

INSURANCE BROKERS CODE OF PRACTICE
CODE COMPLIANCE COMMITTEE

Our impact

Annual review

2018–19

OCTOBER 2019



Our vision

We support insurance brokers to achieve good practice in service and advice to their clients.

Our mission

We independently monitor compliance and provide guidance to stakeholders about the Insurance Brokers Code of Practice to enhance professionalism and maintain high standards of practice and service in the insurance broking industry.

A Change of era?

For many and varied reasons, intelligent commentators have moved the language of change. It was fashionable to say that we were living in an era of change. We now speak of living in a change of era.

Clearly, the financial services sector will not be immune from this degree of change. There are signs that some of the change will be momentous.

The period covered by this report was dominated by the work of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (The Royal Commission). Not many of the recommendations in the Royal Commission's final report focused on or were specifically directed at insurance brokers. However, the issues which drove the Royal Commission's findings, and the thrust of the recommendations, are clearly relevant to insurance brokers.

Insurance brokers have an opportunity that they should not pass up. Insurance brokers must respond as appropriate to the lessons and messages of the Royal Commission and the time to take action is now.

One of the most important messages underpinning the Royal Commission's findings and recommendations was that to be fair, honest and transparent in dealings with customers, the financial services industry needs to go beyond bare minimum requirements to act in the spirit of the law.

Against the learnings from the Royal Commission, insurance brokers now have the opportunity to shape their own future. Brokers can accept the challenge of embedding a strong culture of fairness, honesty and transparency, or risk having it forced on them.

Not surprisingly, the Royal Commission's final report also dealt with industry Codes. The Codes are under close scrutiny, including the Insurance Brokers Code of Practice (the Code). In this space, a Code has been seen as something voluntary for the industry or profession; essentially owned by the industry or profession. In the Committee's view, it was that ownership and its voluntary nature which constituted the value and power of the Code.

The Code set standards higher than those imposed by the law.

However, codes constantly failed the expectations of consumers and were seen as incapable of delivering on the anticipated promises. Of course, the law has been seen in much the same way.

There are moves afoot to transfer all or part of financial services industry Codes into a legal framework with enforceable legal consequences.

The final report from the Royal Commission recommended a number of sweeping changes to the way Codes of Practice in the financial services industry are created and monitored. Among these was the recommendation that the Australian Securities and Investments Commission (ASIC) be given greater oversight of industry codes and that breaches of some code provisions be made illegal as a means to "identify, correct and prevent systemic failures in applying the Code".

Responding swiftly to this recommendation, the Federal Government has vowed to enhance the current approved Codes framework in the *Corporations Act 2001* and recently released a Treasury consultation paper on the enforceability of financial services Codes.

The Committee's view, which we made known to Treasury in our submission to the consultation paper, is that allowing sanctions to be imposed and enforced by regulators may drastically change the nature and function of the industry's Code of Practice to the detriment of both consumers and brokers.

The power of a Code in raising industry standards lies primarily in its members' ownership.

As the Royal Commission's final report noted, "...harnessing the views and collective will of relevant industry participants is essential to the creation of an industry code". Anything which may diminish or threaten that sense of ownership (and thus its effectiveness) should be avoided where possible.

Who knows if such changes will provide a better outcome for consumers!

We encourage the National Insurance Brokers Association (NIBA) and industry to act now to fully leverage Commissioner Hayne's endorsement of Codes by taking decisive action at the earliest opportunity and to be intolerant of those who pay lip service to their Code commitments.

NIBA should give priority to implementing changes to make the Code more effective; to ensure that the Code will provide consumers and small businesses with better outcomes; to provide consumers with an ability to access information about individual Code subscribers' compliance as well as stronger sanctions, including the use of publicity.

The Committee is aware of the enormous amount of work being undertaken by regulators and others. Against that background and conscious of the significance that work may have for the Code review, the Committee believes that NIBA should work with its stakeholders to address with some urgency the most important issues for strengthening the Code for the benefit of all.

Of course, the Committee is mindful that all insurance brokers, whether international, members of a cluster group, independent or authorised representatives, will all be delivering service and advice to clients within their own compliance and risk management framework. The strength of that framework provides a competitive advantage in all interactions with clients.

The Committee has oversight of subscribers' culture through its Code monitoring and investigation functions and responsibilities.

It must be remembered that the Code was written by insurance brokers to complement the compliance and risk management frameworks within the insurance broking industry. The reporting of progress through the Annual Compliance Statement is to enable the Committee to both benchmark the industry as a whole and also by size of broker. This information is invaluable within the broking industry and enables insurance brokers to be compared to others in the financial services sector. The accuracy and timeliness of the information provided annually by brokers is paramount if we are to utilise its full potential.

There is evidence, however, that not all subscribers are taking the Code and its obligations as seriously as they might. Several recent own motion inquiry reports have found that recommendations for improvement by the Committee are not being taken seriously or are being ignored.

It is clear to the Committee that Code subscribers need to do better when it comes to embedding a culture of good industry practice within their businesses. Self-reporting of breaches has improved; however, we remain concerned that 163 brokers have reported nil Code breaches. Increased broker awareness of the Code, particularly staff education, needs to be continuously reinforced within broking organisations and also by NIBA as the industry association.

Overall, the performance of insurance brokers in meeting client expectations and resolving client complaints, as benchmarked against the overall level of complaints lodged with the Australian Financial Complaints Authority (AFCA), is significantly lower than other financial sector participants. The Committee seeks to closely align its activities to increase awareness and adherence to the Code which will protect and enhance the reputation of insurance brokers as well as provide enhanced consumer experiences.

In closing, I wish to thank my Committee colleagues, Julia Davis and David Duffield (and their respective alternates Drew Macrae and John Phillips) for their commitment and cooperative enthusiasm for the work of our Committee.

I also take this opportunity to acknowledge the continuing efforts and commitment of the Code team at AFCA. Sally Davis (General Manager Code Compliance and Monitoring), Daniela Kirchlinde (Compliance Manager), Natalie Ng (Senior Compliance Analyst) and Kailey Ryan (Executive Assistant) with their colleagues provide expert guidance and invaluable support to the Committee.

We also would like to thank AFCA Chief Executive Officer, David Locke, and AFCA Lead Ombudsman, John Price, for their support of the Committee's efforts throughout the year.

I look forward to working with all our stakeholders in 2019–20.

A handwritten signature in black ink that reads "Michael Gill". The signature is written in a cursive, flowing style.

Michael Gill, Chairperson
Insurance Brokers Code Compliance Committee

How insurance brokers complied with the Code

The number of breaches increased

In 2018, Code subscribers self-reported 1,821 breaches of the Code – an increase of 32% from the number of self-reported breaches in 2017.

This reporting period was also the first time Code subscribers were required to provide detailed information about all Code breaches, not just ‘significant’ breaches. Significance of a breach was noted by the number of clients involved, the financial impact and the number of breaches in the same area across the same industry sector.

Self-reported breaches by micro Code subscribers accounted for 37% of all Code subscribers’ breaches in 2018. Small, medium and large Code subscribers each accounted for around 20% of breaches. A high number of self-reported Code breaches might reflect a positive breach reporting culture but might also warrant a review of the reporting structure and framework and the effectiveness of benchmarks.

The culture of self-reporting is most evident within large Code subscribers, with 72% of these organisations reporting Code breaches in 2018. Viewed alongside the percentage of large Code subscribers who

reported breaches in 2017 (94%), 72% is a significant drop, especially when best practice for a large Code subscriber is a self-reporting rate of 100%.

The percentage of Code subscribers to self-report breaches remained relatively static for medium (59%), small (50%) and micro (35%) subscribers in 2018.

The number of Code subscribers self-reporting nil breaches (57%) is concerning.

Most breaches were about compliance with service standard relating to buying insurance

Nearly half (49%) of Code breaches in 2018 related to non-compliance with required standards of client service relating to buying insurance, including acting diligently, competently, fairly and with honesty and integrity, covered in Service Standard 5.

Non-compliance with the legal obligations (Service Standard 1) was the second most reported breach by Code subscribers in 2018, accounting for almost a quarter (24%) of all self-reported breaches.

Both areas were represented by similar percentages in 2017.

Improvement for categorisation of breaches needed

The quality and consistency of breach data and information self-reported by Code subscribers is still a concern to the Committee. The discrepancy may indicate that subscribers do not fully understand the difference between a breach of Service Standard 5 ('We will discharge our duties diligently, competently, fairly and with honesty and integrity'), a breach of Service Standard 1 ('We will comply with all relevant law') and a breach of Service Standard 12 ('We will not engage in activity or inactivity that is reasonably likely to bring the insurance broking profession into disrepute'). As a result, some subscribers may have mistakenly recorded breaches relating to standards on buying insurance (for example, issuing late renewal notices) as breaches of compliance with their legal obligations or professionalism for the 2018 reporting period.

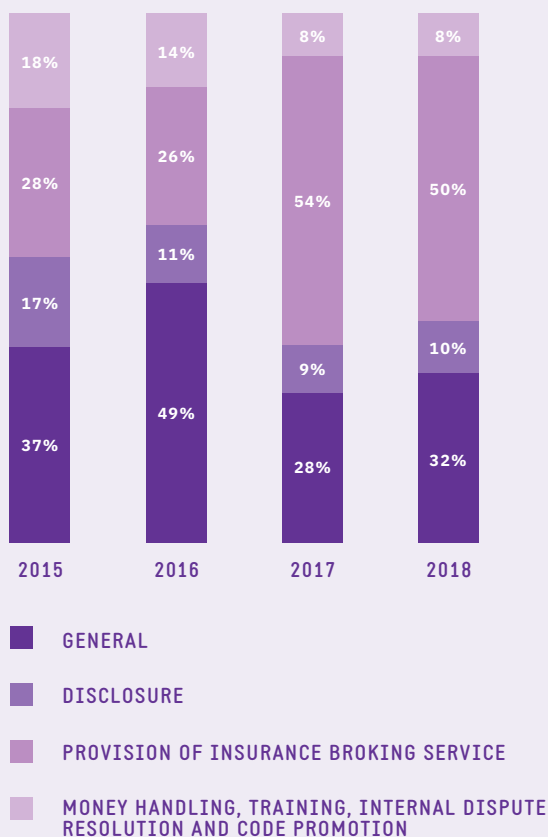
It might also suggest that subscribers are more concerned about ensuring they comply with the law than they are about their compliance with the Code's more nuanced standards. This is not in keeping with the Code's true value and purpose, which is to encourage subscribers to go beyond the bare regulatory minimum and provide a level of client service that exceeds what is required by the law.

The Committee will provide more guidance to Code subscribers for the categorisation of Code breaches under the respective Service Standards prior to the 2019 Annual Compliance Statement.

Top four breach areas:



Self-reported Code breaches by general categories since 2015:



Are Code breaches caused by deficiencies in staff training?

Subscribers named manual error and a failure to follow processes and procedures as the two main reasons for Code breaches in 2018. These two issues caused non-compliance across almost all of the Code's 12 Service Standards but most often in the areas of buying insurance and legal compliance.

Paradoxically, only 2% of self-reported Code breaches concerned adherence to Service Standard 8 ('We will ensure that we and our representatives are competent and adequately trained to provide the relevant services and will maintain this competence'). This begs the question: how seriously do Code subscribers take their obligations for training staff? Even if subscribers believe they are fulfilling these obligations, it would appear that they are not adequately assessing the effectiveness nor monitoring the outcomes of their staff training programs.

The Committee urges Code subscribers with a high number of breaches caused by manual error or staff ignorance of the correct processes and procedures to make it a priority to measure the efficacy of their staff training, to ensure staff are aware of and meeting their Code obligations.

Impact of breaches

The 2018 reporting period was the first time Code subscribers were asked to provide detailed information about each Code breach incident, instead of just 'significant' breaches. As part of this reporting, subscribers were asked to provide the number of clients that were impacted by the breach or breaches, as well as the total dollar financial impact of the breach on the client.

In all, 10,363 clients were reported as having been impacted by Code breaches, with a total financial impact of \$109,413. The vast majority of breaches affecting clients related to legal standards and buying insurance.

It should be noted that these numbers are indicative only. They reflect incidents which in some cases would represent more than one breach and not all Code subscribers provided conclusive information for each category.

The number of complaints remained relatively stable

This year, Code subscribers received 1,049 complaints that were handled via their internal dispute resolution processes – only two more than in 2017. While most complaints were self-reported by micro Code subscribers, only 49% of all Code subscribers of this size self-reported any complaints in 2018. Conversely, the vast majority of large (94%), medium (82%) and small (81%) Code subscribers self-reported at least one complaint in 2018.

Complaints mainly related to service issues, small business, home building and commercial motor vehicle policies

Complaints related to a wide range of insurance products but most commonly involved small business insurance, home building insurance and commercial motor vehicle insurance. This is similar to what was reported in 2017. For 20% of complaints, subscribers did not specify the insurance product involved in the complaint, despite being asked to provide explanatory comments.

The most common issue of complaint continues to be service – 60% of complaints related to service levels, particularly in the area of claims. This is also reflected in the 49% of self-reported breaches of the services-related provisions in Service Standard 5.

The Committee's investigations into Code breaches, as well as determinations from the Australian Financial Complaints Authority (AFCA), also found that most complaints

related to subscribers' service levels when dealing with claims, particularly due to delays in claims settlement and providing incorrect advice when handling claims.

Top products of complaint:



Top issue of complaint:



Complaint resolution timeframes remain the same

The number of complaints resolved within 21 days remained similar to last year (63% in 2018 compared with 61% in 2017). Just under half of all complaints were resolved with an apology, explanation and/or acknowledgement of feedback (25%) or by mutual agreement (19%), suggesting that insurance brokers have a positive relationship with their clients. The number of complaints resolved in the client's favour (18%) was similar to the number of complaints resolved in favour of the insurance broker (15%).

Six per cent of complaints were escalated to external dispute resolution. Many of these were referred to the Committee following determinations by AFCA. The Committee uses these referrals as a trigger to investigate potential Code breaches. Subscribers who have a complaint lodged with AFCA are encouraged to contact the Committee to check if the complaint may also be a breach of the Code.

Towards the end of 2019, the Committee will publish a report of an own motion inquiry into how Code subscribers are managing their internal dispute resolution obligations (Service Standard 10). The report will set out several recommendations for improvements to the complaints handling process to help subscribers achieve good practice in this area.

Recording of all complaints is good industry practice

There is currently no requirement for insurance brokers to record complaints that are not resolved to the client's complete satisfaction within five business days. Nevertheless, almost three-quarters of Code subscribers did so in 2018, with almost 40% of them also recording detailed complaint information, such as product, issue and outcome. This means most Code subscribers are now self-reporting all complaints. This is good practice and should be followed by all Code subscribers.

The Australian Securities and Investments Commission's (ASIC) recent Consultation Paper 311 Internal dispute resolution: Update to RG 165¹, 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.

¹ See <https://asic.gov.au/regulatory-resources/find-a-document/consultation-papers/cp-311-internal-dispute-resolution-update-to-rg-165/>

Quality of breach and complaint reporting remains a concern

There were large variations in the quality and quantity of data supplied by all Code subscribers, regardless of their business size.

The percentage of subscribers reporting no breaches of the Code has remained static over the last three years (58% in 2016, 59% in 2017 and 57% in 2018). A similar pattern has emerged for client complaints, where 39% of subscribers reported no complaints in 2018 compared with 43% in 2017 and 46% in 2016.

"For data to be meaningful, it must be consistent"

These figures are concerning to the Committee and should also be of concern to subscribers. Rather than signaling a job well done, these statistics may imply that many Code subscribers' internal frameworks may not be sufficiently robust to effectively identify Code breaches. As a minimum, this should involve reviewing the recording trigger points, assessing the frameworks for recording complaints and breaches, looking at how these are recorded in practice and considering how staff are trained.

For data to be meaningful, it must be consistent. All Code subscribers have been provided with individualised benchmark data that allows them to compare their own self-reported breaches and IDR complaints with other similar sized Code subscribers and the industry as a whole. Subscribers should use this benchmark data as a prompt for reviewing how they monitor and report Code breaches and complaints, and where their processes and procedures can be improved.

Code monitoring activities need improving

There is room for subscribers to improve their compliance monitoring activities, particularly when it comes to identifying vulnerable clients who may be victims of family violence or elder abuse or experiencing financial difficulty. The way these clients are treated by the financial services sector is a key focus for consumer advocate groups; subscribers are advised to pay close attention to their compliance obligations when it comes to identifying and managing vulnerable clients.

Subscribers also need better oversight of their third-party providers. A mere 8% of subscribers reported undertaking compliance monitoring activities around training third-party providers, and less than half said they do the same for their authorised representatives. Subscribers are ultimately responsible for the actions and behaviour of third-party providers; ensuring they are trained to comply with the Code obligations should be a priority.

