

## Improving complaints handling timeframes

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How to embed effective, fair and timely internal complaints and disputes handling processes in accordance with Service Standard 10 of the Insurance Brokers Code of Practice.

**October 2019**

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## Executive summary

Service Standard 10 of the Insurance Brokers Code of Practice ([the Code](#)) requires organisations to establish an internal complaints and disputes handling process that meets the [Code Complaints and Dispute Resolution Process](#) standards (see **Appendix 2**).

As part of the Annual Compliance Statement (ACS) Program in early 2019, the Insurance Brokers Code Compliance Committee (the Committee) conducted an own motion inquiry to develop a better understanding of how Code subscribers manage their timeframes for handling complaints based on obligations under Service Standard 10. The Committee's report on this inquiry sets out several recommendations for improvements to managing timeframes during the internal dispute resolution (IDR) process.

This report details the findings from the 2018 ACS which is completed by each Code subscriber as part of their commitment to the Code. The completion of the ACS provides an opportunity for the Committee to analyse current data relating to IDR timeframes and develop recommendations for action.

### The Committee's findings

After reviewing the 2018 ACS program data, the Committee has found there is room for improvement in managing timeframes while handling complaints. The Committee looked at actual timeframes for response and resolution as well as the recording and monitoring of timeframes during the IDR process. Using this information, the Committee has developed recommendations that are easy to implement for all Code subscribers.

The Australian Securities and Investments Commission's (ASIC) recent [Consultation Paper 311 Internal dispute resolution: Update to RG 165](#), contains a raft of measures to strengthen financial firms' complaints handling processes, including new recording requirements and tighter response timeframes that will come into effect in December 2019. The Committee urges subscribers to implement these recommendations as a matter of priority.

### Breaches

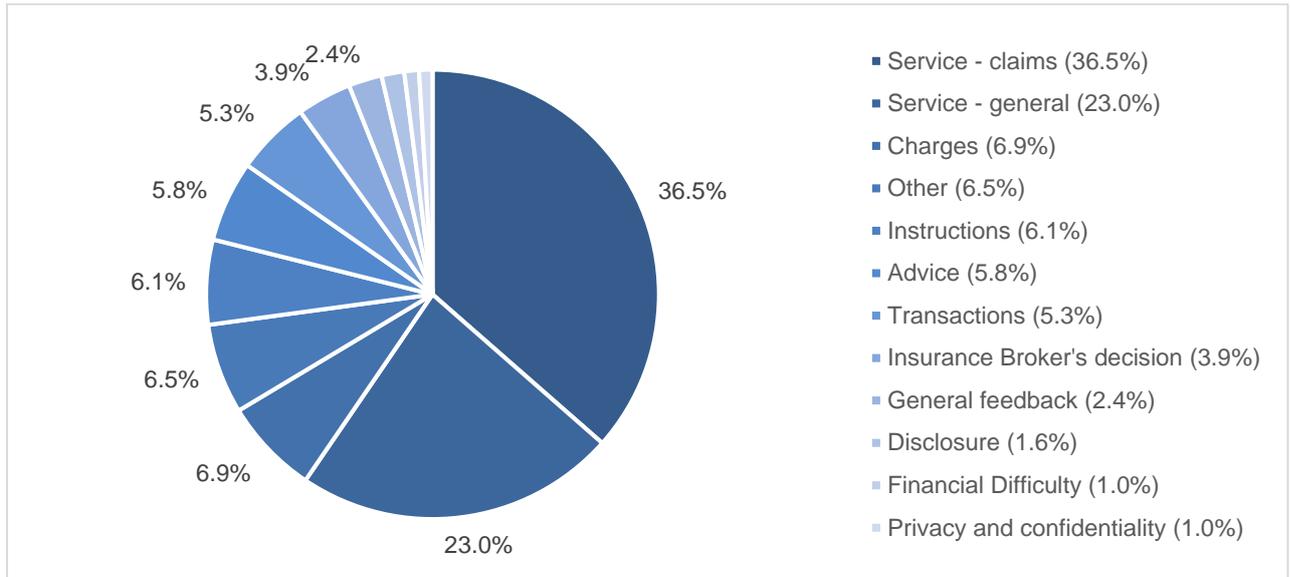
The Committee found that only a low number of breaches of Service Standard 10 are self-reported by Code subscribers on an annual basis.

The ACS responses reflect that micro organisations are least likely to record and monitor timeframes during the IDR process. A move to include this in their process could see an improvement in the number of reported breaches in subsequent years.

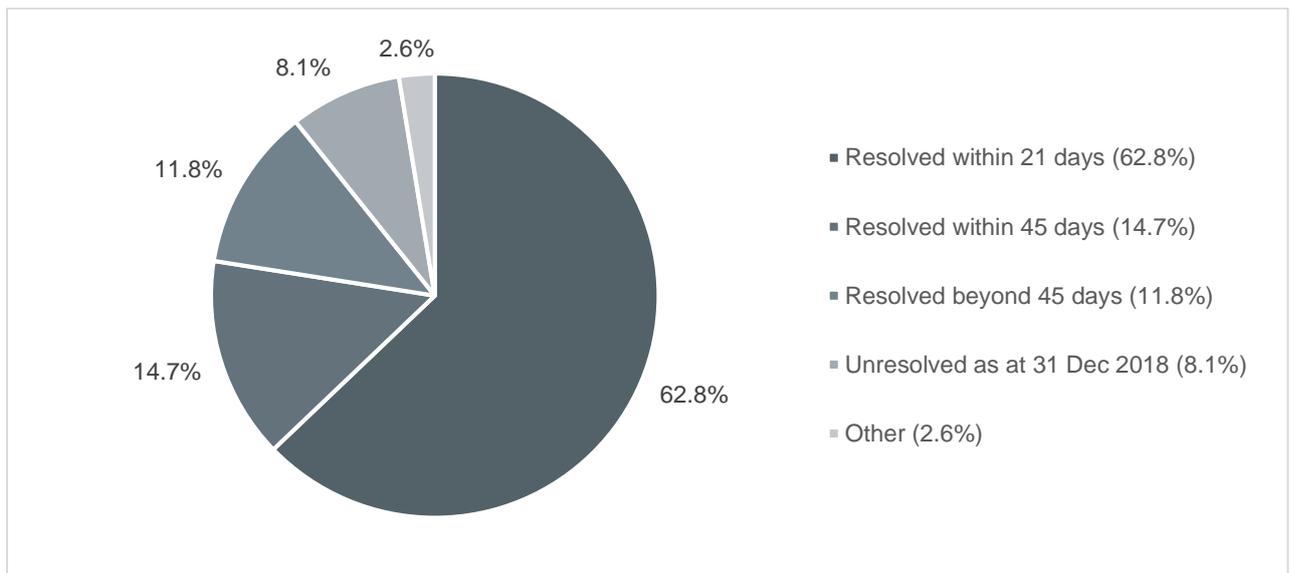
### Complaints and resolutions

A total of 1,049 complaints were received during 2018. One-quarter of these complaints related to general service issues, and two-thirds related to claims service issues (see **Chart 1**). Disappointingly, only 63% of complaints were resolved within 21 days. Another 12% of complaints took longer than 45 days to resolve and 8% were unresolved at the time of reporting (see **Chart 2**).

