



GENERAL INSURANCE  
Code Governance Committee

# Oversight of External Experts

AUGUST 2024

# Contents

<b>About this report</b>	<b>03</b>
<b>Chair’s message</b>	<b>04</b>
<b>Key findings</b>	
– Experts providing opinions beyond expertise	<b>05</b>
– Improved training and evaluation	<b>07</b>
– Strengthening monitoring and oversight	<b>10</b>
<b>Spotlight: Customer perspectives</b>	<b>14</b>
<b>A commitment to improvement</b>	<b>15</b>

*We acknowledge the traditional custodians of the different lands across Australia and pay respect to Elders past and present.*

# About this report

This report provides the findings of our inquiry into the use and oversight of external experts by six general insurers when assessing loss or damage in relation to a home insurance claim. It builds on the findings of our [inquiry into insurers' use of complaints data](#) for insights into decisions to deny home insurance claims. Our previous inquiry revealed concerns with the quality of the reports prepared by the external experts that insurers engaged to assess losses or damages.

This inquiry set out to evaluate the practices of six insurers, exploring the effectiveness of the systems, processes and policies they had to ensure compliance with paragraph 75 of the [General Insurance Code of Practice](#) (the Code).

## Paragraph 75 of Code:

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 our 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.

# Chair's message



The findings in this report reveal a landscape where external experts provide opinion outside the scope of their expertise, potentially leading to poor claims decisions, disputes and complaints.

During our inquiry, training for external experts emerged as an area needing improvement. While insurers had programs for initial onboarding, they often lack depth in crucial areas and ongoing formal training was insufficient or absent.

More concerning was the absence of formal evaluations to ensure external experts fully understood their training. Continuous, comprehensive training is not just a box to be ticked; it is essential for maintaining high standards and ensuring that external experts can accurately and fairly assess a loss or damage.

Our inquiry highlights crucial gaps in the monitoring and oversight of external experts. While we found all insurers made efforts to monitor and evaluate the performance of their external experts, too often they prioritised considerations of time and cost over quality.

Effective oversight mechanisms are crucial for identifying and addressing performance issues promptly, ensuring that assessments are accurate and reliable.

The findings of our inquiry emphasise the importance of raising standards and practices across the industry. By improving the training and monitoring of external experts, insurers can ensure more consistent and fair decisions. This can reduce the likelihood of disputes and complaints and builds trust and confidence among customers.

Ultimately, better practices in the use of external experts lead to better outcomes, which benefits insurers, customers, and the reputation of the insurance industry.

Our report offers recommendations that we believe will bring substantial benefits to insurers and customers. With efforts to implement the recommendations, insurers can drive positive change, ensuring long-lasting improvements in the claims process.

## **Veronique Ingram PSM**

Chair of the General Insurance Code Governance Committee

# Key findings

## 1) Experts providing opinions beyond expertise

In claims assessments, clear, evidence-backed findings are crucial for fair and consistent decisions and for maintaining customer trust in the process. External experts bring specialised knowledge to claims assessments, and their opinions on the causes of loss or damage can be vital.

However, expertise in assessing loss or damage does not necessarily transfer to expertise in policy terms and conditions.

We expect that insurers consider the input of an external expert carefully in making a decision on a claim. Ultimately, the opinion of the external expert must be integrated into a wider decision framework that considers other factors too.

When external experts provide recommendations to accept or deny claims, there is a risk that insurers rely on the recommendations for decisions rather than carefully considering the assessment and findings on the cause of the loss or damage. This can lead to unfair or inconsistent decisions on claims. Insurers can eliminate this risk by not allowing external experts to make recommendations to accept or deny claims.

**“Often so-called experts are offering opinion on policy coverage without any knowledge of the specific policy or what it covers.”**

– Quote from our customer survey

Only one of the six insurers we examined prohibited external experts from making recommendations to accept or deny a claim, while another prohibited recommendations to deny claims.

The remaining four insurers told us that their external experts can recommend accepting or denying a claim based on their assessment of the cause of the loss or damage. They also told us that, while these recommendations can influence the process, the final decision on the claim rests with the insurer.

Some insurers noted that recommendations from external experts can expedite claims processing, particularly in straightforward cases. When there is delegated authority to approve a claim, this may be beneficial. However, relying on the recommendations, particularly when they are to deny a claim, heightens the risk of a poor claims decision.

This concern is reflected in the responses to a customer survey we conducted, in which many reported that they felt insurers were relying on external expert recommendations rather than critically assessing the evidence of the claim.

**“It appears that insurers have passed on the responsibility of interpretation of the policy to builders whose expertise is building not insurance.”**

– Quote from our customer survey

External experts should only provide opinion on the likely cause of the loss or damage. Making recommendations to accept or deny a claim goes beyond their area of expertise.

