



General Insurance Code of Practice Review 2024 – Phase 1

Submission by Uniting Vic.Tas.

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Introduction

Acknowledgements

This submission was written on the lands of the Wurundjeri people of the Kulin Nation. We work in solidarity with Aboriginal and Torres Strait Islander people as Australia's First Peoples and as the traditional owners and custodians of the lands and waters on which we all live and work. We recognise the continuing sovereignty of Aboriginal and Torres Strait Islander peoples over their lands and waters and their inalienable right to self-determination. We offer our respect to all Elders past and present.

Our experience

Uniting Vic.Tas (Uniting) is the principal community services organisation of the Uniting Church in Victoria and Tasmania. We are more than 3,500 employees and 1,700 volunteers delivering over programs and services across the full spectrum of community services, intervening early to help people avoid crisis, as well as supporting those who live life at the margins. Uniting also undertakes research into community needs and advocates for discourse and actions that aim to lessen disadvantage, poverty, and exclusion in the community. The following response to the 2024 General Insurance Code of Practice Review forms part of this advocacy on behalf of our clients.

Uniting has been actively involved in prior Code reviews, supporting the general insurance industry to develop relevant, effective standards for themselves and their distributors/suppliers which reflect the needs of our customers and the broader community. Our aim is to help support the industry to continue to meet the needs of all Australians, now and into the future.

We celebrate diversity and value the lived experience of people of every faith, ethnicity, age, disability, culture, language, gender identity, sex, and sexual orientation. We work alongside individuals and families that often present with complex health and social needs.

What type of services does Uniting Provide into the Community?

- Financial Counselling
- Family Violence
- CareRing
- Energy Support Programs
- Youth Services
- Advocacy for our clients and the broader community
- Social Enterprises
- Social Consulting
- Alcohol & other drugs
- Housing services

Please see [Uniting Vic.Tas | Community Services Organisation \(unitingvictas.org.au\)](https://unitingvictas.org.au) for full details

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Background

This submission has been prepared against a background of turbulent times for our community.

The predicted emerging effects of climate change are starting to affect large portions of the Australian community, with record fires and floods occurring since the last review of the General Insurance Code of Practice. The increasing cost of natural disasters (both in Australia and globally) has collided with the philosophical shift in pricing practices by general insurers (the introduction of individualised risk-based pricing) as data and technology has developed to enable this. Insurance pools in this context are no longer actively socialising risk across the community, the original purpose of general insurance. Instead, those who are deemed higher risk either cannot access general insurance or are being offered premiums that are unobtainable for lower- and middle-income Australian households.

Uniting, as many others have, has heard stories from their clients of insurance premiums for average homes in parts of Melbourne and Victoria being greater than \$60,000 p/a (if they include riverine flood).

Unfortunately, the changes in pricing practices are disproportionately affecting the parts of our community that Uniting services – those households who are on lower incomes. However more and more of Uniting's clients are also middle-income Australia as wage increases continue to lag the ongoing rising costs of living.

At the time of writing, domestic violence has once again been highlighted as an increasing social issue in Australia. Ongoing calls for the whole of community to come together to try and solve this insidious issue have been loud. In recent days an Expert Panel has been established by the Federal Government to conduct a rapid review of best-practice prevention approaches.

Uniting believes that all of society need to solve this problem, including businesses (as highlighted in the 2022 National Plan to End Violence against Women and Children 2022–2032). We have carefully considered current practices, lived experiences and available literature, as part of our response to the General Insurance Code of Practice Review and make various recommendations to the industry on how they could continue to play their role in solving this complex social issue.

Finally, as a community, historically high inflation and rapidly rising interest rates have caused a financial squeeze on Australian households, particularly affecting low to middle income earners.

This submission looks at **Stage 1** of the General Insurance Code of Practice Independent Review 2024 through this lens and aims to provide observations and recommendations that will support the Australian General Insurance industry to meet its social licence commitments now and into the future. Uniting recognises the importance of the risk transfer mechanisms that the general insurance industry provides to the community and the Australian economy more broadly. We wish to continue to support a flourishing, robust, equitable insurance industry to provide financial well-being and the associated lived benefits to all Australians. This is especially important given the increasing climate risk we are experiencing over the short to medium term. Without having access to general insurance products to manage their financial exposure to extreme weather, our clients and many others run the real risk of falling into poverty and potential homelessness.

Recommendations

Financial Hardship	
Excesses	<p>1. The Code should specifically state that excesses, where unaffordable, can be paid in small instalments – over a period of 12 months. Currently it is highlighted as a possible solution. This will allow the consumer to have access to a repair or replacement without having to accept a lower cash settlement, which would be insufficient to indemnify them and return them to the position they were in previously.</p>
Right of Subrogation	<p>2. Uniting supports codifying a requirement on insurers not to utilise their right of subrogation over a tenant where a potential liability has arisen from a Landlord Policy, unless malicious damage was involved.</p> <p>3. We would also like to see emphasis in this part of the Code put on economic abuse (as a subset of family violence), so perpetrators understand that they cannot use the insurer’s right of subrogation to create debt for the victim.</p> <p>4. The Code needs to make it clear that Section 10 applies to Lenders Mortgage Insurers (LMI) where they are signatories to the General Insurance Code of Practice.</p> <p>5. LMI insurers when exercising their right to subrogation, should inform the consumer about their rights under the Code of Practice regarding financial hardship and any support mechanisms they provide to vulnerable customers.</p>
Compliance of Third Party Debt Collectors with the Code Requirements	<p>6. A working group is established to develop a set of Third Party Debt Collection standards, taking a similar approach to the development of the Investigator standards.</p>
Premiums	<p>7. Where a customer is unable to meet instalment payments (i.e. have missed a payment), the insurer (or their agent) should proactively contact them stating options are available to them to help manage payments, as well as disclosing information about the National Debt Helpline and ASIC MoneySmart. This information could be prominently disclosed in the GI Code Section 56 notice.</p> <p>8. Options insurers can consider to help manage premiums and to try and ensure the customer has some insurance cover in place to include:</p> <ul style="list-style-type: none"> • Insurer reassessing the risk profile of the customer to see if there are ways the customer could reduce risk – leading to premium falls (often referred to as a health check), • Where the product continues to remain unaffordable for the customer the insurer to consider if there are other products that they offer which would meet the financial needs of the customer (in line with the Design and Distribution obligations and personal advice exemption contained within which enables this approach). For example, where a customer is unable to afford comprehensive motor insurance, the insurer could explain that they also offer third party motor insurance (which is a lot cheaper), and this will enable some protection

