

Broking resilience: Lessons from COVID-19 and the 2019-20 extreme weather events

Inquiry into how insurance brokers and their clients were impacted by the 2019-20 natural disasters and COVID-19 pandemic, including findings how organisations developed effective resilience policies to help staff cope with these unprecedented challenges.

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Executive summary

The last two years have been challenging and stressful for individuals and businesses alike. In Australia, we have not only endured a global pandemic; we have also experienced a series of extreme weather events, with often devastating consequences.

Insurance brokers have not been immune from the pressures of doing business in this environment. They have endeavoured to interpret complex insurance policies for clients, assisting them to make claims, liaising with insurers and working with clients who found themselves in financial difficulty. They have also needed to support their own staff through the challenges of working from home, building resilience and keeping them motivated to help clients.

This Own Motion Inquiry report focuses on how insurance brokers responded to these events, both in terms of keeping their own businesses running and supporting their clients. It also looks at the strategies and policies Code subscribers have in place to ensure they can continue to respond effectively to any future challenges and threats.

The Committee's findings

The findings are taken from the 2020 Annual Compliance Statement (ACS) in conjunction with follow-up discussions with 46 Code subscribers via video conferences as part of the ACS Data Verification Program. The Committee focused on:

- how insurance brokers and their clients were impacted by the COVID-19 pandemic
- how insurance brokers and their clients were impacted by the extreme weather events of 2019-20, and
- what strategies/policies insurance brokers had in place to help staff cope with the challenges of these events.

Responding to COVID-19

During 2020, the COVID-19 pandemic affected many businesses but particularly those in industries such as retail, hospitality, entertainment and travel. With staff forced into isolation, furloughed or laid off altogether, many of these businesses could not operate as normal and had to shut down or temporarily suspend operations. Unsurprisingly, the pandemic led to a multitude of insurance claims lodged by affected businesses.

While insurers provide some pandemic-related cover, such as insurance for event cancellations, pandemic risk is generally excluded in general insurance policies. Amid managing their own business continuity issues, many insurance brokers subsequently found themselves responding to an influx of enquiries from clients about their level of insurance coverage. In some cases, clients were unable to pay for insurance cover, resulting in cash flow issues for several brokerages.

Being uniquely placed to work closely with their clients, Code subscribers strove throughout 2020 to:

- help clients understand business interruption policy wordings to find out if they could make a claim
- tailor clients' policies to reduce costs as an interim measure, rather than cancelling policies

- offer premium funding arrangements to clients suffering financial hardship
- offer to communicate with insurance providers on the clients' behalf
- advise clients about any government assistance available to them, and
- stay informed of the progress of a series of court cases about the interpretation of business interruption policy wordings.

Responding to extreme weather events

2020 was a year of devastating bushfires, floods and storms, many of which caused severe damage to properties, businesses and livelihoods. It was also a year of many challenges for the insurance industry.

As part of the 2020 ACS Program, Code subscribers were asked to provide statistics on how these weather events affected their businesses.

The Black Summer bushfires of 2019-20 had the greatest impact on brokers, with 33% of Code subscribers reporting they were affected in some way. Some of the specific challenges mentioned were:

- an increase in claims and workloads
- an increase in premiums to clients affected by the bushfires
- issues with insurance providers due to delays, and
- issues obtaining policy renewals for clients.

Strategies for building resilience

The pandemic and the extreme weather events of 2019-20 tested the resilience of broking firms. The Committee asked Code subscribers whether they had an effective resilience policy in place during 2020. Almost two-thirds (65%) reported that they either had one or were working on one.¹

The findings suggest resilience is demonstrated through lived experience. Whether a broker has a written resilience policy depends on its size. Larger Code subscribers (Categories A and B) have standard policies and procedures in place. Smaller Code subscribers (Category E) tend to have a close relationship with their staff, which means they can identify staff needs and address them. Resilience is not limited to the impact on the business; it also extends to the client. If a broker is resilient and the organisation has been set up to look after its people, staff are better placed to look after clients.

Recommendations

The Committee has used the findings from the Inquiry to prepare the following recommendations to help Code subscribers continue to support staff and clients to overcome the ongoing challenges of the pandemic and future extreme weather events.

¹ See Appendix 2, Table 6.

Responding to COVID-19

Communicate regularly with clients:

- Email clients with useful information. This can be about the impacts of the pandemic, how the business interruption cases might affect them, or any legal change that may impact them.
- Speak to them on the phone. One of the strengths of the broker–client relationship is the broker’s ability to address the client’s needs. Keep this front of mind.
- Visit the client in person, if possible. With the easing of pandemic restrictions, it is important to assess the client’s needs. Take advantage of working from home to check-in with clients more frequently, via phone calls, emails or online meetings.
- Give clients options for cover. Assess what they need and provide them with options for reducing their cover if possible. If a client is experiencing financial hardship, cancel their policy as a last resort.

Create a client induction program:

- Keep clients informed of the role of the broker and when they can expect to receive information.

Responding to extreme weather events

Proactively communicate with clients before and after an extreme weather event:

- Code subscribers have a close relationship with their clients and are able to identify the impacts of an extreme weather event. Communicate with clients who may have been impacted by extreme weather events and assist them where possible.

