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April 1, 2019

### **Insurance Claims Handling: Response to Consultation Paper**

Insurance is a contract offering the fundamental service of financial protection. It is built on the premise of 'Uberrima fides'. Utmost good faith must be practiced and applied especially in respect to the principal of indemnity. This means claims outcomes must be made in good faith.

Issues that arise in the handling of insurance claims are due to interpretations and opinions around policy wordings and how they should be applied. Whilst the general principals of insurance are well documented having been built over many years and through legal process there are still variances in how claims are administered. This is due to principals, practices and opinions based on the insurance knowledge within each organisation. The tone of the organisation tends to set the expectations amongst individuals that manage insurance claims. This is compounded by the fact that no two claims are ever the same, in part due to the individual circumstances of each claim. Then issues of education and experience of claims handlers also impacts on claim outcomes.

Some points for consideration with regards to claims handling are:

#### **Internal Dispute Resolution**

The current system for reviewing claims based on an organisations own resources is based on the principals of governance and good practice. When a claim is reviewed by an organisation the claim is looked at through a new and different set of eyes. That is someone that was not involved with the management of the claim. The person that reviews the claim has insurance, claims and dispute resolution knowledge with experience. This person is removed from the day to day claim and is independent. In principal this is correct in practice there is no mechanism to ensure

that claims are being reviewed and determined in accordance with the claim's circumstances and with utmost good faith. There is no transparent reporting of these decisions for decisions to be made based on claims management. Organisations do not report on how many claims are settled. There are no details on the number of claims referred to Internal Dispute Resolution or on the outcome of such reviews. There is no reporting on the number of claims sent to IDR for determination, number of claims determined in the positive, number of claims referred to AFCA. The main issue with the current process is that organisations can maintain their position in the knowledge a claim will be referred to AFCA. This is a disincentive for a claim to be reviewed, with the time line for a claim increased significantly. This needs to change

### **Independent Claim Resolution**

To ensure that a claim is reviewed in transparent manner and independently of an organisation a different mechanism needs to be established where claims can be centrally referred by any insurer to a qualified panel established by the Insurance Council of Australia, government representative and consumer representatives. The panel would have the power to make binding decisions within three (3) days, thereby remove internal and replaced with independent.

### **Report on Claims Management**

There is currently no reporting of claims in annual reports for buyers of insurance to make informed decisions about which organisations are leaders and which are followers. One of the buying decisions that needs to be considered is '*will my claim be treated appropriately*'. The purchase of insurance is on the assumption that a claim will be managed, paid and settled in a timely and positive manner. For a buyer to make such an informed decision organisations need to start reporting on the life cycle of claims in their annual reports for all to see and assess. This would include a time line of claim by class, value, numbers, postcodes, etcetera

### **Education and Experience**

The credentials and experience of claims handlers is based on the tasks being divided into many parts, from taking initial notification, to appointment of loss adjusters and settlement of claims. Their experience is based on the length of time that someone spends learning the processes. The more experience results in better claims management and greater knowledge of claims. This combined with insurance qualifications and tertiary education are the primary requirements for the management of claims. Career pathways are not created or defined and need addressing.

### **Claims Preparation**

Requiring organisations permission to seek assistance with the preparation of an insurance claim is contrary to resolving a claim in good faith. If the cover purchased has an option of choosing an expert of choice to assist with advice on the management of claims, then this decision must rest with the buyer. With regards to domestic insurance, claims preparation must be standard as part of the terms on offer. Domestic claims are just as complex and difficult as commercial claims. *'Mums and dads'* should be given all the support required to help them understand their obligations when making an insurance claim and seek out professional support. Claims preparation fees should be introduced into the domestic insurance market.

### **Loss Adjusting**

Organisations have arrangements with loss adjusters of choice to help and assist with claims. Loss adjusters are appointed by organisations to manage the relationship with buyers and have a responsibility to act independently with the terms of cover. Loss adjusters present information and seek instruction with direction from organisations. Loss adjusters are the *'eyes and ears'* of the organisation. In practice there needs to be a review of how loss adjusters are managed and instructed by organisations, to determine if claims outcomes are positive for a buyer

under the terms of cover. There also needs to be a delineation of the services offered by loss adjusters, as they branch out into auxiliary services like insurance surveys, risk management and claims preparation. If acting as a loss adjuster for an organisation then claims preparation services should not be offered to the same organisation to maintain 'true' independence. There must be clear separation between loss adjusting and claims preparation.

### **Contractor Management**

Organisations have panel of suppliers that are appointed direct to help manage claims and deliver various services. Management of suppliers is the responsibility of each organisation. This requires performance reviews and assessments to ensure that services are being delivered in a suitable manner and do not hinder the claims management process. Organisations do not report on the performance of their suppliers to determine the value add to the claim's management. Reporting of supplier performance should be considered.

### **Final Comments**

The claims management process is basically the same and has not changed significantly over time. It is a process with an outcome which needs to be managed and resourced adequately. There is a real need for people skills with an understanding on how to resolve claims efficiently and effectively. Tools and resources need to be matched so that the best outcome is achieved for the organisation without failing the buyer. Claims is the engine room of an organisations. Claims is about returning a buyer to their pre-loss position. Therefore, organisations need to align systems, practices and processes with resources to deliver the correct outcome for the buyer whilst maximising their position within the insurance industry.

A handwritten signature in black ink, appearing to be 'D. Angelo', written in a cursive style.