	<p>and may suit their current personal financial situation. For home insurances – insurers often offer different levels of protection (e.g., bronze, silver, gold), so they could reduce the level of cover to meet the financial needs of the customer.</p> <ul style="list-style-type: none"> • Waiving cancellation fees where charged. <p>Other options could include (depending on the flexibility of the insurer’s policy systems):</p> <ul style="list-style-type: none"> • Instalment payment waivers • Removing any fee charged for instalment payments • Enabling lumpy payments – so a customer could pay less one month or more the next to catch up.
<p>Short term financial hardship – v- long term</p>	<p>9. Ideally, insurers, as part of their licence should be required to provide product solutions for lower-income households, just as the Banking and the Superannuation sectors are required to. However, this maybe beyond the scope of a Code of Practice.</p>
<p>Instalment Payment Charges</p>	<p>10. Instalment contract charges should at minimum be capped. Ideally the cost would only reflect the cost of the transaction – however, it is recognised that there are opportunity costs from lack of investment of the premium income over the whole twelve-month period of the contract, therefore this could be also considered.</p> <p>11. Insurers should invest in understanding the risk factor attached to instalment payments (as identified by the ACCC) to allow them to charge in base premium rather than charging all customers. For example, the ACCC reported that two insurers showed that claims rates were higher for instalment contracts for working claims, but not for natural perils.</p> <p>12. Transparency – when charging more for instalment contracts, insurers should display both the annual and monthly (including the total year) premium on notices and this should also be disclosed to the customer, in the sales process (in all forms). It should not be up to the consumer to try and calculate this. Unfortunately, this is not done consistently across the sector today.</p> <p>13. To help lower-income households (and other households who have unaffordable annual premiums), all insurers should offer fortnightly payments as standard.</p> <p>14. The Code Governance Committee should collect and publish data regarding instalment rates from its members for consumer product lines as part of its Annual Report.</p>
<p>Urgent Financial Need</p>	<p>15. The Code is updated to make it clear that urgent financial need provisions apply to all retail insurances, both for households/individuals as well as small businesses. Alternatively, SME product issuers could include a small amount of parametric insurance (which is triggered by a natural disaster forcing closure of the business) in their SME property products, to help cover minor costs to enable small businesses to restart quickly post an event.</p>

Customer Vulnerability	
Family Violence	<ol style="list-style-type: none"> 1. The Family Violence Guidance should be revised to ensure that it reflects the latest understanding on how to prevent and support victims of family violence. 2. The Code Review should consider which sections of the Family Violence Guidance should now be codified.
Joint Policy Holders	<ol style="list-style-type: none"> 3. The General Insurance Code, under its updated Family Violence Guidance has a section explaining the rights of joint policy holders. This should include; <ul style="list-style-type: none"> • the right of access to the policy coverage whether or not they are named on the policy, including the ability to confirm that coverage for an asset is still in situ, or on renewal, if the policy has been renewed; • the right of access whether or not they had a financial or equitable interest in the policy, if they can demonstrate that they have suffered a pecuniary or economic loss.
Cancellations	<ol style="list-style-type: none"> 4. It is recommended that in the absence of gaining consent from both parties to cancel the policy the Guidance should state; <ul style="list-style-type: none"> • if a claim is made, the insurer should reinstate the policy and pay the claim. Any monies owed on the policy should be paid by the claimant. If the claimant is unable to pay the money owed or the excess or both, then the financial hardship provisions of the Code should apply; • If the policy has been cancelled in the above scenario and therefore no renewal was offered, and a claim is subsequently made by the innocent victim, the policy should be reinstated (similar to the protections of Section 58 of the Insurance Contracts Act), the policy should be paid for and then cover extended.
Unaware of Rights of Claim	<ol style="list-style-type: none"> 5. Where an insurer is aware that economic abuse may have occurred (such as records showing the removal of a joint policy holder from the policy), the insurer should conduct a Titles/PPSR search to ascertain whether another person has an interest and then contact them about their interest. This would enable the interests of the victim to be protected.
Financial Safety by Design Framework	<ol style="list-style-type: none"> 6. Under the Design and Distribution section of the General Insurance Code of Practice, the Code should state that insurers utilise the Framework across their organisations from product development, distribution systems, claims management and recoveries. Insurers look to reduce any potential weaponisation of their products and services by examining them through this lens.
Trauma Informed Practices	<ol style="list-style-type: none"> 7. Insurers to look at their process and systems through the lens of trauma informed practice, to ensure they do no harm, i.e. they do not re-traumatise or blame victims for their efforts to manage their traumatic reactions and they embrace a message of hope and optimism that recovery is possible. 8. All customer facing general insurance staff and agents, to receive a basic level of training in trauma informed practice. 9. Staff, who are responsible for product, process and system design receive a similar level of training, to enable them to