Continue clear communication:

- Code subscribers have indicated they communicate well with their clients about policy cover. If a client’s policy coverage is increased due to an extreme weather event, communicate this to them clearly.
- When providing information to new clients, explain any additional costs in the policies if the coverage is for areas prone to extreme weather events.

Assist clients with claims:

- If a client has been affected by an extreme weather event, assist them to make their claim, where appropriate.
- If there is a delay in the claim process, ensure the client is informed.

Disclose conflicts of interest:

- When assisting clients with a claim, Code subscribers should be clear who they are acting for and disclose any conflicts of interest.

Building resilience

Implement an effective resilience policy:

- Develop a written document that can be an observation or a communication to staff and clients about how they will be supported to cope with unexpected challenges or change.
- Introduce an Employee Assistance Program, where appropriate.

Be willing to adapt in the face of change and uncertainty:

- Have a flexible approach.
- Identify the different needs of clients and staff.
- Embrace the opportunities that come from having a remote workforce, such as more personalised interactions with clients.
- Establish work-from-home protocols.

Build employee resilience:

- Understand the needs of staff and check in on them regularly.
- Support them with additional resourcing when they are overburdened.

Prioritise the general and financial resilience of the business:

- Have plans in place to ensure business continuity in the event of disruptions.
- Consider how the business will adapt to the prevailing economic conditions.
- Be attentive to staff and provide them with coaching and training where required. Happy, competent staff will help improve the resilience of clients and, as a result, the resilience of the business.

Background

The extreme weather events of 2019-20 and the COVID-19 pandemic tested the resilience of the insurance broking industry, along with many other sectors of society.

This Own Motion Inquiry report focuses on how insurance brokers responded to these events, both in terms of keeping their own businesses running and supporting their clients. The guidance and recommendations contained within the report will help Code subscribers prepare for and withstand further challenges as we learn to live with the pandemic and the occurrence of increasingly frequent extreme weather events.

Survey methodology

As part of the 2020 ACS questionnaire, Code subscribers were asked a series of questions about the impact of COVID-19 and extreme weather events. This report is based on the responses of 427 Code subscribers. Further investigation was conducted through the ACS Verification Program, with the Compliance Manager having individual video conference meetings with 46 Code subscribers to discuss the impact of the events of 2020 and whether they have resilience policies in place.²

The Code obligations

2014 Code

The following obligations in the 2014 Insurance Brokers Code of Practice ([the Code](#)) address the role and duty of insurance brokers during challenging times.

Service Standard 9

“We will respond to catastrophes and disasters in a timely, professional, practical and compassionate manner in conjunction with any industry-wide response.”

Service Standard 5

“We will discharge our duties diligently, competently, fairly and with honesty and integrity.”

“When providing Covered Services on your behalf we will exercise reasonable care and skill, including communicating with you in a clear and prompt manner.”

² See Appendix 1, Online Questionnaire.

2022 Code

On 1 March 2022, following extensive stakeholder consultation, the National Insurance Brokers Association (NIBA) launched the new Insurance Brokers Code of Practice (the [2022 Code](#)).

The 2022 Code, which comes into effect on 1 November 2022, introduces new obligations for supporting clients experiencing vulnerability. These obligations describe how brokers will undertake to identify and help vulnerable clients.

While the 2022 Code does not include any obligations relating specifically to extreme weather events, the Committee notes that the Code's vulnerability obligations apply to clients who have suffered significant detriment due to bushfire, flood or other extreme weather events. As such, the Committee expects Code subscribers to identify and support clients who experience vulnerability following such an event, and treat them with sensitivity, dignity, respect and compassion.

Clause 10.1 – Identifying vulnerable clients

- (a) We are committed to supporting clients who may be experiencing vulnerability.***

Clause 10.2 – Supporting vulnerable clients

- (a) If a client or potential client tells us or we identify that due to a vulnerability, additional support or assistance is needed, we will work with them to try to find a suitable way to proceed. We will do this as early as practicable, whilst at all times respecting a person's right to privacy and self-advocacy.***

Impact of the COVID-19 pandemic

The vast majority (91%) of Code subscribers reported that they were affected to some extent by the COVID-19 pandemic. More than 70% of them were Category E Code subscribers.³

Despite this, most did not experience major disruptions to their business, although this was largely dependent on the industry for which the brokerage provides cover. Brokers with clients in industries such as tourism and hospitality experienced greater business disruption as a result of the COVID-19 pandemic.

Insurance brokers were uniquely placed to assist their clients throughout the COVID-19 pandemic. They proactively communicated with clients to find out their immediate needs and help them obtain cover that suited them at that time. Spending more time talking to clients helped brokers become more empathetic, as they gained a deep understanding of what their clients were going through.

How did the COVID-19 pandemic impact insurance brokers?

Much like their clients, brokers were impacted in different ways by the pandemic, depending on which industries their clients are in.

At one end of the spectrum were Code subscribers that reported no discernible impact to their business, including a Category A Code subscriber that encouraged its clients to remain insured regardless of their circumstances (the Code subscriber lost just one small client during the pandemic); and a Category E Code subscriber that reported no reduction in income (although its clients were affected by a change to their premiums and the level of cover provided).

