

21 February 2023

Joanna Ifield  
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On behalf of the General Insurance Code Governance Committee

By email: [info@codecompliance.org.au](mailto:info@codecompliance.org.au)

Dear Ms Ifield

## Monitoring priorities

### Submission to consultation by General Insurance Code Governance Committee

The Australian Financial Complaints Authority<sup>1</sup> (AFCA) is the independent external dispute resolution scheme for the financial sector. We welcome the opportunity to provide input to the Committee's consultation on monitoring priorities.

This submission<sup>2</sup> has been kept brief. If you would like us to discuss or clarify any aspect of the submission, we would be happy to do so.

#### 1 Suggestions

Based on a review of complaint trends lodged with AFCA, we suggest that priority be given to monitoring compliance with the following provisions of the General Insurance Code of Practice:

##### 1.1 Claims handling provisions in Part 8 of the Code

Specific provisions: Paragraphs 62, 64, 68, 70, 71, 72, 74, 75, 77, 78, 83 and 84.

Key questions: Are insurers meeting their timeframes, including where claims are fast-tracked, and are they communicating adequately with their

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<sup>1</sup> For comprehensive information about AFCA, see our website [www.afca.org.au](http://www.afca.org.au).

<sup>2</sup> This submission has been prepared by the staff of AFCA and does not necessarily represent the views of individual directors of AFCA.

customers when they do not? This is relevant for both natural disaster claims and other claims.

Are insurers appropriately using agents such as loss adjusters in line with code obligations?

## 1.2 Obligations to support customers experiencing vulnerability in Part 9 of the Code

Specific provisions: Paragraphs 91 and 97.

Key questions: Are insurers adequately identifying and supporting customers experiencing vulnerability?

## 1.3 Financial hardship obligations in Part 10 of the Code

Specific provisions: Paragraphs 105, 106, 109 and 110.

Key question: Are insurers doing all they can to identify and support customers experiencing vulnerability?<sup>3</sup>

## 2 Supporting information

The suggestions above are based on complaint trends and insights gained from recent AFCA complaint resolution experience. Statistics in this section are based on AFCA's top five general insurance complaints received by product and issue (set out in Appendix A to the Committee's consultation paper dated December 2022).

### 2.1 Complaint trends

This section compares statistics of complaints received from November 2022 to January 2023 (January 2023 Quarter) with statistics of complaints received from November 2021 to January 2022 (January 2022 Quarter).

#### Products

Comparing statistics of complaints received in the January 2023 Quarter and the January 2022 Quarter, this table shows the increase in complaints in each of the top five product categories.

Product	Nov '22 – Jan '23	Nov '21 – Jan '22	Change
Home building	2,259	1,214	+ 86%

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<sup>3</sup> We note that, after natural disasters, most people with a total loss are likely to experience vulnerability.

Motor vehicle - comprehensive	1,731	1,210	+ 43%
Travel	441	89	+ 396% <sup>4</sup>
Home contents	326	224	+ 46%
Consumer credit insurance	301	179	+ 68%

## Issues

Comparing statistics of complaints received in the January 2023 Quarter and the January 2022 Quarter, this table shows the increase in complaints in each of the top five issue categories.

Issue	Nov '22 – Jan '23	Nov '21 – Jan '22	Change
Delay in claim handling	1,657	750	+ 121%
Claim amount	1,086	808	+ 34%
Denial of claim – exclusion/condition	1,055	657	+ 61%
Denial of claim	725	494	+ 47%
Service quality	420	347	+ 21%

The issue of delay in claim handling was raised in 28% of all general insurance complaints received in the January 2023 Quarter. The number of complaints raising this delay issue was 121% higher than in the January 2022 Quarter.

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<sup>4</sup> As travel insurance complaints declined significantly during the COVID-19 period, the increase can be attributed to a return to usual travel patterns

## Significant events

In the January 2023 Quarter, AFCA received 613 general insurance complaints relating to significant events. This represented an 87% increase from the January 2022 Quarter. The most prevalent issues in complaints relating to significant events received in the later quarter were:

- denial of claim – exclusion/condition (40%)
- delay in claim handling (25%)
- claim amount (25%).

## 2.2 Insights

### Claims handling

The trend identified in the January 2023 quarter is not new. Delays in claims handling have substantially increased in this financial year to date. There have been several drivers to this increase, including the large scale events, shortages of trades and materials and the effects of COVID-19.

However, before this, delays in claims handling was either the most complained about issue or in the top 3 for several years. Therefore, these recent drivers have substantively exacerbated pre-existing issues in this area.

The trends shown in the data raise concerns about adequacy of claims handling in line with the requirements of the Code. It is not clear that large scale weather events are one-offs, or rather are likely to remain fairly regular.

### Vulnerability and financial hardship

The recent large scale events as well as other factors (such as increases to the cost of living) have likely increased the number of consumers who are experiencing vulnerability and/or financial difficulty. Anecdotally, this is being observed in the complaints we receive.

Given this, as large scale weather events are likely to continue and the shortage of trades and materials is not likely to ease soon, it may be worth considering how insurers are positioned to meet the vulnerability and financial hardship provisions in the Code.

Yours sincerely



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**Australian Financial Complaints Authority**