



General Insurance Open Forum

May 2019

Today's agenda

- > Welcome and AFCA update
- > The Royal Commission – A brief overview and key areas of focus for AFCA
- > A snapshot on complaints numbers
- > Complaint statistics for General Insurance
- > AFCA process and procedure updates
- Open discussion
- Q&A

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The Royal Commission into Financial Services

John Price, Lead Ombudsman General Insurance

The Royal Commission into Financial Services

Summary of outcomes

Commissioner Hayne's recommendations and the Government's response

- Strengthen and expand protections for consumers, small business, rural and remote communities.
- Raise accountability and governance standards.
- Enhance the effectiveness of regulators.
- Provide for remediation for those harmed by misconduct.

The Government has agreed to take action on all 76 recommendations contained in the Royal Commission's Final Report.

The Royal Commission into Financial Services

Multiple sectors of industry

- Amend law to give ASIC additional powers to approve and enforce industry code provisions.
- Amend law to provide for remedies for breaches of enforceable code provisions.
- Establish industry-funded forward-looking compensation scheme of last resort
- Implement recommendations of ASIC Enforcement Review relating to self-reporting of contraventions by AFS and credit licensees
- Simplify legislation
- Amend Corps Act s912A to require AFS licensees to take reasonable steps to co-operate with AFCA in dispute resolution, especially by providing information about issues in dispute.
- Expansion of BEAR
- Overhaul requirements governing how APRA and ASIC operate.

The Royal Commission into Financial Services

Findings related to AFCA

- Enhancing AFCA's ability to obtain information (Recommendation 4.11)
- Compensation scheme of last resort (Recommendation 7.1) and redress for past unpaid disputes

Government's response related to AFCA

- Payment of around \$30 million in compensation owed to almost 300 consumers and small businesses for the unpaid determinations of FOS and CIO.
- Establishment of a forward-looking compensation scheme of last resort to be administered by AFCA.
- Expansion of AFCA's remit for a period of 12 months to accept applications for disputes dating back to 1 January 2008
- Enhancement of AFCA's role in the establishment and public reporting of firm remediation activities.

The Royal Commission into Financial Services

Insurance

- Prohibit hawking of insurance.
- Remove exclusion of funeral expenses policies from definition of 'financial product'.
- Ensure it is clear that ASIC Act consumer protection provisions apply to these policies.
- Restrict use of 'insurance' and similar terms to reduce risk of confusing consumers about nature of products.
- Amend duty of disclosure for consumers in IC Act to ensure their disclosure obligations do not enable insurers to 'unduly reject' legitimate claims.
- Amend IC Act to ensure insurer may only avoid contract for non-disclosure or misrepresentation if it can show it would not have entered a contract on any terms.
- Extend unfair contract terms provisions in ASIC Act to insurance contracts regulated by IC Act.
- Alter definition of 'financial service' so it no longer excludes handling and settlement of insurance claims.
- Over time, extend BEAR to all APRA-regulated insurers.

