Annual Data Report 2022

A detailed analysis of self-reported breaches and complaints from 2022

October 2023

INSURANCE BROKERS CODE COMPLIANCE COMMITTEE

We acknowledge the traditional owners of Country throughout Australia and their continuing connection to the land, culture and community. We pay our respects to Elders past and present.

This land is, was, and always will be, traditional First Nations Country.

Contents

Message from the Chair

This detailed analysis of the breach and complaints data from insurance brokers in 2022 is a valuable resource that should be required reading for all in the industry – right up to the Board.

Reporting culture

It was pleasing to see an increase in the number of subscribers that reported breaches and complaints in 2022, especially considering our guidance on the importance of a positive compliance culture.

Unfortunately, too many subscribers continue to report very few or no breaches, and very few or no complaints. And this includes subscribers that employ more than 50 staff.

We are concerned that instances of non-compliance are being missed. This leads to subscribers under-reporting breaches and complaints and wasting opportunities for improvement.

To understand this better, in the 2022 ACS, we required all subscribers that reported zero breaches and complaints to provide a brief description of their processes and procedures for monitoring Code compliance.

The findings, which we will publish in a separate report later in 2023, are illuminating and tell us much about the compliance frameworks of subscribers. In some cases, subscribers are misinterpreting obligations and failing to identify and report breaches and complaints.

Closer scrutiny needed

For the fifth year in a row, subscribers attributed most breaches to people-related causes. But 'insufficient training' was reported as the root cause of comparatively few breaches.

This is perplexing. If staff and authorised representatives are receiving adequate training, we should not see so many breaches caused by people-related issues.

It leaves us wondering whether training is not good enough or whether subscribers are simply choosing 'manual error' or 'process and procedure not followed' as a default options rather than properly investigating and reporting the true root cause of a breach.

We urge subscribers to look beyond who or what caused the breach to find out why the breach occurred. This will help to identify and address the root cause; improve the way the breach is remediated and prevent recurrence.

Reporting helps us all

While overall breach numbers dipped slightly in 2022, they affected significantly more clients than in 2021. We also saw two-thirds more systemic breaches than the previous year and more than double the number of breaches reported to ASIC.

Accurately reporting the impact and severity of each breach, including the total financial impact, is vital. It helps us identify emerging issues in the industry, which shapes our compliance monitoring and determines the guidance resources that are most needed.

Oscar Shub
Independent Chair
Insurance Brokers Code Compliance Committee

About this Report

The 2022 Annual Data Report provides analysis of the breaches and complaints reported by subscribers for the 2022 calendar year.

It includes our observations on compliance with the Code, along with guidance and recommendations for subscribers that will help them improve their practices.

Methodology

As part of the 2022 Annual Compliance Statement (ACS), 429 subscribers provided data on their breaches and complaints.

We contacted 187 subscribers to clarify their data or seek an explanation for any unusual reporting patterns (for example, no reported breaches, a high number of breaches, or breaches that affected a high number of clients).

Incorporating the 2022 Code

The 2022 Code came into effect on 1 November 2022 after an eight-month transition period. The exception is section 6.1 (Disclosing Remuneration), which does not come into effect until 1 November 2023.

In the year that this report covers, both the 2014 Code and the 2022 Code were effective. We have included observations and commentary that refers to both codes. This is to help subscribers comply with their obligations in the 2022 Code and to help with reporting.

Categorising Code obligations

For the 2022 ACS, subscribers could report breaches and complaints against either the 2014 or 2022 Code.

Accordingly, we have categorised the obligations of both Codes in a combined set (see Table 13). This allows us to paint a clearer picture of Code compliance for 2022, as well as make comparisons with datasets from previous reporting periods.

A Snapshot of 2022

Breaches

A breach is...

A failure to comply with the obligations of the Code in relation to the provision of an insurance broking service.

(Defined with reference to the ASIC Regulatory Guide 78 – Breach Reporting by AFS Licensees, the Australian Standard AS 3806-2006 – Compliance Programs, and Section 912D of the Corporations Act 2001).

5% DECREASE in reported breaches

» Down from **3,570** in 2021 to **3,405** in 2022

$3.2m of FINANCIAL IMPACT

» With **412,800** clients affected

55% of subscribers REPORTED BREACHES

An increase on the **47%** that reported breaches in 2021

175 subscribers REPORTED NO BREACHES

Most breaches in 2022:

» Arranging insurance cover **41%**

» Claims management **29%**

Complaints

A complaint is...

An expression of dissatisfaction made to or about an organisation, related to its products, services, staff or the handling of a complaint, where a response or resolution is explicitly or implicitly expected or legally required.

(Defined with reference to Australian Standard AS 10002:2022).

29% INCREASE in reported complaints

» Up from **1,742** in 2021 to **2,252** in 2022

79% RESOLVED within 30 DAYS

» Most common outcome: Service-based remedies (41%)

61% of subscribers REPORTED COMPLAINTS

An increase on the **55%** that reported complaints in 2021

152 subscribers REPORTED NO COMPLAINTS

Most common complaints in 2022:

» **About products:** Domestic products **51%**

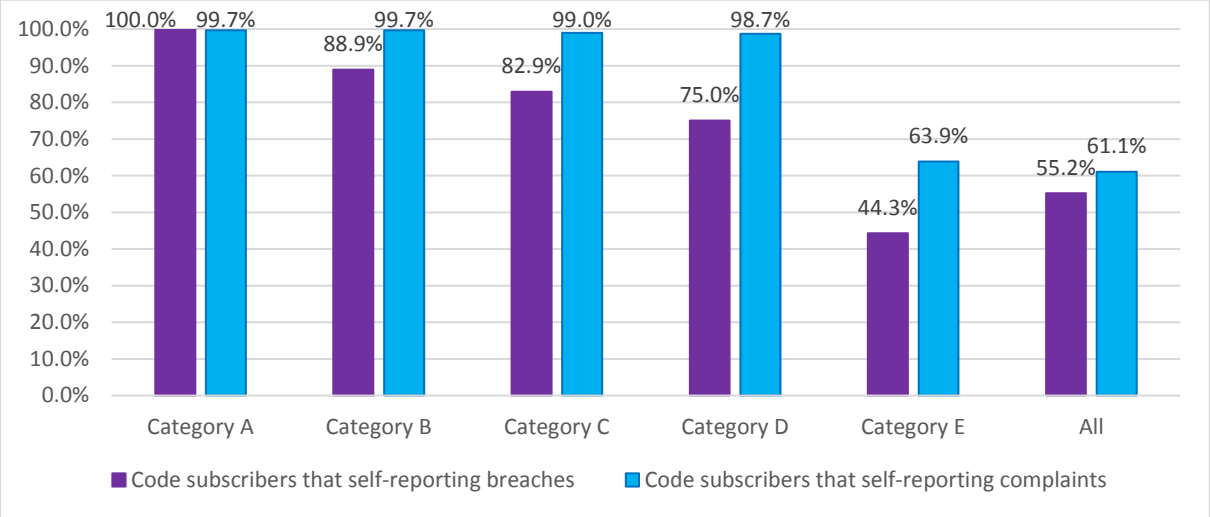
» **About issues:** Service-related issues **41%**

Findings

Room for improvement

The culture of reporting in the industry improved slightly in 2022, but we continue to see many subscribers report no breaches and many report no complaints.

Chart 1: Self-reporting culture in 2022



The number of subscribers that reported a breach increased 7% from 2021 and every one of the largest subscribers (Category A) reported at least one breach.

We also saw 6% more subscribers report a complaint than the previous year, with overall complaint numbers rising 29%.

The number of breaches, on the other hand, fell almost 5% compared to 2021. There were 175 subscribers (45% of the total) that did not report a single breach, including some with more than 50 FTE staff.

Slightly fewer subscribers (152) reported no complaints, mostly from the smallest size category, but we still saw subscribers from all size categories fail to report a single complaint.

We acknowledge that size matters. We know, historically, that smaller (Category E) subscribers report the fewest breaches and complaints each year. We also know that they are less likely than larger subscribers to have formal compliance frameworks in place, relying instead on the intimacy of the broker–client relationship to resolve issues before they escalate.

Larger subscribers, however, are expected to have rigorous compliance frameworks embedded into their organisations to ensure they are detecting, recording and reporting all breaches and complaints.

We were disappointed that several subscribers with more than 20 FTE staff reported no breaches or complaints. There were 15 subscribers that did not report a single Code breach:

- Two from Category B
- Six from Category C
- Seven from Category D (Chart 8).

There were 11 subscribers that did not report any complaints:

- One each from Category A and Category B
- Four from Category C
- Five from Category D (Chart 9).

When we examined breaches and complaints per 1,000 clients, we found inconsistencies in data, regardless of subscriber size (Chart 11).

Breaches per 1,000 clients ranged from 186.7 (reported by a Category E subscriber) to 0.1 (reported by a Category A subscriber). Interestingly, the Category E subscriber with the highest number of breaches per 1,000 clients reported no complaints.

We find it unusual that a subscriber reporting various breaches would report no complaints and may indicate a weakness in capturing and reporting complaints data.

Similarly, complaints per 1,000 clients varied from 89.6 complaints (reported by a Category E subscriber) to 0.1 (reported by a Category A subscriber). Again, the Category E subscriber with the highest number of complaints per 1,000 clients reported no breaches.