At the other end of the spectrum, Code subscribers whose clients are in industries that were severely affected by the pandemic, such as travel, retail and hospitality, reported much greater impacts to their own business.

One Category E Code subscriber whose clients are mainly pet owners or businesses that deal with pets (boarding kennels, pet shops, etc) reported that the COVID-19 pandemic had a significant impact on its business. The Code subscriber observed that its main learning from the pandemic was how it affected people, and the knock-on effect one industry can have on another. For example, when travel ceased, its clients could no longer operate, as they relied on people boarding their pets when they went on holiday. One of the broker's clients was a boarding kennel, which closed due to the impact of the pandemic on the travel industry.

Another Category E Code subscriber noted that the pandemic-related shortage of workers caused hardship to business owners, particularly those in the agricultural and tourism industries. Most of its clients were based in regional Australia and relied on major metropolitan centres to provide workers, which proved difficult during the lockdowns. The border closures also affected distribution networks throughout the country, with tourism businesses impacted by the shutdown of international and domestic travel.

One Category D Code subscriber described how the pandemic impacted its operational capacity. Staff workload grew in line with the increasing number of client queries and the

³ See Appendix 2, Table 3.

need to interact with a variety of insurers with different information that had to be relayed back to clients. The Code subscriber noted that its biggest learning from 2020 was patience.

How did clients react to the COVID-19 pandemic?

The way clients reacted to the pandemic depended on how their particular industry was affected. For example, Code subscribers with clients in the real estate industry reported that their clients were impacted by changes to landlord's insurance following the federal and state government eviction moratorium, which prevented landlords from evicting tenants who could not pay the agreed rent.

Insurers altered coverage for landlord's insurance, ceasing to provide rent default and hardship from March 2020. Large insurers stopped renewing landlord's insurance in 2020.

One Category C Code subscriber reported having a number of landlord's insurance rent default policies affected by the eviction moratorium. The Code subscriber kept a record of the clients impacted and notified them when underwriters started to reinstate the landlord policies.

Code Subscribers reported that clients were largely understanding about the fact that brokers were working from home. One Category E Code subscriber even commented that working off site enabled its brokers to increase their interaction with clients via online meetings and phone calls, enhancing the broker–client relationship.

How did brokers support their clients during the COVID-19 pandemic?

Code subscribers stressed that regular communication with clients was paramount during 2020. Most prioritised keeping their clients informed about what insurance claims they were able to make, as well as other ways to keep their businesses operating during the pandemic.

Providing information and advice

One Category A Code subscriber said its brokers checked in with clients more frequently, and that its biggest concern regarding clients was the business interruption test cases (see page 11 for more information). The Code subscriber educated clients on both the business interruption test cases and advocacy claims, and helped review clients' business interruption policies, quantifying claims where relevant.

A Category E Code subscriber noted that the pandemic presented an opportunity to engage with clients while providing them with business information on topics such as tax benefits and workers compensation.

When the pandemic hit, one Category C Code subscriber undertook a review of its systems, developing internal service standards that included timeframes and contacting clients as a key performance indicator (KPI) for its brokers. The Code subscriber also worked on a new client induction program, which includes the client's contact details, a clear description of the broker's policies and services, and a timetable of when clients will be contacted during the year.

Good practice example

During 2020, one Category A Code subscriber created an Underwriter Relations Committee, comprising of staff from different areas of the business. The Committee's role was to ensure that the business stayed up to date on all COVID-19 insurance information by meeting with insurers, then passing this information down to relevant teams, providing appropriate training, and updating any wording on COVID-19 related claims. The Committee continues to meet and provide updates to the business.

Clients affected by the pandemic had been contacted the broker by March 2020 and their details were kept in a central register. Clients were offered options including reducing their cover and accessing premium funding, and the Code subscriber gave clients the information they needed so they would not be under-insured if their business picked up.

A Category D Code subscriber emphasised the importance of communicating with clients and reported helping them with enquiries about cover. Its preferred choice was to work with the client to try and reduce the level of cover rather than cancel the policy.

In addition to waiving funding on commissions and establishment costs to help its clients, one Category B Code subscriber sent out a range of communications covering business closures, payments and policy information related to the COVID-19 pandemic. It also monitored COVID-related policy cancellations and provided support to those clients.

A Category E Code subscriber emailed all clients to advise them that if they believed they had been affected by the pandemic and could demonstrate the financial impact; insurers may be able to help. The Code subscriber also reviewed each client's circumstances to determine if they needed assistance and made follow-up phone calls to check in with them. In one instance, the Code subscriber offered to lodge a claim on a client's behalf, even though the impact to the client was not clear according to the wording in the policy.

One Category B Code subscriber assisted clients with enquiries about policy cover during the pandemic. It also offered premium funding and monthly payment options.

How did insurance brokers manage clients' business interruption claims?

Many businesses who suffered from lockdowns and interruption to trade during the COVID-19 pandemic relied on their business interruption policies. A series of test cases has been brought before the courts seeking guidance on how to interpret and apply business interruption policy wordings and how they relate to the pandemic.

