



executive summary

- The IBDF has now developed a definition of a complaint following the British Standard 8600: “any expression of dissatisfaction, whether oral or written, and whether justified or not, about a service or activity relating to financial services offered, provided or withheld by an insurance broker”.
- A total of 3,288 telephone calls was received on the IBDF toll free number, a similar number to recent years.
- The IBDF registered 195 written complaints, representing a steady increase over the years.
- There was a significant increase in small business operations using the services of the IBDF for alternative complaints resolution.
- The IBDF now also collects data in regards to the age demographic of complainants – 65% of complainants were in the 30-50 years age group.
- 6% of written complaints were initially received via email. 30% of the complainants had email addresses. In comparison, 28% gave a postal address and phone number only, no fax and/or email was available.
- The IBDF noted that an increased number of consumers obtained information about the IBDF from the White Pages (12%). The IBDF is advertised in the White Pages Australia-wide.
- 70% of complainants waited for three months and longer before they contacted the IBDF to lodge an official complaint.
- 50% of complaints were finalised within the set time limit of 20 days. Longer time frames were required in cases where the IBDF and/or the Referee requested further information or documentation from the parties involved.
- The biggest class of insurance for complaints was business insurance with 38% in 2001, increasing from 17% in 2000. Most complaints involved the burglary and public liability sections of the policy.
- Given the increased use of the IBDF by commercial businesses, the IBDF is currently reviewing its definition of “small business” (currently maximum annual turnover of \$350,000 and five employees). It has been suggested to expand the definition for small business according to the Financial Services Reform Act definition “if business is or includes manufacture of goods – 100 people, otherwise 20 people”.
- The majority of complaints (67%) involved claims below \$10,000, 30% of complaints involved claims below \$1,000.
- 51% of complaints were referred to the Consumer Relations Manager for conciliation – a figure slightly higher than previous years.
- 15% of complaints were referred to the Referee for final determination.
- The IBDF is currently seeking to be approved by ASIC as an external dispute resolution scheme in accordance with PS139. Proposed changes to the scheme include the expansion of representatives on the Insurance Brokers Compliance Council (IBCC) to two consumer representatives, one broker representative, one NIBA representative and an independent chairman. The proposal to ASIC also addresses issues regarding governance and independence of the IBDF.
- The term of the previous consumer representative Mary Radisich ended on July 30 2001 and the position is yet to be filled.

EXECUTIVE SUMMARY

1. FOREWORD BY THE CHAIRMAN, INSURANCE BROKERS COMPLIANCE COUNCIL (IBCC), MR ROBERT ELDER
2. REPORT FROM THE NATIONAL INSURANCE BROKERS ASSOCIATION (NIBA) REPRESENTATIVE, MR NOEL PETTERSEN
3. REPORT FROM THE REFEREE, MR DAVID LETCHER
4. COMPLAINTS ANALYSIS

4.1. Analysis of Complaints

4.1.1 Number and Comparison

4.1.2 Sources and Modes

4.1.3 Time frames

4.1.4 Origin of Complaint

4.1.5 Class of insurance

4.1.6 Nature

4.1.7 Value of claims involved

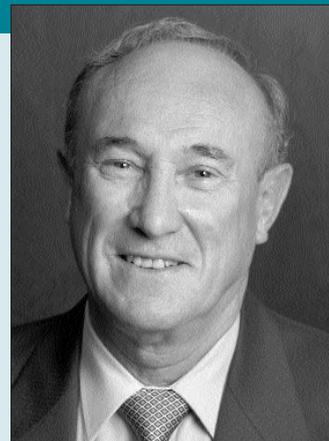
4.2 Outcome of Complaints

4.2.1 Conciliated by the CRM

4.2.2 Determined by the Referee

4.3 Participating Insurance Brokers

1 FOREWORD BY THE CHAIRMAN, INSURANCE BROKERS COMPLIANCE COUNCIL (IBCC), MR ROBERT ELDER



If there was a more difficult year for buying insurance than the year 2001 I can't remember when it was. Singularly any of the following events would have had an impact on insurance: the failure of a major insurance company, HIH; the events of September 11; and the New South Wales bushfires. But of course in 2001 we scored the trifecta.

While unwelcome, the increase in premiums and some unwillingness by insurance companies to provide cover should have caused no surprise.

During the incredible year just concluded the IBDF recorded a 21% increase in the number of complaints against brokers. A detailed reading of the complaints analysis figures contained in this Annual Report will show a comprehensive record of activity. I find both the presentation format and information captured by our IBDF Manager and her staff to be of great value.

It may seem odd when I say that I see an increase in the number of complaints as a measure of the effectiveness of the Facility rather than a less diligent broker membership. But it should also be remembered that an important role of this Council is to continually publicise the existence of the Facility and promote its use.

I read with interest and some pride that the United Kingdom is about to take some steps toward implementing regulation such as the Australian Government and the Australian broking industry has put in place. In so many areas Australia seems to lead the world in insurance broking practice.

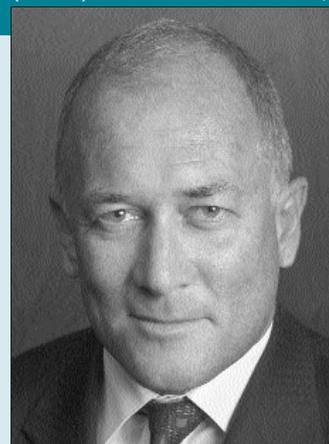
One example of the move towards greater consumer protection is the introduction in 2002 of Random Compliance Audits to ensure that the high standards of IBDF membership are maintained.

We need to acknowledge the contribution of Mary Radisich during her period as Consumer Representative. I commend the work of our Referee David Letcher whose determinations continue to bring to our attention the actual and potential situations that provide disputes between brokers and their clients.

Noel Pettersen and his NIBA board, and the NIBA members, continue to provide information, assistance, and other resources to assist the IBDF.

The most thank-yous must again go to Consumer Relations Manager Daniela Kirchlinde and her staff for ensuring consumer enquiries are handled promptly and efficiently.

2 REPORT FROM THE NATIONAL INSURANCE BROKERS ASSOCIATION (NIBA) REPRESENTATIVE, MR NOEL PETERSEN, CHIEF EXECUTIVE



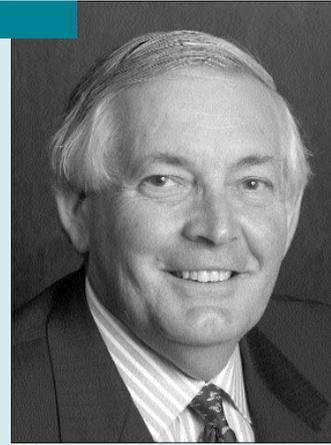
2001 was one of the most turbulent and challenging years in history. So much has happened to change the face of business and, indeed, mankind. While the terrorist attacks in the USA make issues in Australia pale by comparison, the insurance industry has nonetheless faced challenges from many directions.

Foremost, the new Financial Services Reform Act has now been finalised and as from March 11 2002 insurance brokers will be operating under a more uniform regulatory regime. Anyone dealing or advising in financial products will need to be licensed in some form and some applicants will not make the grade. Interestingly, broker registrations have already reduced over the past twelve months largely as a result of mergers, acquisitions and rationalisation prior to the new Act coming into force.