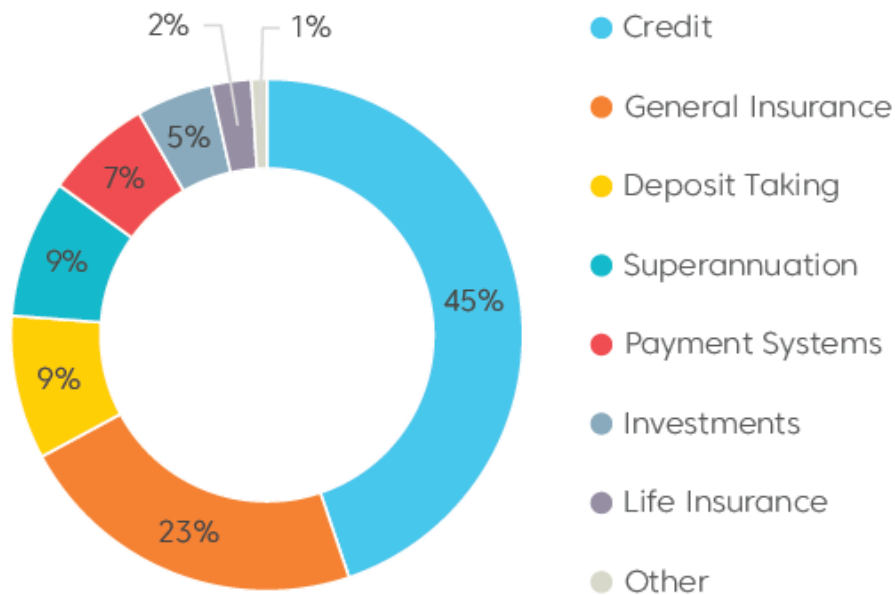


Complaint statistics

Michael Ridgway, Executive General Manager – Corporate
Strategy and Services

AFCA: The first six months of operations

Complaints received by product type¹

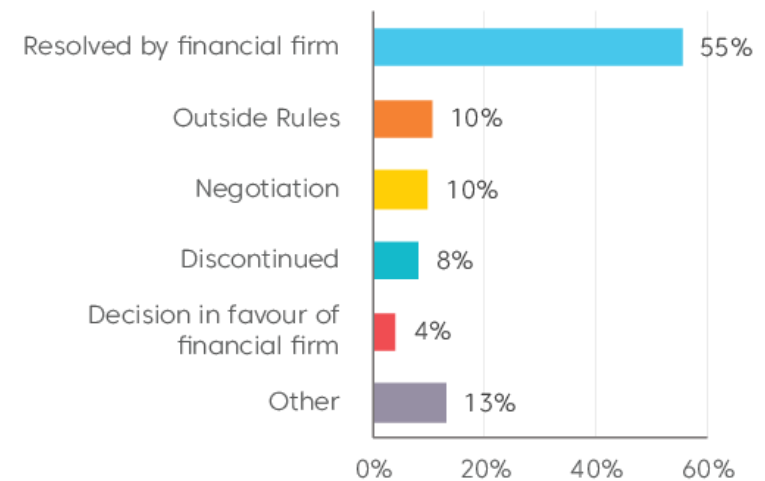


¹ One complaint can have multiple product line, product and issues.

35,263 complaints received

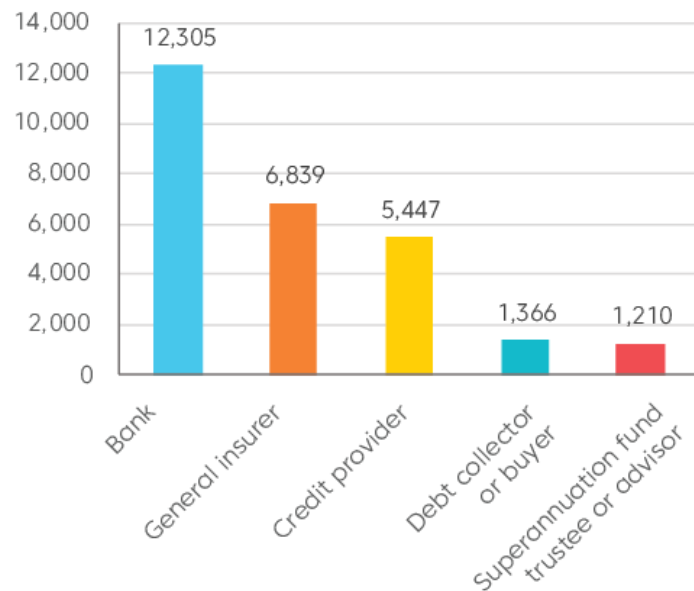
As at 30 April 60% have been closed

Complaints closed by outcome



AFCA: The first six months of operations

Complaints received by top 5 financial firm type



¹This includes matters previously received by AFCA's predecessor, Financial Ombudsman Service, and resolved by AFCA since 1 November 2018.

\$83 million in compensation¹

Small business

We received **2,133** complaints from small businesses.

Most complaints were about misleading product/service information.



12.3% of licensee members had a complaint lodged against them in the first six months

Systemic issues

Definite systemic issues currently under investigation **85**

Total potential serious contraventions and other breaches identified since November **16**

Key issues and themes: Top 5 issue types



Credit

Issue	Total
Credit reporting	2,272
Responsible lending	1,472
Misleading product/service information	1,201
Financial firm failure to respond to request for assistance	1,088
Incorrect fees/costs	867



Investments

Issue	Total
Failure to follow instructions/agreement	350
Inappropriate advice	229
Failure to act in client's best interests	141
Incorrect fees/costs	133
Service quality	93

Key issues and themes: Top 5 issue types



Deposit Taking

Issue	Total
Unauthorised transactions	825
Service quality	274
Mistaken internet payment	202
Incorrect fees/costs	162
Failure to follow instructions/agreement	132



Life Insurance

Issue	Total
Denial of claim	113
Incorrect premiums	101
Delay in claim handling	73
Claim amount	68
Cancellation of policy	54