Subscribers typically source breach data from consolidated compliance registers. Where these do not cover all breaches, subscribers should review other sources such as complaints records for breach incidents, internal file audits and external audits.

Breaches can arise across all operational areas, in direct dealings with clients (such as in branches, collections and call centres), and in other areas such as marketing and systems. Identification of breaches should include oversight of all such areas by appropriately trained personnel.

These inconsistent data sets raise questions about how subscribers are capturing, analysing and reporting data and we encourage improvement in this area.

Due to its broad nature, the previous version of the Code may have contributed to a lack of compliance reporting. Now that the 2022 Code is effective, we expect an improvement in all subscribers' reporting.

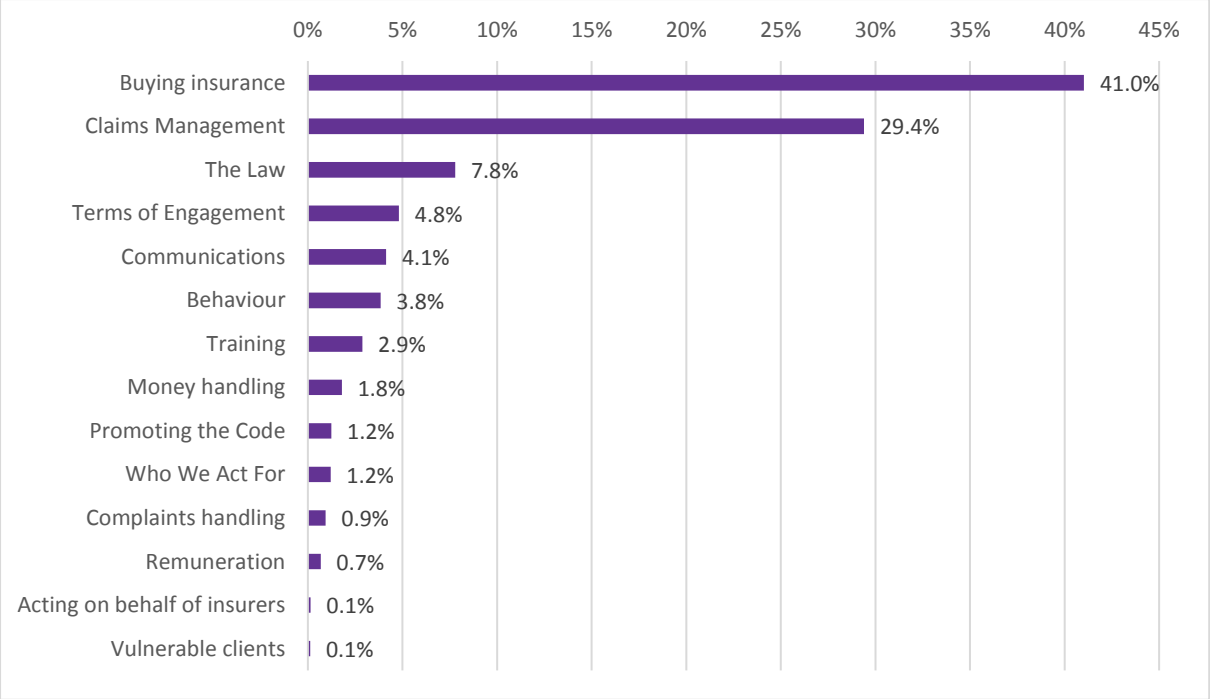
Most common breaches

We combined the obligations of both the 2104 and 2022 Codes into a broader set of obligations to make analysing the data more straightforward (Table 13).

While this made comparisons with previous reporting periods more challenging, some familiar patterns emerged.

Breaches relating to the Code obligations for buying insurance, managing claims and adherence to the law remained the most reported by subscribers, accounting for just over 78% of all breaches in 2022.

Chart 2: Breaches in 2022



Buying insurance and claims management

Where the 2014 Code, at Service Standard 5, combined the obligations relating to claims management and buying insurance, the 2022 Code makes a clear distinction between the two. Section 7.1 focuses on claims management and Section 7.2 focuses on policy renewal.

Having these covered by separate specific obligations resulted in a decrease of breaches related to buying insurance and an increase of breaches related to claims management. (Chart 10).

We anticipate a further rise in reported claims management breaches now that the 2022 Code is in effect and the way subscribers categorise breaches improves. This will provide better insights into the breaches and what subscribers can do to address them.

Non-compliance with legal obligations

The 2014 Code, at Service Standard 1, included a broad obligation for subscribers to comply with all relevant laws.

Subscribers have tended to use this as a catch-all standard to report a wide range of breaches that, in many cases, could have been categorised under a more specific Code obligation. As a

result, breaches of the Code's legal standards have historically accounted for around 20% of breaches each year.

The 2022 Code does not include an equivalent section. Instead, it commits subscribers, under the Code principles, to behave ethically.

This change recognises that the Code's objective is to embody a standard that extends beyond mere legal requirements.

Pleasingly, subscribers appear to understand this objective: reported breaches of legal obligations fell from around 21% in 2020 and 2021 to just under 8% in 2022, indicating that subscribers are examining the nature of their breaches more closely and using more precise categories to report them.

Communications breaches

Section 5.1 ('Communications') of the 2022 Code is a requirement for brokers to provide clear and timely communication to clients.

While this is referred to briefly at the beginning of Service Standard 5 in the 2014 Code, there is no equivalent standalone obligation. Breaches relating to client communication have historically been categorised against other Code obligations, such as buying insurance or claims handling.

With around 141 breaches (4%) reported as being non-compliant with the new Code's communications obligation in 2022, it is evident that subscribers had already identified this as an area of concern.

Behaviour-related breaches

The 2022 Code provides greater clarity for the way brokers are expected to behave when dealing with clients.

Service Standard 12 of the 2014 Code, was a general commitment for brokers not to engage in any activity that may bring the insurance broking industry into disrepute. Section 5.2 ('Behaviour') of the 2022 Code is more explicit, containing three specific obligations, including the way clients with special needs and those experiencing vulnerability should be treated.

In addition to making the obligations clearer to brokers and their clients, Section 5.2 of the 2022 Code makes instances of non-compliance easier to detect and report. This likely explains why subscribers reported more behaviour-related breaches in 2022 than the previous year.

The areas of most reported breaches do not differ significantly among different sizes of subscribers.

EXAMPLES OF COMMON BREACHES...

One Category A subscriber self-reported five breaches of Section 7.1(a) of the 2022 Code after a client complained that an insurer had not provided claim updates in a timely way.

The subscriber attributed the breaches to a lack of action by the insurer, but acknowledged that, as the broker, it should have updated the client on the lack of progress and tried to resolve the issue. The subscriber acknowledged that the client could have suffered financial distress because of the claim delays.

The subscriber's complaints officer took over the claim handling until it was resolved and is now working with the insurer to improve its claims management.

A Category A subscriber breached Section 7.1(a) of the 2022 Code when it failed to advocate for a higher insurance payout for a client.

The client made a claim under a strata policy for lost rental income while repairs for water damage were carried out at their property. The client complained to the subscriber that the insurer took more than six months to arrange repairs but offered to pay for loss of rent for only three weeks.

Acknowledging that the insurer's payout was unreasonable and not in line with the policy wording, the subscriber reported that it should have challenged rather than accepted the payout.

The subscriber negotiated with the insurer to obtain the correct amount, with interest added due to the delay.

A random internal audit at one Category E subscriber identified 39 Grade 1 breaches of Section 7.2(a) of the 2022 Code, caused by renewal notices not being issued to clients within 14 days of the policy expiry date. The breaches represented four per cent of the subscriber's total policy volume.

The subscriber attributed the breaches to a system error associated with limitations in its IT system and remote server. It plans to have an updated IT system in place within 12 months.

One Category B subscriber reported a Grade 1 breach of Service Standard 7.2(b) of the 2022 Code, identified when a broker reviewed a policy for renewal.

The broker discovered that a former employee had been using an outdated Certificate of Currency (COC) template for four years, resulting in a COC being issued for $20 million – double the actual limit.

The subscriber provided its staff with additional training, along with a reminder to create new COC documents each time and will regularly review its processes and procedures to avoid a recurrence.

Significant impacts

The severity of breaches and their financial impact on clients rose significantly in 2022. Subscribers reported more systemic breaches and the Australian Securities and Investments Commission (ASIC) received more reports of breaches.

Severity of breaches and complaints

Breaches affected around 412,800 clients – a sharp increase on the 20,503 clients affected by breaches in 2021. Financially, breaches impacted clients to the tune of $3.2 million. The sharp increase in the number of clients impacted can be attributed to one Category A subscriber that reported twelve breaches impacting 383,500 clients.

Breaches of the Code's obligations concerning claims management, buying insurance and policy renewals had the greatest impact, both financially and in the number of clients affected (Table 1).

Breaches involving small business/farm insurance products had the highest financial impact ($1.4 million), while breaches involving domestic insurance products affected the highest number of clients (7,632).

Breaches reported under 'other' products, where large numbers of clients were affected but there was no financial impact, included:

- a discretionary trust arrangement that affected 383,500 clients
- a consumer credit insurance product that affected 6,250 clients.