As the culmination of almost five years of work to ensure that broker's interests were properly represented, the new Act will require a standard of compliance that in many ways reflects NIBA's own drive to have its members recognised as the hallmark of professionalism.

Importantly, all insurance brokers and agents will be required to subscribe to an approved external complaints scheme and the IBDF has applied for formal approval from ASIC, in terms of its Policy Statement 139 requirements. As a scheme that has successfully provided a simple and cost-effective means of resolving complaints against insurance brokers since its inception in 1996, work is presently in progress to ensure the IBDF meets the new guidelines.

In a year that has seen an increase in the number of inquiries and complaints, the skill and experience of Consumer Relations Manager Daniela Kirchlinde has ensured the effective operation of the IBDF, while in his role of Referee, David Letcher has added to his reputation as one of the most respected and fair-minded industry lawyers in Australia.



This is my fifth Annual Report and covers the past twelve months. In that time the Facility has received about the same number of telephone enquiries as in 2000 but the written complaints have increased by about 20%. My impression is that many of these additional written complaints, or at least many which have reached me as Referee, relate to small businesses.

SMALL BUSINESS

Small business is defined in our terms of reference as a business with no more than five employees including working proprietors and with an annual turnover of less than \$350,000. Some complaints have been from businesses which do not fall within that definition because of higher staff numbers and/or higher turnover.

The Facility anticipates a change in the terms of reference to define a small business as a retail client in accordance with the Financial Services Reform Act. The definition used in that legislation refers to a business employing less than twenty people, or if it includes the manufacture of goods, less than 100 people.

Turnover is not relevant to this definition. There are some businesses which have a high turnover and low staff numbers and *vice versa*.

In this past year I have been surprised when some complainants did not fall within our existing definition. In those cases resolution of their complaints was not possible. While this may have been of some temporary relief to a few brokers, I consider it will be in the interests of the industry as a whole if the definition of small business is consistent with the new Commonwealth financial services legislation now in force or about to come into force.

The fact that a person is in business does not necessarily mean that the person is more knowledgeable than the general public about insurance business. This past year I have seen numerous complaints where business people appear to have had difficulty in understanding basic and commonsense principles and/or do not appear to have read the documentation provided by the broker and/or the insurer.

When arranging commercial/business cover brokers would be well advised to consider the following:

1. Not all business operators understand that insurance is cover against certain risks only and is not a guarantee of business survival.
2. Gross profit is different from net profit and not necessarily the same as turnover. Grasp of this concept appears to be a remarkably common difficulty.
3. Setting down in writing an insurance agreement is just as important in business as in everyday life.
4. An explanation to an insured, preferably in writing if there has been any discussion, about the different covers available and the choice which has been made, avoids a dispute at a later date. If this is not done then an insured may claim, after a loss, that he was never offered various alternative covers.
5. Business people, no less than the average citizen, can take an optimistic view of what cover they believe they have, even for an extremely modest premium, but usually only after the loss has occurred. Where basic cover only is requested (perhaps without business interruption cover) the broker should keep records to show that more comprehensive cover was offered.

PUT IT IN WRITING

I again remind brokers that whatever type of cover is being arranged, extended, reduced or changed in any manner, it is desirable to set this out clearly in writing together with options put but not taken by the insured. Exclusions should be emphasised. Particularly where they are premium-dependant (e.g. garaging of motor vehicles, transport of valuables by specific forwarders, named drivers and/or age limits, deductibles etc), exclusions should be noted on all documents with warnings.

In general terms brokers must make quite sure that they are seen to be offering an insured all the various options which are available so that at a later date the insured cannot say that the broker has failed in his obligations. Help yourself by having a document available in case of a dispute at a later date.

I. WATCH THE BIRDIE

This year it has been clear to me that some brokers have not asked or have not listened to an insured with a specific risk to be insured or a specific reason why cover has been requested. It is important that brokers look closely at every insured and the completed proposal to make sure that the policy is an appropriate response to the request for cover. It is not good enough just to have the office girl type in particulars for a motor vehicle cover, say, if an insured has potential problems in respect of ownership and modifications to a motor vehicle. The same considerations apply to other risks and changes from the norm.

Unfortunately, some brokers still fail to read the proposal when it has been returned by the insured and rely on a previous telephone discussion which apparently did not suggest that the risk was in any way unusual, whereas the information disclosed in the proposal makes it quite clear that the risk is either unusual, or may not be covered by the policy wording, or requires further investigation. The rationale for the broking industry is that it offers a value-added service and is not just a post box between an insured and an insurer.

2. SCHEMES

Many brokers offer insurance schemes for clubs, associations, industries and other groups. A broker in charge of such a scheme should remember that many members of associations are enthusiasts and may have inflated or unreal views about values. They may also consider it unnecessary to note on the proposal matters which the general public might regard as unusual but which are not so regarded by members of an association or club who have specialist knowledge. An insurer may well take the view at a later date that there has been non-disclosure of matters relevant to the risk. Brokers should not ignore the contents of proposals, nor the need to obtain further information from insureds particularly in scheme arrangements.

Brokers who arrange cover for particular classes of individuals through agents such as real estate agents, motor vehicle dealers, clubs and associations and the like should remember that those people may be regarded as agents of the broker in some circumstances. Brokers should therefore retain some control over what such agents are doing. This relates not only to the manner in which cover may be issued but also the collection of premiums and the issue of renewal notices, policy wordings and the like.

Brokers should also remember that in scheme insurance arrangements, the broker is usually the only insurance professional involved. The courts and the Referee will expect a broker to have proper administrative arrangements in place.

3. RESPONSE TIMES

This year I have been disappointed on several occasions when brokers have been slow to respond to requests for information or documents, or have not provided a submission in respect of allegations made by a complainant or a proposed course of action by the Facility. Brokers



From left: Robert Elder, Chairman of the Insurance Brokers Complaints Council, Daniela Kirchlindé, IBDF Consumer Relations Manager, Noel Pettersen, Chief Executive of the National Insurance Brokers Association, and David Letcher, IBDF Referee.

should remember that a speedy response to queries is not only encouraging to an insured client but is equally capable of producing the same response from this Facility. In their own interests brokers should be prepared to respond promptly to requests.

Finally, I thank members of the Council for their support during the year. Mr Bob Elder and Mr Noel Pettersen are of great assistance in respect of broking issues. I look forward to the appointment shortly of two consumer representatives to the Council.

Mr Peter Michell, who was not on the Council but did represent NIBA in Melbourne until his recent retirement, has also been a most important source of information and comment. I must also thank the Consumer Relations Manager, Ms Daniela Kirchlindé. Not only does Ms Kirchlindé mediate and resolve complaints but she also represents the Facility to the public. Ms Kirchlindé assists not only people who make complaints but also many others who have general enquiries about brokers, “hard to place” risks and the industry in general. The IBDF is part of the face of the broking industry to the world at large and it is in the interests of all brokers to assist, publicise and co-operate with the Facility.