	<p>examine practices with the aim of reducing any potential re-traumatisation for customers/third parties.</p> <p>10. Insurance staff and their agents, who are exposed to severe trauma receive specialist training on an ongoing basis in resilience and self-care to help protect them from developing PTSD.</p>
Conduct of Others Clause	<p>11. We are encouraged to hear that three major insurers in Australia are now adopting conduct of others clauses in their consumer contracts. Uniting supports, if appropriate, the Code being utilised to require the whole industry to adopt this or a similar approach.</p>
Scams	<p>12. Insurers to proactively publicise known scams, especially after natural disasters where people are traumatised and their ability to act rationally or cautiously is diminished.</p> <p>13. Insurers to have an obligation on them, to work with support agencies, regulators and local media to promote messaging through the community to make people aware of the scams occurring.</p> <p>14. Insurers to include scam warnings on claims lodgement notices.</p> <p>15. When insurers become aware of scams occurring, ICA to inform the ABA and COBA so financiers are able to communicate with consumers and build suitable risk mitigation processes.</p>
Provision of Support to Vulnerable Customers	<p>16. The ICA should develop a minimum standard (based on ISO 222458:2022) with support agencies such as Uniting, which is flexible in recognition of the varying insurer business models (e.g. direct/intermediated) and customer bases.</p> <p>17. This should include support for customers who have health issues, including mental health, access issues (including digital exclusion), CALD, family violence, financial hardship, and homelessness.</p>
Discrimination	<p>18. The Code should contain a section relating specifically to discrimination, explaining how the industry legally discriminates, including the link between risk (and subsequent pricing) and the discrimination (the holding of actuarial and statistical data to demonstrate how certain individual characteristics change a risk profile).</p> <p>19. The Discrimination Part of the Code should contain a set of Data Ethics Principles, including the adoption of "AI and discrimination in insurance pricing and underwriting 2022" Guidelines.</p> <p>20. Insurers should publish these Principles on their websites and demonstrate how they meet them in the day-to-day data management of their own businesses.</p>
LGBTIAQ+	<p>21. The discrimination section of the Code to be updated to recognise that it is illegal to discriminate against someone as a result of their gender identity, unless there is a true reason based on fact, such as strong actuarial or statistical data relating to potential risk. This will give confidence to all consumers, regardless of gender identity that the general insurance industry is discriminating appropriately, including within pricing practices for certain classes of insurance, such as motor.</p>

Transparency	<p>22. Insurers should publish all customer support policies in an easily accessible manner on their websites.</p> <p>23. Written and verbal communications should refer to the support policies and services in place and encourage customers to utilise them if needed.</p>
Claims	
Delayed Settlement of Claims	<p>1. The Code should contain a provision that if the insurer has not made a decision within 12 months, then the claim should be accepted in full. As per current Section 78, it is recognised that some exclusions would need to exist in this instance, for example the matter was before a court or at AFCA. If this recommendation was implemented, it would go a long way to rebuilding trust in the insurance industry.</p>
Cash Settlements	<p>2. The insurer will inform the claimant when a cash settlement is made for a building claim if the settlement is insufficient. For example: when additional damage is discovered the insured should contact the insurer and the insurer will reopen the claims file.</p> <p>3. Where an insured person accepts a cash settlement for a building claim, a 15% contingency for the transfer of risk should be included (AFCA already requires this typically and some insurers already do so).</p> <p>4. All cash settlements will be based (where possible) on at least two actionable quotes.</p>

Response to Consultation Questions

2.1 Financial Hardship

Uniting recognises and supports the current Financial Hardship provisions in the General Insurance Code of Practice. These have been developed over the years, as insurers have recognised that their actions when using their right of subrogation can lead to catastrophic financial outcomes for the uninsured parts of our community.

Excesses

There appears to be an ongoing misunderstanding of Section 54 of the Insurance Contracts Act 1984 and its application to excesses. This issue was recently highlighted again in an AFCA Determination, where the insurer had refused access to the applicable contractual indemnity for non-payment of an excess. Codifying the fact that access to a claim cannot be denied for nonpayment of an excess with the available remedy for the insurer, would help create a consistent approach across the sector.

Unfortunately, excesses continue to rise, as consumers try to manage their budgets and insurers their balance sheets.

For our clients they often do not have the means to fill the “excess gap” leading to a reduction in financial wellbeing and for some, it forces them into poverty. This issue is highlighted by the increasing uptake of Good Shepherd’s No Interest Loans (NILS) to pay excess (in particular car insurance excess). Unfortunately, we have no quantitative data available regarding how many consumers are using Pay Day Loans or other short term finance options to pay for excesses, but anecdotally we are hearing that this is the case.

Recommendation

1. The Code should specifically state that excesses, where unaffordable, can be paid in small instalments over a period of 12 months. This will allow the consumer to have access to a repair or replacement without having to accept a lower cash settlement, which would be insufficient to indemnify them and return them to their previous position.

Right of Subrogation

Landlord Insurances - Subrogation

In 2021, insurers collectively understood the futility of trying to recover potential monies owed from tenants (mainly on low/middle incomes in rental properties).

Uniting has worked with insurers over the years to help them understand the cost-vs-benefit of chasing people for money who are unable to pay, whether because they are “judgement proof” or do not have a high enough income to repay potential debt owed under the right of subrogation. Results have shown consistently that it is a costly exercise with little or no return, often creating unnecessary psychological and financial stress on the tenant.

Recommendation

2. Uniting supports codifying a requirement on insurers not to utilise their right of subrogation over a tenant where a potential liability has arisen from a Landlord Policy unless malicious damage was involved.
3. We would also like to see emphasis in this part of the Code put on economic abuse (as a subset of family violence), so perpetrators understand that they cannot use the insurer's right of subrogation to create debt for the victim.

Lenders Mortgage Insurance

In recent times it has been highlighted that some LMI insurers have been exercising their right of subrogation against consumers where their lender has made a claim against their insurance policy.

