

## Claims handling

### A significant enforcement priority for ASIC in 2024

Claims handling and settling services (CHSS) have been regulated as a financial service under Chapter 7 of the *Corporations Act 2001* (Cth) since 1 January 2022.

#### ASIC review of home insurance claims

In June 2022, ASIC commenced a formal review of home insurance claims. ASIC considered 218,256 home insurance claims lodged between January and March 2022, and published its findings in August 2023 in Report 768: *Navigating the storm: ASIC's review of home insurance claims* (REP 768).

ASIC's REP 768 concluded that insurers "can and should improve their claims handling practices", and called on industry to focus their efforts on the following primary areas for improvement:

- better communications to consumers about decisions, delays and complications;
- better project management and oversight of third parties;
- better handling of complaints and expressions of dissatisfaction;
- better identification and treatment of vulnerable consumers; and
- better resourcing of claims handling and dispute resolution functions.

While undertaking its review, ASIC sent a letter to all general insurers in November 2022 setting out ASIC's expectations that insurers be "prepared, proactive, transparent, consumer-centric, and responsive" in providing CHSS. And in May 2023, ASIC sought information from general insurers about their resourcing efforts to deal with "significant issues and delays with claims handling" it had observed.

#### Likely enforcement action by ASIC

While ASIC has not yet commenced enforcement proceedings against a general insurer in respect of a breach of the CHSS obligations, we anticipate this will be an enforcement priority in 2024.

The Australian Financial Complaints Authority (AFCA) reported in July 2023 that it had received a 50% increase in complaints about general insurance in the 2022-2023 financial year, with the most common being complaints about delays in claims handling.

Speaking at the Insurance Council of Australia's Annual Conference in October 2023, ASIC Deputy Chair Karen Chester called for action from insurers to "get the basics right" for claims handling. Ms Chester explained that ASIC is actively monitoring claims handling practices, have commenced several investigations and are undertaking supervisory work to identify and address in adequate internal and external dispute resolution arrangements.

#### Parliamentary inquiry into flood claims

The House of Representatives Standing Committee on Economics inquiry into insurers' responses to the 2022 major flood claims will also be looking into timeframes for resolving claims and into communications with insureds. The Committee is due to report on the findings of the inquiry by 30 September 2024.

### Recommendations

Claims handling services are under the microscope and we expect further regulatory scrutiny and enforcement activity to significantly impact the insurance industry in the coming year.

ASIC has given a clear direction to insurers that it expects them to improve their claims handling services.

We recommend that insurers review their incident registers for systemic issues in claims handling, ensure breach reporting is up to date, and where issues are identified act quickly to improve processes and remediate any issues.