*Consumer Relations Manager
Daniela Kirchlindé*

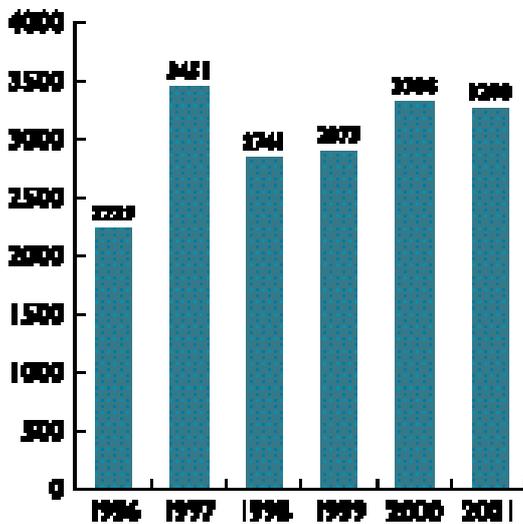
4. COMPLAINTS ANALYSIS

The following charts provide statistics in regards to telephone calls received on the IBDF's toll free number 1800 064 169, written complaints received by the IBDF for the period from January 1 2001 to December 31 2001 (the reporting period) and their progress as at December 31 2001.

4.1 ANALYSIS OF COMPLAINTS

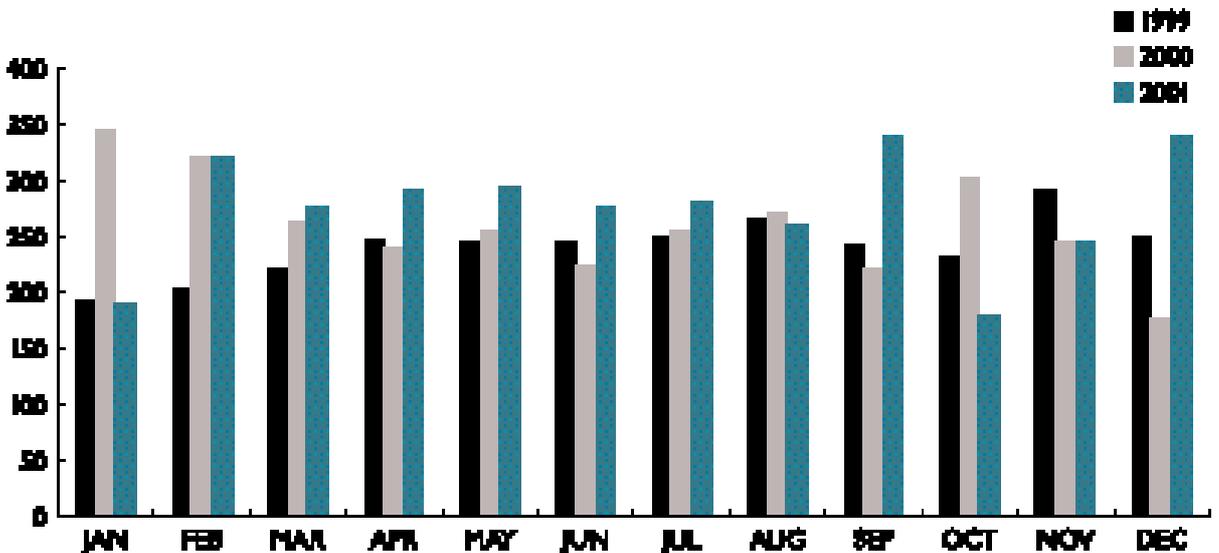
4.1.1 NUMBER AND COMPARISON

Telephone calls received on toll free number/total

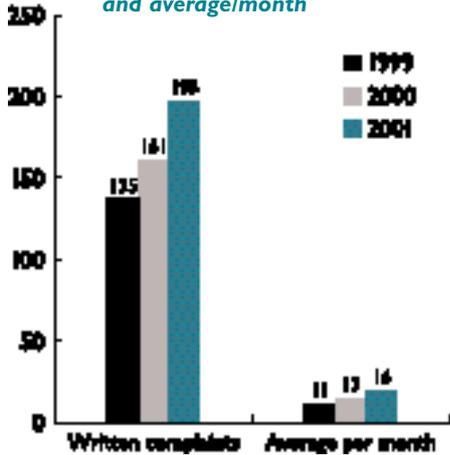


- A total of 3,288 telephone calls was received on the IBDF toll free number, similar to last year's number of telephone calls.
- There was an average of 274 calls per month (compared to 240 in 1999).
- These telephone calls included calls about new and existing complaints, verbal advice and broker referrals to other complaints schemes and relevant bodies.
- When a consumer contacts the IBDF, initial advice is provided over the phone. The IBDF then contacts the broker to advise of the complaint and encourage the broker to resolve the matter before a written complaint is lodged. In the meantime, the IBDF provides the complainant with a complaint form for completion, in case the broker is unable to resolve the problem.
- Once a written complaint is received by the IBDF, it is included in the statistics for written complaints received.

Telephone calls received on toll free number/per month



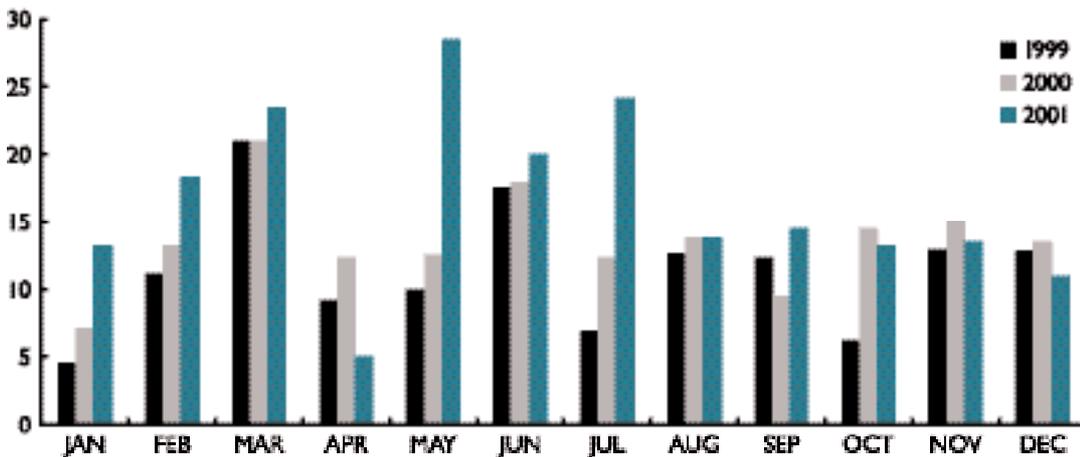
Written complaints received by the IBDF total/year and average/month



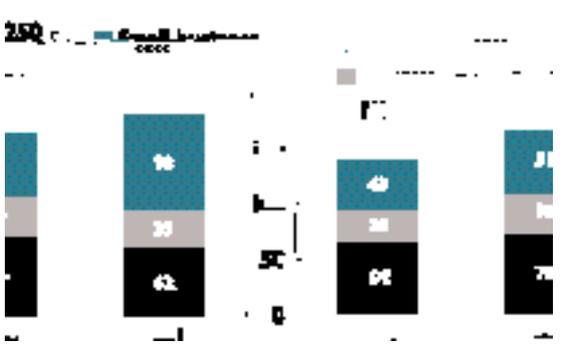
The definition of "complaint" has changed slightly from that adopted in 1996. Since 1999, statistics include data based on a similar definition and is therefore used as a relevant year for comparison of complaint development.

