



Annual Report

January 1, 2004 – December 31, 2004





Pursuant to the terms of reference of Insurance Brokers Disputes Limited (IBD) the following is the Annual Report covering the period January 1, 2004 to December 31, 2004.

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Executive summary

- In August 2004, IBD moved to Level 13, 31 Queen Street, Melbourne, Vic 3000, where IBD now shares facilities with other financial services complaint schemes.
- IBD is now part of the Financial Services Complaints Call Centre (1300 780 808), which aims to quickly identify the nature of consumer disputes or enquiries, and to connect the consumer to the appropriate scheme.
- Daniela Kirchlinde, the previous General Manager, returned from maternity leave to resume her position on a part-time basis. IBD now also employs Elizabeth Bamundo on a full-time basis. Elizabeth works as a complaint assistant, dealing with the day-to-day inquiries and handling IBD membership.
- IBD will utilise services from the Banking and Financial Services Ombudsman for dealing with situations when staff are on leave or there is an increased workload, as well as for special projects (for example, review of the facility).
- In 2005 IBD will undertake its review as specified in Clause 8.1 of the IBD Terms of Reference, ASIC policy statement 139.92.
- IBD noted the rapidly increasing hits on its website (www.ibdltd.com.au) since its launch in December 2002.
- From the verbal complaints received by IBD, 70% are resolved directly by talking to the consumer and the member involved and clarifying the situation. In the other 30% a complaint form is sent to the consumer for lodgement of a written complaint when no immediate conciliation result could be achieved. Most referrals to other complaints facilities are to the Insurance Ombudsman Service (formerly known as Insurance Enquiries and Complaints Ltd).
- IBD registered 124 written complaints. Most concerns can be resolved with a simple telephone call and good communication between IBD, the consumer and the member involved. IBD has established a good working relationship with most of its members and encourages dialogue to discuss matters.
- IBD established a link with a translation service to assist consumers with language difficulties which has proven to be very beneficial.
- 52% of complaints were received from small business operations – a result similar to last year's statistics. This shows that IBD is equally used by domestic and business consumers. The difference in jurisdictional limits between the two groups will be addressed in the impending review of the facility.
- Most written complaints are received via fax and letter. However, email is used as a preferred medium to correspond with consumers and members if available. Most consumers appear to have email these days. And although complaints can also be lodged directly via the IBD website, only two complaints were received that way.
- The finding that most complainants learn of the availability of this facility through external sources remains cause for concern. Only 27% of complaints stated that they received their advice about IBD directly from the member. Members need to make a concerted effort to ensure staff are fully trained and informed of the mandatory need to offer this service to consumers.
- Two-thirds of complainants wait for three months or longer after the claim/incident that led to the complaint before contacting IBD to lodge a complaint in writing. During that time they might have tried unsuccessfully to conciliate the matter with the member and/or the insurer and/or loss adjuster. Sometimes consumers have even engaged lawyers without success. IBD noted significant time delays, particularly in cases where more than one member was involved in placing the policy (for example, use of authorised representatives, wholesale brokers or underwriting agencies).
- Once a written complaint was lodged with IBD, in 48% of the cases members responded to IBD within two weeks or less. In 29% of cases, members exceeded IBD's 20-day time limit.
- 44% of complaints were finalised within one month, with the rest being finalised over 60 days or more.
- The majority of complaints came from metropolitan areas, amounting to 72% in 2004.
- Business pak policies and motor vehicle insurance policies accounted for most of the complaints – with 35% and 27% respectively – similar to previous years.
- 31% of complaints arose where there was a misunderstanding of cover, followed by claim issues (24%) and cancellation/refund premium issues (19%).
- 46% of complaints involved claim amounts under \$5000. While IBD received no complaints involving amounts in excess of \$50,000, IBD is aware of the need to re-assess its limits in order for the facility to properly deal with larger amounts, in particular complaints regarding business pak

Introduction

policies. This will be a major part of the review in 2005, including a review of the limit of \$5000 regarding business insurance policies.

- From the 43 complaints received in regards to business pak policies, 30 involved claim amounts up to \$5000, another eight involved claims up to \$10,000 and five were for amounts up to \$50,000. However, only four above the limit of \$5000 were rejected because of the claim limit – the others above that limit could be resolved by the broker or through the initial conciliation process.
- The majority of complaints were resolved either directly by the member (22%) or with the involvement of the General Manager (34%). If possible, IBD encourages members to discuss complaints initially with the consumer, even after a written complaint has been lodged, to assess if the matter can be handled successfully.
- A survey of 20 complainants – including all complaints conciliated in favour of the member – showed all complainants understood and were satisfied with the process of IBD, even when they were dissatisfied with the outcome of the investigations.
- A total of 38 matters were referred to the Referee last year, of which 33 were issued with a determination as at December 31, 2004. Details of all determinations are published on the IBD website at www.ibdltd.com.au.
- There were 783 members in 2004 – a 6% decrease from 835 in 2003. Membership composition also changed, with 40 members not being “pure” insurance brokers, compared to eight in 2003. The majority of non-brokers were underwriting agencies and financial planners.

Insurance Brokers Disputes Limited (IBD) is a national complaint-handling scheme. The facility was formerly known as the Insurance Brokers Dispute Facility and was first established in 1996. IBD has been approved by the Australian Securities and Investments Commission (ASIC) and since January 1, 2003, has operated as a public company limited by guarantee.

IBD is a free consumer service designed to handle complaints and help resolve problems between insurance brokers, underwriting agents and other insurance intermediaries and their clients. IBD provides support to help resolve problems quickly and efficiently, without having to resort to costly litigation.

Complaints against insurance companies are handled by the Insurance Ombudsman Service (formerly known as Insurance Enquiries and Complaints Ltd).

Any retail client who has a problem with his or her insurance broker or intermediary concerning a general or life insurance product can contact IBD. “Retail client” includes any small business operation, which employs less than 100 people if it is or includes being a manufacturer of goods, or otherwise employs less than 20 people.

IBD covers a range of products including motor vehicle, home buildings and contents, sickness and accident, life, consumer credit, travel, personal and domestic property, and small business pak policies.

Some cases, such as those already involved in legal proceedings, cannot be handled by IBD, nor does IBD handle disputes involving claims of more than \$50,000 (or more than \$5000 for business pak policies), except where the insurance broker or financial service provider and its professional indemnity insurer have agreed to waive this limit. A consumer also has the right to confirm in writing that a claim above these limits is being reduced to \$50,000 (\$5000 for business paks) to enable IBD to handle the complaint.

Most general insurance broking firms subscribe to IBD, including most members of the National Insurance Brokers Association of Australia (NIBA).

A consumer with a problem should initially discuss it with the complaints or customer relations officer of the insurance broker or financial service provider. Under the scheme, participants are required to have internal systems to monitor and resolve complaints. They must agree to make a decision about a complaint quickly, usually within 20 working days.

If the consumer is still not satisfied, IBD’s General Manager is there to assist. Generally problems can be fixed with a single telephone call. If the matter cannot be resolved after 20 working days, it may be passed on to IBD’s Referee.

The Referee, who is a highly experienced legal practitioner, issues a determination within 20 working days. Under IBD Terms of Reference, insurance brokers and financial service providers must abide by decisions made by the Referee, although they are not binding on the consumer. There is no right of appeal.

IBD is funded by its members who subscribe to the scheme, in order to provide a service which is free of charge to consumers.

Board of Directors

The Board of Directors is the overseeing body of IBD. The board represents consumers and brokers and consists of two consumer representatives, two industry representatives and one independent chairperson. The board oversees the operation of IBD and the General Insurance Brokers Code of Practice.

Industry representatives are appointed in consultation with the National Insurance Brokers Association, while consumer representatives are appointed in consultation with the Consumers' Federation of Australia and members of the wider consumer movement.

MEETINGS OF BOARD OF DIRECTORS

The number of directors' meetings held during the financial year and the number of meetings attended by each director are:

Attendee	Held	Attended
Mr Richard Smith	5	5
Mr Noel Pettersen	5	5
Mr Robert Elder	5	5
Mr Peter Gartlan	5	5
Ms Jenni Mack	5	5



Mr Richard Smith BA, BEc.
Age: 63
Chairman

Formerly Chief Manager General Insurance with the Australian Prudential Regulation Authority and Deputy Commissioner General Insurance with the Insurance and Superannuation Commission. Mr Smith was also a Member of the Executive Committee of the International Association of Insurance Supervisors. He is now retired.



Mr Noel Pettersen
Age: 55
Industry Representative

More than 15 years' experience as a company director. Chief Executive Officer of the National Insurance Brokers Association of Australia. Former ministerial adviser and public relations consultant. Past Chairman of the Council of International Insurance Broker Associations. Executive Council member of the World Federation of Insurance Intermediaries.



Mr Robert Elder
Age: 67
Industry Representative

Over 25 years' experience as a company director. Co-founder and former Managing Director of IPG Insurance Brokers. Director and General Manager of AIBA. A former President of the National Insurance Brokers Association of Australia, he was a NIBA board member for 10 years.