Key issues and themes: Top 5 issue types



Payment Systems

Issue	Total
Unauthorised transactions	400
Denial of claim	393
Mistaken Internet Payment	243
Service quality	144
Incorrect fees/costs	100



Superannuation

Issue	Total
Incorrect fees/costs	416
Delay in claim handling	332
Account administration error	229
Death benefit distribution	200
Denial of claim	198

General Insurance: Top 5 issue types



General Insurance

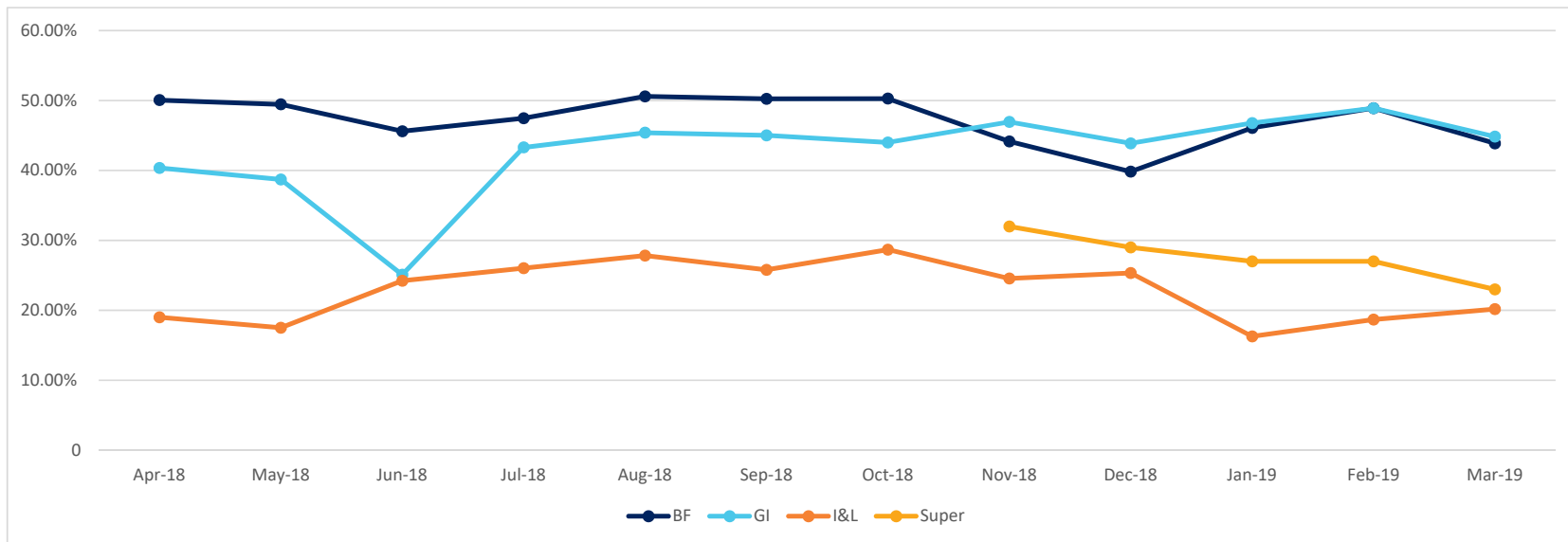
Issue	Total
Delay in claim handling	1,476
Claim amount	1,327
Denial of claim - exclusion/condition	1,227
Denial of claim	1,011
Service quality	422

General Insurance: Complaints received

General Insurance	1/11/2018 – 30/4/2019
Total complaints received	7,969

- 23% of all complaints received (1/11 2018 – 30/4/2019) were related to General Insurance
- Motor vehicle – comprehensive made up the largest proportion (22%), followed by home building (15%),
- Delay in claim handling (18%), claim amount (17%) and Denial of claim-Exclusion/ condition (15%) were the main issues.
- The number of complaints received increased 20% compared with the same period last year (6,617).