There were also very few subscribers who undertook compliance monitoring activities around the sale of add-on insurance products in 2018. The way these products are sold by insurers was heavily criticised at the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, and the Commissioner recommended a number of changes.

In 2020, the Committee will undertake an own motion inquiry that will include looking into how subscribers manage the sale of add-on insurance products and processes and training in place to deal with vulnerable clients. In the meantime, subscribers are urged to improve their compliance monitoring activities in this area.

What the Committee achieved

We published information to help subscribers' compliance and improve consumers' awareness of the Code

The Committee published several reports and articles in 2018–19, some of which focused on subscriber Code compliance and others which were aimed at building consumer awareness of the Code.

We published two own motion inquiry reports. The first, released in August 2018, was a report on the findings of our own motion inquiry into professionalism and competency in the insurance broking industry. This inquiry looked into how insurance brokers understand professionalism in the context of their Code and apply this within their businesses. The report found that brokers demonstrate a commitment to professionalism in several ways, including through the development of competency frameworks and by ensuring staff are appropriately qualified, trained and monitored.

The second report, 'Improving how insurance brokers handle complaints', was published in November 2018. It detailed the findings of a follow-up inquiry into how insurance brokers manage their obligations under Service Standard 10 of the Code. The initial own motion inquiry, conducted in February 2017,

set out several recommendations for improvements to the complaints handling process. The follow-up report found that there had been little improvement since the 2017 inquiry, and the Committee's previous recommendations were not widely implemented. This has prompted the Committee to conduct another own motion inquiry into subscribers' compliance with their internal dispute resolution obligations and we look forward to publishing a report of the findings in late 2019.

In conjunction with the Code Compliance Committees for Banking, Customer Owned Banking, General Insurance and Life Insurance, we published two articles in the Consumers' Federation of Australia (CFA) newsletter in 2018 – one in October and another in December. Both articles were aimed at informing consumers about the financial services Codes of Practice and their rights under the Codes, with the second article focused specifically on Code subscribers' obligations to consumers experiencing financial difficulty.

We are improving how we collect and use breach data

We are developing a documented priority assessment tool that captures how we assess existing and emerging risks of Code non-compliance within the insurance broking industry. The priority assessment tool will provide a documented methodology for evaluating priorities and enable us to assess:

- breaches reported by Code subscribers
- outcomes of monitoring activities
- outcomes of completed investigations
- other external information that might influence subscribers' compliance with the Code.

We envisage this being a more effective tool for alerting us to current and emerging risks of non-compliance. It will give us an overview of any external factors that are impacting Code compliance and inform us of the key areas of concern. Ultimately, it will help us make recommendations for managing and responding to any identified risks of subscriber non-compliance and could lead to individual spot audits of Code subscribers.



We investigated eight Code breach allegations

In 2018–19 we closed three investigations that remained open from the last reporting period and undertook eight new compliance investigations, including one referral from the AFCA Ombudsman and one referral from a client. Other matters were raised as own motion investigations based on AFCA determinations or media releases.

Most Code breach allegations involved communication issues relating to claims handling and the distribution of policy information to customers. Of the three investigations raised in 2017–18, two were closed identifying a Code breach. Of the eight new investigations raised, five identified a Code breach and one was closed with no further action taken. Two remained open as at 30 June 2019.

"The priority assessment tool ... will help us make recommendations for managing and responding to any identified risks of subscriber non-compliance and could lead to individual spot audits of Code subscribers."

We engaged with NIBA and Treasury about potential Code changes

We engaged with NIBA as part of its review of the Code of Practice during 2018, and met with the independent reviewer, Marigold Magnaye, providing her with our comments relating to the proposed summary of issues from her meetings with various stakeholders.

Higher standards – The Code must go beyond the law and not simply restate it.

Broad application – The Code should apply to all services provided by a broker. Behavioural standards should be applicable to all broker all interactions.

Agents and third parties – A Code subscriber should ensure that its third-party agents and service providers abide by the Code to the extent applicable.

Broker's role – The role which a broker is undertaking for a client (including the limits of and exclusions from the broker's role) needs to be clearly spelled out to a client prior to insurance being placed to allow informed decision-making.

Conflicts of Interests – The Code should contain a revised Conflicts of Interest section promoting transparency and informed consent from clients where a conflict of interest may arise.

Remuneration disclosure – The Code should promote transparent and consumer-useful remuneration disclosure, not simply abiding by the letter of the law. Questions remain about what should be disclosed and how, in order to promote transparency and assist effective decision-making.

Enforceability, remedies, and sanctions – The Code should be clear on how obligations are enforced and allow anyone to report a breach of the Code. While a client can make a complaint, the Code states that a client cannot rely upon the Code and no legal rights exist between an insurance broker and a client in relation to Code standards.

Complaints process – The Code should be clearer on how the complaints process works and consideration be given to whether the timeframes are appropriate. Small enterprises should be provided early in the process with information about options available and sources of support.

Vulnerable clients – The Code should make provision for the need for Code subscribers to identify and support vulnerable clients.

Accessibility – The Code should be accessible to consumers, for example, through adopting plain language, having non-English language versions, and ensuring the Code can be accessed by the visually or hearing impaired. Promoting awareness and training are important ways of increasing accessibility to subscribers and consumers.

In May, we provided a submission to Treasury in relation to its consultation paper on the enforceability of financial services Codes. Treasury published the paper in response to recommendation 1.15 in the final report on the Royal Commission: that ASIC be given increased oversight of industry Codes, and that breaches of some Code provisions be made illegal as a way of preventing systemic failures in applying the Code.

Our submission to the consultation paper outlined our view that allowing sanctions to be imposed and enforced by regulators has the potential to drastically alter the nature and function of the industry's Code of Practice to the detriment of both consumers and brokers. We urged Treasury to recognise the role and value of the Code and to be circumspect in their approach to any changes to the Codes framework.

We engaged with our stakeholders

Throughout 2018–19 we engaged with Code subscribers, industry, regulators and consumer advocates. We conducted telephone conferences with more than a quarter of Code subscribers to discuss their completion of the Annual Compliance Statement and to seek clarification of their data and responses. We also communicated with Code subscribers through our ‘Tip of the Month’ articles in *Insurance Adviser* magazine during the year.

We had regular meetings with executive staff and ombudsmen from AFCA and presented at various AFCA general insurance open fora on Code matters. We met with NIBA, ASIC and Treasury.

While we also met regularly with consumer advocates, we received little feedback from them about insurance broking issues.

We also attended and presented at various stakeholder conferences during the year, including:

- NIBA Conference in Hobart (September 2018)
- Marsh Advantage Conference on the Gold Coast (March 2019)
- ASIC Forum in Sydney (May 2019)
- Financial Counselling Australia National Conference in Melbourne (May 2019).

Insurance Adviser Tips of the Month

July 2018 (p.23)

– Reporting Code Breaches. The IBCCC says many Code subscribers can do more to identify, record and report breaches, and offer insights to inform good practice for Code subscribers and benefit the Committee’s own compliance monitoring activities.

August 2018 (p.24)

– Professionalism and Competency in the insurance broking industry: Report on Inquiry by IBCCC. NIBA and many brokers have recognised the need for competency and professionalism in the industry for a long time. Recent public scrutiny of the financial services sector has brought the theme of professionalism into sharp focus.

September 2018 (p.16)

– Transparency and Professionalism in insurance broking. An alleged Code breach, while out of scope for the IBCCC, shows that transparency and professionalism should always underpin insurance brokers’ work.

October 2018 (p.20)

– Improve breach and complaint reporting, insurance brokers urged. Insurance brokers have been urged to improve their complaints and breach recording and reporting to enable more detailed analysis of issues, trends and products.

November 2018 (p.18)

– Lessons from the ACS Verification Program. From negative feedback to positive outcome – linking breach reporting to your culture and systems.

December 2018 (p.17)

– Positive breach and complaints reporting provides a better insight into your business. It’s almost time to complete your 2018 Annual Compliance Statement. The Insurance Brokers Code Compliance Committee offers some guidance – and flags two significant changes from last year.

February 2019 (p.19)

– Better complaints processes could build better business. An Insurance Brokers Code Compliance Committee (IBCCC) inquiry has found that complaints processes in the insurance broking industry could be more client-friendly – and should be used not just to resolve issues, but to build better businesses and client trust.

March 2019 (p.22)

– Fee and remuneration disclosure. Case study offers insights into improving the way insurance brokers disclose information about fees, commissions and remuneration.

April 2019 (p.20)

– Never guess – never assume...when completing proposal forms or providing underwriting information to insurers (case study). ‘If you personally include any information, it should be double checked with the client and its importance stressed.’

May 2019 (p.17)

– See the opportunity; demolish the threat. It is not what you report, but how and why you report it. What you report in the Annual Compliance Statement each year should be clear, concise and meaningful, especially for yourself. It should demonstrate that you are learning from the data, not simply completing another form because ‘you have to’.

June 2019 (p.17)

– Understanding the problem. Don’t just pay out a disgruntled client – investigate the underlying problem. A complaint is a signal to your Code subscriber that something is not working properly. Understanding the problem is more important than simply fixing the situation at hand. Long term solutions help prevent similar occurrences in the future.

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Appendix A: About the Code

The 2014 Insurance Brokers Code of Practice (the Code) sets standards of good industry practice for the 293 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.

In September 2018, NIBA appointed Marigold Magnaye to undertake a review of the Code. This review is still in process.

Service standards

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.

Table 1: The 12 key service standards

1. We will comply with all relevant law.
2. We will transparently manage any conflicts of interest that may arise.
3. We will clearly tell you if we do not act for you.
4. We will clearly tell you about the scope of our covered services.
5. We will discharge our duties diligently, competently, fairly and with honesty and integrity.
6. We will clearly tell you how our covered services are paid for before we provide them and answer any questions you have.
7. We will handle any money received in accordance with relevant law and any agreement with you.
8. We will ensure that we and our representatives are competent and adequately trained to provide the relevant services and will maintain this competence.
9. We will respond to catastrophes and disasters in a timely, professional, practical and compassionate manner in conjunction with any industry-wide response.
10. We will ensure that we have an internal complaints and disputes handling process that meets the Code Complaints and Dispute process standards.
11. We will support NIBA in promoting the Code and make information on the Code (including how to make a complaint) and our Covered Services readily available to you.
12. We will not engage in activity or inactivity that is reasonably likely to bring the insurance broking profession into disrepute.

By subscribing to the Code, insurance brokers have committed to continuously improving standards of practice and service in their sector; promoting informed decision-making about their services; and acting fairly and reasonably in delivering those services. Code subscribers as at 30 June 2019 are listed in [Appendix D](#).

Appendix B: Code Compliance Committee

The Code Compliance Committee (the Committee) is an independent compliance monitoring body established under section 3 of the Insurance Brokers Code Compliance Committee Charter and formally approved by NIBA on 5 September 2014.

The diagram below sets out the Committee's vision and principles, along with its key focus on industry-wide compliance issues, good practice and continuous improvement as set out in its annual work plan.



Committee members



LLB (Sydney) FAICD

Solicitor of the Supreme Court of New South Wales, Solicitor of the High Court of Australia, Solicitor and Barrister of the Supreme Court of Victoria

Appointed: 1 Jan 2014

Term expires: 31 Dec 2021¹

Michael Gill

Independent Chairperson

Michael has practised at DLA Piper (Phillips Fox and other predecessors) since 1968, mainly as a specialist insurance lawyer and in management roles within the firm. Since 2008 he has been a Consultant to the firm. He was Chairman of Phillips Fox and Managing Partner of its Sydney office.

He is recognised as one of the leading lawyers in the field. For many years he was the principal lawyer for NIBA and many of its members. He was instrumental in the drafting of the original Code of Practice. He has represented insurance brokers in professional indemnity, regulatory and compliance matters.

Michael is also passionate about work in the not-for-profit sector. Within the firm he assists with pro bono activities in Australia and overseas and is an Ambassador for New Perimeter, which provides long-term, high-impact pro bono legal support in less developed and post-conflict countries.

Michael was President of the International Insurance Law Association, founding Chairman of the Australian Insurance Law Association, Independent Chair of the Code Compliance Committee for the General Insurance Industry, President of the Law Council of Australia and the Law Society of NSW, inaugural Chairman of the Motor Accidents Authority, and Chairman of the Solicitors Mutual Indemnity Fund.



BA, JD, LLM, GradDip (Law)

Appointed: 1 Jan 2014

Term expires: 31 Dec 2021²

Julia M Davis

Consumer Representative

Julia is an admitted solicitor in NSW and is the Policy and Communication Officer at the Financial Rights Legal Centre in NSW, a community legal centre that specialises in helping consumers understand and enforce their legal rights. She has developed and managed several important initiatives for the Centre and drafted its submissions to government inquiries and independent reviews with a particular focus on the insurance industry.

She has vocational experience in the private sector as well as experience as a consumer advocate, having worked for several law firms in Sydney and Florida (USA). She is passionate about helping disadvantaged consumers. She is also serving as the Chair of the board of the Tenants' Union NSW.

Julia completed a Masters in Law with Distinction at the London School of Economics. Prior to this, she graduated with honours from the University of Florida in 2010, and was subsequently admitted as a lawyer in Florida, USA.

¹ Last term.

² Last term.



FAII, ARM, QPIB

Appointed: 1 Jan 2017

Term expires: 31 Dec 2019³

David Duffield

Industry Representative

David commenced his insurance career as an insurance broker in 1973 working with Marsh Pty Ltd or its predecessor companies.

David has held the role of Australian Chief Executive for Marsh and, more recently, has been Chief Client Officer for Marsh in the Pacific. He worked actively with clients to understand their risk profile and design optimal risk financing and insurance solutions. David has also worked with clients on the settlement of large or complex claims. David retired from Marsh Pty Ltd in April 2018

He was a NIBA Director for over 15 years, completing a two-year term as President, and has chaired the Finance Committee, Marketing Committee and Conference Committee for the Association. The Insurance Broker Code was developed and implemented during David's term as NIBA President

With over 45 years' experience in the insurance industry, David has strong professional links and a well-established network in the insurance industry both in Australia and Europe.

Alternate Committee members



BL, BA (Mass Comm)

Appointed: 17 May 2019

Term expires: 16 May 2022⁴

Drew Macrae

Alternate Consumer Representative

Drew is the Policy & Advocacy Officer at the Financial Rights Legal Centre in Sydney.

Drew has worked in policy development and advocacy for close to 20 years. Prior to his work in the financial services sector, Drew worked in film, television and media sector policy focusing on the rights of actors, directors, journalists, and local technicians and crew, as well as support for local content rules. Drew has also worked as a journalist for outlets such as ABC TV's Media Watch and TV Week.

At the Financial Rights Legal Centre Drew has focused on insurance policy issues including researching and drafting the Guilty Until Proven Innocent Report into insurance investigations and drafting submissions and advocating on both the General and Life Insurance Codes of Practice. He has also worked in credit and debt space, including the Banking Code of Practice, Royal Commission and more recently, the implementation of open banking and the Consumer Data Right.

Drew has a Bachelor of Laws from the University of NSW and a Bachelor of Arts (Mass Communications) from Macquarie University.

³ Eligible for re-appointment.

⁴ Eligible for re-appointment



John JT Phillips

Alternate Industry Representative

John is current director of J & R Phillips Services Pty Ltd and Non-Executive Director of Resilium Insurance Broking Pty Ltd, providing consultancy services to insurance brokers, claims providers and insurance underwriters.

He has wide experience in the insurance broking industry, including having been CEO of Steadfast Group Limited for 12 years.

FAIM

Appointed: 1 Jan 2014

Term expires: 31 Dec 2019⁵

Committee meetings

In 2018–19, the Committee formally met seven times – three face-to-face meetings (in Sydney in September and November 2018 and in Melbourne in April 2019) and four telephone conferences (in December 2018 and in January, May and June 2019).

⁵ Eligible for re-appointment.

Appendix C: Compliance Manager

The Australian Financial Complaints Authority ([AFCA](#)⁶) provides Code monitoring and administration services⁷ to the Committee and NIBA by agreement. AFCA has appointed a dedicated team of staff (Compliance Manager⁸) within its office to undertake that task.

Compliance Manager Staff



Sally Davis GAICD
General Manager
Code Compliance and
Monitoring

B.Comm, LLB, Grad Dip
(Arts)

Appointed: September 2015 – current

Sally commenced as General Manager of Code Compliance and Monitoring at AFCA in September 2015.

Sally previously worked as Senior Manager of Systemic Issues and has worked at AFCA and its predecessor schemes for over 18 years.

Sally is an accredited mediator and holds a Bachelor of Commerce and a Bachelor of Laws degree from the University of Melbourne, a Graduate Diploma (Arts) from Monash University and is a Graduate of the Australian Institute of Company Directors.