Uniting is concerned that as borrowers deplete any surplus savings in loan offset accounts, due to interest rate rises and inflation, more mortgage defaults will occur and mortgagors will need to exercise their right to foreclosure. The mortgagor can then potentially make a claim against the LMI policy for any outstanding monies once the property is sold.

Recommendations

4. The Code needs to make it clear that Section 10 applies to Lenders Mortgage Insurers where they are signatories to the General Insurance Code of Practice.
5. LMI insurers when exercising their right to subrogation, should inform the consumer about their rights under the Code of Practice regarding financial hardship and any support mechanisms they provide to vulnerable customers.

How to Strengthen the Compliance of Third Party Debt Collectors with the Code Requirements

Under the General Insurance Code of Practice, third party debt collectors are identified as service suppliers and the Code Subscriber is responsible for ensuring their ongoing compliance with their Code obligations, including those related to financial hardship and family violence.

The 2020 Code added a section Claims Investigation Standards, in response to feedback from advocates and regulators (and others) that some insurance investigators were causing harm to consumers. This section was developed in conjunction with investigators, ASIC, advocates and the general insurance industry.

A similar approach could be taken to help Third Party Debt Collectors understand their obligations, in spirit as well as in practice.

Our understanding is that since the Investigator Standards were introduced, there has been a high level of compliance by the industry.

Recommendation

6. A working group is established to develop a set of Third-Party Debt Collection standards, taking a similar approach to the development of the Investigator Standards.

Premiums

Uniting recognises that this is a difficult area for insurers. To maintain financial stability insurers need to be able to predict premiums received into their pool. However, our view is that some premium is better than none at all for the insurer and a consumer being uninsured (potentially leading to severe financial hardship).

Recommendations

7. Where a customer is unable to meet instalment payments (i.e. have missed a payment), the insurer (or their agent) should proactively contact them stating options are available to them to help manage payments, as well as informing the customer that support is available through the National Debt Helpline and ASIC MoneySmart website. This information could be prominently disclosed in the GI Code Section 56 notice.
8. Options insurers can consider to help manage premiums and to try and ensure the customer has some insurance cover in place to include:
 - Insurer reassessing the risk profile of the customer to see if there are ways the customer could reduce it – leading to premium falls (often referred to as a health check),
 - Where the product continues to remain unaffordable for the customer the insurer to consider if there are other products that they offer that would meet the financial needs of the customer (in line with the Design and Distribution obligations and personal advice exemption contained within which enables this approach). For example, where a customer is unable to afford comprehensive motor insurance, the insurer could explain that they also offer third party motor insurance (which is a lot cheaper), and this will enable some protection and may suit the customers current personal financial situation. For home insurances – insurers often offer different levels of protection (e.g. bronze, silver, gold), so they can reduce the level of cover to meet the financial needs of the customer.
 - Waiving cancellation fees where charged.

Other options include (depending on the flexibility of the insurer's policy systems):

- Instalment payment waivers
- Removing any fee charged for instalment payments
- Enabling lumpy payments – so a customer can pay less one month or more the next to catch up.

Short term vs long term financial hardship

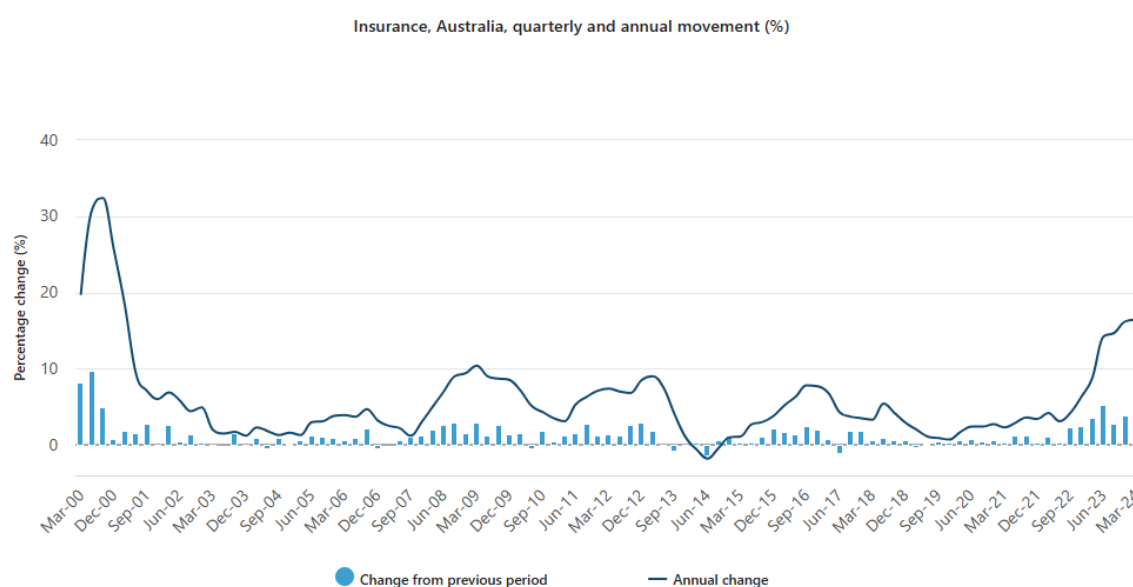
The reality for our clients who are in long term financial hardship is they cannot afford insurance from the majority of the market. Other than Essentials by AAI (AAI Ltd), there are no known products on the market in Australia that are designed for and aimed at low-income households.

Recommendation

9. Insurers, as part of their licence should be required to provide product solutions for lower-income households, just as the Banking and the Superannuation sectors are required to do. We recommend that the Insurance Council of Australia Board incorporate product solutions for income households into the Code of Practice.

