committee Association Inc. (the Constitution).
- Schedule 1 of the Constitution: The Code Governance Committee Charter (the Charter).
- Deed of Adoption.
- 2014 General Insurance Code of Practice (2014 Code).

The Committee comprises Lynelle Briggs AO – Independent Chair, Julie Maron – Consumer Representative and Ian Berg – Industry Representative. On 1 July 2014, we assumed responsibility and oversight for matters that were previously before the former Code Compliance Committee (Former Committee) under the 2012 Code.

On 1 July 2015 we also became responsible for monitoring Code Subscribers' compliance with the 2014 Code. At the same time, the Financial Ombudsman Service Limited (FOS) became our administrator under an outsourcing agreement, with responsibility for monitoring Code compliance on our behalf.

In 2014–15 we structured our Code monitoring and compliance activities around our obligations to:

- Consider quarterly aggregated breach data provided by FOS's Code Compliance and Monitoring team (FOS Code).
- Monitor Code compliance through reports received from FOS Code.
- Make determinations and impose sanctions where FOS Code has reported a failure by a Code Subscriber to correct a Code breach.
- Identify serious, or systemic, issues with regard to the 2012 Code or its application.
- Subject to privacy law, report back to FOS on any findings or determinations made by us as a result of data provided by FOS Code.

We complied with our Charter and Deed obligations and met five times between 1 July 2014 and 30 June 2015. We discussed a range of matters including:

- FOS Code's quarterly reports on Code Subscribers' compliance with 2012 Code obligations.
- The development of new governance and secretariat functions, processes and procedures to enable us to meet our 2014 Code and Charter obligations.

ABOUT THE COMMITTEE MEMBERS

Lynelle Briggs AO – Independent Chair

Lynelle worked as a public servant with the Australian Government for 31 years, during which time she was the CEO of Medicare Australia, Australian Public Service Commissioner and Deputy Secretary in the Department of Transport and Regional Services. She also served in the Departments of Social Security, Treasury, Health and Ageing, and the Prime Minister and Cabinet.



Since her retirement from the public service, Lynelle has chaired several committees and conducted various reviews and inquiries. She was a director of the Australian Rail Track Corporation, and is now Chairperson of NSW's Planning Assessment Commission. Lynelle is also an independent councilor with the Royal Australian College of General Practice and an Independent Director of Maritime Super, as well as Chairperson of ASIO's Audit and Risk Committee.

Lynelle received the Order of Australia in the General Division in 2013 for her distinguished service to public administration, in particular for leadership and professionalism. She is a member of the Australian Institute of Company Directors.

Ian Berg – Industry Representative

Ian retired from FM Global Australia's operations in March 2014 after 35 years with the group. He was Vice President and Operations Manager for Australia, Chief Executive Officer for FM Global in Australia and a director of FM Insurance Co. Ltd.



Ian spent five years as a director on the ICA Board. Starting his career as a loss prevention engineer, Ian has worked in engineering, business development, marketing, underwriting and management positions for FM Global in Australia, the UK and the US.

Ian is a qualified engineer and a Member of the Australian Institute of Company Directors.

Julie Maron – Consumer Representative

Julie has been a practicing solicitor since 2001, having worked in private practice and government legal departments in Canberra, before moving to her current role as a senior consumer lawyer for Legal Aid NSW, based in Wagga Wagga in regional NSW.



Julie has assisted hundreds of consumers with insurance matters after natural disasters, including the 2010–2011 Queensland floods, the 2010 and 2012 Riverina floods and the 2013 Warrumbungles bushfire. Julie was the consumer adviser to the Independent Review of the General Insurance Code of Practice.

ABOUT THE CODE SECRETARIAT

Dr June Smith, General Manager, Code Compliance and Monitoring

June is a specialist in integrity, governance and self-regulatory frameworks, and a lawyer with a PhD in applied ethics and organisational decision-making within financial services organisations.



During the reporting year June held a number of external appointments in addition to her role as General Manager, including Chair of the Financial Planning Association of Australia's Conduct Review Commission, Chair of the Code Compliance Monitoring Committee - Australian Travel Agents Scheme, Member of Racing Victoria's Racing Appeals and Disciplinary Board, Advisory Member, Member Compliance Committee – Financial Consumer Rights Council of Victoria and Victoria University Alumni Ambassador.

On 1 July 2015 June commenced in the role as Lead Ombudsman (Investments and Advice) with the Financial Ombudsman Service Australia.

Rose-Marie Galea, Compliance Manager, Code Compliance and Monitoring

Rose-Marie has worked with the Financial Ombudsman Service Australia and its predecessor schemes since 2001 and has been involved in Code compliance monitoring within the general insurance industry since 2003.



Rose-Marie is a lawyer and also holds a Bachelor of Science with Honours from Monash University and has previously worked in private practice, the general insurance industry and the Queensland public service.

Sally Davis, General Manager, Code Compliance and Monitoring

Sally has been appointed as General Manager of Code Compliance and Monitoring at the Financial Ombudsman Service (FOS) Australia effective on 1 September 2015. The appointment has been made on the recommendation of a selection committee comprising Mr Doogan, Independent Chair of the Code Compliance Monitoring Committee (Banks), Dr Sue-Anne Wallace, Independent Chair of the Code Compliance Committee (Customer Owned Banking Institutions), and Mr Shane Tregillis, Chief Ombudsman, FOS.



Sally has previously worked as Senior Manager of Systemic Issues at FOS and has worked at FOS and its predecessor schemes for almost 15 years. Sally is an accredited mediator and holds a Bachelor of Commerce and a Bachelor of Laws degree from the University of Melbourne and a Graduate Diploma (Arts) from Monash University.

Sally brings to this position extensive experience in financial services, as well as good relationships with regulators, industry and consumer groups from her work as Senior Manager of Systemic Issues at FOS.

1. FOS CODE REPORTS TO THE COMMITTEE

1.1 Types and frequency of breaches

We met in November 2014 and February, May and August 2015 to consider FOS Code's quarterly reports about monitoring outcomes for 2014–15 under the 2012 Code. This is in line with obligations outlined in subsections 7.9 and 7.14 of the 2012 Code. We considered whether the breach data reported by FOS Code, outlined in **Schedule 1** of this Report, enabled us to:

- Identify serious or significant issues of industry and/or individual non-compliance with the 2012 Code or its application.
- Better monitor Code compliance.
- Identify recommendations for industry improvement.

In 2014–15 FOS Code worked with Code Subscribers to resolve and close 430 breaches, up from 267 breaches in 2013–14. The non-compliance included one significant breach recorded against one Code Subscriber, two breaches identified by FOS Code during a desktop audit of another Code Subscriber's compliance, and 367 breaches (multiple breaches) recorded across four other Code Subscribers.

FOS Code reported that the relevant Code Subscribers rectified the breaches to minimise the likelihood of a repetition, and addressed consumer detriment where applicable. Moreover, we were satisfied that the multiple breaches were not indicative of a serious or significant breach of the 2012 Code.