Our report [Making Better Claims Decisions](#) made it clear that insurers often made claims decisions based on poor quality reports and recommendations that were not supported by sufficient evidence. Relying on such recommendations can lead to poor customer outcomes and an increase in disputes.

## RECOMMENDATIONS

1. Insurers should ensure their external experts only provide factual evidence based on the area of expertise, and do not provide recommendations on the outcome of a claim.

*(Note: If an external expert has delegated authority to approve a claim, such a recommendation may be appropriate.)*

## 2) Improved training and evaluation

Training programs from insurers provide important guidance to external experts. It is important that external experts understand their obligations and the expectations when providing an opinion on the cause of loss or damage.

While insurers had training programs for external experts, they often lacked depth in key areas, failed to adequately evaluate understanding of the training, and did not adequately follow through with subsequent ongoing training.

### ► Onboarding and initial training

Each of the six insurers we examined reported having a process for adding external experts to an established panel. All reported using a formal process that examines qualifications, licenses, experience and abilities to meet their expectations. The processes all involved criminal record checks.

Encouragingly, all insurers reported that they required all external experts to complete initial training programs before they began assessing losses or damages. The initial training generally covers a variety of areas, including:

- The General Insurance Code of Practice
- Dealing with vulnerable customers
- Internal Dispute Resolution
- Report writing
- Policy coverage.

We found that the initial training provided by insurers often failed to cover important aspects of the claims process in sufficient detail.

In particular, the training in areas of policy definitions, the Product Disclosure Statement, and report writing lacked depth and detail, while much of the substantive content in other areas of training programs was limited to high-level overviews.

Four of the insurers we examined reported that they deliver the training directly to all relevant staff at the firms of their external experts. However, two insurers reported that they provide training to representatives who then deliver the training across the firms of their external experts on behalf of the insurer.

All insurers reported limiting the allocation of cases for a new external expert and not increasing the workload until they are satisfied with the performance of the external expert.

## ► Understanding training and ongoing training

None of the insurers we examined conduct an evaluation process or testing to ensure that the external experts understood their initial training. This raises serious concerns about external experts' understanding of obligations and expectations when providing opinions, and the implications for the claims process.

Rather than evaluating understanding, the insurers reported relying on monitoring processes and additional early oversight to ensure their external experts understood the training.

As part of early oversight, two insurers reported using a partnership system in which a new external expert is assigned a partner with more experience in the role to provide support. One of these insurers reported that the partner accompanies the new external expert to sites for assessing loss or damage.

Ongoing training or subsequent training reviews beyond the initial training varied among the insurers. Three noted that their external experts undergo annual training on the Code and customer vulnerability.

One insurer reported that its external experts had access to its internal annual training on Code compliance and customer vulnerability. It noted that if an external expert fails to complete this training, there is an escalation process that could result in the external expert being allocated fewer cases.

Aside from these examples, insurers generally provided ongoing training only when necessary. Insurers reported that a training review or ongoing training modules could be instigated by changes to the Code or emerging concerns in the industry.

It is important that insurers provide ongoing training to external experts to ensure they understand their obligations and the expectations when providing an opinion on the cause of loss or damage.

## ► The need to improve training

For insurers, the depth and effectiveness of training programs for external experts are crucial. Comprehensive training ensures consistent approaches which help produce fair and reasonable decisions.

However, for the training to be effective, it must cover all aspects of the assessment of the loss or damage and provide external experts with clear guidelines to establish a consistent approach in line with the insurer's processes.

Furthermore, ensuring that external experts understand the training is vital; providing training without verifying comprehension can be ineffective and exposes insurers to a range of risks. Conversely, ongoing training can keep external experts updated and ensure the insurer can maintain high standards over the long term.

Thorough and continuous training is essential for insurers to enhance the accuracy and reliability of assessments and minimise disputes and complaints. Streamlined claims processes, based on fair and consistent reports from external experts, will benefit both the insurer and the customer.



While customers can be confident that the external experts involved in assessing their loss or damage have had their credentials checked and have undergone training on the claims process, they should be aware that this does not guarantee a flawless process.

Knowing that claims are being handled by adequately trained professionals is critical for a process that customers can trust. And by asking insurers about the training they provide to external experts, customers can contribute to improvements in the process, ensuring better outcomes for themselves and others.

## RECOMMENDATIONS

2. Insurers should provide training to external experts that is clear on the expectations for assessments and reports. Training should cover:
  - a) ensuring a full and detailed investigation of the damage and cause
  - b) ensuring the report is factual and supported by evidence
  - c) ensuring a specific and demonstrable link between the loss and wear and tear or lack of maintenance to support a view that damage was caused by normal wear and tear or lack of maintenance rather than an insured event.
3. Insurers should ensure that they check that external experts understand training before allowing them to conduct assessments.
4. Insurers should provide at least annual compulsory training to external experts on the obligations in the General Insurance Code of Practice and dealing with vulnerable customers.