Instalment Payment Charges

In 2020 the ACCC looked at the issue of charging for instalment payments by insurers¹. Their analysis showed that between 2017-18, 56 percent of households were paying in instalments in Northern Australia and 49 percent nationally. Since this point, we have experienced a high inflationary environment (post COVID) – insurance premiums being a major contributor to this, increasing interest rates and slow-moving wages.



Source: Australian Bureau of Statistics, Consumer Price Index, Australia March Quarter 2024

Although current instalment payments rates are unknown, given the known ongoing stress on household budgets it is assumed these rates will be closer to sixty percent today.

However, as premiums rise and household expenditure continues to increase beyond wage/income increases, many consumers do not have the financial capacity to pay large premiums in one go. Therefore, they turn to other methods, including paying in instalments. Paying incrementally for a product or service is now normal, whether it's the repayment of a loan, subscription fees for a streaming service, CTP insurances or vehicle registration.

Some insurers currently charge a percentage fee for their instalment contracts, the higher the actual premium is, the more a customer pays. Lower income earners tend to live in higher risk areas in poorer quality housing, so they are often charged substantially more for their base premium (for both vehicle and home). It is ironic, that these consumers then pay more again as the instalment payment percentage is added to make payment of the insurance affordable. These consumers are the least equipped in our community to bear these additional costs. Insurers are indirectly discriminating against customers based on their income. This is known as a poverty premium - the poorer you are the more you pay. For more information on this issue, please see The Poverty Premium – the high cost of

poverty in Australia 2023 - Anglicare Australiaⁱⁱ. If we as a community are going to solve the intractable problem of long-term poverty in our community, these types of practices need to cease.

Recommendations

10. Instalment contract charges should at minimum be capped. Ideally the cost would only reflect the cost of the transaction – however, it is recognised that there are opportunity costs from lack of investment of the premium income over the whole twelve-month period of the contract, therefore this could be also taken into account.
11. Insurers should invest in understanding the risk factor attached to instalment payments (as identified by the ACCCⁱⁱⁱ) to allow them to charge in base premium rather than charging all customers. For example, the ACCC reported that two insurers showed that claims rates were higher for instalment contracts for working claims, but not for natural perils.
12. Transparency – when charging more for instalment contracts, insurers should display both the annual and monthly (including the total year) premium on notices and this should also be disclosed to the customer, in the sales process (in all forms). It should not be up to the consumer to try and calculate this. Unfortunately, this is not done consistently across the sector today.
13. To help lower income households (and other households who have unaffordable annual premiums), all insurers should offer fortnightly payments as standard.
14. The Code Governance Committee should collect and publish data regarding instalment rates from its members for consumer product lines as part of its Annual Report.

Urgent Financial Need

Section 64(b) provides for the forwarding of monies to retail claimants who are in urgent financial need. Our experience is that insurers are good at providing funds early to householders. However, this does not appear to be the case for small businesses. This issue was raised initially by a report published by The Thriving Communities Partnership in 2020^{iv} and more recently has been an issue highlighted in the Standing Committee of Economics Inquiry into insurers' responses to 2022 major flood claims by small business owners.

Small businesses are often the economic backbone for regional communities. They provide employment and supplies into those communities. If open post event, they provide financial support via the payment of local wages and can support local recovery by providing much needed supplies to the community. As highlighted by one business owner in the Northern Rivers, he would have been able to reopen his shop with a small cash injection from his insurer to fix up the worst of the damage, and then supply in his case, carpeting to local households. Instead, he remained closed, and carpeting was supplied by businesses outside of the affected area, bringing no economic benefit to the local community.

Uniting appreciates that often small businesses do not have riverine flood cover, probably acting as a disincentive to the insurer to provide funds when they may partially or wholly deny the claim.

However this issue could be over ridden by insurers providing a small amount of parametric insurance within their SME property products to enable minor repairs (for example \$10,000).

Recommendation

15. The Code is updated to make it clear that urgent financial need provisions apply to all retail insurances, both for households/individuals as well as small businesses.
16. Alternatively, SME product issuers could include a small amount of parametric insurance (which is triggered by a natural disaster forcing closure of the business) in their SME property products, to help cover minor costs to enable small businesses to restart quickly post an event.

2.2 Customer Vulnerability

Family Violence

Reported domestic violence incidents in Australia have risen again this year. As at April 23, 2024, 25 women have died from gender-based violence, 11 more than last year.

However, these reports are seen as the tip of the iceberg as a large number of domestic violence incidents go unreported. Additionally, the understanding of the form of violence known as economic abuse and coercive control, is still in its infancy.

Uniting provides services directly into the community to support people experiencing family violence, which are currently, like many of these types of services, oversubscribed. Additionally, Uniting provides a referral service known as CareRing to organisations and their customers and others (such as third parties in the insurance context), who may be experiencing complex vulnerabilities. CareRing utilises a case management approach to help individuals understand their needs and the support that is available to them, such as financial counselling, housing, emergency relief and family violence services. CareRing provides services directly to the customer, such as financial counselling, social services and family violence services, or referral services where other types of services are required such as legal aid. Often multiple services are required, for example, in matters of family violence it is common for clients to need access to legal aid, financial counselling, safe accommodation and social workers.

CareRing is utilised across sectors, such as insurance, banking, energy and water.

Family Violence Guidance

Uniting supports the Family Violence Guidance attached to the General Insurance Code of Practice 2020. However, Uniting recommends that the Guidance should be revisited, to ensure it remains contemporary (it was last updated in 2018), as we learn together how to prevent family violence and identify and respond to people who are experiencing it. For example, insurers should be taking into consideration how general insurance products are weaponised by perpetrators of family violence and what measures insurers and their agents can take to prevent this from occurring.