Breaches involving no specific product, where large numbers of clients were affected but there was no financial impact, included:

- an instance of tax invoices containing an error in identifying the AFSL holder
- the sharing of client contact information via an employee's private email address.

EXAMPLES OF BREACHES WITH A HIGH CLIENT AND FINANCIAL IMPACT…

The distributor of one Category B subscriber caused a Grade 2 breach of Section 7.2(a) of the 2022 Code when it failed to send renewal notices to 1,417 clients at a common expiry date. A client brought the issue to the attention of the distributor, who then notified the subscriber and advised the affected clients by phone and email.

The breach was caused by a system error. The financial impact was negligible, as there was no financial risk or gap in cover for the affected clients.

The subscriber audited the distributor's procedures and documents to ensure compliance and will manage the distributor's renewals itself in the future.

When a client of one Category A subscriber lodged a claim for loss of income following a weather event, the subscriber's authorised representative identified an anomaly in profit calculations, indicating that the client was potentially underinsured.

The subscriber investigated the matter and found that, although the client had agreed to the same income figure each year, the business had split income sources and the broker at the authorised representative should have done their own calculations. The incident was therefore a breach of Service Standard 12 of the 2014 Code and had a $25,000 impact on the client.

The subscriber remediated the breach by updating its procedures and training the authorised representative in how to identify and calculate business interruption needs without relying solely on information from the client.

One Category C subscriber breached Service Standard 5.2 of the 2014 Code because its forms for collecting duty of disclosure data did not align with some insurers' underwriting requirements.

The breach was only detected after a client's claim was declined on the basis that the client had not declared a prior criminal conviction. This caused a financial impact to the client of $39,000.

The subscriber subsequently amended its quotation slips so that questions about a client's criminal history include all convictions, not just convictions that occurred during a certain timeframe.

Breaches reported to ASIC

Subscribers reported 113 breaches to ASIC. ASIC's Regulatory Guide 78 'Breach reporting by AFS licenses and credit licensees' requires subscribers to submit a notification about 'reportable situations' within 30 calendar days of becoming aware of the event. These may be significant breaches as per section 912D(3) of the Corporations Act.

While subscribers have fulfilled their legal requirement in reporting these breaches to ASIC, the Code goes beyond legal obligations. Identifying reported breaches to ASIC provides subscribers with an opportunity to assess how they have handled the breach. Subscribers provided additional information to us including the remediation activities undertaken for each breach.

EXAMPLES OF A BREACH REPORTED TO ASIC...

One Category E subscriber reported a significant breach to ASIC after identifying 749 breaches of Section 5.1(a) of the 2022 Code.

The breaches were discovered as part of a random internal audit, which found that an update to the subscriber's Financial Services Guide (FSG) had failed to include the Lack of Independence statement/table. Each FSG sent out during the year therefore represented a breach. The subscriber amended its FSG immediately and sent a revised version to all 749 affected clients.

The subscriber has subsequently scheduled an external compliance review to occur every six months or whenever it makes a change to its FSG, privacy statement, Code advice or other documentation.

Grading of breaches

We asked subscribers to grade reported breaches according to their severity and the action taken to manage them.

Grade 1	An action or incident that requires management attention but does not impose a serious risk to business operations or the AFS licence.
Grade 2	An action or incident that requires immediate management attention. It can be an accumulation of three Grade 1 actions or incidents.
Grade 3	An action or incident that poses a significant risk to business operations or the AFS licence or has resulted in direct financial loss by a client. It can be one action or incident or an accumulation of four or more Grade 1 or two or more Grade 2 actions or incidents.
Grade 4	An action or incident that requires urgent management attention and poses a serious risk to business operations or the AFS licence (includes major compliance failures, training inadequacies and overall poor performance).
Grade 5	An action or incident that poses a catastrophic risk to business operations or the AFS licence and cannot be rectified.

Most reported breaches were identified as Grade 1 breaches (68%), while just under a quarter (24%) were identified as Grade 2 breaches.

At the more severe end of the scale, there were 29 breaches identified as Grade 4 and four breaches identified as Grade 5 (Chart 6).

EXAMPLES OF GRADE 4 AND GRADE 5 BREACHES…

One Category A subscriber identified a breach of Section 5.2(a) of the 2022 Code as a Grade 5 breach.

One of the subscriber's clients requested a copy of their Certificate of Currency. When the client queried why the Certificate was different to previous years, the subscriber discovered that the document had been adjusted by the adviser to include a third party as an insured.

The subscriber issued an apology to the client and notified ASIC of the breach.

One Category C subscriber identified a breach of Section 5.2(a) of the 2022 Code as a Grade 4 breach.

The breach was discovered during a random internal audit, which showed that on his final day of employment, a former staff member had sent to his private email address a list of 3,500 client names, due dates of policies and premiums/fees paid.

The subscriber contacted the former staff member to advise of an employment contract breach and to seek confirmation that he would delete the information. Legal letters were also sent to the former staff member and his new employer requesting additional confirmation of this.

Following the breach, the subscriber reviewed its employment procedures and now requires that critical staff who resign have their system access terminated and leave the company immediately.

One Category E subscriber identified four breaches of Section 5.2(a) of the 2022 Code as Grade 4 breaches.

Internal compliance audits of brokers' files found that four clients had been given incorrect schedules, and further investigation revealed that the breaches were part of a systemic issue caused by inadequate staff training.

The subscriber provided its brokers with checklists to use when managing all client renewals. It also monitored the brokers monthly for six months to ensure the checklists were being used correctly and no further breaches were occurring.

Systemic breaches

A systemic breach is one that has implications beyond the immediate actions and affected parties, and impacted, or is likely to impact, more than one person.

Subscribers identified 155 breaches as systemic.

Most systemic breaches in 2022 related to the buying insurance obligations in Service Standard 5.1 of the 2014 Code (Table 2).

EXAMPLES OF SYSTEMIC BREACHES...

One Category A subscriber reported a systemic breach of Section 7.2(b) of the 2022 Code after one of its authorised representatives detected an ongoing systemic problem that meant renewal notices were not sent to clients within the required 14-day timeframe.

The cause of the breach was found to be manual error. The subscriber remediated the breach by improving the pre-renewal processes to include the provision of a template letter for the authorised representative to send out to clients and by introducing reports that list all upcoming renewals.

A random audit at one Category A subscriber found that a client's premiums had not been refunded within the timeframe specified in the Corporations Act, causing a breach of Service Standard 1 of the 2014 Code and financially impacting the client by $70,000.

The subscriber apologised to the client, refunded the premium in full and paid an additional amount in compensation. The breach was also reported to ASIC.

Further investigation by the subscriber unearthed systemic failure by its brokers to track their clients' accounts and provide refunds within appropriate timeframes. The breach was therefore reported as systemic.

People-related issues and training

More than half of all breaches were self-identified by staff (28%) or via internal processes or reporting (28%) (Table 3).

Subscribers with up to 50 FTE staff were more likely to see a breach self-identified by a staff member, while larger subscribers identified more breaches through internal processes or reporting.

Around three-quarters of all breaches were caused by people-related issues (Table 4).

Paradoxically, less than 3% of breaches were attributed to insufficient training. This raises several questions:

- If subscribers are fulfilling their obligations to ensure staff and authorised representatives are properly trained, why do we continue to see so many breaches caused by manual error or a failure to follow process and procedure?
- When examining breaches, are subscribers thinking about why they occurred rather than just who or what caused them?
- Are subscribers reviewing their staff training to identify areas to improve?
- How do subscribers define training?

We urge all subscribers that reported a high number of breaches caused by people-related issues to consider how they would answer these questions.

We strongly advise conducting a review of training and oversight arrangements to ensure staff are appropriately trained and supported in using correct processes and procedures.

We also suggest subscribers review their breach analysis methodology to ensure they are drilling deep enough to establish, record and act upon the root cause.

Examples of good practice

Reporting breaches correctly

Subscribers should look at the root cause of breaches to determine whether they should be reported as separate breaches or as one overall breach.

Example 1

A subscriber conducts five separate monthly internal audits over a five-month period. Each audit finds that several renewals have not been issued within the required 14-day timeframe and there has been no contact with the affected clients.

This incident should be recorded as five separate breaches. Each breach should include information about the number of renewals missed, the number of clients impacted, and the action taken following each breach, to give executive management a clear understanding of why breaches continued to occur despite being identified during the first audit.

Example 2

A subscriber conducts a series of reviews that show five client files do not include sufficient notes about discussions, renewals and client confirmations and acceptances. The subscriber determines that the incidents involve several brokers, clients and policies, and that the root causes are insufficient training and heavy staff workloads. At a meeting, staff are reminded about the importance of keeping accurate notes and minutes in client files.

This incident should be recorded as one breach, but the subscriber should note the number of underlying incidents and the number of clients affected.

Remediation improvements

Subscribers need to improve the quality and efficiency of remediation activities.

Subscribers remediated most breaches in the short term with an apology to the client, procedural changes, the provision of an undertaking or with staff training. In 89% of cases, short-term remediation occurred within three months of the breach incident (Table 5).

For around one in four breaches, long-term remediation involved staff training. For one in five breaches, it was procedural changes. Long-term remediation for almost two-thirds of breaches occurred within 12 months (Table 6).

