



January 1, 2002– December 31, 2002



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Pursuant to the terms of reference of Insurance Brokers Disputes Limited (IBD) the following is the Annual Report covering the period January 1, 2002, to December 31, 2002. Figures shown are as at December 31, 2002.

This report covers the period during which IBD Ltd was formed to replace the IBDF. Some titles and terminology have changed as a result. For ease of reference "IBDF", "Consumer Relations Manager" and "Insurance Brokers Compliance Council" will be referred to as "IBD", "General Manager" and "Board" in this report.

# executive summary

- *Insurance Brokers Disputes Ltd (IBD) was approved by the Australian Securities and Investments Commission on November 15 2002, and since January 1 2003 has operated as a public company limited by guarantee. It was formerly known as the Insurance Brokers Dispute Facility.*
- *The Board of IBD comprises an independent Chairman, with two industry and two consumer representatives.*
- *The IBD toll-free number recorded a 23% increase in the number of calls compared to the previous year.*
- *Consumers increasingly use IBD as an information source to find an appropriate broker or to obtain a second opinion on insurance-related matters.*
- *From the 344 complaint forms sent out following an initial telephone enquiry and complaint, only 30% were subsequently lodged as written complaints.*
- *IBD registered 155 written complaints, representing a decrease of 20% on the 2001 figure and the second-lowest since the inception of the service in 1996.*
- *Complaint forms and translation services are now available in Arabic, Chinese and Vietnamese (and other languages if required).*
- *50% of the complaints dealt with by IBD related to small business operations, compared to 32% in 1999. The remaining 50% related to personal lines classes of insurance.*
- *IBD Ltd now uses the "retail client" and "small business" classifications defined in section 761G of the Corporations Act 2001. "Small business" is defined as a business employing less than 100 people if its work includes wholly or in part the manufacture of goods; otherwise a small business is regarded as one employing less than 20 people.*
- *Complaints received via email now make up 7% of the total number of complaints. 50% of complainants had email addresses.*
- *Last year 71% of complainants waited for three months or longer after the claim or incident which led to the complaint before contacting IBD to lodge a complaint in writing.*
- *48% of complaints are finalised within one month, with 38% being finalised within the set time limit of 20 days.*
- *Motor vehicle insurance attracted the most complaints (27%, compared with 24% in 2001). 20% of complaints were about private motor vehicle policies and 7% involved commercial motor vehicle policies.*
- *A large increase in complaints related to public liability policies (12%) was noted. In 2001 such complaints totalled only 1% of the total. This reflects the current difficult market situation for public liability cover and the small number of insurers offering such cover.*
- *IBD also developed new complaint categories to account for disputes related to premium funding (3%) and non-disclosure.*
- *68% of complaints involved claims below \$10,000 (the same as in 2001).*
- *Only one complaint was above the limit of \$50,000 (in comparison to four in 2001).*
- *57% of complaints were referred to the General Manager for conciliation (54% in 2001).*
- *20% of complaints were referred to the Referee for final determination (increased from 17% in the previous year).*
- *82% of all registered insurance brokers subscribe to IBD. Only 61% of all registered insurance brokers subscribed to IBD at the end of the inception year, 1996.*
- *IBD has already noted a drop in membership of more than 11% since the 2003 renewal, mainly due to brokerages closing or merging with other companies.*

## INTRODUCTION

Insurance Brokers Disputes Limited (IBD) is part of a national self-regulatory scheme, formerly known as the Insurance Brokers Dispute Facility (IBDF), which was first established in 1996. IBD has been approved by the Australian Securities and Investments Commission (ASIC) and since January 1 2003 has operated as a public company limited by guarantee.

IBD is a free consumer service designed to handle complaints and help resolve problems between insurance brokers and other financial service providers (other than insurance companies) and their clients. IBD provides support to help resolve problems quickly and efficiently, without complainants having to resort to costly litigation.

Any retail client who has a problem with his or her insurance broker or financial service provider concerning a general or life insurance product can contact IBD. "Retail client" includes small business operations, which is defined as a business employing less than 100 people if it includes the manufacture of goods, otherwise a small business is regarded as one employing less than 20 people.

IBD covers a range of insurance classes, including motor vehicle, home buildings and contents, sickness and accident, life, consumer credit, travel, personal and domestic property.

Some cases, such as those already involved in legal proceedings, are not handled by IBD; nor does IBD handle disputes involving claims of more than \$50,000, except where the insurance broker or financial service provider and its professional indemnity insurer have agreed to waive this limit.

Most insurance broking firms subscribe to IBD, including most members of the National Insurance Brokers Association of Australia (NIBA).

A problem should be initially discussed with the complaints or customer relations officer of the insurance broker or financial service provider. Under the scheme, participants are required to have internal systems to monitor and resolve complaints. They must agree to make a decision about a complaint quickly, usually within 20 working days.

If the consumer is still not satisfied, IBD's General Manager is there to assist. Generally problems can be fixed with a single telephone call. If the matter cannot be resolved after 20 working days, it will be passed on to IBD's Referee.

The Referee, who is a highly experienced legal practitioner, will issue a determination within 20 working days. Under the IBD Terms of Reference, insurance brokers and financial service providers must abide by decisions made by the Referee, although they are not binding on the consumer.

It is in the industry's interest to resolve disputes efficiently and fairly. IBD is overseen by a board of directors to ensure that interests of consumers and members are equally represented. The board consists of two consumer representatives, two industry representatives and an independent chairman.

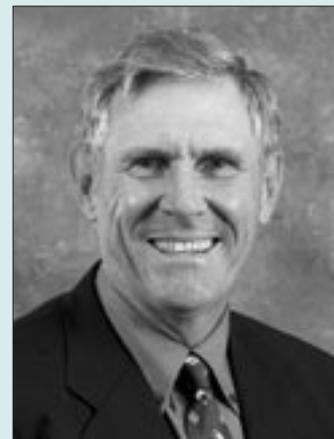
IBD is funded by its members, who subscribe to the scheme, in order to provide a service which is free of charge to consumers.

## 1 FOREWORD BY THE CHAIRMAN, MR RICHARD SMITH

On 9 April 2002 I took over as Chairman of the Board of Insurance Brokers Disputes Ltd from Bob Elder, who had been Chairman since the founding of the facility in 1996 by the National Insurance Brokers Association. IBD was funded by insurance brokers to operate as a free consumer service to handle complaints against brokers.

IBD was approved by the Australian Securities and Investments Commission (ASIC) on 15 November 2002 as an external complaints resolution scheme in accordance with Policy Statement 139 of the Financial Services Reform Act. An independent public company was established to run the scheme (formerly known as IBDF) commencing on 1 January 2003. The Board of the new IBD replaces the Insurance Brokers Complaints Council as the body responsible for overseeing the complaints resolution scheme for the industry. IBD, as the new company running the scheme, is independently funded and administered in accordance with ASIC requirements for such schemes.

The new Board of IBD comprises an independent Chairman, two industry and two consumer representatives. As Chairman of IBD I come with Insurance and Superannuation Commission and Australian Prudential Regulation Authority experience. The two industry representatives on the Board are Bob Elder, former Chairman of IBCC, and Noel Pettersen, the Chief Executive of NIBA and foundation member of the IBD. The two founding consumer representatives are Peter Gartlan and Jenni Mack, both of whom were appointed prior to the formal commencement of IBD. Both Peter and Jenni come to the Board with impressive consumer credentials.



As a public company, IBD is limited by guarantee with its own Constitution and Terms of Reference. IBD can handle complaints from consumers against their insurance broker or other financial service providers (other than insurance companies, who have their own complaints resolution schemes) in regard to general and life insurance products involving claims up to \$50,000. This service is free of charge to the consumer.

Under the new scheme, participating brokers and members are required to have internal systems to monitor and resolve complaints. Where complaints cannot be resolved between client and broker or member, the IBD scheme comes in to resolve the complaint in a timely and low-cost way. Integral to this process is IBD's General Manager and the Referee.

The General Manager, Daniela Kirchlindé, who was with the former scheme since inception, takes up the case initially and in most cases conciliates a satisfactory outcome. If she cannot achieve this, she refers the matter to the IBD Referee.

The Referee, David Letcher, who was also with the former scheme since its inception, considers the matter and generally issues a determination within 20 days. Importantly, members under the scheme must abide by determinations of the Referee who is a highly regarded legal practitioner with considerable insurance industry expertise. This swift and "no appeals" aspect gives the scheme its strength. Consumers, of course, are not bound by the Referee's determinations and if they choose to do so they can seek redress through other avenues, such as legal action.

The new IBD scheme builds on and retains the successful features of the former scheme, retaining the expertise and experience of the former Compliance Council, administrative personnel and Referee. In addition, the new scheme incorporates more balance with consumer representation on the Board, a non-industry independent Chairman and financial independence from the industry.

It is appropriate to acknowledge the foresight shown by the industry and NIBA in particular, in setting up and running a cost-effective and successful complaints resolution scheme, which has served both the industry and consumers very well for the past decade.