As insurers will have had a substantial period to implement the Guidance, the Review should consider codifying elements of the Guidance. Sections include:

- Section 16 – the safety of the victim/s is paramount and insurers and their agents' processes and systems will not put others at risk. This includes customer information held on Apps and via internet accounts that may identify a victim's whereabouts;

- Section 27 – 33 – including but not limited to having flags within systems that identify family violence, hiding addresses from staff and others where the victim is living in crisis/alternative accommodation to prevent inadvertent disclosure to the perpetrator;
- Section 44-47 - not referring or selling debt onto third-party debt collection agencies where family violence has been identified.

Recommendations

1. The Family Violence Guidance should be revised to ensure that it reflects the latest understanding on how to prevent and support victims of family violence.
2. The Code Review should consider which sections of the Family Violence Guidance should now be codified.

Joint Policy Holders

It is common practice for retail insurances to be sold as joint policies, rather than composite policies. Insurers then via the construct of the insurance contract, enable the action of one policy holder to be taken as the action of both, such as buying, updating or cancelling a policy. Whilst this is efficient and provides good customer experiences for most insureds, it also allows for the insurance to be weaponised. The Centre for Women’s Economic Safety Discussion Paper - reimagining general insurance products to improve financial safety and lived experience by clients – highlights via consumer lived experiences how this occurs. The stories within the report reflect Uniting’s own client experiences.

Removing a policy holder from a policy

Consumers remove insureds from policies during the policy period for many legitimate reasons. However, for some, they are maliciously removed in an attempt to economically abuse the other policy holder. Consequences include:

- Insurers refusing access to information about the insurance policy (including confirming that it still is current) to the unnamed policy holder, which can be very problematic;
- Being unable to lodge a claim under the policy where they have suffered a loss due to damage to the property as they were not named;
- The other policy holder refusing access to the cover, whether they or another caused the damage to the property.

Although the Insurance Contracts Act provides some protections, for example Section 20, “Persons benefited need not be named”, it appears the Act and its potential application in these instances is not consistent across the industry.

Recommendations

It is recommended that:

3. The General Insurance Code, under its updated Family Violence Guidance has a section explaining the rights of joint policy holders. This should include;
 - the right of access to the policy coverage whether or not they are named on the policy, including the ability to confirm that coverage for an asset is still in situ, or on renewal, if the policy has been renewed;

- the right of access whether or not they had a financial or equitable interest in the policy, if they can demonstrate that they have suffered a pecuniary or economic loss.

Cancellation

It is well understood that perpetrators of family violence weaponise general insurance by cancelling a policy and then deliberately destroying/damaging the insured asset to cause financial harm to the victim. Insurers do not always gain the consent of both policy holders to cancel the policy, leaving the other policyholder inadvertently uninsured.

Another known practice is for the perpetrator, when paying in instalments for a policy to cancel the payments, allowing the policy to eventually lapse without the knowledge of the other policy holder.

Recommendations

4. It is recommended that in the absence of gaining consent from both parties to cancel the policy the Guidance should state;
 - if a claim is made, the insurer should reinstate the policy and pay the claim. Any monies owed on the policy should be paid by the claimant. If the claimant is unable to pay the money owed or the excess or both, then the financial hardship provisions of the Code should apply;
 - If the policy has been cancelled in the above scenario and therefore no renewal was offered, and a claim is subsequently made by the innocent victim, the policy should be reinstated (similar to the protections of Section 58 of the Insurance Contracts Act), the policy should be paid for and then cover extended.

Unaware of Rights to Claim

One area that is problematic is where the victim is unaware of their rights to claim. Section 49 (3) of the Insurance Contracts Act allows for another with an interest in the property to give notice in writing within 3 months of their interest, enabling them to access the indemnity.

Recommendation

5. Where an insurer is aware that economic abuse may have occurred (such as records showing the removal of a joint policy holder from the policy), the insurer should conduct a Titles/PPSR search to ascertain whether another person has an interest and then contact them about their interest. This would enable the interests of the victim to be protected.

Financial Safety by Design Framework

Uniting supports the use of the Financial Safety by Design Framework^v, highlighted in the Centre for Women's Economic Safety paper Designed to Disrupt.

Recommendation

6. Under the Design and Distribution section of the General Insurance Code of Practice, the Code should state that insurers utilise the Framework across their organisations from product development, distribution systems, claims management and recoveries.

Insurers look to reduce any potential weaponisation of their products and services by examining them through this lens.

Trauma Informed Practices

Recently, there has been an ongoing discussion about the development and use of trauma informed practice across many industries and services. For the general insurance sector this has been a focus of the Standing Committee of Economics Inquiry into insurers' responses to 2022 major flood claims. Non utilisation of this framework in insurers has been seen as a potential gap when their staff and agents are responding and communicating with customers who have lived through a devastating experience. It is now recognised that trauma is a major public health problem, but across systems it is often unrecognised, unacknowledged, and unaddressed. This can lead to re-traumatisation of the affected party, potentially worsening their mental health.

Insurance staff and their agents can also suffer from trauma, often manifesting as PTSD, from being party to ongoing traumatic events and accidents that their customers experience. Uniting recognises this and provides access to training through its Enterprise Partnerships team that builds the capability of organisations to recognise and respond to vicarious trauma within the workforce.

Recommendations

7. Insurers to look at their process and systems through the lens of trauma informed practice, to ensure they do no harm, i.e., they do not re-traumatise or blame victims for their situations, and they embrace a message of hope and optimism that recovery is possible.
8. All customer facing general insurance staff and agents, to receive a basic level of training in trauma informed practice.
9. Staff, who are responsible for product, process and system design receive a similar level of training, to enable them to examine practices with the aim of reducing any potential re-traumatisation for customers/third parties.
10. Insurance staff and their agents, who are exposed to severe trauma receive specialist training on an ongoing basis to reduce their risk of vicarious trauma.