Sally brings to this position extensive experience in financial services, as well as good relationships with regulators, industry and consumer groups.

Her work as General Manager involves the oversight of four other codes of practice in the financial services industry in addition to the Insurance Brokers Code of Practice.



Daniela Kirchlind
Compliance Manager

B.Comm, Grad Dip
(Finance and Investment)

Appointed: October 2009 – current

Daniela has a background in dispute resolution and broad insurance industry experience in Australia, England and Germany. Daniela previously worked as Complaints and Compliance Manager at AFCA and its predecessor schemes for over 21 years. In addition to her Compliance Management role, she manages compliance for the Customer Owned Banking Code of Practice. Daniela holds a Bachelor of Commerce from the Cologne University (Germany) and a Graduate Diploma in Finance and Investment from the Australian Securities Institute Melbourne.

⁶ The Financial Ombudsman Service (FOS) Australia was the predecessor scheme to the Australian Financial Complaints Authority (AFCA).

⁷ As per *Insurance Brokers Code Compliance Committee Administration Deed and Charter (Charter)* section 1.1 (a) (iv) the Code Administrator means AFCA or such other person appointed by NIBA from time to time to act on NIBA's behalf in administering the Code.

⁸ As per *Charter* section 1.1 (a) (vii) means the person appointed by the Code Administrator to act on its behalf for the purpose of the Code Procedures.

Appendix D: Code subscribers as at 30 June 2019

20:20 Insurance Services Pty Ltd
AB Phillips Pty Ltd
Abico Insurance Brokers Pty Ltd
ACME Insurance Brokers
ACN 054 261 371 Pty Ltd
Action Insurance Brokers Pty Ltd
Acumen Insurance Pty Ltd
Adroit Insurance & Risk Pty Ltd
AFA Insurance Brokers
Agririsk Services Pty Ltd
AIB Pty Ltd
AIS Insurance Brokers Pty Ltd
Allegiant Irs Pty Ltd
Alliance Insurance Broking Services Pty Ltd
Allsafe Insurance Brokers Pty Ltd
AMACIS Pty Ltd
Andrews Insurance Services Pty Ltd
Aon Risk Services Australia Limited
Apollo Risk Services Pty Ltd
Ardrossan Insurance Brokers Pty Ltd
Arena Underwriting Pty Ltd
Arrowsmith & Petruccelli Insurance Brokers
Arthur J. Gallagher & Co (Aus) Limited
ATC Insurance Solutions Pty Ltd
Atia Insurance Services Limited
Atlantic Insurance Brokers Pty Ltd
Aughtersons Insurance Brokers Pty Ltd
Austbrokers AEI Pty Ltd
Austbrokers Canberra Pty Limited
Austbrokers CE McDonald Pty Ltd
Austbrokers Central Coast Pty Ltd
Austbrokers City State
Austbrokers City State Macarthur
Austbrokers Dalby Pty Ltd
Austbrokers HCI
Austbrokers Ris Pty Ltd
Austbrokers SPT Pty Ltd
Austbrokers Sydney Pty Ltd
Austcover Pty Ltd
Austgroup Insurance Brokers
Austral Anglo Pty Ltd
Austral Insurance Brokers Pty Ltd
Australasia Insurance Brokers Pty Ltd (AAIB)
Ausure Pty Ltd
Aviation Insurance Brokers of Australia
Avoca Group Pty Ltd
AWIB Pty Ltd
Ballarat Insurance Brokers Pty Ltd
Barrenjoey Lifestyle Pty Ltd
Bayside Brokers Pty Ltd
Bellrock Broking Pty Limited
Berkrey Insurance Consultants Pty Ltd
Bestmark Pty Ltd
BJS Insurance Brokers Pty Ltd
Blackburn (Insurance Brokers) Pty Ltd
Bmt Insurance Brokers Pty Ltd
Body Corporate Brokers Pty Ltd
Bolderston & Associates Insurance Brokers
Bourchier Nominees Pty Ltd ATF The Coastal Unit Trust
Bovill Risk & Insurance Consultants Pty Ltd
Brett Grant & Associates Pty Ltd
Bricher Insurance Brokers
Brokers National
Brookvale Insurance Brokers Pty Ltd
Bruce Chiene Pty Ltd
Caip Services Pty Ltd
Cambridge Insurance Brokers
Capital Innovation Insurance Group Pty Ltd
Capital Insurance (Broking) Group Pty Ltd
Capital Insurance Brokers Pty Ltd
Capricorn Insurance Services Pty Ltd
Carriers Insurance Brokers Pty Ltd

Cartwright Insurance Brokers Pty Ltd
 Central Insurance Brokers
 Centrewest Insurance Brokers
 Cerberos Brokers Pty Ltd
 City Rural Insurance Brokers Pty Ltd
 Citycover (Aust) Pty Ltd
 CKA Risk Solutions Pty Ltd
 CN Botting & Associates (Broking) Pty Ltd
 Coastal Financial Services Group Pty Ltd
 Commercial Reality Insurance Brokers Pty Ltd
 Compass Insurance Brokers (Tas) Pty Ltd
 Comsure Insurance Brokers Pty Ltd
 Consolidated Insurance Agencies Pty Ltd
 Country Mile Insurance Brokers
 Countrywide Tolstrup Financial Services Group
 Coverforce Pty Ltd
 Coversafe Insurance Brokers Pty Ltd
 Cowden (NSW) Pty Ltd
 Cowden (SA) Pty Ltd
 Cowden (VIC) Pty Ltd
 Cowden Limited
 Darling Downs Insurance Brokers Pty Ltd
 Davelcorp Insurance Brokers Pty Ltd
 De Conno & Blanco Insurance Brokers
 Delaney Kelly Golding Pty Ltd
 Dennis Foster Insurance Brokers Pty Ltd
 DIB Insurance Brokers Pty Ltd
 Direct Insurance Brokers Pty Ltd
 Domina General Insurance Brokers Pty Ltd
 Don Hutton Insurance Brokers Pty Ltd
 Dove Insurance Brokers Pty Ltd
 Driessen Insurance Brokers Pty Ltd
 EA Insurance Services Pty Ltd
 East West Insurance Brokers Pty Ltd
 Edgewise Insurance Brokers Pty Ltd
 Elite General Insurance Services Pty Ltd
 Elkington Bishop Molineaux Insurance Brokers
 Emjay Insurance Brokers Pty Ltd
 Endeavour Insurance Broking Group Pty Ltd
 Enrizen Pty Ltd
 FD Beck & Sons Pty Ltd
 Finance and Insurance (Brokers) Australia
 Finsura Insurance Broking (Australia) Pty Ltd
 Fitzpatrick & Company Insurance Brokers
 FP Insurance Brokers
 Fraser and Associates Insurance Brokers Pty Ltd
 G.W.S. Pty Ltd
 Gale Insurance Brokers Pty Ltd
 Gardian Group Pty Ltd
 Gary Morton Insurance Brokers Pty Ltd
 Ginn & Penny Pty Ltd
 Glenowar Pty Ltd
 Goulburn Insurance Brokers Pty Limited
 Gow-Gates Insurance Brokers (Australasia) Pty Ltd
 Gow-Gates Insurance Brokers Pty Ltd
 Grampians Insurance Brokers Pty Ltd
 Grange Insurance Solutions Pty Ltd
 Great Wall Insurance Services Pty Ltd
 Greater National Limited
 Griffiths Goodall Insurance Brokers Pty Ltd
 GSA Insurance Brokers Pty Ltd
 Guardian Insurance Brokers Pty Ltd
 Hann Insurance Brokers Pty Ltd
 HIB Insurance Brokers Pty Ltd
 Holdfast Insurance Brokers Pty Ltd
 Holland Insurance Brokers (Qld) Pty Ltd
 Honan Insurance Group Pty Ltd
 HQ Insurance Pty Limited
 HW Wood Australia Pty Ltd
 Ian Bell Insurance Brokers Pty Ltd
 IBL Limited
 IC Frith & Associates (SA) Pty Ltd

IMC Insurance Brokers	M & S Insurance (Brokers) Services Pty Ltd
Insurance Advisernet Australia Pty Limited	Macey Insurance Brokers Pty Ltd
Insurance Advisory Service (NSW) Pty Ltd	Mackellar Insurance Brokers Pty Ltd
Insurance Aid General Brokers Partnership	Macquarie Insurance Brokers (Australia) Pty Ltd
Insurance Brokers of NSW Pty Ltd	Made Easy Financial Group Pty Ltd
Insurance House Pty Ltd	Malcolm Hutson & Associates Pty Ltd
Insurance Logic Pty Ltd	Management & Risk Insurance Brokers
Insurance Marketing Group of Aust Pty Ltd	Mandurah Insurance Brokers Pty Ltd
Insurance Solutions Tasmania Pty Ltd	Markey Group Pty Ltd
Insure That Insurance Broking Pty Limited	Marsh Advantage Insurance Pty Ltd
Insurex Pty Ltd	Marsh Pty Ltd
Intercharge Pty Ltd	Masefield Holdings Pty Ltd
Interlink Insurance Brokers	Maxton Insurance Brokers
Interpacific Insurance Brokers Pty Ltd	MCA Insurance Brokers Pty Ltd
Interrisk Australia Pty Ltd	McCormick Harris & Associates Pty Ltd
IOOF Insurance Brokers Pty Ltd	McKenzie Ross & Co Pty Ltd
IPS Insurance Brokers Pty Ltd	McKillop Insurance Brokers Pty Ltd
IRT Insurance Pty Ltd	McNaughton Gardiner Insurance Brokers Pty Ltd
Jardine Lloyd Thompson Pty Ltd	Medisure Indemnity Australia Pty Ltd
JDI (Young) Pty Ltd	MFP Insurance Brokers
JHR Corporate Risk Services Pty Ltd	MGA Insurance Brokers Pty Ltd
Joe Vella Insurance Brokers Pty Ltd	Midas Insurance Brokers Pty Ltd
Johnson Pacific Pty Ltd	Midland Insurance Brokers Australia Pty Ltd
KE Skilton & Associates Pty Ltd	Moran Insurance Brokers Pty Ltd
Kelly & Coe Insurance Brokers Pty Ltd	Mutual Brokers Pty Ltd
Kinnane Insurance Brokers Pty Ltd	NAS Insurance Brokers
KJ Risk Group Pty Ltd	National Corporate Broking Pty Ltd
Knightcorp Insurance Brokers	Nexus (Aust) Pty Ltd
Knights Guard Pty Ltd	North Coast Insurance Brokers Pty Ltd
Lanyon Partners Insurance Brokers Pty Ltd	North Queensland Insurance Brokers Pty Ltd
LEA Insurance Brokers Pty Ltd	Northlake Holdings Pty Ltd
Leed Insurance Group Pty Ltd	Oceanic Marine Risks Pty. Ltd
Link Insurance Brokers	One Underwriting Pty Ltd
Lockton Companies Australia Pty Ltd	Online Insurance Brokers Pty Ltd
Logan Insurance Brokers Pty Ltd	Oracle Group (Australia) Pty Ltd
Logan Livestock Insurance Agency Pty Ltd	O'Regan Group Pty Ltd

O'Sullivan Insurance Brokers Pty Ltd
 Oxley Insurance Brokers Pty Ltd
 P. I. Direct Insurance Brokers Pty Ltd
 Paul Donnelly Insurance Brokers Pty Ltd
 Perryman O'Grady Philpott Pty Ltd
 Peter L Brown & Associates Pty Ltd
 Philp Newby & Owen Pty Ltd
 Pollard Insurance Brokers
 Poole & Partners Investment Services Pty Ltd
 Portclip Pty Ltd
 Professional Insurance Brokers (McKinnon)
 Professional Insurance Brokers (NSW) Pty Ltd
 Professional Services Corporation Pty Ltd
 PSC Coast Wide Insurance Brokers Pty Ltd
 PSC Connect Pty Ltd
 PSC Insurance Brokers (Aust) Pty Ltd
 PSC Reliance Franchise Partners Pty Ltd
 Quattro Risk Services Pty Ltd
 Regional Insurance Brokers
 Resilium Insurance Broking Pty Ltd
 Richard Ray & Associates Pty Ltd
 Risk Insure Pty Ltd
 Rivers Insurance Brokers Pty Ltd
 RJ Vaughan and Monaghan Pty Ltd
 Robinson Insurance Broking Services Pty Ltd
 Roderick Insurance Brokers Pty Ltd
 RSM Group Pty Ltd
 Safeguard Insurance Brokers Pty Ltd
 Safeguard Insurance Solutions Pty Ltd
 SBS Insurance Brokers
 Scott & Broad Pty Ltd
 Scott Winton Nominees Pty Ltd
 Sear & Associates Insurance Brokers Pty Ltd
 Shortland Insurance Brokers Pty Ltd
 Simplex Insurance Solutions Pty Ltd
 SMS Insurance Pty Ltd As Trustee
 South Coast Insurance Brokers WA Pty Ltd
 SRG Group Pty Ltd
 Steadfast Brecknock Insurance Brokers Pty Ltd
 Steadfast Eastern Insurance Brokers Pty Ltd
 Steadfast IRS Pty Limited
 Steadfast Taswide Insurance Brokers Pty Ltd
 Steel Pacific Insurance Brokers
 Stening Simpson (International) Pty Ltd
 Sterling Insurance Pty Ltd
 Strata Solutions International Pty Ltd
 Teamcare Pty Ltd
 Terrace Insurance Brokers Pty Ltd
 The Insurance Broker (NSW) Pty Ltd
 The Protectors Insurance Brokers Pty Ltd
 Thomas Insurance Brokers Pty Ltd
 Trans-West Insurance Brokers Pty Ltd
 Trident Insurance Group Pty Ltd
 Triton Broking Services (WA) Pty Ltd
 Tucker McNeil Pty Limited
 Tudor Insurance Australia (Ins Brokers) Pty Ltd
 Tymar (WA) Pty Ltd
 United Insurance Group Pty Ltd
 Unity Insurance Brokers
 VH Insurance Pty Ltd
 Warren Saunders Ins Brokers (Aust) Pty Ltd
 Watkins Insurance Brokers
 Webber Insurance Group Pty Ltd
 Webmere Pty Ltd
 Webster Hyde Heath Insurance Brokers Pty Ltd
 Western United Financial Services Pty Ltd
 Westlawn Insurance Brokers Pty Ltd
 Westminster Broking House Pty Ltd
 Whitbread Associates Pty Ltd
 Wilkinson Insurance Brokers Pty Ltd
 William Inglis & Son Limited
 Willis Australia Limited
 Willis Temby Insurance Brokers (WA) Pty Ltd
 WRI Insurance Brokers Pty Ltd
 Wymark Insurance Brokers Pty Ltd
 Your Insurance Broker

Table 2: Number of Code subscribers by state (head office) and size of operation⁹

	ACT	NSW	NT	QLD	SA	TAS	VIC	WA	Total	In %
Large Code subscriber	1	8	0	6	2	0	7	2	26	9%
Medium Code subscriber	0	17	0	4	3	1	15	12	52	18%
Small Code subscriber	0	13	0	5	2	1	5	6	32	11%
Micro Code subscriber	1	62	1	28	14	4	50	23	183	62%
Total	2	100	1	43	21	6	77	43	293¹⁰	
<i>In %</i>	<1%	34%	<1%	15%	7%	2%	26%	15%		
<i>In comparison to 30/06/2018</i>	2	103	1	44	23	6	78	43	300	
<i>In comparison to 30/06/2017</i>	2	106	1	46	22	7	89	45	318	

Table 3: Number of branches (including head office) by stated and size of operation¹¹

	ACT	NSW	NT	QLD	SA	TAS	VIC	WA	Total	In %
Large Code subscriber	24	305	16	225	84	16	189	74	933	60%
Medium Code subscriber	1	72	2	38	6	4	91	26	240	15%
Small Code subscriber	1	48	0	21	2	2	10	33	117	8%
Micro Code subscriber	1	87	1	39	22	12	64	34	260	17%
Total	27	512	19	323	114	34	354	167	1,550	
<i>In %</i>	2%	33%	1%	21%	7%	2%	23%	11%		

⁹ Code subscribers are counted by Australian Financial Service Licence (AFSL).

¹⁰ The decrease in the number of Code subscribers follows a series of mergers and acquisitions within the industry over the last 12 months. For information about Code subscription please contact NIBA at niba@niba.com.au or telephone (02) 9964 9400.

¹¹ This data was collected for the first time in the 2018 ACS.

Appendix E: Investigations

The Code empowers the Committee to investigate and determine any complaint alleging that an insurance broker has breached the Code. The Committee can also initiate its own investigations into Code breaches. These investigations aim to identify the cause of alleged Code breaches; whether the complaint indicates broader compliance issues; and the effectiveness of Code subscribers' remedial actions to minimise the impact of breaches on clients.

