

Compliance reminder:

Third-party service providers

Insurers are responsible for ensuring all their services, including those delivered by third parties, comply with the General Insurance Code of Practice (the Code).

Third-party service providers are crucial in helping insurers manage their claims effectively and efficiently.

But every insurer is responsible for ensuring all its services, including services provided by third parties, comply with the Code.

In particular, we expect insurers to ensure that all third-party service providers are honest, efficient, fair, transparent, and timely in all their dealings with consumers.

Third-party service providers include Distributors, Service Suppliers, such as repairers and restorers, as well as any other service providers, such as cleaners, storage providers, and temporary accommodation providers.



A breach caused by a third-party contractor

What happened

An insurer engaged a third-party contractor to store a customer's household furniture and contents as part of its claims-handling process.

The third-party contractor lost some of the customer's contents and damaged others, which caused delays in the claim and distressed the customer.

What we found

We found that the insurer breached paragraph 21 of the Code because, through its third-party contractor, it had not handled a claim in an efficient, fair or timely manner.

While the insurer claimed that its third-party contractor was not technically a 'Service Supplier' so the obligations in the Code did not apply, we decided that it was the insurer's responsibility to ensure a customer's furniture and contents are managed in accordance with Code obligations.

What we expect

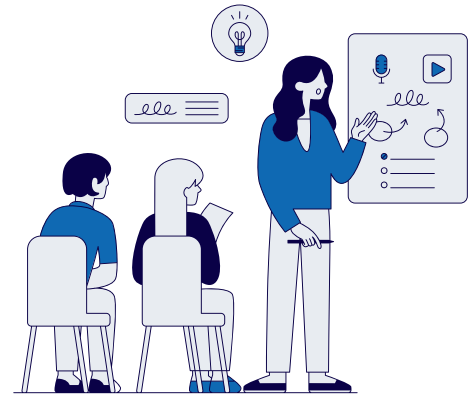
When outsourcing services to third parties, insurers remain responsible for ensuring that work of the third party complies with the Code.



Interpreting Code obligations

We encourage insurers to interpret obligations in line with the spirit of the Code.

This is to be open, fair and honest and provide high standards of service to customers. Every insurer must ensure its services - including services undertaken by a third-party provider - align with the purpose of the Code.



Rather than taking a narrow interpretation that limits the application or downplays the importance of Code obligations, insurers should interpret obligations broadly, keeping in mind the underlying purpose and spirit of the Code.



Our expectations

Having read this Code compliance reminder, insurers should consider and implement appropriate changes to their reporting systems, processes and practices.

Insurers must ensure they can report properly on any service outsourced to a third-party.

All reporting systems, processes and practices must align with the expectation that Code breaches attributable to third parties are recognised as breaches.

For clarification on the Code and its obligations, contact us at info@codecompliance.org.au.