During 2002, considerable time and effort were given to reviewing and revising IBD documentation, particularly the constitution and terms of reference) in readiness for the new scheme. The establishment of IBD as a new entity required a deal of legal input, achieved smoothly while day-to-day business was maintained.

During the year in review, complaint numbers remained modest without significant overall growth. Ms Kirchlindé handled a vast array of demands with consummate and effective skill. Matters handled by David Letcher as Referee were modest in number and were dealt with expeditiously and effectively. IBD is fortunate to inherit such "in-built" expertise and experience.

Matters dealt with by both the General Manager and the Referee are publicly available.

The presentation is now available on CD-ROM, with a view to improving the general understanding of the status and nature of all decisions. All decisions and matters dealt with are reviewed to detect any systemic issues which may arise calling for broader rather than merely ad-hoc decision making.

As part of the process of moving to an independent IBD it was also necessary to appoint an independent auditor for the future.

Preparation of a budget for IBD's operations commencing 1 January 2003 was also completed with an eye to keeping costs as low as possible. Some increase in subscriptions from members was unavoidable, due in part to heavier than usual establishment costs of the new independent regime. IBD's budget, of course, must start from scratch with no built-in industry support or capital base. It will be the aim of the Board to build up reserves to a reasonable level over a period of time to give the new scheme some stability without unduly calling on members to finance this base.

Such is one of the costs of independence, although it should be noted that these costs have always been present and met by members. Under the new regime all such costs are more transparent, none being met from industry or association sources.

In this regard the Board of IBD acknowledges with thanks the contribution of NIBA in meeting some of the early establishment costs of IBD incurred and payable before receipt by IBD of its own funds. These funds are to be repaid as funds become available.

In this regard IBD notes at this early stage some reduction in anticipated revenues due to a number of mergers between brokers. Having established a "tight" budget for its first year of operation with a fairly small surplus between anticipated revenue and expenditure, there will be some pressure on the new organisation to manage its finances to stay within budget. This is a high-priority objective.

## SUMMARY

2002 has been a year in which the old scheme has been upgraded to enable the move to an "independent" rather than industry-sponsored scheme to meet new financial law requirements. Considerable effort and time were devoted to documentation upgrades involved in the creation of a new company structure. New appointments were made at Chairman and Consumer Representative levels. The new Board structure is more balanced between industry and consumer representation. Importantly, experience and expertise have been retained at administrative and Board levels. Some increases in costs of operation were incurred which are a necessary feature of a more independent scheme, which does not have recourse to industry funds. This is a fact of life for the new Board, which must set and stay within its budget for its own credibility. A new and independent auditor has been appointed and the whole scheme is subject to review after three years.

My thanks to all those who have contributed in 2002 and made all this happen.

## 2 REPORT FROM THE NATIONAL INSURANCE BROKERS ASSOCIATION OF AUSTRALIA (NIBA) REPRESENTATIVE, MR NOEL PETTERSEN

Who would have thought that 2002 could be as eventful and as challenging as the previous year? But in many ways it was tougher than 2001. A year ago we were still digesting the impact of September 11 and trying to anticipate the likely effects on the local insurance industry.

Now we know. Falling investment returns, massive capital shortages, insurers putting high prices or imposing tough policy restrictions, or not willing to carry the business at all. And now, with even fewer insurers, there is a shortage of capacity in the market. Through it all has been the constant focus of the HIH Royal Commission, with all its revelations and ramifications. We trust that the lessons learned will lead to a stronger industry.

The ensuing year will be no less challenging. We will still be grappling with the global economic downturn, and according to most industry pundits, premiums will still be rising. Hopefully we have seen the worst of the worldwide share market shakeout, and perhaps higher premiums will encourage more capital back into the market.

Against this background, insurance brokers have remained the best way to ensure the best deal at the best possible price. Indeed, the current uncertainty further enhances the need for guidance, advice and help. The hard market is revealing the professionalism of brokers in a way that wasn't so obvious in the days of easier markets. The experience and knowledge brokers are bringing to their clients is irreplaceable, although never easily reflected in industry statistics.

Next year will see activity on the transition to the Financial Services Reform Act 2001 increasing. NIBA has continued its efforts to ensure its members are ready for the new regime and has paved the way with formal assessments of broker skills and knowledge around Australia. As a result, well over 1700 brokers have already been awarded their Diploma in Financial Services (Insurance Broking).

The push to further train brokers and intermediaries to meet emerging regulatory and consumer demands is ongoing. But with compliance comes an increase in costs. While the newly established ASIC-approved company will be operating independently from NIBA, it does so at the cost of an increase in fees to industry participants. However, NIBA looks forward to supporting the activities of IBD with the same level of diligence and purpose that, back in 1996, led to the initial formation of the facility as a cheap, simple and effective means of resolving consumer problems.



## 3 REPORT FROM THE INDUSTRY REPRESENTATIVE, MR ROBERT ELDER

I started the year 2002 both as Chairman of the Compliance Council and the representative of the insurance broking industry. With the establishment of the new IBD, Richard Smith has taken over as the new independent chairman and I remained on the board as industry representative.

I am sure our new Chairman, Richard Smith, who was the original Government representative, will have much to say about the way forward. For my part I offer my sincere thanks to Board members and staff both past and present who launched and maintained a professional and effective facility for brokers and insurance consumers.

ASIC has sought reforms for much of the financial services industry with the aim of increasing consumer protection. Within the insurance broking sector of the financial services industry, brokers had to work to an ASIC timetable while going about the business of providing and maintaining their clients' insurance cover within what I believe to be the most difficult insurance market we have seen in 30 years.

The National Insurance Brokers Association is to be congratulated on not only providing brokers with the earliest notification of the likely requirement of the Financial Services Reform Act but also putting in place educational and audit programs to bring brokers "up to speed".

Educational standards for proper broking practice are justifiably high and bring their own rewards. For brokers who can say "we survived the process" there may even be a glimmer of hope for a more stable insurance market. I think both the consumers and our Members of Parliament can now understand how the relationship between frivolous and exaggerated claims by court awards for liability damage impact on the premiums we are all asked to pay. Indeed, in the case of liability, unless the Government "caps" payments awarded by the courts, this class of insurance may be beyond the reach of many.

Once again I would ask brokers to read the determinations of our Referee, David Letcher, to ensure their staff are aware of the problems that



lead to disputes. While I commented earlier on the higher educational standards of the insurance broking industry, two very basic procedures go a long way towards avoiding disputes with clients: communicate, and confirm your actions and your client's instructions in writing.

Do not assume your office always communicates and confirms because our complaint records tell us otherwise.

#### 4 REPORT FROM THE CONSUMER REPRESENTATIVE, MR PETER GARTLAN

In April 2002 I was appointed as consumer representative on IBD and since then have participated in the process that led to ASIC approving Insurance Brokers Disputes Limited as an external complaints resolution scheme and the establishment of IBD as a separate legal and independent entity. The major changes are highlighted in Richard Smith's report.

The national consumer movement is involved in most alternative dispute schemes that now operate throughout the finance sector. The rise of these schemes is a result of government, industry and consumer organisations understanding a different way for consumer redress had to be sought rather than solely relying on the traditional costly and time consuming adversarial approach. The role of the Australian Securities and Investments Commission in accrediting schemes such as Insurance Brokers Disputes ensured that essential dispute resolution principles of access, independence and transparency were incorporated, and ASIC are to be congratulated for the important role they played.

There has been a strong working relationship amongst all Board members and the role of Richard Smith as Chairman and the work of NIBA in establishing the scheme deserve recognition. Daniela Kirchlind's skills and hard work enabled the Board to have a smooth transition.

The future is what sustains us. There is little use establishing an independent entity in a spirit of co-operation between industry, government and consumer organisations if consumers who need to use the scheme are unaware of its existence or unaware that the decision-making process is separate and independent from industry. The best place where this information needs to be provided is at the point when the consumer makes an initial complaint.

We are keen to work with brokers in promoting accessibility of Insurance Brokers Disputes over the coming year.



#### 5 REPORT FROM THE CONSUMER REPRESENTATIVE, MS JENNI MACK

I am the newest consumer representative on the Board appointed in October 2002, and have considerable experience with consumer complaint schemes both at management and Board level, as well as experience with consumer advocacy more generally. I am a former New South Wales Deputy Legal Ombudsman, former Executive Director of the Consumers' Federation and a current member of the Board of the Financial Industry Complaints Service. I hope to use this experience to the benefit of members and users of IBD.

Despite the hard insurance market complaint numbers have not grown this year. However, this may reflect the fact that there has been a distinct drop in the number of consumers finding out about the scheme from their broker.

In only 29% of cases this year did the client find out about the scheme from the broker. This is significantly below the rates of other schemes and last years' figure for IBD of 64%.

The primary means by which consumers should find out about the existence of the IBD is through brokers. In my opinion IBD is not well known in the community and to receive full benefits from the scheme brokers need to let consumers know about it. (This is a requirement of membership of the scheme.)

The single most important time for brokers to tell consumers about IBD is at the time they have a complaint. This can be done orally or in writing. The indications are that consumers rarely recall having been told about it at any other point.