While the Committee cannot consider claims for compensation and loss, it can initiate Code investigations without needing a complaint to act as a trigger. These Committee-initiated investigations are mainly used to identify and assess:

- the presence of non-compliant behaviour that may not have been identified by the Code subscriber's internal compliance monitoring systems or Annual Compliance Statement
- whether non-compliant behaviour identified through complaint investigations is systemic, either within a Code subscriber or across the sector in general
- emerging Code compliance risks that may affect Code subscribers and their clients.

Following a review of an alleged Code breach, the Committee expects Code subscribers to:

- positively engage with the Committee
- thoroughly review the incident to assess if it constitutes a breach of the Code
- report the breach in their breach register (if a breach of the Code has occurred)
- report the breach to executive management
- identify all clients potentially affected by the events
- assess if the breach is systemic and/or significant
- take remedial action to address the cause of non-compliance
- review and enhance processes and procedures
- train staff and authorised representatives accordingly.

Case work

In 2018–19 the Committee undertook eight compliance investigations, including one referral from the AFCA Ombudsman and one referral from a client. Other matters were raised as own motion investigations based on AFCA determinations or media releases. The investigations are summarised below according to the relevant service standards (Table 4).

Table 4: New investigations registered in 2018–19

Service Standard 5 – Buying insurance

Source: Own motion investigation based on AFCA determination.

Issue: The complainant arranged through an insurance broker a business pack insurance policy for her greenhouse with an insurer.

The complainant's business was subject to a number of losses resulting in damage to her greenhouse and stock. The insurer, who is not part of this complaint, denied indemnity to the stock relying on a policy's exclusion for plants.

The complainant says the insurance broker provided her with inadequate policy coverage which was not suitable to her business needs. The complainant says her losses following the events were because of the insurance broker's conduct.

The insurance broker maintains it placed a business pack with coverage consistent with her instructions.

Outcome: The matter is under investigation.

Status: Open.

Service Standard 12 - Professionalism

Source: Media release.

Issue: Federal police officers and officials from the Australian Securities and Investments Commission (ASIC) raided the insurance brokerage in connection with an investigation.

Outcome: The matter is put on hold pending outcome of investigation by ASIC.

Status: Open.

Service Standard 1 – Compliance with law

Service Standard 5 – Buying insurance

Service Standard 7 – Money handling

Service Standard 12 – Professionalism

Source: Media release.

Issue: Fraudulent conduct by a managing director and associated staff concerning misappropriation of clients' funds which was identified during an internal investigation by the parent company.

Outcome: Following investigation by the parent company, the matter has been reported to the relevant authorities, including ASIC. The parent company has appointed an external legal firm to provide an independent review of affected clients. Investigation is ongoing.

The Committee agreed to close the matter, as the matter is already been considered by another legal process.¹²

Status: Closed – Code breach.

Service Standard – Claims handling

Source: Referral by AFCA Ombudsman based on AFCA determination.

Issue: The complainant's business was insured under a Public and Products Liability policy and a Construction Material Damage policy arranged by the insurance broker.

¹² Based on discretion under sections 5.8 and 5.24 of the Insurance Brokers Code of Practice Procedures.

The complainant was advised that pipes it had installed at a mining site were leaking and needed to be repaired. The complainant sought the advice of the broker about how to manage its potential liability, including whether the insurance policies would provide cover.

The complainant stated the insurance broker failed to act in its best interests and provided inadequate advice. The complainant sought reimbursement of additional costs and expenses incurred as a result of relying on the insurance broker's poor advice.

Outcome: The determination was issued by AFCA substantially in favour of the insurance broker. However, AFCA noted that the insurance broker delayed the claim process as it did not advise the complainant of the negative responses received from the insurers in a timely manner. Nor did it provide the additional information requested by the insurers to enable a more detailed consideration of the claim.

The insurance broker acknowledged the breach and undertook appropriate remediation activities, including staff training.

Status: Closed – Code breach.

Service Standard 5 – Claims handling

Source: Own motion investigation based on an AFCA determination.

Issue: The complaint related to a personal accident and sickness policy for business partners arranged via the insurance broker. Following an accident, the complainant was unable to work and lodged a claim under the policy. Upon being paid a low lump sum benefit, he discovered the policy did not provide the anticipated level of cover. The complainant stated the insurance broker failed to provide the intended policy and caused him severe financial difficulty.

The broker admits fault but says it is not liable to pay the benefit because the complainant was not a covered person at the time of his injury.

Outcome: AFCA determined that the broker is not liable to pay the intended policy benefits, as the available information establishes, on the balance of probabilities, that the complainant was injured before he became a covered person.

However, the complainant is entitled to some compensation because of the financial and physical consequences of delays and claims handling by the insurance broker.

The insurance broker acknowledged the breach and undertook appropriate remediation activities, including staff training.

Status: Closed – Code breach.

Service Standard 5 – Claims handling

Source: Own motion investigation based on an AFCA determination.

Issue: The complainant – a business providing jet boat adventure rides to the public – lodged a claim under its public liability (PL) policy after one of its jet boats was involved in an accident. The insurer accepted the claim and indemnified the complainant for its liability to third parties for injuries and property damage arising out of the accident.

However, the insurer denied liability for legal costs incurred by the complainant in defending legal proceedings brought by a marine regulatory authority. The insurer said these costs were not covered because the PL policy did not provide statutory liability cover.

The complainant stated the insurance broker should be liable for its legal costs because it failed to arrange statutory liability cover for the business (or advise of the need for such cover). The complainant also stated the insurance broker provided misleading advice during the claim process.

Outcome: AFCA determined that the complainant is entitled to compensation because the insurance broker's failure to arrange an appropriate policy that has caused its director additional stress and inconvenience. Accordingly, the broker is liable for the legal costs which would have been recoverable by the complainant, less the premiums and excess that would have been payable under a statutory liability policy.

The insurance broker acknowledged the breach and undertook appropriate remediation activities, including staff training.

Status: Closed – Code breach.

Service Standard 5 – Buying insurance

Source: Own motion investigation based on an AFCA determination.

Issue: The complainant had used the services of the insurance broker for its insurance needs for many years. The insurance broker arranged a commercial motor vehicle insurance policy with an insurer and emailed the relevant renewal notice to the complainant. The complainant, by email, asked the insurance broker to contact it to discuss the renewal. No contact was made, and the policy was not renewed.

The complainant was unable to lodge a subsequent claim with the insurer because the policy had not been renewed. The complainant believes the insurance broker failed to take sufficient steps to ensure that the policy was renewed, including not having made contact when requested.

Outcome: AFCA determined the matter partially in favour of the complainant, requesting the insurance broker to bear 60% liability for the loss given its duty of care to the complainant.

The insurance broker acknowledged the breach and undertook appropriate remediation activities, including staff training.

Status: Closed – Code breach.

Service Standard 5 – Buying insurance

Source: Referral from client.

Issue: Following an accident, the complainant's vehicle was stored by a towing company. Personal items were stolen from the vehicle while it was in storage in the towing yard. The insurance broker handled the claims process.

The complainant's insurer denied the claim as the complainant's policy did not provide tools of trade cover. The complainant's insurer lodged a claim with the towing company's insurer which

did not accept liability. The complainant alleged that the insurance broker did not act in her best interest to pursue her claim.

Outcome: Referred client to AFCA to lodge a complaint concerning her financial loss.

Status: Closed – no further action taken.

In 2018–19 the Committee finalised three investigations that were received in the previous 2017–18 period and remained open as at 30 June 2018 (Table 5).

Table 5: Earlier investigations finalised in 2018–19

Service Standard 10 – Dispute resolution and Code breach reporting

Source: Committee determination.

Issue: Following a determination issued in 2017 regarding a Code breach, the insurance broker failed to report this breach in its Annual Compliance Statement (ACS).

Outcome: Following various discussions and one meeting with the insurance broker to review its complaints and breach reporting and monitoring process, the Committee agreed to close the matter with a view to monitor further process and improvement via the next ACS. The Committee also welcomed the insurance broker’s input into the development of the detailed breach data report and any other feedback regarding industry issues.

Status: Closed – Code breach.

Service Standard 5 – Buying insurance

Service Standard 6 – Remuneration

Source: Referral from AFCA.

Issue: A client had engaged an agent to arrange insurance cover for its business. The agent was acting as an authorised representative for the insurance broker. When the client instructed the agent to cancel the policy, a dispute arose over the amount refunded. The client sought reimbursement for the insurance broker’s commission and fees, claiming these had not been disclosed.

Outcome: AFCA determined that the insurance broker did have to refund the client the total amount of commission and fees, because the insurance broker could not provide evidence that the client had been given the Financial Service Guide (FSG) outlining such commission and fees.

The insurance broker reimbursed the client and acknowledged a breach of Service Standards 5. While it was determined that the issue was not systemic, the insurance broker advised AFCA and the Committee that, in response to the incident, it will implement a number of best practice changes to its documents and procedures.

This dovetails with the Committee’s broader industry-wide advice that Code subscribers should look beyond merely complying with legislative requirements and actively pursue good practice when it comes to disclosure.

Following discussions, the insurance broker reported that it will:

- implement actual dollar disclosure of brokerage/commission for all retail clients, although its 'previous' disclosure of remuneration, fees and commission had adequately satisfied legislative requirements
- extend the actual dollar brokerage/commission disclosure to 'general advice' clients
- update its FSG to include 'plain English' content advising it may charge a 'cancellation fee'
- explain to its advisers that this fee must be commensurate with the service/cancellation service provided to the client and it has implemented monitoring and supervision activities around this
- review its systems of processing cancellation and tax invoice wording to consider adopting 'cancellation service fee' wording to provide more clarity and identify this fee as separate and distinct from the retention of fees and commissions
- encourage its advisers not to charge cancellation fees.

The insurance broker also agreed that the Committee can use this case in an article as a reminder to Code subscribers that obligations should apply to personal and general advice; and, that training and procedures should be extended to include any advisers an insurance broker uses.

Status: Closed – Code breach.

Service Standard 5 – Buying insurance and claim service

Source: Referral from client.

Issue: The client of the insurance broker alleged financial losses relating to a commercial policy as consequences of an authorised representative's failure of its duty of care to:

- arrange adequate cover
- renew insurance cover
- communicate adequately
- cover the claim (for example, theft of chainsaw and motor vehicle accident)
- stop a direct debit authority once alternate insurance had been sought from the applicant.

Outcome: The matter was referred to the Code Governance Committee dealing with alleged breaches of the General Insurance Code of Practice as it concerned actions undertaken by the relevant insurer. The client was also referred to AFCA to deal with any aspects of the financial loss.

Status: Closed – no further action taken.

Appendix F: Data trends

Data trend - all Code subscribers

Chart 1: Trends and relationships in data

Self-reported by all Code subscribers over the past four years to the Committee.

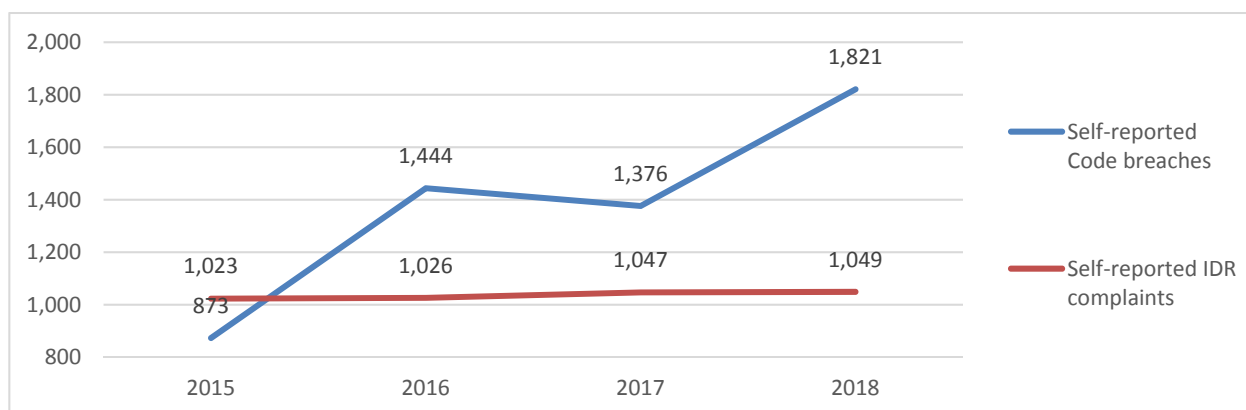


Table 6: Industry summary (all Code subscribers)

	2015	2016	2017	2018
Number of Code subscribers	323	318	300	293
Number of branches (including head office)	n/a	n/a	n/a	1,550
Total of self-reported Code breaches	873	1,444	1,376	1,821
Mean of self-reported Code breaches	2.7	4.4	4.7	6.2
% of Code subscribers self-reporting Code breaches	32%	42%	41%	43%
Total of self-reported IDR complaints	1,023	1,026	1,047	1,049
Mean of self-reported IDR complaints	3.2	3.2	3.6	3.6
% of Code subscribers self-reporting IDR complaints	52%	54%	57%	61%

Table 7: Top five categories of Code breaches self-reported since 2015

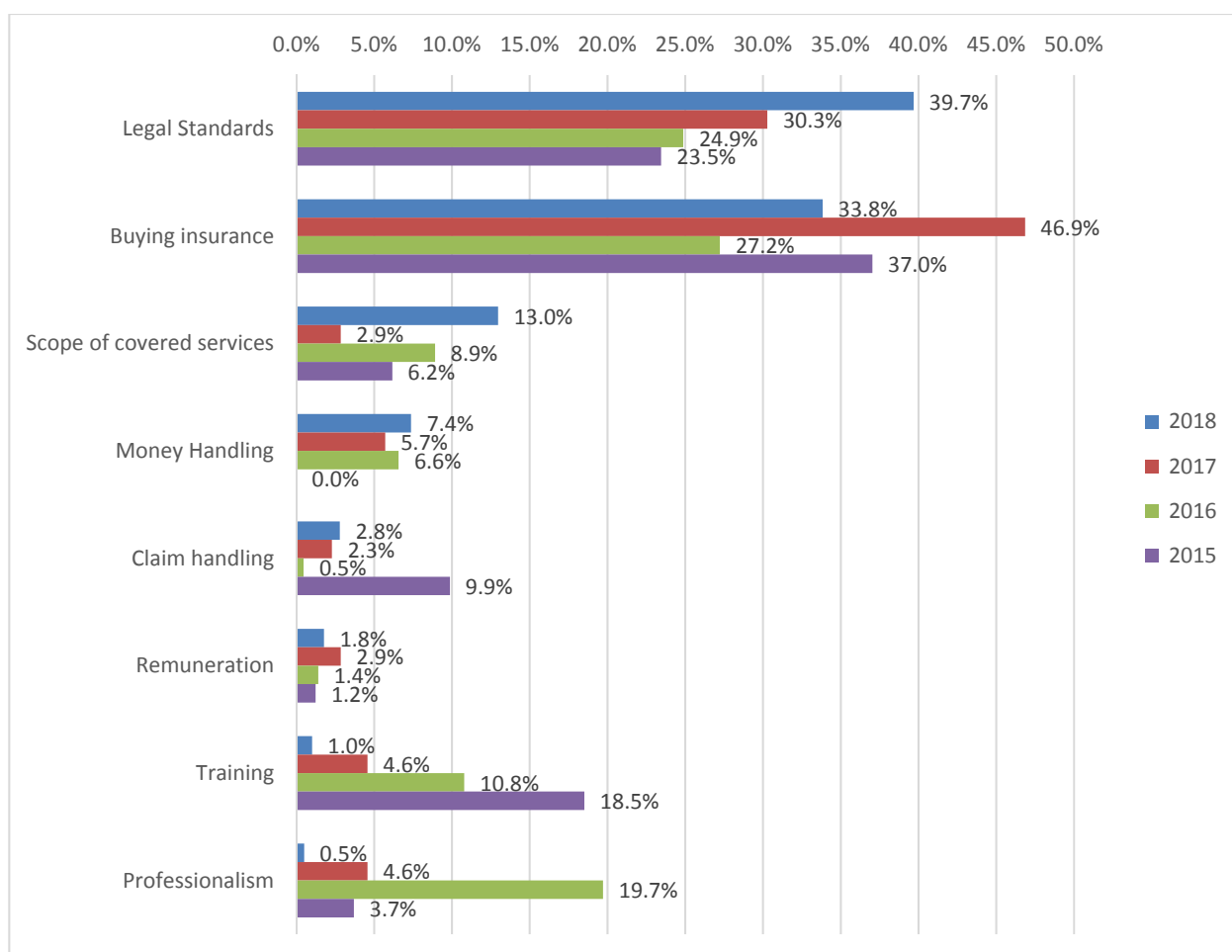
2015	2016	2017	2018
Compliance with legal obligations - 29%	Compliance with legal obligations - 32%	Client service and standards regarding buying insurance - 51%	Client service and standards regarding buying insurance - 49%
Client service and standards regarding buying insurance - 23%	Client service and standards regarding buying insurance - 22%	Compliance with legal obligations - 23%	Compliance with legal obligations - 24%
Scope of covered services - 8%	Professionalism - 17%	Money Handling - 5%	Professionalism - 8%
Professionalism - 8%	Training - 8%	Professionalism - 5%	Scope of covered services - 7%
Training - 8%	Money Handling - 5%	Scope of covered services - 4%	Money Handling - 5%