There was a concerning lack of detail about the actions some subscribers took to remediate breaches in both the short and long term. For 23% of breaches, subscribers used the category 'other' to describe their short-term remedial action, and 'other' was used to describe long-term remedial action for 17% of breaches. For another 15% of breaches, subscribers gave no details at all about their long-term remedial actions.

We were also concerned by some of the data on remediation timeframes. For example, short-term remediation taken immediately or within 48 hours of an incident was reported for 48% of breaches. Long-term remediation occurred within six months for 49% of breaches and within one month for almost 29% of breaches.

This suggests subscribers are applying a 'quick fix' to a breach when it occurs rather than taking the time to identify and address the root cause. We strongly encourage all subscribers to review their actions and timeframes for remediating breaches. Doing so will help improve processes and procedures, allowing to learn from mistakes and ensure remedial action is effective.

BREACHES THAT COULD HAVE BEEN PREVENTED

One Category C subscriber reported a Grade 1 breach of Section 5.1(b) of the 2022 Code that was caused by a client advisor's confusion over vehicle terminology.

The breach was discovered when a client notified a claim related to a truck trailer but the policy only listed coverage for a truck. A review revealed that that the client's proposal form had referenced a "dog", but the client advisor had not known this was a type of truck trailer and had not sought further information from the client.

Although the client advisor no longer worked for the subscriber, the subscriber advised that it would have provided training on the thoroughness of assessing client documentation and seeking clarity from clients.

One Category A subscriber reported a breach of Service Standard 12 of the 2014 Code that resulted in a client being financially impacted by $8,000.

The client – a marine cargo transport business – had goods damaged in transit. When they made a claim, it was revealed that their policy only covered defined events, not accidental damage.

Reviewing the incident, the subscriber found that accidental damage had been dropped from the client's cover during a change of insurers, but the broker had failed to notice.

Remediation included adjusting the premium and placing the broker under the supervision of a senior account executive.

Better complaints reporting

For only the second year, we asked subscribers to classify each complaint against the categories set out in the ASIC IDR data reporting handbook for product/service, issue and outcome.

We were pleased to note an improvement in both the volume and categorisation of reported complaints since 2021.

After falling 2% in 2021, reported complaint numbers rose by 29% in 2022 (from 1,742 to 2,252). And only 84 complaints (4%) were not reported using a specific ASIC reference in 2022, compared to 171 (10%) in 2021.

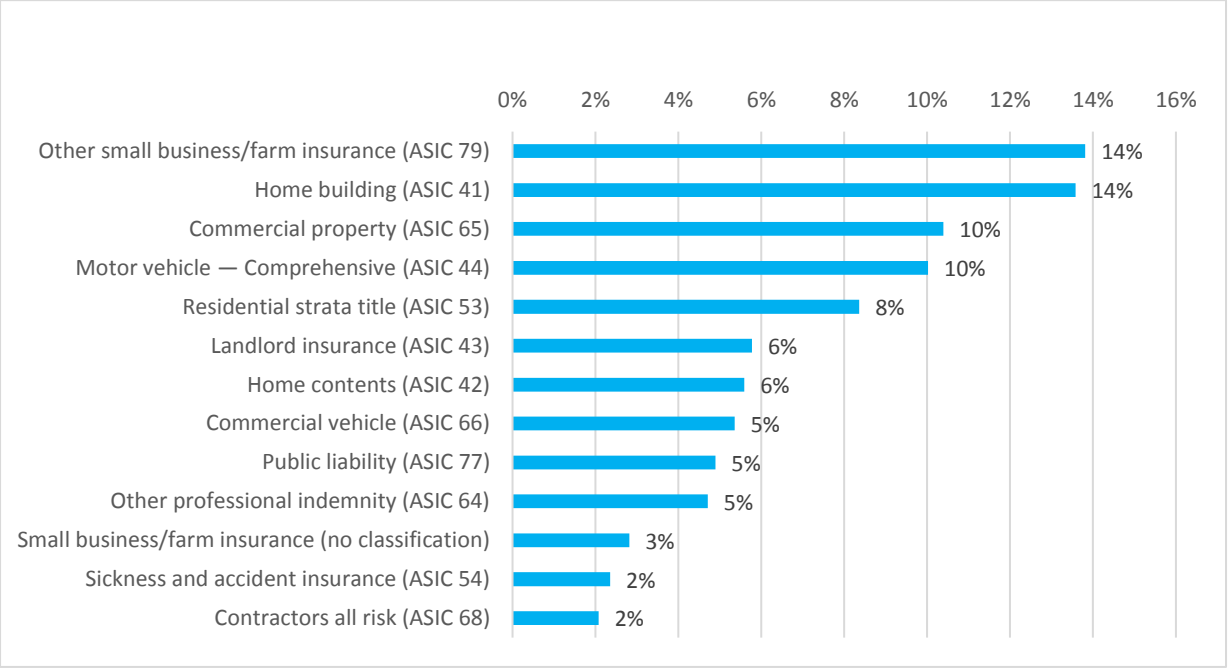
Subscribers should now use the ASIC IDR categories to classify complaints, and complaints registers with the product/service, issue and outcomes should be aligned to ASIC's IDR data reporting handbook. Recording complaints this way makes it easier to identify patterns and address any areas of concern that may also appear in the breach data.

Complaint products

As we saw in 2021, most complaints in 2022 were about domestic insurance products (51%) or small business/farm insurance products (44%) (Chart 3).

These figures reflect the reported breach data: 39% of breaches in 2022 involved domestic insurance products, while another 34% of breaches involved domestic insurance products.

Chart 3: Top product categories involved in complaints in 2022



Subscribers reported 1,099 complaints about domestic insurance products (as per ASIC reference 40 to 58, Table 9) in 2022, compared to 783 in 2021. Most were about home building insurance (294 complaints), comprehensive motor vehicle insurance (217 complaints), and strata insurance (181 complaints).

Complaints about small business or farm insurance products (as per ASIC reference 65 to 79, Table 9) also increased – from 708 in 2021 to 944 in 2022. Most complaints related to:

- ‘other’ small business/farm insurance (299 complaints)
- commercial property insurance (225 complaints)
- commercial motor vehicle insurance (116 complaints)
- public liability insurance (106 complaints).

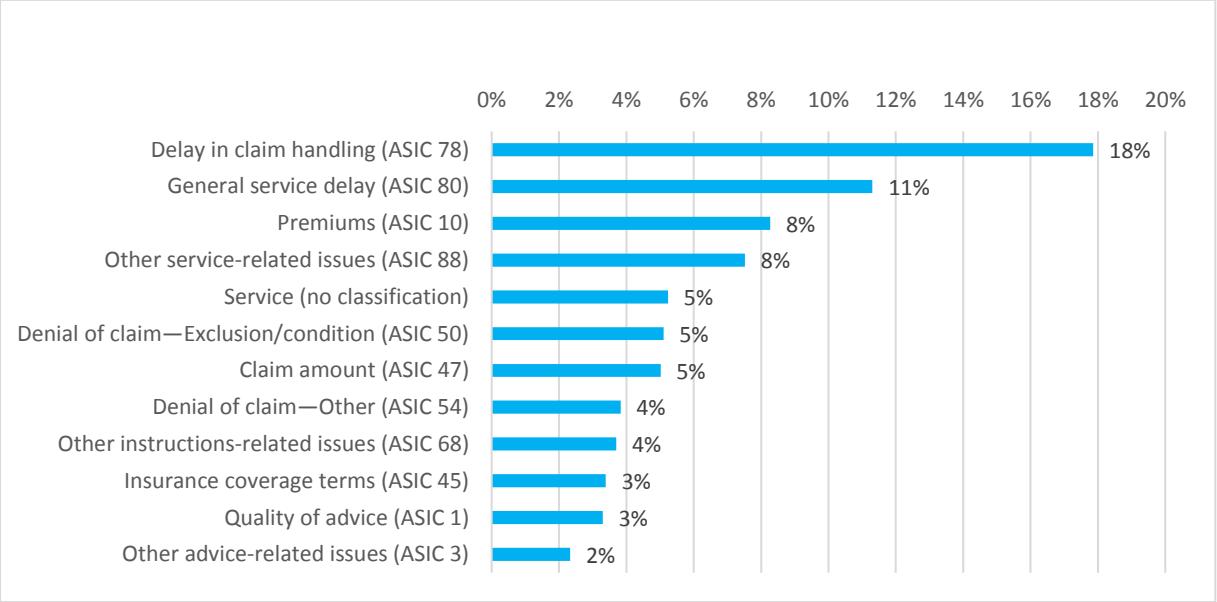
Complaint issues

Service levels and claims decisions were the issues at the heart of most reported complaints in 2022 (Chart 4).

Two in every five complaints (44%) were about service levels, while one in five (20%) related to a decision made about insurance claims.

This mirrors the breach data, where 41% of breaches concerned service issues (or ‘buying insurance’) and 29% of breaches related to obligations for claims management.

Chart 4: Top issue categories involved in self-reported complaints in 2022



For the seventh consecutive year, issues with service attracted the highest number of complaints, indicating it is an area that requires continual improvement and vigilance.

Most service-related complaints concerned delays, including claim handling delays and general service delays. ‘Other’ service-related issues accounted for 8% of complaints about service.

