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1 July 2009

The Secretariat
General Insurance Code of Practice Review

By email: secretariat@codeofpracticereview.com.au

Dear Mr Cornell

Review of the General Insurance Code of Practice

I refer to the abovementioned matter and am pleased to attach herewith CGU's submission for your consideration.

In CGU's view the Code has been successful in promoting high standards of professional and ethical behaviour within the general insurance industry.

While our submission suggests a number of technical improvements, we believe that overall, the Code has been working effectively and promotes better relations between insurers and their customers.

CGU looks forward to participating in the consultations which are planned to take place following the submission stage of this review.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Donna Walker', written over a horizontal line.

Donna Walker
General Manager Technical Services
CGU Insurance Ltd



CGU Insurance Limited

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Submission to the Review of the General Insurance Code of Practice

1 July 2009

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Part A - Introduction

1. CGU Insurance Limited

CGU is pleased to respond to the invitation made by the Insurance Council of Australia to make submissions in respect of the Review of the General Insurance Code of Practice.

CGU Insurance is one of Australia's leading general insurers and distributes its products through intermediaries and business partners.

CGU forms part of the Insurance Australia Group.

Overview of CGU

- One of Australia's largest intermediary-based general insurers.
- Heritage of over 140 years of serving Australians.
- State offices located in Adelaide, Brisbane, Launceston, Melbourne, Perth and Sydney. Major regional offices in Ballarat and Newcastle.
- Australia's largest regional and rural insurer.
- Australia's largest provider of workers' compensation services.
- Business partnerships with over 100 financial institutions and affinity groups.
- Network of 76 branches throughout metropolitan, regional and rural Australia.

Overall view of Code effectiveness

It is CGU's view that the Code has been successful in promoting high standards of professional and ethical behaviour within the general insurance industry. While this submission suggests a number of technical improvements, CGU believes that the Code has been demonstrated to be working very effectively. As a Code it should not be overly prescriptive; as a working document it is not. A measure of its success is the fact that it enables practical discretion within a strong operating framework.

CGU sees no basis to make wholesale changes to a document that has operated with demonstrated success, an assertion supported by the annual audits undertaken by the Financial Ombudsman Service (**FOS**).

It is clear from the statistics¹ that the current framework for claims handling and dispute resolution is working extremely effectively with the very small proportion of claims resulting in disputes (0.2%), and only 98 claims out of 303,056 (0.03%) in this period being referred to the Insurance Ombudsman Service (IOS).

Insurer	Total Policies	Total Claims	% Claims to Policies	Number of Disputes	% IDR Disputes to Claims	Number of Referrals to IOS	% IDR Disputes Referred to IOS	In Favour of Consumer	% IOS Referrals in Consumer Favour
CGU	1,528,527	303,056	19.8%	541	0.2%	98 (0.03%)	18.1%	21	21.4%

¹ Insurance Ombudsman Service 1 July 2007-30 June 2008 Annual Review, p17. These statistics are for personal lines contracts only.

It is CGU's view that the current regulatory framework as adopted in the Code is serving the industry and importantly the consumers very well. Therefore CGU will be highlighting in this submission a number of areas for consideration which CGU believes will assist in enhancing outcomes consistent with the Terms of Reference for the Code Review.

In preparing this submission CGU has considered whether the Code:

- Promotes better, more informed relations between insurers and their customers
- Improves consumer confidence in the general insurance industry
- Provides better mechanisms for the resolution of complaints and disputes between insurers and their customers
- Commits insurers and the professionals they rely upon to higher standards of customer service.

Part B - Key areas for consideration

1. Consistency between the Code and the FOS Terms of Reference

There needs to be greater alignment between the Code and the FOS Terms of Reference to eliminate inconsistencies that arise between the FOS Terms of Reference and the current Code. An example of such inconsistencies is the timeline for handling complaints and disputes.

2. Complaints handling procedures

- (a) Clause 6.3 of the Code needs to encompass the practical reality of situations in which contact cannot be made with the complainant/claimant. This clause needs to include a provision which states "... *and we have been able to make contact with you to agree reasonable alternative timeframes*". The provision would then go on to say "... *if we have been able to make contact with you and we cannot agree...*"
- (b) Clause 6.7 should be amended so that it reflects the fact that a claimant can report concerns to FOS only in cases in which the FOS has jurisdiction to hear a dispute.
- (c) Clause 6.8 - The 10 day reporting requirement in this clause is unrealistic if the insurer is seeking information from a claimant and the claimant has agreed to provide it but is delayed in doing so. For example, if a claimant in a disputed flood claim is seeking an independent hydrologist's report that may take months to obtain, it is impractical to require a 10 day update report. This clause should have a provision that enables variation upon agreement.

3. Code Definitions

There are presently no definitions in the Code for the terms '*Complaint*' and '*Dispute*'. These terms were defined under the previous General Insurance Terms of Reference. It is recommended that the Code be expanded to include a definition of a Complaint and a Dispute that mirrors the definitions in the old Terms of Reference.

A '*Complaint*' should be defined in the Code as "*an expression of dissatisfaction relating to a product or service conveyed to a Financial Service Provider together with a request that the Complaint be remedied by the Financial Service Provider*" (this being the same definition as used in the General Insurance Industry Terms of Reference). A '*Dispute*' should be defined as a "*claim dispute or a non-claim dispute*" (as used in the General Insurance Industry Terms of Reference).

4. Buying Insurance - Referral to other sources

Section 2 (Buying Insurance) Item 5, refers to *"where we cannot provide insurance cover"* and part b) states *"Refer to another insurer, FOS or NIBA"*.

It is our submission that this is drafted too narrowly and should encompass other organisations such as the Insurance Agents Association of Australia or another agent or broker.

5. Specific Exclusion of Professional Indemnity Insurance (including medical indemnity insurance)

We consider that clause 1.4 of the Code should be amended to exclude Professional Risks Insurance from the application of the Code. Professional Risks is in many respects analogous to Medical Indemnity in the sense that medical indemnity is professional indemnity for the medical profession.

While the regulatory regime is different, it is notable that Professional Indemnity is excluded from the provisions of the FOS Terms of Reference and logically should also be specifically excluded from the Code. The nature of complaints and disputes that arise under this class of insurance do not lend themselves to the normal complaint dispute resolution processes that apply to the other classes of general insurance.

Professional Indemnity insureds are frequently legally represented and the issues which arise in respect of indemnity, coverage, policy triggers and evidentiary burden involved in Professional Indemnity claims tend to lend themselves more towards an adversarial approach to resolution in which evidence is tested in a way that is inappropriate for Internal Dispute Resolution.