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Culture, Leadership and Governance - the crucial elements of 'Living the Code' for insurers

Insurers must focus on creating an ethical, consumer-focused culture that is championed by the Board and underpinned by robust governance and business practices if they are to improve their compliance with the General Insurance Code of Practice, according to a report published today by the General Insurance Code Governance Committee.

Living the Code: Embedding Code obligations in compliance frameworks is an inquiry into insurers' practices that builds on the work of the Financial Services Royal Commission and provides valuable guidance on how to place the Code – and the Code's purpose of doing the right thing by consumers – at the heart of all strategy and decision-making.

The own motion inquiry was launched in response to the Code Governance Committee's concerns that an underreporting of Code breaches reflected weaknesses in insurers' compliance monitoring frameworks, and that insurers were not taking the Code's obligations as seriously as they should. It outlines how the Committee has been actively working with the general insurance industry to implement the Royal Commission recommendations around culture, leadership and governance at all levels.

To help insurers achieve this, the report contains 22 clear and simple recommendations about how to make the Code a living and successful document with valuable outcomes, such as:

- the importance of developing a consumer-centric culture that values honesty and fairness
- the need for those at the top of insurance organisations to 'set the tone'
- robust governance processes that encourage and enable everyone in the insurance organisation to 'live the Code'.

The Committee's Independent Chair, Lynelle Briggs AO, described the report as an important resource for everyone who works in the general insurance industry, but particularly for those who sit on Code subscribers' Boards.

"The Board sets the cultural and ethical tone of an organisation," she said. "Its members are responsible for advocating and embedding a Code-compliant culture within the business, and ensuring that there are sound corporate governance frameworks in place to support people to understand and abide by their Code obligations."

"It is also essential for Boards to improve their oversight of non-financial risks," Ms Briggs added. "This was made clear in the Financial Services Royal Commission's Final Report, as well as APRA's Information Paper on Self-Assessments of Governance, Accountability and Culture. Our own motion inquiry revealed that not all Boards examine breach data and, that in some cases, breach reporting is not reaching the Boards of some insurers. Without access to the kind of information contained in *Living the Code*, Boards may remain in the dark and may not lead effectively on non-financial risk and compliance matters."

"The Committee therefore considers it vital that Code subscribers' Boards are made aware of the report and its recommendations, and act on them."

About the **General Insurance Code Governance Committee**: The Committee is an independent body responsible for monitoring Code subscribers' compliance with standards in the General Insurance Code of Practice. With 160 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 through stewardship of the Code.

Further information about the Code Governance Committee is available at www.insurancecode.org.au or by contacting Sally Davis, General Manager – Codes on 03 9613 7341 or sdavis@codecompliance.org.au.