**Chart 1: issues involved in complaints in 2018**



**Chart 2: timeframes of complaints in 2018**



**Recording and monitoring of timeframes**

Seventy-three per cent of Code subscribers currently record all complaints regardless of resolution timeframe. More than two-thirds of organisations record these complaints as part of their overall complaint numbers, which gives a more accurate view of complaints received.

However, only 40% of organisations record detailed information about complaints resolved within five days. Large companies record detailed data for 63% of all complaints. This is the best of any group but still much less than should be expected from good industry practice.

Most disappointing is the fact that more than a quarter of all subscribers fail to record all complaints.

Under ASIC's proposed changes to RG 165, recording of all complaints, including those that are resolved immediately, will become mandatory for financial firms. It will also be mandatory to record detailed information for all complaints, regardless of how long resolution takes. Subscribers should therefore make it a priority to review their processes for recording

complaints to ensure they are meeting ASIC's proposed requirements which, if approved, will come into effect in December 2019.

A process for monitoring timeframes – which is currently only carried out by 73% of organisations – should also be implemented by all Code subscribers and immediately. An improvement in the timely resolution of disputes will benefit subscribers and their clients and aid the achievement of the Code's objectives.

### **Responding in a timely manner**

Results showed that 39 complaints were not acknowledged 'immediately' over the course of 2018. It has been noted that the term 'immediately' is widely interpreted among subscribers and will need to be reviewed by the Committee.

The results for complaint and dispute resolutions outside of expected times for both Step 1 (15.7%) and Step 2 (12.5%) of the Complaints and Disputes Resolution Process were disappointing. Large organisations performed poorly in both Step 1 and Step 2, with close to 30% of their complaints resolved outside of expected timeframes for both steps. Micro organisations performed poorly in Step 1 when compared to small and medium organisations.

### **Compliance**

The main compliance monitoring activity completed by Code subscribers was publishing or reviewing IDR and external dispute resolution (EDR) processes on their website. This was done by 70% of organisations. Additional actions included reviewing the Committee checklist for IDR timeframes (46%) and reviewing processes for dealing with customers in financial difficulty (31%).

The Committee strongly encourages Code subscribers to improve their compliance monitoring activities in areas affecting dispute resolution and to make use of compliance monitoring resources, such as the Committee's checklists outlining IDR timeframes.

### **Conclusion**

Clearly, there is room for improvement in the way that Code subscribers manage timeframes for handling complaints.

The learnings from complaints are a valuable source of education and training for subscribers. They can be used to achieve service improvements and aid better relationships with clients.

It is important to have a documented process for dealing with complaints, recording information relating to those complaints, and monitoring timeframes for resolution. An effective IDR is fundamental to the Code's purpose of promoting professional competence and building trust in the insurance broking industry.

The hearings and Report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry added intensity to what was already serious scrutiny of the financial services sector. Insurance brokers should not take comfort from the fact that they were clearly not the biggest target of the Commission's attention. All financial services organisations are on notice of significant community dissatisfaction. All have much to learn and change urgently.

For insurance brokers, perhaps nothing is more important than Code subscribers taking their Code obligations more seriously, renewing their commitment to the Code they own and doing more than the legal/code minimum in meeting their obligations.

The Committee supports ASIC's proposed strengthening of RG 165 as a way of improving transparency in the area of complaints resolution and embedding good industry practice. However, the requirement for financial firms to supply standardised data on their internal process for handling customer complaints, which ASIC will make public, and the tightening of timeframes for resolving complaints mean Code subscribers must act with urgency to ensure their IDR processes meet ASIC's new standards.

Based on the findings within this report (and in addition to the Committee's recommendations), the Committee has also outlined some general actions that will assist Code subscribers to improve all aspects of managing timeframes during the IDR process:

- Acknowledge complaints with a telephone call followed by details of the discussion in writing. Verbal contact helps to improve customer relationships and can help to de-escalate the complaint.
- Have a written procedure for recording complaints and monitoring timeframes for resolution in all instances.
- Document your IDR process, including management and monitoring of timeframes.
- Review your IDR process regularly.
- Ensure all staff are trained and supported in IDR process and procedure.

We encourage subscribers to review the findings and recommendations contained in this report to guide actions for implementation.

## Recommendations

### Recording of timeframes (see [p.11](#))

- Update your IDR process to include recording of complaints.
- Develop a system to record all complaints, even if they are small or resolved immediately. The system should be easy to understand and accessible for all staff.
- Keep detailed information relating to complaints and resolutions so data can be analysed to identify trends and risks. Include a review of other customers that may be affected by similar issues.
- Plan to review complaint data and outcomes consistently for process improvement and future learning.
- Implement a training program for staff on your IDR process.

### Monitoring of timeframes (see [p.12](#))

- Revise your IDR process to include instructions and expectations for timeframe monitoring.

### Responding in a timely manner (see [p.13](#))

- Define your internal benchmarks for acknowledging complaints and make staff accountable.

- Consider responding by telephone in the first instance to help build a better customer relationship. This should be followed up with a confirmation in writing.
- The Committee to address definition of ‘immediately’ at Code review. Codes should avoid words like ‘immediately’, ‘promptly’, or ‘as soon as practicable’.