Mr Peter Gartlan
Dip. Financial Counselling
Age: 44
Consumer Representative

20 years' experience as a company director. 20 years' experience as a financial counsellor; human services co-ordinator and youth worker on a casework and policy reform level. Currently employed as a financial counsellor at Eastern Access Community. Member of the Financial and Consumer Rights Council. Past board member of philanthropic trusts and consumer bodies. Current board member of the Consumers' Federation of Australia



Ms Jenni Mack
Age: 44
Consumer Representative

Over 15 years' experience in the consumer movement. Director of the Australian Consumers' Association (Choice Magazine), former Executive Director of the Consumers' Federation of Australia, Director of the Financial Industry Complaints Services Ltd and Director of the Travel Compensation Fund. Conduct panel of the Migration Agents Registration Authority and involved with the Financial Services Consumer Policy Centre at the University of New South Wales.

I. Report by the Chairman, Mr Richard Smith

1.0

Insurance Brokers Disputes Limited (IBD) completed its second year as an independent body approved by the Australian Securities and Investment Commission (ASIC) to provide a complaint and dispute resolution service for insurance brokers and other members including underwriting agencies. IBD continued the role previously undertaken by the industry complaint and dispute-handling facility originally set up by the National Insurance Brokers Association (NIBA) in 1996.

IBD operates as a non-profit independent body set up to resolve disputes consumers may have in their dealings with brokers or other members of IBD. The service provided by IBD is an alternative to more formal legal proceedings which may be time-consuming and costly. Our objectives are to provide an economical, quick and effective alternative to legal proceedings. This service is provided free to consumers.

Two basic requirements ensure the effectiveness of the IBD scheme. First, it is an ASIC requirement that insurance brokers and other members providing financial services to the public are members of an ASIC-approved alternative dispute-handling scheme. Second, all IBD members are required on joining the scheme to agree to abide by IBD decisions. There is no provision for appeal by the insurance broker or other IBD member. This eliminates long and costly court proceedings and provides consumers with access to a quick and usually effective resolution to a complaint or dispute. Of course, a consumer who wishes to do so can seek other redress in a court or elsewhere if they choose to do so.

The operations of IBD are guided by a Board of Directors consisting of an independent Chairman (who would normally not come from the insurance industry), two consumer representatives who would normally have close contact with a range of consumer organisations and two industry representatives with considerable industry experience and knowledge. This range of independence, together with consumer and industry contact, is designed to enable the Board to deal effectively with consumer, industry, legislative and other government issues both on a long-term and day-to-day basis.

The majority of IBD members are retail insurance brokers who deal with consumers and small businesses. Other members include insurance underwriting agencies and intermediaries who may offer general insurance as an extra or incidental service. They include financial planners, building companies and strata title managers who are required by ASIC to be members of an approved external dispute-handling scheme such as IBD.

As a result, during 2004 the membership profile of IBD changed. At the beginning of the year there were 827 insurance broking members and eight other members. By the end of the year there were 743 insurance broking members and 40 other members.

IBD covers a range of insurance classes including motor vehicle, home buildings and contents, sickness and accident, life, consumer credit, travel, personal and domestic property. Generally all insurance brokers who deal with retail clients are IBD members, including most members of NIBA. NIBA is the peak insurance broker association in Australia.

Insurance brokers who deal with retail consumer customers typically offer their services and act on behalf of the customer. By contrast insurance agents, including underwriting agents, typically act on behalf of their insurance company principals. To make matters a little more complicated, sometimes an insurance broker may also act as an agent of an insurance company.

It can be very important for the customer to know in which capacity an insurance broker is acting. Complete transparency is highly desirable to avoid misunderstandings and disputes between all parties. This subject is dealt with in some detail in the General Insurance Brokers Code of Practice, which is part of the self-regulatory scheme set up by the insurance broking industry. Given financial services reforms of the past couple of years this is an area which IBD proposes to revisit in 2005. This will be done in conjunction with a review of the scheme's Terms of Reference and Constitution. The Board proposes to seek some external assistance with these tasks given the expertise which is available from other external dispute-handling facilities and given the relatively small size of the IBD staff. These tasks will be undertaken separately from but with a view to the review which is required of IBD by ASIC after its first three years of operation.

While on the subject of matters to be reviewed, I mention for completeness the need to further review the small business limits which currently limit our jurisdiction to small business complaints up to \$5000 only. It is our view that this limit needs to be revised upward as foreshadowed in my report for 2003. The review of this small business limit will be carried out in consultation with the various stakeholders. Also in need of review is IBD's capacity to deal with life and superannuation matters. While subject to review, our current feeling is that disputes involving life or superannuation products offered by IBD members should be delegated to another more appropriate dispute-handling body.

During 2004 IBD was again well served by our Referee, David Letcher, who has been with the scheme since its original inception by NIBA. Matters which could not be resolved at the General Manager level were referred to David for resolution. During the year he made 33 determinations. Notwithstanding the fact that members do not have any rights of appeal from the Referee's determinations, it would be unsatisfactory if these determinations did not carry a high measure of industry approval. The determinations are therefore made public and may be

accessed on the IBD website. They remain a strong feature of the IBD operation and I would like to record my thanks and appreciation for David Letcher's contribution.

It is appropriate in a report of this nature to mention that IBD, which operates predominantly for insurance brokers and other intermediaries, is not the only external dispute-handling service operating in the financial services area. Other schemes include the recently renamed Insurance Ombudsman Service (formerly Insurance Enquiries and Complaints Ltd), the Financial Industry Complaints Service Limited, the Banking and Financial Services Ombudsman Limited and the Credit Union Dispute Resolution Centre. Consumers and other users will be pleased to note that these dispute-handling services have moved towards having a common 1300 telephone number as a first point of contact.

In this context, and as foreshadowed in last year's Annual Report, IBD during the year relocated to premises at 31 Queen Street, Melbourne, where we now share some facilities with other schemes. This move has also made the sharing of staffing resources much more feasible. At times this is very important to us as a small organisation with little back-up when staff are absent for reasons such as sick leave.

During 2004 IBD engaged a full-time person to assist with administrative matters such as answering telephone enquiries and collecting data for reporting purposes. Our former full-time General Manager has rejoined IBD on a part-time basis following the birth of her son. I am pleased to report that these current arrangements are working very well. Also, IBD is in the process of engaging on a contract basis some further staffing resources to enable us to proceed with a review of key documentation such as the Terms of Reference, Code of Practice and Constitution. This will all be important in view of the impending review of the whole IBD scheme required by ASIC.

In last year's report I referred to the difficulty of setting an equitable and sufficient scale of fees from members (who fund IBD's operations) to ensure our continuing viability. I am pleased to report that IBD is now in a more sound financial position than at the corresponding time last year and that the 2005 subscription rates set by the Board seem to have met with wide approval.

I look forward to another year of progress and would like to take this opportunity to express my thanks to my colleagues on the Board and our loyal and hardworking General Manager, Daniela Kirchlinde, and Administrative Assistant, Elizabeth Bamundo. Without their talents and dedication IBD just could not operate in the efficient and effective way that it does.

2. Report from the Referee, Mr David Letcher

2.0

This is my Eighth Annual Report in respect of my activities as Referee for IBD.

In 2004 I issued 33 written determinations. Of those determinations, three were supplementary determinations in respect of which I had already issued a preliminary determination – two in 2003 and one earlier in 2004. Effectively this means I decided 32 matters in 2004.

Of those 32 matters, eight determinations were clearly in favour of the complainant. An additional one was clearly against the interests of the broker because although I was unable to find that the complainant had suffered any economic loss, nevertheless I ordered that the broker have an audit of his systems in respect of renewal documentation and arrangements. Of the balance of 23 determinations, 13 were determinations where I was unable to accept the complaint, one determination was not on the merits of the complaint but an explanation of procedural steps taken by the General Manager, four were effectively referrals back to the insurer, four were matters which required to be referred to a Court and one was a matter which was already in the Courts.

It is obviously inappropriate for the Referee to make a determination where the claim should be appropriately considered by the insurer. Where issues are complex or very serious allegations are made by one party against another, it is impossible and inappropriate for the Referee to make a determination because justice requires that the parties give evidence on oath and be cross-examined on oath.

The casual observer may enquire why only 25% of complaints were accepted and why approximately 40% were decided in favour of the broker or underwriting agent. In my opinion the answer emphasises the success of the facility.

Firstly, when IBD was initially set up there were many brokers who considered that it was unnecessary. However, as a result of the changes, brokers were required to have their own internal dispute resolution systems. It appears to me that as brokers have become used to their internal dispute resolution systems, they have found that the procedure can be made to work for the benefit of both brokers and their clients. The result is that fewer complaints which might result in a finding against the broker have been brought to IBD.

Secondly, brokers have realised that they cannot ignore or pass over complaints, because if they are referred to IBD they will be investigated and referred on to the Referee if they cannot be resolved. In my opinion, many disputes which might have reached me have not done so because they have been resolved by the broker through mediation and discussion with the General Manager shortly after the complaint has been received by IBD. It would appear that over the past few years there has been a relatively steep learning curve by brokers in respect of the ability of complainants to have complaints investigated and decided by IBD.

Thirdly, IBD does not have power to issue fines or charge brokers with offences. However, the Referee is entitled to make an order that

the broker undertake an audit or have a management review conducted by an independent expert. This is always at the broker's expense. Brokers may be reluctant to allow a complaint to go to the Referee if there is a possibility that they will be required to expend a substantial amount in fees to an accountant, auditor or management consultant if the broker's systems are perceived to be inadequate or potentially ineffective.

Fourthly, the proof of the pudding is in the eating and I note that in 2004 only two of my decisions involved national broking firms. I further note that where a complaint against a national broker is referred to me it is usually a complaint about the activities of either a small office of that national broking firm or a small broker which has been merged or taken over by the national broking firm. This suggests to me that national brokers with the predominant market share have seen that it is more effective to resolve matters directly with the customer on terms acceptable to the consumer rather than allow a complaint to go to IBD.