Known closure rate at Registration and Referral



KCR	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
BF	50.10%	49.50%	45.60%	47.50%	50.60%	50.20%	50.30%	44.20%	39.80%	46.10%	48.90%	43.90%
GI	40.40%	38.70%	25.10%	43.30%	45.40%	45.00%	44.00%	46.90%	43.90%	46.80%	48.90%	44.80%
I&L	19.00%	17.50%	24.20%	26.00%	27.80%	25.80%	28.70%	24.60%	25.30%	16.30%	18.70%	20.20%
Super								32.00%	29.00%	27.00%	27.00%	23.00%
Total	44.70%	43.70%	38.90%	44.30%	46.90%	46.30%	46.20%	42.20%	38.40%	42.00%	44.90%	40.90%

Complaints accepted: General Insurance

	1 November 2018 – 30 April 2019
Complaints accepted	4,208

Complaints progressed to workflow - No response

	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19
No response from Financial Firm	71	62	73	67	97	75
Response and Financial Firm progression	646	621	541	621	643	691
Total	717	683	614	688	740	766
% of no response	10%	9%	12%	10%	13%	10%

Complaints accepted by top product - General Insurance

1 November 2018 – 30 April 2019

General insurance complaints accepted by product	Number
Motor Vehicle- Comprehensive	1,188
Home Building	997
Travel	456
Motor Vehicle- Uninsured Third Party	381
Home Contents	229

Complaints closed by status: AFCA and FOS

	1 November 2018 – 30 April 2019
Complaints closed	7,557

Complaints closed - Status	1 November 2018 – 30 April 2019	1 November 2018 – 30 April 2019
	(Number)	(%)
Closed Registration & Referral	3,692	49%
Closed Case Management Level 1	1,065	14%
Closed Preliminary View	919	12%
Closed Decision	916	12%
Closed Rules review	705	9%
Closed Case Management Level 2	216	3%
Closed Before Referral	44	1%
Total	7,557	100%

Complaints closed by outcome: AFCA and FOS

Outcome	1 Nov 2018 – 30 April 2019 (Number)	1 Nov 2018 – 30 April 2019 (%)
Resolved by FF	4,071	54%
Negotiation	645	9%
Decision in Favour of FF	629	8%
Outside Rules	666	9%
Discontinued	446	6%
Preliminary Assessment in Favour of FF	437	6%
Decision in Favour of complainant	234	3%
Preliminary Assessment in Favour of complainant	203	3%
Assessment	117	2%
Conciliation	109	1%
Total	7,557	100%



AFCA jurisdiction, process and procedures update

Michael Ridgway, Executive General Manager – Corporate
Strategy and Services

Complaints dating back to 1 January 2008

Government has announced that AFCA is to consider complaints dating back to 1 January 2008, if the complaint falls within AFCA's current thresholds.

- > AFCA's authorisation conditions have now been changed, requiring AFCA to receive these complaints between 1 July 2019 and 30 June 2020
- > AFCA recently conducted public consultation on required changes to its Rules
- > Submissions received are available on AFCA's website

Consultation on Rules amendments

The scope of the consultation and jurisdiction is explained in the consultation paper. You can find the below on <https://www.afca.org.au/news/consultation/>

- > [Consultation paper](#)
- > [Draft amendments to the Rules](#)
- > [Draft amendments to the Operational Guidelines](#)

Next steps

AFCA Board will consider submissions, before Rules changes are submitted to ASIC for approval. Further guidance in OGs and on process will be released prior to 1 July

Complaints dating back to 1 January 2008

Providing consent now – we have added a new action to secure services

- > We would like to take a proactive approach to complaints being lodged now that meet the extended timeframe criteria ahead of 1 July 2019
- > A new action “Provide consent to AFCA to consider complaint” has been added to Secure Services, making it possible for us to accept complaints that meet the extended timeframe criteria immediately

Customer enquiries

- > If you receive enquiries from consumers or small businesses about complaints dating back to 1 January 2008, we encourage you to review the issue and attempt to resolve the matter through your firm’s IDR
- > If a complaint is lodged with us and we find that the matter has not undergone your firm’s IDR process, it is likely the complaint will be referred back to your firm. We may ask firms for consent to consider matters that are currently lodged which meet the extended timeframe criteria, ahead of the formal Rules change, to allow us to accept complaints dating from 1 January 2008

Previously outside timeframes

- > Additionally, if you have previously been referred a complaint which falls within the extended timeframe and have raised a case action to dispute the jurisdiction, we suggest that you may consider rethinking your previous objection
- > Similarly, where part of a dispute may fall into this extended timeframe, we suggest you consider rethinking an objection

AFCA reporting

Transparent and accountable reporting and information

- > In line with the broader changes arising from the Royal Commission and regulatory changes, including ASIC regulatory guide 165, AFCA is making changes to its public reporting

From 2019/2020:

