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Personal Submission Re: General Insurance Code of Practice Independent Review

Dear Code Review Panel

Thank you for the opportunity to make a submission. I do so as a member of the public, though for transparency I disclose that I am a Fellow of the Actuaries Institute and until late 2023 I was employed at a major Australian insurer. So, though my perspectives here reflect my experiences as an insurance consumer, they also reflect some knowledge and experience of the industry.

Insurers are obligated to act fairly and transparently towards customers. Paragraph 21 of the current Code covers this and other related requirements.

I claim, I hope without serious challenge, that a fair insurance quote is one that is based on accurate information. A quote could certainly be considered unfair if it is based on inaccurate information that a consumer cannot either see or correct. This would also not be transparent.

Paragraph 161 of the Code makes some attempt to tackle this issue directly by appearing to give consumers rights to information used to assess applications for insurance. I have found the limitations to this (especially paragraph 163(a)), and the lack of practical recourse to consumers who try to use these rights, make this section of the Code ineffective. After briefly outlining my own experiences that illustrate the problem, I will suggest alternate wording and operation of the Code to improve matters.

My experiences

As the owner of a relatively new home, I am unfortunately familiar with service challenges caused by inaccurate information. The world is apparently flummoxed when new addresses suddenly appear. I've experienced my house being plotted in the wrong suburb on google maps, never mind the wrong street. Sometimes my address has been entirely absent from databases, causing understandable angst for delivery drivers. My first electricity provider tried to tell me my house did not exist. When getting insurance quotes, I typically find that pre-filled answers to underwriting questions (a common practice today) are more often wrong than right. Inaccurate information is not necessarily unfair - merely irritating - so long as the right to discover the inaccuracy and supply the correct information exists.

Knowing that information about my house tends to be inaccurate, in recent years when getting quotes I have tried to obtain the information being relied on during a home insurance quote, by requesting it under paragraph 161 of the code. When attempting this, responses from insurers have generally been poor. They tend to fall into three categories:

1. Denial. 'We only use the data you provide directly, nothing else is used or inferred from (say) your address.' While I obviously can't be 100% sure this is incorrect, my knowledge of the industry tells me this is unlikely - reference data based on address is commonly used in pricing and underwriting.
2. Refusal. 'We don't have to provide this information, and we won't'. Often this includes claims that this information is 'proprietary' – an absurd suggestion which I discuss further below. My experience with complaints processes has shown me that the consumer has little power in this situation – again more on this later.
3. Heel-dragging. Often this begins with refusal, which then morphs into some semblance of cooperation as an attempt to resolve a formal complaint. This is slow and painful for all concerned and still ends with a lingering suspicion that some information was not disclosed.

Clearly this is unsatisfactory. I should be able to check that the information used to produce a quote was correct. Let me use a very specific example, to illustrate the situation is not just unsatisfactory, but absurd in the extreme.

The house I live in has a metal roof. I even know the exact type of metal - I signed off on the design. When getting a home insurance quote, many insurers ask what material your roof is made from. Others have claimed publicly they do not need to ask this question, as the information can be obtained from other sources. Noting my general experiences above, I have low confidence that such information from 'other sources' would be reliable. On some occasions when I've asked to see and check this information, I been told this information cannot be provided, as it is 'proprietary'. I agree, my roof is proprietary - to me, the owner! I'm not asking for information about how this influences prices, or detailed information about how the insurer links this fact to a risk assessment, or for a full database of roofs across the country. I'm not asking for some secret intellectual property, or for information that I don't, as the owner, already know. I'm merely looking to confirm that the singular basic fact about me being relied upon by the insurer is correct. The idea that an insurer cannot tell me what they think my own roof is made from, because they claim some special proprietary right to that information, is utterly absurd. It's my roof.

The Code: Problems and Solutions

Unfortunately, the current code is ambiguous regarding my rights to information about me and my house, in circumstances such as those outlined above. The Code says:

- Paragraph 161: "At your request, and subject to paragraph 163, we must give you — free of charge, access to any information that we relied on in assessing your application for insurance cover...."

- Paragraph 163: "...We may refuse to give you access to information in the following circumstances: a. where a law — for example, the Privacy Act 1988 — says we do not have to....;"

In combination this is ambiguous. Paragraph 161 suggests a general right to the sorts of information I would like to access, but paragraph 163 implies this right might be limited to information already available under the Privacy Act 1988. The language used is unusual, as the meaning of the Privacy act 'say[ing] we do not have to' appears to me to be open to interpretation. Generally, I've found that insurers have used this ambiguity to refuse to give me access to basic information about my property used to determine quoted prices, such as roofing material type.

The intent of the Code must be made clear, and this must support consumer information, informed decisions, and fairness. Simply: the data used to generate prices should be correct, and consumers should have the right to check it and (if necessary) correct it. This should not necessarily extend to model results based on that data, which I accept may be proprietary. For example, a bushfire model might be purchased by the insurer to help them assess bushfire risk. Consumers should not be given a general right to that third party proprietary model, but they should have the right to know any inputs provided to it (like the distance from the house being insured to the nearest piece of bushland, for example). Again, this would allow a consumer to validate basic facts being used in risk assessment, and request corrections for data which is not correct. So, if the intent of the Code is to grant a broader right to information than the Privacy Act 1988 requires by law (which I believe is the correct intent), then the ambiguity introduced by 163(a) should be removed. If the intent is only to support existing legal rights under the Privacy Act 1988, then paragraph 161 of the Code is arguably misleading to consumers and should be removed or amended.

In summary, I propose that paragraph 163(a) of the current Code of Practice be deleted, or else that the combination of 161 and 163 should be reviewed to provide improved clarity to consumers about their rights to information.

Secondly, my experience in seeking data about my house during quoting processes has shown me that code enforceability is extremely weak at the quote stage. In some of the experiences noted above, I have made complaints/reports to the Code Governance Committee (CGC) and to AFCA. This was a disappointing process:

- The CGC was uninterested in discussing my situation, and referred me to AFCA to try to resolve matters. When I suggested my situation may be representative of a broader, systemic issue, the response was unsatisfactory.
- Despite the referral above, AFCA claimed (in writing, to me) that it has no jurisdiction until a policy has been sold, and could not take any action. They referred me back to the CGC.
- Both parties continued to point fingers towards each other when this circularity was pointed out.

In combination, the points above demonstrate that large parts of the Code might be ignored by the industry, without consequence. If the information given to me was correct, it appears consumers have no practical recourse if insurers act in a manner inconsistent with the Code during the quoting process.

I propose that AFCA should be granted jurisdiction to investigate *any* alleged breaches of the Code for individual consumers, to ensure the core objectives of paragraph 21 are upheld across the whole insurance lifecycle. The Code should make this jurisdiction clear. Alternatively, the Code should provide a provision to the public to report alleged breaches of the Code which includes a process to investigate and resolve the individual customer's issue, which I have personally found the CGC has been uninterested in. If not AFCA, something else (outside of the courts) ought to be specified that gives consumers real recourse.

I hope the information provided is helpful to the review, and I am available to discuss my experiences and suggestions with the review panel if the panel wishes.

Yours Sincerely

Chris Dolman

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