Finally, I note that my determinations are binding on the broker but not on the complainant. If the complainant is unsuccessful then they can take the matter to the Courts if they remain dissatisfied.

Conversely, a complainant does not have any of the above pressures on him or her to dissuade the pressing of a complaint. Further, it is relatively easy to initiate a complaint and the IBD is consumer-friendly.

All this suggests to me that IBD is achieving its objective to quickly resolve disputes in a fair and reasonable manner. Ultimately that is a conclusion which must be reached by other parties and this Referee can only make a decision in respect of each complaint referred to him.

It is pleasing to note that in a year of change IBD was able to continue to assist complainants and brokers in resolving an increased number of complaints. In many ways the same problems recur from year to year but from time to time new issues to arise. I comment on some of these issues new and old:

DESCRIPTION OF COVER

With the increase in electronic transmission of documentation between brokers and insurers, the schedule of insurance which a broker sends to the client now appears to be becoming more and more a regurgitation of the schedule of cover received electronically by the broker from the insurer. Although the broker might write a letter to an insured setting out details of insurance at the inception of cover, more and more I note that each year on renewal the broker forwards a tax invoice, which is effectively a copy of the insurer's schedule of cover that the insurer has provided to the broker by electronic means.

Such a schedule on one, two or even three pages which includes calculation of premium details cannot possibly include all the terms and conditions of the policy. The insured has usually received a copy of the policy document at inception. It can be said therefore that the insured

should have been aware of all the terms and conditions of the policy. Further, the broker would presumably have advised an insured of any unusual terms and conditions or restrictions in cover at inception.

However, there are some terms and conditions that in my opinion should be repeated in the policy schedule from year to year, which I note are not always stated or clearly stated. I have noted during the past 12 months a tendency by some brokers not to include information that in my opinion is relevant and should be re-stated annually, just because the insurer does not re-state them does not mean the broker should not do so.

Such information includes the following:

1. Geographical Situation

Some policies are in respect of risks at more than one situation. In that event the nature of cover and the amount of cover at each situation should be very clearly stated. If there are differences they should be highlighted.

2. Restrictions on Cover

Some policies provide different levels of cover if a loss occurs inside or outside the home, in a motor vehicle or in circumstances where there is limited security. Some motor vehicle policies provide cover only when the vehicle is in the garage. All these types of restrictions should be set out in detail on annual renewal in the policy schedule. They are matters vital to the risk for the insurer and the insured and in my opinion it is only reasonable that they should be repeated for the benefit of both parties on renewal. They usually affect the premium and in some cases can be removed by payment of an increased premium.

3. Theft/Burglary/Breaking and Entering

I note with some despair that many policy schedules still continue to include ambiguous information and detail concerning cover available for theft. Experience of this Referee and inevitably of brokers and insurers over the years must be that the general public often has difficulty in understanding the difference between theft and burglary. This difference should be capable of explanation to insureds and clarification on the policy schedule. The difference in premium and rates of cover is substantial and many insureds clearly make a decision not to have theft cover but opt for burglary cover when the policy is effected. When a loss occurs and a claim is made all that may be forgotten. Some policy schedules/renewal notices still just refer to "Loss of Goods".

This is a very obvious area where the policy schedule should show clearly whether the cover is for loss of goods by theft or burglary.

In my opinion the information that should appear on the policy schedule issued by a broker at renewal is a matter of common sense. It is obvious to me that not all insurers include all information that I consider material and brokers should carefully check the documentation that they forward to clients to ensure that they are not just repeating what the insurer has printed out. Brokers should give a value-added service to the consumer by reminding the consumer of those restrictions on cover which, while not necessarily unusual in respect of certain policies, may be matters which an insured could decide to change because of a change in circumstances.

They are also restrictions which may be easy to forget, particularly after several renewals.

In my opinion the contents of the renewal schedule are becoming even more important. Proposals are not always used where cover is arranged electronically and it appears to me there is room for confusion, uncertainty and ambiguity and many insureds may be justified in saying that they did not understand that they were not covered for a risk such as theft as opposed to burglary.

Restrictions on cover should in my opinion be highlighted and not ignored or hidden.

LIABILITY INSURANCE

Cover for liability continues to be a hot topic in the media and also the subject of enquiries and complaints to IBD. A continuing difficulty appears to be the provision of cover for certain small businesses particularly in the hospitality and security industry. Some brokers appear to be successful in providing cover for a particular class of risk but inevitably some insureds find they do not fit in and appear to have difficulty in obtaining cover or complain that premiums are excessive.

I note that IBD continues to receive enquiries about such matters. They are not necessarily or specifically complaints about the actions of a broker but about the problems the insured has in finding appropriate cover.

It is often difficult to respond to a general grumble but it appears to this Referee that brokers and the industry in general might consider attempting to make a greater effort to explain liability risks and assist the general public, particularly small business, in obtaining cover where there appears to be a problem.

ASSISTANCE WITH CLAIMS

One of the obligations of a broker is to assist an insured in respect of any claim that the insured may wish to make under the policy. Larger brokers have claims departments and people who deal only with claims. Smaller brokers may not have such a specialised department and some brokers may feel inhibited in pressing a claim against an insurer, particularly if the broker has some doubts about the claim and/or has a close relationship with the insurer.

Over the past year I have noticed some problems experienced by brokers in dealing with insureds who considered that the broker has not sufficiently pressed the insured's claim with the insurer. Sometimes, where an insurance claim appears to get out of control in the sense that repairs or reinstatement or replacement become delayed or go awry for one reason or another, an insured may appear to become obsessed with the minutiae of the claim and can lose the sympathy and interest of the broker.

Brokers should consider setting out very clearly to an insured the perimeters of assistance which they can offer in respect of claims. Brokers are entitled to point out that they are not claims-settling agents; nor do they exist to prepare the insured's claim for him. Many policies have provision for the payment of specialist claims preparers such as accountants and business experts.

Brokers should define very clearly at the beginning of the claim process exactly what assistance is available from them to the insured. They should also point out to the insured that where the policy provides cover for the employment of experts and even if the policy does not

make such provision, the broker should be prompt rather than hesitant to suggest to an insured that he or she requires the assistance of an expert whether it be an accountant, claims preparer or trade or industry expert or lawyer:

PUTTING IT IN WRITING

This is an evergreen issue, but requires constant emphasis.

Once again this year we have had several complaints where the simple use of a day book, telephone notes, record of conversation or letter of advice would have prevented a dispute.

These are very simple procedures that should be followed by all brokers. In particular where a broker is asked to provide cover and for one reason or another is unable to provide that cover, and even if the broker believes that he has explained to the insured why that cover is not available, it is imprudent of the broker not to set this out in writing in the form of a letter to the insured explaining clearly why the cover requested is not being provided or why there is a substantial restriction on cover.

If a broker does not do this, he leaves himself open to complaint at a later date that what was provided was not what was sought or that what was specifically requested was not provided. If there is no document in writing passing between the broker and the insured at inception, the broker is vulnerable. Notes on the file in this regard are often insufficient because it may be claimed that they were made after the event to bolster the broker's position. What is required is a definite written statement to the insured advising that the cover sought cannot be provided or can only be provided on certain specified terms and conditions or can only be provided at a certain premium.

The alternatives with cost should be set out in detail and the insured should be required to state very clearly in writing what he then requests. These are simple and businesslike procedures but it never ceases to amaze me that brokers faced with requests for "full cover", and who then arrange reasonable standard cover at a reasonable price, find that they are the subject of a complaint when a loss arises which would have been payable under a much wider policy at a much higher premium.

AGENTS AND SPOTTERS

I have used the above heading because over the years brokers have used many different types of persons to arrange insurance. Commercial life requires that insureds are able to effect cover at short notice when needed. In country areas this is sometimes difficult because there is no resident insurer or broker. In some commercial transactions a buyer of goods such as a motor vehicle, motor bike or similar expensive item requires insurance cover to commence as soon as he takes delivery and leaves the retailer's premises.

Over the years many brokers have developed a network of people who arrange cover on behalf of the broker, which the broker then processes in the usual course from his traditional office. Examples are the real estate agent who arranges cover for the purchaser of a house or the motor vehicle retailer who arranges cover for the purchaser of a motor vehicle. In some cases the broker's "agent" will be experienced and well aware of the requirements and there will be relevant documentation easily available for completion by the insured.

However, sometimes that is not the case. One example may be a

used car salesman who is a part-time employee in a small used car sales yard, who sells a young man a very powerful second-hand motor vehicle. It would be unrealistic to expect that such a salesman would be necessarily experienced and aware of exactly what should be done for insurance proposals. The salesman will be eager to finalise the sale including insurance and may gloss over matters such as prior convictions, accidents or claims.

Further, that is just the type of situation where the purchaser may be equally inexperienced or even naive. Inevitably problems arise about non-disclosure of previous accidents, claims and convictions.

Unfortunately, the experience of IBD is that many brokers still do not keep sufficient control over such agents. Indeed some brokers will deny that such people are their agents. Even before the recent legislative reforms, this was a problem.

Brokers should be under no illusion as to the status of people who arrange business with and for the broker. In almost every case those people can be said to be the broker's agents. Brokers must comply with all the relevant legislation with regard to the retainer arrangement they have with such agents. Further, in the end, the broker will inevitably be responsible for their actions and accountable to IBD.