- The IBDF has developed the following definition of a complaint following the British Standard 8600: "Any expression of dissatisfaction, whether oral or written, and whether justified or not, about a service or activity relating to financial services offered, provided or withheld by an insurance broker."
- The IBDF registered 195 written complaints, representing an increase of 21% in comparison to 2000 and an increase of 44% in comparison to 1999.
- This again confirms the effectiveness of the IBDF since its inception in 1996 and its awareness among consumers to use the facility to obtain advice in regards to possible problem areas and to offer alternative dispute resolution.
- There was an average of 16 registered complaints per month in 2001 (compared to 11 in 1999).
- As requested by ASIC, the IBDF will start keeping detailed statistics on verbal advice given in the 2002 period. However, most consumers are reluctant to leave names or details, as they only wish to obtain initial advice or a second opinion in relation to their problem.

Written complaints received by the IBDF/per month

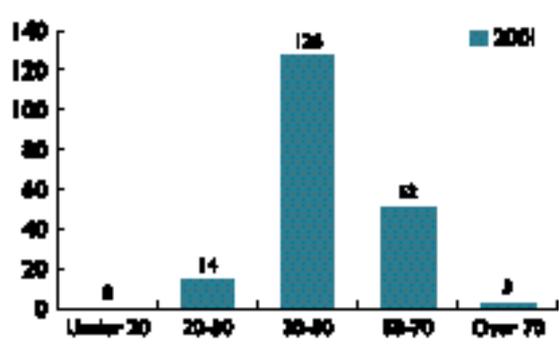


Who complained



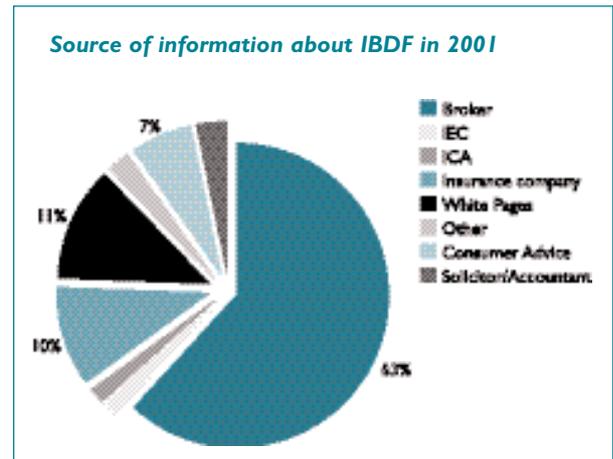
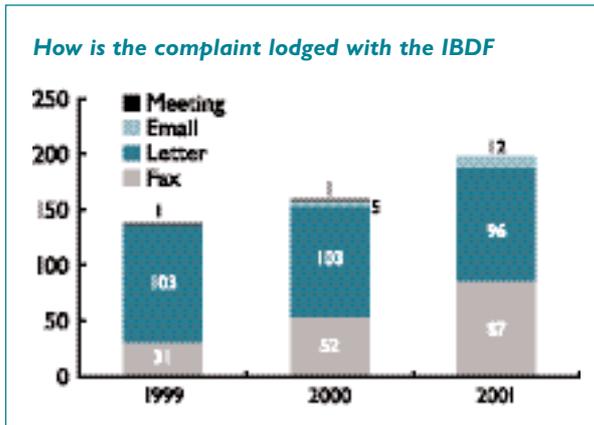
- Small business operations increasingly use the services of the IBDF for complaints resolution (50% in 2001 in comparison to 32% in 1999).
- The IBDF has split the category for business policies to show which section of the policy was mainly involved in the complaint (see 4.1.5).

Age of complainants



- As requested by ASIC in 2001, the IBDF has also kept statistics in regards to the age of complainants.
- 65% of the complainants are in the 30-50 years age group.
- No complainant was under 20 years old, and only three were over 70.

4.1.2 SOURCES AND MODES



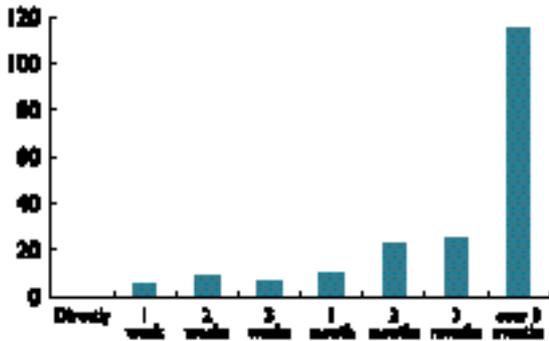
- Most complainants would have initially called the IBDF to obtain information about the complaint process and to obtain a complaint form.
- Most written complaints are received via fax and letter.
- Fax appears to have become a preferred medium over the use of Australia Post to lodge a complaint (45% in 2001 compared to 23% in 1999).
- Email now makes up 6% of received written complaints.
- An increasing number of complainants correspond with the IBDF via email, even if the original complaint form was lodged via letter or fax.
- 30% of the complainants had email addresses. 28% gave a postal address and phone number only, no fax and/or email.
- Communication via email and fax improves response and conciliation times. The Facility can thus ensure that the parties involved in a complaint receive the relevant documents and correspondence in a timely and secure manner.
- The IBDF often receives queries from third parties or solicitors dealing with insurance brokers. Although the IBDF can only actually handle complaints from insureds against their insurance broker, the Facility will attempt to assist anybody and/or refer the caller to appropriate other facilities.
- The IBDF has built up a rapport with other appropriate facilities. That can assist consumers with lodging a complaint if they have language or writing problems.
- The IBDF has also built up a database for referrals to other appropriate complaint facilities. Most referrals are to Insurance Enquiries and Complaints (IEC) in regard to complaints against insurance companies; and the Australian Securities and Investments Commission (ASIC) and the Financial Industry Complaints Service (FICS) in regard to complaints outside the scope of the IBDF (ie above \$50,000 claim limit, industrial policies, unregistered insurance brokers).

- Most consumers are now receiving information about the IBDF from their insurance broker.
- All brokers subscribing are obliged to advise their clients in writing about the IBDF, in particular when there is a complaint.
- A copy of the IBDF guidelines and the supporting General Insurance Brokers Code of Practice should be made available to consumers at no cost, upon request.
- The IBDF is auditing this requirement on an ongoing basis.
- Brokers who are unable to produce satisfactory evidence of compliance will not be able to obtain renewal confirmation.
- The IBDF suggests that advice be included with the notice of duty of disclosure on the back of invoices and/or statements issued by the broker, using the following sample text:

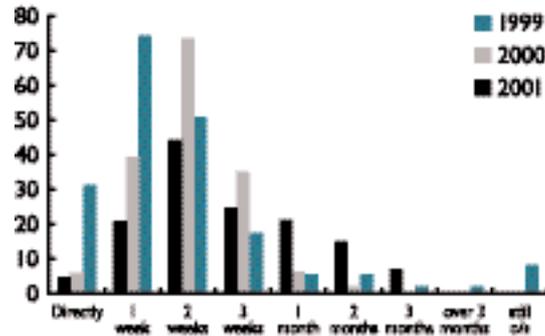
“Clients who are not fully satisfied with our services should contact our customer relations/complaints officer. Company X Insurance Brokers must also subscribe to the Insurance Brokers Dispute Facility (IBDF), a free customer service, and the General Insurance Brokers Code of Practice. Further information is available from this office.”
- The IBDF would consider it unsatisfactory if a separate notice is supplied containing the above text.
- To enhance consumer awareness of the IBDF, the Facility actively maintains and improves contacts with all Consumer Advice Bureaux and other consumer bodies Australia-wide.
- The IBDF also works closely with Insurance Enquiries and Complaints and with the investigation department of the Australian Securities and Investments Commission.
- The IBDF also noted that an increased number of consumers obtain information about the IBDF via the White Pages (12%). The IBDF is advertised in the White Pages Australia-wide.