Not only is it useful to the client but also to the broker, who can then seek to have the dispute resolved quickly, cheaply and informally through IBD, if they can't resolve it alone.

The Board will work with brokers over the coming year to assist them to better understand IBD, to better explain the scheme to consumers thus enabling both parties to get the best out of the scheme.





This is the Sixth Annual Report, which I am privileged to write in respect of my activities as Referee for IBD.

As part of the wide-reaching changes in the regulation of financial organisations by the Federal Government the operations of IBD have been broadened to include coverage of underwriting agents. Some brokers have been operating as underwriting agents for many years and essentially there will be no real change to the manner in which complaints are handled. However, the underwriting process is a different and additional process to broking activity, so brokers who have complaints made against them in their positions as underwriting agents may expect more and different questions from me in future.

Over the past 12 months I have noticed continuing problems in certain categories of complaints, which indicate to me that brokers should look closely at some areas of operation where problems arise frequently:

### CHANGES IN INSURANCE ARRANGEMENTS

Complaints frequently arise out of changes to insurance. Changes can occur either because the risk or the underwriter changes. This year there have been continuing mergers between insurers. Some underwriters have decided not to write particular business. Brokers may decide to deal with a particular company as a matter of choice. Electronic connections are a factor in this choice. An insured may require additional cover or changes, which require a different policy from the same or a different or additional insurer.

In all these differing circumstances IBD still receives complaints mainly because the documentation is inadequate and there is a lack of explanation or detail given to the insured. Brokers should therefore consider the following:

- Insureds must be clearly informed about any change in underwriter or policy. Brokers should obtain written consent and agreement from the insured.
- Brokers should consider whether it is desirable to have a new proposal completed. Even if that takes some time and trouble for the broker (and the insurer may not even welcome it) it may be the best way to clarify the new arrangement. Many such arrangements are now confirmed electronically between the broker and the insurer. Brokers may consider forwarding a printout of that electronic arrangement direct to the insured with the usual request to advise if it is not correct.
- Brokers should check that the new insuring arrangement does not provide an insured with less cover than the previous arrangement. However, if that is the case then it should be pointed out very clearly and in writing to the insured. Brokers must realise that it is not sufficient to send a copy of a new policy wording and leave it up to the client to spot the differences. One of the value-added benefits for which the client pays a broker fee and commission is that the broker should advise the client about such matters.

### REMOVAL/TRANSIT CONTENTS RISKS

This year there have been several cases where a complaint has been made in circumstances where it has been suggested that the broker was aware that an insured for whom he had arranged domestic contents cover intended to move house. The specific complaint usually is that the broker should have advised about and offered transit cover and also should have ensured that the contents would be covered at the new address.

While brokers may take the view that an insured should be expected to look after his own property and specifically seek cover when in the course of removal and at a new address, once a broker has been alerted to a proposed removal and change of address, then there is an argument that there is some responsibility on the broker to make the necessary arrangements for the insured and advise and offer cover. Each such complaint will depend very much on the facts but brokers should be alerted to the risk.

I suggest brokers instruct their staff that if removal of contents and/or the purchase of a new property is mentioned by insureds then the brokers' staff should immediately respond by offering cover for removal/goods in transit and make arrangements for cover at the new address. Some policies may respond automatically but this should obviously be checked. Notes should be kept about such conversations and arrangements. In some cases a removalist may offer insurance cover but that should be discussed with the client. Some new situations may not be at an address (postcode) acceptable to the insurer. I emphasise that such discussions, offers of cover, advice and any arrangement to "keep us posted" should be noted in writing to avoid dispute. It would be prudent to advise the insured in writing.

### BURGLARY/THEFT OPTION

Insurers and brokers should understand that the general public has little idea of the difference between burglary (forcible and violent entry) and theft. Brokers understand only too well the commercial necessity for an insured to obtain reasonable cover at a reasonable premium. Many brokers appear to take the view that whatever the insured may say, he does not really want theft cover because it is more expensive than burglary cover.

However, it appears to me to be very clear that the general public does not understand the difference between the two risks and is not aware of the premium difference. Brokers ignore explanation of these risks and premium differences at their perils.

Brokers should make it quite clear to insureds that burglary cover is not theft cover and that if there is no breaking and entering then it is unlikely that a theft claim will be paid in the absence of specific theft cover. Brokers should consider making some written reference to the difference between the two perils and risks in documentation sent to a client.

In any event, brokers should explain to an insured the difference between the two risks and make written notes about this so that they are not subsequently faced by a claim by an insured that the insured is not aware of the difference, does not understand the difference, wanted cover for theft in any event and considers that the broker did not arrange cover as instructed.

### MARKET VALUE/AGREED VALUE

I am still dealing with complaints which arise because an insured has not realised that the words "sum insured" do not necessarily mean "agreed value" and are a reference to "market value". Brokers should make it very clear on tax invoices and other documents issued to an insured that the basis of the indemnity will be "agreed value" or "market value" and should qualify the words "sum insured" to indicate quite clearly that this is dependent on market value.

While a written proposal may clarify the matter, the increasing provision of cover by electronic arrangements without a written proposal being obtained from an insured means that this safeguard is not always in existence. In any event a proposal is not always definitive. The tax invoice/policy schedule is an appropriate document for the basis of settlement to be stated clearly.

### PREMIUM FUNDING

In general terms it appears many insureds, both commercial and domestic, do not understand that a premium funding arrangement is not the purchase of insurance by a payment of premium instalments to the insurer but effectively a loan from a financier.

The problem can become even more complicated where a policy is cancelled mid-term. The question of cancellation fees and interest payable to the premium funder and the broker's commission will then arise. It is common for a premium funder to require payment in full of all interest payable under the loan agreement even if the agreement is cancelled mid-term.

Brokers should explain carefully in writing to insureds what premium funding is, how it works and what happens if there is a mid-term cancellation. In particular brokers may wish to set out what the position is with their commission in that event and how much money is involved. This may involve the broker declaring the amount of his commission. There should be some explanation that a "broker's fee" is not usually the same as commission. While there is a reasonable argument that commission is earned once the insuring arrangement is in place, there are some circumstances where this Referee would not agree with that proposition and a pro-rata refund may be appropriate.

### COMMISSION

Problems involving the payment of commission to a broker do not arise only where premium funding is concerned. On cancellation an insured who has read the policy or tax invoice and has seen a reference to a refund on a "net basis" may not understand that there is a substantial element of commission involved which a broker may be reluctant to refund pro-rata. While the "broker's fee" may appear on the tax invoice, commission may not be mentioned. I note that commission may be a substantial percentage of the premium.

Brokers should consider whether it is appropriate for them to declare the amount of commission on the tax invoice if there appears to be any risk that the policy will be cancelled. In any event brokers should indicate clearly that there would be no pro-rata refund of commission on cancellation if that is the broker's policy.

A reference to "net premium" may be misleading because commission may be an unknown factor as far as an insured is concerned.

### PHONE CALLS/DAY BOOKS

There are still numerous instances where complaints are made and relate to discussions between a broker or his staff and the insured but where the broker does not have a record of those discussions. If an insured asserts that particular propositions or statements were made by a broker or the insured in a telephone conversation, then a court or this Referee must decide whether this is more likely than not.

Arguments about the credibility of witnesses are not usually arguments which assist in the settlement of disputes. It is not in the interests of brokers to become involved in such arguments.

Brokers should ensure that records are kept of telephone calls and details of conversations. In small offices a daybook may suffice. Contemporaneously generated computer notes may be a better way to keep a record. Brokers should note that if they do not keep records then a judge or this Referee may be obliged to make a hard decision about credibility.

The broker is the professional party involved in the transaction and is expected to act professionally and keep appropriate records.

### RESPONSIBILITY OF COMPLAINTS MANAGER

Brokers should note that the appointed Complaints Manager is the person responsible to deal with complaints made to Insurance Brokers

Disputes Ltd and to liaise with it. There can be no toleration of “duck-shoving” by the appointed Complaints Manager suggesting that responsibility for explaining a problem lies with some other person in the broker’s organisation.

The appointed Complaints Manager must be in a position to respond to complaints and must do so promptly, failing which, there is a risk that the conclusion must be that the broker is not in a position to deny the allegations made by a complainant.

### ADVICE TO INSUREDS CONCERNING IBD

It is in the interests of brokers that complaints made by customers should be brought to the attention of Insurance Brokers Disputes sooner rather than later. Brokers should ensure that details of IBD are set out in tax invoices and other documents. Where there is a complaint made to the broker, the insured should be made aware of the existence of Insurance Brokers Disputes.

If brokers do not do so then there is a real risk that there will be a longer period of customer dissatisfaction and annoyance, which always makes complaints harder to resolve. Further, there is a much greater risk of litigation. Expensive and time-consuming problems always arise from litigation, whatever the result.