In the past year I have noted that some unfortunate cases of obvious non-disclosure of material facts to insurers have arisen in circumstances such as the above. Brokers are reminded of their potential liability in these matters.

SYSTEM FAILURES

In general terms it would appear that brokers have improved their office and administrative systems over the past few years. In that regard, the increasing use of computers has obviously been of assistance. However, I note that there are still some obvious checks that are not made by all brokers.

For instance, if an insured attends a broker's office and pays the premium, or the broker receives a premium cheque or credit card payment details in the mail, it is not sufficient for the broker to merely process the payment. The broker should check that the payment is being made in respect of a transaction that is in all other respects in order.

There is no point in the broker accepting the premium payment, and presumably in due course accounting to the insurer for the premium, if the insured has not at the same time signed and forwarded the proposal, complied with any conditions that were imposed by the insurer before cover was to be accepted and so on. Brokers should check all those matters and not just take the money. Acceptance of the premium gives the impression to the insured that everything is in order and that cover is in force.

NON-DISCLOSURE

The non-disclosure by an insured of facts material to the insurer's decision to accept the risk continues to be a problem. It is not always an option for the broker to blame the insured for failing to provide all relevant information either in discussion with the broker or on the proposal form. I have noticed with some concern that some brokers, particularly those who may advertise widely (often offering apparently cheaper premiums than may be available elsewhere in the market),

appear to be the subject of complaint by insureds when at a later date the insurer denies a claim, and may even avoid the policy, because of non-disclosure of material facts.

This is particularly prevalent in vehicle insurance arranged for young drivers where there is non-disclosure of previous convictions and/or claims and/or accidents.

Brokers are reminded that documentation they may send to a prospective insured, particularly in respect of matters relating to the insured's previous history of fines, convictions, accidents and claims, should very clearly show the need for the insured to make full disclosure in detail. If the documentation is returned to the broker incomplete or with obvious lack of detail, then I expect the broker to obtain further information and details in writing from the prospective insured before the broker passes that documentation or information on to the insurer.

It is not good enough for the broker just to say that he relies on the insured providing all relevant information. The broker should check that the insured has done so and if it is obvious that the insured has not done so then the broker should take some immediate action to rectify the position. Insureds, particularly young drivers, do not always know the law relating to non-disclosure.

RENEWAL OF COVER

Over the past few years, because of problems in the market particularly in the liability area, it appears to have become more frequent for insurers to decline to continue providing cover in certain areas. This is not just because of some problem with a particular insured but usually because the insurer has decided not to continue to accept a particular class of business. I have noted that some brokers only advise the insured about this when renewal becomes due.

In some case there have been problems with the 14-day time limit. I have little doubt that in many such cases a broker will be well aware long before the policy falls due for renewal that the current insurer will not be offering renewal because during the policy year the insurer has made a business decision not to cover such classes of insurance.

In those circumstances I would expect the broker to advise the insured as soon as the broker knows that the insurer has made such a decision, so that the insured has plenty of time to arrange cover with another insurer. In some case brokers have given very late notice to an insured and this has made it difficult for the insured to do anything other than accept the broker's suggestion for cover, which may not necessarily be in the best interests of the insured.

Brokers should advise an insured of the position as soon as they become aware that cover will not be renewed even if it is some months down the track.

RETURN OF DANIELA KIRCHLINDE

In September 2004 Daniela Kirchlinde returned to her position as General Manager following maternity leave. Complainants and brokers alike benefit from Ms Kirchlinde's extensive experience in the industry and her consideration to complainants. Further, Ms Kirchlinde provides a very real service to all those people who telephone IBD about matters that are not really complaints but queries about insurance matters and the placing of risks in general. We welcome her back.

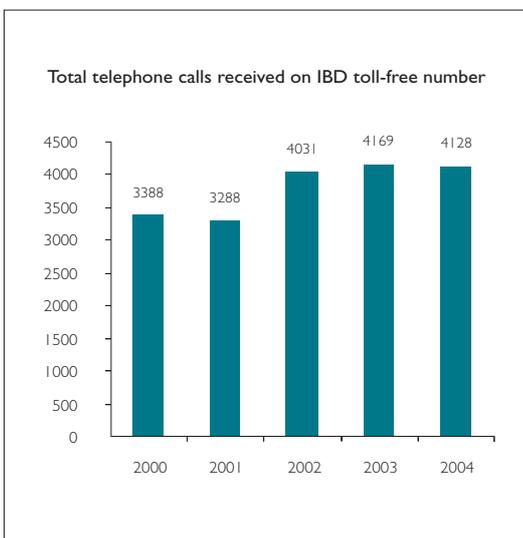
3. Complaints Analysis

The following charts provide statistics for telephone calls received on IBD's toll-free number (1800 064 169), telephone enquiries and complaints and written complaints received by IBD for the period from January 1, 2004, to December 31, 2004 (the reporting period) and their progress as at December 31, 2004.

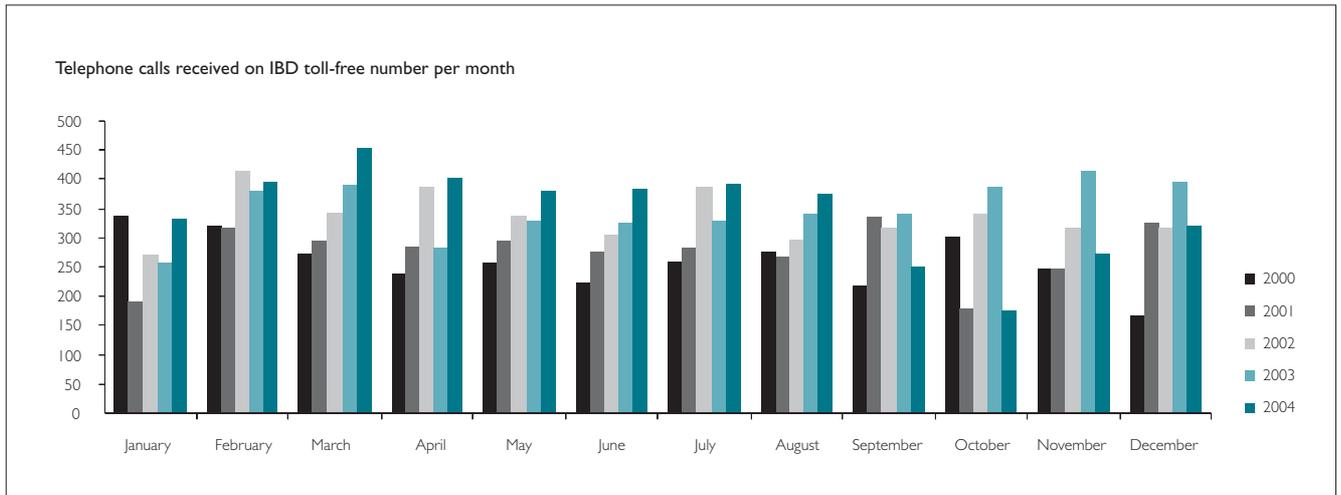
3.1 GENERAL ANALYSIS OF CONTACTS, ENQUIRIES AND COMPLAINTS

IBD keeps statistics regarding telephone calls received through its toll-free number and the direct telephone number. Basic information is obtained for oral telephone enquiries and complaints and more detailed statistics are kept for written complaints. Information can only be collected when practical in the course of the telephone call as some consumers wish to remain anonymous when calling for advice only.

3.1.1 TELEPHONE CALLS TO TOLL-FREE NUMBER



- A total of 4128 calls were received on IBD's toll-free number (1800 064 169), which continues the trend of past years.
 - The toll-free number is advertised in all editions of the White Pages, Australia-wide.
 - IBD also advertises its services to consumer advice bureaux, legal aid centres, libraries and other consumer aid facilities and provides them with necessary information.
 - Telephone calls include enquiries regarding existing complaints, general insurance enquiries, referrals for hard-to-place business or specific risks, referrals to other complaint schemes and relevant bodies, enquiries regarding membership and members and general enquiries regarding the services provided by IBD.
- IBD has agreed to participate in the Financial Services Complaints (FSC) Call Centre (toll-free number 1 300 780 808). The FSC provides referral and connection services for the Banking and Financial Services Ombudsman, the Credit Ombudsman Service, the Credit Union Dispute Resolution Service, the Financial Industry Complaints Service, the Insurance Ombudsman Service and the Superannuation Complaints Tribunal. The role of the FSC is to quickly identify the nature of the consumer's dispute or enquiry, and to connect the consumer to the appropriate scheme. The FSC Enquiries Officers also provide alternative referral services to those consumers whose enquiry falls outside the member scheme's jurisdiction. The cost of the calls are charged to the relevant scheme on a user-based system.



- There is no particular pattern with regards to telephone calls received each month.
- The slight increase in telephone enquiries in March 2004 was a result of increased calls by members due to the Financial Services Reform Act transition deadline.
- The average number of calls received per month on the IBD toll-free number is 344, similar to last year's average of 347.
- IBD has also noted the rapid increase in the number of "hits" on its website (www.ibdLtd.com.au) since its launch in December 2002.