Non-compliance with some of the claims handling standards found in section 3 led to 300 of the 430 breaches in this reporting period, including the significant breach. This activity accounted for 70% of the breaches recorded by FOS Code. The remaining 130 breaches (30%) involved non-compliance with several of the complaints handling standards outlined in Section 6.

The significant breach occurred because Code Subscriber 117's assessors incorrectly calculated market value when settling several motor vehicle insurance claims. This resulted in some consumer detriment and placed Code Subscriber 117 in breach of subsection 3.5.1 which required it to handle the relevant claims in a fair, transparent and timely manner. We have discussed significant breaches, and summarised this matter in **Case Study 5**, in **Part 1.2**.

The multiple breaches recorded by FOS Code comprised:

- 111 breaches of subsection 6.1.1 because Code Subscriber 72 did not handle the relevant consumer complaints in a fair, transparent and timely manner. The increase in breaches seen in this reporting period is largely attributable to this activity.
- 22 breaches of subsection 3.2.3 which requires a Code Subscriber to update consumers about claim progress every 20 business days. Code Subscriber 38 voluntarily reported this non-compliance to FOS Code.
- 42 breaches of subsection 3.5.5(a) by Code Subscriber 167 and 192 breaches of subsection 3.5.5(a) to (c) voluntarily reported by Code Subscriber 7. Subsection 3.5.5 defines the information a Code Subscriber should give a consumer when it has denied their claim.

We have discussed the multiple breaches in **Case Studies 1, 2, 3 and 4.**

Case Study 1 – Updating consumers about claim progress

Code Subscriber 38 identified and voluntarily reported to FOS Code that it had not updated some consumers about the progress of their claim. It elected to report the breaches because it was not sure whether the breaches were significant in nature. FOS Code subsequently determined that the breaches were not significant and that Code Subscriber 38 had resolved the breaches.

Code standard: A Code Subscriber must update a consumer about claim progress at least every 20 business days, as outlined in subsection 3.2.3.

Identified by: Code Subscriber 38 identified and voluntarily reported 22 breaches of subsection 3.2.3 to FOS Code.

Consumer impact: Although 22 consumers were not regularly updated about claim progress, all other claims handling requirements complied with Code requirements.

Nature of the breaches: Code Subscriber 38 initially identified compliance exceptions through monthly claims audits. The exceptions prompted Code Subscriber 38 to review all claims in a pending status which led to its identification of 22 non-compliant claims under consumer credit policies handled by one employee.

Corrective actions: Code Subscriber 38 addressed this matter by:

- Providing claim updates to each of the affected consumers.
- Providing weekly one on one coaching to the relevant employee.
- Implementing a weekly pending claim report that is reviewed and followed up on a daily basis.
- Arranging for all operational staff to complete refresher Code training.
- Completing its implementation of a new online claims management process for consumer credit claims, which has enhanced controls by automating previously manual claims handling processes. The system provides claims handlers with automated alerts every 10 business days and creates tasks in their work queues. Team leaders and senior claims staff monitor reports of the completion of these tasks daily.

Case Study 2 – Consumer rights about claim denials

Code standard: One of the actions that a Code Subscriber must take after denying a consumer's claim, is to give them the reasons for that decision in writing. This requirement is outlined in part (a) of subsection 3.5.5 of the 2012 Code.

Identified by: FOS Code determined that Code Subscriber 167 failed to comply with subsection 3.5.5(a) on 42 occasions.

Consumer impact: Code Subscriber 167 did not provide written reasons for a claim denial to 42 consumers.

Nature of the breaches: Code Subscriber 167 identified that some members of a motor claims team had informed the relevant consumers by phone of the claim denials and the reasons, but did not confirm the reasons when they wrote to them.

The relevant staff had sent the claim denial correspondence without obtaining the required authorisation.

Corrective actions: Code Subscriber 167 remedied the breaches by:

- Providing feedback and coaching to the team members.
- Issuing a communication to all claims teams reminding staff of:
 - their level of authority in issuing decline letters, and
 - the requirements for completing the decline letters.
- Reviewing other claims teams authorised to issue claim denial letters to ensure that the letters complied with subsection 3.5.5.
- Updating its process and procedure guide for the relevant motor claims team.
- Enhancing system-generated decline letter templates for the relevant motor claims team to include a mandatory field for the reasons underlying a claim denial.

Case Study 3 – Consumer rights about claim denials

Code standard: If a Code Subscriber denies a consumer's claim, it must give the reasons for the decision in writing, and inform them of their rights to access information about the decision and review a decision to refuse access, and their right to review the claim denial. These standards are found in subsections 3.5.5(a), (b) and (c) of the 2012 Code.

Identified by: Code Subscriber 7 identified & voluntarily reported 192 breaches of subsections 3.5.5(a), (b) and (c) to FOS Code.

Consumer impact: 192 consumers incurred delays in receiving information about a claim denial and access and review rights.

Nature of the breaches: Through audits and spot checks Code Subscriber 7 found that a claims team delayed sending written notification of a claim denial to 192 consumers during a 12-month period, across various retail general insurance products.

Although the claims team had notified each consumer of the decision and reasons by phone, they had not understood that they should also send written confirmation at the same time.

Code Subscriber 7 attributed the breaches to a high number of staff illnesses within the claims team and its failure to articulate the importance of issuing claim denial letters at the time of making the decision in the team's procedure.

Corrective actions: Code Subscriber 7 remedied this matter by:

- Issuing a written claim denial to each of the 192 affected customers, in line with the requirements of subsections 3.5.5(a), (b) and (c).
- Implementing a new procedure to ensure that the claims team drafted, reviewed and issued claim denial letters in a timely manner.
- Implementing a new tracking tool to monitor timeframes with monthly reports to the compliance team.
- Providing remedial training to the claims team.
- Closely monitoring the claims team's adherence to the requirements during a six month period.

Industry Guidance – Standards applying to claim denials under the 2014 Code

The Former Committee observed a general trend in non-compliance with part (b) of subsection 3.5.5 in its final annual report (2013–14), with 188 breaches recorded by FOS Code during that period. The 2014–15 breach data confirms a continuing trend of non-compliance with one or more of the standards of subsection 3.5.5, including part (b).

Subsection 3.5.5 has been replicated in subsection 7.19 of the new Code. Industry compliance with these standards in particular is critical, because they define what a consumer is entitled to know and access about a claim denial, how that information should be communicated to them, and the right to access internal and external complaints mechanisms.

Code Subscribers will fall short of compliance with the equivalent standards in subsection 7.19 of the new Code if they:

- give some of the required information verbally and the balance in writing,
- do not include all of the required information in their written communication, or
- delay providing, or do not provide any of, the required information in writing, even though they provided it verbally.

We recommend that Code Subscribers take steps to ensure that their processes and procedures, including templates used for drafting claim denials, facilitate their compliance with all aspects of subsection 7.19.