### **Resolution of complaint (see [p.14](#))**

- Define your internal benchmarks for Step 1 and Step 2.
- Review your IDR process as current procedures could be delaying the response and resolution process:
  - Ensure that it guides staff in how to handle various complaint situations.
  - Includes specific benchmarks (such as response timeframes and escalation trigger points).
  - Ensure it is visible and easily accessible to staff and customers.
- Consider using staff who have the authority to make decisions for complaint response and resolution.
- Use the phone to communicate with the client and follow up your discussion with written communication. This improves customer relationships and may de-escalate the complaint or dispute.
- Acknowledge all complaints in writing, even complaints that are lodged verbally and/or resolved on the spot.
- Seek assistance from senior staff members when a complaint or dispute will not be resolved in appropriate timeframes, taking into account ASIC’s proposed changes to RG 165 that would allow financial services firms to issue IDR delay notifications in exceptional circumstances only.
- Start preparing now for ASIC’s proposed reduction to maximum IDR timeframes from 45 days to 30 days.

### **Compliance monitoring (see [p.16](#))**

- Make a plan to conduct monitoring activities on a regular basis.
- Review the compliance monitoring guidance outlined in the Committee’s 2017 and 2018 own motion inquiry reports into IDR processes and complaints handling.
- Review IDR processes (at least) annually.
- Consider an independent review of process and procedure to ensure its effectiveness.

### **Conclusion (see [p.17](#))**

- **Do more than the minimum** – The Code sets out minimum expectations for the way subscribers deal with customers. Putting robust processes in place will guarantee adherence to the Code and best practice within the industry.
- **Engage with your clients when there is a complaint** – Open communication may help to reduce the timeframes in resolving a complaint or dispute. It also provides an opportunity to improve customer relationships.

# Introduction

Service Standard 10 of the Insurance Brokers Code of Practice ([the Code](#)) requires Code subscribers to establish strict timeframes for the internal complaints and disputes handling process that meets the [Code Complaints and Dispute Resolution Process](#) standards. These important obligations are the focus of this report.

## The Code obligations

The Code has three standards concerning the timeframes of the internal complaints and dispute resolution process:<sup>1</sup>

*General standard – immediately acknowledge the receipt of complaints or disputes*

*Step 1 – within 21 days seek to resolve a complaint, and*

*Step 2 – if unresolved or client is not satisfied within 21 days seek to resolve a dispute (e.g. unresolved complaint).*

The 2018 Annual Compliance Statement (ACS) requested Code subscribers to provide information regarding these timeframes, how many disputes/complaints were resolved within them and how many exceeded them.

### **General Standard – immediately acknowledge receipt of complaint or dispute**

Under the Code, subscribers are required to ‘*immediately (or if this is not possible as soon as practicable) acknowledge the receipt of complaints or disputes...*’

Your internal dispute resolution (IDR) process should define ‘immediately’ and monitor any complaints and disputes where the receipt was not acknowledged within that timeframe. This instance would constitute a breach of the Code.

### **Step 1 – propose resolution of complaint within 21 days**

Under the Code, subscribers are required to advise a client on how you ‘*propose to resolve [a complaint] by the earlier of 21 days or such later time agreed with you...*’

Your IDR process should monitor any complaints where no proposal was made within that timeframe. This instance would constitute a breach of the Code.

### **Step 2 – propose resolution of unresolved complaint within 21 days**

Under the Code, subscribers are required to seek ‘*to resolve the dispute [unresolved complaint] by the earlier of 21 days or such later time agreed with you...*’

Your IDR process should monitor any disputes where no resolution was sought within that timeframe. This instance would constitute a breach of the Code.

## The inquiry

- Data collected from all Code subscribers as part of the 2018 Annual Compliance Statement (see Appendix 4 for questionnaire and Appendix 5 for data)
- Data relates to period 1 January to 31 December 2018
- Findings based on numbers and comments received from Code subscribers

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<sup>1</sup> Insurance Brokers Code of Practice, page 14 (see [Appendix 2](#))

## IDR breaches and complaints

As part of the 2018 Annual Compliance Statement (ACS) program, Code subscribers provided information to the Committee about self-reported breaches and complaints relating to Service Standard 10. Capturing information relating to breaches and complaints helps the Committee monitor compliance with the Code. It also gives Code subscribers the opportunity to identify root causes of problems and enable them to improve their service to customers.

### Self-reported breaches concerning IDR

Subscribers are required to self-report breaches of the Code when they occur or as soon as they are identified only. Five breaches were reported for the year (see **Appendix 5, Table 2**), with the majority being reported by micro organisations. One breach was reported by a medium organisation. There was no reported financial impact from these breaches.

Breaches mainly centred around process and procedure. In some instances, process and procedure were not followed, and in others it was identified that the process and procedure were incorrect. Organisations provided detailed information of breaches including steps taken to rectify each breach.

### IDR complaints received and resolution timeframes

The ACS program requires Code subscribers to outline the types of complaints received and provide data around general resolution timeframes.

Code subscribers reported 1,049 complaints received via their IDR processes (see **Appendix 5, Table 3**). Approximately one-quarter of these complaints involved general service issues and one-third involved claims service issues.

Only 63% of complaints were resolved within 21 days (see **Appendix 5, Table 4**), which represents no significant improvement on 2017. This must be seen by all as very disappointing.

Particular attention was focused on resolutions that were not finalised within the timeframes set out by the Code. Twelve per cent of complaints were resolved beyond 45 days and 8% remained unresolved at the time of reporting. Comments were sought to understand why this occurred.

#### Reasons given for 'other' relating to resolution timeframe (verbatim)

- *Resolved within 5 days.*
- *The complaints listed in the 'other' category resulted in no formal complaint from the clients and no claims made to date.*
- *Insurer claim was settled within 10 days.*
- *Advice complaint was agreed to resolve within client's favour within 1 day.*
- *The matter was resolved immediately upon being raised by the client.*
- *With EDR pending resolution.*
- *Complaints were simply due to client survey feedback.*

### **Reasons given for complaints not resolved within 45 days (verbatim)**

- *Awaiting determination from AFCA.*
- *Client did not accept brokers decision and went to AFCA.*
- *Negotiations with underwriter to agree to pay claim were very lengthy and involved the submission of detailed investigative reports.*
- *Complaint had been referred by client to EDR, therefore we were not party to the eventual resolution.*
- *Insurer's third-party assessor not responding with appropriate urgency.*
- *Incompetence of insurance assessor's and/or insurer's claims department.*
- *External Legal Advice being sought.*
- *Protracted negotiations with the complainant ongoing.*

The Code requires subscribers to proactively work towards resolutions within agreed timeframes where possible. This includes providing customers with regular updates on the status of their complaint. The Committee hopes that the findings and recommendations relating to timeframes outlined through this report will assist subscribers to do this.