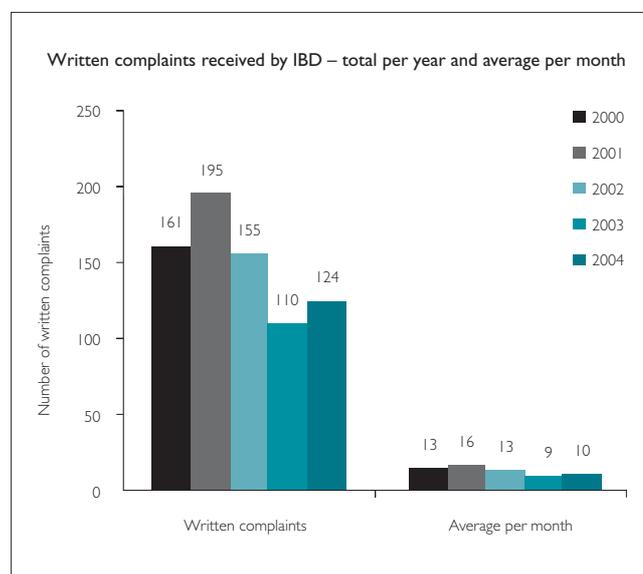
3.1.2 TELEPHONE ENQUIRIES AND COMPLAINTS

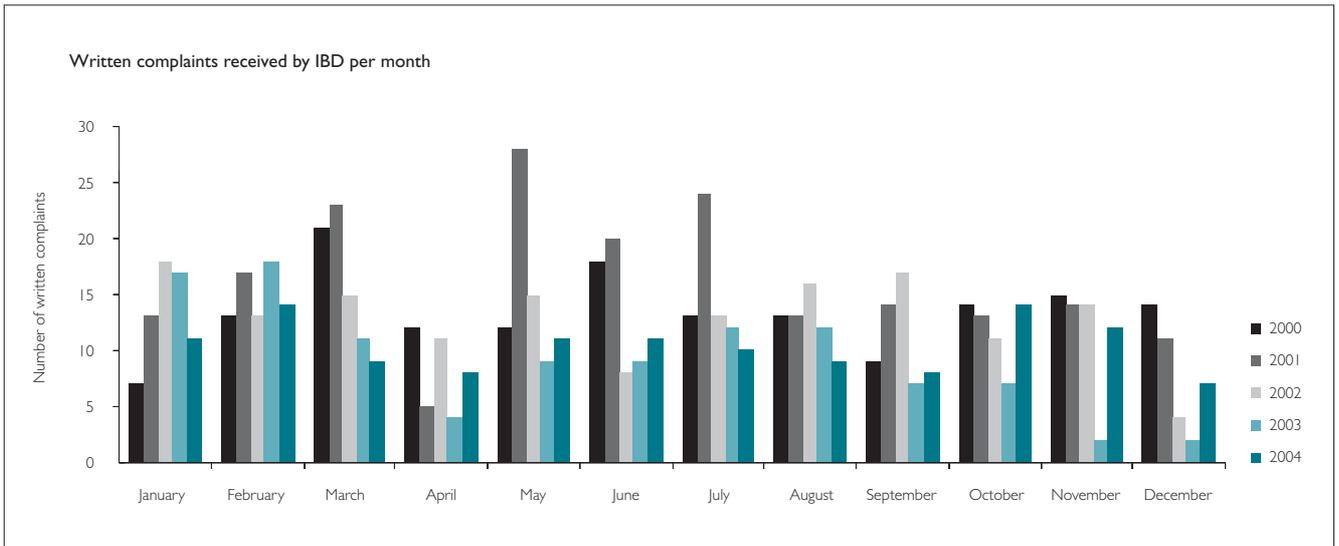
- From the oral telephone enquiries and complaints (excluding calls regarding existing complaints), where IBD was able to obtain information from the caller:
 - 14% are general enquiries with an equal split for IBD membership enquiries and general insurance enquiries;
 - 66% relate to complaints(*);
 - 20% are referrals to other complaints facilities with most of the calls being referred to the Insurance Ombudsman Service.
- Of the telephone complaints received by IBD (see *), 70% are resolved directly by talking to the consumer and the member involved to clarify the situation. In the remaining 30% a complaint form is sent to the consumer for lodgement of a written complaint when no immediate conciliation result could be achieved.

- Only 30% of the complaint forms sent out are returned to IBD for lodgement of a formal complaint, assuming that the rest were resolved by the member after the initial contact by IBD.
- The normal process is as follows:
 - IBD receives a telephone call from the consumer and assesses if the involved party is a member of IBD and if the complaint is within the scope of IBD's Terms of Reference.
 - IBD provides general advice to the consumer regarding the complaint and refers the complainant to the appointed complaint manager of the involved member.
 - IBD contacts the member and advises of a telephone complaint received with the strong suggestion to contact the consumer to clarify the situation – known as internal dispute resolution (IDR).
 - If appropriate IBD forwards a complaint form to the consumer for lodgement of a formal written complaint.
- If IBD is unable to assist directly, IBD still tries to provide appropriate advice to the consumer and member.
- If a consumer is not willing to further negotiate a matter with a member, a formal written complaint can be lodged without having to go through member's IDR process. This occurs sometimes when there is a total communication breakdown between the parties or strong emotional involvement.
- As a result of the IBD audit last year, it was noted that all members now have a written IDR process in place. However, there still needs to be improvement regarding appropriate benchmarks and early recognition of a possible complaint.
- According to Policy Statement 135 ASIC's current requirements for IDR procedures include:
 - Satisfaction of the essential elements of complaints-handling in section 2 of Australian Standard for Complaints-Handling AS 4269-1995;
 - Appropriately documenting the IDR procedures;
 - Having a system for informing complainants about the availability and accessibility of the relevant external dispute resolution (EDR) scheme.
- IBD strongly believes that establishment of clear policies and procedures will help:
 - To avoid disputes from arising by inviting customer feedback;
 - To clearly define the roles and responsibilities of all staff in the complaints-handling process and by ensuring that all staff are aware of the objectives, procedures and importance of the complaints-handling process;
 - To allow staff and customers to contribute to the continuing improvement of an organisation's products and services.

3.1.3 WRITTEN COMPLAINTS

- Once a written complaint is received by IBD, it is included in the statistics for written complaints received and a complaint number is allocated to each case.
- The complaint is recorded on IBD's database and progress of the complaint is monitored.
- IBD registered 124 written complaints.
- It must be noted that due to administrative difficulties most complaints received in November/December 2003 were only registered on IBD's database in January/February





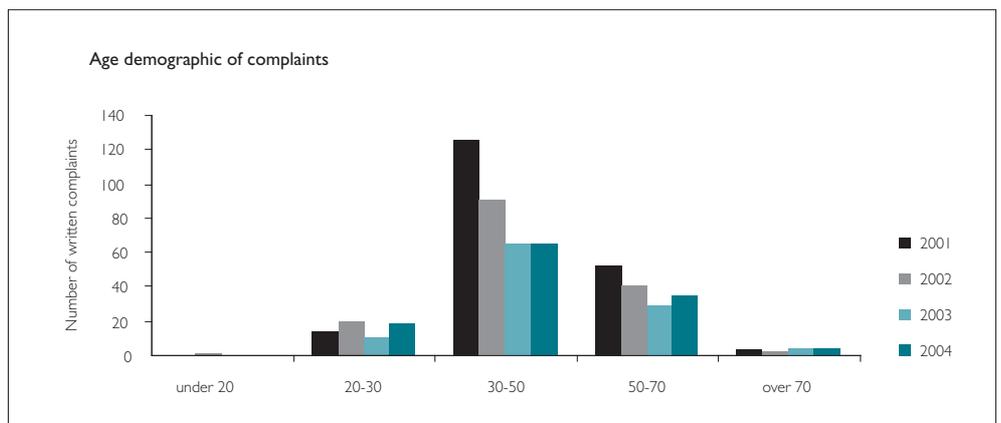
2004. This explains the low number of complaints at the end of 2003 and the slightly higher numbers at the start of 2004.

- There was an average of 10 registered complaints per month.
- Most concerns can be resolved with a simple telephone call and good communication between IBD, the consumer and the member involved. IBD has established a good working relationship with most of its members and encourages dialogue to discuss matters.

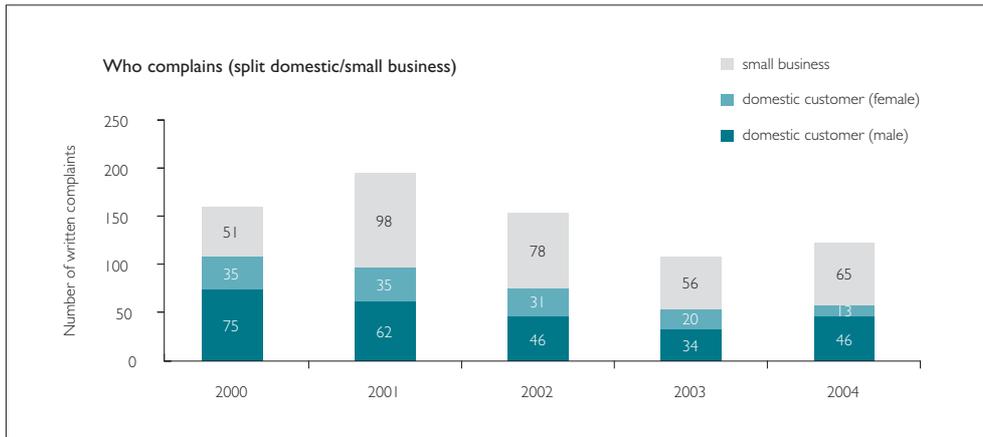
3.2 SPECIFIC ANALYSIS OF WRITTEN COMPLAINTS

The following detailed statistics are related to written complaints only. There were 124 written complaints lodged with IBD in 2004. The details of each complainant are obtained via the complaint form completed by each complainant and subsequent correspondence.