The first test case, finalised in June 2021, examined whether policies that excluded diseases 'declared to be quarantinable diseases under the *Quarantine Act 1908* (Cth) and subsequent amendments' also extended to the COVID-19 pandemic. The NSW Court of Appeal found that insurers could not exclude COVID-19 from business interruption claims based on references to the *Quarantine Act*.⁴

The second test case examined the meaning of policy wordings to see whether clients would be covered for COVID-19 related losses. In February 2022, the Full Court upheld the Federal Court's decision that policy wordings were not intended to cover COVID-19 related losses. At the time this report is published, a leave to appeal to the High Court had been submitted.

According to one Category A Code subscriber, navigating the business interruption test cases had a significant impact on its business, as most of its clients are small-to-medium enterprises.

The Code subscriber quickly identified policies that might be affected by the business interruption test cases and informed potential claimants. After identifying which policies might be impacted, claims were made directly to the insurer. The Code subscriber referred

⁴ See <https://insurancecouncil.com.au/issues-in-focus/bi-test-cases/> for more information about the judgement.

policies that were not clearly worded to a third party, which decided whether there was potential for a claim.

Another Category A Code subscriber said it developed a template form for clients with potential business interruption claims, which it stored in a central online repository managed by a claims specialist in the operations team.

A Category D Code subscriber advised its brokers about potential issues with business interruption policy claims and made them aware of the policy wordings, while a Category E Code subscriber lodged several business interruption claims, which are awaiting the results of the business test cases.

Assistance with policies and payments

Brokers have worked hard to help their clients stay afloat during the pandemic. Most said they focused on ways to tailor their clients' policies to reduce costs as an interim measure, while some also offered premium funding arrangements or extended credit to clients in financial difficulty.

One Category E Code subscriber contacted clients whose business it knew would be impacted by COVID-19 lockdowns to discuss cash flow and suggest ways they could reduce their premiums (for example, by reducing workers compensation or changing the stock levels covered). A Category D Code subscriber also said it offered to review clients' covers and remove anything that was not required at the time. Clients in need were also offered premium funding arrangements or an extension of credit terms.

Adopting a 'last resort' approach to cancelling clients' policies, many Code subscribers looked to offer a range of options to help clients that found themselves in financial difficulty during the pandemic.

For one Category C Code subscriber, this included introducing an option for clients to pay in monthly instalments, defer payment, or take up premium funding. In the case of one of its Melbourne-based clients, the Code subscriber reviewed the business's insurance requirements, cancelling an original policy and providing a new policy with a premium funding option. When the client did not make the required repayment, the Code subscriber reviewed their situation again and gave the client more time to pay. Only when all options were exhausted, and the client could still not make payment, did the Code subscriber cancel the policy.

Noting that many of its clients were only impacted during the first round of COVID-19 lockdowns before the government introduced JobKeeper, one Category E Code subscriber spoke of working closely with its clients to tailor a solution to their individual needs. For one client – an events management company that shut down entirely during the lockdown – the Code subscriber provided payment deferral, reduced the business' policies to what was necessary, and organised a monthly payment plan.

A reminder when offering premium funding to clients

Brokers may offer premium funding to clients suffering financial hardship as a result of the pandemic.

The Committee encourages Code subscribers to review our [Own Motion Inquiry Report on Premium Funding](#), published in June 2021, taking particular note of the following recommendations:

- Code subscribers should enhance training so that staff have a good knowledge of the premium funding product.
- Code subscribers should ensure that clients understand they are entering into a third-party arrangement.

Another of the Code subscriber's clients is a restaurant that relies on customers who are inner-city workers. As the restaurant was not set up to offer take-away, the entire business was forced to close for a period. The Code subscriber helped the client by reviewing their insurance policies, reducing their cover to what was necessary to get the business through until it could reopen.

Good practice example

One Category E Code subscriber reported that over 200 of its clients were impacted by the COVID-19 pandemic. It noted how important it was to be empathetic to clients, and for staff to 'step into the client's shoes'. Its staff reviewed portfolios, first identifying those industries seriously affected and proactively offering support. They also contacted full portfolios to help any clients that needed it, including providing assistance with payments and holding over cover.

Committee recommendations

Communicate regularly with clients:

- Email clients with useful information. This can be about the impacts of the pandemic, how the business interruption cases might affect them, or any legal change that may impact them.
- Speak to them on the phone. One of the strengths of the broker–client relationship is the broker's ability to address the client's needs. Keep this front of mind.
- Visit the client in person, if possible. With the easing of pandemic restrictions, it is important to assess the client's needs. Take advantage of working from home to check-in with clients more frequently, via phone calls, emails or online meetings.
- Give clients options for cover. Assess what they need and provide them with options for reducing their cover if possible. If a client is experiencing financial hardship, cancel their policy as a last resort.

Create a client induction program:

- Keep clients informed of the role of the broker and when they can expect to receive information.

Impact of extreme weather events

The 2020 ACS asked Code subscribers to provide the Committee with information about extreme weather events from 2019 to 2020, including bushfires, storms, hail and flooding. As brokers have different types of clients, the impact of these extreme weather events varied.