### PROFESSIONAL INDEMNITY INSURANCE COVER

This year it has been noticeable that there have been many more mergers/purchases of broking organisations. It is possible that in discussions concerning a merger or sale and the auditing of existing files, some problem files may be missed. Brokers who sell their practices or merge should ensure that they have run-off professional indemnity cover so that in the event that a claim is made after the merger or purchase has gone through, there is still professional indemnity cover available to the original broker to cover him against complaints which may be made against him in respect of his activities prior to the merger/sale of the business.

Lack of such cover will not assist a broker facing litigation or a complaint to IBD.

### BROAD RANGE OF ENQUIRIES

Finally, I would like to thank the General Manager of Insurance Brokers Disputes, Ms Daniela Kirchlinde, for her assistance in respect of decisions which I have been required to bring down during the year. The major burden of the work of IBD is borne by Ms. Kirchlinde. This not only involves detailed consideration, management and conciliation of complaints but also attending to many general enquiries, which are made by consumers.

In the past year this has included many more enquiries about difficult-to-place risks including liability and professional indemnity cover. Because Ms. Kirchlinde speaks to each and every person who telephones she is able to offer a personal response whether the query be in the form of a specific complaint or a general enquiry about insurance not specifically directed to a problem with a broker.

This is truly a “value-added” element which Insurance Brokers Disputes provides to consumers in addition to dealing with complaints.



At rear from left: Robert Elder, Noel Pettersen, David Letcher, Peter Gartlan

At front: Jenni Mack, Richard Smith, Daniela Kirchlinde

## 7 COMPLAINTS ANALYSIS

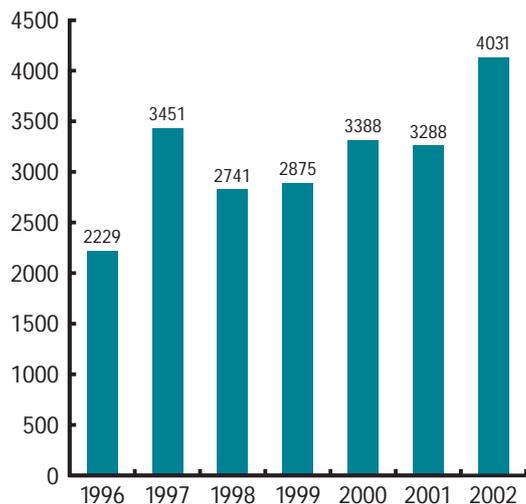
The following charts provide statistics in regards to telephone calls received on IBD's toll-free number 1800 064 169, telephone enquiries and complaints and written complaints received by IBD for the period from January 1, 2002, to December 31, 2002 (the reporting period) and their progress as at December 31, 2002.

### 7.1 GENERAL ANALYSIS OF CONTACTS, ENQUIRIES AND COMPLAINTS

IBD keeps statistics in regards to telephone calls received through the toll-free number, telephone enquiries and complaints and written complaints. The most detailed statistics are kept for written complaints only, as it appears that most consumers want to stay anonymous when they call for advice only, and information can only be collected when practical in the course of the telephone call.

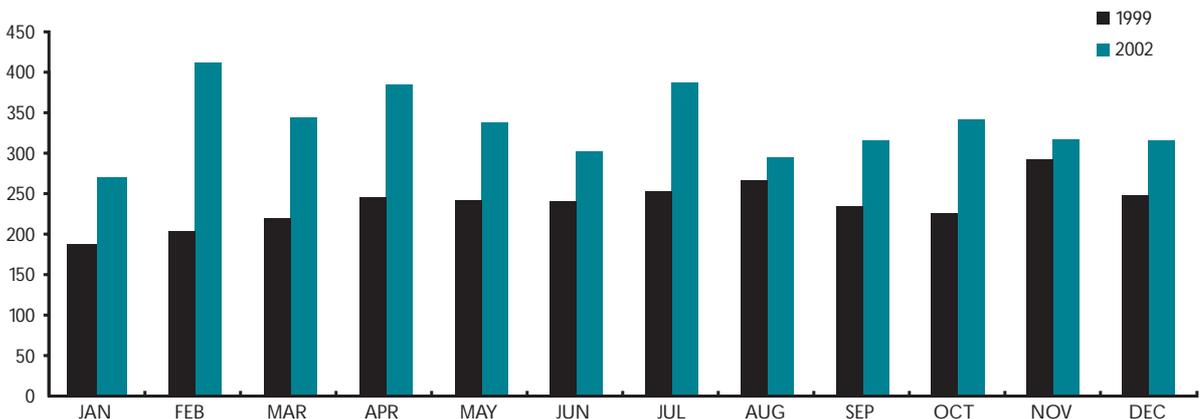
#### 7.1.1 TELEPHONE CALLS RECEIVED ON TOLL-FREE NUMBER

*Total telephone calls received on toll free number*



- A total of 4,031 telephone calls were received on IBD's toll-free number, which is an increase of 23% on last year (3,288 calls).
- Calls average 336 per month (274 in 2001).
- These include telephone calls regarding existing complaints, telephone enquiries and complaints, general insurance enquiries, broker referrals about hard-to-place or specific risks, referrals to other complaints schemes and relevant bodies and general inquiries regarding the services provided by IBD.
- It appears that consumers increasingly use IBD as an information source to find an appropriate broker or to obtain a second opinion on insurance-related matters.
- It is frequently used to obtain any kind of information (ie telephone numbers, help line, etc) as it is a toll-free number and mentions the word "insurance" and "complaint" in its name.

*Telephone calls received on toll-free number per month*



- The number of calls is evenly spaced throughout the year.
- IBD has also started to identify any increase of contacts registered after a specific event, which might be the cause of an increase of complaints resulting out of that specific event (ie, a natural disaster, etc).
- To date, IBD has only listed three different specific events with

complaints as a result of these events:

- HIH collapse – one complaint;
- Ansett collapse – one complaint;
- Bus accident at Mount White 2 April 2002 – two complaints.

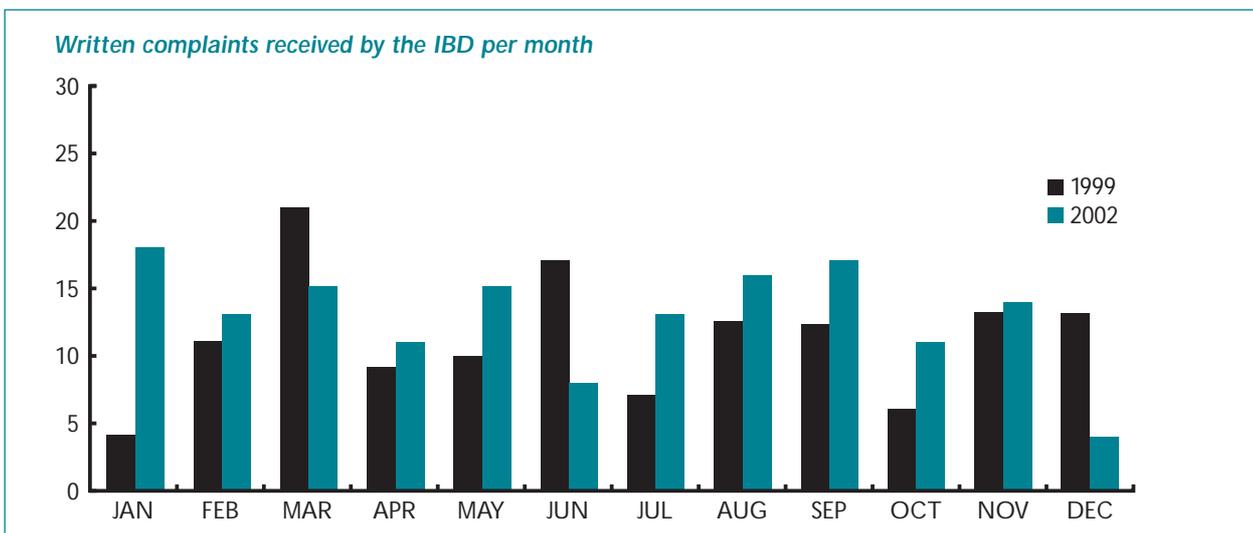
### 7.1.2 TELEPHONE ENQUIRIES AND COMPLAINTS

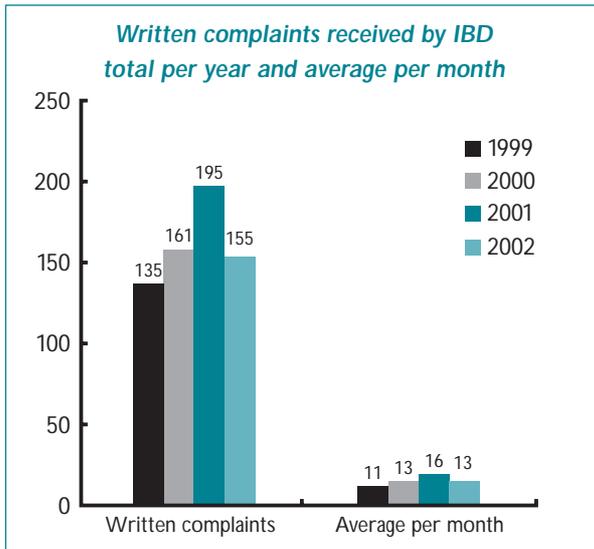
- When a consumer contacts IBD, initial advice is provided verbally. This can be advice for any matter, as highlighted in point 7.1.1.
- If the call is about a complaint against a member, IBD provides the consumer with the contact detail of the relevant complaints manager of the member and encourages the consumer to discuss the matter with that person.
- If there appears to be a communication breakdown between the member and the consumer, IBD contacts the member to advise of the complaint and encourages the member to resolve the matter before a written complaint is lodged.
- In the meantime, IBD also provides the complainant with a complaint form for completion, in case the member is unable to resolve the problem.
- As requested by ASIC, IBD has kept detailed statistics on telephone enquiries and complaints for 2002. However, most consumers are reluctant to leave names or details, as they only wish to obtain initial advice or a “second opinion” about their problem.
- Where practical, information about the caller is recorded in the course of the telephone call. However, the collection of complete information is not always possible, because consumers contacting IBD are usually focused on finding a solution to their problem and find answering questions irrelevant. Once it has been established by

IBD that the consumer has a valid complaint, a written complaint is requested, and this provides all the relevant details.