3.2.1 DEMOGRAPHICS

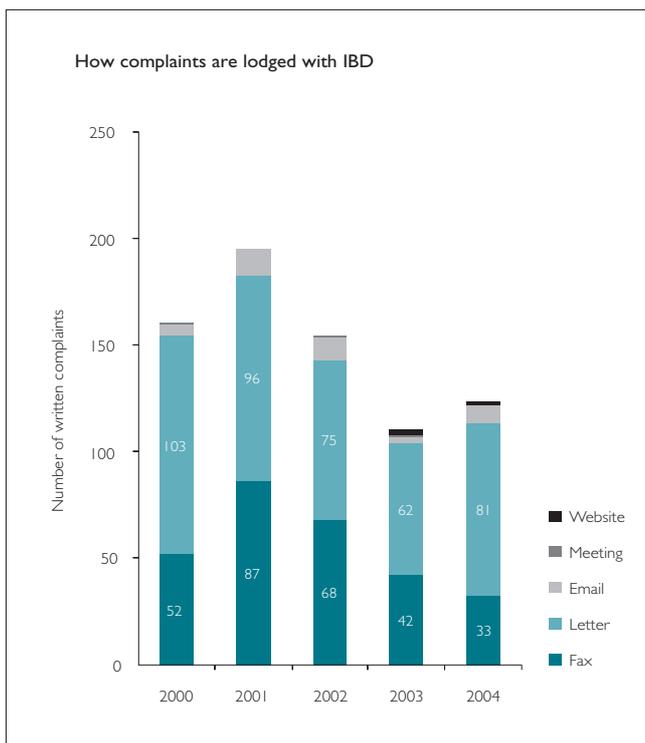


- As requested by ASIC, since 2001 IBD has been keeping statistics on the age of complainants.
- 53% of the complainants were in the 30-50 years age group, with 27% of complainants aged 50-70 years, 10% of complainants aged 20-30 years and only four complainants over 70 years.
- Complaint forms and translating services are available in Arabic, Chinese and Vietnamese (and other languages if required).



- Only four complaints were received from consumers with English as a second language (Arabic, Cantonese, Greek and Italian).
- IBD established a link with a translation service to assist consumers with language difficulties, which has proven to be very beneficial.
- IBD has also advertised in various ethnic communities newspapers to enhance knowledge and understanding of IBD.
- 52% of complaints were received from small business operations – similar to last year.
- This shows that IBD is equally used by domestic and business consumers, which is being addressed in the impending review regarding the difference in jurisdictional limits.
- Of the small business complaints, a significant number were from retail shops and trades people. But there were also various complaints from the transport industry and leisure industry, and a significant number from cleaning services, mainly involving franchise companies.

3.2.2 HOW COMPLAINTS WERE LODGED WITH IBD

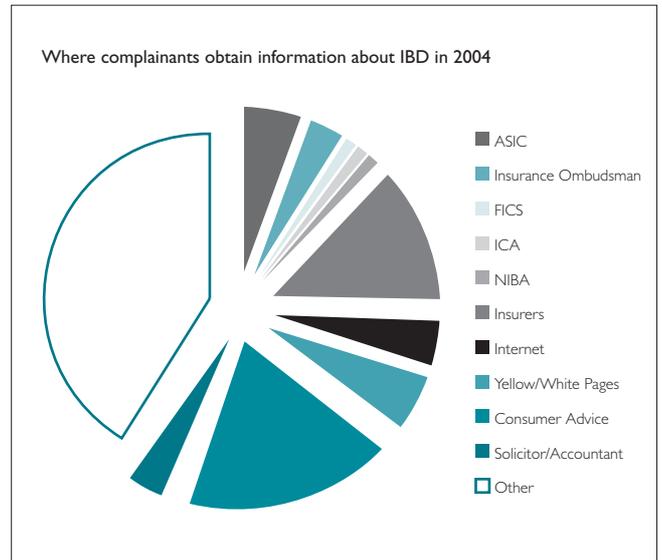


- Most written complaints were received via fax and letter.
- Email was used for 6% of written complaints received.
- If available, email is used as a preferred medium to correspond with consumers and members.
- Although complaints can also be lodged directly via IBD website, only two complaints were received that way.

3.2.3 WHERE THE COMPLAINANTS OBTAINED INFORMATION ABOUT IBD

- All members are obliged to advise their clients in writing about IBD.
- IBD suggests that advice be included with the notice of duty of disclosure on the back of invoices and/or statements issued by the broker, using the following sample text:

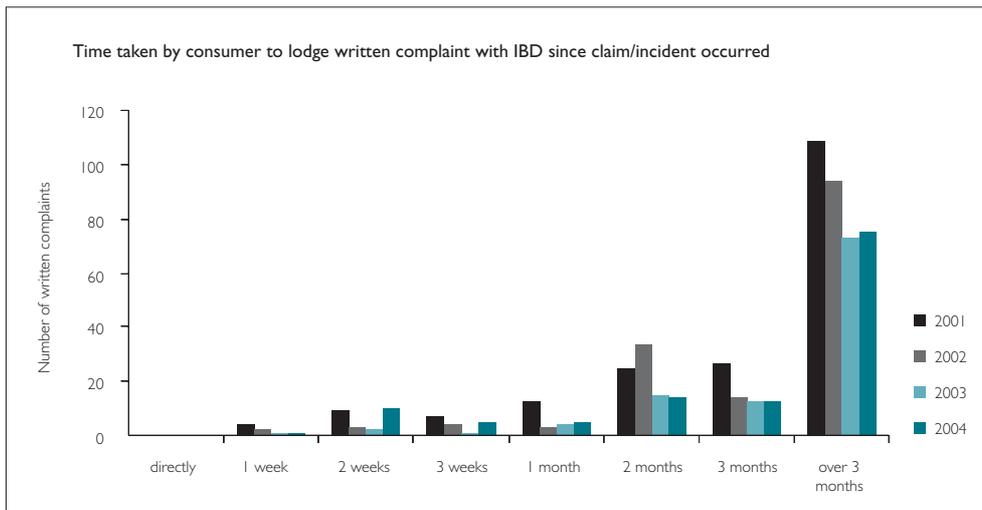
“Clients who are not fully satisfied with our services should contact our customer relations/complaints officer. ABC Company also subscribes to Insurance Brokers Disputes Limited (IBD), a free customer service, and the General Insurance Brokers Code of Practice. Further information is available from this office.”



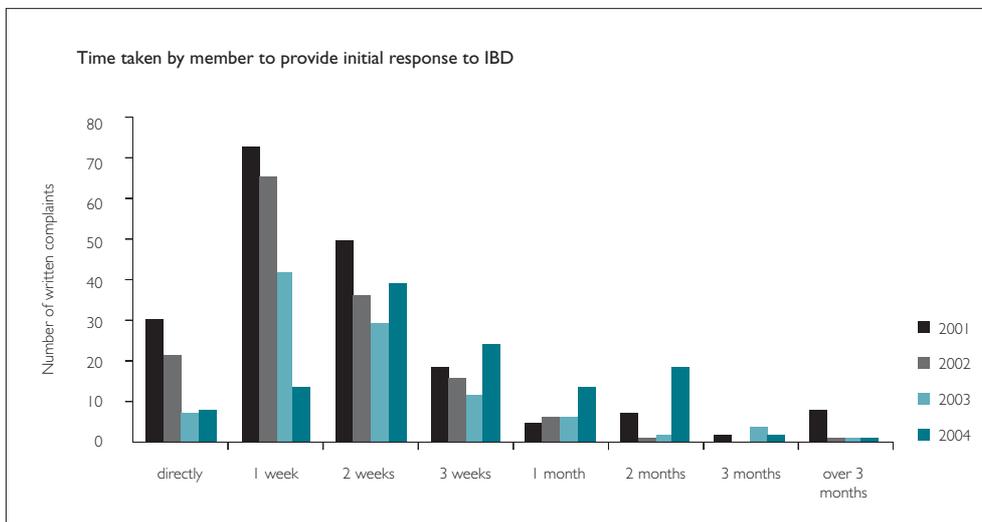
- IBD would not agree with the above text being supplied in a separate notice because there is too much risk of it being accidentally omitted.
- Furthermore, members must actively inform consumers orally and in writing once a potential complaint is being made.
- There still remains cause for concern that the majority of complainants learn of the availability of this facility through sources other than members.
- Only 27% of complainants stated that they received direct advice about IBD from the member when the complaint occurred.
- Although IBD can confirm that all members have written advice about IBD on their notices, members need to make a concerted effort to ensure that staff are fully trained and informed that it is mandatory to offer this service to consumers in case of a complaint or potential complaint.
- A member cannot rely on a consumer to read the notice about IBD on their invoice or statement, but the member is requested to adequately advise the complainant about the services provided by IBD in case of a complaint or potential complaint (even if the member believes that the consumer is not dissatisfied).
- A copy of IBD's Terms of Reference and information brochure should be made available to consumers at no cost.