Just over half (54%) of Code subscribers reported that their clients were affected by the Black Summer bushfires of 2019-20.⁵ Of these, around two-thirds were Category E Code subscribers that reported having fewer than 50 clients impacted. Some brokers have clients that were not affected by the bushfires.

The Committee notes that these statistics are not necessarily an accurate reflection of the impact of the extreme weather events, as some Code subscribers did not report on their impact at all. One Category A Code subscriber observed that it does not record the impact of extreme weather events, relying on the insurer to record this information to avoid duplication. It also does not disclose information about the COVID-19 pandemic, as it “is for our internal records only”.

It was clear from the ACS Verification Program that much of the impact and lessons from the COVID-19 pandemic also applied to extreme weather events, such as changes in work environments, issues with getting cover and delays in claims processing.

Each extreme weather event has seen a change in the coverage brokers have been able to obtain for their clients. Changes in reinsurance after an extreme weather event results in changes to clients’ premiums and certain types of cover becoming harder to obtain.

In general, extreme weather events also increase Code subscribers’ workloads and they experience delays with insurers due to the volume of claims.

In September 2021, the Committee published a ‘Tip of the Month’ article titled [‘Insurance issues exposed after extreme weather events’](#). The article reflected upon a report from the Financial Rights Legal Centre, [‘Exposed: Insurance problems after extreme weather events’](#), which identified and examined five main areas of concern for policy-holders making claims related to extreme weather events:

- Poor claims handling, including delays, poor communications, bullying and errors.
- Cash settlement offers, including low-ball offers to rebuild, and cash-settling.

Businesses that use insurance brokers are better prepared for natural disasters

The [Vero SME Index](#), published in May 2021, found that while satisfaction levels with the handling of natural disaster claims are significantly lower than for general claims, businesses that use brokers feel better informed about the possible impacts of a natural disaster.

According to the report, “most broker clients believe that brokers have a role to play in helping them to prepare for natural disasters. This could include advising them on the right amounts and types of covers, as well as providing risk assessments and keeping them updated”.

The main reasons for dissatisfaction with disaster claims were found to be a lack of clarity about the procedure and the time taken to process claims. Other issues included partial payments, lack of communication and inadequate cover.

⁵ See Appendix 2, Table 4.

- An over-reliance on defect clauses (denial of claims due to damage allegedly caused by the faulty construction or design of a home instead of the extreme weather event).
- Underinsurance, including insufficient cover to rebuild, no cover at all, or no cover for the specific extreme weather event.
- Maintenance issues, such as denial of claims due to a lack of maintenance when the weather event was of such magnitude that no amount of maintenance could have prevented the damage.

The Committee encourages Code subscribers to consider all the recommendations related to selling insurance products that are outlined in the Financial Rights Legal Centre's report, particularly the implications for clients who choose to under-insure, and to embrace the guidance provided to those who assist and support clients in the progression of claims.

Bushfires

Most Code subscribers reported having 50 or fewer clients impacted by the bushfires, while half of all Category E Code subscribers reported no impact at all to their clients.⁶ One Category E Code subscriber explained the close relationships its staff have with clients meant they could identify clients potentially impacted in bushfire areas and proactively communicate with phone calls.

Cat 195 November – February Bushfires

Cat 195 refers to the Australian bushfire season from 8 November 2019 to February 2020 which affected New South Wales, Queensland, South Australia and Victoria. The 2020 ACS data revealed that 144 Code subscribers reported being impacted by the Cat 195 bushfires⁷:

- One Category E Code subscriber noted an increase in claims and a resulting increase in premiums. Another Category E Code subscriber reported the bushfires affected clients' ability to obtain cover for high-risk properties.
- According to one Category A Code subscriber, premiums have increased significantly in bushfire and alpine regions, and insurers have declined to quote or renew risks. This required the Code subscriber to manage renewals with extra caution and ensure that disclosure was clear to clients.
- One Category E Code subscriber said that many clients suffered losses as a result of not being able to access their businesses during the bushfires, which was stressful for the broker's staff and clients. Small businesses required advice and assistance when purchasing general insurance products to understand what cover they needed.

Cat 194 October Bushfires

The Cat 194 bushfires occurred in New South Wales in October 2019 and affected an estimated 45 dwellings. The 2020 ACS data revealed that 41 Code subscribers were affected by these bushfires.⁸

⁶ See Appendix 2, Table 4.

⁷ See Appendix 2, Table 2.

⁸ See Appendix 2, Table 2.

Cat 193 September Bushfires

The Cat 193 bushfires of September 2019 in New South Wales and Queensland involved up to 70 bushfires across southern Queensland and 70 in New South Wales. These led to multiple property losses between 5 and 9 September.⁹

According to the 2020 ACS data, 37 Code subscribers had clients that were impacted by these fires.¹⁰

Storms, hail and flooding

Just under two-thirds of all Code subscribers were impacted by storms, hail or floods in 2020.¹¹ Of these, 64% were Category E Code subscribers that reported having fewer than 50 clients affected. Overall, 36% of Code subscribers did not report any impact from these extreme weather events.

Cat 202 South East Coast Storms and Flooding

The Cat 202 storms and flooding occurred in February 2020, affecting the south-east coast of New South Wales, Queensland and Victoria.

