

Submission

29 August 2025

Lead Ombudsman – General Insurance
Australian Financial Complaints Authority
Melbourne VIC 3001
Via email: consultation@afca.org.au

AFCA Consultation: General insurance claims handling approach

The National Insurance Brokers Association of Australia (NIBA) welcomes the opportunity to provide feedback on AFCA's proposed Approach to general insurance claims handling.

Insurance brokers play a critical role in assisting clients through the AFCA process. Brokers are often the first point of contact when a claim does not progress as expected, supporting clients in navigating disputes and preparing complaints. A large proportion of complaints raised with brokers concern the way insurers manage claims, including issues of delay, settlement offers and the conduct of insurer-appointed contractors. These issues can be particularly acute for vulnerable clients, who may lack the resources or capacity to challenge delays or inadequate settlements without professional assistance. Brokers' experience in guiding such clients through disputes provides a valuable perspective on the practical challenges faced by policyholders when claims are not handled efficiently or transparently.

NIBA supports AFCA's commitment to transparency and consistency in its decision-making, particularly in areas of claims handling that are of significant importance to consumers and small businesses. Brokers have first-hand experience of the issues that policyholders encounter during claims, and we believe this perspective can assist AFCA in ensuring that its Approach achieves fair and timely outcomes while remaining practical and proportionate.

About NIBA

NIBA is the peak representative body for the general intermediated insurance profession. NIBA serves as the collective voice of approximately 450 member firms and 15,000 individual brokers. Our membership encompasses a diverse range of entities, including large multinational insurance brokers, Australian broker networks, as well as small and medium-sized businesses located in cities and regional areas around Australia. NIBA advocates for the interests of general insurance brokers and their clients, ensuring that the general industry operates with integrity and professionalism.

NIBA's work is guided by our core pillars: community, representation, and professionalism. NIBA's mission is to enhance the professional standing of insurance brokers through robust advocacy,

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education, and ethical standards. By fostering a collaborative and innovative environment, NIBA aims to elevate the quality of service provided to consumers, strengthening trust and confidence in the insurance broking profession.

Are there aspects of the Approach that could be further improved or clarified? Please provide examples if available.

AFCA's inclusion of the duty of utmost good faith and its relevance to claims handling is helpful, as is the explanation that the timeframes set out in the General Insurance Code of Practice (GICOP) are a guide rather than a ceiling. To aid consistent application, we suggest AFCA more precisely explain how it will weigh GICOP's specified decision timeframes in assessing "reasonable promptness", including explicit recognition of Code provisions that require a decision within four months unless an extension applies and within ten business days once inquiries are complete. Clearer signposts to the relevant Code provisions would reduce uncertainty for all parties.

The section on claim delays would benefit from a sharper causation test and worked examples distinguishing between delays within an insurer's control and those driven by catastrophe surges, building-code changes, labour and materials shortages, or complainant non-cooperation. AFCA notes that delays must be within an insurer's control to justify compensation; providing typical examples would support predictable outcomes and align with industry experience since 2020.

The Approach proposes that policy caps and exclusions do not limit compensation where loss flows from an insurer's breach of obligations in handling the claim. This is a significant proposition. AFCA should clarify the legal basis and boundaries for this position, including how it sits with the Insurance Contracts Act framework and AFCA's Rules, and how AFCA will assess remoteness and foreseeability. Greater clarity here would help firms and customers understand when policy wordings will be set aside due to claims-handling conduct.

The cash settlement discussion is practical, particularly the emphasis on scope, itemised quotes, builder's margin and contingencies. To improve consistency, AFCA could publish indicative parameters for when contingency uplifts of 5 to 25 per cent are likely to apply. AFCA might also include information on how it will assess fairness where a complainant prefers cash but is vulnerable or otherwise unlikely to manage complex works, given the interaction with lifetime repair guarantees.

Finally, AFCA's references to interest and non-financial loss are useful. It would help to add a short, practical explainer on when interest under section 57 of the Insurance Contracts Act 1984 commences in cash settlement disputes, and a reminder that non-financial loss is reserved for impacts beyond the ordinary inconvenience of a claim, with cross-references to AFCA's published Approaches.

Are there any unintended consequences that you envisage may result from the Approach?

Without the clarifications proposed, aspects of the Approach could unintentionally expand dispute scope and increase volatility in outcomes. Stating in general terms that policy limits and exclusions do not apply where loss is said to result from claims-handling failings may encourage satellite arguments about causation and remoteness, prolonging resolution and complicating settlements. That would be counterproductive for consumers awaiting repairs or accommodation and for small businesses seeking to resume trading.

The proposed contingency uplifts on cash settlements are sensible to address risk transfer when a repair guarantee is not available, yet the broad 5 to 25 per cent range may incentivise tactical disputes about the “appropriate” uplift in otherwise straightforward claims. More granular guidance would mitigate this risk.

Additionally, emphasising compensation for delays without equally emphasising the insured’s duty to mitigate loss and to cooperate with reasonable information requests could diminish incentives for timely engagement and practical loss minimisation. Incorporating balanced examples would reduce that risk.

Do you have any suggestions for how AFCA could amend the Approach to better achieve the objectives of the Approach?

NIBA proposes the following refinements to strengthen clarity, proportionality and predictability while preserving AFCA’s fairness mandate.

Include a short “how we assess timeliness” annex that maps common delay scenarios to likely outcomes, anchored to GICOP decision timeframes and allowing for disaster surge conditions. The annex could distinguish factors within the insurer’s control from those outside it, outline the expected steps to explore reasonable alternatives, and illustrate when compensation for temporary accommodation, hire vehicles, and/or lost rent is likely to be appropriate. This would operationalise the Approach’s principles and support early, fair settlements.

Provide a structured framework for cash settlements in home claims. This could set out: when cash settlement is fair given a complainant’s vulnerability and the complexity of works; what a “fit for purpose” scope and quote looks like; indicative contingency bands tied to claim complexity and uncertainty; and when professional fees are recoverable. AFCA’s examples already go a long way; adding a simple decision pathway would reduce contention and delays.

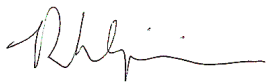
Enhance guidance on expert evidence. AFCA should publish a one-page “expert engagement protocol” checklist covering independence, scope of instructions, data relied upon, assumptions, and timing of inspections, plus a model letter of instruction. In addition, AFCA should restate that it will only expect additional expert evidence where it is proportionate to the claim’s value and necessary to resolve a causal technical issue.

Expand cross-references to AFCA’s published Approaches on non-financial loss and on interest, and include a brief timeline example showing when interest begins to accrue in a cash settlement dispute. This would help parties set expectations early and avoid unnecessary disagreement.

Signpost how the Approach interacts with IDR obligations and with AFCA’s jurisdictional fairness test. A short paragraph linking claims-handling expectations to IDR timelines and to AFCA’s fairness framework would round out the document and improve navigability for consumers, small businesses and firms.

NIBA appreciates the opportunity to contribute to this consultation and would be pleased to discuss our feedback in more detail. Please do not hesitate to NIBA Head of Policy and Advocacy at ahextell@niba.com.au if you would like to explore any aspect of this submission further.

Yours sincerely,



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