Code Subscribers should also closely monitor adherence to the standards by their Employees and Service Suppliers.

Case Study 4 – Accessible arrangements for consumers wishing to make a complaint

As highlighted earlier, the data shows that 130 of the 430 breaches involved non-compliance with the standards that apply to the complaints handling standards outlined in section 6 of the 2012 Code. In 2013–14 FOS Code recorded just eight breaches of these standards including one significant breach.

We note that 117 (90%) of the 130 breaches involved Code Subscribers' non-compliance with their obligation to conduct complaints handling in a fair, transparent and timely manner. Further, 111 (85%) of these breaches were due to the conduct of an entity related to Code Subscriber 72. FOS Code identified these multiple breaches during its investigation of another matter. The breaches occurred because the related entity's claims staff used a claim denial template modified by a former employee to ask a consumer to put their complaint about a claim denial in writing.

Code standard: A Code Subscriber must handle complaints in a fair, transparent and timely manner, as outlined by subsection 6.1.1 of the 2012 Code.

Identified by: FOS Code identified that Code Subscriber 72 had breached subsection 6.1.1 on 111 occasions.

Consumer impact: Code Subscriber 72 established that 111 consumers had been misinformed about how to access a related entity's internal complaints process.

Nature of the breaches: A Code Subscriber is required to have accessible arrangements for consumers who may wish to make a complaint. Asking a consumer to put a complaint in writing may be a deterrent and is inconsistent with subsection 6.1.1.

Code Subscriber 72 identified that a former staff member had changed a claim denial letter template by requiring a consumer to put a request to review a claim denial in writing. It reviewed all claim denials issued by the related entity during a 21 month period from the date of the staff member's appointment and found that 111 consumers had been misinformed.

Corrective actions: Code Subscriber 72 remedied the breaches by:

- Contacting the consumers by phone to advise them of the error.
- Issuing an amended claim denial letter to each consumer.
- Issuing a communication to the related entity's claims staff reminding them not to diverge from standard templates under any circumstances.
- Enhancing its claim denial letter templates to make a clear distinction about what an author can and cannot change.
- Giving a senior manager authority to change or replace templates.

Industry Guidance – Standards applying to complaints and disputes under the 2014 Code

From 1 July 2015 Code Subscribers' complaints and disputes processes and procedures must comply with standards outlined in section 10 of the 2014 Code. Subsection 10.4 provides that Code Subscribers will conduct complaints handling in a fair, transparent and timely manner, mirroring subsection 6.1.1 of the 2012 Code. One of the objectives of the 2014 Code is to provide fair and effective mechanisms for the resolution of complaints and disputes between Code Subscribers and consumers (subsection 2.1(d)). Subsection 2.2 provides that the objectives of the 2014 Code will be pursued having regard to the law, and acknowledging that a contract of insurance is a contract based on the utmost good faith.

As a result, when we assess whether a Code Subscriber's complaints handling processes comply with subsection 10.4 of the 2014 Code, one of the legal instruments we have regard to is Australian Securities and Investment Commission Regulatory Guideline 165 (ASIC RG 165) *Licensing: Internal and external dispute resolution*. ASIC RG 165 requires providers of financial services to have accessible arrangements for consumers who may wish to make a complaint or dispute, including providers of general insurance services. RG 165 acknowledges that a consumer does not need to put their complaint or a dispute in writing in order to access complaints mechanisms, and that to do so may deter them from raising complaints and disputes.

Consequently, a Code Subscriber who suggests that the only way a consumer may access its complaints process is by putting their complaint or dispute in writing, is acting inconsistently with its obligation to conduct complaints handling in a fair, transparent and timely manner.

To ensure that consumers understand that they may make a complaint or lodge a dispute about any aspect of Code Subscribers' services by any reasonable means – in person, by phone, letter or email – we recommend that Code Subscribers:

- Review their complaints handling processes and procedures, including templates and consumer brochures used to communicate information about accessing complaints mechanisms.
- Ensure that templates that contain information about how to access complaints mechanisms cannot be modified in any circumstances without authorisation.
- Review training programs for Employees and Authorised Representatives to ensure they clearly articulate complaints handling requirements.
- Monitor Employees', Authorised Representatives', and Service Suppliers' compliance with complaints handling requirements.

1.2 Significant breach reports

If a Code Subscriber identifies a significant breach of the 2012 Code it must report it to FOS within 10 business days. A significant breach is one determined to be significant by reference to similar previous breaches, the adequacy of Code compliance arrangements, the extent of any consumer detriment, and breach duration. A Code Subscriber must also correct a significant breach within agreed timeframes and FOS is required to notify us of any failure to correct the significant breach.

Case Study 5 – Dealing with claims in a fair, transparent and timely manner

FOS Code reported one closed significant breach for 2014–15 and is dealing with several other significant breaches reports carried over into 2015–16. Code Subscriber 117 reported the significant breach to FOS Code and has rectified it, including addressing consumer detriment.

Code standard: A Code Subscriber must conduct claims handling in a fair, transparent and timely manner.

Reported by: Code Subscriber 117 reported a significant breach of subsection 3.5.1 to FOS Code.

Consumer impact: Code Subscriber 117 determined that 29 consumers had experienced some financial detriment and made total payments to them of \$21,834 including interest.

Nature of the significant breach: Code Subscriber 117 had settled a number of commercial and personal total loss motor vehicle insurance claims on the basis of market value, as defined by the relevant motor vehicle insurance products. The issue affected some consumers whose motor vehicle claims were settled during a 9 month period.

During an internal compliance review Code Subscriber 117 identified that it had not complied with its obligation to conduct claims handling in a fair, transparent and timely manner. It identified 29 consumers had suffered some financial detriment following a review of 404 claims settled during the relevant period. The financial detriment occurred because some assessors had not taken into account the relevant motor vehicle insurance product's definition of market value.

Other corrective actions:

- Corrected the methodology for assessing total loss claims in its assessors' motor assessing guide.
- Updated procedures on how assessors are trained in applying the methodology.
- Trained assessors on the revised methodology.
- Reviewed policy wording and the process for assessing motor vehicle total loss to ensure consistency.
- Monitored assessors to review and ensure compliance with the revised process.
- Reviewed its risk management model and incorporated an updated incident management process to raise staff awareness and understanding of incident reporting.

While FOS Code received fewer reports of significant breaches during 2014-15, two Code Subscribers voluntarily reported multiple breaches as possibly significant in nature. FOS Code subsequently determined that the breaches were not significant and worked with each Code Subscriber to apply appropriate corrective actions to minimise a recurrence. We have provided a summary of each of these matters in **Part 1.1** of this Report.

The 2014 Code has extended the factors that must be considered by us and Code Subscribers when determining whether a breach is significant and as a result reportable to us. The revised definition of significant breach applies from 1 July 2015 and now includes references to the:

- Impact of a breach or likely breach on a Code Subscriber's ability to provide its services.
- Extent to which a breach or likely breach indicates that Code compliance arrangements are inadequate.
- Potential or actual financial loss caused by the breach.

