

Friday, 29 August 2025

Lead Ombudsman – General Insurance
Australian Financial Complaints Authority
By email: consultation@afca.org.au

Dear AFCA

Consultation: Approach to general insurance claims handling

Thank you for the opportunity to provide feedback on AFCA's new approach to General Insurance Claims Handling (**the Approach**).

We strongly support the development of the Approach. We frequently assist clients who have had their claims mishandled by insurers, regardless of the level of factual complexity involved in the claim. Providing clarity to AFCA's consideration of common failures in claims handling is an important step that will influence industry practice and assist in the fair resolution of complaints at internal dispute resolution (**IDR**).

Particularly, we are pleased to see the Approach clarify that:

- Insurers must look to source alternatives if tradespeople and materials are not available to progress a claim;
- Insurers are responsible for the actions of their contractors and claims agents, including damage caused by a contractor that would normally be excluded under the policy terms;
- Temporary accommodation must be paid beyond the policy allowance where an insurer has failed to progress the claim;
- It can be inappropriate for insurers to insist on cash settlements for people experiencing vulnerability;
- Insurers must consider all potentially applicable policy benefits, regardless of whether the insured requests them.

However, below we have outlined particular phrasing that we feel could be clarified, or strengthened, to assist in achieving good consumer outcomes.

Poor, confusing and conflicting communication should be its own claims handling failure

We recommend that poor, confusing and conflicting communication is uplifted into its own identified claims handling failure in the Approach. Including good, clear, regular and consistent communication as a characteristic of a 'reasonably handled complaint' is a good start, but it should be explicit that failing to provide appropriate communication causes serious harm to the insured, delays the progress of a claim and is a claims handling failure in its own right.

In our experience, poor communication can look like:

- Failing to respond to routine queries, like providing the relevant product disclosure statement to their clients;
- Failing to notify clients of the appointment or attendance of experts and trades at a home. This can result in further delays to the claim progression, as well as causing distress by the unannounced presence of insurer representatives;
- Failing to provide proper notice of temporary accommodation bookings;
- Commitments or offers to resolve disputes that are vague in nature, and refusing to particularize them;
- Requiring clients to contact different teams within the same insurer to progress aspects of their claim.

The cumulative effect of inappropriate communication, combined with substantial claims handling failures identified in the Approach, can be incredibly disruptive to a person's state of mind. It creates a substantial administrative burden on the policy holder to ensure that their rights and needs are being met. Insurers are in the business of handling claims, policy holders are occupied with earning incomes, raising children, and managing their own lives – they shouldn't be required to become experts in navigating insurance. Proper communication that is timely, responsive, informative and relevant is essential to making a claims experience fair.

Delays in the insurer's control

The reference to 'well documented' issues in securing trades and materials to conduct repairs should be clarified to note that it is not a presumption. Insurers should not be able to refer vaguely to supply shortages to justify delays in progressing a claim, particularly given the time that has elapsed since shortages were first acute in the 2020-2021 lockdowns and 2022 floods. The language should be strengthened to ensure that insurers are required to identify the particular skills or material shortage impacting the claim and any alternatives explored. Insurers must have developed robust processes for responding to acute shortages including flexible, accessible internal processes to provide appropriate alternatives.

Where insurers are unable to secure tradespeople or necessary materials to progress a claim in a timely manner, they should be required to evidence this to their policy holder prior to the matter being escalated to IDR or AFCA.

The Approach should confirm that AFCA will look not only at what evidence the insurer can provide about their efforts to secure tradespeople and materials, but also what communication was provided to the policy holder about the same. Failure to communicate the basis for the delay should also be considered 'unreasonable' claims handling which will lead to a consideration of non-financial loss.



Unfair cash settlements

We recommend that this section is clarified to confirm that 'unfair' cash settlements include those provided to the policy holder without sufficient relevant information, like incomplete or redacted statements of work.

We continue to assist clients who have been provided with quotes with the costings redacted, making it close to impossible for them to determine if a cash settlement is sufficient, or to obtain a comparable quote. This is a deliberate information asymmetry and it results in poor outcomes and delayed resolutions.

The comment that a fair quote should be 'actionable to the complainant in some way' is confusing. It simply needs to be actionable. Recently, we were provided with a cash settlement that the insurer described as 'actionable but for' a particular barrier. The client is not able to action that quote because it does not adequately describe the work required.

We are pleased to note AFCA considers that it may be inappropriate for an insurer to insist on a cash settlement for people experiencing vulnerability. We recommend that the Approach clarifies that this can be the case for any claim regardless of its complexity, and not only 'large' home building claims. No claim is simple to the person who has had to make it. The first consideration should be whether the person wants to manage their own repairs and is empowered to do so, rather than the complexity of the rectification works.

Additional temporary accommodation costs

In our experience, insurers and their contractors frequently mishandle temporary accommodation in such a way that a policy holder's entitlements are rapidly exhausted due to no fault of their own. Typically, this includes:

- Booking short-term accommodation when a property is obviously uninhabitable for weeks or months;
- Moving people into inappropriate accommodation – too few bedrooms, no outdoor space for pets, or no cooking facilities, which are then substituted for other accommodation;
 - Both this and inappropriately booking short-term accommodation incur higher rates per night, additional cleaning and administration fees, and additional transport expenses between accommodations.
- Failing to book accommodation in a timely manner when a suitable option has been found, meaning that it becomes unavailable or rates increase, and requires the insurer to authorise alternative temporary accommodation.

This conduct should be included in as an example of poor claims handling that will lead to benefits paid beyond the policy allowance. We already see this outcome awarded at IDR and AFCA when we advocate on behalf of our clients. However, it is essential that it is included in the Approach to ensure fair outcomes regardless of whether the policy holder is assisted by an advocate.

In addition, we frequently see claims where insurers have failed to provide adequate notice to their policy holder about temporary accommodation bookings. This inflicts unnecessary mental stress on people already disrupted from their communities as they wait to hear where they will have to move, and even when they will have to pack



up. One client we assisted was not told of her next accommodation until the day she was due to leave her current booking on multiple occasions. This caused her significant stress and eroded trust in the claims progress.

Claim denials – expert evidence

We support the Approach's direction that a good expert opinion is plausible, logical, and written to be understood by non-technical people. We encourage AFCA to consider including that as a matter of good industry practice, the insurer should proactively provide expert reports to clients.

Financial loss

We note the language in this section is very conservative, particularly that 'it can be challenging to prove' that a medical condition resulted from poor claims handling. This establishes a very high bar and is likely to unfairly discourage complainants from pursuing fair compensation in these circumstances. We suggest removing that sentence entirely.

Please contact us

Yours faithfully,

CONSUMER ACTION LAW CENTRE



Jean Skeat

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