Data trend – large Code subscribers

Table 8: Sector summary (large Code subscribers – over 100 FTE staff)

	2015	2016	2017	2018
Number of Code subscribers	13	25	21	26
Number of branches (including head office)	n/a	n/a	n/a	933
Total of self-reported Code breaches	44	302	190	397
Mean of self-reported Code breaches	8.8	11.7	10.8	15.3
% of Code subscribers self-reporting Code breaches	59%	52%	94%	72%
Total of self-reported IDR complaints	52	311	410	300
Mean of self-reported IDR complaints	14.2	12.4	24.1	11.5
% of Code subscribers self-reporting IDR complaints	88%	68%	100%	94%

Chart 2: Top eight Code breach categories by large Code subscribers

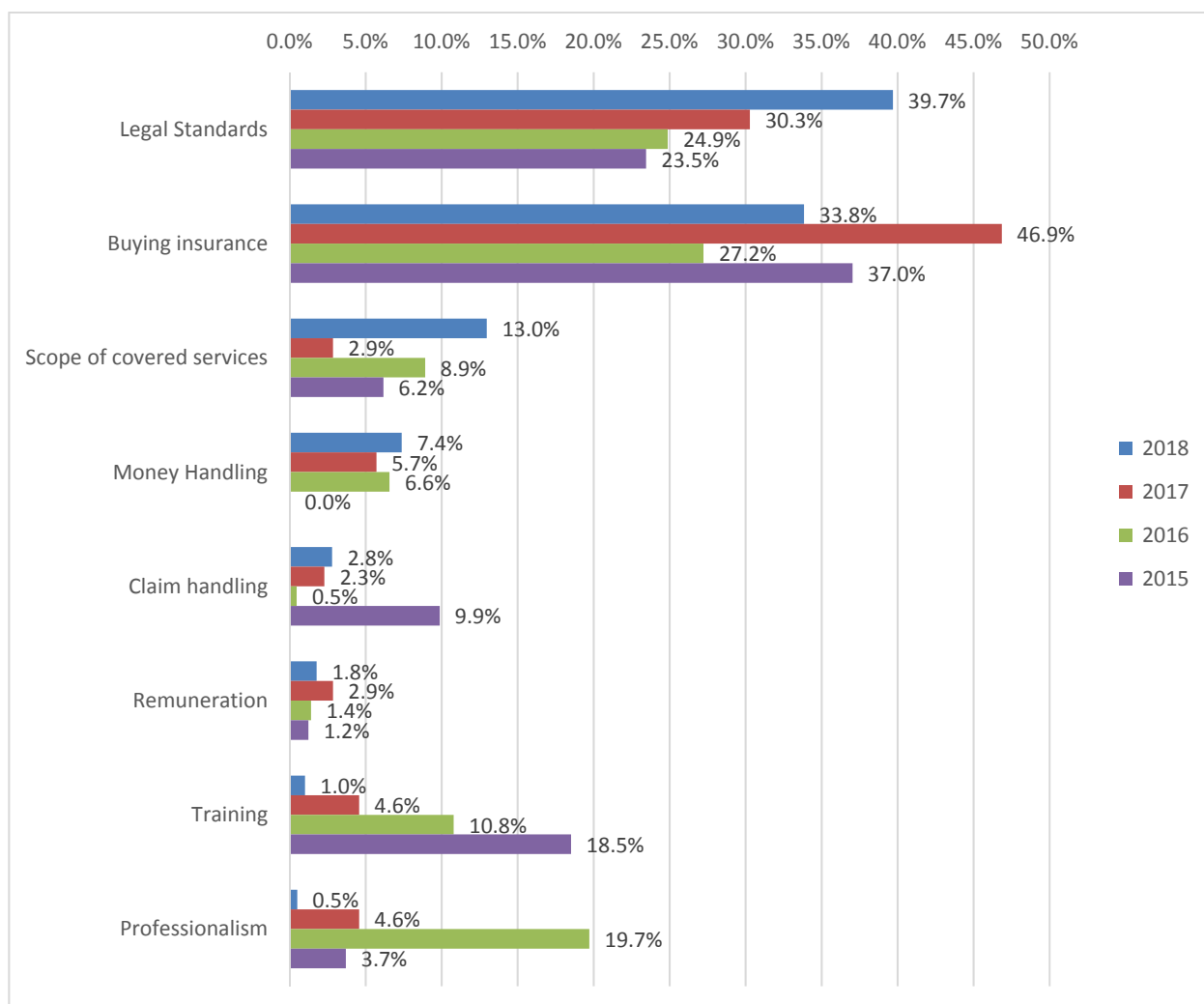


Data trend – medium Code subscribers

Table 9: Sector summary (medium Code subscribers – 31 to 100 FTE staff)

	2015	2016	2017	2018
Number of Code subscribers	26	49	46	52
Number of branches (including head office)	n/a	n/a	n/a	240
Total of self-reported Code breaches	113	383	305	372
Mean of self-reported Code breaches	4.4	7.6	6.6	7.2
% of Code subscribers self-reporting Code breaches	50%	69%	50%	59%
Total of self-reported IDR complaints	143	204	225	275
Mean of self-reported IDR complaints	6.4	4.2	4.9	5.3
% of Code subscribers self-reporting IDR complaints	83%	83%	91%	82%

Chart 3: Top eight Code breach categories by medium Code subscribers

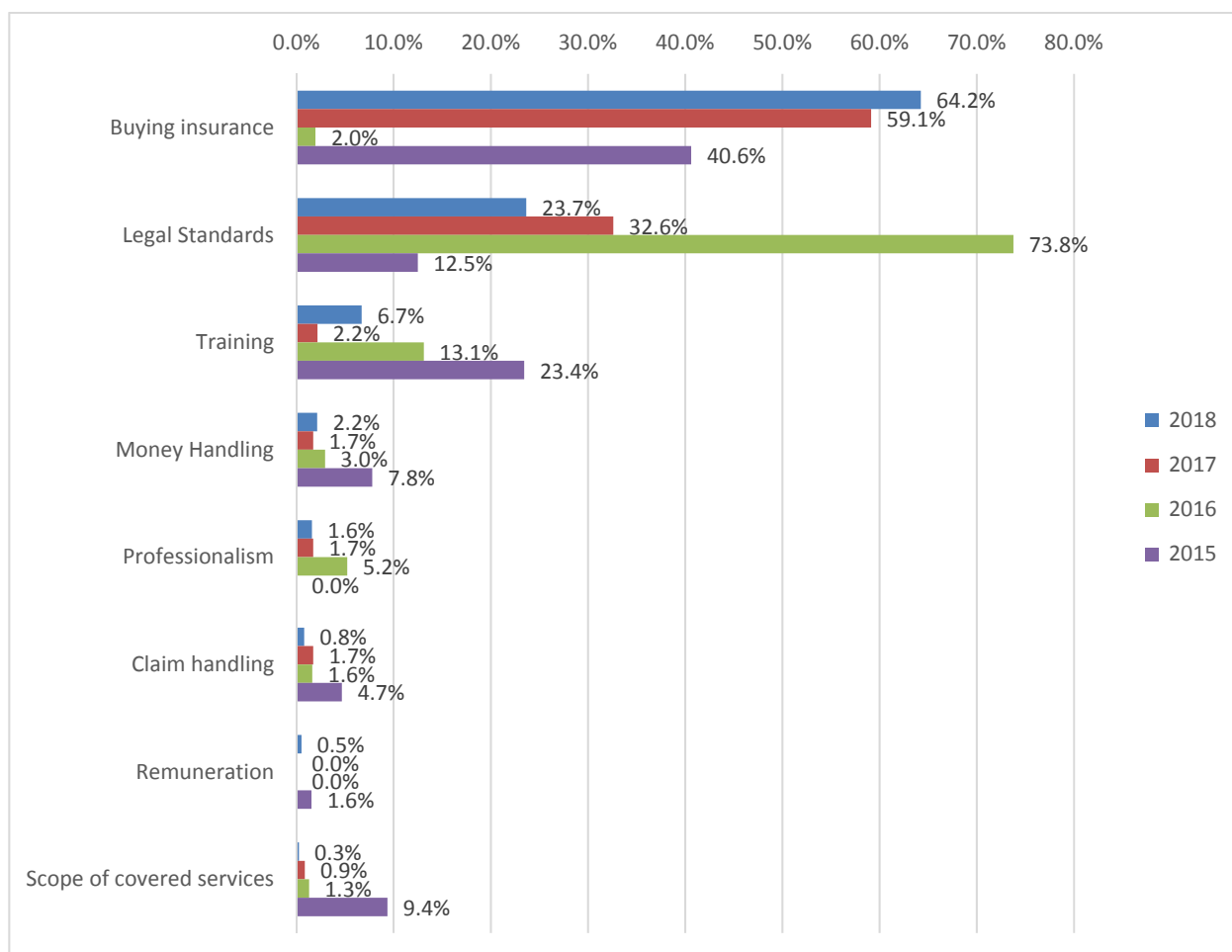


Data trend – small Code subscribers

Table 10: Sector summary (small Code subscribers – 21 to 30 FTE staff)

	2015	2016	2017	2018
Number of Code subscribers	35	28	39	32
Number of branches (including head office)	n/a	n/a	n/a	117
Total of self-reported Code breaches	87	249	177	375
Mean of self-reported Code breaches	1.9	8.6	5.9	11.7
% of Code subscribers self-reporting Code breaches	37%	57%	53%	50%
Total of self-reported IDR complaints	102	184	93	119
Mean of self-reported IDR complaints	3.2	6.6	3.1	3.7
% of Code subscribers self-reporting IDR complaints	80%	59%	63%	81%

Chart 4: Top eight Code breach categories by small Code subscribers

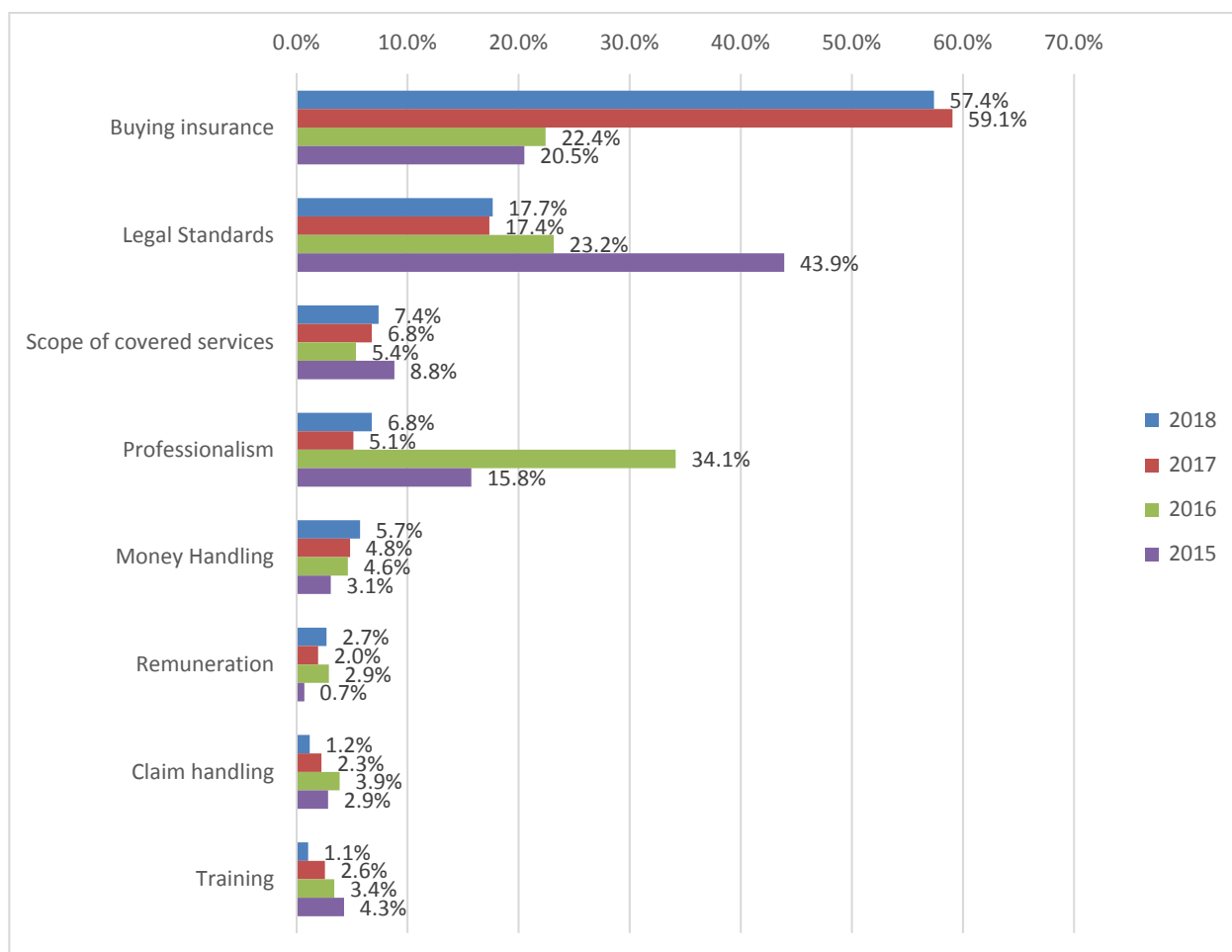


Data trend – micro Code subscribers

Table 11: Sector summary (micro Code subscribers – up to 20 FTE staff)

	2015	2016	2017	2018
Number of Code subscribers	249	216	194	183
Number of branches (including head office)	n/a	n/a	n/a	260
Total of self-reported Code breaches	629	510	704	677
Mean of self-reported Code breaches	2.3	2.3	3.5	3.7
% of Code subscribers self-reporting Code breaches	28%	33%	33%	35%
Total of self-reported IDR complaints	726	327	319	355
Mean of self-reported IDR complaints	2.2	1.5	1.6	1.9
% of Code subscribers self-reporting IDR complaints	39%	45%	44%	49%

Chart 5: Top eight Code breach categories by micro Code subscribers



Appendix G: Comparative data of self-reported Code breaches

Table 12: Self-reported Code breaches since 2015

Category	2015		2016		2017		2018	
	In %	Total	In %	Total	In %	Total	In %	Total
General	37%	325	49%	712	28%	391	32%	580
Legal standards, Standard 1	29%	255	32%	466	23%	320	24%	431
Professionalism, Standard 12	8%	70	17%	246	5%	71	8%	149
Disclosure	17%	150	11%	160	9%	124	10%	184
Conflict of interest, Standard 2	2%	14	<1%	12	2%	24	<1%	8
Who we act for, Standard 3	<1%	2	<1%	13	<1%	4	<1%	10
Scope of covered services, Standard 4	8%	72	5%	69	4%	56	7%	135
Remuneration, Standard 6	7%	62	5%	66	3%	40	2%	31
Provision of insurance broking service	28%	243	26%	369	54%	747	50%	913
Buying insurance, Standard 5	23%	202	22%	321	51%	708	49%	884
Claim handling, Standard 5	4%	31	3%	46	3%	37	1%	25
Acting for insurer, Standard 5	1%	9	<1%	2	<1%	2	<1%	3
Disasters, Standard 9	<1%	1	0%	0	0%	0	<1%	1
Other	18%	155	14%	203	8%	114	8%	144
Money Handling, Standard 7	6%	50	5%	74	5%	73	5%	99
Training, Standard 8	8%	70	8%	116	3%	35	2%	37
Dispute resolution, Standard 10	4%	33	<1%	10	<1%	5	<1%	5
Promotion of Code, Standard 11	<1%	2	<1%	3	<1%	1	<1%	3
Total of self-reported breaches		873		1,444		1,376¹³		1,812¹⁴

¹³ Adjusted by 9,355 breaches under Service Standard 1 self-reported by one Code subscriber relating to late issue of renewal notices.

¹⁴ Adjusted by 3,592 breaches under Service Standard 1 self-reported by one Code subscriber relating to late issue of renewal notices.