We are confident that Code Subscribers will continue to develop and enhance their ability to proactively detect significant and likely significant breaches of Code obligations and report them to us.

Prior to 1 July 2015 FOS Code was not permitted to identify any Code Subscriber in its significant breach reports to the Former Committee or to us. This is no longer the case. From 1 July 2015 Code Subscribers are required to report significant breaches to us, so we will fully understand which company is involved. This change in the 2014 Code's governance framework provides transparency in Code operations and will enable us to discharge our functions and responsibilities effectively and ensure that the Code's objectives are achievable.

Industry Guidance – Reporting significant breaches from 1 July 2015

A Code Subscriber should:

1. Report a significant breach or likely significant breach to us within 10 business days of identifying it. We will treat a failure to report a significant (or likely) breach as a significant breach in itself.
2. If unsure whether a breach or likely breach is significant, report it to us.
3. Have a clear and documented process for reporting incidents that is well-understood by all employees including those of related entities.
4. Have a clear and well-understood documented process for identifying likely breaches, breaches and significant breaches, which has regard to the revised definition of significant breach in the 2014 Code.
5. Document the factors considered in assessing whether an incident is a significant (or likely) breach, including those about a conclusion that an incident is not a breach or likely breach, of Code obligations.
6. Ensure it has a capacity to capture incidents relating to the conduct of its Authorised Representatives and Service Suppliers, and assess them in accordance with its incident management procedures.

1.3 Desktop audits and compliance statements

In 2014–15 Code Subscribers focused on transition to the revised obligations of the new 2014 Code, which apply to their services from 1 July 2015. As a result FOS Code suspended compliance monitoring through desktop audits (audits) and compliance statements in 2014–15 and worked closely with Code Subscribers during transition.

An audit requires a Code Subscriber to complete a questionnaire describing how it complies with a selection of Code standards, including whether it has identified any non-compliance. It must also provide evidence supporting its compliance status. The Code Subscriber must submit its completed audit and supporting evidence to FOS Code by a scheduled date. FOS Code examines the Code Subscriber's responses and supporting evidence against the relevant Code standards.

A compliance statement enables a Code Subscriber to self-assess its compliance with all relevant Code standards and provide a statement about its compliance status, including whether it has identified any non-compliance. It is required to submit the completed compliance statement to FOS Code by a scheduled date for review.

FOS Code will work with Code Subscribers to resolve compliance gaps disclosed through these monitoring activities and provide us with quarterly reports on the outcomes of audits and compliance statements.

We are resuming the practice of audits and compliance statements in 2015–16 as key elements of our compliance monitoring framework as outlined in **Schedule 2**.

While FOS Code did not schedule any new audits during 2014–15, it closed and reported on the outcomes of 13 audits carried over from 2013–14. FOS Code reported that it was satisfied 12 of the 13 Code Subscribers had processes and procedures that enabled them to comply with Code obligations. The remaining Code Subscriber – 159 – did not have a documented process to comply with obligations described by part (b) of subsection 3.5.5. To address this it:

- Amended its procedures manual and claim denial letter templates to include the requirements of subsection 3.5.5(b).
- Informed all relevant staff of the changes to its procedures and templates.

Although Code Subscriber 159 denied one consumer's claim after subsection 3.5.5(b) became operational, it had provided the consumer with copies of the information that it had relied on. As a result, the compliance gap did not affect any consumers.

1.4 Breach cause and corrective action

We have summarised the causes of breaches and the actions Code Subscribers implemented to correct the breaches in **Tables 5** and **6** in **Schedule 1** of this Report. The prevailing cause of non-compliance with Code standards remains a failure by Employees, Authorised Representatives and/or Service Suppliers to follow Code Subscribers' processes and procedures. In 2014–15 all but 8 of the 430 breaches – 98% – were due to this cause. The failure to apply established processes and procedures led to consumer detriment in the form of financial loss and delaying or deterring access to complaints mechanisms.

Code Subscribers applied a number of measures to address breaches in this reporting period, predominantly remedial training either alone or together with other tools in 415 – 97% – of the 430 breaches. Remedial training encompasses counselling, one on one coaching and refresher training. As seen earlier, the significant breach of subsection 3.5.1 led to total payments of \$21,834 including interest to 29 consumers. Code Subscribers also improved their processes and procedures in response to 391, and improved communications with consumers in 311, of the 430 breaches.

Industry Guidance – Applying Code Subscribers’ processes and procedures from 1 July 2015

Code Subscribers will be in breach of obligations under the 2014 Code if their Employees, Authorised Representatives or Service Suppliers fail to comply with the 2014 Code when acting on their behalf.

Section 5 of the 2014 Code describes the standards that apply to Employees and Authorised Representatives and include requirements to:

- Provide them with, or require them to receive, appropriate education and training to provide their services competently and to deal with consumers professionally, including training on the requirements of the 2014 Code.
- Measure the effectiveness of training by monitoring the performance of Employees’ and Authorised Representatives’ services.
- Provide or require appropriate education and training to correct any identified performance shortcomings in Employees’ or Authorised Representatives’ services.

The standards that apply to Service Suppliers are outlined in section 6 of the 2014 Code. This standard now requires that contracts entered into with Service Suppliers from 1 July 2015 must reflect the standards of the 2014 Code as they relate to the services of the individual Service Supplier.

We recommend that Code Subscribers also:

- Ensure that their processes and procedures clearly articulate their requirements and that they are documented and well-understood.
- Provide recurring or refresher training to Employees and Authorised Representatives in the relevant processes and procedures.
- If an isolated instance of non-compliance has occurred, use that as an opportunity to reinforce requirements within the relevant team or business unit.
- Monitor the conduct of Service Suppliers against 2014 Code obligations.
- Monitor trends in complaints data to assess whether they are indicative of non-compliance with processes and procedures.

1.5 Breaches by source

Of the 430 breaches closed during 2014–15 Code Subscribers identified and voluntarily reported 217 breaches.

FOS Code identified the remaining 213 breaches as a result of:

- A desktop audit of a Code Subscriber's compliance with Code obligations – 2 breaches
- Investigation of matters referred by FOS staff – 207 breaches, and
- Matters referred to it for investigation by community legal centres and consumers – 3 breaches and 1 breach respectively.

With the commencement of the 2014 Code's obligations on 1 July 2015, our future annual reports will also include information as to the number of reports of Code breach allegations and investigated Code breach allegations.

2. OUR ACHIEVEMENTS SINCE 1 JULY 2014

At our first meeting on 26 August 2014 we identified five key priorities for 2014–15 focusing on transition from the old 2012 Code to the new 2014 Code, assisting Code Subscribers as they adopt the new code, and covering our governance framework, secretariat processes and procedures.

