



GENERAL INSURANCE
Code Governance Committee

CGC Thematic Inquiry
Oversight of External Experts
Subscriber Information Request

October 2023

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The Code Governance Committee (CGC) aims to drive compliance with the 2020 General Insurance Code of Practice (Code) by helping the insurance industry uplift its processes and practices to improve its interactions with consumers.

The CGC undertakes inquiries into current or emerging Code compliance risks. We identify these risks from the data we collect on Code breaches, monitoring and investigations activities, and stakeholder engagement activities. This Subscriber Information Request is issued to Code subscribers who have been selected to participate in the CGC’s thematic inquiry into subscriber’s oversight of External Experts, as defined in the Code.

The CGC will publish its findings in a report, with insights and learnings for the industry and recommendations for best practice. The CGC hopes to assist Code subscribers to enhance their practices and maintain better relationships with their customers.

1. CGC inquiry into the oversight of external experts

1.1. Context

In November 2022, the Code Governance Committee (CGC) launched its thematic inquiry into Making Better Claims Decisions. The inquiry set out to investigate how subscribers use their complaints data to gain insights into decisions to deny claims. [A report of our findings](#) was published in July 2023.

When analysing the information provided by subscribers:

- We found that subscribers were not getting enough of their claim denial decisions right in the first instance. One in four customers were complaining about their claim being denied, 55% of these were about denials based on ‘wear and tear’ or ‘lack of maintenance’, and nearly half of these overturned after the complaint was reviewed at internal dispute resolution (IDR).
- 85% of claims decisions were supported by a loss assessment undertaken by a builder, roofer, plumber or other expert, and in 36% of these cases the expert also made a recommendation to deny the claim.
- We identified concerns with the quality of reports prepared by experts engaged by subscribers. Many assessment reports failed to provide a clear and demonstrable link between the cause of the damage and the loss. Evidence of loss causation was sometimes incomplete or inconsistent.

The Australian Securities and Investment Commission (ASIC) has also completed an assessment into the conduct of six insurers in handling home insurance claims. ASIC has published its claims handling review report – [Navigating the storm](#). ASIC identified a number of areas that all participants can improve. One of these areas was in relation to the oversight of third parties.

1.2. Focus and objectives of this inquiry

In this inquiry, the CGC is seeking to explore the effectiveness of the systems, processes and policies put in place by insurers to ensure compliance with paragraph 75 of the Code.

Paragraph 75 of Code states:

We will engage an External Expert only if we believe they have the appropriate expertise to provide the opinion we ask them for and that they comply with the rules and regulations relevant to their area of expertise.

An external expert is defined in the Code. **External Expert** means:

- a) a company, entity or a person who is not an **Employee** or a **Service Supplier**; and
- b) that we contract solely to provide an expert opinion about the likely cause of your loss or damage

We will explore:

- a) the onboarding processes that ensure external experts (referred to hereon as experts) are only appointed if they have the appropriate expertise,

- b) the monitoring put in place by insurers to ensure the appointed experts continue to have the appropriate expertise and comply with the rules and regulations, and
- c) examples of where insurers have ceased to engage with experts because they do not have the appropriate expertise or are not complying with the rules and regulations.

It is crucial that subscribers make accurate decisions on claims. Home insurance is sold with a promise that an insurer will pay to repair or rebuild the home to the insured value when an insured event occurs.

Where an insurer appoints an expert to assess a loss, or make a recommendation about a claim, it is important that they have processes in place to ensure the expert can competently perform the task and that the outputs produced are clear, consistent and based on sound evidence that ties the cause of the loss to the resulting property damage. The CGC considers that this needs further consideration.

The CGC understands that some experts have authority to make a recommendation on the outcome of a claim. This inquiry includes both those with the authority to make a recommendation, and those without.

We will assess all information received from written responses and follow-up meetings in relation to this inquiry to:

- a) determine whether Code Subscribers have sufficient systems, policies and processes in place to ensure compliance with the Code, and that lead to good consumer outcomes, and
- b) identify examples of good industry practice.

1.3. Methodology

Our request for information is in section 2 of this paper. The information request is designed to provide the CGC with a sense of:

- a) how subscribers select suitably qualified experts,
- b) what training experts are required to undertake and how this is monitored,
- c) how experts are performance managed, including how feedback is provided, and
- d) any actions taken to deal with poor performance.

The CGC will focus this inquiry on the same six participants that took part in the Making Better Claims Decisions Inquiry. Where possible, we intend to reuse some of the information your organisation provided as part of the Making Better Claims Decisions Inquiry.

In addition to this, we will be opening a survey for consumers or their advocates to tell us about their insurance claims experience where there was an expert involved.