Chart 6: Self-reported Code breaches by general categories since 2015

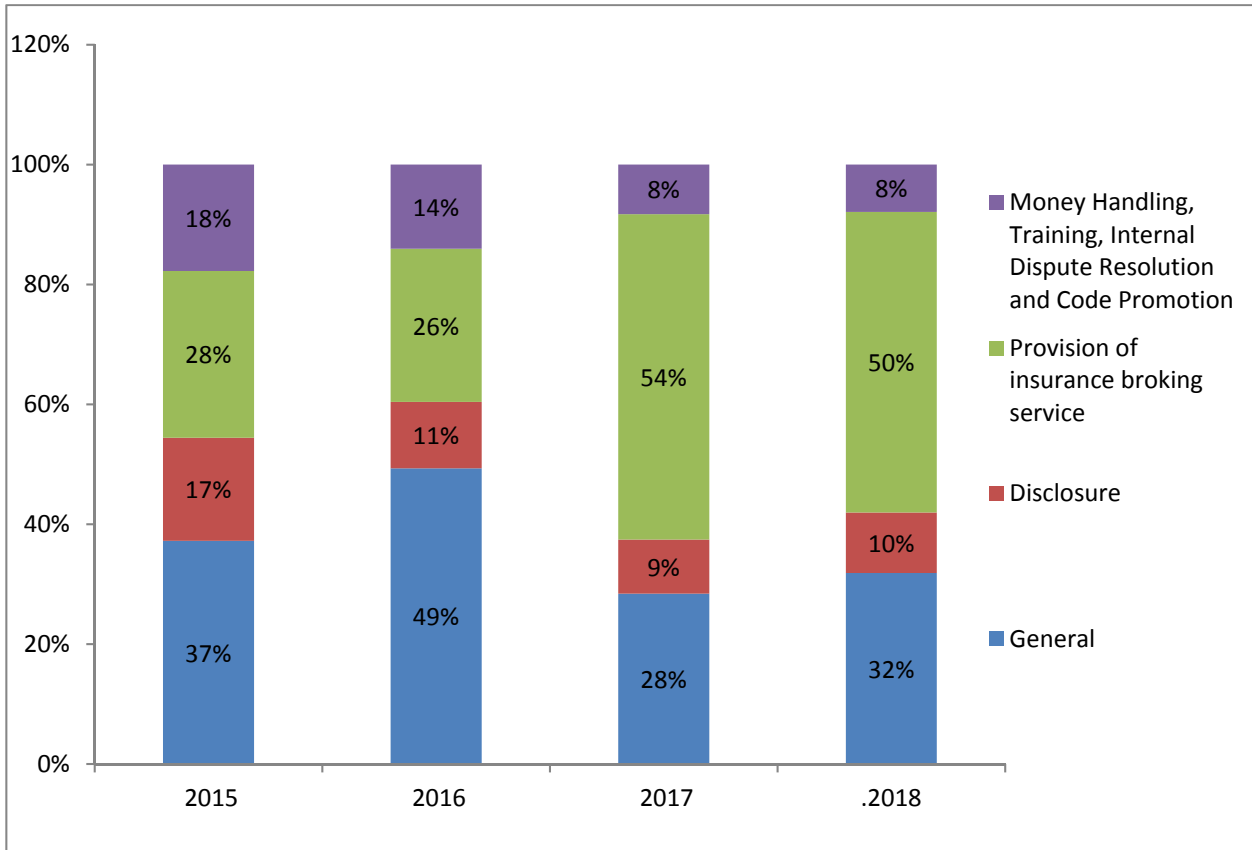


Table 13: Number of Code subscribers (in % of total Code subscribers) self-reporting Code breaches since 2015

Number of self-reported Code breaches	2015	2016	2017	2018
Nil	68%	58%	59%	57%
1 to 10	26%	32%	31%	30%
11 to 20	4%	6%	4%	5%
21 to 50	2%	3%	4%	5%
51 to 100	0%	1%	1%	2%
Over 100	<1%	<1%	<1%	1%

Appendix H: Self-recorded Code breach data by Code subscriber size

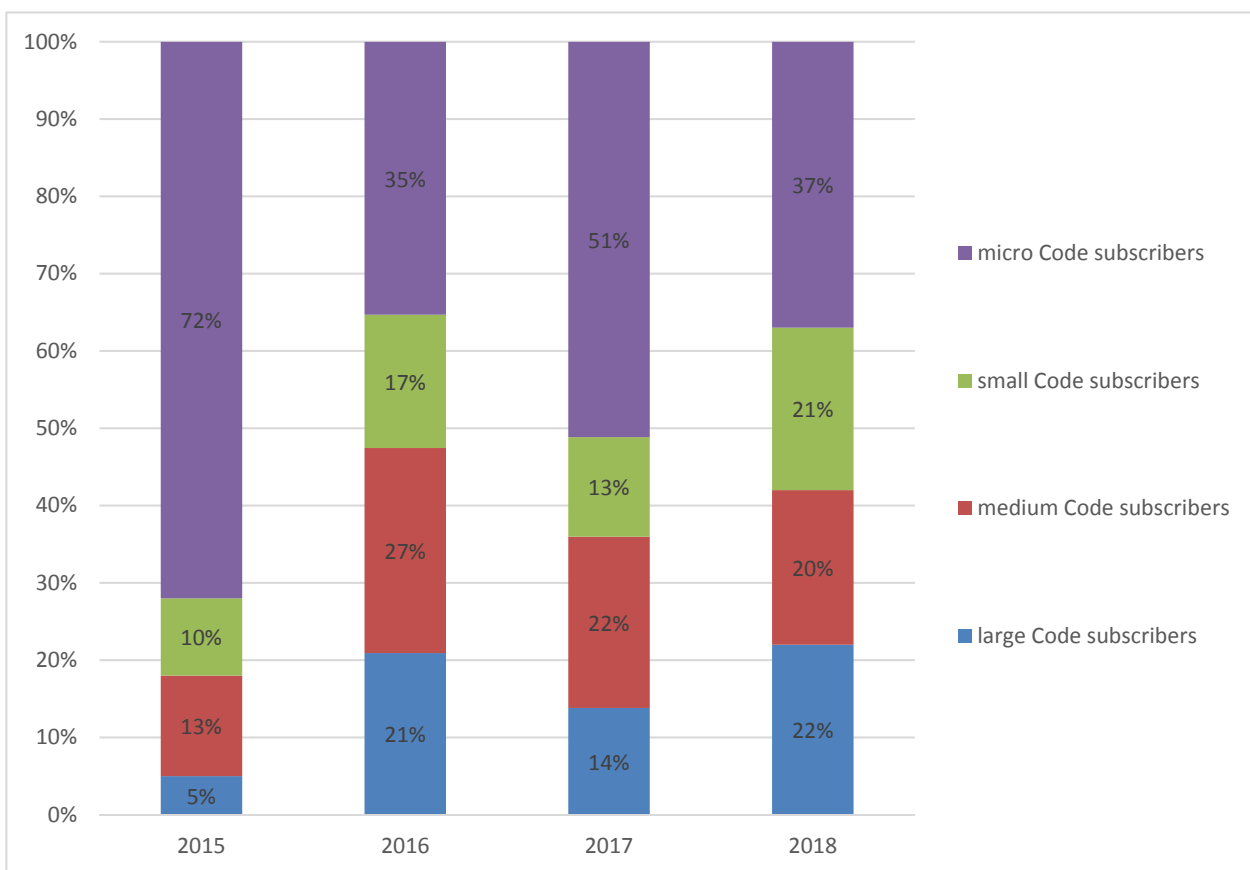
Table 14: Self-reported Code breach categories by size of Code subscriber in 2018

<i>Code standards</i>	<i>Micro</i>	<i>Small</i>	<i>Medium</i>	<i>Large</i>	<i>Total</i>
General	162	94	166	158	580
Legal Standards, Standard 1	117	88	70	156	431
Professionalism, Standard 12	45	6	96	2	149
Disclosure	73	6	43	62	184
Conflict of interest, Standard 2	3	0	3	2	8
Who we act for, Standard 3	3	3	2	2	10
Scope of covered services, St. 4	49	1	34	51	135
Remuneration, Standard 6	18	2	4	7	31
Provision of ins. broking service	391	242	136	144	913
Buying insurance, Standard 5	380	239	132	133	884
Claim handling, Standard 5	8	3	3	11	25
Acting for insurer, Standard 5	2	0	1	0	3
Disasters, Standard 9	1	0	0	0	1
Other	51	33	27	33	144
Money Handling, Standard 7	38	8	24	29	99
Training, Standard 8	7	25	1	4	37
Dispute resolution, Standard 10	4	0	1	0	5
Promotion of Code, Standard 11	2	0	1	0	3
Total	677	375	372	397	1,821

Table 15: Number of self-reported Code breaches by size of Code subscriber in 2018

Number of self-reported Code breaches	Micro	Small	Medium	Large	TOTAL ¹⁵
Nil	119	16	20	5	160
1 to 10	52	6	20	5	83
11 to 20	7	3	3	2	15
21 to 50	4	5	5	2	16
51 to 100	1	1	1	3	6
Over 100	1	1	0	1	3

Chart 7: Self-reported Code breaches by size of Code subscriber since 2015



¹⁵ Note: some Code subscribers report as one entity and include all their Australian Financial Service Licences in one report.

Appendix I: Root cause and impact of self-reported Code breaches

Table 16: Root causes of self-reported breaches by Code section in 2018

Note: numbers reflect incidents which in some cases would represent more than one breach. Not all Code subscribers provided conclusive information for each category.

	<i>incorrect process and procedure</i>	<i>insufficient training</i>	<i>insufficient resources</i>	<i>manual error</i>	<i>system error</i>	<i>mail house error</i>	<i>process and procedure not followed</i>	<i>staff misconduct</i>	<i>other</i>
St1 Legal standards	15	7	2	39	5	3	36	4	13
St2 Conflict of interest	2	-	-	-	-	-	4	-	2
St3 Who we act for	1	-	-	-	1	-	-	-	3
St4 Scope of covered services	2	4	-	7	1	-	10	-	3
St5 Buying insurance	18	8	5	60	8	-	80	4	25
St5 Claims handling	4	3	-	5	2	-	8	1	9
St5 Acting for insurer	-	-	-	1	1	-	1	-	-
St6 Remuneration	1	1	-	6	-	-	6	1	2
St7 Money handling	2	-	1	21	-	1	13	1	2
St8 Training	1	3	-	7	-	-	4	-	-
St9 Disasters	-	-	-	-	-	-	-	-	1
St10 Dispute resolution	2	-	-	1	-	-	2	-	1
St11 Promotion of Code	2	-	-	3	-	-	2	-	-
St12 Professionalism	4	1	-	25	-	-	11	1	8
Grand Total	54	27	8	175	18	4	177	12	69

Table 17: Impact of self-reported breaches by Code section in 2018-19

Note: numbers are indicative as not all Code subscribers provided conclusive information for each category.

<i>Code Standard</i>	<i>Number of client(s) impacted</i>	<i>Financial impact</i>
St1 Legal standards	1,392	\$67,035
St2 Conflict of interest	18	\$0
St3 Who we act for	8	\$0
St4 Scope of covered services	232	\$0
St5 Buying insurance	8,164	\$34,300
St5 Claims handling	54	\$7,482
St5 Acting for insurer	71	\$0
St6 Remuneration	73	\$0
St7 Money handling	70	\$596
St8 Training	25	\$0
St9 Disasters	100	\$0
St10 Dispute resolution	4	\$0
St11 Promotion of Code	20	\$0
St12 Professionalism	131	\$0
Grand Total	10,363	\$109,413

Appendix J: Examples of Code breaches

The following examples of Code breaches reflect de-identified matters self-reported by Code subscribers and what rectification actions were taken.

St1 Legal Standards

- During a monthly internal audit, it was identified that no privacy clause was used on the cover summary due to human error. The matter was reinforced with the relevant staff and also brought up at the next staff meeting.
- Due to a manual error, policy information was mailed to incorrect clients. Impacted clients were contacted and advised of the breach. Notes were placed on the clients' files. Clients who were in receipt of incorrect information were requested to destroy the information or send it back. The staff member concerned carried out Mandatory Breach Reporting. Staff received a reminder that they must adhere to company guidelines in respect to privacy and to have a full understanding of the Australian Privacy Principles and Privacy Act.

St2 Conflict of interest

- Due to a misunderstanding, an account manager did not send a correct Disclosure Notice to his wholesale clients for a period of approximately one month, as he thought it was relevant to his retail clients only. Remedial training was provided to relevant staff. The Compliance Manager goes through this procedure with each newly appointed account manager and also runs monthly reports to ensure that a Disclosure Notice has been sent with each invoice produced.
- Failed to review Conflict Of Interest Identification Table due to failure to follow Process and Procedures. Table has since been updated.
- A broker is on record for his spouse, but another broker processed the transaction and the (husband) broker advised he had no knowledge of the transaction. This was a breach of the internal Conflict of Interest policy. The branch manager provided additional training around the Conflict of Interest Policy and the account has been reassigned to another broker.
- Separate conflicts of interest were identified as a result of a review of the fee and commission exception report, whereby fees and commissions are waived in respect of related party transactions in breach of the Internal Conflict of Interest policy. Conflicts of Interest training was conducted by Risk and Assurance for all branch staff. Signed training attendance forms were forwarded to Learning and Development to be logged into the e-learn platform.
- An internal audit identified that the schedule of cover was signed by an Associate who was not named as having the authority on the Binder Authority Agreement to issue documentation. Additionally, in this instance the same Associate handled the broking part of the placement and also acted as the cover holder, creating a situation of potential conflict of interest. The Associate is named under the Binder Authority Agreement to issue

confirmation of cover. However, only one other Associate is authorised to issue documents. The Associate was unaware that they were not authorised to issue documents. Furthermore, with only one other staff member authorised to issue documents, there was a timing issue to get the documentation to the Associate's client. The Binder Authority Agreement has since been requested to be amended to include further staff that can issue documentation under the Binder. Regular training and reminder emails are sent to all staff regarding the binder process to ensure it is understood and followed accordingly.

St3 Who we act for

- Due to an oversight, clients were redirected to the insurer website to purchase travel insurance; however, no explanatory note was included. Once it was identified, an explanatory note was included.
- A staff member responsible for processing was amending the Coverage Summary on endorsement transactions and removed the Under Binder Disclosure clause by mistake. The staff member was shown the correct procedure, and the incorrect "template" document was removed from the system.
- A system error caused inaccuracies in disclosures given by the Authorised Representative around Binder Disclosures and a failure to update the Licensee details in the Corporate Authorised representative disclosures. The compliance regime around appointment and monitoring of Authorised Representatives has been overhauled with much tighter controls and annual auditing.

St4 Scope of covered services

- Despite the client specifying they wanted cover for glass and contractor payments, this cover was omitted in error from the renewal notice. The broker realised the error and arranged for the insurer to include the cover at no additional cost to the client. The error was caused by a new system that was not fully understood by the broker. Additional training was provided to the broker and other staff.

St5 Buying insurance

- Renewals were invoiced outside 14 days pre-renewal due to instances of waiting on client for return of required pre-renewal documents and underwriters' renewal ratings. Training was provided to maintain clear and accurate notes for reason for late invoicing and follow-up processes have been implemented.
- An internal file audit identified that the latest Financial Services Guide (FSG) had not been emailed to the client. A correct FSG was sent to the client and the matter was reinforced with the relevant staff. Going forward, ongoing internal file audits will be undertaken.

St5 Claims handling

- The client's insurance policy was cancelled due to non-payment of the premium and the client contacted the broker seeking a new policy. Due to miscommunication and staff oversight, the new policy was not affected, and the error was only discovered when the client lodged a claim. The broker notified the client and offered to settle the claim, which the

client accepted. The matter was reviewed as part of staff training with the account broking team.

- A broker incorrectly advised a client that their policy was subject to one excess-free windscreen replacement. The client took their vehicle to a repairer, who informed the client that the repairs were subject to the excess. The broker reviewed the policy and established that windscreen extension is covered under the insurer's policy but must be purchased as an additional extension. The broker telephoned the client to advise them that the broker's initial advice was incorrect and to apologise. The client accepted the apology.

St5 Acting for insurer

- A cover was obtained via an online portal accessed directly by the Insured. If the policy is not renewed by the Insured, they receive three reminder emails, but no Lapse Notice was automated. The Lapse Notice was supposed to be automated from the online portal. The manual cancelling of the policies was well behind schedule. The Compliance Manager conducted an audit on lapsed policies under the Binder and identified that no Lapse Notice had gone to numerous clients. The system error was rectified to automate the Lapse Notice via the online portal.
- Due to a manual error, the insurer was incorrectly classified as having a Binder attached. The breach was identified by the external compliance consultant. Staff received training on how to use the system correctly.
- An audit identified that a company was listed on the policy as the underwriter, not as an underwriting agency. Relevant staff received training and it was also brought up at a team meeting and the correct procedure communicated to all staff.