The five key priorities are:

1. To assist Code Subscribers to effectively transition to the 2014 Code.

FOS Code began working with the ICA's Code Reference Group on transition to the 2014 Code prior to the end of 2013–14 and continued to do so throughout 2014–15. FOS Code:

- Developed and published a General Insurance Code brochure, a General Insurance Code 'Q&A' document, a General Insurance 'Transition Tips' guide.
- Developed a gap analysis of the 2014 Code highlighting changes and key elements and providing guidance to Code Subscribers on the evidence of compliance that we and FOS Code would likely want to see.
- Continued to update the General Insurance Code Q&A document in response to queries from Code subscribers.

These documents have been shared with all Code Subscribers.

2. By 1 July 2015, complete the development and implementation of our governance and secretariat functions and processes and procedures to ensure that we can meet our Code and Charter obligations.
3. Transition investigations' decision making from FOS Code to us.
4. Develop a communication strategy to facilitate our engagement with key stakeholders and a Committee logo to assist in ensuring transparency and independence and the branding of our obligations.
5. Engage with the ICA and industry stakeholders in building a Code monitoring framework for 2015–16.

FOS Code developed an annual work plan for us which took us through to 30 June 2015, including working with the Former Committee to settle their final Annual Report (for 2013–14).

We worked with FOS Code on getting our own procedures, processes and systems in place to assist with transparency, understanding of and access to our operations. It identified our reporting requirements for 2014–15 and developed our meeting templates.

We also established our key performance indicators framework and developed and established a reporting framework to the Code Governance Association Inc. and the Board of the ICA.

We have a timeline in place for the development of these policies and procedures and we continue to work on:

- The identification of functions and/or responsibilities that may be appropriately delegated from the Committee to the Chair and from the Committee to FOS Code.
- The review and revision of Code monitoring, investigations, processes and procedures and systems to ensure alignment with 2014 Code.

We reviewed our Code monitoring program for 2015–16 and agreed to use the desktop audit process to examine Code Subscribers' compliance with the revised financial hardship standards in section 8 of the 2014 Code. In addition, we have decided to utilise an Own Motion Inquiry process to review Code Subscribers' arrangements for outsourced claims functions. An Own Motion Inquiry:

- Will enable us to examine how effectively Code Subscribers are complying with a particular section or area of the 2014 Code, usually considered high or emerging risk, through a targeted and focused investigation.
- Is evidence-based, proportionate and practical, and should result in proposed improvements, guidance and recommendations for Code Subscribers about how to improve service standards and compliance.

We also decided to reconsider accessibility of Product Disclosure Statements and the selling of home insurance products as possible areas for examination in 2016–17, after the ICA's Effective Disclosure Task Force completes its work.

FOS Code developed a stakeholder communication and engagement strategy for us. This included the development of our own logo to ensure our visibility and transparency of our operations.

We approved an annual work plan for 2015–16 developed by FOS Code which began on 1 July 2015. Our primary objectives for 2015–16 focus on:

- Proactive engagement with Code subscribers and other stakeholders to ensure effective transition and understanding of the 2014 Code.
- Consolidation of governance, investigations and code monitoring processes and procedures put in place since our commencement on 1 July 2014.
- Identification and remediation of compliance gaps, including proactive guidance to industry and consumers.
- Assessment of Code Subscribers' compliance with the new financial hardship obligations in the 2014 Code and outsourced arrangements, which will be undertaken through targeted desktop audits or an Own Motion Inquiry.

3. OUR STAKEHOLDER ENGAGEMENT SINCE 1 JULY 2014

In 2014–15 we developed and implemented a communications strategy to facilitate engagement with key stakeholders. This will ensure our visibility and transparency of operations and enable us to facilitate effective transition to and understanding of the 2014 Code.

Our engagement with stakeholders during the reporting period included the following:

- We provided briefings to two of the ICA Code Transition Working Group meetings.
- We hosted a luncheon for Sydney-based Consumer Advocates in February 2015 and Melbourne-based Consumer Advocates in May 2015.

The Consumer Advocates represented the:

- Consumer Action Law Centre
 - Consumers Federation of Australia
 - Financial Inclusion at Brotherhood of St Laurence
 - Financial Rights Legal Centre
 - Footscray Community Legal Centre
 - Kildonan Uniting Care
 - Legal Aid NSW
- We invited the Chief Ombudsman and General Insurance Lead Ombudsman of the Financial Ombudsman Service to our meeting in May 2015.
 - Also in May 2015 the Chair attended a meeting with the Chairs of the other three Codes administered by FOS Code – the Code of Banking Practice, the Customer Owned Banking Code of Practice and the Insurance Brokers Code of Practice.

During the reporting period FOS Code:

- Participated in a “speed dating” session on the 2012 Code obligations at the Financial & Consumer Rights Council conference in September 2014.
- Participated in the ICA’s National Consumer Reference Group Annual Forum in November 2014.
- Consulted with the ICA’s Code Reference Group on 2013–14 on the industry’s aggregated data and factors contributing to data trends, as part of FOS’s proposed annual report on industry data in February 2015.
- Conducted a presentation on the 2014 Code’s obligations to Victorian consumer legal centre lawyers in June 2015. The presentation focused on the new financial hardship standards.
- Participated in four meetings of the ICA’s Code Transition Working Group during 2014–15.
- Met with individual Code Subscribers on 11 occasions to discuss Code compliance.

4. 2015–16 OUTLOOK

On 1 July 2015 Code Subscribers began conducting their services within the framework of obligations provided by the 2014 Code. At the same time we became responsible for monitoring Code Subscribers' compliance with the 2014 Code.

We have commenced our compliance monitoring program for 2015–16 under the 2014 Code. This includes our first Own Motion Inquiry into Code Subscribers' arrangements for outsourced claims and functions and desktop audits focused on the revised financial hardship standards.

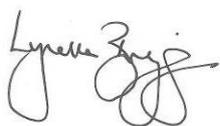
We will continue to work with FOS Code on the identification of functions and responsibilities that may be appropriately delegated from us and on the review and revision of Code monitoring, investigations, processes and procedures and systems to ensure alignment with the 2014 Code.

We are keen in 2015–16 to continue undertaking a cooperative and proactive approach with Code Subscribers and adopt a positive culture to self-reporting.

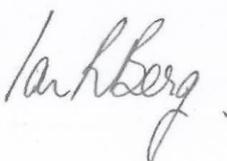
At the same time, we want to maintain a strong eye on the interests of consumers, balanced against the practicalities of the general insurance industry's administration of commercial operations.

Our engagement with consumer advocates in 2014–15 is a first step to establishing a formal mechanism for ongoing discussions, not only to provide transparency of our operations but also to afford an opportunity to gain insights into their experiences. In the future, we intend to find more regular means of engagement with, and reporting from, consumer advocates so that their Code concerns can be addressed by us.