4.1.3 TIMEFRAMES

Time taken by consumer to lodge written complaint since claim/incident occurred – 2001



Time taken by broker to respond

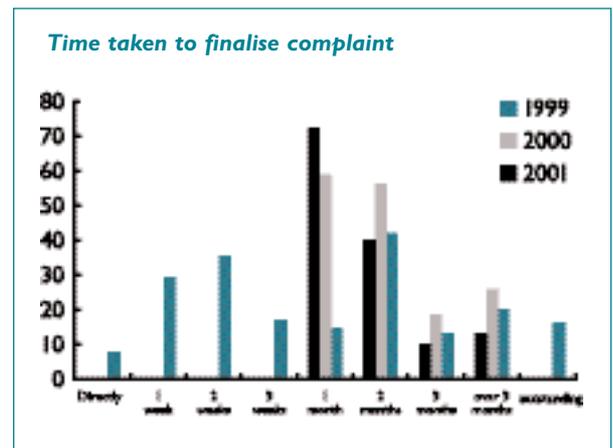


- Statistics in regards to time frames for 2001 have been refined.
- Most consumers contact the IBDF for initial advice. These queries are generally responded to and resolved on the telephone.
- If the matter cannot be resolved immediately, the IBDF will forward a complaint form to the consumer for completion and also contact the broker to advise of the problem.
- If the problem remains unresolved, most consumers will return the completed complaint form to the Facility within a few days.
- However, in 2001 the IBDF also kept statistics on how long a client waits from the time of the claim and/or incident, before lodging a complaint with the IBDF. Significantly, 70% wait for three months and longer before they contact the IBDF.
- In some cases the Referee determined that the broker should pay interest on the outstanding claim amount, as the broker did not take active steps to expedite the situation and resolve the complaint within a reasonable time.

- As soon as the IBDF receives a written complaint, a copy of the document is formally forwarded to the broker with a request for comment within seven days.
- If no response has been received within seven days, a follow up letter is forwarded to the broker and the broker is given another week to respond.
- If still no response is received, the broker will receive a warning that unless a satisfactory response is received within two days, the matter will be referred to the Referee for determination.
- Once a written complaint was lodged with the IBDF, 16% of brokers responded to the IBDF with an initial reply on the same day.
- 88% of brokers responded within 20 days, which is within the time limit set by the IBDF.
- Only four brokers took over three months to respond to the IBDF. At that stage the complaint had already been referred to the Referee and the broker reported to ASIC.

70% of the complaints wait for three months and longer before they contact the IBDF

- However, the IBDF still experiences problems with brokers who do not keep the Facility informed about the development of a complaint. It is a time-consuming and frustrating task to continually remind the broker to forward certain documents and/or comment on issues raised by the IBDF, especially when the consumer is checking with the IBDF on a daily basis.
- Even if the broker requires more time to collect the necessary information and documents, it is vital that the IBDF is kept informed about the progress of the complaint and any reasons for delay.
- The IBDF would like to emphasise again that it is not acceptable that the relevant complaints manager or person handling the file is not available and/or on leave. All brokers must appoint a replacement complaints manager in such circumstances and files (in particular file notes in regard to telephone discussions and meetings with the client) should be kept in a manner that facilitates follow-up.
- It is also not acceptable for a broker to say that the matter has been referred to their professional indemnity insurer. If that is the case, contact details should be provided to the IBDF.



- 50% of complaints are finalised within the set time limit of 20 days.
- Longer time frames are required in cases where the IBDF and/or the Referee requests further information or documentation from the parties involved.
- We would like to hear more from brokers about amicably resolved situations and/or matters being resolved in court, where the IBDF would probably have been a cheaper solution.

4.1.4 ORIGIN OF COMPLAINT

	ACT	NSW	NT	QLD	SA	TAS	VIC	WA	TOTAL	in %
1999										
complaints metro	1	35	2	14	7	3	29	11	102	76%
complaints country	0	7	1	11	2	0	10	2	33	24%
complaints total	1	42	3	25	9	3	39	13	135	
in % of total complaints	1%	31%	2%	19%	7%	2%	28%	10%		
registered brokers subscribing to the IBDF	9	374	6	188	74	17	261	100	1029	
in % of IBDF brokers Australia wide	1%	36%	1%	18%	7%	2%	25%	10%		
2000										
complaints metro	0	25	3	13	13	3	33	13	103	64%
complaints country	0	26	0	14	3	1	10	4	58	36%
complaints total	0	51	3	27	16	4	43	17	161	
in % of total complaints	0%	32%	2%	17%	10%	2%	27%	10%		
registered brokers subscribing to the IBDF	9	360	5	181	72	15	254	102	998	
in % of IBDF brokers Australia wide	1%	36%	1%	18%	7%	2%	25%	10%		
2001										
complaints metro	3	36	1	17	13	1	34	23	128	66%
complaints country	0	18	1	26	4	0	13	5	67	34%
complaints total	3	54	2	43	17	1	47	28	195	
in % of total complaints	2%	28%	1%	22%	9%	1%	24%	13%		
registered brokers subscribing to the IBDF	10	347	3	189	69	15	247	102	982	
in % of IBDF brokers Australia wide	1%	34%	1%	19%	7%	2%	25%	11%		

- Most registered complaints were received from New South Wales and Victoria, reflecting population concentration and the higher number of brokers operating in these states.
- Queensland appears to have a reasonably high number of complaints, with 22% in 2001.
- Western Australia also represents an increased number of complaints, with 13% in 2001.
- The majority of complaints came from metropolitan areas, amounting to 66% in 2001.
- All other states had similar percentages of registered complaints as last year, again in line with the distribution of brokers throughout Australia.