- > AFCA will be naming firms in published decisions. Changes to AFCA Rules (A.14.5) to be consulted.
- > Changes to reporting on **definite** systemic issues – naming of firms involved
- > Changes to AFCA comparative reporting (requirement under RG237)
 - Complaints received numbers
 - Publish every 6 months
 - Come into effect for our AFCA 18-19 comparative reporting – Published in October 2019

AFCA fees and levies

The AFCA Board has recently considered funding requirements due to:

- > Significant increase in complaints
- > Significant growth in the organisation
- > Actions required in response to the Royal Commission final report

Key factors:

- > AFCA has grown by more than 250 staff in 8 months
- > AFCA is now operating over 3 sites
- > Complaints currently tracking more than 40% higher than predecessor schemes, with no sign of reducing
- > Superannuation complaints more than double original forecast
- > IT changes, upgrades, recruitment and other support costs

AFCA fees and levies

Changes to:

- > User charge
- > Complaint fees
- > Super levy

Increases will be in accordance with user pays funding model.

AFCA budget for 2019 – 2020 will be settled in June. Confirmed increases will be communicated after the budget has been settled.

More information:

- > Larger use members will be hearing directly from AFCA
- > Low / no use members can find more information on secure services.
- > Or call our membership team on 1300 56 55 62 or membership@afca.org.au

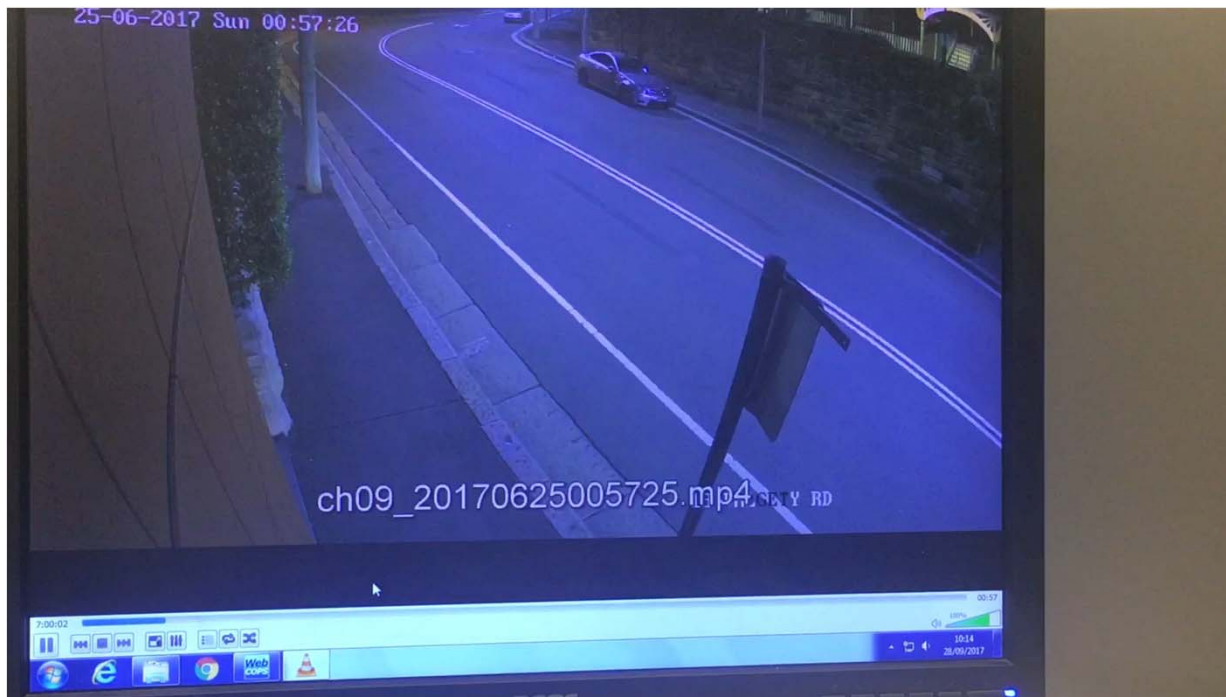
Open discussion

Open discussion

Discussion panel

- John Price: Lead Ombudsman General Insurance
- Evelyn Halls: Ombudsman
- Don O'Halloran: Ombudsman
- Paul Holmes: AFCA Panel Member

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Wrap up and questions

AFCA contact details

- afca.org.au
- info@afca.org.au
- 1800 931 678
- GPO Box 3, Melbourne VIC 3001

AFCA membership contacts

- 1300 56 55 62
- membership@afca.org.au



Australian Financial Complaints Authority



AustralianFinancialComplaintsAuthority



AFCA_org_au

Thank you