## Recording of timeframes

Recording timeframes of complaint resolutions helps to manage expectations, understand trends, guide staff training and assess the effectiveness of internal processes. The Committee believes this is important for all complaints, not only those that are resolved after five days (a requirement of RG 165).

The ACS asks all Code subscribers if they record complaints that are resolved *'to the customer's complete satisfaction by the end of the fifth business day'* (in addition to the requirement under RG 165 to record complaints resolved after five days).

Seventy-three per cent of Code subscribers recorded all complaints, regardless of resolution timeframe. Large companies were best at recording complaints (88%) with numbers reducing as the business size decreases (medium 81%, small 77%, micro 69%) (see **Appendix 5 Table 7**). This may indicate that smaller organisations have less robust complaint procedures in place.

Over two-thirds of organisations include complaints resolved within five days in their overall complaint reporting, which helps to provide a clearer view of actual complaint numbers. However, only 40% of organisations also record detailed information for these complaints as they would for complaints that are not resolved in five days. Large companies are significantly better than other organisations: 63% record detailed data for all complaints.

ASIC's proposed changes to RG 165 will mandate the recording of **all** complaints, including those that are resolved immediately, as well as recording detailed information for all complaints, regardless of how long they take to resolve. Subscribers are therefore urged to review their processes for recording complaints to ensure they are able to meet ASIC's proposed requirements, due to come into effect in December 2019.

### Recommendations

- Update your IDR process to include recording of complaints.
- Develop a system to record all complaints, even if they are small or resolved immediately. The system should be easy to understand and accessible for all staff.
- Keep detailed information relating to complaints and resolutions so data can be analysed to identify trends and risks. Include a review of other customers that may be affected by similar issues.
- Plan to review complaint data and outcomes consistently for process improvement and future learning.
- Implement a training program for staff on your IDR process.

## Monitoring of timeframes

Monitoring timeframes is an important step in the IDR process to know whether complaints and disputes are being resolved within the timeframes set for the Code. It also serves to provide greater understanding and context about complaints and disputes.

Considering the importance of timeframes in meeting the requirements of the Code, the Committee expects that all Code subscribers should be monitoring timeframes. Monitoring timeframes can help an organisation display professionalism in their dealings with customers and help them understand how well their staff understand IDR procedures. Additionally, a timely response, even if it is not in their favour, may help to improve customer relationships.

Some 73% of Code subscribers record and monitor timeframes during their IDR process (see **Appendix 5, Table 5**), with large companies leading the way at 88%. The Committee would like to see this number improve significantly and urges all subscribers to implement a rigorous process for recording and monitoring timeframes.

### Recommendation

- Revise your IDR process to include instructions and expectations for timeframe monitoring.

## Responding in a timely manner

Acknowledging complaints or disputes and providing resolutions in a timely manner is a critical aspect of meeting the Code requirements and assisting in the achievement of its objectives. Subscribers should set expectations for customers when they submit a complaint or dispute through the IDR process. This will inform the customers' expectations. The ACS program includes questions about initial responses to acknowledge receipt of complaints, as well as timeframes to provide resolutions (see **Appendix 2**).

### General Standard – Immediately acknowledge receipt of complaint and dispute

Under the **General Standard** of the Code, subscribers are required to '*immediately (or if this is not possible as soon as practicable) acknowledge the receipt of complaints and disputes [...].*'

The expectation of the Committee is that **all** complaints or disputes are acknowledged as part of this general standard. Code subscribers should understand that an immediate response is for the purpose of showing the client you understand the matter and acknowledge the complaint. It does not need to include a full resolution.

Reporting indicates that 39 complaints (or 3.7% of total complaints) during 2018 were not acknowledged immediately (see **Appendix 5, Table 9**). The Committee notes there is a wide interpretation of the term 'immediately' among Code subscribers. These range from 24 hours (66%) to one week (see **Appendix 5, Table 8**). The Code is not specific around the timeframe and will need to be addressed in a future Code review. The ACS also sought specific responses why a complaint or dispute did not receive immediate acknowledgement.

#### Reasons given for complaints not acknowledged immediately (verbatim)

- *The complaint was lodged by a third party and investigation had to be undertaken to confirm that the third party had the authority of the client to act on their behalf.*
- *15 complaints were raised directly with AFCA without an opportunity of an IDR review.*
- *This is not a metric we specifically record.*
- *Owner could not be contacted, did not answer phone calls or did not respond to emails.*
- *The Broker might be away or at a conference and if so the complaint is escalated to the Compliance Manager or a Responsible Manager for acknowledgement and registration.*

*We had no complaints made to this office however we have a procedure to follow should a complaint be made.*

#### Recommendations

- Define your internal benchmarks for acknowledging complaints and make staff accountable.
- Consider responding by telephone in the first instance to help build a better customer relationship. This should be followed up with a confirmation in writing.
- The Committee to address definition of 'immediately' at Code review. Codes should avoid words like 'immediately', 'promptly', or 'as soon as practicable'.

## Step 1 – Propose resolution of complaint within 21 days

Under the Code, subscribers are required to advise a client on how they will ‘*propose to resolve [a complaint] by the earlier of 21 days or such later time agreed with you...*’

Overall, 15.7% of total IDR complaints were resolved outside of 21 days in Step 1 (see **Appendix 5, Table 10**). Micro organisations had a high number of unresolved complaints (16%) compared to small and medium sized organisations. It is extremely concerning to the Committee that 30% of large organisations’ complaints in Step 1 and Step 2 (see below) exceeded 21 days. In light of ASIC’s proposed updates to RG 165 around acknowledging and resolving complaints within tighter timeframes, all subscribers must prioritise reviewing their processes and procedures for timely complaint resolution.

Reasons for delays for resolution beyond 21 days in Step 1 include:

- Client response time
- Insurer/Underwriter/Assessor response time
- Complex matter requiring legal advice
- Investigations which took longer than anticipated
- Complaints raised directly with AFCA and were subject to AFCA response times
- Awaiting determination from AFCA

## Step 2 – Propose resolution of unresolved complaint (dispute) within 21 days

Under the Code, subscribers are required to seek ‘*to resolve the dispute [unresolved complaint] by the earlier of 21 days or such later time agreed with you...*’

There is still a substantial number of complaints (12.5%) that are not resolved within 21 days in Step 2 (see **Appendix 5, Table 11**). Again, large organisations’ results are disappointing, with 30% of their disputes unresolved once this deadline is reached.