4.1.5 CLASS OF INSURANCE

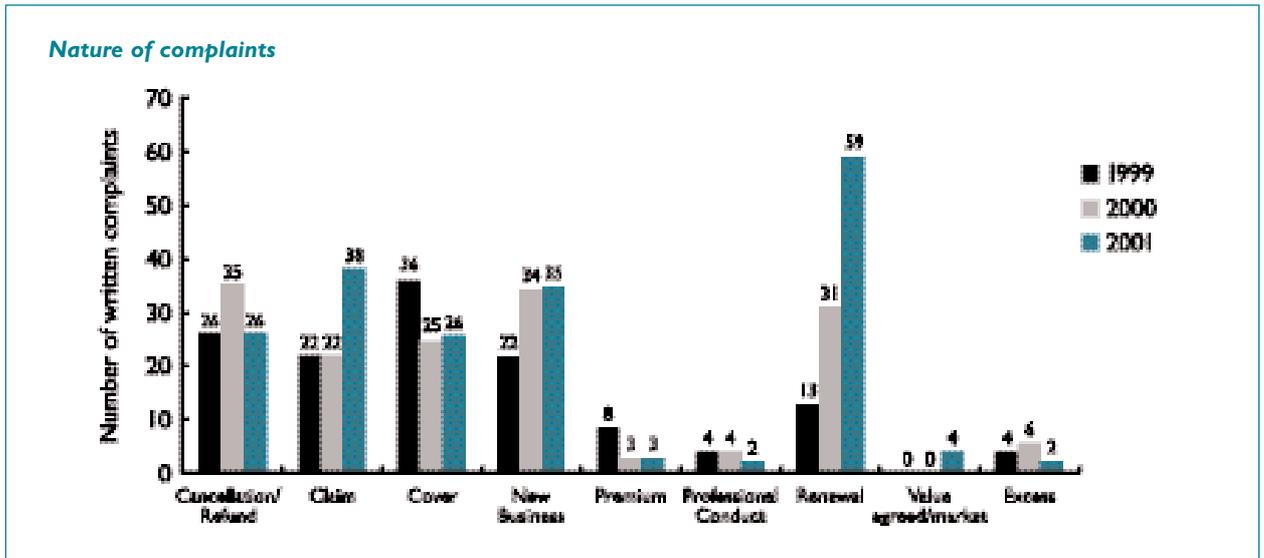
	2001	2000	1999
Bus/Com Pack	40	27	37
Bus/Com Pack Fire& Perils	2	n/a	n/a
Bus/Com Pack Bus Int	1	n/a	n/a
Bus/Com Pack Burglary	15	n/a	n/a
Bus/Com Pack Glass	2	n/a	n/a
Bus/Com Pack Money	1	n/a	n/a
Bus/Com Pack PL	9	n/a	n/a
Bus/Com Pack Fidelity Guarantee	0	n/a	n/a
Bus/Com Pack Mach B'down	4	n/a	n/a
Bus/Com Pack Electronics	0	n/a	n/a
Bus/Com Pack PA	0	n/a	n/a
Farm	6	5	3
Household (buildings&contents)	28	29	25
ISR	1	1	1
Life	0	2	1
Lifestock	6	1	0
Marine	1	2	2
Motor Vehicle private	34	62	39
Motor Vehicle Com	13	n/a	n/a
Personal Accident/Sickness	6	8	11
Pleasure craft	2	n/a	n/a
Professional Indemnity	8	2	2
Public Liability	2	10	6
Strata Title/Landlord	7	n/a	n/a
Travel	0	1	0
Workers' Compensation	4	3	1
Other	3	8	7

- The biggest class of insurance for complaint was business insurance with 38% in 2001, an increase of 17% over the 2000 figure.
- Discussions in regard to insurance cover are often only verbal, which can lead to misunderstandings and thus insurance problems.

- The insurance broker should not see him or herself as a mere recipient of information, leaving it up to the consumer to provide all the correct and relevant information. Professional expertise should be the advantage selling point of the broker.
- In 2001 the IBDF started to keep more detailed statistics as to what section of the business pak policy was involved in the complaint. Most complaints involved the burglary and public liability sections of the policy.
- Given the increased use of the IBDF by commercial businesses, the IBDF is currently reviewing its definition of "small business" (currently maximum annual turnover of \$350,000 and five employees). It has been suggested the definition for small business should adapt to the Financial Services Reform Act definition "If business is or includes manufacture of goods – 100 people, otherwise 20 people"
- The second biggest class of insurance for complaints is still motor vehicle with 25% in 2001.
- 17% of complaints were about private motor vehicle policies and 7% involved commercial motor vehicle policies. Complaints included arguments about the difference between market and agreed value, excesses, non-disclosure of past convictions and nominated drivers.
- Home and Contents policies make up 14% of the complaints.
- In 2001 the IBDF showed complaints about strata title and landlord insurance policies as a separate category – 4%.

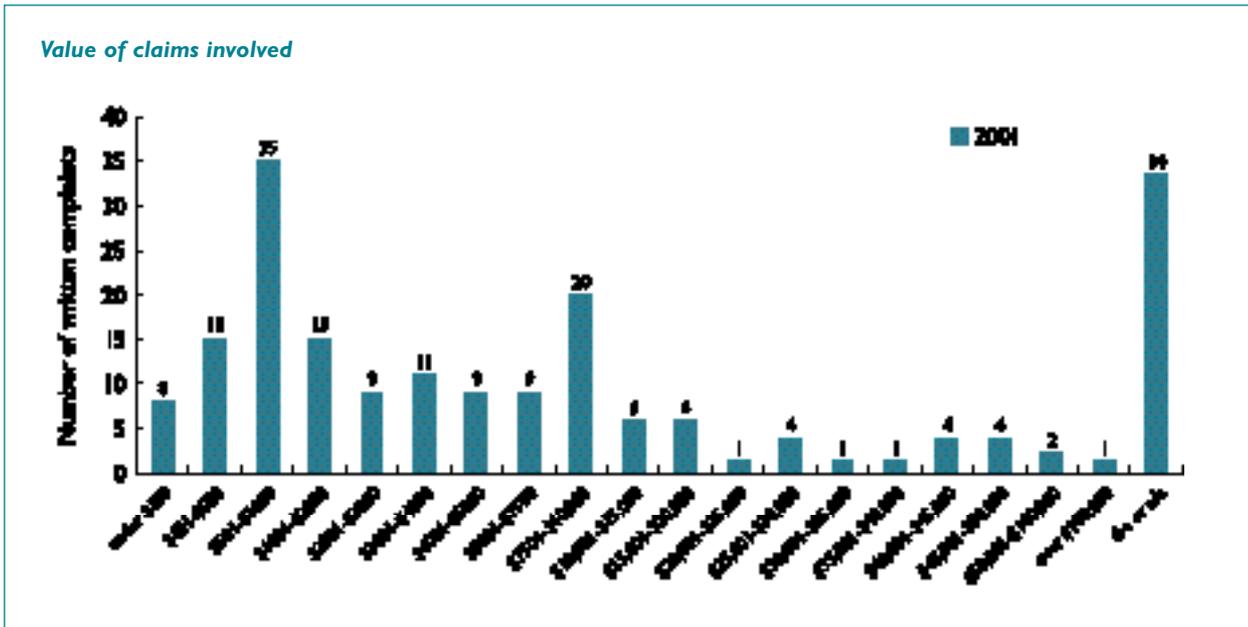
The insurance broker should not see him or herself as a mere recipient of information, leaving it up to the consumer to provide all the correct and relevant information.