According to the Insurance Council of Australia, State Emergency Services received 10,248 requests for assistance, most of which related to leaking roofs, fallen trees and inundated roads.¹²

Overall, 97 Code subscribers reported that they had clients affected by these storms.¹³ Brokers made claims on behalf of their clients, including one Category E Code subscriber that lodged a \$250 million claim resulting from a brief storm that affected the Newcastle area. One Category A Code subscriber reported working closely with its clients who were impacted, to understand their needs and assist them with making claims.

Cat 201 January Hailstorms

The Cat 201 hailstorms of January 2020 affected the Australian Capital Territory (ACT), New South Wales and Victoria and resulted in 129,201 claims lodged. A total of 126 Code subscribers reported an impact from this event, with claims relating to motor vehicles and roof damage to homes:

- One Category A Code subscriber reported an impact on its strata and real estate lines of business, particularly in the ACT, with hail damage to large strata building roofs, rooftop air conditioning units and significant title damage to residential buildings.
- A Category E Code subscriber noted some of its Victorian clients were impacted by hailstorms and experienced poor service by insurers regarding claims.
- Another Category E Code subscriber reported the increase in claims resulted in a significantly increased workload for its staff.

⁹ Insurance Council Australia, [Data Hub](https://insurancecouncil.com.au/industry-members/data-hub/), Historical Catastrophe Data – January 2022. For more information see: <https://insurancecouncil.com.au/industry-members/data-hub/>.

¹⁰ See Appendix 2, Table 2.

¹¹ See Appendix 2, Table 5.

¹² Insurance Council Australia, [Data Hub](https://insurancecouncil.com.au/industry-members/data-hub/), Historical Catastrophe Data – January 2022.

¹³ See Appendix 2, Table 2.

Cat 196 Hailstorms

The Cat 196 hailstorms occurred on 17 November 2019 and affected communities in south-east Queensland, particularly the Sunshine Coast.

A total of 59 Code subscribers reported that their business was affected by the hailstorms¹⁴:

- One Category E Code subscriber stated that the hailstorms resulted in particularly complicated claims.
- Another Category E Code subscriber reported that clients' motor vehicles were damaged and there was a long wait to get vehicles repaired. One client also experienced roof damage.
- A third Category E Code subscriber reported the 2020 extreme weather events had minimal impact on their business as it is a specialised broking service serving the financial services industry.
- A Category B Code subscriber reported that up to 200 clients were impacted by storms and hail. This increased the Code subscriber's workload and impacted its business more than COVID-19.

Committee recommendations

Proactively communicate with clients before and after an extreme weather event:

- Code subscribers have a close relationship with their clients and are able to identify the impacts of an extreme weather event. Proactively communicate with clients who may have been impacted by extreme weather events and assist them where possible.

Continue clear communication:

- Code subscribers have indicated they communicate well with their clients about policy cover. If a client's policy coverage is increased due to an extreme weather event, communicate this to them clearly.
- When providing information to new clients, explain any additional costs in the policies if the coverage is for areas prone to extreme weather events.

Assist clients with claims:

- If a client has been affected by an extreme weather event, assist them to make their claim, where appropriate.
- If there is a delay in the claim process, ensure the client is informed.

Disclose conflicts of interest:

- When assisting clients with a claim, Code subscribers should be clear who they are acting for and disclose any conflicts of interest.

¹⁴ See Appendix 2, Table 2.

Resilience

As demonstrated in the previous chapters of this report, the events of 2019 and 2020 were challenging and stressful, both for insurance brokers and their clients. A significant degree of resilience was required to enable Code subscribers to assist their clients, support their staff and keep their own businesses running smoothly and profitably.

“Workforce resilience is created where the environment at work is one in which people can better adapt to adverse situations, manage stress and retain motivation.”

— Aon’s *The Rising Resilient Report, 2020*

Code subscribers were asked whether they had an effective resilience policy in place during 2020 to help them navigate the pandemic and the various extreme weather events that occurred. Just over a quarter (28%) confirmed that they did, while a similar proportion (27%) said they were in the process of developing one.¹⁵

Based on discussion with Code subscribers, the Committee identified three key types of resilience:

- Employee resilience
- Business resilience, and
- Financial resilience.

Employee resilience

When asked during the ACS verification conferences what type of resilience policy they have in place, Code subscribers provided examples of employee resilience, which involved helping staff adapt to the changes resulting from the COVID-19 pandemic, including more resourcing, working from home, and having in place an effective Employee Assistance Program.

Employee Assistance Program (EAP)

Several Code subscribers reported that they offer an EAP as part of their resilience building. One Category A Code subscriber said it created a series of health and wellbeing initiatives, including an EAP, to support its team when work-from-home mandates were introduced. These initiatives were underpinned by appropriate work policies and procedures.

A Category B Code subscriber engaged a workplace health and safety provider to run resilience and wellbeing seminars for staff. Staff were also given wellbeing apps and prompted to access the Code subscriber’s EAP.

Resourcing support

With fewer than 20 employees – and often being family-run businesses – Code subscribers from Category E appeared to be the most flexible in terms of communicating with each other and attending to the needs of staff. One Category E Code subscriber noted that it is a small brokerage with four staff, which made it easy to regularly check in to see how each team member was coping.