Subscribers reported 488 complaints where the key issue concerned a claim decision. An insurer denying a claim was the key issue in 9% of complaints, while the issue in another 5% of complaints was the claim amount. The terms of insurance coverage accounted for just over 3% of complaints.

Complaint resolutions

Just over three-quarters of complaints (79% or 1,717 complaints) were resolved within 30 days.

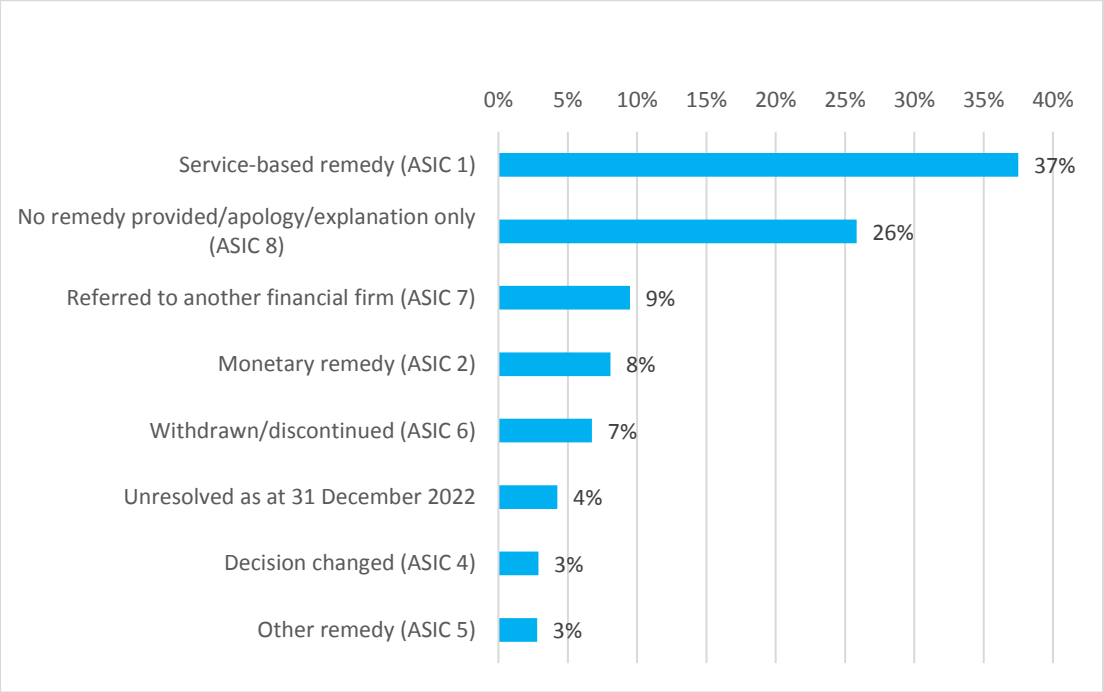
Subscribers gave the following reasons for why some complaints were unable to be resolved within this timeframe:

- the insurer not providing a response (56 complaints)
- the complaint being referred to AFCA for external dispute resolution (42 complaints)
- the client not providing requested further information (33 complaints).

Subscribers resolved most complaints via a service-based remedy (37%) or by apologising to the complainant or explaining the circumstances that led to the complaint (26%) (Chart 5).

As insufficient service was the most common issue in complaints (and breaches) in 2022, it is not surprising that subscribers used a service-based remedy to resolve most complaints.

Chart 5: Top outcome categories involved in self-reported complaints in 2022



What subscribers can do

Subscribers must ensure they have effective systems and processes in place to enable all staff to record breaches, complaints and incidents as they happen throughout the year.

Roles and responsibilities

- Set out clear roles and responsibilities for managing compliance with the Code.

Breach register

- Make the register accessible for all staff and ensure there is oversight from senior staff.
- Periodically review the data to ensure it contains the information needed to take corrective action and improve processes.
- Report a breach even if you have resolved or remediated the issue.

Learning and development

- Provide specialised training for staff responsible for identifying, reporting and analysing breaches and complaints.
- Use insights from data to improve training.
- Review your training to ensure it addresses all the issues identified.
- Conduct a deep dive into the root causes of breaches.

Reporting framework

- Develop frameworks capable of deep dives into ‘hot spots’ to understand data and identify systemic issues.
- Use industry data as a benchmark for measuring your organisation.

Consolidate data

- Consolidate data from multiple channels on a central platform.
- Align breach and internal dispute resolution reporting with Code reporting obligations.
- Use existing systems, technologies, and other potential channels of reporting to improve incident and breach management processes.

Data insights and reporting

- Integrate breach data with other available data to provide a more holistic review of emerging issues and to prevent serious or systemic breaches.

Positive compliance culture

- Encourage breach identification and reporting.
- Develop a company culture that supports staff in reporting breaches and complaints.
- Ensure consistent top-down messaging to foster a positive compliance culture.

Improving compliance frameworks

We continue to encourage subscribers to embrace a culture of reporting.

A positive culture of reporting promotes learning and improvement and raises standards across the industry.

We have several resources to help subscribers improve their compliance frameworks:

- **NIBA/IBCCC webinar: Are you Code ready?**
- **IBCCC 2021 Annual Data Report**
- **Good Practice and Company Culture Report**
- **Complying with the 2022 Code**
- **Comparing the Codes – how the 2014 and the 2022 Codes differ**

Data

Breaches

Table 1: Impact of reported breaches by Code obligations

Code obligation	*Breaches*	*Clients impacted*	*Financial impact to clients*
Claims management	1,001	8,114	$1,718,556
Buying insurance	1,397	5,768	$1,241,274
The law	265	1,048	$70,000
Behaviour	131	3,709	$53,495
Communications	141	1,593	$49,207
Training	98	7,302	$46,012
Money handling	61	91	$6,531
Remuneration	23	191	$5,938
Terms of engagement	164	384,806	$2,272
Complaints handling	32	33	$577
Acting on behalf of insurers	5	5	$0
Vulnerable clients	4	53	$0
Promoting the Code	42	44	$0
Who we act for	41	44	$0
Total	**3,405**	**412,801**	**$3,193,860**

Chart 6: Grading of self-reported breaches

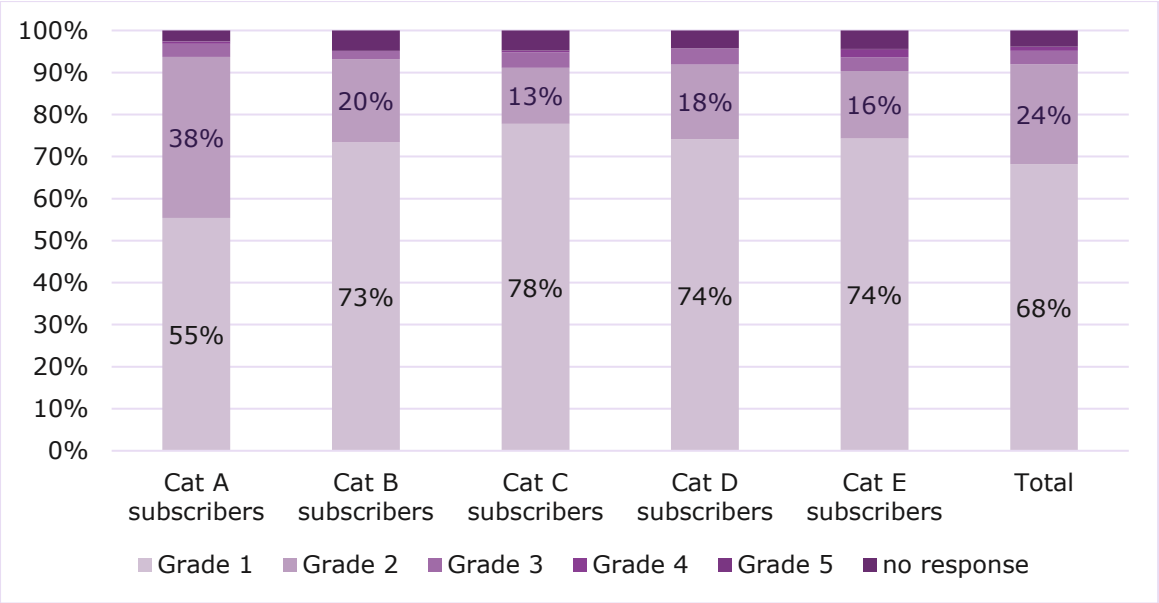


Table 2: Number of systemic self-reported breaches by Code obligation

Code obligation	*2014 Code*	*2022 Code*	*Systemic breaches*
Buying insurance	5.1	7.2(a), (b)	109
Terms of engagement	-	4.1(a), 4.2(a)	16
Claims management	5.2	-	10
Promoting the Code	11	12.1(c)	8
Communications	-	5.1(a), (b)	7
The law	1	-	2
Who we act for	-	5.3(b)	1
Money handling	7	-	1
Behaviour	-	5.2(a)	1
Total			**155**

Table 3: Areas of identification of self-reported breaches by category of subscribers