4.1.6 NATURE



- 30% of complaints related to problems with renewal of policies. In particular, where renewal had been offered only shortly before or even after the due date with a substantial increase in premium; or the client was advised that the broker was unable to obtain renewal terms within a reasonable time before due date to allow the client to try and arrange insurance elsewhere.
- Brokers and consumers were faced with a tight insurance market and increases in premiums, particularly in liability and high-risk areas (ie leisure industry, builders, factories), and an unwillingness by insurers to offer insurance cover in certain classes.
- 19% of complaints related to claim issues, in particular, delays in claim settlements by an overseas underwriter or by an underwriting agency or wholesale broker.
- Reinstatement of cover after a total claim, when the sum insured of the policy was reached, was also a common problem.
- 18% of registered complaints related to new business. Problems arose where there was a misunderstanding over whether the consumer actually requested cover from the broker, or only a quote. Another source of complaint was from complainants who said they had forwarded their premium payment to the broker, but had not been made aware that effective cover was dependent on additional information or documentation being provided to the insurer. Problems also arose when the broker issued a certificate of currency although no premium had been received, and when a claim occurred the insurer denied the claim due to non-payment of premium.
- 13% of registered complaints related to cancellation/refund of premium – in particular Section 32 of the Insurance (Agents & Brokers) Act 1984 – and non-disclosure of cancellation fees.
- If the broker delayed the issue of a premium refund, or did not follow up with the underwriter in an efficient and timely manner (although it is lost business for the broker), the IBDF still expects brokers to act professionally and effectively.
- Problems arose in relation to the inception date of the policy and confirmation of premium (in particular, if the premium depended on the consumer providing certain documents to the broker/underwriter, such as proof of no claim bonus).
- It is strongly recommended that brokers always confirm in writing to their clients details of any agreements, policy conditions, changes to policies, telephone conversations and meetings.
- 13% of registered complaints related to misunderstandings of cover or placing of incorrect cover.
- The IBDF would like to emphasise again that any discussions about cover must be followed up in writing with the consumer, to avoid any misunderstandings.
- It is important to highlight to the consumer that a broker is not a valuer or assessor. Consumers should seek relevant professional advice for valuations.
- The statistics in regard to the nature of complaints should be used as a guideline only. It is difficult to determine the nature of a complaint precisely, as it often involves various issues. Only the main issue will be included in the statistics.
- This year, the IBDF will again issue a summary of all complaints received and handled by the IBDF (including determinations), to provide examples of what kind of complaints arise and are handled by the Facility.

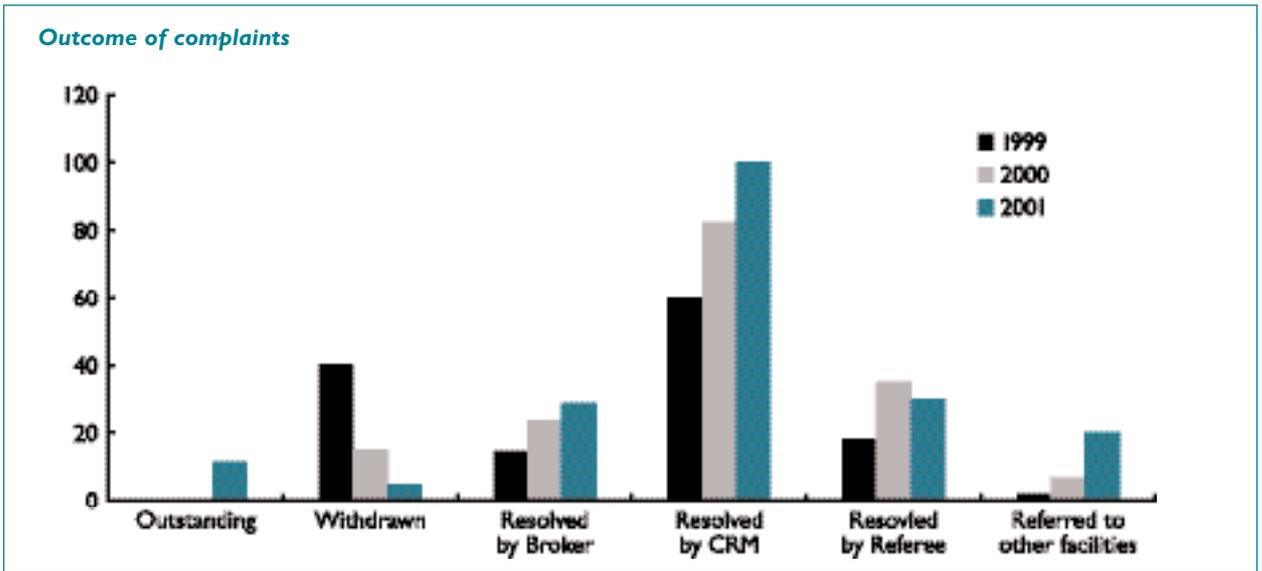
4.1.7 VALUE OF CLAIMS INVOLVED



- The IBDF believes that based on the statistics regarding claims involved in complaints, the limit of \$50,000 is still justified and there is no need to further increase it.
- 67% of complaints involved claims below \$10,000.
- 30% of complaints involved claims below \$1,000.
- 14% of complaints involved claims between \$10,000 and \$50,000.
- Only three complaints were above the limit of \$50,000. Two of the complaints were also outside the scope of the IBDF due to the type of insurance and size of business involved.
- From all the complaints referred to the Referee, nine cases were determined involving complaints above \$50,000.

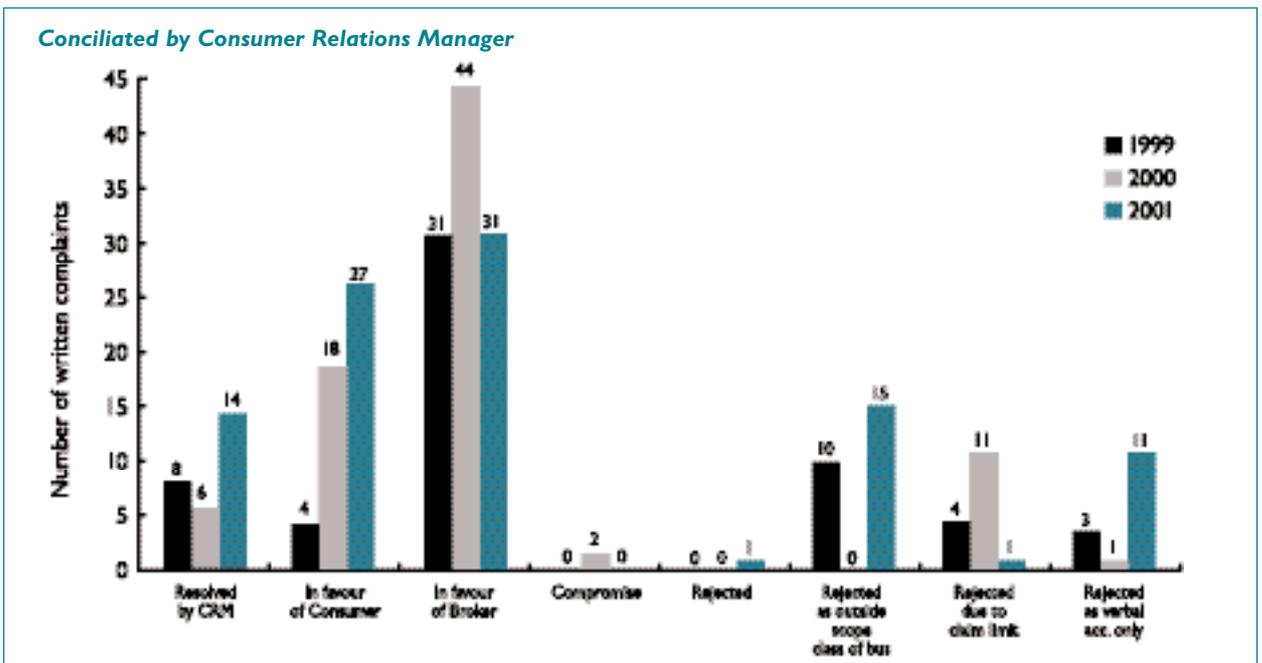
... based on the statistics regarding claims involved in complaints, the limit of \$50,000 is still justified and there is no need to further increase it.