Reasons for delays for resolution beyond 21 days in Step 2 include:

- Complaint referred to AFCA
- Waiting for additional information from the client
- Insurer delays in settling claim, and
- Client dissatisfied with outcome from insurer.

### Recommendations

- Define your internal benchmarks for Step 1 and Step 2.
- Review your IDR process as current procedures could be delaying the response and resolution process:
  - Ensure that it guides staff in how to handle various complaint situations
  - Includes specific benchmarks (such as response timeframes and escalation trigger points), and
  - Ensure it is visible and easily accessible to staff and customers.

- Consider using staff who have the authority to make decisions for complaint response and resolution.
- Use the phone to communicate with the client and follow up your discussion with written communication. This improves customer relationships and may de-escalate the complaint or dispute.
- Acknowledge all complaints in writing, even complaints that are lodged verbally and/or resolved on the spot.
- Seek assistance from senior staff members when a complaint or dispute will not be resolved in appropriate timeframes, taking into account ASIC's proposed changes to RG 165 that would allow financial services firms to issue IDR delay notifications in exceptional circumstances only.
- Start preparing now for ASIC's proposed reduction to maximum IDR timeframes from 45 days to 30 days.

## Compliance monitoring

As part of the 2018 ACS program, companies were also asked if they had undertaken any monitoring activities during the reporting period to improve Code compliance (see **Appendix 5, Table 12**). Code compliance and IDR processes should be subject to ongoing review and included as part of continuous improvement in a business. The Committee suggests that subscribers can't be confident about the maintenance of Code compliance in the absence of such regular reviews.

Upwards of 70% of organisations indicated they had published or reviewed information about the IDR and EDR process on their website. This information should always be accessible to customers and a website is one of the best ways this can be achieved.

It is disappointing to note that fewer than half (465) of Code subscribers reviewed the checklist provided by the Committee regarding IDR processes as part of their compliance monitoring activities. It is essential that Code subscribers understand the role of the Committee and use our recommendations (see **Appendix 6 and Appendix 7**) to improve their compliance with the Code.

To a lesser extent, companies also reviewed processes on how to effectively deal with vulnerable customers (e.g. clients in financial difficulty 31%, family violence 6%, and elder abuse 5%). While this has historically been a focus in the banking sector, it is an area that should continue to be improved in the insurance and insurance broking space as well. It is particularly important that we have suitable procedures (and guidance for staff) in our IDR process.

### Recommendations

- Make a plan to conduct monitoring activities on a regular basis.
- Review the compliance monitoring guidance outlined in the Committee's 2017 and 2018 own motion inquiry reports into IDR processes and complaints handling.
- Review IDR processes (at least) annually.
- Consider an independent review of process and procedure to ensure its effectiveness.

## Conclusion

The ACS program is now in its fourth year and the Committee's expectation is that improvements should continue to be made. Code subscribers are responsible for implementing more formal processes around ensuring that timeframes are handled in line with the Code on an ongoing basis. Code subscribers should also develop their own monitoring procedures separate to the review undertaken as part of the annual ACS program.

While most organisations' IDR processes appear to fulfil basic standards, they should not be considered as fixed, but as an area for general improvement. Code subscribers should also refer to the Committee's November 2018 report, 'Improving how insurance brokers handle complaints' for recommendations on how to improve the way complaints are handled in their organisations.

In addition to the individual recommendations made through this own motion inquiry, the Committee's position on IDR timeframes is for Code subscribers to consider these two final recommendations:

**Do more than the minimum** – The Code sets out minimum expectations for the way subscribers deal with customers. Putting robust processes in place will guarantee adherence to the Code and best practice within the industry.

**Engage with your clients when there is a complaint** – Open communication may help to reduce the timeframes in resolving a complaint or dispute. It also provides an opportunity to improve customer relationships.

# Appendix 1. About the Code

## The Code

The 2014 Insurance Brokers Code of Practice ([the Code](#)) sets standards of good industry practice for the insurance brokers that have agreed to follow its standards when dealing with current and prospective individual and small business clients. The Code is owned and published by the National Insurance Brokers Association ([NIBA](#)) and forms an important part of the broader national consumer protection framework and financial services regulatory system.

The Code contains 12 key service standards that apply to all insurance broking services delivered to individuals and small businesses by Code subscribers across Australia.

By subscribing to the Code, insurance brokers have committed to continuously improving their standards of practice and service in their sector; promoting informed decision-making about their services; and acting fairly and reasonably in delivering those services.

The Code is currently being reviewed.

## The Committee

The Insurance Brokers Code Compliance Committee (the Committee) is an independent compliance monitoring body established under the Code and the Code Compliance Committee Charter (the Charter). It comprises an independent chair, a person representing the interests of the insurance broking sector and a person representing the interests of consumers (including small businesses). The Code and Charter entrusts the Committee with several functions and responsibilities, including to:

- conduct Own Motion Inquiries into compliance with aspects of the Code, and
- provide advice to NIBA on training and other activities necessary to assist subscribers to meet their Code requirements.

## Definitions

For ease of reference when reading this report:

- ‘the Code’ means the 2014 Code unless otherwise stated.
- ‘consumers’ or ‘clients’ includes individuals or small businesses that are current and prospective customers of Code subscribers.
- ‘Code subscribers’ means insurance brokers that subscribe to the Code.

## Contributions

The Committee would like to thank each organisation that participated in the survey and the Code team who contributed to the publication of this report.