3.2.4 TIMEFRAMES

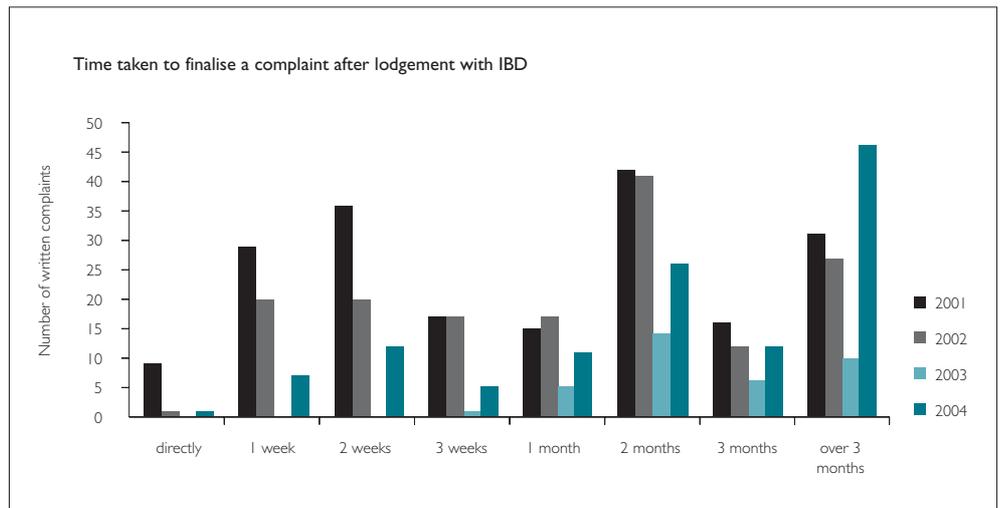
- IBD promotes the following conciliation/determination process:
 - A member should first attempt to resolve the complaint with their own internal dispute resolution (IDR) scheme. IBD does not force a consumer to go through a member's IDR process if there appears to be a communication breakdown that would make further conciliation attempts inappropriate or if the consumer has already tried for an excessive period of time to obtain advice from the member.
 - If the complaint cannot be resolved within 20 days, the matter should be referred to IBD for conciliation. This timeframe might be delayed if further information is requested from the parties involved.
 - If the complaint cannot be conciliated within 20 days, the matter will be referred to the Referee for determination. This timeframe might be delayed if further information is requested from the parties involved.



- Two-thirds of complainants wait for three months and longer after the claim/incident (the cause of the complaint), before contacting IBD to lodge a complaint in writing. During that time they might have tried with no success to conciliate the matter with the member and/or the insurer and/or loss adjuster. Sometimes consumers even engaged the assistance of lawyers with no success.
- In some cases the Referee determined that the member should pay interest on the outstanding claim amount, as the member did not take active steps to expedite the situation and resolve the complaint within a reasonable time.
- IBD noted significant time delays, in particular in cases where there was more than one member involved in placing the policy (eg use of authorised representatives, wholesale brokers or underwriting agencies).



- As soon as IBD receives a written complaint, a copy of the document is formally forwarded to the member with a request for comment within seven days.
- If no response has been received within seven days, a follow-up letter is forwarded to the member and the member is given another week to respond.
- If still no response is received, the member will receive a warning that unless a satisfactory response is received within two days, the matter will be referred to the Referee for determination.
- Once a written complaint was lodged with IBD, 48% of members responded to IBD within two weeks.
- In 22 cases members took 60 days or longer to provide IBD with a satisfactory response, which is not satisfactory. Most of those cases were referred to the Referee.



- If there is a specific reason why the response of a member is being delayed (eg specific staff member involved in complaint is unavailable, specific information or documentation to clarify the matter is not available or it takes time to obtain them), a member is urged to keep IBD advised accordingly.
- 32% of complaints were finalised within one month, with the rest taking 60 days or more to finalise.
- Longer timeframes were required in cases where IBD and/or the Referee requested further information or documentation from the parties involved.

3.2.5 ORIGIN OF COMPLAINT

	ACT	NSW	NT	QLD	SA	TAS	VIC	WA	TOTAL	in %
Complaints metro	2	31	1	12	9	1	25	8	89	72%
Complaints country	0	12	0	11	0	3	5	4	35	28%
Complaints total	2	43	1	23	9	4	30	12	124	
In % of total complaints	2%	35%	1%	19%	7%	3%	24%	10%		
Registered IBD members per state	8	288	2	135	50	10	206	84		
% of IBD members Australia-wide	1%	37%	1%	17%	6%	1%	26%	11%		
Population in % of total population in Australia as per Australian Bureau of Statistics December Quarter 2003	1%	34%	1%	19%	7%	3%	25%	10%		

- The majority of complaints came from metropolitan areas, amounting to 72% in 2004.
- The state of origin of registered complaints was consistent with the overall population size of the state.

3.2.6 CLASS OF INSURANCE

- Business pak policies with 35% and motor vehicle insurance policies with 27% accounted for most of the complaints – similar to previous years.
- In particular small businesses appear to increasingly use IBD to settle complaints after having already engaged solicitors without any success. IBD noted that an increasing number of complaints have been referred to IBD from solicitors and lawyers. Business complaints include complaints regarding cover issues and amount of refund premium upon cancellation of policies.
- The majority of complaints involving motor vehicle policies were related to private motor vehicles. Complaints included arguments about the difference between market and agreed value, excesses and non-disclosure of past convictions and nominated drivers being under 25 years old.

- Home and contents policies make up 11% of the complaints, the third biggest group. These complaints also involve cover issues regarding specified items (eg jewellery) and no assistance and time delays in claim settlement.

	2000	2001	2002	2003	2004
Business Pack Total	27	74	37	34	43
Bus Pack General	27	40	18	20	28
Bus Pack Fire & Perils	n/a	2	0	3	0
Bus Pack Bus Interruption	n/a	1	1	0	0
Bus Pack Burglary	n/a	15	11	4	2
Bus Pack Glass	n/a	2	0	1	1
Bus Pack Money	n/a	1	0	0	2
Bus Pack PL	n/a	9	4	4	9
Bus Pack Fidelity Guarantee	n/a	0	0	0	0
Bus Pack Mach B'down	n/a	4	2	2	0
Bus Pack Electronics	n/a	0	1	0	0
Bus Pack PA	n/a	0	0	0	1
Contractors Risk	n/a	n/a	1	0	0
Farm	5	6	3	1	1
Home & Contents	29	28	27	11	14
Income Protection	n/a	n/a	2	0	5
ISR	1	1	2	1	2
Life	2	0	0	0	0
Lifestock	1	6	0	2	0
Marine	2	1	1	0	4
Mobile Phone	n/a	n/a	2	0	0
MV Total	62	47	42	34	34
MV Private	62	32	31	26	29
MV Commercial	n/a	15	11	8	5
Personal Accident/Sickness	8	6	5	4	3
Pleasurecraft	n/a	2	1	1	0
Professional Indemnity	2	8	5	2	1
Public Liability	10	2	19	13	10
Strata Title/Landlord	n/a	7	3	6	3
Travel	1	0	5	0	0
Workers' Compensation	3	4	0	0	1
Other	8	3	0	1	3

3.2.7 NATURE OF COMPLAINT

- 31% of complaints arose where there was a misunderstanding of cover; followed by claim issues (24%) and cancellation/refund premium issues (19%).
- Cover issues arose from a misconception that insurance covers "all" claims. It is crucial that members confirm all verbal conversations with their clients in writing to avoid misunderstandings about cover issues. If quotes are provided to a consumer; but the consumer only elects to take out the minimum cover; the member is obliged to highlight the danger of such premium shopping.

- Cancellation/refund disputes arose from a lack of understanding of policy cancellation procedures. Members will need to spend more effort educating their clients about the consequences of policy cancellation or termination. One of the most common problems involves complainants expecting a pro rata refund that is not in line with what they finally receive. Disputes arise as a result of their lack of knowledge of trailing commissions. To this end, it is imperative that the industry sets in place a full disclosure standard that provides consumers with details of all fees, commissions and cancellation penalties.
- Difficulties arose in relation to the inception date of the policy and confirmation of premium (in particular; if the premium depended on the consumer providing certain documents to the broker or underwriter; such as proof of no claim bonus). It is strongly recommended that brokers always confirm in writing to their clients details of any agreements, policy conditions, changes to policies, telephone conversations and meetings.
- Where premium funding was involved, it appears many consumers were not aware that they had in fact entered into two different contracts – the insurance contract and a separate loan contract. The broker often explained the premium funding contract as a “pay by the month facility” and did not highlight specifically that it was a separate contract similar to a loan attracting separate interest and cancellation fees. In most cases the consumer said they signed the contract without being told they were signing a separate contract.
- The statistics regarding the nature of complaints should be used as a guideline only. It is difficult to determine the nature of a complaint precisely, as it often involves various issues. Only the main issue will be included in the statistics.