- IBD registered 670 complaints by telephone in 2002, but did not keep statistics in regards to enquiries only. This has since been reviewed and appropriate statistics will be captured in 2003.
- The major causes of complaints were new business (14%), renewal matters (18%), claims-related matters (20%), and cancellation/refund premium issues (about 10%).
- Most complaints involved business policies and private motor vehicle policies with about 20% each, followed by home and contents and liability policies with about 10% each.
- More than 30% of complaints involved claims under \$10,000.
- Of the 344 complaint forms sent out, only 30% were subsequently lodged as written complaints. Presumably the remaining consumers were able to resolve their complaint with the broker with verbal advice received from IBD.
- 66% of those who lodged a written complaint with IBD returned the completed complaint form within two weeks of receiving it.
- 23% of calls were referred to other complaints facilities, with the majority being referred to Insurance Enquiries and Complaints Limited; thus IBD also acts as a referral centre.

### 7.1.3 WRITTEN COMPLAINTS





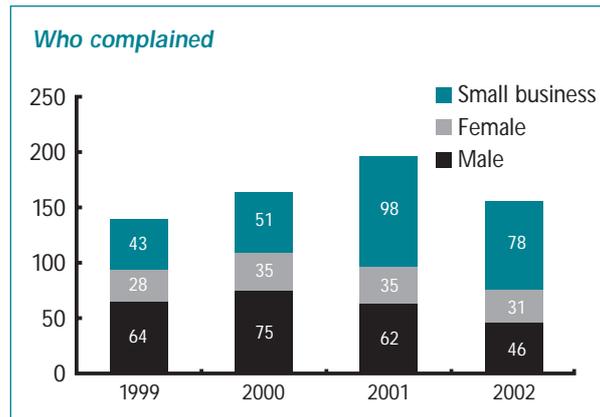
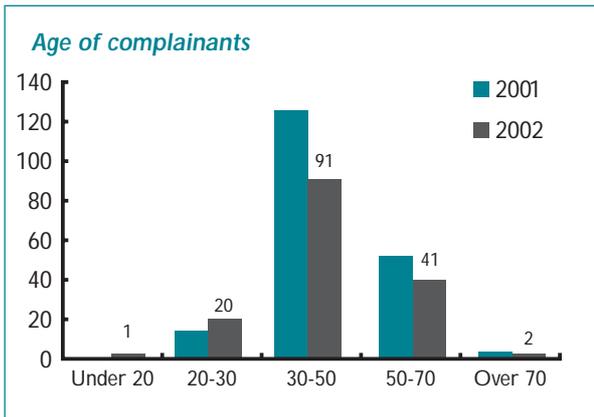
- Once a written complaint is received by IBD, it is included in the statistics for written complaints received and a complaint number is allocated to each case.
- The complaint is recorded on the IBD database and progress of the complaint is monitored.
- IBD registered 155 written complaints in 2002 – a decrease of 20% in comparison to 2001 and the second-lowest since the inception of the brokers' dispute facility in 1996.
- An average of 13 complaints were registered each month in 2002 (compared to 16 in 2001).
- We believe that the combination of the increase of telephone enquiries and complaints and the decrease of written complaints confirms the effectiveness of IBD and its growing accessibility to consumers wishing to obtain initial advice and alternative dispute resolution.

*Most concerns can be resolved with a simple telephone call and good communication between IBD, the consumer and the member involved.*

## 7.2 SPECIFIC ANALYSIS OF WRITTEN COMPLAINTS

The following detailed statistics are in regards to written complaints only. There were 155 written complaints lodged with IBD in 2002. The details of each complainant are obtained from the complaint form completed by each complainant.

### 7.2.1 DEMOGRAPHICS

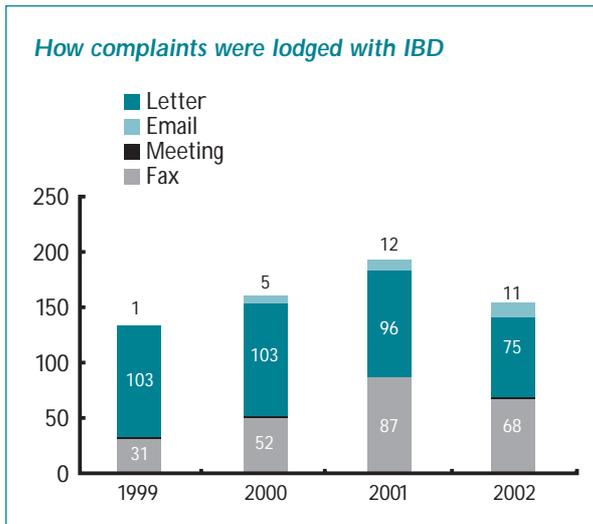


- Following a request from ASIC, IBD has been keeping statistics in regards to the age of complainants since 2001.
- 60% of the complainants were in the 30-50 years age group (in comparison to 65% in 2001).
- One complainant was under 20 years old, and only two were over 70.
- Two complainants indicated language problems (their prime languages were Russian and Arabic respectively), but both chose to correspond with IBD in English.
- Complaint forms and translating services are now available in Arabic, Chinese and Vietnamese (and other languages if required) to cater for the most common language barriers.
- IBD has established a relationship with other facilities to help consumers to lodge a complaint if they have language problems or other problems like illiteracy, blindness or deafness. To date, these services have not been required.

- The number of complaints received from domestic customers and small business customers was split almost exactly 50/50. Small businesses made up 32% of complaints in 1999.
- A significant number of the small business complaints were from retail shops and tradespeople. But there were also complaints from the building, food, hotel/motel, motor vehicle mechanic/repairer, photographer/photo shop, restaurant and security services industries.
- From 1 January 2003 IBD is using the small business classification as defined in section 761G(12) of the Corporations Act 2001: "A business employing less than 100 people if it is or includes the manufacture of goods; otherwise less than 20 people." The old definition of a maximum annual turnover of \$350,000 and five employees will no longer apply.

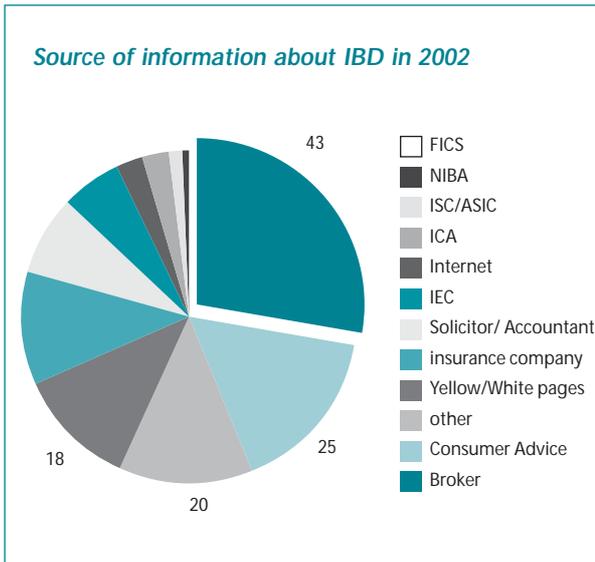
*The number of complaints received from domestic customers and small business customers was split almost exactly 50/50. Small businesses made up 32% of complaints in 1999.*

### 7.2.2 HOW COMPLAINTS WERE LODGED WITH IBD



- 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 (44% in 2002 compared to 23% in 1999).
- Email is now used in 7% of written complaints.
- An increasing number of complainants correspond with IBD via email, even if the original complaint form was lodged via letter or fax.
- Our database shows that 50% of the complainants had email addresses. Only 20% gave a postal address and phone number only.
- 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.
- With the development of its own website [www.ibdltd.com.au](http://www.ibdltd.com.au), complaints can now also be lodged online. Consumers can also receive information about IBD online and can check if a particular financial service provider is a member of the IBD facility.