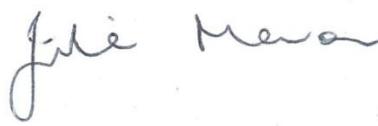
By the Committee:



Lynelle Briggs AO



Ian Berg



Julie Maron

Schedule 1 Aggregated Breach Data for Year Ending 30 June 2015

Table 1: 2014–15 breach data by Code category

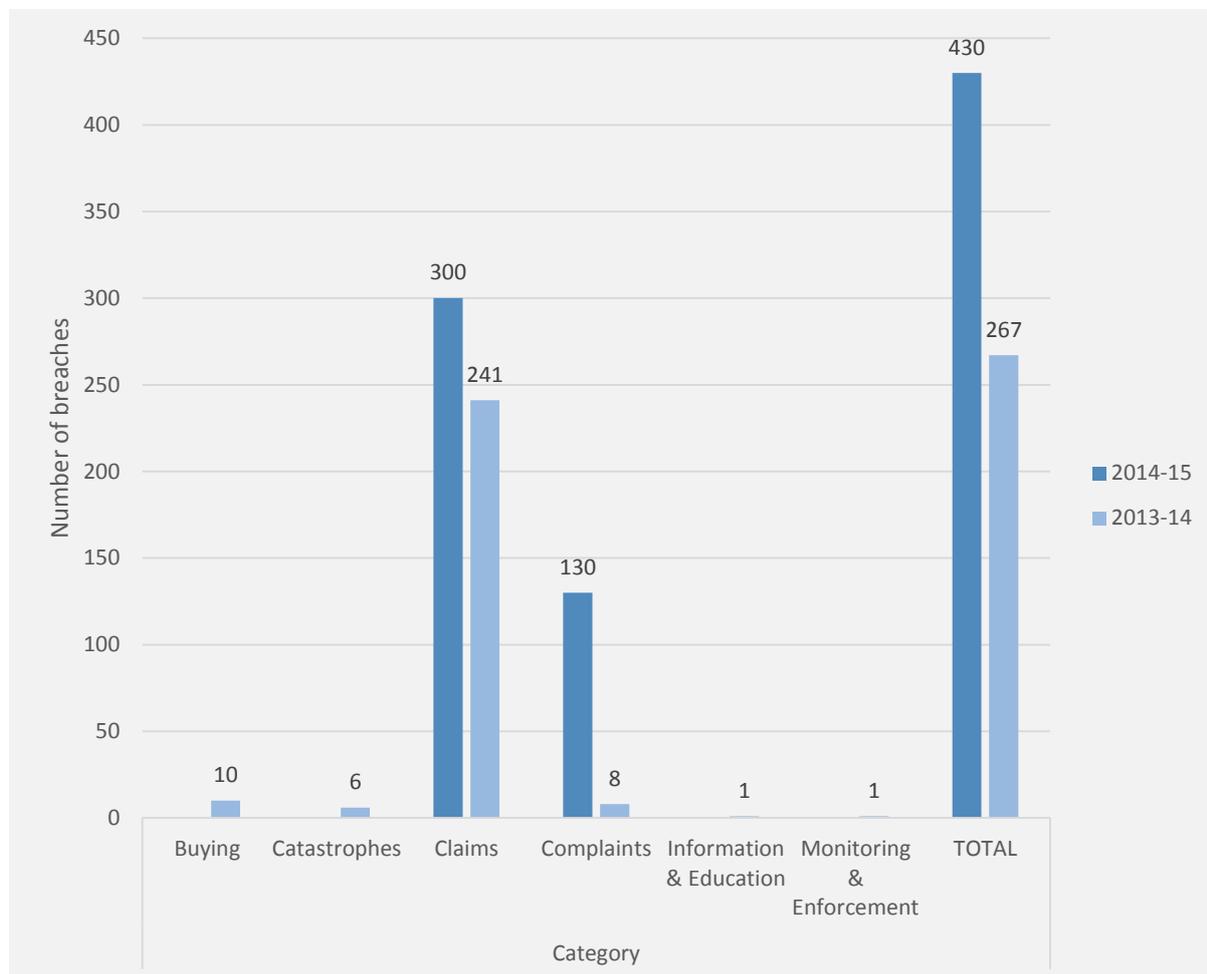


Table 2: Breaches of Insurance Claims standards – 2014–15 compared with 2013–14

| CODE SECTIONS | 2014-15 | | | 2013-14 | | |
|---|-------------------|----------------------|----------------|-------------------|----------------------|----------------|
| | STANDARD BREACHES | SIGNIFICANT BREACHES | TOTAL BREACHES | STANDARD BREACHES | SIGNIFICANT BREACHES | TOTAL BREACHES |
| CLAIMS | | | | | | |
| 3.1 - Timeframe decision simple claim notifying customer | | | | 3 | 2 | 5 |
| 3.2.1(a) - Notify customer required detailed information | | | | 6 | 1 | 7 |
| 3.2.1(b) - Appoint loss assessor/adjuster | | | | 2 | | 2 |
| 3.2.1(c) - Provide initial time estimate claim | | | | 1 | | 1 |
| 3.2.2 - Appointment loss assessor/adjustor/investigator | 1 | | 1 | 2 | | 2 |
| 3.2.3 - Customer informed claim progress | 24 | | 24 | 1 | 3 | 4 |
| 3.2.4 - Respond customer's requests | 1 | | 1 | 2 | 3 | 5 |
| 3.2.5 – Timeframe for making claim decision and notifying customer | 2 | | 2 | 4 | 2 | 6 |
| 3.3 - Agree alternative timeframes & access complaints process | | | | 1 | | 1 |
| 3.4.1 (b) (i) - If no claim decision Inform of access to IDR in writing | 1 | | 1 | | | |
| 3.4.4 - External expert provide report within 12 weeks. If unable, keep consumer informed about progress. | | | | 1 | | 1 |
| 3.5.1 - Claims handling fair, transparent and timely manner | 17 | 1 | 18 | 2 | 1 | 3 |
| 3.5.5 (a) to (c) - Standards for a claim denial | 192 | | 192 | | | |
| 3.5.5(a) - Written reasons deny claim | 42 | | 42 | | | |
| 3.5.5(b)(i) - Right to information used to assess claim | 2 | | 2 | 94 | | 94 |
| 3.5.5(b)(ii) - Review decision to decline release of information | 1 | | 1 | 94 | | 94 |

| | | | | | | |
|--|------------|----------|------------|------------|-----------|------------|
| 3.7.1 - Employees & Service Providers to conduct claims services honestly, efficiently, fairly & transparently | 6 | | 6 | 1 | | 1 |
| 3.7.8 - Keep employees for 5 years & make available on request | | | | 1 | | 1 |
| 3.8(a) - Fast-track claim | | | | 1 | | 1 |
| 3.8(b) - Make advance payment | | | | 3 | | 3 |
| 3.11 - Comply with ACCC & ASIC Debt Collection Guidelines | 7 | | 7 | 1 | | 1 |
| 3.12(b) - Postpone payments | | | | 2 | | 2 |
| 3.12 (c) - Extend repayment period & postpone payments for agreed period | | | | 1 | | 1 |
| 3.13(a) - Complaints handling procedures | 1 | | 1 | 4 | | 4 |
| 3.13(b) - Existence of AFCCRA for a referral to free financial counselling service | 1 | | 1 | 2 | | 2 |
| 3.14(b) - Handle complaints about quality or timeliness of the work or conduct of repairer | 1 | | 1 | | | |
| CLAIMS TOTAL | 299 | 1 | 300 | 229 | 12 | 241 |

