

## Insurance Claims Management Services

This fact sheet is for information only. You should get legal advice about your personal situation.

### **Main ideas**

- Claims management services can take the hassle out of insurance claims – for a fee.
- Be aware of the risks of using a claims management service before you sign up.
- Free help is available if you want to run the claim yourself.

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## **Insurance claims management services can run your claim – for a fee**

Insurance claims management services are for-profit businesses that can represent you in an insurance claim. They can handle the paperwork and negotiate with the insurer for you – but understand the risks and consider alternatives before signing up.

Claims management firms usually charge either:

- a flat fee for their services
- a percentage of any cash settlement offered by the insurance company, or
- a combination of both.

From 1 January 2022, claims management firms must have an Australian Financial Services Licence. These companies must:

- act efficiently, honestly and fairly
- maintain competence in providing services

- be a member of the Australian Financial Complaints Authority (AFCA), a free and independent complaints resolution service. [You can check AFCA's website for a list of members.](#)

## Some risks of using a claims management service

It may seem attractive to avoid the claims maze by using a claims management company, but consider these risks:

- If the claims management service is paid a fee based on your cash settlement amount, think about whether a cash settlement is a good option for you:
  - If the insurer does the repairs, they guarantee the work (sometimes for life) and manage the repair process. (But check the policy definition for what a 'lifetime' guarantee means.)
  - The repair costs may be uncertain, and so a cash settlement may leave you out of pocket.
  - If you are paid a cash settlement, you will need to organise the repair works yourself, and deal with any problems with your repairers yourself.
- They may unreasonably enlarge or inflate your claim to increase the fee they are paid. This could backfire if the claim drags on for a long time in a protracted dispute with the insurer.
- They act as an intermediary, so there may be delays in them responding to you or the insurer, especially if they have lots of clients after a major event, like a flood or bushfire.
- They may not have lawyers employed to give legal advice on how best to argue your case with the insurer.

## Questions to ask before signing up

- Ask about the costs of using the service. Do this before giving your credit card details, signing a contract, or agreeing to use the service over the phone.
- Ask if they are a member of Australian Financial Complaints Authority. [You can search the membership list on the AFCA website.](#)
- Ask about their experience and qualifications.
- Ask them to give you a service contract and read it carefully. Get independent advice if you are unsure about anything.
- Ask them to give you a written scope of the work they are going to do. Do you have to sign a contract before they give you this?
- Ask how they calculate their fee. Is it a percentage of your claim or a flat fee? Ask about how fees are paid if the insurer does the repairs for you, instead of cash settling.
- Ask what happens if your insurance claim is unsuccessful or less successful than expected. How do they calculate their fee if the insurance claim is not fully paid?
- Ask what happens if you want to stop using the service before the claim is settled. Do you still have to pay fees?
- Ask them if they will start court action or complain to AFCA on your behalf. Do they

need to get your permission before they do so? Will they charge you a fee for accessing AFCA (even though AFCA is free to consumers)?

## **Alternatives to a claims management service – running the claim yourself**

Most insurance companies have claims processes that are designed for consumers to make a claim themselves.

If you need help, there are free services that provide information and legal advice in most states.

If you are having trouble with an insurance claim, you can:

- Use the insurer's own complaints service. [Find your insurer's contact details on the AFCA website.](#)
- [Complain to AFCA for free \(online through their website\)](#) or by calling 1800 931 678).

AFCA can investigate your complaint, help you and the insurer negotiate with each other, and ultimately make a decision that is binding on the insurer (if you choose to accept it).

You do not need a lawyer or anyone to represent you, but it is usually a good idea to get some advice from a free legal service. This advice can help you understand what arguments and evidence you should provide to AFCA. (AFCA cannot give you advice – they are independent.) [Read our fact sheet about Insurance Complaints to AFCA.](#)

We also have information about common problems in insurance claims. [Visit our Insurance Law page for more details.](#)

## **Need more help?**

[Visit our Useful Links page for a list of other resources.](#)

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