Root cause	*Cat A*	*Cat B*	*Cat C*	*Cat D*	*Cat E*	*Total*
Staff self-identification	13.1%	24.0%	33.0%	41.1%	38.5%	28.0%
Internal process or report	42.2%	17.9%	22.2%	32.3%	17.9%	28.0%
Client query or complaint	13.1%	19.8%	12.2%	10.6%	12.0%	13.0%
External compliance audit	14.1%	0.0%	10.4%	0.4%	12.8%	10.7%
Random internal audit	3.8%	18.5%	13.7%	11.0%	9.7%	9.1%
Other	13.7%	19.8%	8.5%	4.6%	9.0%	11.2%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Table 4: Root cause of self-reported breaches by category of subscribers

Root cause	*Cat A*	*Cat B*	*Cat C*	*Cat D*	*Cat E*	*Total*
Process & procedure not followed	52.7%	31.2%	39.1%	30.1%	25.4%	**37.5%**
Manual error	33.2%	47.7%	33.5%	19.9%	29.7%	**32.2%**
Staffing/resourcing issues	0.9%	1.6%	5.4%	3.5%	15.6%	**6.9%**
Incorrect process & procedure	1.3%	3.9%	5.2%	10.6%	6.2%	**4.6%**
Staff misconduct	1.3%	2.3%	4.1%	12.8%	2.9%	**3.3%**
System error or failure	2.7%	5.2%	4.1%	2.1%	1.7%	**2.7%**
Insufficient training	1.0%	4.5%	2.0%	2.1%	3.1%	**2.3%**
Mail house error	0.1%	0.3%	0.4%	1.8%	0.1%	**0.3%**
Client query or complaint	0.1%	0.0%	0.0%	0.0%	0.0%	**0.0%**
Other	6.7%	3.2%	6.1%	17.0%	15.3%	**10.2%**
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Table 5: Actions and timelines for short-term remediation

Short term remediation	*Immediate*	*Within 48 hours*	*Within 1 week*	*Within 2 weeks*	*Within 1 month*	*1 to 3 months*	*3 to 6 months*	*6 to 12 months*	*Over 1 year*	*Other*	*No details provided*	*Total*
Apology	11.7%	3.7%	3.8%	0.6%	2.5%	0.2%	0.0%	0.1%	0.0%	0.3%	1.4%	**24.1%**
Undertaking	3.1%	0.6%	1.7%	1.6%	2.7%	0.9%	0.2%	0.5%	0.2%	0.4%	1.5%	**13.4%**
Review of and changes to procedure	1.7%	0.5%	9.5%	0.2%	0.3%	0.4%	0.0%	0.0%	0.0%	0.1%	0.6%	**13.2%**
Training	7.3%	0.8%	2.8%	0.3%	0.4%	0.2%	0.1%	0.0%	0.0%	0.1%	0.9%	**12.8%**
Review of and changes to process	2.8%	1.4%	2.3%	0.3%	1.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.4%	**8.4%**
Ex-gratia payment	0.2%	0.2%	0.1%	0.1%	0.4%	0.3%	0.2%	0.0%	0.0%	0.0%	0.2%	**1.7%**
Review and changes to terms and conditions	0.4%	0.3%	0.2%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	**1.2%**
Refund of premium	0.2%	0.4%	0.2%	0.1%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%	**1.1%**
Premium adjustment	0.2%	0.2%	0.1%	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%	**0.8%**
Refund of fees/charges	0.3%	0.1%	0.1%	0.1%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.1%	**0.7%**
Other	8.7%	3.3%	3.5%	1.1%	1.4%	1.2%	0.5%	0.1%	0.1%	1.0%	1.7%	**22.7%**
Total	**36.5%**	**11.4%**	**24.3%**	**4.3%**	**8.9%**	**3.7%**	**1.0%**	**0.7%**	**0.4%**	**1.8%**	**6.9%**	**100.0%**

Table 6: Actions and timelines for long-term remediation

Long term remediation	*Within 1 month*	*1 to 3 months*	*3 to 6 months*	*6 to 12 months*	*1 to 2 years*	*Other*	*No details provided*	*TOTAL*
Training	11.7%	7.5%	1.0%	0.9%	0.0%	5.5%	0.9%	**27.5%**
Review of and changes to procedure	5.4%	1.7%	1.9%	9.6%	0.1%	1.2%	0.6%	**20.4%**
Review of and changes to process	2.6%	1.9%	3.6%	0.3%	0.0%	1.1%	0.3%	**9.8%**
Apology	2.7%	0.0%	0.0%	0.0%	0.0%	1.4%	0.2%	**4.3%**
Undertaking	2.1%	0.4%	0.1%	1.0%	0.0%	0.1%	0.1%	**3.8%**
Review and changes to terms and conditions	0.6%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.7%**
Ex-gratia payment	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	**0.4%**
Refund of premium	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.1%**
Premium adjustment	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.1%**
Refund of fees/charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	**0.0%**
Other	3.1%	1.3%	0.4%	2.7%	0.0%	9.0%	0.8%	**17.3%**
No details provided	0.2%	0.0%	0.0%	0.0%	0.0%	0.3%	15.0%	**15.4%**
Total	**28.8%**	**13.0%**	**7.0%**	**14.6%**	**0.1%**	**18.7%**	**17.8%**	**100.0%**