4.2 OUTCOME OF COMPLAINTS



- 3% of complaints were withdrawn by the complainant after the broker successfully resolved the situation.
- The IBDF is spending more time initially discussing the complaint on the phone with the consumer, to assess if the matter can be successfully handled by the IBDF, or if the consumer should pursue other avenues.
- The IBDF also provides consumers with information in regards to other complaints facilities and other relevant bodies.
- Brokers resolved 15% of complaints against them.
- 51% of complaints were referred to the Consumer Relations Manager for conciliation (a slight increase on the level of previous years).
- 15% of complaints were referred to the Referee for final determination.
- Only 6% of registered complaints were not finalised as at December 31 2001.

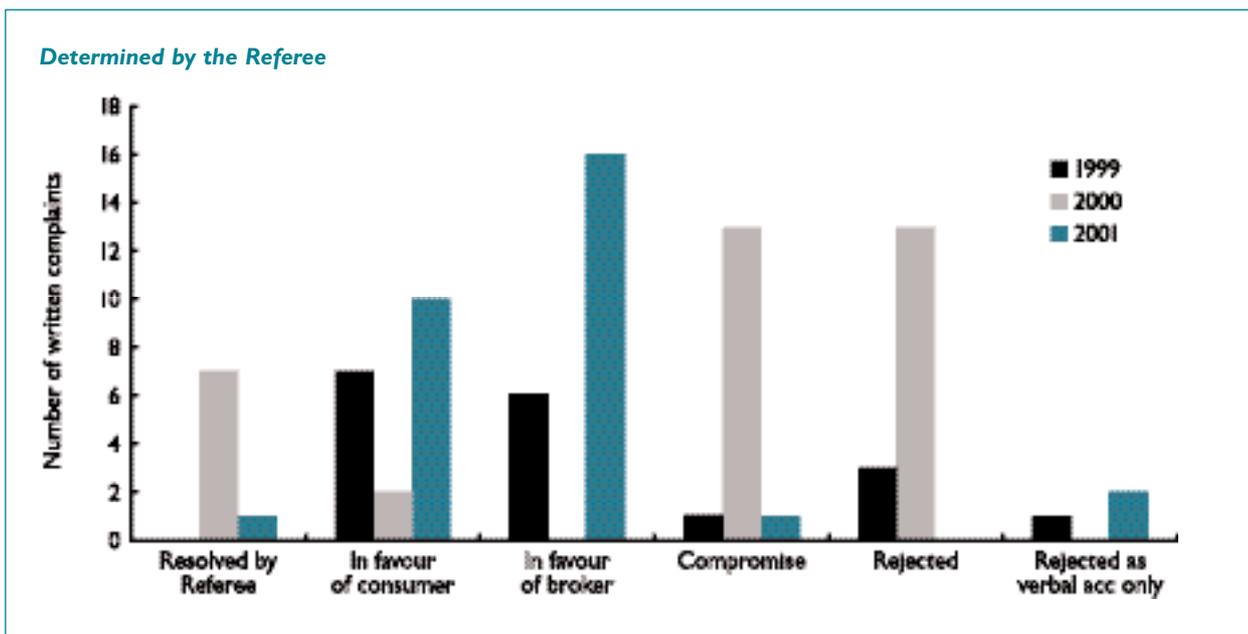
4.2.1 CONSOLIDATED BY THE CONSUMER RELATIONS MANAGER



- From the 100 matters referred to the Consumer Relations Manager (CRM):
 - 14 were resolved by the CRM;
 - 27 were conciliated by the CRM in favour of the consumer;
 - 31 were conciliated by the CRM in favour of the broker;
 - 28 were rejected by the CRM:
 - * 15 as being outside the scope of the IBDF, due to the type of insurance involved;
 - * 1 as being outside the scope of the IBDF, due to the claims limit;
 - * 11 as they were based on unsupported verbal allegations only;
 - * 1 for other reasons.

- The IBDF is unable to comment on unsupported verbal allegations. In order to reach a properly considered conclusion, it would be necessary to have the parties give evidence on oath, be subjected to cross-examination and perhaps have the benefit of evidence of expert witnesses. This procedure is not available to this Facility and is the province of the Courts.
- However, the IBDF is of the opinion that the broker, as the professional party arranging the insurance contract, should avoid conflicts based on verbal accusations by confirming all issues relating to the insurance contract in writing to the client.

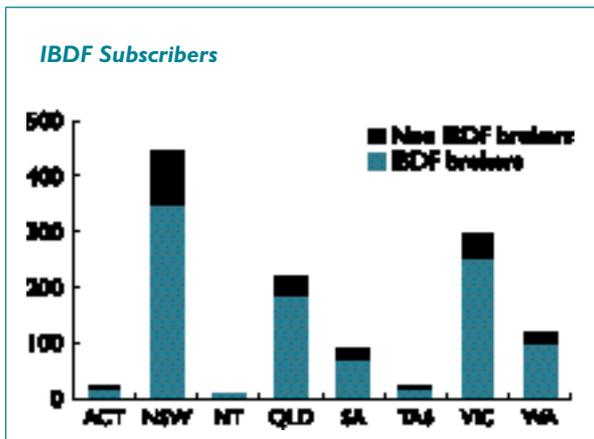
4.2.2 DETERMINED BY THE REFEREE



- From the 30 matters referred to the Referee:
 - 10 were determined by the Referee in favour of the consumer;
 - 16 were determined by the Referee in favour of the broker;
 - 2 were rejected as they were based on verbal allegation only;
 - 1 was determined by the Referee as a compromise;
 - 1 was determined by the Referee.
- Details of all determinations are included in the separate summary of all complaints.

In order to reach a properly considered conclusion, it would be necessary to have the parties give evidence on oath, be subjected to cross-examination and perhaps have the benefit of evidence of expert witnesses.

4.3 PARTICIPATING INSURANCE BROKERS



- The IBDF has submitted a proposal to ASIC to seek official approval as an external dispute resolution scheme under PS139 and is currently undertaking changes to comply with all of ASIC's requirements.
- This will include the expansion of representatives on the Insurance Brokers Compliance Council (IBCC) to two consumer representatives, one broker representative, one NIBA representative and an independent chairman. It will also entail steps to enhance and clarify the independent status of the IBDF.

- To date, ASIC has acknowledged and supported the operations of the IBDF as the only dispute facility available for general insurance brokers.
- 82% of all registered brokers subscribe to the IBDF.
- The remaining brokers belong to other complaints facilities (i.e. life brokers), or do not deal in policies which would require subscription to an external dispute facility.
- ASIC is working closely with the IBDF to enforce requirements under the new Financial Services Reform Act. Broker registrations will not be renewed unless satisfactory proof is provided that a broker does comply.
- The IBDF is undergoing an audit of 100 randomly selected brokers to confirm if they comply with all requirements set up by the Facility and the General Insurance Brokers Code of Practice. In particular, the audit will require brokers to provide copies of their written advice to clients that they are a member of the IBDF, their written internal dispute resolution procedures and their complaints register.

ASIC is working closely with the IBDF to enforce requirements under the new FSRB. Broker registrations will not be renewed, unless satisfactory proof is provided that a broker does comply.



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