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QBE RESPONSE TO INSURANCE CLAIMS HANDLING CONSULTATION

QBE welcomes the opportunity to provide this response to Treasury's consultation paper on Insurance Claims Handling (**Consultation paper**).

We have participated in and support the general insurance industry submission by the Insurance Council of Australia (**ICA**). As such, we have not responded on the specific consultation questions but have limited our comments to key issues of principle.

QBE response

QBE supports action to implement recommendation 4.8 of the Financial Services Royal Commission (**FSRC**) which would bring insurance claims handling into the definition of 'financial service' and subject to oversight by the Australian Securities and Investments Commission (**ASIC**). We agree with the FSRC's findings that insurers should be obliged to handle claims efficiently, honestly and fairly.

We also support reforms that would allow appropriate regulatory action on conduct involved in the claims handling process, which ASIC has previously identified as a primary limitation caused by the claims handling exclusion from the definition of a "financial service". In particular, we acknowledge ASIC's view¹ that the same broad standards of conduct should apply to all parts of an insurer's business (including claims handling and settlement), including requirements for the insurer:

- To do all things necessary to ensure that it provides financial services efficiently honestly and fairly;
- To have in place adequate arrangements for the management of conflicts of interest that may arise in the provision of financial services; and
- To take reasonable steps to ensure that its representatives comply with the financial services law.

QBE is very concerned, however, that merely removing the insurance claims handling exclusion from Regulation 7.1.33 will inappropriately expose a wide array of claims handling processes and activities to regulation and financial advice and dealing obligations under chapter 7 of the Corporations Act 2001.

Treasury has identified these two main issues in its Consultation Paper (page 9). We agree that not only could some requirements be difficult to apply or create a significant compliance burden for insurers and third parties involved at various points in the claims handling supply chain, it would also create significant delays in processing claims and add significant costs. We envisage this could adversely affect insurance affordability for consumers without providing a substantive or practical benefit in return.

¹ ASIC, Report 498 - Life insurance claims: An industry review, October 2016, pp101-102

The ability for insurers to provide information and discuss options with the customer through the claims process is critical and operates to beneficially assist the customer. This means an insurer can act very quickly to support the customer to get back in the position they were in before the claims event. We are concerned that financial advice obligations may operate to prevent insurers effectively providing such support to customers, so they can make the necessary decisions to advance their claim.

Similarly, applying obligations under part 7.6 of the Corporations Act to suppliers engaged for the purpose of claims fulfilment (builders, restorers, smash repairers), will add significant cost and may lead to a lessening of supply and competition. These suppliers are often small businesses who are likely to withdraw their services if they become subject to these obligations. This would be particularly problematic for claims handling after catastrophic events. There are significant logistical and practical difficulties in handling and settling claims after major events and a reduction of supply will exacerbate this situation. In this context, we believe Treasury's suggested four-part definition of the activity of handling or settling an insurance claim (page 10) is cast too wide.

As outlined in the ICA's submission, to address these concerns, QBE strongly believes that:

- the current advice and dealing exemption for insurance must remain in place; and
- the definition of the activity of handling or settling an insurance claim as a financial service must delineate between claims decisioning and claims fulfilment in who would be covered so that the definition does not include any activities related to the fulfilment of a claim.

QBE also strongly supports the ICA's call for insurance claims handling reforms to be harmonised with other reforms now underway. With such a significant reform agenda facing the insurance sector, the goal should be, where possible, to avoid overlapping, inconsistent requirements that would only add to cost and complexity for the industry and consumers alike.

Conclusion

QBE welcomes the opportunity to contribute to the Treasury's Insurance Claims Handling consultation and would also welcome the opportunity for an industry roundtable with Treasury to discuss these complex issues.

For further information, please do not hesitate to contact me on (02) 8275 9089 or at kate.oloughlin@qbe.com.

Yours sincerely



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