Breaches and complaints

Chart 7: Trends and relationships in breach and complaints data

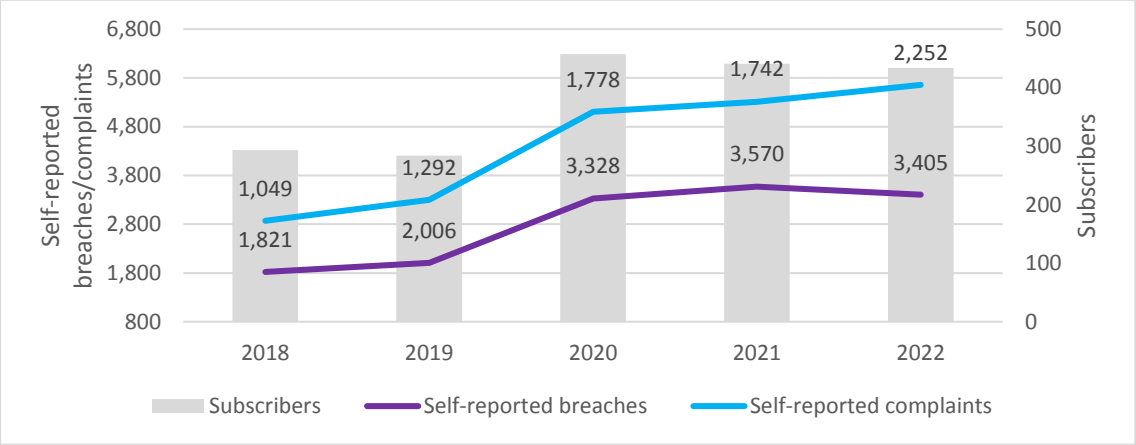


Chart 8: Breach data variations in 2022

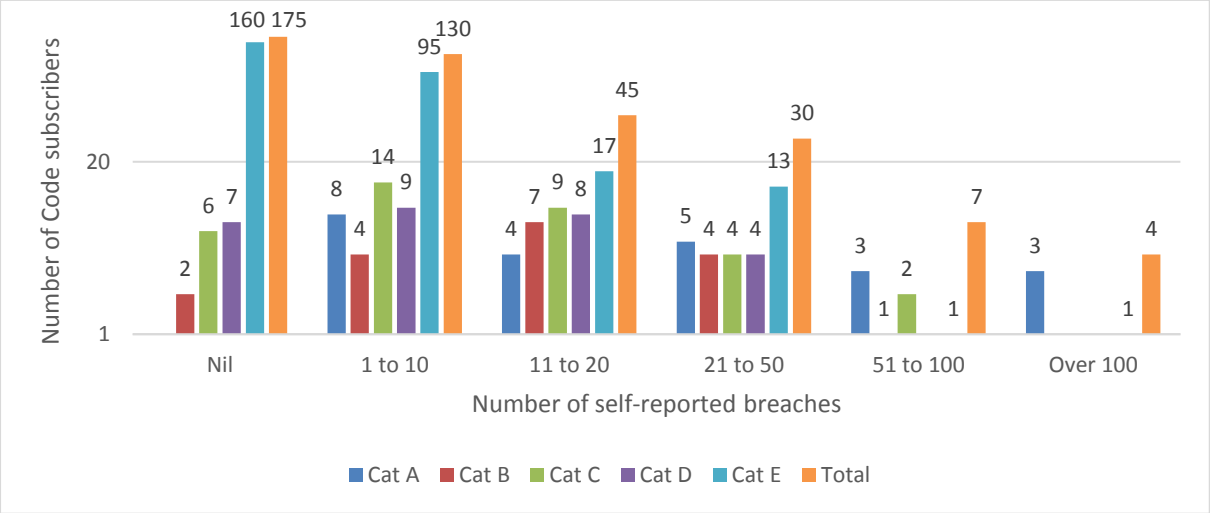


Chart 9: Complaints data variations in 2022

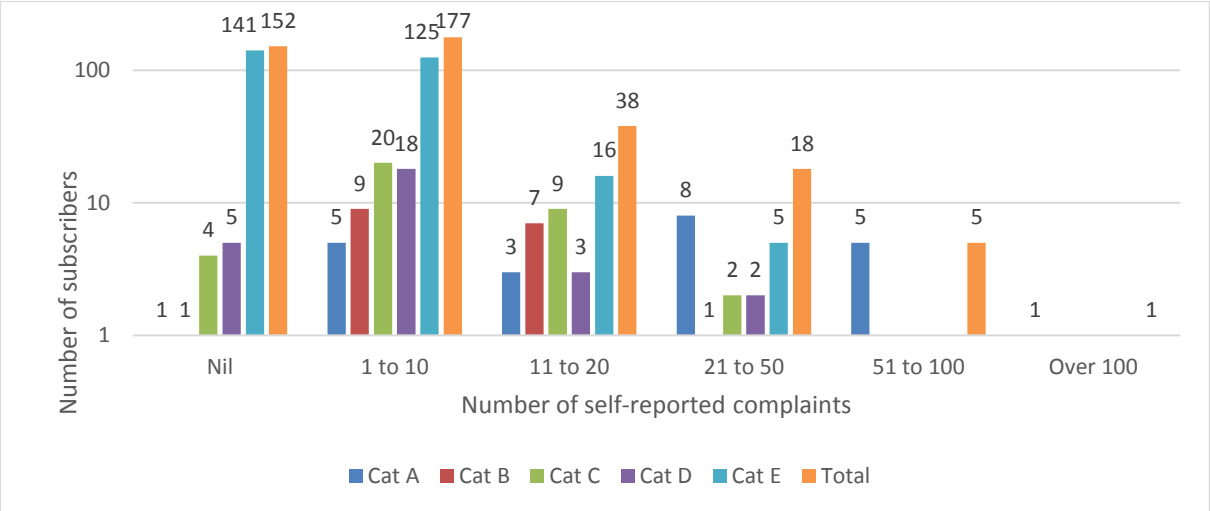


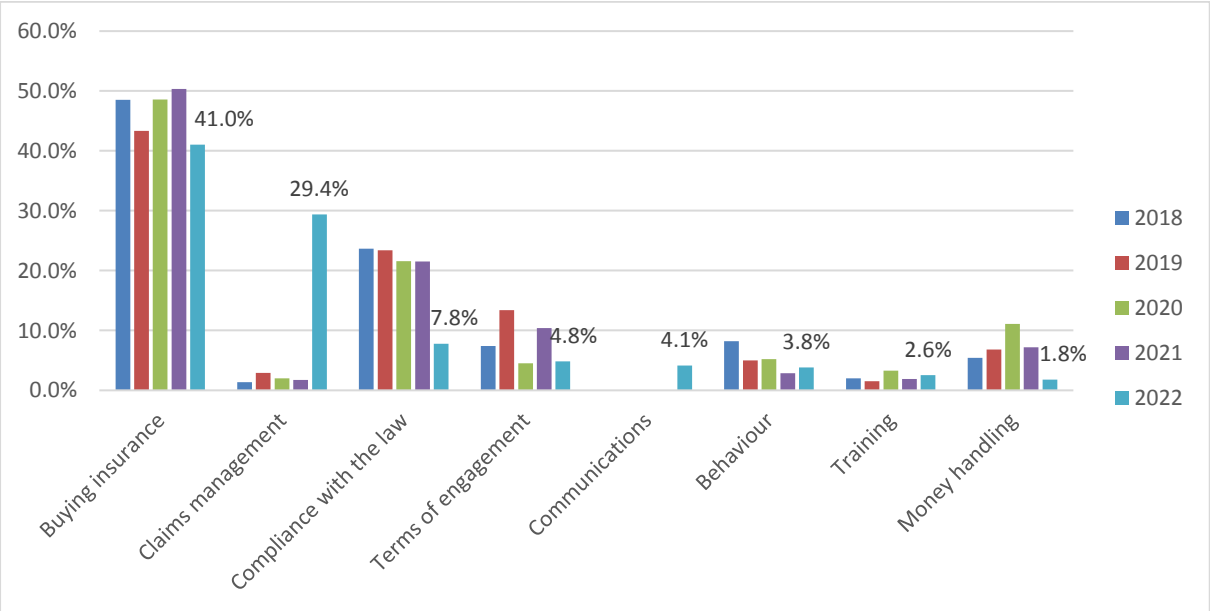
Table 7: Industry summary (all subscribers)

	2018	2019	2020	2021	2022
Subscribers	293	284	457	441	429
Branches	1,550	1,471	1,998	1,804	1,920
Self-reported breaches	1,821	2,006	3,328	3,570	3,405
Mean of self-reported breaches	6.2	7.1	7.8	8.6	8.7
% of subscribers self-reporting breaches	43%	51%	44.3%	47.7%	55.2%
Self-reported complaints	1,049	1,292	1,778	1,742	2,252
Mean of self-reported complaints	3.6	4.5	4.1	4.2	5.8
% of subscribers self-reporting complaints	61%	60%	52.1%	54.5%	61.1%

Note: From 2018-2021, Subscribers were counted by their Australian Financial Service Licence (AFSL). Steadfast members that became subscribers effective 1 December 2019 were not involved in the 2019 ACS Program and are not included in the figures for 2018-2019. In 2022, subscribers represented by more than one AFSL are counted as one for statistical purposes. This affected 38 AFSL holders.

SINCE 2018, 128 SUBSCRIBERS REPORTED NO BREACHES AND 91 SUBSCRIBERS REPORTED NO COMPLAINTS.

Chart 10: Top categories of self-reported breaches since 2018



Note: These are the categories that represent more than 1% of the total reported breaches.

The 2022 Code has specific obligations concerning Claims Management and Communications, which is reflected in the increased breaches in these areas.

To avoid duplicating legal requirements, the 2022 Code has no specific obligations concerning Compliance with the law and Money handling.

Table 8: Sector summary (Category A - over 100 FTE)

	2018	*2019*	*2020*	*2021*	*2022*
Subscribers	26	29	37	35	23
Branches	933	955	1,173	1,140	1,243
Self-reported breaches	397	454	1,067	1,091	1,164
Mean of self-reported breaches	15.3	15.7	48.5	52.0	50.6
% of subscribers self-reporting breaches	72%	85%	81.8%	95.2%	100%
Self-reported complaints	300	554	522	505	784
Mean of self-reported complaints	11.5	19.1	23.7	24.0	34.1
% of subscribers self-reporting complaints	94%	90%	95.5%	100%	99.7%

Table 9: Sector summary (Category B - 51-100 FTE)

	2018	*2019*	*2020*	*2021*	*2022*
	Cat B&C	Cat B	Cat B	Cat B	Cat B
Subscribers	52	18	22	20	18
Branches	240	76	148	62	109
Self-reported breaches	372	155	278	408	308
Mean of self-reported breaches	7.2	8.6	16.4	27.2	17.1
% of subscribers self-reporting breaches	59%	64%	64.7%	73.3%	88.9%
Self-reported complaints	275	88	133	116	191
Mean of self-reported complaints	5.3	4.9	7.8	7.7	10.6
% of subscribers self-reporting complaints	82%	86%	88.2%	100%	99.7%

Table 10: Sector summary (Category C - 31-50 FTE)

	2018	2019	2020	2021	2022
	Cat B&C	Cat C	Cat C	Cat C	Cat C
Subscribers	52	35	34	44	35
Branches	240	170	145	134	122
Self-reported breaches	372	469	495	606	460
Mean of self-reported breaches	7.2	13.4	15.0	15.2	13.1
% of subscribers self-reporting breaches	59%	74%	84.8%	80%	82.9%
Self-reported complaints	275	250	238	402	283
Mean of self-reported complaints	5.3	7.1	7.2	10.1	8.1
% of subscribers self-reporting complaints	82%	91%	90.9%	87.5%	99.0%

Table 11: Sector summary (Category D - 21-30 FTE)

	2018	2019	2020	2021	2022
Subscribers	32	25	32	28	28
Branches	117	55	79	64	70
Self-reported breaches	375	376	436	281	282
Mean of self-reported breaches	11.7	15.0	14.1	10.0	10.1
% of subscribers self-reporting breaches	50%	60%	71%	64.3%	75.0%
Self-reported complaints	119	88	205	91	171
Mean of self-reported complaints	3.7	3.5	6.6	3.2	6.1
% of subscribers self-reporting complaints	81%	64%	61.3%	78.6%	98.7%

Table 12: Sector summary (Category E - up to 20 FTE)

	2018	*2019*	*2020*	*2021*	*2022*
Subscribers	183	177	332	314	287
Branches	260	215	462	404	381
Total of self-reported breaches	677	552	1,052	1,184	1,191
Mean of self-reported breaches	3.7	3.1	3.2	3.7	4.1
% of subscribers self-reporting breaches	35%	41%	34%	37.6%	44.3%
Total of self-reported complaints	355	312	680	628	823
Mean of self-reported complaints	1.9	1.7	2.1	2.0	2.9
% of subscribers self-reporting complaints	49%	47%	42.6%	42.8%	63.9%

