



**Submission to the Review of the Financial
System External Dispute Resolution
Framework**

October 2016

About QBE

QBE is one of the few domestic Australian-based financial institutions to be operating globally, with operations in and revenue flowing from 37 countries. Listed on the ASX and headquartered in Sydney, stable organic growth and strategic acquisitions have seen QBE grow to become one of the world's top 20 general insurance and reinsurance companies, with a presence in all key global insurance markets.

As a global insurer, QBE believes that Australia must continually look to refresh its financial and regulatory systems to ensure the nation remains competitive with global financial markets, and attractive to investment.

As a member of the QBE Insurance Group, QBE Australia & New Zealand (**QBE**) operates primarily through an intermediated business model that provides all major lines of general insurance cover for personal and commercial risk throughout Australia.

Review of the financial system external dispute resolution framework

QBE welcomes the opportunity to respond to the Commonwealth Government's *Issues Paper: Review of the Financial System External Dispute Resolution Framework (Issues Paper)*.

QBE recognises that it is important for consumers to be treated fairly and for financial products and services to perform in the way consumers are led to believe they will. QBE also agrees with the principle stated in the Issues Paper that consumers should be expected to accept their financial decisions, including market losses, when they have been treated fairly.

QBE considers that the current dispute resolution scheme works well in most areas, and provides effective outcomes for a significant number of consumers.

QBE has participated in and supports the Insurance Council of Australia's submission in response to the Issues Paper. As such, our comments are limited to some additional suggested changes to improve scheme accessibility and efficacy.

For ease of reference our comments below are grouped in the same format as the questions in the Issues Paper.

Internal dispute resolution

QBE's internal dispute resolution processes are governed by the General Insurance Code of Practice (**Code**), which sets out our commitment to make information about complaint and internal dispute resolution (**IDR**) processes readily available.

In accordance with the Code, our internal processes are fair – allowing the consumer to put their case, transparent – providing reasons for decisions, and timely – requiring adherence to strict deadlines. The process allows consumers to have their complaint objectively reconsidered by a person who was not involved in the original decision, but who has the ability to review or source new information and consider the unique circumstances of each consumer.

QBE takes seriously its responsibility to address any complaints or disputes and to attempt to resolve these with consumers in an open and timely manner. For this reason we have invested in developing an accessible and effective IDR mechanism. Our best resource is our people – our highly trained dispute resolution specialists work closely with consumers and the broader business to achieve fair and just outcomes.

Our IDR processes and conduct are audited by the Financial Ombudsman Service (**FOS**), which provides its findings to the Code's Governance Committee. This ensures that there is a strong feedback loop between FOS and the general insurance industry, including in relation to repeat or systemic breaches which could impact upon multiple consumers.

In QBE's experience, consumers are able to escalate complaints from IDR to external dispute resolution (**EDR**) relatively easily. Where this occurs, well established processes and a shared secure portal exist to facilitate the transfer of information between QBE and FOS in a timely manner.

QBE notes that FOS can also provide information about complaint management avenues to consumers who contact them directly. In the context of considering how easy it is for consumers to escalate a complaint from IDR to EDR, we suggest this would be improved if EDR schemes clearly state their terms of reference so that consumers can quickly and easily identify the appropriate body to deal with their complaint.

Regulatory oversight of EDR schemes and complaints arrangements

QBE considers that the current level of regulatory oversight is adequate, however if the schemes are combined there could be benefit in consistent regulatory oversight.

Existing EDR schemes and complaints arrangements

The existing EDR arrangements have a number of positive features. This includes:

- an alignment between the FOS and the objectives of the Code,
- the opportunity to resolve complaints directly with insurers through IDR processes before proceeding to EDR,
- timely and cost-free services for consumers, and
- a feedback mechanism with the insurance industry which allows for the detection of particularly problematic or systemic issues.

The greatest challenge for an insurer is fully considering and resolving particularly complex complaints within the timeframes allowed while also meeting consumer expectations. Further difficulties have arisen since changes made in July 2015 which have resulted in consumers increasingly progressing complaints directly to FOS before or while IDR processes are underway. This can be inefficient and confusing for both consumers and insurers. QBE submits that the most appropriate complaints for FOS' consideration are those which have not been adequately resolved following IDR.

QBE considers that FOS' current monetary limits and resolution powers are appropriate. Larger complex complaints should be resolved through legal avenues where parties are subject to rules of evidence. FOS has suitable powers to negotiate, request information and propose recommendations. It is important to note that the current system is also weighted towards consumers, as FOS determinations are binding upon insurers, but not consumers.

The EDR schemes focus strongly upon facilitating negotiated resolution. Parties are provided with the same opportunity to submit information and accept recommendations prior to an ultimate determination. Differing outcomes can be a positive feature if it reflects the thorough objective consideration of the individual circumstances of a particular complaint. However, inconsistent outcomes without basis can negatively impact upon consumer expectations and fairness across the scheme. In our experience, cases like this are overwhelmingly the exception rather than the rule.

Increased complaint volumes have at times impacted upon the adequacy of resourcing to manage consumer complaints in a timely manner, and have made resource planning challenging. QBE considers that efficiency could be improved by encouraging consumers to raise their complaint through IDR processes before proceeding to EDR. This would free up resources for both insurers and the EDR scheme.

The existing reporting provides a valuable source of insight supporting industry and individual insurer continuous improvement. The exchange of this information with regulatory and governance bodies allows key themes and systemic issues to be identified. In terms of feedback on the performance of EDR schemes, an additional source of information could be surveys of consumers and insurers who have had contact with FOS.

Gaps and overlaps in existing EDR schemes and complaints arrangements

An advantage of the existing system is that each tribunal specialises in determining a specific set of complaints, encouraging subject matter expertise. It is possible however, that combining the different mechanisms could reduce consumer confusion, and encourage knowledge-sharing so that the best-practice elements of each scheme are shared.

Triage service

QBE also suggests that triaging complaints on the basis of the nature of the issue and the level of complexity involved could offer significant benefit for both consumers and industry participants. If such a mechanism increases efficiency, it may be able to be achieved within existing resources.

One body

QBE considers that the proposal to further integrate existing dispute resolution schemes may have merit. A combined scheme could streamline accessibility for consumers, and improve efficiency for industry participants. To be effective and reduce consumer confusion during the transition phase, any new model should leverage existing systems where possible and we would also suggest that areas of specialist knowledge be retained.

An additional forum for dispute resolution

QBE queries whether an additional forum would add value, or simply duplicate processes already in place, extend timeframes and complexity and increase administration costs. In the absence of evidence that the current dispute resolution system is fundamentally flawed, QBE submits that the focus should be on improving existing mechanisms.

Conclusion

QBE appreciates the opportunity to respond to the Issues Paper. As noted in our response, we consider that most aspects of the current scheme work well for both consumers and industry, and we encourage the Review Panel to retain those aspects. We recognise that there is always room for improvement, and that there could be merit in combining existing EDR processes, and effectively triaging complaints.

Please do not hesitate to contact Kate O'Loughlin, Head of Government Relations & Industry Affairs, on (02) 8275 9089 or at kate.oloughlin@qbe.com, if we can provide any further assistance.