Following a thorough analysis of the data and information provided, including the information from public submissions, we may issue a second request for information. Details of the second request for information will be provided in the latter stages of the inquiry. As with the previous inquiry, we will also look to arrange follow-up meetings with each participant to discuss their responses.

We anticipate that a report will be published in Q4 of 2023-24 with insights and learnings for the industry including sharing and recommending good practice. Code subscribers participating in this inquiry will not be identified in the publication.

1.4. Providing your organisation's response

Please respond to each item in this Information Request and provide the relevant supporting documents where required.

Please provide your organisation's response to info@codecompliance.org.au by close of business on **15 December 2023**.

If you have any questions prior to providing a written response, please contact the Code Team at info@codecompliance.org.au or via the contact details below.

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1.5. What will happen next?

Stage 1	CGC Information Request released	18 October 2023
Stage 2	Submissions due from subscribers	15 December 2023
Stage 3	Review of responses and development of second targeted information request	December 2023 / January 2024
Stage 4	Issue second information request	22 January 2024
Stage 5	Submissions due from subscribers	15 March 2024
Stage 6	Further Analysis	March / April 2024
Stage 7	Meetings with participants	April / May 2024
Stage 8	Report finalisation and publication	By 30 June 2024

2. Questions and data

2.1. Questions

Please provide a written response, including supporting evidence, to each of the questions below.

The information request is designed to provide us with a sense of how your organisation ensures that the experts it engages will have the appropriate expertise to perform the role they are appointed to undertake.

As mentioned above, we are interested in the oversight of the performance of experts (builders, roofers, plumbers, hydrologists etc) contracted to provide an expert opinion about the likely cause of the loss or damage on a home insurance claim and claim outcome recommendation (where they have delegated authority). We are not considering the oversight of experts when carrying out repairs.

Onboarding

1. Please provide an explanation of the systems, processes and policies in place to ensure your compliance with paragraph 75 of the Code, and that the experts you engage have the required expertise and are of good standing.
2. Please explain and evidence how you track and record the training completed by experts. This includes induction and ongoing training provided by the subscriber, and the monitoring arrangements in place to ensure any relevant training or membership required by the expert remains current. Please also provide evidence of any training logs or registers in place for the period of 1 September 2022 – 31 August 2023.
3. Please confirm how many experts registered to provide expert services to your organisation can recommend a claim be 'accepted' or 'denied'. Please categorise your experts by type of service / expertise.
4. Where experts can provide recommendations, please provide evidence of the training process, templates and resources available to support external experts with this. Please also provide evidence of this for the three most recently appointed experts.

Oversight

5. Please explain the steps you take to meet your obligations to a consumer under paragraph 21 of the Code, where you engage an expert to assess the cause of loss in relation to a consumer's claim. This includes how you track, monitor and assess the performance of an expert providing an opinion on the likely cause of the loss or damage. When providing your response, please provide evidence of any:
 - a) Quality Assurance and/or quality control checks in place as well as the associated reporting.
 - b) Key Performance Indicators or other metrics, including Net Promoter Scores.
 - c) Analysis of IDR and External Dispute Resolution (EDR) data, including decisions being over-turned.

6. Please provide the following data for each of the last two financial years:
- a) the number and types of experts on your preferred panel as at 30 June 2022 and 30 June 2023,
 - b) the number of experts added to your organisation's preferred panel or register,
 - c) the number of experts removed from your organisation's preferred panel or register,
 - d) the dollar amount paid to experts collectively to provide an expert opinion, this should exclude the amount paid to expert when carrying out repairs,
 - e) the number of assessments and reports completed per expert,
 - f) for each expert with an authority to make recommendations, the number of recommendations made, and how many recommendations were for claim approval and claim denial,
 - g) the number of complaints received about each expert, the outcome of the complaints, including whether the decision was overturned, and
 - h) how many experts have been provided with feedback on their performance and the frequency of that feedback. Please also provide the name of the experts (company name rather than the individual) that have been provided with the feedback.
7. For the five most complained about experts on your panel in the last two years, please confirm / provide:
- a) the trading name of the expert
 - b) the number of complaints you received for each expert, this should include concerns raised internally by your own staff,
 - c) a description of what each complaint related to, and
 - d) the outcome of each complaint and any action you have taken as a result of this.

For both questions 6 and 7, we have asked that the data provided covers the last two financial years. We are aware that each subscriber may apply different methods in capturing and validating their data. We have therefore not provided set dates and instead ask that the data is as up to date as possible. When providing your response, please confirm the period that the data covers.

8. Please provide a summary of any concerns identified with the experts you engaged within the last two financial years. Please also provide evidence of any actions you have taken to address these concerns.
9. Please confirm the number of experts who have had their contracts terminated over the last two financial years due to performance issues or failure to comply with rules and regulations. When providing your response, please provide details of these issues or failures.