## Appendix 2. Complaints and Dispute Resolution Process

Extract of the Code's Complaints and Dispute Resolution Process as per page 14 and 15 of the Code:

### GENERAL STANDARDS

(A “Code Member” is referred to in these Standards as “we”, “our” and “us” and a “Client” as “you” and “your”)

Our internal complaints and disputes handling process for Covered Services (IDR Process) is a two-step process as set out to the right and must:

- meet any relevant standard required by law;
- be free of charge;
- be conducted in a fair, transparent and *timely* manner;
- require us to:
  - *immediately* (or if this is not possible as soon as practicable) acknowledge the receipt of Complaints or Disputes and address them promptly in accordance with their degree of urgency;
  - only ask for and take account of relevant information in considering a Complaint or Dispute;
  - *immediately* initiate action to correct any identified error or mistake in dealing with a Complaint or Dispute;
  - allow you to seek access to information we have relied on in assessing a Complaint or Dispute and provide you with access to the information, except in special circumstances, such as where this would breach any laws (e.g. privacy) or would prejudice us in relation to the Complaint or Dispute; and
  - provide reasons why we will not give you access to such information mentioned above (in writing if you request it); and
- handle Complaints and Disputes caused by our Representatives for Covered Services provided by them on our behalf.

### USUAL PROCESS FOR RESOLVING A COMPLAINT FROM START TO FINISH

#### STEP 1: MAKING A COMPLAINT TO US

‘Complaint’ means an expression of dissatisfaction made to us by you related to our Covered Services, or the complaints handling process itself, where a response or resolution is explicitly or implicitly expected.

We will advise you on how we propose to resolve it by the earlier of:

- **21 days** or such later time agreed with you in order to obtain information or undertake the relevant assessment or investigation. If a later time is agreed, we will keep you informed of progress on a regular basis as is reasonable in the circumstances; and

- such time limits required by law or the relevant ASIC-approved external dispute resolution scheme to which we belong.

If the Complaint is resolved and both parties are happy, the issue ends here. If not, the Complaint will proceed to step 2 as a Dispute.

## **STEP 2: DISPUTE**

‘Dispute’ means an unresolved Complaint.

If a Complaint is unresolved (for example, you tell us you are dissatisfied with our decision on a Complaint, or you or we ask to treat the Complaint as a Dispute) we will follow the procedure below.

We will refer the matter to our internal dispute resolution manager, who will consider and seek to resolve the dispute by the earlier of:

- **21 days** or such later time agreed with you in order to obtain information or undertake the relevant assessment or investigation. If a later time is agreed, the manager will keep you informed of progress on a regular basis as is reasonable in the circumstances; and
- such time limits required by law or the relevant ASIC-approved external dispute resolution scheme to which we belong.

Our dispute resolution manager will:

- advise you of any decision they have reached in writing, including clear reasons for the decision; and
- if they have been unable to resolve a dispute with you through the above process, provide you with information on how you can seek to access the Financial Ombudsman Service, or such other ASIC-approved independent external dispute resolution scheme we belong to (which is free of charge), as described in step 3, and meet such other requirements of that scheme.

We will make information on our Complaints and Disputes resolution process available to you.

## **STEP 3: REFERRAL OF DISPUTE TO AUSTRALIAN FINANCIAL COMPLAINTS AUTHORITY (AFCA)**

### **DISPUTE WITHIN AFCA TERMS OF REFERENCE**

If AFCA decides your dispute falls within its rules it will handle it in accordance with the rules. Visit [www.afca.org.au](http://www.afca.org.au) for more details.

### **DISPUTE WITHIN CODE TERMS**

If AFCA decides your dispute falls outside its rules it will arrange, as Code Administrator, to determine if it falls with the terms of the Code. If so, it will follow the process below. See Code Procedures for more detail, located at [www.niba.com.au](http://www.niba.com.au).

## Reporting breach and resolution by Code Compliance Manager

- **Reporting a breach**
  - For an alleged breach to be reviewed the required complaint form must be completed and provided to the Code Compliance Manager by a Client. If appropriate, they will assist the Client in completing the form.
- **Review of Code compliance**
  - The Code Compliance Manager may conduct compliance reviews of any Code Member whether a complaint has been received or not.
- **Conciliation process**
  - The Code Compliance Manager will, where appropriate, endeavour to resolve alleged breaches of the Code by a Code Member by conciliation. They do not have the power to make any decisions which bind a Code Member or the complainant. They will refer any unresolved matter to the Code Compliance Committee.

## Binding determination by Code Compliance Committee

- The Code Compliance Committee has the power to determine if there is a breach of the Code and make such orders and impose such permitted sanctions<sup>2</sup> as are appropriate on the Code Member.
- These bind the Code Member but not the complainant.

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<sup>2</sup> See [Appendix 3](#) for information on binding orders and sanctions.

## Appendix 3. Sanctions for non-compliance

Remedies of the Insurance Brokers Code Compliance Committee to deal with non-compliance of Code obligations:

### Code Compliance Committee Charter

#### Section 9.2 Reporting to ASIC

The Code Compliance Committee is authorised to report systemic breaches of the Code and instances of serious misconduct by a Code Member to ASIC, with a copy of any such notification also being provided to AFCA and NIBA.

#### Section 9.3 Determinations by the Code Compliance Committee

The Code Compliance Committee may investigate alleged breaches of the Code by a Code Member and issue determinations and sanctions in accordance with the Code Procedures. [...]

### Insurance Brokers Code of Practice Procedures

#### 6. BINDING ORDERS AND SANCTIONS MADE OR IMPOSED BY THE CODE COMPLIANCE COMMITTEE

6.1 The Code Compliance Committee has the power in respect of a breach of the Code (including non-compliance by a Member with a Code Review), to:

- (a) order rectification of the problem procedures;
- (b) order a Code Member to comply with the provisions of the Code or a specified provision of the Code;
- (c) order a Code Member to comply with the provisions of these Code Procedures or a specified provision of these Code Procedures;
- (d) order a Code Member to undertake through an independent and appropriately qualified person an audit of its compliance procedures;
- (e) order a Code Member to publish corrective advertising;
- (f) order a Code Member to undertake, or require their employees or agents to undertake, professional education of a specific type;
- (g) impose a timetable for compliance with the above orders by a Code Member;
- (h) publish details of any non-compliance by a Code Member, including their name and the name of the Company they represent; and
- (i) recommend to NIBA that the Code Member be removed or suspended as a member of the Code and NIBA.

## Appendix 4. Online questionnaire

Questions under section 3.7 of the 2018 Annual Compliance Statement (ACS) dealing with question relating to the internal dispute resolution (IDR) process:

### 3.7 Complaints and dispute resolution process timeframes

3.7.1 Do you record and monitor timeframes for the different stages in your internal complaints and dispute resolution process?

- YES (please go to item 3.7.2)
- NO (please skip to item 4.)