### 7.2.3 WHERE DID THE COMPLAINANTS OBTAIN INFORMATION ABOUT IBD?



- Most complainants initially called IBD to obtain information about the complaint process and to obtain a complaint form.
- An increasing number of consumers are expected to obtain information about IBD through its new website.
- All brokers subscribing to the service are obliged to advise their clients in writing about IBD.
- IBD 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:  

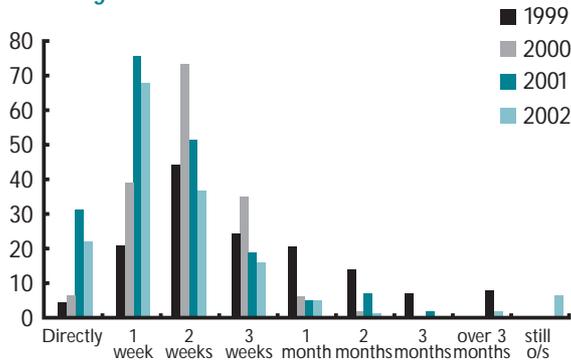
“Clients who are not fully satisfied with our services should contact our customer relations/complaints officer. [Name of company] also subscribes to Insurance Brokers Disputes Limited (IBD), a free customer service, and the General Insurance Brokers

Code of Practice. Further information is available from this office.”

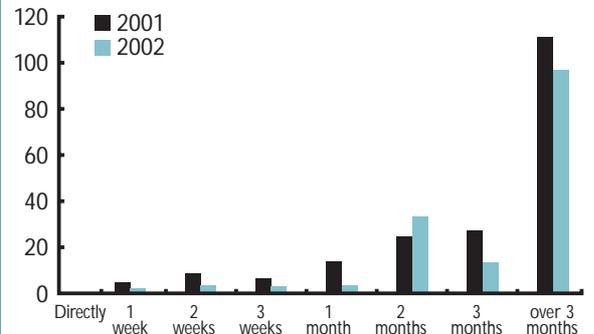
- IBD would consider it unsatisfactory if a separate notice containing this information is supplied, as the risk of this additional notice being omitted from documents is considered as too high.
- Brokers who are unable to produce satisfactory evidence of compliance will not be able to obtain renewal confirmation.
- The fact that only 28% of complainants confirmed that they received information about IBD from the member is of concern. Members are required to actively promote the services provided by IBD and assist the consumer to lodge a complaint.
- A copy of IBD guidelines and the supporting General Insurance Brokers Code of Practice should be made available to consumers at no cost.
- IBD is auditing this requirement on an ongoing basis in the annual audit, as well as for each individual complaint where it appears that the broker did not advise the complainant adequately about the services provided by IBD.
- To enhance consumer awareness of IBD, the facility actively maintains and improves contacts with all consumer advice bureaux and other consumer bodies Australia-wide, through which 16% of the complainants received information about IBD.
- IBD also works closely with Insurance Enquiries and Complaints Ltd and with the investigation department of ASIC.
- IBD advertises in the White Pages telephone directory Australia-wide, and an increased number of consumers (12%) obtained information about IBD from this source.
- The internet – a new category for IBD – was recorded as the information source used by 3% of consumers.

*The fact that only 28% of complainants confirmed that they received information about IBD from the member is of concern.*

*Time taken by broker to respond since complaint was lodged with IBD*



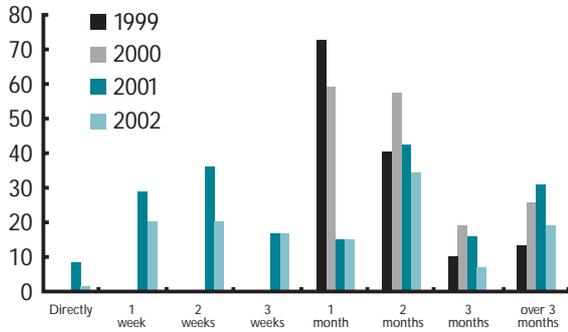
*Time taken by consumer to lodge written complaint since claim/incident occurred – 2001 and 2002*



- As soon as IBD 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 had been lodged with IBD, 57% of the brokers responded to IBD within one week.
- Another 24% responded within two weeks, which is within the time limit set by the IBD Terms of Reference.
- Only five brokers took more than one month to respond to IBD. At that stage the complaint had already been referred to the Referee.
- One broker did not respond at all and was reported to ASIC.
- IBD 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 IBD, especially when the consumer is checking with IBD on a daily basis.
- Even if the broker requires more time to collect the necessary information and documents, it is vital that IBD is kept informed about the progress of the complaint and any reasons for delay.
- It must be emphasised again that IBD does not accept the excuse 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 client record 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.
- Nor does IBD accept that a matter is resolved if it has been passed by the broker to its professional indemnity insurer. In such cases, full contact details should be provided to IBD.

- IBD promotes the following conciliation process:
  - A broker should first attempt to resolve the complaint using its own internal dispute resolution scheme.
  - If the complaint cannot be resolved within 20 days, the matter should be referred to IBD for conciliation.
  - If the complaint cannot be conciliated within 20 days, the matter will be referred to the Referee for determination.
- 71% of complainants wait for three months or longer after the claim or incident that led to the complaint before they contact IBD to lodge a complaint in writing.
- 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.
- IBD noted significant time delays, in particular in cases where there was more than one broker involved in placing the policy (ie, the use of sub-agents, wholesale brokers or underwriting agencies to place business).
- In one case a broker placed the policy through a wholesale broker, who used a different broker, who in turn used an underwriting agency to place cover with an unauthorised foreign insurer. Of course, with so many parties involved, communication and any attempt to resolve a problem presents a considerable challenge. It would be very difficult, if not impossible, for the common consumer to maintain an overview and understanding of the dealings between each party.

### Time taken to finalise complaint



- 48% of complaints are finalised within one month, with 38% being finalised within the set time limit of 20 days.

- Longer timeframes are required in cases where IBD and/or the Referee request further information or documentation from the parties involved.

- If the quantum of the claim is to be determined, the Referee will request both parties to provide evidence and adequate documentation to substantiate the claim amount. In a few cases the Referee requested the broker to provide a report from an independent assessor, which also required additional time.

- IBD would like to hear from brokers about amicably resolved disputes and/or matters that were resolved in court, where the more effective and economical solution may have been available through IBD.

### 7.2.5 ORIGIN OF COMPLAINT

	ACT	NSW	NT	QLD	SA	TAS	VIC	WA	TOTAL	in %
<b>2002</b> Complaints metro	3	41	3	7	9	4	25	14	106	68%
Complaints country	0	16	0	18	5	0	6	4	49	32%
<b>Complaints total</b>	<b>3</b>	<b>57</b>	<b>3</b>	<b>25</b>	<b>14</b>	<b>4</b>	<b>31</b>	<b>18</b>	<b>155</b>	
% of total complaints	1%	37%	1%	17%	9%	3%	20%	12%		
<b>Registered brokers subscribing to IBD</b>	<b>11</b>	<b>335</b>	<b>4</b>	<b>182</b>	<b>67</b>	<b>14</b>	<b>224</b>	<b>95</b>	<b>932</b>	
% of IBD brokers Australia wide	1%	36%	0%	20%	7%	2%	24%	10%		

- Most registered complaints were received from New South Wales, reflecting population concentration and the larger number of brokers operating in NSW.

- In comparison, Victoria, with the second-biggest population and broker numbers, had fewer complaints in proportion to its population.

- All other states had similar percentages of registered complaints

as last year, again in line with the population and distribution of brokers throughout Australia.

- South Australia and Western Australia appear to have a slightly higher number of complaints in comparison to population and broker numbers.

- The majority of complaints came from metropolitan areas, amounting to 68% in 2002.

## 7.2.6 CLASS OF INSURANCE

	2002	2001	2000	1999
Bus/Com Pack Total	37	74	27	37
Bus/Com Pack General	18	40	n/a	n/a
Bus/Com Pack Fire & Perils	0	2	n/a	n/a
Bus/Com Pack Bus Interruption	1	1	n/a	n/a
Bus/Com Pack Burglary	11	15	n/a	n/a
Bus/Com Pack Glass	0	2	n/a	n/a
Bus/Com Pack Money	0	1	n/a	n/a
Bus/Com Pack PL	4	9	n/a	n/a
Bus/Com Pack Fidelity Guarantee	0	0	n/a	n/a
Bus/Com Pack Mach B'down	2	4	n/a	n/a
Bus/Com Pack Electronics	1	0	n/a	n/a
Bus/Com Pack PA	0	0	n/a	n/a
Contractors Risk	1	n/a	n/a	n/a
Farm	3	6	5	3
Home & Contents	27	28	29	25
Income Protection	2	n/a	n/a	n/a
ISR	2	1	1	1
Life	0	0	2	1
Livestock	0	6	1	0
Marine	1	1	2	2
Mobile Phone	2	n/a	n/a	n/a
Motor Vehicle Total	42	47	62	39
Motor Vehicle Private	31	32	n/a	n/a
Motor Vehicle Commercial	11	15	n/a	n/a
Personal Accident/Sickness	5	6	8	11
Pleasure Craft	1	2	n/a	n/a
Professional Indemnity	5	8	2	2
Public Liability	19	2	10	6
Strata Title/Landlord	3	7	n/a	n/a
Travel	5	0	1	0
Workers' Compensation	0	4	3	1
Other	0	3	8	7

