

26 June 2024

The Hon Dr Daniel Mulino MP  
Standing Committee on Economics  
Inquiry into insurers' responses to 2022 major floods claims  
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cc. Sian Watkins, Adviser, [daniel.mulino.mp@aph.gov.au](mailto:daniel.mulino.mp@aph.gov.au)

Dear Dr Mulino,

## **Supplementary Consumer Submission: Key Recommendations**

Thank you for the opportunity to make an additional short submission to your Committee's Inquiry into insurers' responses to 2022 major floods claims. The Financial Rights Legal Centre (Financial Rights) has made two submissions to separate consultations this year which have important relevance to the Terms of Reference of this Inquiry:

- Joint Consumer Submission (written by Financial Rights on behalf of the Consumer Federation of Australia) to the Independent Review of the General Insurance Code of Practice (June 2024)<sup>1</sup>
- Submission to the Treasury consultation on standardising natural hazard definitions and reviewing standard cover for insurance (April 2024)<sup>2</sup>

Below we have outlined the key recommendations we hope your Committee will make in its final report. These Recommendations come from our original submissions to your Inquiry as well as the additional submissions listed above and submissions made by our consumer colleagues to the Inquiry.

## **Key Recommendations**

### **1. Improve claims handling:**

The General Insurance Code needs to be strengthened as it applies to claims handling and the Report should provide detailed and specific information as to its expectations in that regard. It is critical the Committee's final report uses strong language to direct the insurance

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<sup>1</sup> [financialrights.org.au/wp-content/uploads/2024/06/2400607\\_GICOP\\_JointSub\\_FINAL.pdf](https://financialrights.org.au/wp-content/uploads/2024/06/2400607_GICOP_JointSub_FINAL.pdf)

<sup>2</sup> [financialrights.org.au/wp-content/uploads/2024/04/240417\\_StandardDefsandCover\\_Sub\\_FINAL.pdf](https://financialrights.org.au/wp-content/uploads/2024/04/240417_StandardDefsandCover_Sub_FINAL.pdf)

industry to strengthen its code in the current Code Review. We particularly ask that the Committee's final report call on the Insurance Industry to make the Code enforceable by contract.

These recommendations are discussed in more detail in:

- Our Supplementary Submission to the inquiry into insurers' responses to 2022 major floods (February 2024)<sup>3</sup> and
- Our Joint Consumer Submission (written by Financial Rights on behalf of the Consumer Federation of Australia) to the Independent Review of the General Insurance Code of Practice

## **2. Reform Standard Cover and Standard Definitions:**

Australia needs an improved standard cover regime and standard definitions for all standard cover terms. This work must be led by an independent body of experts balancing competing stakeholder interests in a fair and sustainable insurance sector. It should not be led by the Insurance Council of Australia.

These recommendations are discussed in more detail in:

- Our Supplementary Submission to the inquiry into insurers' responses to 2022 major floods (February 2024), and
- Our April 2024 Submission to the Treasury consultation on standardising natural hazard definitions and reviewing standard cover for insurance

## **3. Address the asymmetry of risk information:**

The Committee's final report should recommend that insurers must identify the components of an insurance premium in a transparent and comprehensible format, provide information about known risks applying to a property and reflect any risk mitigation efforts in the price. Insurers should also proactively warn consumers about underinsurance.

- These recommendations are discussed in more detail in our original joint submission to the Committee (November 2023) Recommendations 20 & 21.<sup>4</sup>

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<sup>3</sup> [financialrights.org.au/wp-content/uploads/2024/02/240213\\_FloodInquiry\\_SuppSub\\_FINAL.pdf](https://financialrights.org.au/wp-content/uploads/2024/02/240213_FloodInquiry_SuppSub_FINAL.pdf)

<sup>4</sup> [financialrights.org.au/wp-content/uploads/2024/01/FRLC-CHOICE-Submission-to-the-2022-Flood-Inquiry.pdf](https://financialrights.org.au/wp-content/uploads/2024/01/FRLC-CHOICE-Submission-to-the-2022-Flood-Inquiry.pdf)

#### 4. Legal and financial counselling support for insureds:

The Committee's final report should recommend adequate and sustainable funding for consumer support services like the Insurance Law Service. The Insurance Law Service along with our colleagues in the community legal sector and at Financial Counselling Australia are an important part of our national service offering and play a key role in disaster recovery and resilience. Unfortunately funding for services that support consumers with insurance disputes after disasters tends to come in small bursts after major events. Funding needs to be proactive and ongoing to allow us to recruit and retain specialist insurance staff.

- This was not included in our first Submissions to the Committee as we thought funding for the ILS was secure and ongoing. We will provide the Committee with more information about our current funding concerns in the next few weeks.

#### 5. Supporting vulnerable people.

**5(a)** The Committee's final report should recommend that **ISO 22458** be embedded in the General Insurance Code or the *Insurance Act*. This International Standard sets out requirements and guidelines for how insurers should be dealing with vulnerable consumers.

- This has been recommended in our Joint Consumer Submission (written by Financial Rights on behalf of the Consumer Federation of Australia) to the Independent Review of the General Insurance Code of Practice (Recommendations 25)

**5(b)** The Committee should recommend that Insurers **stop charging fees to customers that pay in monthly instalments** instead of in a lump sum (aka the 'poverty premium'). Surcharging customers who pay in instalments penalises those who can least afford it and contradicts the principles of taking extra care for those experiencing vulnerability.

- Our Joint Consumer Submission (written by Financial Rights on behalf of the Consumer Federation of Australia) to the Independent Review of the General Insurance Code of Practice (Recommendations 166, and 25)

**5(c)** The Committee's final report should require insurers to **renew coverage while a home building claim is on foot or while a rebuild is taking place**. Insurers should also commit to renewing cover for a home for a reasonable amount of time after a cash settlement if the homeowner is managing the rebuild.

- This recommendation was made by the Disaster Legal Help Victoria Submission

## Concluding Remarks

Thank you again for permitting us to make this additional submission and draw the Committee's attention to our additional recent policy submissions for the GICOP review and Treasury's Standard Definitions consultation.

There is a real opportunity now to recommend meaningful changes in consumer insurance. If the report is not strong and decisive we fear it will join the dozen other reports into insurance from the last 15 years that have said the same things but changed nothing. Every year that the Australian insurance industry and regulatory environment do not make the necessary systemic changes the costs of insurance and the amount consumer harm continue to grow.

Kind Regards,



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## About Financial Rights

Financial Rights is a community legal centre that specialises in helping consumers understand and enforce their financial rights, especially low income and otherwise marginalised or vulnerable consumers. We provide free and independent financial counselling, legal advice and representation to individuals about a broad range of financial issues. Financial Rights operates the National Debt Helpline, which helps NSW consumers experiencing financial difficulties. We also operate the Insurance Law Service which provides advice nationally to consumers about insurance claims and debts to insurance companies, and the Mob Strong Debt Help services which assist Aboriginal and Torres Strait Islander Peoples with credit, debt and insurance matters.