Under the **General Standard** of the Code you are required to '**immediately** (or if this is not possible as soon as practicable) acknowledge the receipt of complaints and disputes [...].'

3.7.2 How do you define 'immediately'?

- 24 hours
- 48 hours
- Up to one week
- Other [Please comment]

3.7.3. Number of disputes and complaints that were NOT acknowledged immediately: \_\_

What were the primary reason(s) that they were NOT acknowledged immediately?  
[Please comment]

In **Step 1** of the Code's internal dispute resolution (IDR) process you are required to propose a resolution to a complaint **within 21 days**.

3.7.4 Number of complaints in Step 1 exceeding 21 days: \_\_\_\_\_

What were the primary reason(s) that they exceeded 21 days? [Please comment]

In **Step 2** of the Code's IDR process you are required to seek to resolve an unresolved complaint (eg dispute) **within 21 days**.

3.7.5 Number of unresolved complaints in Step 2 exceeding 21 days: \_\_\_\_\_

What were the primary reason(s) that they exceeded 21 days? [Please comment]

## Appendix 5. Questionnaire results

The following tables reflect data received via the 2018 Annual Compliance Statement relating to the period 1 January 2018 to 31 December 2018.

**Table 1: Total number of responses by organisation category**

Category	Micro org	Small org	Medium org	Large org	Total
Definition	Up to 20 full time equivalent staff	21 to 30 full time equivalent staff	31 to 100 full time equivalent staff	Over 100 full time equivalent staff	
Number	182	31	48	16	277 <sup>3</sup>

**Table 2: Responses under part B 'Code Breach reporting', section 1.4 'Other Obligations'**

Number of self-reported Code breaches of Service Standard 10 'Dispute Resolution'

	Micro org	Small org	Medium org	Large org	Total
Service Standard 10	4	0	1	0	5
Total self-reported Code breaches	4,268 <sup>4</sup>	375	372	397	5,412

**Table 3: Responses under part D 'Complaint(s) reporting', section 3.1 'Total of self-reported complaints'**

Total number of self-reported complaints

	Micro org	Small org	Medium org	Large org	Total
Number of complaints	355	119	275	300	1,049

<sup>3</sup> Some companies included all their associated organisations in their response.

<sup>4</sup> One micro organisation self-reported 3,619 IDR complaints, mainly relating to renewals not issued within the 14 days' timeframe.

**Table 4: Responses under part D ‘Complaint(s) reporting’, section 3.5 ‘Timeframes’**

Number of self-reported complaints by resolution timeframe

	Micro org	Small org	Medium org	Large org	Total
Resolved within 21 days	257 [72%]	97 [82%]	194 [71%]	111 [37%]	659 [63%]
Resolved within 45 days	39 [11%]	9 [8%]	53 [19%]	53 [18%]	154 [15%]
Resolved beyond 45 days	28 [8%]	7 [6%]	19 [7%]	70 [23%]	124 [12%]
Unresolved	20 [6%]	4 (3%)	7 [3%]	54 [18%]	85 [8%]
Other	11 [3%]	2 [1%]	2 [<1%]	12 [4%]	27 [2%]

*Responses under part D ‘Complaint(s) reporting’, section 3.6 of the 2018 ACS dealing with questions relating to recording of complaints resolved ‘to the customer’s complete satisfaction by the end of the fifth business day’ (see RG 165.80).*

**Table 5: Do you record complaints that are resolved ‘to the customer’s complete satisfaction by the end of the fifth business day’ (in addition to the requirement under RG 165 to record complaints resolved after five days)?**

	Micro org	Small org	Medium org	Large org	Total
Yes	69.40%	77.42%	81.25%	87.50%	73.38%
No	30.05%	22.58%	18.75%	12.50%	26.26%
No response provided (eg no self-reported complaints)	0.55%	0.00%	0.00%	0.00%	0.36%

**Table 6: Do you record further information regarding complaints that are resolved ‘to the customer’s complete satisfaction by the end of the fifth business day’ (such as product involved, issue involved and outcome)?**

	Micro org	Small org	Medium org	Large org	Total
Yes	39.34%	35.48%	33.33%	62.50%	39.21%
No	5.46%	9.68%	18.75%	0.00%	7.91%
n/a (eg responded ‘no’ to question 3.6.1)	55.19%	54.84%	47.92%	37.50%	52.88%

*Responses under section 3.7 of the 2018 ACS dealing with question relating to the timeframes of the IDR Process.*

**Table 7: Do you record and monitor timeframes for the different stages in your internal complaints and dispute resolution process?**

	Micro org	Small org	Medium org	Large org	Total
Yes	128 [70%]	25 [77%]	37 [81%]	14 [88%]	204 [73%]
No	54 [30%]	6 [23%]	11 [19%]	2 [12%]	73 [27%]

**Table 8: How do you define 'immediately'?**

	Micro org	Small org	Medium org	Large org	Total
24 hours	82 [65%]	18 [72%]	28 [74%]	7 [51%]	135 [66%]
48 hours	35 [28%]	6 [24%]	8 [21%]	3 [21%]	52 [26%]
Up to one week	3 [2%]	0 [0%]	2 [5%]	3 [21%]	8 [4%]
Other	7 [5%]	1 [4%]	0 [0%]	1 [7%]	9 [4%]

**Table 9: Number of disputes and complaints that were NOT acknowledged immediately**

	Micro org	Small org	Medium org	Large org	Total
	3	4	2	30	39
In % of total self -reported complaints ( <b>Table 3</b> )	<1%	3.4%	<1%	10%	3.7%

**Table 10: Number of complaints in Step 1 exceeding 21 days**

	Micro org	Small org	Medium org	Large org	Total
	55	6	15	89	165
In % of total self -reported complaints ( <b>Table 3</b> )	15.5%	5%	5.5%	29.7%	15.7%

**Table 11: Number of unresolved complaints in Step 2 exceeding 21 days**

	Micro org	Small org	Medium org	Large org	Total
	20	6	13	92	131
In % of total self -reported complaints ( <b>Table 3</b> )	5.6%	5%	4.7%	30.7%	12.5%

*Responses under section 4. of the 2018 ACS dealing with question relating to compliance monitoring activities undertaken during the reporting period to improve Code compliance in certain areas.*

**Table 12: Compliance monitoring activities undertaken in areas affecting dispute resolution (percentage reflects number of Code subscribers within that size of business who undertook such activities)**

	Micro org	Small org	Medium org	Large org	Total
Information on IDR process on website	64%	81%	75%	94%	70%
Information on EDR process on website	67%	84%	75%	94%	72%
Checklist outlining IDR timeframes	48%	39%	46%	44%	46%
Dealing with customer in financial difficulty	32%	35%	29%	13%	31%
Identifying and assisting clients affected by family violence	5%	0%	13%	0%	6%
Identifying and assisting clients affected by elder abuse	4%	0%	13%	0%	5%

## Appendix 6: 2017 recommendations

The following are recommendations published in the Committee's own motion inquiry report 'Internal Dispute Resolution Process'<sup>5</sup>, February 2017.