¹⁵ See Appendix 2, Table 6.

Larger Code subscribers focused on where staff might need additional resourcing to help them manage their workload. One Category A Code subscriber reviewed daily reports on claim workloads to ascertain whether more resources were required, as well as holding monthly one-on-one meetings with staff and managers to ensure they were receiving adequate support and development.

Recognising that the pandemic had caused an influx of additional work for its claims team, one Category C Code subscriber hired more staff to help manage the workload. It also provided free counselling and support services for all employees and their families and worked to ensure there was constant communication between management and staff.

Not all Code subscribers that were interviewed as part of the ACS Verification Program had a resilience policy in place. Many did, however, have other policies or procedures that served a similar purpose, such as 'work from home' policies and regular leadership meetings to discuss how best to support employees.

Support while working from home

At the beginning of the pandemic, all brokers had staff working from home. Most reported that they already had systems in place to support a remote workforce, such as video conferencing software for meetings, so the COVID-19 pandemic did not result in many changes to their businesses.

One Category E Code subscriber engaged a business coach to establish work-from-home protocols and purchased new IT facilities to help staff work from home.

Although it did not have a resilience policy in place, one Category A Code subscriber created a new role of National Manager of People and Culture, responsible for running wellbeing projects to support staff while working from home, including:

- promoting wellbeing activities in weekly communications
- creating social groups, and
- encouraging people to exercise by joining a walking challenge.

Acknowledging that staff found the isolation of the lockdown and working from home difficult, especially if they lived alone, one Category B Code subscriber implemented an Employee of the Month program to reward and motivate staff.

One Category C Code subscriber observed that one of its biggest lessons for 2020 was learning to trust staff to work from home.

General business resilience

Most Code subscribers spoke of having general business resilience policies in place, including general disaster recovery plans, IT-specific disaster recovery plans, risk management plans and business continuity plans. These policies include measures for addressing the COVID-19 specific challenges.

Describing how they ensured that their businesses remained resilient during the pandemic, many Code subscribers mentioned the importance of staff. One Category C Code subscriber stated there is no business resilience without team resilience, and it is important for management to put the needs of their staff first – resilient staff help build resilient clients. This Code subscriber credited its recruitment and internal workforce planning for ensuring

that its staff are happy and resilient; it recognised, for example, that compliance roles are perfect for its employees returning from parental leave.

Other Code subscribers provided a range of examples for how they improved the general resilience of their business during 2020:

- One Category B Code subscriber talked to staff to assure them that they would not lose their jobs during this period.
- One Category C Code subscriber prioritised financial stability and put some projects on hold – for example, it stopped working on ISO27001 certification to save money, although it is still meeting the requirements. It did not reduce staff hours and maintained its workforce throughout the pandemic.
- Another Category C Code subscriber used a reporting tool to track the number of hours staff worked. This helped to identify when staff were working excessive hours from home.

Financial resilience

Some Code subscribers gave examples of how they tried to build financial resilience to ensure they survived the challenges and uncertainties of 2020.

One Category E Code subscriber reported having greater financial cash reserves to protect against future pandemics. It has doubled its financial adequacy tests to make sure staff are confident their salaries will be protected in the event of another disaster or extreme weather event.

Another Category E Code subscriber reported that its director prioritises financial stability to ensure that the business can withstand unexpected external changes.

Pointing out that its own financial resilience is inextricably linked to the resilience/success of its clients, one Category A Code subscriber has focused on providing its clients with additional resources to help them during the pandemic. It also reviewed its vulnerability and hardship policies to assist clients in need.

Committee recommendations

Implement an effective resilience policy:

- Develop a written document that can be an observation or a communication to staff and clients about how they will be supported to cope with unexpected challenges or change.
- Introduce an Employee Assistance Program, where appropriate.

Be willing to adapt in the face of change and uncertainty:

- Have a flexible approach.
- Identify the different needs of clients and staff.
- Embrace the opportunities that come from having a remote workforce, such as more personalised interactions with clients.
- Establish work-from-home protocols.

Build employee resilience:

- Understand the needs of staff and check in on them regularly.
- Support them with additional resourcing when they are overburdened.

Prioritise the general and financial resilience of the business:

- Have plans in place to ensure business continuity in the event of disruptions.
- Consider how the business will adapt to the prevailing economic conditions.
- Be attentive to staff and provide them with coaching and training where required. Happy, competent staff will help improve the resilience of clients and, as a result, the resilience of the business.

Conclusion

The Own Motion Inquiry has provided the Committee with an overview of how insurance brokers managed the challenges of doing business during the first year of the COVID-19 pandemic while also responding to a series of severe extreme weather events.

It was pleasing to see many Code subscribers embrace their position as intermediary between the client and the insurer, often going 'above and beyond' to get the best possible outcome for the client. They assisted clients in a variety of ways, such as contacting them to see if they needed help and interpreting their business interruption policies to see if a claim was possible.

Where clients were experiencing financial difficulty, brokers sought ways to tailor their policies to reduce costs, offer premium funding arrangements and discuss access to government assistance. For many brokers, cancelling a client's policy was considered as a last resort once all other avenues had been exhausted.