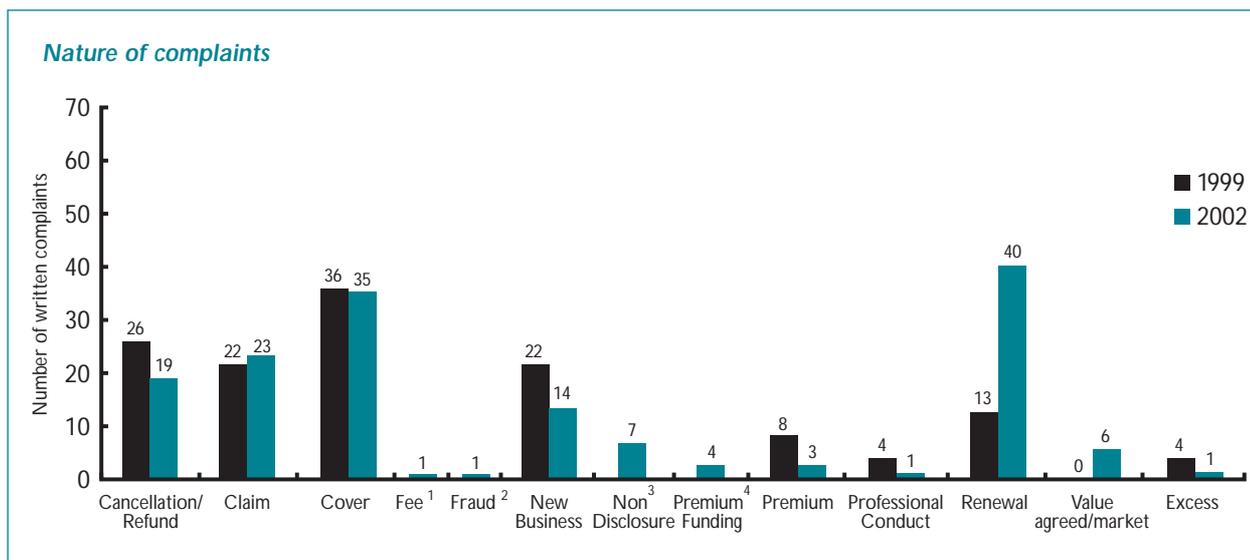
- The biggest class of insurance for complaints was motor vehicle insurance with 27% in 2002, (24% in 2001).
- 20% of complaints were about private motor vehicle policies and 7% involved commercial motor vehicle policies. Complaints included disputes about the difference between market and agreed value policies, excesses and non-disclosure of past convictions and nominated drivers being under 25 years old.
- The second-biggest class of insurance for complaints was business insurance with 24% in 2002 (38% in 2001).
- Since 2001 IBD has kept more detailed statistics on what sections of the business pak policy are most involved in the complaint. Most

complaints involved the burglary and public liability sections of policies.

- Complaints included incorrect advice received from brokers over sums insured, no cover for laptops and cigarettes, excess issues and brokers not being able to offer liability insurance for a reasonable price.
- Home and Contents policies make up 17% of the complaints (14% in 2001).
- A large increase in complaints related to public liability policies (12%) was noted. The 2001 figure was 1%. This reflects the current difficult market situation over public liability cover and the restricted number of insurers offering cover, as well as warnings issued by APRA about the use of unauthorised foreign insurers.

*IBD still experiences problems with brokers who do not keep the facility informed about the development of a complaint.*

## 7.2.7 NATURE OF COMPLAINT



1-4. Data for these categories was first collated in 2002

- 26% of complaints related to problems with renewal of policies (31% in 2001), particularly where renewal had been offered only shortly before or even after the due date with a substantial increase in premium. In other cases the client had been advised that the broker was unable to obtain renewal terms in a reasonable time before the due date, leaving clients little time to try and arrange insurance elsewhere.
- Brokers and consumers were faced with a tight insurance market and increases in premium, particularly in liability and high-risk areas (i.e. leisure industry, builders, factories), and unwillingness by insurers to offer insurance cover in certain areas.
- 15% of complaints related to claim issues (19% in 2001), and problems where claim settlement was delayed by an overseas underwriter or by an underwriting agency or wholesale broker were noted.
- Often the broker did not keep the complainant informed about the development of the claim or the outcome of the assessment of the claim.
- Reinstatement of cover after a total claim – when the sum insured of the policy was reached – was also a common problem.
- 9% of registered complaints related to new business (18% in 2001).
- Problems arose where there was a misunderstanding over whether the consumer actually requested cover or just a quote from the broker. Another source of complaint was when the complainant said they had forwarded 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, but when a claim occurred the insurer denied the claim

due to non-payment of premium.

- 12% 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 or commission charged upon cancellation of a policy (13% in 2001).
- Commission disclosure appeared to be a particular problem when the broker only refunded the net premium to the complainant. Even though it might have been noted on the duty of disclosure issued by the broker that any refund would be calculated on a “net basis”, it does not give any indication to the complainant that this might be a substantial amount of the premium.
- Brokers were not forthcoming with the actual dollar amount of the deduction when queried by the complainant.
- Brokers sometimes delayed the issue of a premium refund, or did not follow up with the underwriter in an efficient and timely manner. IBD still expects brokers to act professionally and in an effective manner, even when dealing with what is effectively lost business.
- 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.
- IBD also developed a new category for recording premium funding problems (3%).
- In most cases involving premium funding, the complaint arose when the policy was cancelled mid-term and the refund did not

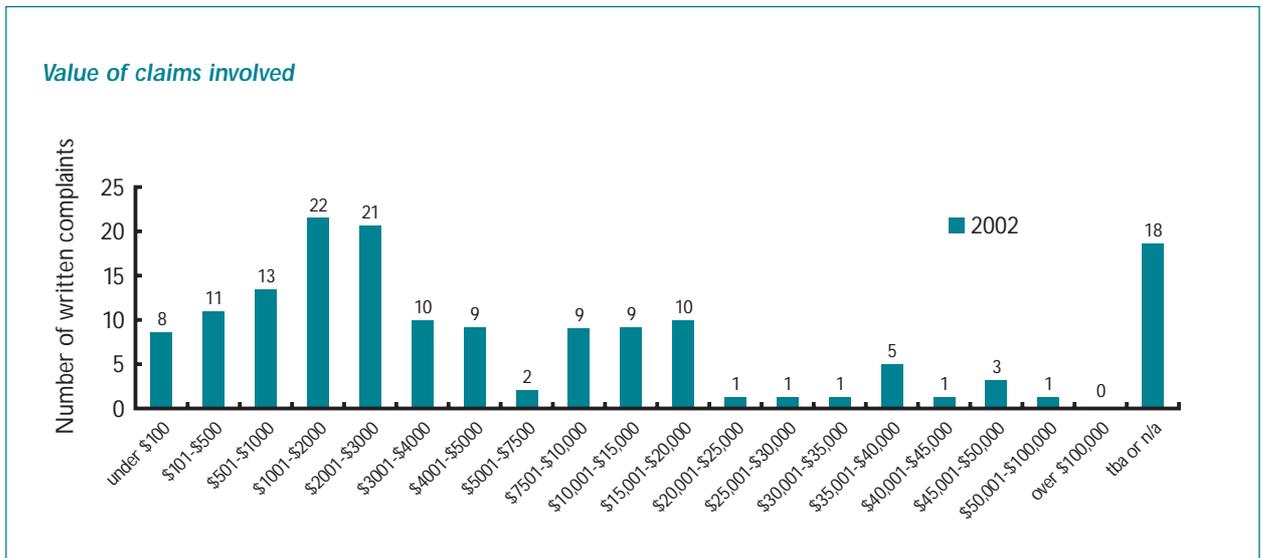
cover the outstanding debt from the premium funding contract. As a result, the complainant had to continue to pay amounts to the premium funder although the policy as such was no longer effective.

- It appears that most consumers were not aware that they in fact entered into two different contracts – the insurance contract and a separate loan contract with the premium funder. The broker explained the premium funding contract as a “pay by the month facility” and did not highlight specifically that it was a separate contract similar to a loan attracting separate interest and cancellation fees.
- In most cases the consumer just signed “on the dotted line” without having been made aware that he/she was signing a separate contract.
- 23% of registered complaints related to misunderstandings of cover or placing of incorrect cover (an increase from 13% in 2001).
- Another new category introduced in 2002 was complaints involving non-disclosure, particularly in regards to personal and accident policies. This appeared to be a common problem, where the broker completed a proposal form for the consumer based on an interview with the consumer and the consumer just

signed the proposal form.

- Subsequently, certain medical conditions were not disclosed, although the consumer stated that he/she discussed this with the broker, and a claim was denied due to non-disclosure of pre-existing health conditions.
- IBD insists that any discussions about cover must be followed up in writing with the consumer, to avoid any misunderstandings.
- Brokers should not complete proposal forms on behalf of consumers. It is acceptable that the broker assists the consumer with questions when he or she is completing the form, but the broker should ensure the consumer completes the form.
- 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.
- IBD is again issuing a summary of all complaints received and handled by IBD (including determinations), to provide examples of what kind of complaints arise and are handled.