### Accessibility

- Utilise readily available resources to deal with clients who need assistance due to a disability or language barrier.
- Use IDR processing standards to achieve best business practice not just compliance with Australian Standard AS ISO10002-2006.
- Ensure ongoing staff training in complaints handling, using team meetings to embed best business practice and a culture of effective complaints handling.

### Simplicity

- Even small organisations benefit from simple written guidelines and procedures on complaints handling, which can be used as a reference point and benchmark of good industry practice.
- Big and large organisations should consider incorporating feedback from staff and clients to improve their IDR procedures. Any feedback should be reviewed for potential improvement of the existing IDR procedures.
- Complaints handling guidance should be provided to clients in writing, even if it uses existing resources and templates from other providers (see <http://www.accc.gov.au/consumers/complaints-problems>)

### Responsiveness

- Regardless of the size of the organisation, ensure that all staff receive regular training in basic complaints handling skills, even if they are not directly involved in the complaints handling area.
- Provide staff involved in the complaints handling area with support to deal with all different kind of complaints. This should include processes to deal with abusive and threatening behaviour with debrief support and follow-up counselling.

### Fairness

- Consider an independent review of IDR processes.
- Ensure that IDR processes include a monitoring and reporting process if a major complaint involves an individual employee (e.g. perhaps involve the HR department).
- Depending on the resources available, give your organisation every opportunity to resolve the complaint through your IDR process by including mediation and adjudication techniques.

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<sup>5</sup> See <http://www.fos.org.au/custom/files/docs/insurance-brokers-code-compliance-committee-own-motion-inquiry-internal-dispute-resolution-process.pdf>

## Confidentiality

- Encourage a 'whistleblower policy' amongst staff to promote a culture of compliance, honesty and ethical behaviour.

## Complaint outcomes

- All complaints should receive a response in writing which clearly sets out that the matter has been considered, what the outcome was and what options there are if the clients remain unsatisfied. This should be done even if the complaint is resolved on the spot to avoid future misunderstanding and to keep a clear record of actions taken.

## Recording

- Ensure that all third parties (such as contractors, loss assessors, loss adjusters, Authorised Representatives) are aware of and trained in IDR procedures.
- Include criteria other than timelines in IDR process benchmarks or performance targets (e.g. How many clients remain with the same insurance broker following a complaint).

## Feedback

- Use complaints and compliments on a de-identified and de-sensitised basis to promote your business.
- Use case studies as a tool for analysis and discussion.

## Appendix 7: 2018 recommendations

The following are recommendations published in the Committee's own motion inquiry report 'Improving how insurance brokers handle complaints'<sup>6</sup>, November 2018.

### Receiving and handling complaints

- Provide written complaint handling guidance for clients, ensuring that it is:
  - **readily available** at any time, not provided only on request or when the need arises
  - **prominent**, included on the organisation's website or in a brochure or fact sheet
  - **comprehensive**, including timeframes and information about the client's right to refer their complaint to an external dispute resolution (EDR) scheme
  - expressed in **plain English**.
- Acknowledge all complaints in writing, even complaints that are lodged verbally and/or resolved on-the-spot.
- Have a written procedure for how special assistance needs will be addressed.
- Consider establishing a link with service providers such as the National Relay Service and the Translating and Interpreter Service so that their services are readily available.
- Develop a help sheet for staff listing the available resources (see Appendix 5).
- Consider not only language and physical disability, but also mental health, brain injury, dementia, cognitive issues, elder abuse, family violence, hearing or speech impairment, sight and vision impairment and working with Indigenous clients.

### Staff training and support

- Even where no major complaint has been received previously, include in IDR procedures a process for major complaints. This process should:
  - define a 'major' incident or complaint (for example, a complaint that is not resolved in 20 days)
  - involve senior staff
  - cross-reference HR procedures and detail guidelines for the review and training of any staff involved in a major incident.
- Boost staff knowledge of complaint handling with regular complaint handling tips and informal sharing of experience.
- Include non-client-facing staff in discussions about complaint handling as part of their professional development.
- Encourage open discussion and feedback from staff and clients.
- Establish a consistent system to address complaints handling issues.

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<sup>6</sup> See <https://www.afca.org.au/about-afca/rules-and-guidelines/code-compliance/>

- Include a staff mentoring system.
- Include authorised representatives in the IDR training provided to employees.
- Engage only reputable third parties who demonstrate a basic understanding of IDR procedures and make them aware that they should alert you to any complaint that arises.
- Develop a process for handling complaints concerning third parties. Identify consequences such as regular audits to measure their effectiveness and service quality.
- Ensure that clients are fully made aware when third parties are involved and if they fall within your responsibility – ensure that the clients know to come to you with any complaint if there is a complaint against the third party involved.
- Even if there have been no past instances of abusive or threatening behaviour, develop a procedure that:
  - clearly states such behaviour is not acceptable
  - directs staff to refer such complaints to senior management
  - includes clear guidelines for any threats, including bomb threats
  - is readily accessible to all staff.
- If possible, establish a link to external support that staff can access confidentially.

### Learning from complaints

- Share case studies of complaints, unusual events and outcomes:
  - internally, in team meetings, induction training and ongoing training
  - externally with industry.
- Look for opportunities to use feedback and testimonials as a marketing tool.
- Consider and manage any issues and risks, such as privacy issues, associated with social media or other sharing of client feedback.

### Improving IDR processes

- Review IDR processes at least annually. Where possible and practical, review should be undertaken by an external independent party. Any incidents should be considered as potential opportunities for improvement.
- Have IDR processes reviewed:
  - by an independent consultant at least every two years (medium and large organisations)
  - by independent senior staff or as part of general audit every two years (micro and small organisations).