

Monday 8 April 2019

Deliver strong and fair culture or risk business, insurers told

Insurers should accept the challenge of embedding a strong culture of fairness, honesty and transparency, or risk being forced out of business, according to an insurance compliance leader.

Lynelle Briggs AO, Independent Chair of the General Insurance Code Governance Committee (the Committee), said there was evidence that some subscribers were not taking the Code and its obligations as seriously as they should.

Through its monitoring and investigations, the Committee supervises the 178 insurers (97% of the industry) that subscribe to the General Insurance Code of Practice.

In her foreword to the Committee's annual data report, [General insurance in Australia 2017-18 and current insights](#), Ms Briggs said: "Appropriate compliance monitoring and governance arrangements do not exist in all subscriber organisations. In light of the evidence coming out from the Royal Commission, and the outcome of APRA's prudential review of CBA's accountability, culture and governance frameworks, some subscribers need to question whether they have shown good faith in the past.

"Industry now needs to step up, improve its game and take the Code more seriously. Compliance failures need to be addressed; not just given lip service. Subscribers have end-to-end responsibility for their products, including the actions of their external sellers and service providers."

Ms Briggs provided a witness statement to the Royal Commission on behalf of the Committee on breaches self-reported by subscribers over the four years to 2017–18.

The Committee launched an inquiry into subscribers' compliance monitoring and governance following the Royal Commission hearings, and has continued pressing for strengthened sanction powers, consistent with Commissioner Hayne's recommendations.

The inquiry found that each year only about 30 subscribers were reporting Code breaches. These subscribers were typically larger insurers with more resources to invest in compliance monitoring.

"Even so, many larger insurers with a wide range of retail products and high consumer exposure reported only low numbers of breaches, with some inconsistent and questionable numbers each year," the Committee said.

Since 1 July 2018, there had been a sudden and marked increase in self-reported significant breaches, which subscribers were obliged to report within 10 business days. From 1 July 2018 to 1 March 2019, the Committee had opened 27 new files covering 56 significant breaches. By comparison, only 22 significant breaches were reported during 2017–18.

The data report found that in 2017–18, general insurers in Australia:

- Received gross written premiums of \$42.7 billion
- Made total profits of \$5 billion
- Issued more than 40 million policies to consumers and small businesses, two-thirds of which were motor vehicle (38%) or home (29%) insurance products. These were followed by personal and domestic property (19%) and travel insurance (12%).

The number of withdrawn claims increased and is now nearly double the number of declined claims. Consumers and small businesses withdrew some claims because they believed their insurers would not cover the claims, or because they did not understand what they were insured for. This tells us that Code subscribers need to do more to assist consumers grasp the details of their policies.

The number of retail group policies issued soared at the same time as the number of individual policies issued fell (by 3%). Group policies are ‘master’ policies that provide cover for numerous people or assets within a defined group (for example, bank customers who have complimentary travel insurance available with credit cards).

The main contributor to this increase was group travel policies, which increased more than 280% to almost 734,000. The number of group travel policies issued has spiked dramatically over the past three years, rising from just 21,219 in 2015–16.

Retail insurance accounted for the vast majority (94%) of all policies issued.

General insurance data 2017–18 (retail)

	Retail policies (total)	Motor policies	Home policies	Retail claims lodged	Retail claims declined	Retail claims withdrawn
Total number	40.4M	15.3M	11.7M	4.1M	164,477	298,043
% change v 2016–17	-1.8%	0.9%	-1.0%	1.2%	0.2%	4.8%

More information:

Further information about the Code Governance Committee is available on www.codeofpractice.com.au, or by contacting Sally Davis, General Manager - Codes on:

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About the **General Insurance Code Governance Committee**: The Committee is an independent body responsible for monitoring Code subscribers' compliance with standards in the Code of Practice. With 178 subscribers, the Code covers 97% of Australia's general insurance industry. The Committee aims to help the industry provide services that meet the needs and expectations of consumers.