	2000	2001	2002	2003	2004
Cancellation/Refund	35	26	19	31	24
Cancellation/refund	n/a	n/a	n/a	11	14
Cancellation/refund time issue	n/a	n/a	n/a	10	2
Cancellation/refund premium funding issue	n/a	n/a	n/a	5	7
Cancellation/refund commission issue	n/a	n/a	n/a	5	1
Claim	22	37	23	13	29
Claim	n/a	n/a	n/a	9	18
Claim settlement issue	n/a	n/a	n/a	0	10
Claim time issue	n/a	n/a	n/a	4	1
Cover	25	26	35	15	40
Fee	n/a	n/a	1	1	5
Fraud	0	0	1	0	1
New Business	34	35	14	9	1
Non-disclosure	n/a	n/a	8	7	5
Non-disclosure	n/a	n/a	n/a	5	1
Non-disclosure convictions	n/a	n/a	n/a	2	4
Premium funding	n/a	n/a	4	1	0
Premium	3	3	2	1	5
Professional Conduct	4	2	1	1	2
Renewal	31	60	40	23	3
Renewal matters	n/a	n/a	n/a	12	2
Renewal not received	n/a	n/a	n/a	9	1
Renewal not received in time	n/a	n/a	n/a	2	0
Value agreed/market	n/a	4	6	5	3
Excess	6	2	1	3	1
Other	0	0	0	0	5

- IBD publishes all determinations made by the Referee on its website (www.ibdltd.com.au) to provide examples of the type of complaints that are handled by the facility.

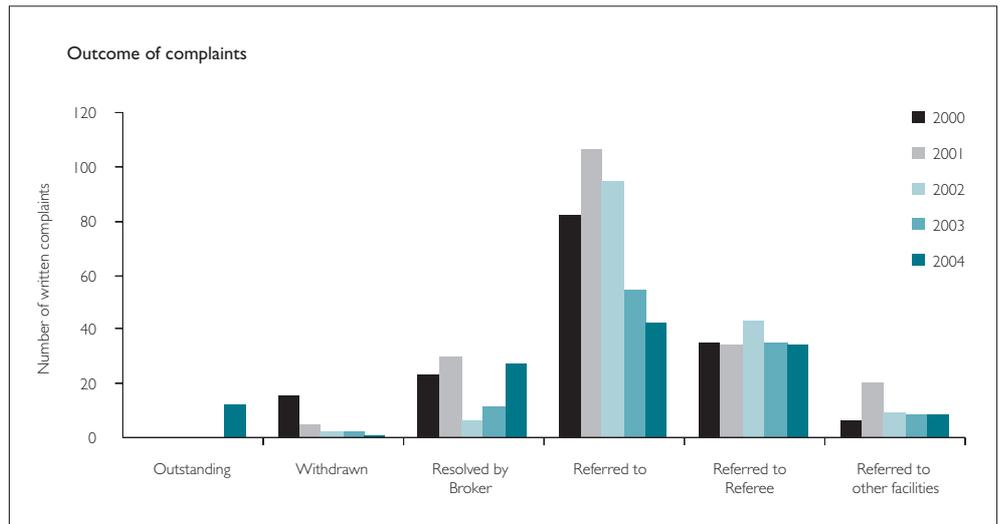
	2000	2001	2002	2003	2004
Under \$1000 Total	57	59	32	36	30
Under \$1000	n/a	8	8	2	4
\$101-\$500	n/a	16	11	16	6
\$501-\$1000	57	35	13	18	20
\$1000-\$5000 Total	38	43	62	29	32
\$1001-\$2000	11	15	21	15	8
\$2001-\$3000	3	8	21	9	4
\$3001-\$4000	4	11	11	0	6
\$4001-\$5000	20	9	9	5	14
\$5001-\$10,000 Total	11	29	11	14	19
\$5001-\$7500	5	9	2	4	8
\$7501-\$10,000	6	20	9	10	11
\$10,001-\$25,000 Total	10	13	20	13	23
\$10,001-\$15,000	6	6	9	7	9
\$15,001-\$20,000	4	6	10	60	10
\$20,001-\$25,000	0	1	1	0	4
\$25,001-\$50,000 Total	15	13	11	9	13
\$25,001-\$30,000	8	4	1	2	2
\$30,001-\$35,000	0	1	1	1	3
\$35,001-\$40,000	3	1	5	1	1
\$40,001-\$45,000	0	4	1	0	1
\$45,001-\$50,000	4	3	3	5	6
Over \$50,000 Total	0	4	1	0	0
\$50,001-\$100,000	0	2	1	0	0
Over \$100,000	0	2	0	0	0
No quantified claim involved	30	34	18	9	7

3.2.8 VALUE OF CLAIMS INVOLVED

- While IBD received no complaints involving amounts in excess of \$50,000, the fact that a critical mass of members are also now engaged in selling life insurance and superannuation products means that this figure needs to be re-assessed in order for the facility to properly deal with the larger amounts involved in these classes of insurance.
- This will be a major part of the review in 2005, including a review of the limit of \$5000 regarding business insurance policies.
- From the 43 complaints received in regards to business pak policies, 30 involved claim amounts up to \$5000, another eight involved claims up to \$10,000 and five were up to \$50,000. However, only four above the limit of \$5000 were rejected because of the claim limit. The others above that limit could be resolved by the broker or through the initial conciliation process.
- Currently IBD allows a consumer to agree in writing to reduce the amount of their claim to fall within the limits of IBD's Terms of Reference to enable IBD to handle the complaint. If a member wishes IBD to handle a complaint outside the limits, the member needs to obtain written approval from their PI insurer.

- 50% of complaints involved claim amounts under \$5000.
- 15% of complaints involved claim amounts between \$5000 and \$10,000.
- 19% of complaints involved claim amounts between \$10,000 and \$25,000.
- 10% of complaints involved claim amounts between \$25,000 and \$50,000.

3.3 OUTCOME OF WRITTEN COMPLAINTS



- It appears that the majority of complaints are being resolved either directly by the member (22%) or with involvement of the General Manager (34%). If possible, IBD encourages members to discuss complaints initially with the consumer even after a written complaint has been lodged, to assess if the matter can be successfully handled.
- IBD also provides consumers with information on other complaints facilities and relevant bodies. Ten complaints were referred to other facilities (eight to the Insurance Ombudsman Service, one to the Banking and Financial Services Ombudsman and one to ASIC).
- 34 matters were determined by the Referee.
- 12 complaints were not finalised as at December 31, 2004.

3.3.1 CONCILIATED BY GENERAL MANAGER

- During the conciliation phase 11 matters were conciliated in favour of the member and eight matters in favour of the consumer.
- In matters being "resolved by GM", the General Manager provided assistance to both parties to clarify the situation to the satisfaction of both parties. In most cases there was no claim or monetary loss involved.
- In matters being "resolved as compromise" both parties did bear part of the claim.
- Where a matter was being conciliated in favour of the member, the consumer was made aware that it was conciliation advice only and that the matter could be referred to the Referee if requested for final determination.
- A survey undertaken of 20 complainants including all complaints conciliated in favour of the member showed that all complainants understood and were satisfied with the process of IBD, even when they were dissatisfied with the outcome of the investigations.

	2000	2001	2002	2003	2004
Resolved by GM Total	70	74	82	46	30
Resolved by GM	6	17	18	7	7
Conciliated by GM in favour of broker	44	30	27	14	11
Conciliated by GM as compromise	2	0	1	2	4
Conciliated by GM in favour of consumer	18	27	36	23	8
Rejected by GM Total	12	32	12	8	12
Rejected by GM (other reasons) TOR* 3.3d-h	0	1	0	0	3
Rejected by GM as outside class of insurance TOR* 3.3a	0	15	5	3	3
Rejected by GM as outside small business definition TOR* 3.3a	n/a	2	5	0	0
Rejected by GM as outside claim limit TOR* 3.3a (note claim limit increased to \$50,000 in 1998)	11	2	1	3	5
Rejected by GM due to legal action being taken by consumer TOR* 3.3b	0	0	0	2	1
Rejected by GM as based on verbal accusation only TOR* 3.3c	1	1	1	0	0
*Terms of Reference					

- In some cases, the consumers disagreed with the fact that there is no right of appeal against the decision made by the Referee.

3.3.2 DETERMINED BY REFEREE

	2000	2001	2002	2003	2004
Resolved by Referee Total	22	32	42	33	33
Resolved by Referee	7	0	2	0	1
Referred to insurer				0	4
Referred to courts				1	4
Determined in favour of broker	0	18	28	20	13
Determined as compromise	13	1	0	1	1
Determined against broker	n/a	n/a	n/a	2	1
Determined in favour of consumer	2	13	12	9	9
Rejected by Referee Total	13	2	1	2	1
Rejected by Referee (other reasons)	13	0	1	2	0
Rejected on merits				0	1
Rejected by Referee as verbal accusation only	0	2	0	0	0

- A total of 38 matters were referred to the Referee, of which 34 were issued with a determination as at December 31, 2004.
- Details of all determinations are published on the IBD website (www.ibdltd.com.au).
- Where a determination against a member was made, there was no monetary order made, but the member was ordered to submit an audit report of their administrative capabilities.

4. Participating members

4.0

	ACT	NSW	NT	QLD	SA	TAS	VIC	WA	TOTAL
IBD members total	8	288	2	135	50	10	206	84	783
In comparison to 2000	9	360	5	181	72	15	254	102	998
Accountants		1							1
Foreign Insurance Agents		1						1	2
Financial Planners		5					8	2	15
Underwriting Agencies		13		3	1		1	4	22
General Insurance Brokers	5	220	2	115	42	10	178	67	639
General & Life Insurance Brokers	3	44		17	6		16	8	94
Life Insurance Brokers		4			1		3	2	10

- There were 783 members in 2004 – a 6% decrease from 835 members in 2003.
- Loss of membership due to merger of some members was outweighed by an increase of new applications.
- For renewal in 2005, IBD changed its membership fee structure in line with the size of members' operations and the number of authorised representatives.
- Membership composition also changed, with 40 members who are not pure insurance brokers, compared with eight in 2003.



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