Benchmark data per 1,000 clients

Chart 11: Breaches and complaints per organisation per 1,000 clients

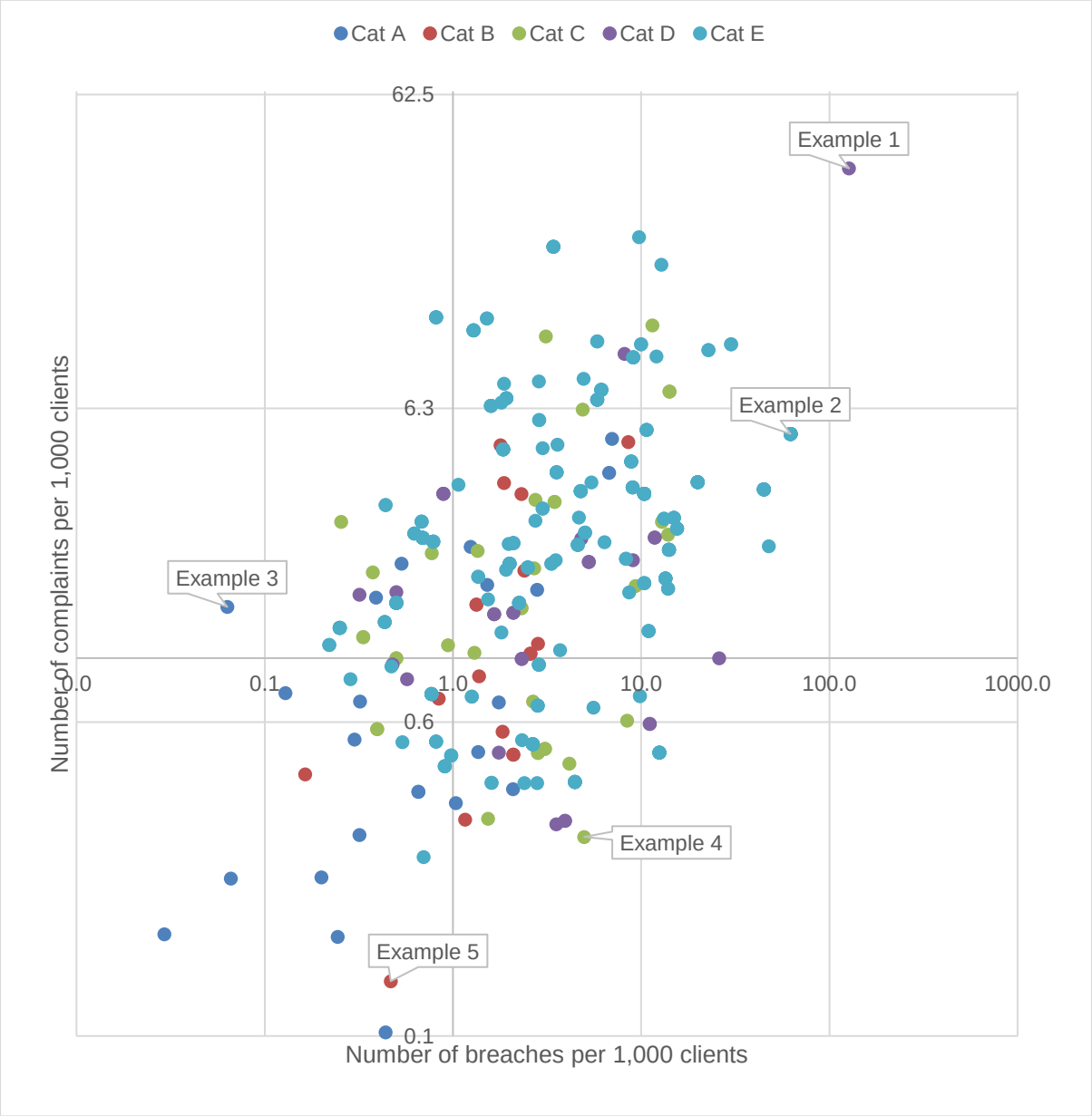


Chart 11 provides an overview of correlation between breach and complaints data per 1,000 clients per subscriber. Subscribers with no breaches or complaints are not reflected in this graph.

Examples:

- Example 1: Cat D subscriber, 127.3 breaches and 36.4 complaints per 1,000 clients.
- Example 2: Cat E subscriber, 62.2 breaches ad 5.2 complaints per 1,000 clients.
- Example 3: Cat A subscriber, 0.1 breaches and 1.5 complaints per 1,000 clients.
- Example 4: Cat C subscriber, 5 breaches and 0.3 complaints per 1,000 clients.
- Example 5: Cat B subscriber, 0.5 breaches and 0.1 complaints per 1,000 clients.

Categories of obligations

Table 13: Categorisation of Code obligations

Category	*2022 Code Sections*	*2014 Code Service Standards*
Terms of engagement	4.1(a) 4.2(a) - (c)	4
Communications	5.1(a) – (b)	-
Behaviour	5.2(a) – (c)	12
Who we act for	5.3(a) – (e)	2, 3
Remuneration	6.1(a) – (d) 6.2(a) – (c) 6.3(a) – (b) 6.4(a) – (c) 6.5	6
Buying insurance	7.2(a) – (b)	5.1
Claims management	7.1(a) – (g)	5.2
Training	8.1 8.2(a)(i) – (v)	8
Complaints handling	9.1(a) – (b) 9.2(a) – (c) 9.3(a) – (c) 9.4(a) – (c)	10
Vulnerable clients	10.1(a) – (c) 10.2(a) – (d)	-
Enforcement of the Code	11.4(a) – (b)	-
Promoting the Code	12.1(a) – (c)	11
Compliance with the law	-	1
Money handling	-	7
Disasters	-	9
Acting on behalf of insurers	-	5.3

Subscribers

Subscribers are counted by their Australian Financial Service Licence (AFSL). Some subscribers provide one Annual Compliance Statement (ACS) for all their AFSLs. We considered this in analysing the percentage ratio of returns for specific categories. We also granted several exemptions for the 2022 ACS due to circumstances specific to the individual businesses.

As at 31 December 2022, the Code had 429 subscribers with 1,920 branches.

We categorise subscribers according to the number of full-time equivalent (FTE) staff. See our website for the complete list of subscribers.

Table 14 shows the majority of subscribers are micro businesses, employing less than 20 FTE staff.

Table 14: Subscribers by state (head office) and size of operation

As at 31 Dec 2022	*ACT*	*NSW*	*NT*	*QLD*	*SA*	*TAS*	*VIC*	*WA*	*N/A*	*Total*	*Comparison to 2021*
Category A (over 100 FTE)	-	8	-	3	1	-	9	2	-	**23**	35
Category B (51-100 FTE)	-	7	-	3	-	1	5	2	-	**18**	20
Category C (31-50 FTE)	-	13	-	4	3	1	7	7	-	**35**	44
Category D (21-30 FTE)	-	10	-	5	1	-	9	3	-	**28**	28
Category E (up to 20 FTE)	3	85	1	49	20	10	83	36	-	**287**	314
Part of group arrangement	-	-	-	-	-	-	-	-	38	**38**	-
Total	**3**	**123**	**1**	**64**	**25**	**12**	**113**	**50**	**38**	**429**	441
Comparison to 2021	*3*	*143*	*1*	*71*	*26*	*11*	*131*	*55*	-	*441*	

Table 15: Branches (incl. head office) by state and size of operation

As at 31 Dec 2022	*ACT*	*NSW*	*NT*	*QLD*	*SA*	*TAS*	*VIC*	*WA*	*Total*
Category A	24	380	19	295	82	17	320	105	**1,242**
Category B	3	36	3	39	2	5	15	6	**109**
Category C	0	45	1	24	9	4	20	16	**119**
Category D	0	24	0	26	2	1	17	4	**74**
Category E	4	105	2	74	30	12	101	48	**376**
Total	**31**	**590**	**25**	**458**	**125**	**39**	**473**	**179**	**1,920**
Comparison to 2021	*32*	*545*	*19*	*416*	*124*	*39*	*460*	*169*	*1,804*

About the Code

The Insurance Brokers Code of Practice (the Code) sets out obligations that promote high standards of ethical conduct and customer service for insurance brokers.

The Code aims to strengthen consumer protection by ensuring insurance brokers operate with transparency, accountability and a focus on consumer interests and needs. It also helps to build a relationship of trust with consumers.

Subscribing to the Code commits insurance brokers to good practices and service delivery that is fair and reasonable.

The Code is owned and published by the National Insurance Brokers Association (NIBA) and is an important part of the national consumer protection framework and insurance broking regulatory system.

Self-regulation

The Code is a fundamental element of successful self-regulation.

Self-regulation involves the industry setting its own standards of conduct and enforcing these standards through breach identification, reporting, and remediation.

This model allows the industry to demonstrate a commitment to ethical and responsible behaviour, helping to build trust with consumers. It also reduces the need for costly and time-consuming regulatory intervention.

Our work monitoring the Code is crucial to the success of the self-regulation model working to its full potential.

Our role

We were established to monitor compliance with the Code to help encourage best practice and improve consumer outcomes.

Our Charter provides for us to undertake the following functions:

- monitor compliance with the Code
- collect and analyse data
- identify areas for improvement
- provide guidance
- publish findings of inquiries, and
- engage with stakeholders

We also have the power to issue determinations and impose sanctions when fair and appropriate in the circumstances.

In addressing issues, our first step is to work with the subscriber to rectify what has gone wrong, support their compliance with the Code, and pursue better outcomes for consumers.

Our work is supported by the Code Team which provides monitoring, operational and administrative services. The Code Team works within the Australian Financial Complaints Authority (AFCA) alongside four other code compliance committee teams.

This arrangement allows the Code Team to learn from other code committees and teams, share insights and information about compliance, and improve our own practices.