St6 Remuneration

- A compliance review discovered that a broker was not disclosing his fees to clients in order to meet revenue targets. The broker was dismissed upon discovery of the breach.
- Despite the broker's FSG stating that commissions will not exceed 25%, the commission rate entered by a staff member when processing motor vehicle policies exceeded 25%. The broker was notified of the additional commission by the underwriter. The underwriter's software had a default commission of 25% for house and 15% for motor vehicle but allowed the staff member to enter higher commissions for motor vehicle in error. The broker notified and refunded the affected clients. The staff member was given additional supervised training and the underwriter has updated its software to implement protection and limit the maximum commission rates for those policies.

St7 Money handling

- The client requested cancellation of their insurance covers, but the broker failed to advise the premium funders, who subsequently deducted a payment from the client. The account manager contacted the funder to explain the situation and arranged for the instalment to be refunded to the client. The broker has since conducted staff training on the process for handling cancellations and policies with premium funding attached.

St8 Training

- An External Compliance Audit identified that the Training Register was not up to date. The Register was updated, and staff monitored to complete the register.
- Some staff did not complete the minimum 25 hours of training per year. This was a failure to comply with the Corporation Act s912A(1)(f) that all representatives are required to be adequately trained and competent to provide financial services and must complete a minimum of 25 hours of training yearly. The broker discussed with staff the correct process to follow when accreditations have not been completed for specific products. Staff must provide the relevant documentation to the Account Manager for a post-implementation review. The Manager must ensure that the required actions are completed and review a number of recently completed client files during their next visitation to ensure staff follow the correct process for this type of product recommendation.

St9 Disasters

- There was a delay in the settlement of cyclone property damage claims due to a large volume of claims submitted for this Natural Disaster Event. The broker updated internal guidelines and procedures to better educate clients as to Claims Procedure in the event of Cyclones.

Service Standard 10 - Dispute resolution

- A complaint was responded to and resolved successfully within six business days of receipt, however no formal letter of response was issued. The matter was identified via an internal review and is being monitored. It was not deemed necessary to issue a complaint response letter to the client at this point as the client confirmed in writing that he was happy with the resolution.
- Even though the client supplied all the requested information regarding a complaint concerning the settlement amount for a claim, a resolution was not offered within 21 days. The claim was eventually settled in favour of the client.
- The response time to a client's complaint was slow while the responsible manager was on leave. This arose during a merger and changeover of complaints manager and procedures.

St11 Promotion of Code

- An internal audit identified that an authorised representative's website did not include information about AFCA. The website has since been updated to include this information.

St12 Professionalism

- Systemic fraud over a number of years by an employee of the authorised representative. The matter involved the manipulation of insurance policies, e.g. directing proceeds to multiple bank accounts after actioning endorsements and cancellations without authority. Matter was identified when an insured raised anomalies in the renewal process. A forensic investigation service was appointed, and the individual staff was prosecuted.

Appendix K: Comparative data of self-reported IDR complaints

Table 18: Self-reported IDR complaints since 2015

	Category	2015		2016		2017		2018	
Products involved in complaint	Home Building	88	9%	143	14%	171	16%	147	14%
	Home Contents	41	4%	47	5%	34	3%	35	3%
	Personal Motor Vehicle	205	20%	157	15%	102	10%	91	9%
	Commercial Motor Vehicle	84	8%	69	7%	105	10%	102	10%
	Personal and Domestic Property	81	8%	19	2%	41	4%	22	2%
	Strata Title	39	4%	44	4%	50	5%	57	5%
	Sickness and Accident	24	2%	38	4%	28	3%	29	3%
	Travel	13	1%	6	1%	9	1%	10	1%
	Extended Warranty	2	<1%	2	<1%	1	<1%	1	<1%
	Professional Indemnity	42	4%	27	3%	47	4%	36	3%
	Small Business	167	16%	212	21%	205	20%	222	21%
	Farm	36	4%	23	2%	26	2%	25	2%
	Life	2	<1%	2	<1%	4	<1%	2	<1%
	Consumer Credit	1	<1%	1	<1%	6	1%	0	0%
	Income Protection	6	1%	2	<1%	1	<1%	31	3%
	Add-on insurance products ¹⁶	n/a	n/a	n/a	n/a	n/a	n/a	26	2%
	Other ¹⁷	192	19%	234	23%	217	21%	213	20%

¹⁶ New category introduced in the 2018 ACS

¹⁷ 'Other' represents the number of complaints that were identified by the Code subscriber in the total number of complaints, but not specified further.

	<i>Category</i>	<i>2015</i>		<i>2016</i>		<i>2017</i>		<i>2018</i>	
Issues involved in complaint	Advice	57	6%	105	10%	75	7%	61	6%
	Charges	71	7%	95	9%	56	5%	72	7%
	Disclosure	31	3%	45	4%	24	2%	17	2%
	Financial Difficulty	9	1%	11	1%	9	1%	11	1%
	Insurance Broker's Decision	51	5%	68	7%	43	4%	41	4%
	Instructions	57	6%	82	8%	65	6%	64	6%
	Privacy & confidentiality	11	1%	35	3%	12	1%	10	1%
	Service - general	317	31%	154	15%	271	26%	241	23%
	Service - claims ¹⁸	n/a	n/a	n/a	n/a	340	32%	383	37%
	Transactions	42	4%	51	5%	34	3%	56	5%
	General feedback or improvement suggestion ¹⁹	n/a	n/a	n/a	n/a	28	3%	25	2%
	Other	377	37%	380	37%	90	9%	68	6%
Outcome of complaint	In favour of insurance broker	196	19%	164	16%	90	9%	159	15%
	In favour of client	199	19%	212	21%	185	18%	190	18%
	Mutual agreement	262	26%	243	24%	240	23%	198	19%
	Referred to External Dispute Resolution	51	5%	35	3%	36	3%	58	6%
	Withdrawn	49	5%	43	4%	68	6%	74	7%
	Client taken legal action	7	1%	9	1%	4	<1%	4	<1%

¹⁸ New category introduced in the 2017 ACS.

¹⁹ Prior to 2017 ACS included in 'Service – general' category.

	Category	2015		2016		2017		2018	
	Apology, explanation and/or acknowledgment of feedback ²⁰	252	25%	210	20%	272	26%	263	25%
	Outstanding	0	0%	44	4%	55	5%	64	6%
	Other	7	1%	66	6%	97	9%	39	4%
Timeframe	Within 21 days	808	79%	809	78%	637	61%	659	63%
	Within 45 days	144	14%	89	9%	134	13%	154	15%
	Beyond 45 days	64	6%	78	8%	173	17%	124	12%
	Unresolved	0	0%	43	4%	71	7%	85	8%
	Other	7	1%	7	1%	32	3%	27	3%
Total number of self-reported complaints²¹		1,023		1,026		1,047		1,049	
<i>Total number of self-reported IDR complaints involving breaches of the Code</i>		133	13%	192	19%	271	26%	271	26%

Table 19: Number of Code subscribers (in % of total Code subscribers) self-reporting IDR complaints since 2015

Number of self-reported IDR complaints	2015	2016	2017	2018
Nil	48%	46%	43%	39%
1 to 10	44%	46%	48%	51%
11 to 20	6%	6%	7%	7%
21 to 50	2%	1%	1%	2%
51 to 100	0%	<1%	1%	1%
Over 100	<1%	0%	0%	0%

²⁰ New category introduced in the 2014 ACS.

²¹ See [Appendix L](#) for details of data collection

Chart 8: Percentage of self-reported IDR complaints by service/product since 2015

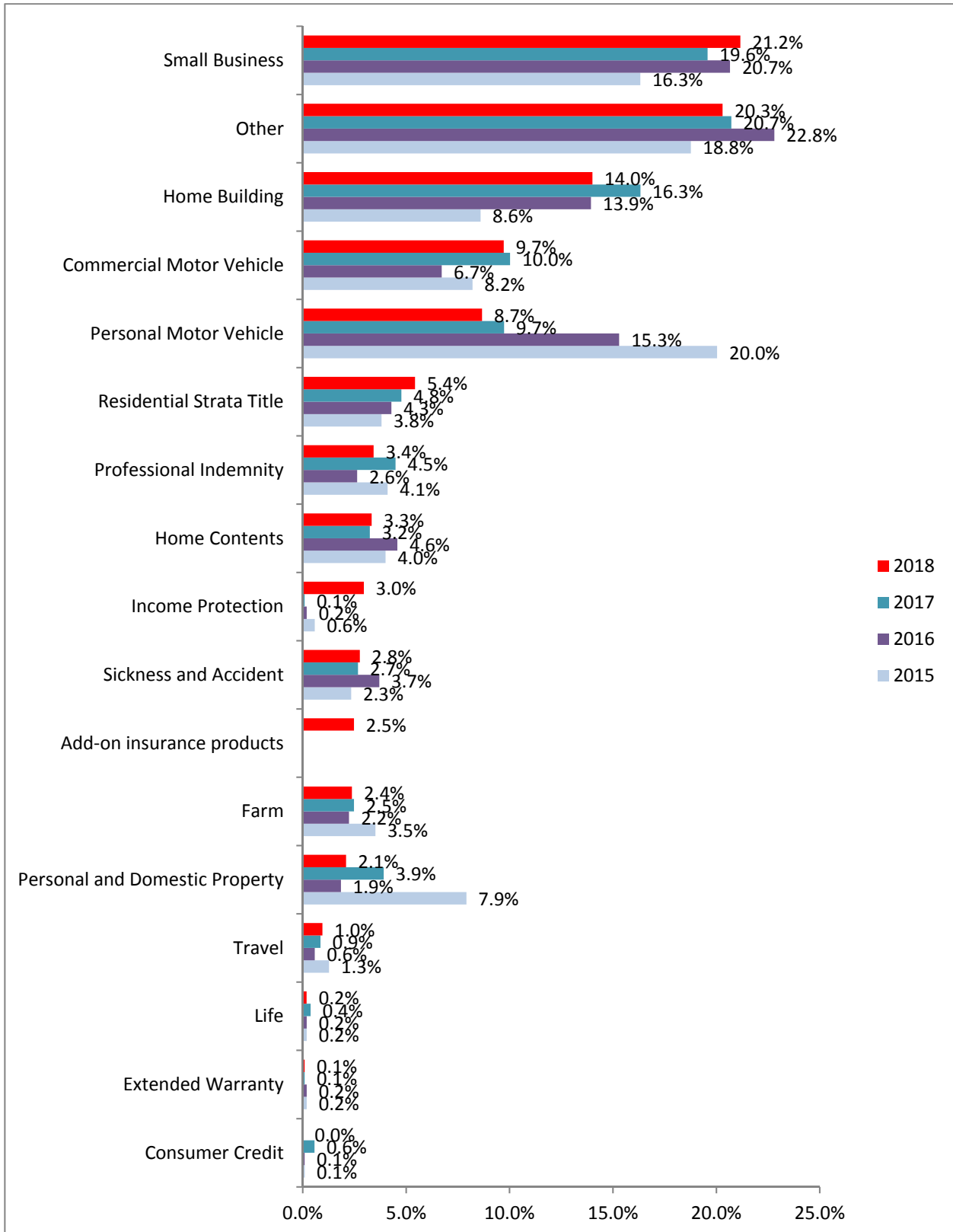


Chart 9: Percentage of self-reported IDR complaints by issue since 2015

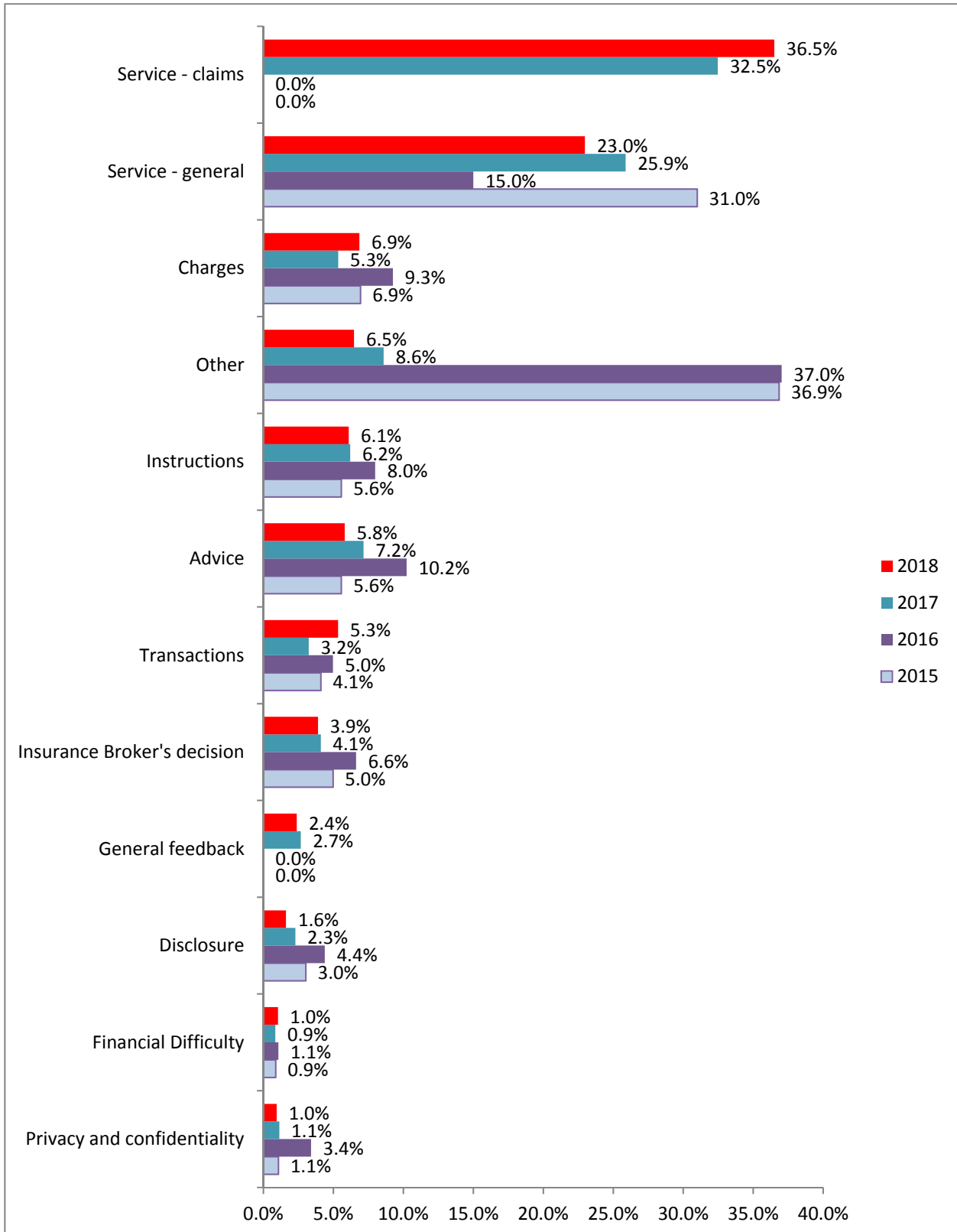


Table 20: Definitions for issues

Advice	Failure to act in client’s best interest, Failure to prioritise client’s interests, Failure to provide advice, Inappropriate advice, Incorrect advice
Charges	Break costs, Deductible or excess, Incorrect commissions, Incorrect fees/costs, Incorrect interest added, Incorrect premiums, No claim bonus
Disclosure	Break costs, Deductible or excess, Incorrect commissions, Incorrect fees/costs, Incorrect interest added, Incorrect premiums, No claim bonus
Financial difficulty	Decline of financial difficulty request, Default notice, Failure to respond to request for assistance, Request to suspend enforcement proceedings
Insurance Broker’s decision	Cancellation of policy, Cancellation of refund, Claim amount, Commercial credit reporting, Denial of application, Denial of claim, Denial of claim – applicant non-disclosure, Denial of claim – driving under influence, Denial of claim – exclusion/condition, Denial of claim – fraudulent claim, Denial of claim – no policy or contract, Denial of claim – no proof of loss, Denial of variation request, Error in debt collection, Inappropriate debt collection action, Inappropriate margin call notice, Interpretation of policy terms and conditions, Liability disputed, Maladministration in lending, Maladministration in loan management, Product terms/features/service
Instructions	Delay, Failure to follow instructions/agreement, Incorrectly processed instructions
Privacy and confidentiality	Consumer credit reporting, Failure/refusal to provide access, Other privacy breaches, Unauthorised information disclosed
Service – general	Delay in complaint handling, Failure to provide special needs assistance, Inappropriate portfolio liquidation, Incorrect financial information provided, Loss of documents/personal property, Management of applicant details, Service quality, Technical problems
Service – claims	Delay in claim handling
Transaction	Dishonoured transactions, Incorrect payment, Mistaken Internet payment, Unauthorised transactions
General feedback	General feedback provided by client, Improvement suggestion, Expression of opinion