### 3) Strengthening monitoring and oversight

Insurers use various monitoring tools to oversee external experts to maintain quality and consistency. The most common tools for monitoring the performance of external experts were:

- Key Performance Indicators (KPIs)
- Scorecards
- Quality Assurance (QA) audits
- Feedback and complaints monitoring.

However, these monitoring tools often emphasise time and cost over quality. Furthermore, they do not effectively identify trends, and do not produce sufficient corrective action in response to performance issues and complaints.

Encouragingly, all six insurers we examined reported having a dedicated team that oversees the performance of external experts and conduct regular performance meetings.

#### ► Monitoring tools

While each insurer reported using KPIs and scorecards to track performance and highlight areas that need attention, we found there was relatively little consideration of the quality of an external expert's assessments and reports.

The example scorecards that insurers provided us commonly included comparisons or rankings of external experts based on time and cost. We are concerned with approaches that place significant weight on the time an external expert takes, and the costs involved, in the absence of measures of quality. This can inadvertently lead to external experts rushing assessments and cutting costs as a way of improving their ratings.

If insurers use these monitoring tools to compare external experts, it's essential to strike an appropriate balance by including information about the quality of the assessments. While time and costs are important factors, they should not be prioritised over quality.

Although QA did not feature heavily in KPIs and scorecards, five insurers reported separately conducting monthly or quarterly QA audits on random selections of external experts. One insurer includes the outcome of these QA audits on the scorecards it uses, while two insurers use scorecards specifically designed to monitor QA.

**“Often the assessment is far too quick, is not based on correct evidence and consequently, claims are denied or not paid out in full.”**

– Quote from our customer survey

Some insurers had more rigorous QA checks than others. One insurer's QA audit has a comprehensive list of questions that consider a range of aspects of the assessment, while other insurers provided more limited QA audits. Two insurers recognised the need for better QA audits and reported plans to make improvements.

One insurer reported that its QA checks did not contribute to reporting on an external expert's performance. Instead, it noted that it conducts quarterly reviews which capture the quality of the external expert's decision-making, use of time and communication.

Robust and regular QA checks of the assessments and reports of external experts will help to ensure accurate assessments and high standards, while preventing poor outcomes for customers.

## ► **Complaints and feedback**

As part of our inquiry, we asked the insurers to provide data on the number of complaints about each external expert they used.

Five of the six insurers provided data. Concerningly, one insurer was unable to comply with our request, citing the need for a manual review to collate the data.

Of the five insurers that provided data about complaints, two noted that it is not always clear if a complaint relates to an external expert. It could be a complaint about other related factors.

Understanding and tracking complaints about external experts is crucial for accurately assessing their performance. If complaints cannot be clearly attributed, it undermines the ability of insurers to identify specific areas of concern and address them effectively.

All insurers reported having mechanisms for staff to log feedback about an external expert. They also reported having surveys for customers to provide feedback. These surveys contribute to an evaluation score for the external expert. The scores are used to indicate where there might be an issue.

Effective feedback mechanisms are essential for continuous improvement. They provide insurers with insights into the performance of external experts, from both staff and customers, helping to identify and address, and enhance the quality of service.

Each insurer reported that it reviews external expert reports as part of its Internal Dispute Resolution (IDR) process. Each one also reported reviewing External Dispute Resolution determinations.

The insurers stated that they monitor complaints to identify themes and provide feedback to each external expert.

Reviewing external expert reports and monitoring complaints help insurers identify recurring issues and systemic problems. This proactive approach is vital for improving the accuracy and fairness of claims assessments, ultimately leading to better customer satisfaction and reduced disputes.

## ▶ **Effective monitoring**

We tested the insurers' monitoring processes by providing examples of past claims in which we or the Australian Financial Complaints Authority (AFCA) had identified concerns with the quality of the external expert's report.

The responses from the insurers indicated that the established monitoring processes are generally not sufficient to identify concerns and did not result in feedback being given to the external expert.

This reveals that current monitoring processes are failing to ensure the quality and reliability of an external expert's work, potentially leading to unresolved issues, poor claims decisions and more complaints and disputes.

To explore monitoring processes further, we asked the insurers to provide details of action they took against external experts in the last two years due to performance issues. Only two insurers reported having terminated a contract for an external expert due to performance issues; most insurers reported having not terminated any in the past two years.