Table 3: Breaches of Complaints and Monitoring & Enforcement standards – 2014–15 compared with 2013–14

| 2012 CODE SECTIONS | 2014-15 | | | 2013-14 | | |
|---|-------------------|----------------------|----------------|-------------------|----------------------|----------------|
| | STANDARD BREACHES | SIGNIFICANT BREACHES | TOTAL BREACHES | STANDARD BREACHES | SIGNIFICANT BREACHES | TOTAL BREACHES |
| COMPLAINTS | | | | | | |
| 6.1.1 - Conduct complaints handling in fair, transparent and timely manner | 117 | | 117 | 2 | | 2 |
| 6.1.2 - Information about complaints handling procedures. | | | | 2 | 1 | 3 |
| 6.3 - Agree reasonable alternative timeframes | 1 | | 1 | | | |
| 6.4 - Keep informed of progress of response to complaint | 1 | | 1 | | | |
| 6.6(c) - Timeframe for response to dispute. | 1 | | 1 | 1 | | 1 |
| 6.8 - Keep informed of progress of review of dispute. | 1 | | 1 | | | |
| 6.9(a) - Give reasons for decision | 1 | | 1 | | | |
| 6.9(b) - Give information about how to access available EDR schemes. | 1 | | 1 | 1 | | 1 |
| 6.9 (c) - Notify of timeframe to register dispute with EDR scheme. | 1 | | 1 | 1 | | 1 |
| 6.10 - Unable to resolve complaint within 45 days inform of reasons for delay and right to refer to EDR | 6 | | 6 | | | |
| COMPLAINTS SUB TOTAL | 130 | 0 | 130 | 7 | 1 | 8 |

Table 4: Breaches of Sections 2, 4, 5 and 7 – 2014–15 compared with 2013–14

| 2012 CODE SECTIONS | 2014-15 | | | 2013-14 | | |
|------------------------------------|-------------------|----------------------|----------------|-------------------|----------------------|----------------|
| | STANDARD BREACHES | SIGNIFICANT BREACHES | TOTAL BREACHES | STANDARD BREACHES | SIGNIFICANT BREACHES | TOTAL BREACHES |
| SECTION 2 BUYING | | | | 5 | 5 | 10 |
| SECTION 4 CATASTROPHES | | | | 4 | 2 | 6 |
| SECTION 5 INFORMATION & EDUCATION | | | | 1 | 0 | 1 |
| SECTION 7 MONITORING & ENFORCEMENT | | | | 0 | 1 | 1 |
| SUB TOTAL | 0 | 0 | 0 | 10 | 8 | 18 |

Table 5: Causes of breaches in 2014-15

| | |
|--------------------------------------|-----|
| Administrative error | 3 |
| Documents not checked for compliance | 3 |
| Miscommunication | 2 |
| Procedure not followed | 422 |
| 430 | |

Table 6: Actions to remedy breaches in 2014-15

| | | |
|---|-----|------------|
| Consumer communications improved, information to consumers, processes & procedures improved and remedial training | 111 | 430 |
| Consumer communications improved, processes & procedures improved and remedial training | 57 | |
| Consumer communications improved, information to consumers and updated records | 6 | |
| Information to consumers | 4 | |
| Information to consumers and remedial training | 2 | |
| Information to consumers, monitoring improved, processes & procedures improved and remedial training | 192 | |
| Monitoring improved and remedial training | 1 | |
| Monitoring improved, payment to consumers, processes & procedures improved and remedial training | 1 | |
| No action - Service Provider no longer used | 1 | |
| Processes & procedures improved | 4 | |
| Processes & procedures improved and remedial training | 26 | |
| Remedial training | 25 | |

Schedule 2 Code compliance monitoring framework – overview of activities in 2015–16

| ACTIVITY | WHO | FREQUENCY ⁵ | NATURE OF ACTIVITY | WHEN |
|--|--|--|---|---|
| Annual Return | All Code Subscribers. | In every year of the three year program. | Code Subscribers submit annual information and data about policies, claims, declined claims, withdrawn claims, internal complaints handling, self-identified breaches and compliance initiatives (section 13.8, 2014 Code). | Commences 1 July 2015 for return by 18 September 2015. |
| Compliance Statement – Self Assessment (Compliance statement) | A group of Code Subscribers is selected for this activity. | Twice in the three year program. | Code Subscribers self-assess their compliance with all relevant 2014 Code standards and provide a statement about compliance status (2014 Code sections 13.5(a), 13.7). | The completed Compliance Statement must be submitted to FOS Code no later than the scheduled date noted in Subscribers' calendars. |
| Desktop Audits (Audits) | A group of Subscribers is selected for this activity. | Once in the three year program. | Code Subscribers complete a questionnaire describing how they comply with a selection of 2014 Code standards and provide evidence supporting compliance status (2014 Code sections 13.5(a), 13.7). | The completed audit and supporting evidence must be submitted to FOS Code no later than the scheduled date noted in Subscribers' calendars. |
| Own Motion Inquiry | A group of Subscribers is selected for this activity. | As determined by the Committee. | Inquiry initiated by the Committee for the purpose of monitoring one or more Subscribers' compliance with a standard or selection of standards of the 2014 Code (2014 Code sections 13.5(a), 13.7). | Likely to occur in second half of 2015–16. |

⁵ The frequency of each activity may be changed by the Code Governance Committee including in response to emerging risks or the outcome of monitoring activities.

Schedule 3 Code Subscribers as at 30 June 2015

General Insurers

AAI Limited
ACE Insurance Ltd
AIG Australia Ltd
AIOI Nissay Dowa Insurance Company Australia Pty Limited (ADICA)⁶
Allianz Australia Insurance Ltd
Ansvr Insurance Ltd
Assetinsure Pty Ltd
Auto & General Insurance Company Ltd
AVEA Insurance Ltd
Calliden Insurance Ltd
Catholic Church Insurance Ltd
CGU Insurance Ltd
Chubb Insurance Company of Australia Ltd
Commonwealth Insurance Ltd
Credicorp Insurance Pty Ltd
Defence Service Homes Insurance Scheme
Factory Mutual Insurance Company⁷
Genworth Financial Mortgage Insurance Pty Ltd
Great Lakes Re-insurance (UK) PLC
Guild Insurance Ltd
Hallmark General Insurance Company Ltd