Chart 10: Percentage of self-reported IDR complaints by outcome since 2015

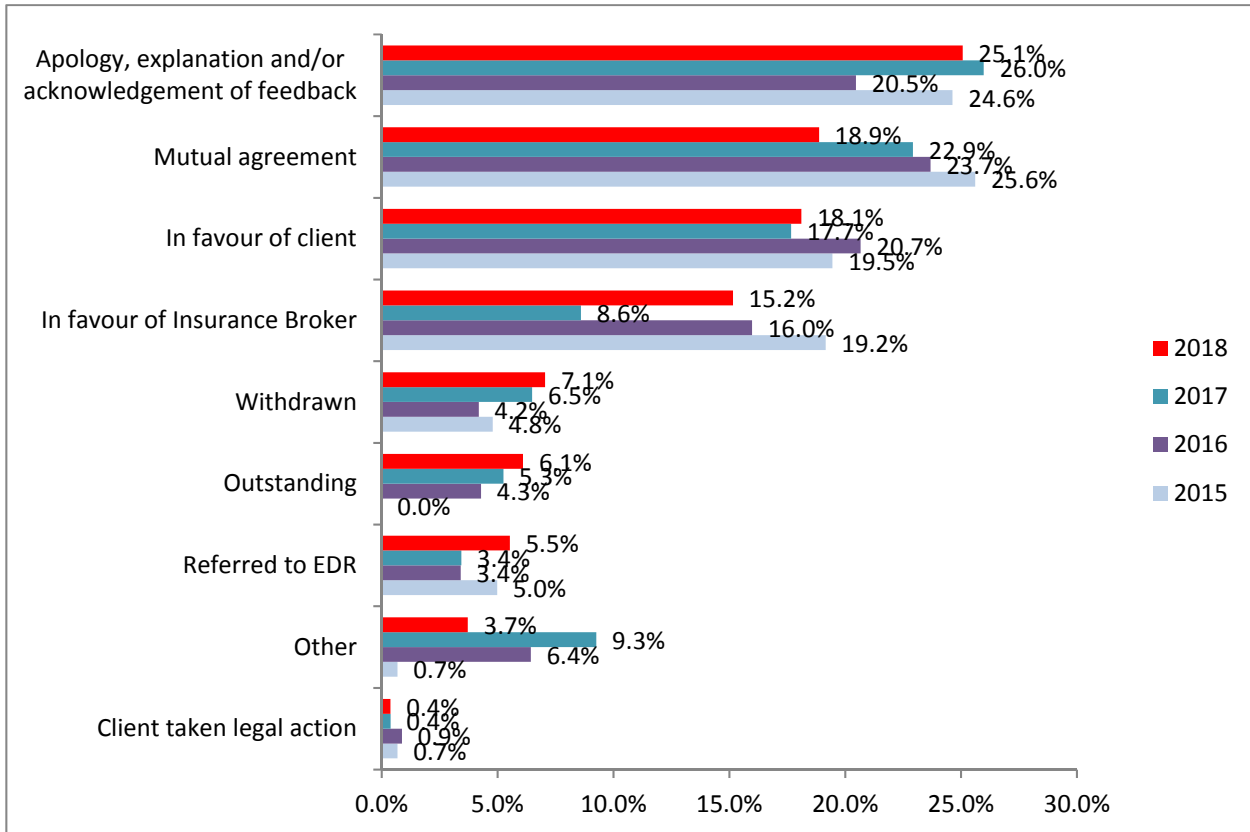
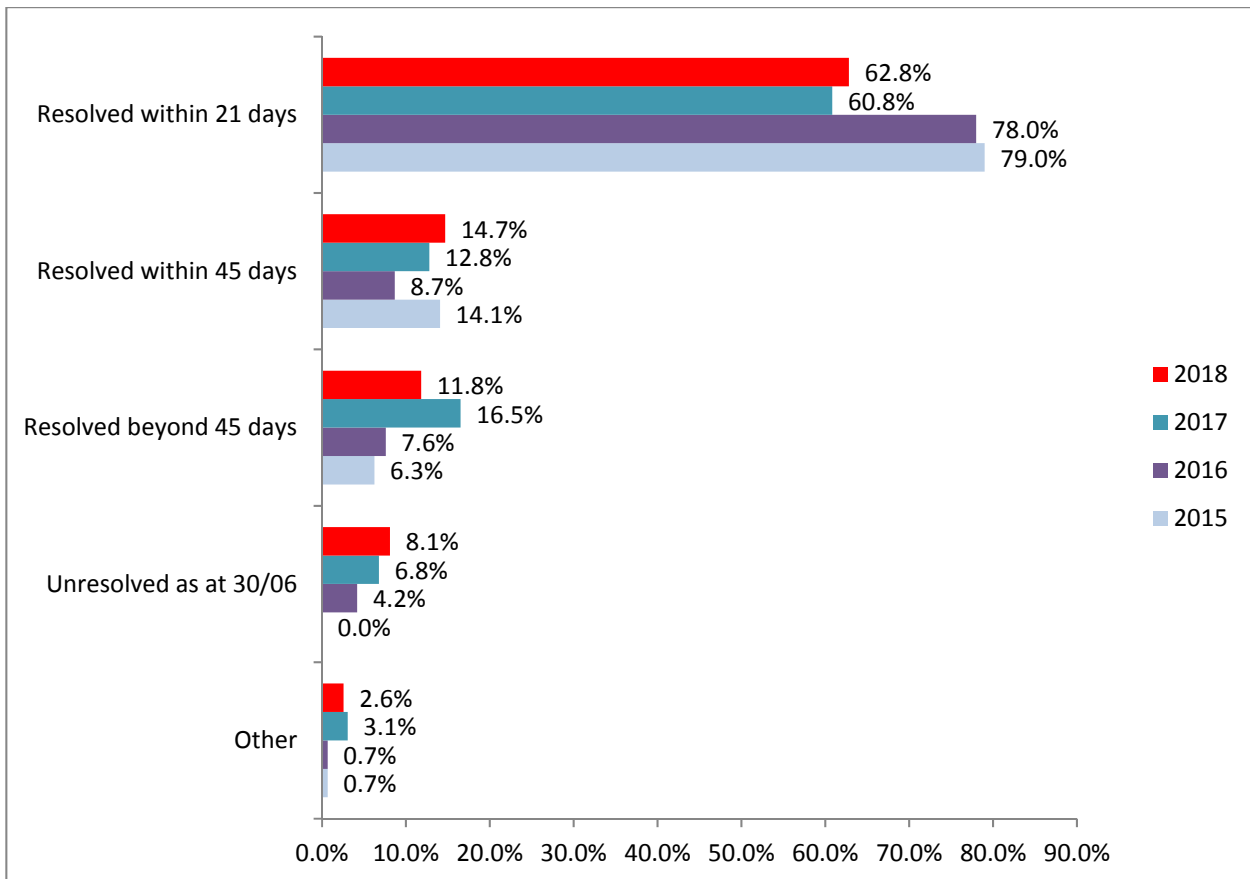


Chart 11: Percentage of self-reported IDR complaints by resolution time since 2015



Appendix L: Self-reported IDR complaints data by Code subscriber size

Table 21: Self-reported IDR complaints categories by size of Code subscriber in 2018

	<i>Micro</i>	<i>Small</i>	<i>Medium</i>	<i>Large</i>	<i>Total</i>
Product	355	119	275	300	1,049
Home Building	45	5	27	70	147
Home Contents	16	10	9	0	35
Personal Motor Vehicle	48	15	12	16	91
Commercial Motor Vehicle	29	24	19	30	102
Personal and Domestic Property	2	1	4	15	22
Strata Title	15	1	20	21	57
Sickness and Accident	6	0	19	4	29
Travel	6	3	1	0	10
Extended Warranty	1	0	0	0	1
Professional Indemnity	6	2	7	21	36
Small Business	65	24	64	69	222
Farm	10	5	4	6	25
Life	0	0	2	0	2
Consumer Credit	0	0	0	0	0
Income Protection	0	0	29	2	31
Add-on insurance products	8	15	3	0	26
Other	98	14	55	46	213
Issue	355	119	275	300	1,049
Advice	22	6	11	22	61
Charges	23	6	18	25	72
Disclosure	4	2	4	7	17
Financial Difficulty	6	3	2	0	11
FSP Decision	3	1	23	14	41
Instructions	13	10	9	32	64

	<i>Micro</i>	<i>Small</i>	<i>Medium</i>	<i>Large</i>	<i>Total</i>
Privacy & confidentiality	4	1	2	3	10
Service – general	94	11	92	44	241
Service – claims	135	61	79	108	383
General feedback	27	5	3	21	56
Transactions	10	3	11	1	25
Other	14	10	21	23	68
Outcome	355	119	275	300	1,049
In favour of insurance broker	34	9	55	61	159
In favour of client	79	20	41	50	190
Mutual agreement	52	31	77	38	198
Referred to EDR	9	15	10	24	58
Withdrawn	19	10	15	30	74
Client taken legal action	1	0	1	2	4
Apology, explanation	128	26	70	39	263
Outstanding	15	2	2	45	64
Other	18	6	4	11	39
Timeframe	355	119	275	300	1,049
resolved within 21 days	0	0	0	0	0
resolved within 45 days	0	0	0	0	0
resolved beyond 45 days	257	97	194	111	659
unresolved as at June	39	9	53	53	154
Other	28	7	19	70	124

Table 22: Number of self-reported IDR complaints by size of Code subscriber in 2018

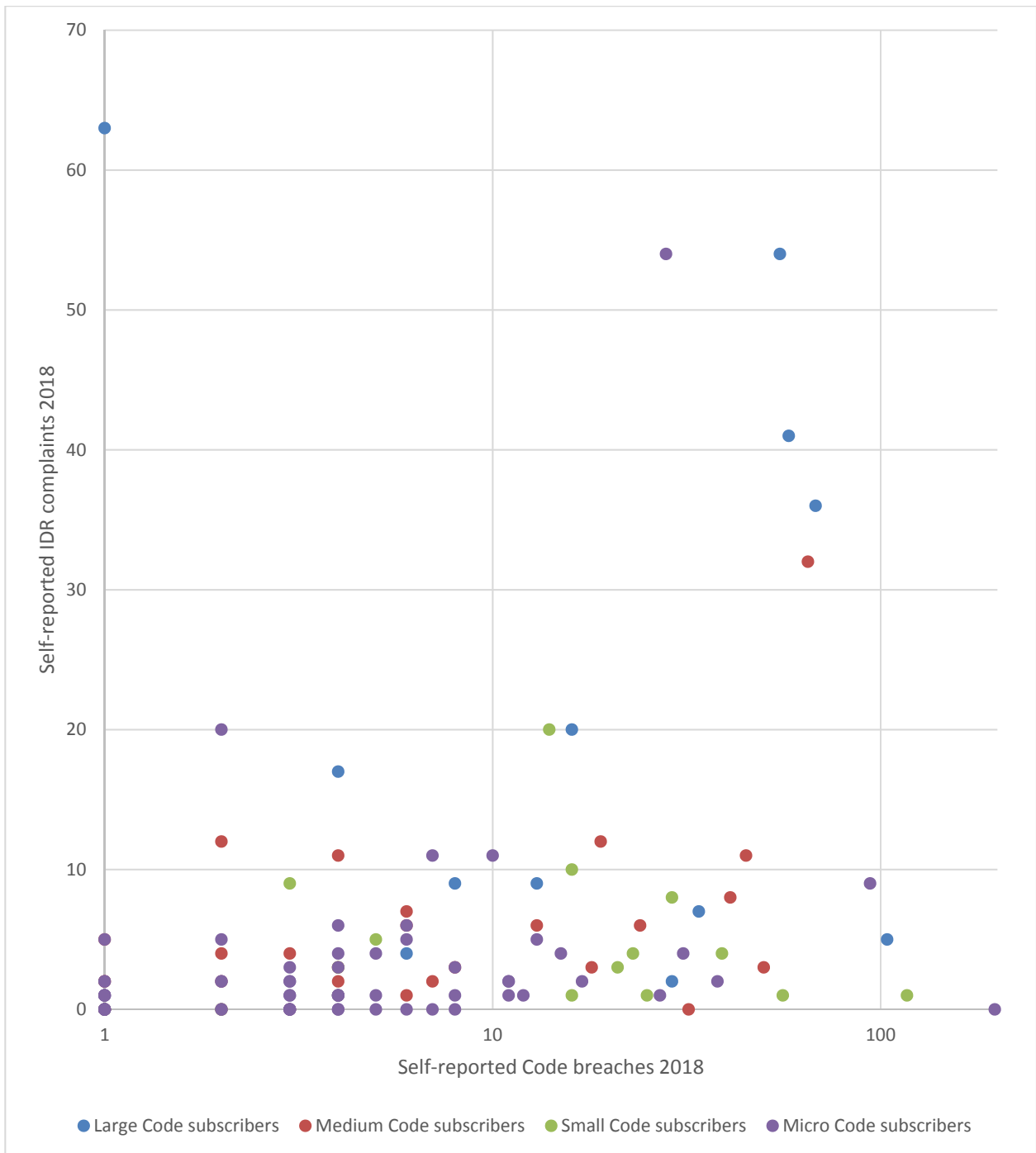
Number of self-reported IDR complaints	Micro	Small	Medium	Large	Total
Nil	51%	19%	18%	6%	39%
1 to 10	45%	75%	63%	39%	51%
11 to 20	3%	6%	14%	22%	6%
21 to 50	<1%	0%	4%	11%	2%
51 to 100	<1%	0%	0%	11%	1%
Over 100	0%	0%	0%	0%	0%

Chart 12: Self-reported IDR complaints by size of Code subscriber since 2015



Appendix M: Relationship self-reported Code breaches to IDR complaints

Chart 13: Comparison of number of self-reported Code breaches to self-reported IDR complaint by size of Code subscriber



Appendix N: Compliance monitoring activities

Table 23: Compliance monitoring activities undertaken by Code subscribers

Note: figures represent percentage of Code subscribers in that category who stated that they undertook a compliance monitoring activity in that particular area.

Code monitoring activity	Micro	Small	Medium	Large	Total
Code information available on your website and branches	67%	74%	77%	100%	71%
Information on your internal dispute resolution (IDR) process on your website	64%	81%	75%	94%	70%
Information on your external dispute resolution (EDR) process on your website	67%	84%	75%	94%	72%
Checklist outlining IDR timeframes	48%	39%	46%	44%	46%
Managing conflict of interest	77%	87%	83%	94%	80%
Transparent disclosure of third party providers to client(s)	56%	71%	52%	56%	56%
Transparent disclosure of fees and commissions to client(s)	73%	74%	65%	88%	73%
Training of staff	95%	97%	90%	88%	94%
Training of authorised representatives	36%	58%	67%	88%	47%
Training of third party providers (eg claims recovery services, debt collectors, lawyers, valuers, claims preparation companies and other professionals)	7%	3%	10%	19%	8%
Privacy obligations	84%	74%	77%	88%	82%
Sale of add-on general insurance products	16%	13%	13%	13%	15%

<i>Code monitoring activity</i>	<i>Micro</i>	<i>Small</i>	<i>Medium</i>	<i>Large</i>	<i>Total</i>
Renewal procedures	84%	81%	85%	63%	83%
Dealing with clients 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%
Other ²²	4%	0%	4%	13%	4%

²² Other included review of:

- translating and interpreter service information assistance for client with language barriers
- Natural Disaster Management
- Reconciliation Action Plan

Appendix O: Definitions

<p>Data since 2015 period</p>	<p>Since 2015, all Code subscribers participate in the ACS program.</p> <p>A new category was introduced to better specify the various Code subscriber sizes and align with the 'small business' definition of 20 full-time equivalent (FTE) employees.</p> <p>The reporting period changed to represent the calendar year, 1 January to 31 December to align with the effective date of the revised Code.</p>
<p>Categorisation of Code subscribers</p>	<p>Since 2015, Code subscribers are categorised based on their size of Code subscriber as follows:</p> <ul style="list-style-type: none"> • Micro Code subscriber – up to 20 FTE employees (<i>prior to 2015 this category was included in the 'small' category</i>) • Small Code subscriber – 21 to 30 FTE employees • Medium Code subscriber – 31 to 100 FTE employees • Large Code subscriber – over 100 FTE employees.
<p>Reporting period</p>	<p>Reporting periods relate to the period 1 January to 31 December of each year.</p>