**“In many instances, we've encountered experts who hastily conclude that certain issues are maintenance-related without conducting a thorough assessment or testing to validate their claims.”**

– Quote from our customer survey

Each of the six insurers provided examples of action it had taken in response to concerns with an external expert. The actions taken included additional training, performance plans and breach notices. However, for four insurers, the examples were limited.

We found that four insurers could not articulate how their various monitoring tools fit together to identify trends or themes over time.

This indicates a lack of cohesive strategy and integration in monitoring processes, which undermines the ability to improve the performances of external experts.

## ▶ **The need for monitoring and oversight**

While insurers generally have monitoring and oversight mechanisms in place, we identified critical gaps, which have significant implications for both insurers and customers.

For insurers, monitoring tools that prioritise time and cost over the quality of assessments can undermine the integrity of the claims process. Without thorough and integrated monitoring, insurers risk rushed and potentially inaccurate assessments, ultimately resulting in poorer decisions and more complaints and disputes.

For customers, thorough monitoring and oversight of external experts can build confidence that the insurer will produce fair and accurate claim assessments. This can reduce complaints and disputes.

The lack of comprehensive quality monitoring and feedback mechanisms can lead to inconsistent and poor-quality assessments. Customers should advocate improved monitoring practices to ensure their claims are handled by competent and well-trained external experts who are held accountable by the insurer.

Ensuring that external experts are held to high standards of performance and accountability is crucial for maintaining trust and confidence in the claims process.

## RECOMMENDATIONS

5. Insurers should ensure that, as part of their performance monitoring:
  - a) they conduct regular QA audits of external experts' assessments and reports and provide regular feedback
  - b) they consider the quality of an external expert's work, not just time and cost in comparing and ranking external experts
  - c) they have systems in place to track and monitor themes over time and identify trends in the performance of external experts.
6. Insurers should improve the quality of the data they hold on external experts' work. They should ensure that they are able to track the complaints made about each external expert and the number of assessments and reports completed by each one.
7. Insurers should ensure that their monitoring processes are effective in identifying concerns with and providing feedback to external experts.

# Spotlight: Customer perspectives

As part of our inquiry, we conducted a survey to gain insights into customer experiences with external experts. The survey aimed to capture the direct experiences of customers and customer representatives in relation to the performance of external experts.

We received 61 responses to the survey: 27 from customers and 34 from customer representatives. The survey asked respondents about their experiences with external experts, requesting evaluations of their performances, highlighting both positive and negative aspects.

While we recognise that survey respondents are most likely to be those who have had a negative experience with their insurer, we consider the survey to be a valuable source of data providing insights into the impact poor experiences may have on customers.

The survey revealed that both customers and customer representatives had experienced issues with external experts.

When asked about the quality of information sharing and communication from external experts during the claims process, 63% of customers and 41% of customer representatives rated it as “very poor.”

Of the 27 customer responses, only three reported that the insurer asked them for feedback about the external expert who assessed their loss or damage.

Customer representatives cited cost as the main reason clients do not engage their own experts in response to their insurers’ external expert assessments, with unfamiliarity with the process being the second most common reason.

On the quality of reports by external experts, 52% of customers and 24% of customer representatives rated it as “very poor.” Only 7% of customers rated the quality as “very good,” while 38% of customer representatives rated it as “fair.”

Overall, the survey results reflect dissatisfaction among customers and their representatives with the performance of external experts in assessing loss or damage.

# A commitment to improve

Deficiencies in the training, monitoring, and oversight of external experts by insurers has contributed to poor outcomes for customers.

Our inquiry revealed the need for insurers to:

- refine the scope of opinions provided by external experts to their areas of expertise
- enhance training programs that ensure comprehension and ongoing education
- implement robust monitoring processes that prioritise quality alongside cost and time efficiency.

It is imperative that insurers act on the recommendations in this report. Implementing the recommendations will lead to more consistent and fair claims decisions, reduce disputes and complaints, and ultimately result in better outcomes for customers and greater trust and confidence in insurers.

While there are improvements for insurers to make, the Code itself has a role to play. As outlined in [our submission to the Code review](#), we believe the obligations in the Code need to be strengthened to help ensure better practices regarding the use of external experts.

The Code should establish minimum requirements for the content of external expert reports used in claims decisions. As an obligation in the Code, this will help ensure reports present clear facts and evidence, link losses to wear and tear or maintenance issues, and stay within the external expert's area of expertise.

Insurers should be required by the Code to only use external experts whose services and advice match their expertise and to ensure the independence of these external experts. It should also require quality assurance measures for the work of external experts.

We remain committed to monitoring the issues regarding external experts closely. We will follow up with insurers to ensure that they consider and implement our recommendations and make necessary improvements to practices.

Our ongoing oversight aims to effect changes that will result in fairer and more reliable claims processes.



**GENERAL INSURANCE**  
Code Governance Committee