Conduct of Others Clauses

Uniting encourages all insurers to consider updating their retail policies with a "conduct of others" clause.

The conduct of others clause allows for property damage because of family violence (and other issues such as mental health) to be paid within the policy, rather than via an ex-gratia payment, avoiding a decline being on the consumer's record. This is very important, declined claims can often cause future detriment e.g., due to underwriting practices it can be difficult to find insurance leading to financial exclusion.

Recommendation

11. We are encouraged to hear that three major insurers in Australia are now adopting conduct of others clauses in their consumer contracts. Uniting supports, if appropriate, the Code being utilised to require the whole industry to adopt this or a similar approach.

Scams

The Australian community lost approximately \$2.74 billion in 2023^{vi} to scams. Although reported losses in Quarter 1 2024 have fallen, which is good news, insurance claimants can be particularly vulnerable to scams post a claim, especially if the event is traumatic.

Known scams that involve the insurance sector

Third Party Agents – Post Covid the rise of third-party agents has increased dramatically. Once mainly targeting uninsured not at fault drivers, more recently, there has been a rise in those targeting all drivers, including those who are insured. This has included the creation of websites purporting to be the insurer, as well as the transposition of electronic signatures across contracts – both practices being clearly illegal.

Storm Chasers – the tightening of licensing requirements for claims handling appears to have led to a fall in this practice.

Use of Texts – non insurers sending text messages to claimants instructing them to click here to pay their excess, even promising to fast track their claim if they do.

Man-in-the-Middle Attack – interception of emails resulting in the insurer being given the criminals details for an insurance payment, rather than the claimant.

Recommendations

12. Insurers to proactively publicise known scams, especially after natural disasters where people are traumatised and their ability to act rationally or cautiously is diminished.
13. Insurers to have an obligation on them to work with support agencies, regulators and local media to promote messaging through the community to make people aware of the scams occurring.
14. Insurers to include scam warnings on claims lodgement notices.
15. When insurers become aware of scams occurring, ICA to inform the ABA and COBA so financiers can communicate with consumers and build suitable risk mitigation processes.

Provision of Support to Vulnerable Customers

The CGC and the Inquiry have shown that the level of support provided to consumers by insurers varies between companies. Uniting recognises that smaller insurers may not have the resources available within their businesses to provide sophisticated support services. Additionally, some insurers depend on Agencies and Brokers to distribute their products and services which adds complexity.

Recommendation

16. The ICA should develop a minimum standard (based on ISO 222458:2022) in conjunction with support agencies such as Uniting, which is flexible in recognition of the varying business models (e.g., direct/intermediated) and customer bases of insurers.
17. This should include support for customers who have health issues, including mental health, access issues (including digital exclusion), CALD, family violence, alcohol and other drugs, financial hardship, and homelessness.

Discrimination

Since the development of the 2020 General Insurance Code of Practice, discrimination has become a focus of consumers and governments globally. Whether it's considering inappropriate discrimination caused by bias in algorithms, discrimination regarding protected attributes such as gender, sexuality, work (e.g., sex workers) or race, as well as inappropriate discrimination regarding health attributes.

Although the current Code refers to specific forms of discrimination such as mental health, to build consumer trust and confidence that the insurance industry is not inadvertently breaching anti-discrimination laws, a broader approach needs to be taken. The Code should contain a section relating specifically to discrimination, explaining how the industry legally discriminates, including the link between risk (and subsequent pricing) and the discrimination (the holding of actuarial and statistical data to demonstrate how certain individual characteristics change a risk profile).

Recommendation

18. The Code should contain a section relating specifically to discrimination, explaining how the industry legally discriminates, including the link between risk (and subsequent pricing) and the discrimination (the holding of actuarial and statistical data to demonstrate how certain individual characteristics change a risk profile).

Artificial Intelligence and Machine Learning

The use of Artificial Intelligence (AI) and machine learning has exploded since the development of the 2020 General Insurance Code of Practice. It is used across the insurance value chain, from pricing algorithms to the denial or acceptance of claims. Although this development is exciting for consumers and the broader community and should bring many benefits, there are also risks.

In 2022 the Actuaries Institute and the Australian Human Rights Commission (AHRC) released a guide to help insurers and actuaries comply with the federal anti-discrimination legislation when using AI in pricing and underwriting insurance products^{vii}.

The guidance resource was developed after a 2021 report by the AHRC that looked at the human rights impacts of new and emerging technologies. One of the recommendations in the report was a set of guidelines for government and non-government organisations on complying with federal anti-discrimination laws when AI is used for decision making.

To give the community confidence that Australian Insurers are pricing risk and managing claims without inappropriate bias, and using their personal data appropriately, it is recommended at the very minimum insurers adopt the Guidance and ensure that their own algorithms do not inadvertently discriminate illegally. This includes discriminating/pricing on the basis of family characteristics, income, cultural background, age, gender, sexuality, education, health (where not part of the cover of the policy), employment etc. where it's not warranted or legal.

One way to communicate this position to the community is for insurers to develop and publish their Data Ethics Principles. The Code could contain high level principles for insurers to utilise and adapt to their own business models to demonstrate the community how insurers collect and use data ethically.

By demonstration, the below is a series of high-level principles, provided as an example from Harvard Business School.^{viii}

- Ownership: Individuals have ownership over their personal information and can decide how it is used.
- Transparency: Data subjects have a right to know how their data is collected, stored, and used, and for what purpose.
- Privacy: Data subjects' privacy should be protected and respected, and data should be secured and anonymised.
- Intention: Data should be used for good and not for harm, and data subjects should be informed of the potential risks and benefits of data processing.
- Outcomes: Data should be used to improve the well-being of people and society, and data subjects should be able to access and correct their data if needed.

