



GENERAL INSURANCE
Code Governance Committee

General Insurance Code of Practice
Industry Data Report 2015–16
Snapshot

2015–16: Year at a glance

Retail insurance – policies and claims ¹

compared with last year

44,171,089

issued policies

3,755,643

lodged claims



2%

270,799

withdrawn claims



29%

143,445

declined claims



14%

Retail insurance – internal disputes

compared with last year

28,587

received disputes



32%

25,563

reviewed disputes



19%

Code breaches

compared with last year

5,021

self-reported Code breaches



33%

General insurance workforce ²

compared with last year

143,338

employees, authorised reps, agents & contractors



112%

102,186

Individuals who received Code training



202%

¹ We have not compared 2015–16 policy data with 2014–15. Refer to **Buying insurance** at page 11 for further details.

² Some of the increases in the general insurance workforce data are due to the inclusion of employees of Code Subscribers' related entities. Refer to **General insurance workforce** at page 45 for further details.

Key observations

47 million general insurance policies were issued

In 2015–16, we obtained a clearer picture of how many general insurance policies were issued, and the number of people or assets covered by group policies, giving us a new baseline for future comparisons.

Code Subscribers reported that they issued 47,279,460 general insurance policies, including 44,171,089 retail insurance policies (44,117,605 individual and 53,484 group retail insurance policies) and 3,108,371 wholesale insurance policies (2,937,380 individual and 170,991 group wholesale insurance policies).

The most common type of retail insurance policies bought by consumers were Motor insurance products, representing 14,490,946 policies, followed closely by Home insurance products with 11,636,781 policies.

Retail insurance claim numbers remained steady

The number of retail insurance claims lodged by consumers in 2015–16 remained relatively stable compared with 2014–15 (last year), with a slight growth of 2% to 3,755,643 claims. Code Subscribers reported that even though there were severe weather events in 2015–16, these events did not cause as much damage as weather events in 2014–15.

The most frequent types of claims were for Motor insurance products with 2,001,361 claims, up 6% on last year. The trend for Motor claims contrasted sharply with Home insurance claims which were down by 13% to 810,901, reflecting the less severe nature of weather events in 2015–16.

Claims acceptance rates ranged from 99.5% of Motor claims to 85.4% of Consumer Credit claims. For the first time, we took into account the number of withdrawn claims when determining the claims acceptance rate.

Retail insurance declined claim numbers continued to increase

In 2015–16, the number of declined claims continued to trend upwards across most retail general insurance classes.

For instance, the number of declined Travel insurance claims climbed 28% to 31,090 while Personal & Domestic Property insurance claims grew by 17% to 44,592.

Code Subscribers provided limited insights into declined claim increases and many cited strong business growth as having the largest impact on the frequency of declined claims. In our view, this does not adequately explain the declined claims data trends given that overall retail insurance claims grew only slightly.

Withdrawn retail insurance claims continued to increase

The number of withdrawn claims for retail insurance continued to rise, increasing 29% in 2015–16. For instance, the frequency of withdrawn Motor claims increased 37% to 128,072 and for Personal & Domestic Property, withdrawn claims increased by 205% to 24,143.

We know that some of this increase was due to enhancements Code Subscribers have made to their systems and reporting frameworks. However, few other underpinning reasons for these increases were provided, raising concerns that:

- There may still be gaps in consumers' understanding of how some of these products operate in practice.
- Some withdrawn retail insurance claims may represent claims that would otherwise have been declined. Unlike the requirements that apply to declined retail insurance claims, Code Subscribers are not under any obligation to provide written notification of a claim withdrawal or the reasons, or to notify consumers of their rights to access information underlying the assessment of their claim, internal and external complaints and dispute resolutions processes.

Not all Code Subscribers were able to provide data about withdrawn retail insurance claims due to changes and improvements to their legacy systems. As a result, the data remains incomplete. We continue to work with Code Subscribers to develop a more complete data set to enable better analysis.

Internal disputes about retail insurance products increased

The number of disputes Code Subscribers received about retail insurance products in 2015–16, increased across all classes and overall by 32%. This contrasts with the decrease seen last year and is reflective of the higher number of claims declined by Code Subscribers in 2015–16. The largest increase in disputes occurred in relation to Personal & Domestic Property insurance products, jumping sharply from 855 in 2014–15 to 3,862 in 2015–16.

As with declined retail insurance claims, Code Subscribers provided limited insights into trends seen in internal disputes data and generally pointed to strong business growth having a flow-on effect on the data.

The increase in disputes may have contributed to a 20% increase in general insurance disputes registered at the Financial Ombudsman Service Australia (FOS) during 2015–16.³

Self-reported Code breaches increased

In 2015–16, the number of self-reported Code breaches increased to 5,021, 33% more than in 2014–15 and reaching similar levels to those reported in 2013–14. Of the self-reported breaches, 76% related to how Code Subscribers handled claims.

The increase in the number of self-reported breaches, particularly those relating to claims handling, raises some concerns about how effective, clear and transparent Code Subscribers are when they interact with consumers. The increase may also suggest that some Code Subscribers do not have adequate processes, systems, training and/or resources in place to meet their obligations under the 2014 Code.

³ See *FOS Circular* – issues October 2015, January 2016, May 2016 and August 2016, available from <http://fos.org.au/publications/the-fos-circular.jsp>.

Few self-reported breaches of financial hardship provisions

Code Subscribers reported 27 breaches of the 2014 Code's financial hardship standards (section 8) in 2015–16, compared with only one breach of similar standards in the former Code in 2014–15. This may be indicative of the enhanced standards in the 2014 Code and more active monitoring of compliance in this area.

Nevertheless, we have seen a marked increase in non-compliance with financial hardship standards through our investigations work in the first half of 2016–17. This trend is likely to continue during the remainder of 2016–17 and we encourage Code Subscribers to continue to increase their focus on monitoring compliance with their financial hardship obligations.

Low number of breaches of catastrophe provisions

Code Subscribers reported only two breaches of the standards in section 9 in 2015–16, compared with 27 breaches of the corresponding standards of the former Code in 2014–15. The improvement in non-compliance reflects the lower number of catastrophe claims lodged during 2015–16.

While reported breaches of the catastrophe standards remained very low, we recommend that Code Subscribers continue to closely monitor compliance with section 9 and encourage them to review claims handling processes and systems to ensure sufficient flexibility and responsiveness.

Industry compliance initiatives following implementation of 2014 Code

In 2015–16 Code Subscribers engaged in numerous compliance initiatives to monitor and improve compliance with their enhanced obligations under the 2014 Code, which became operational on 1 July 2015. These initiatives covered claims and complaints handling, staff development and training, compliance and risk reviews, reporting and analysis.

Broadening of participants in general insurance workforce

We expanded the scope of data collected about participants in the general insurance workforce to take account of a wider definition of 'employee' introduced by the 2014 Code. 'Employee' now includes employees of a Code Subscriber's related entity. The size of the general insurance workforce at 143,338 people is now more than double that recorded last year.

The data relating to training of participants on the 2014 Code shows that Code Subscribers have extended this training to Service Supplier, even though there is no obligation to do so. This is a positive step in ensuring that Service Suppliers understand the extent to which the 2014 Code applies to them when acting on behalf of Code Subscribers.