Insurance Australia Ltd
Insurance Manufacturers of Australia Pty Ltd
LawCover Insurance Pty Ltd
Lloyd's Australia Ltd⁸
Medical Insurance Australia Pty Ltd
Mitsui Sumitomo Insurance Co Ltd
MTA Insurance Ltd
NTI Ltd
OnePath General Insurance Pty Ltd
Progressive Direct Insurance Pty Ltd
QBE Insurance (Australia) Ltd
QBE Lenders' Mortgage Insurance Ltd
RAA Insurance Ltd
RAC Insurance Pty Ltd
RACQ Insurance Ltd
RACT Insurance Pty Ltd
Sompo Japan Nipponkoa Insurance Inc⁹
Southern Cross Benefits Ltd
St Andrew's Insurance (Australia) Pty Ltd
Sunderland Marine Mutual Insurance Company Ltd
Swann Insurance (Aust) Pty Ltd

⁶ AIOI NISSAY DOWA INSURANCE CO., LTD was placed in runoff from 1 January 2014. Aioi Nissay Dowa Insurance Australia Pty Limited (ADICA) is managing the runoff policies and claims from the old insurer and is conducting new business as a general insurer.

⁷ Previously FM Insurance Company Ltd. Change in name became effective 1 October 2014.

⁸ For participating coverholders and claims administrators see page 3.

⁹ Nipponkoa Insurance Co. Ltd and Sompo Japan Insurance Inc merged September 2014.

The Hollard Insurance Company Pty Ltd
The Tokio Marine & Nichido Fire Insurance Co Ltd
Virginia Surety Company Inc
Wesfarmers General Insurance Ltd
Westpac General Insurance Ltd
XL Insurance Company Ltd
Youi Pty Ltd
Zurich Australian Insurance Ltd

Lloyd's Australia Limited: Participating Coverholders and Claims Administrators

AIS Insurance Brokers Pty Ltd
AON Risk Services Australia Ltd
Arch Underwriting at Lloyd's (Australia) Pty Ltd
ASR Underwriting Agencies Pty Ltd
ATC Insurance Solutions Pty Ltd
Austagencies Pty Ltd
Australian Income Protection Pty Ltd
Australian Insurance Agency Pool
Australian Warranty Network
Axis Underwriting Services Pty Ltd
Beazley Underwriting Pty Ltd
Bizcover Pty Ltd
Blue Badge Insurance Australia
Blue Cube Insurance Group
Blue Sky Insurance Pty Ltd
Broadspire by Crawford & Co¹⁰
Brooklyn Underwriting Pty Ltd
Catlin Australia Pty Ltd
Cemac Pty Ltd
Cerberos Brokers Pty Ltd

¹⁰ Formerly Crawford & Company (Australia) Pty Ltd

¹¹ Trading as EBM Insurance Brokers

Cerberus Special Risks Pty Ltd
Cheap Travel Insurance Pty Ltd
Cinesure Pty Ltd
Claims Management Australasia
Columbus Direct Travel Insurance Pty Ltd
Corporate Services Network Pty Ltd
Coversure Pty Ltd
DLA Piper Australia
Dolphin Insurance Pty Ltd
Dual Australia Pty Ltd
East West Insurance Brokers Pty Ltd
Edge Underwriting Pty Ltd
Elkington Bishop Molineaux Brokers Pty Ltd¹¹
Ensurance Underwriting Pty Ltd
Epsilon Underwriting Agencies Pty Ltd
Fitton Insurance (Brokers) Australia Pty Ltd
Freeman McMurrick Pty Ltd
Gallagher Bassett Service Pty Ltd
Genesis Underwriting Pty Ltd
Glenowar Pty Ltd¹²
Go Unlimited Pty Limited
Gow-Gates Insurance Brokers Pty Ltd
High Street Underwriting Agency Pty Ltd
Holdfast Insurance Brokers
Honan Insurance Group
Hotsure Underwriting Agency Pty Ltd
HQ Insurance Pty Limited
HW Wood Australia Pty Ltd
IBL Limited¹³
Inglis Insurance Brokers
Insurance Facilitators Pty Ltd
Insure That Pty Ltd

¹² Trading as Fenton Green & Co

¹³ Trading as Planned Professional Risks Underwriting Agency

Ironshore Australia Pty Limited
iSure Pty Ltd
Jardine Lloyd Thompson Pty Ltd
JMD Ross Insurance Brokers Pty Ltd
JUA Underwriting Agency Pty Ltd
Latitude Underwriting Pty Ltd
Leisureinsure Australia Pty Ltd
Logan Livestock Insurance Agency Pty Ltd
London Australia Underwriting Pty Ltd
Magic Millions Insurance Brokers Pty Ltd
Manufactured Homes Insurance Agency Pty Ltd
Marsh Pty Ltd
Millennium Underwriting Agencies Pty Ltd
Miramar Underwriting Agency Pty Ltd
Mobius Underwriting Pty Ltd
National Franchise Insurance Brokers
National Underwriting Agencies Pty Ltd
Nautilus Marine Insurance Agency Pty Ltd
Newmarket Insurance Brokers Pty Ltd
Nova Underwriting Pty Ltd
NWC Insurance Pty Ltd¹⁴
Offshore Market Placements Limited
Online Insurance Brokers Pty Ltd
Pacific Underwriting Corporation Pty Ltd
Panoptic Underwriting Pty Ltd
Pantaenius Australia Pty Ltd
Parmia Pty Ltd
Pen Underwriting Group Pty Ltd¹⁵
Pen Underwriting Pty Ltd¹⁶
Proclaim Management Solutions Pty Ltd
Procover Underwriting Agency
Professional Risk Underwriting Pty Ltd

¹⁴ Trading as No Worries Insurance

¹⁵ Formerly Australis Group Pty Ltd

¹⁶ Formerly SRS Underwriting Agency Pty Ltd

QBE Placement Solutions Pty Ltd
QBE Underwriting Services (Australia) Pty Limited¹⁷
Quanta Insurance Group Pty Ltd¹⁸
Resource Underwriting Pacific Pty Ltd
Richard Oliver Underwriting Managers Pty Ltd
RiskSmart
Savannah Insurance Agency Pty Ltd
SLE Worldwide Australia Pty Ltd
Specialist Underwriting Agencies Pty Ltd
Sportscover Australia Pty Ltd
Starr Underwriting Agents (Asia) Ltd
Sterling Insurances Pty Ltd
Sura Hospitality¹⁹
Sura Labour Hire
Sura Professional Risks Pty Ltd.
SureSave Pty Ltd
Travel Insurance Direct Pty Ltd
Trident Insurance Group Pty Ltd
Trinity Pacific Underwriting Agencies Pty Ltd
Triton Global (Australia) Ltd
Windsor Income Protection Pty Ltd
Winsure Underwriting Pty Ltd
Woodina Underwriting Agency Pty Ltd
World Nomads Group Ltd

¹⁷ Trading as QBE 386

¹⁸ Previously Coverforce Underwriting Pty Ltd

¹⁹ Formerly Guardian Underwriting