Recommendation

19. The Discrimination Part of the Code should contain a set of Data Ethics Principles, including the adoption of "AI and discrimination in insurance pricing and underwriting 2022" Guidelines.
20. Insurers should publish these Principles on their websites and demonstrate how they meet them in the day-to-day data management within their own businesses.

LGBTIAQ+

Since the release of Choice's Report^{ix} - Transgender People facing 'unacceptable discrimination from insurance industry', Uniting is aware insurers have taken commendable actions to reduce forms of illegal discrimination. This includes expanding pricing practices to recognise a person's true gender, ongoing training programs for staff to understand gender identification and what this means, as well as the providing appropriate respectful salutations in communications.

Recommendation

21. The discrimination section of the Code to be updated to recognise that it is illegal to discriminate against someone as a result of their gender identity, unless there is a reason based on fact, such as strong actuarial or statistical data relating to potential risk. This will give confidence to all consumers, regardless of gender identity that the general insurance industry is discriminating appropriately, including within pricing practices for certain classes of insurance, such as motor.

Transparency

With the wave of natural disasters, consumers are realising that understanding their own insurance policies is very important. However, the information provided by insurers in consumer facing documents including product disclosure statements, notices, and websites (including the frequently asked questions page) is complex and lacks readability for many consumers.

The Code currently requires insurers to 'take reasonable steps' to ensure customer communications are in plain language. We recommend that code consider taking a more prescriptive approach to describing the information, documents and circumstances requiring plain language than it currently does.

The Code already requires Family Violence and Financial Hardship policies to be published.

As general insurers experience and knowledge has grown, the Code should now require the complete suite of insurer's Customer Policies that relate to vulnerability be published.

To inform customers of the support services available, all written and verbal communications should refer to the support policies in place and encourage customers to use them. This must be done in a way that does not stigmatise the consumer.

Additionally, information regarding support policies and practices should be published on the insurer brand's internet home page.

Recommendation

22. Consumer facing documents to adopt the principles of plain language to improve readability. This includes customer communications, product disclosure statements, support policies and website content.
23. Insurers should publish all customer support policies in an easily accessible manner on their websites.
24. Written and verbal communications should refer to the support policies and services in place and encourage customers to utilise them if needed.

3.5 Claims

Delayed Settlement of Claims

The 2022/23 floods have seen insurers struggle to meet their obligations to their customer, under their insurance contract. It is recognised that external factors, beyond the control of the industry, led to some of the issues, such as a shortage of materials and resources. However, other causes that have been recognised include lack of appropriate resources inside the insurer and lack of claims discipline.

As we have heard throughout the Standing Economics Committee Inquiry into insurer's response to 2022 major flood claims, over seven thousand claims have yet to be resolved and are still open. Stories of families being homeless as a result, more than two years on, have been a constant theme of this inquiry.

The Code already has sections which are designed to encourage insurers to make a decision regarding the acceptance/denial/partial denial of a claim within either four or twelve months of lodgement. This reflects the requirement for insurers to act "efficiently" under the Corporations Act and ASIC's Information Sheet 253 – Claims handling and settling: How to comply with your AFS licence obligations.

However, the remedy for the insured, if the insurer is unable to make this decision is to inform the consumer of the complaints process. Given the severe consequences of decision-making delays on individuals, families and small businesses, this remedy appears to be inadequate. Stories of the resultant mental health issues, physical and mental exhaustion, severe financial hardship and an eroding/lost sense of trust in their insurer has been a common theme.

Recommendation

1. The Code should contain a provision that if the insurer has not made a decision within 12 months, then the claim should be accepted in full. As per current Section

78, it is recognised that some exclusions would need to exist in this instance, for example the matter was before a court or at AFCA. If this recommendation was implemented, it would go a long way to rebuilding trust in such a vital industry.

Cash Settlements

A large part of the discussion by consumers and advocates from the Standing Economics Committee Inquiry has centred around potential inadequacy of cash settlements. Many consumer stories have demonstrated the difficulty insurers and their customers have had in establishing appropriate settlements.

Section 67 of the General Insurance Code of Practice refers to cash settlements in relation to home building only. It requires an insurer to provide information regarding how cash settlements work and how decisions are made on cash settlements.

Feedback from the Inquiry has been clear.

- Claimants did not realise that despite accepting a cash settlement, if the funds proved to be insufficient they could ask the insurer to reopen the claim and indemnify them further.
- Cash settlements did not typically contain a contingency amount to compensate the consumer for the transfer of risk of the repair.
- Often cash settlements were based on a non-actionable quote.

Recommendations

The Code to have an expanded cash settlement section for building insurances (home and property).

The expanded section should contain promises that:

2. The insurer will inform the claimant when a cash settlement is made for a building claim, if the settlement is insufficient, for example additional damage was discovered, then the insured should contact the insurer and the insurer will reopen the claims file.
3. Where an insured accepts a cash settlement for a building claim, a 15% contingency for the transfer of risk should be included (AFCA already requires this typically and some insurers already do so).
4. All cash settlements will be based (where possible) on actionable quotes.

References

- i [Northern Australia Insurance Inquiry - Final Report - 30 November 2020.pdf \(accc.gov.au\)](#)
- ii [Australia-Fair-The-Poverty-Premium.pdf](#)
- iii [Northern Australia Insurance Inquiry - Final Report - 30 November 2020.pdf \(accc.gov.au\)](#) – page 367
- iv [Thriving Communities Partnership - Knowledge Centre](#)
- v [Supporting Womens Financial Safety \(pmc.gov.au\)](#)
- vi [National Anti-Scam Centre | ACCC](#)
- vii [2022GuidanceResourceAI.pdf \(actuaries.asn.au\)](#)
- viii [5 Principles of Data Ethics for Business \(hbs.edu\)](#)
- ix [Transgender people facing 'unacceptable' discrimination from insurance industry | CHOICE](#)