### 7.2.8 VALUE OF CLAIMS INVOLVED

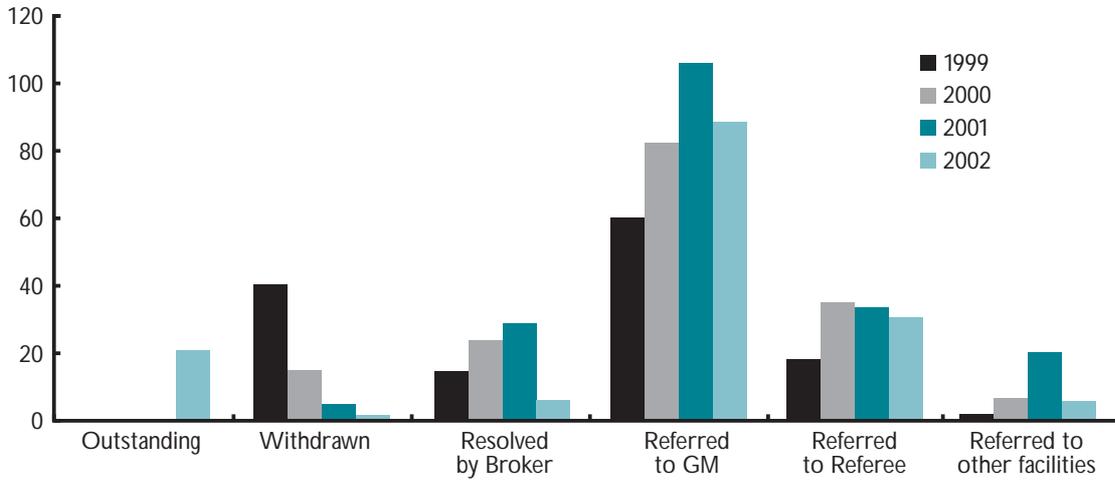


- IBD believes that based on the statistics regarding claims involved in complaints, the limit of \$50,000 is still justified and there is no need to further increase the limit.
- The newly approved IBD Ltd has also been approved with the limit of \$50,000, although ASIC has requested a review of that limit at a later stage.
- All leading Australian PI insurers accepted the limit of \$50,000 and will follow IBD's determinations up to the limit of \$50,000.
- If a broker wishes IBD to handle a complaint outside that limit, the broker needs to obtain written approval from the PI insurer.

- 68% of complaints involved claims below \$10,000 (the same as in 2001).
- 20% of complaints were for less than \$1,000 (30% in 2001).
- 20% of complaints involved claims between \$10,000 and \$50,000 (13% in 2001).
- Only one complaint was above the limit of \$50,000 (four in 2001).
- Of the complaints referred to the Referee, 15 were determined involving complaints above \$10,000 (in comparison to 18 in 2001).

## 7.3 OUTCOME OF WRITTEN COMPLAINTS

### Outcome of complaints



- Two complaints were withdrawn by the complainant after the broker successfully resolved the situation.
- IBD is spending more time initially discussing the complaint with the consumer on the phone to assess if the matter can be successfully handled by IBD, or if the consumer should pursue other avenues.
- IBD also provides consumers with information on other complaints facilities and relevant bodies. Last year six complaints were referred to Insurance Enquiries and Complaints Ltd.

- The broker resolved six complaints after initial involvement from IBD.
- 57% of complaints were conciliated by the General Manager (54% in 2001).
- 20% of complaints were determined by the Referee (17% in 2001).
- Of all the matters referred to the Referee, none was determined differently to the conciliation advice provided by the General Manager.
- 21 registered complaints were outstanding as at 31 December 2002.

### 7.3.1 CONCILIATED BY THE GENERAL MANAGER

	2002	2001	2000	1999
<b>Resolved by GM Total</b>	<b>77</b>	<b>74</b>	<b>70</b>	<b>43</b>
Resolved by GM	16	17	6	8
Conciliated by GM in favor of Consumer	33	27	18	4
Conciliated by GM in favor of Broker	27	30	44	31
Conciliated by GM as compromise	1	0	2	0
<b>Rejected by GM Total</b>	<b>12</b>	<b>32</b>	<b>12</b>	<b>17</b>
Rejected by GM (other reasons)	0	1	0	0
Rejected by GM as outside class of insurance	5	15	0	10
Rejected by GM as outside small business definition	5	2	n/a	n/a
Rejected by GM as outside claim limit	1	2	11	4
Rejected by GM as based on verbal accusation only	1	12	1	3

- From the 89 matters referred to the General Manager in 2002:
  - 87% were resolved by the General Manager (70% in 2001).
    - 16 complaints were resolved by involvement of the General Manager to the satisfaction of both parties. This involved the clarification of the situation only.
    - 33 complaints were conciliated by the General Manager in favour of the consumer.
    - 27 complaints were conciliated by the General Manager in favour of the broker.
    - One complaint was resolved by the General Manager as a compromise, where both parties shared the cost of the claim.
  - 13% were rejected by the General Manager (30% in 2001):
    - Five complaints were outside the scope of IBD due to the type of insurance involved.

- Five complaints were outside the scope of IBD due to the type of business involved.
- One complaint was outside the scope of IBD due to the claims limit.
- One complaint was based on unsupported verbal allegations only.
- Although IBD is unable to comment on unsupported verbal allegations, we are of the opinion that the broker, as the professional party arranging the insurance contract, should avoid conflicts based on verbal accusation by confirming in writing to the client all issues relating to the insurance contract.
- In these matters, IBD places a greater emphasis on the need for the broker to provide evidence as to what was discussed with the consumer, to be confirmed in writing at a later stage in an appropriate manner.

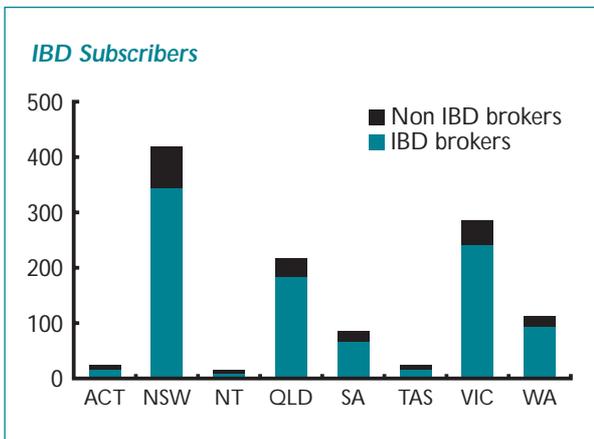
### 7.3.2 DETERMINED BY THE REFEREE

	2002	2001	2000	1999
<b>Resolved by Referee Total</b>	<b>31</b>	<b>32</b>	<b>22</b>	<b>14</b>
Resolved by Referee	1	0	7	0
Determined in favor of Consumer	8	13	2	7
Determined in favor of Broker	22	18	0	6
Determined as compromise	0	1	13	1
<b>Rejected by Referee Total</b>	<b>0</b>	<b>2</b>	<b>13</b>	<b>4</b>
Rejected by Referee (other reasons)	0	0	13	3
Rejected by Referee as verbal accusation only	0	2	0	1

- From the 31 matters referred to the Referee:
  - One was resolved by the Referee by clarifying the situation with both parties.
  - Eight were determined by the Referee in favour of the consumer.
  - 22 were determined by the Referee in favour of the broker.
  - No matter was rejected by the Referee.
- Details of all determinations are included in the publication of the summaries of all complaints.

## 8 PARTICIPATING INSURANCE BROKERS

	ACT	NSW	NT	QLD	SA	TAS	VIC	WA	TOTAL
<b>IBD brokers Total</b>	11	335	4	182	67	14	224	95	932
IBD brokers in % of total brokers in state	73%	79%	67%	87%	80%	88%	82%	83%	82%
General Insurance Brokers	11	316	4	177	63	12	215	88	886
Life Insurance Brokers		19		5	4	2	9	7	46
<b>Non IBD brokers Total</b>	4	88	2	28	17	2	48	20	209
Foreign Insurance Agents		5					3	1	9
General Insurance Brokers	1	30	2	12	4		13	2	64
Life Insurance Brokers	3	53		16	13	2	32	17	136



- 82% of all registered brokers subscribe to IBD. By comparison only 61% of all registered insurance brokers subscribed to IBD at the end of the inception year, 1996.
- The remaining brokers belong to other complaints facilities (ie FICS for life brokers), or do not deal in policies which require subscription to an external dispute facility (ie wholesale brokers and reinsurance brokers).
- ASIC is working closely with IBD to enforce requirements under the new Corporations Act 2001. Broker registrations will not be renewed unless satisfactory proof is provided that the applicant broker does comply.
- IBD has already noted a drop of over 5% of registered brokers since the 2003 renewal, mainly due to close of business or mergers.







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