Almost two-thirds of the Code subscribers that participated in the Own Motion Inquiry said they had in place or were developing a resilience policy during 2020, while many other Code subscribers said they rely on other policies and procedures for managing unexpected challenges and disruptions.

Brokers also demonstrated that they understood the importance of having a resilient business, underpinned by a resilient workforce, for overcoming tough times. Many implemented a range of support mechanisms for their employees during 2020 to improve wellbeing. These brokers were often rewarded by staff who were motivated to provide good outcomes for their clients, which in turn led to good outcomes for the broking business.

There are numerous examples of good practice from Code subscribers of all size categories throughout the report, along with the Committee's own recommendations for building a resilient broking business that is well placed to assist clients through whatever challenges may come their way. We encourage all brokers to review these recommendations and make improvements where appropriate within their organisation.

We would also like to thank all the Code subscribers who provided responses which the Committee has reviewed and utilised to write this report.

Appendix 1. Online questionnaire

Questions under section F of the 2020 Annual Compliance Statement (ACS) dealing with question relating to challenges and impacts on organisations during 2019-20.

F.1 Impact by disasters

Please indicate if your organisation and/or your clients were impacted by the following disasters. Please check <https://disasters.org.au/> from the Insurance Council of Australia for classification details.

[Please select ALL that apply and provide comment]

- **CAT203** COVID-19 Virus
Details: _____
- **CAT202** East Coast Storms and Flooding
Details: _____
- **CAT201** January Hailstorms (Vic, ACT, Qld, NSW)
Details: _____
- **CAT196** SEQ Hailstorm (Qld)
Details: _____
- **CAT195** Australian Bushfire Season (2019-20) NSW, Qld, SA, Vic
Details: _____
- **CAT194** October Bushfires (NSW)
Details: _____
- **CAT193** September Bushfires (NSW & Qld)
Details: _____
- Other (please comment)
Please comments: _____
- Not able to provide this information
Please comments: _____
- Not applicable

F.2 Severity of impact

If available, please provide an indicative number of your clients impacted by the recent disasters. *[Please select ALL that apply]*

Clients impacted	Nil	Less than 50	51 to 100	101 to 200	More than 200
COVID-19 (CAT203)					
Bushfire major events (CAT195, CAT194, CAT193)					
Storm, hail or flooding major events (CAT202, CAT201, CAT196)					

F.3 Resilience and learnings

Do you have an effective resilience policy in place to assist staff in coping with the unprecedented challenges faced by the multitude and severity of disasters during the 2019-20 period?

- Yes, our organisation had an effective resilience policy in place.
Details: _____
- No, but we developed a resilience policy over that time period which is now in place.
Details: _____
- No, but we are currently working on a resilience policy.
Details: _____
- Other
Details: _____
- Not able to provide this information
Please comment: _____

F.4 What do you consider as your major learnings from 2019-20, in particular regarding your response to catastrophes and disasters?

Please comment: _____

Appendix 2. Questionnaire results

The following tables reflect data received via the 2020 Annual Compliance Statement relating to the period 1 January 2020 to 31 December 2020.

Table 1: Categorisation of Code subscribers by size of business

Category	Full time equivalent (FTE) staff	Number of Code subscribers in this category as at June 2020
Category A	over 100 FTE staff	37
Category B	51-100 FTE staff	22
Category C	31-50 FTE staff	34
Category D	21-30 FTE staff	32
Category E	0-20 FTE staff	332
TOTAL		457

Table 2: Number of Code subscribers who were impacted by extreme weather events¹⁶

Extreme weather events ¹⁷	Cat A	Cat B	Cat C	Cat D	Cat E	All
<u>CAT203</u> COVID-19 Virus	20	15	31	32	265	363
<u>CAT202</u> East Coast Storms and Flooding	12	6	5	12	62	97
<u>CAT201</u> January Hailstorms (Vic, ACT, Qld, NSW)	13	7	8	19	79	126
<u>CAT196</u> SEQ Hailstorm (Qld)	13	5	4	8	29	59
<u>CAT195</u> Australian Bushfire Season (2019-20) NSW, Qld, SA, Vic	13	10	15	14	92	144
<u>CAT194</u> October Bushfires (NSW)	11	5	4	2	19	41
<u>CAT193</u> September Bushfires (NSW & Qld)	12	5	3	3	14	37
Other¹⁸	1	2	4	-	10	17
Not able to provide information	3	-	2	-	5	10
Not applicable	-	1	-	-	40	41

¹⁶ Responses to item F.1 of the 2020 ACS questionnaire.

¹⁷ Please check <https://disasters.org.au/> from the Insurance Council of Australia for classification details.

¹⁸ Other significant events were noted as: *annual wet season; snow event in Launceston, 31 October Brisbane hailstorm; cyclones in North WA in early part of 2020; water damage in holiday homes in Victoria; Port Macquarie flood damage; drought in regional areas.*

Table 3: Severity of impact by COVID-19 (CAT203)¹⁹

<i>Clients impacted by event</i>	<i>Cat A</i>	<i>Cat B</i>	<i>Cat C</i>	<i>Cat D</i>	<i>Cat E</i>	<i>All</i>
Over 200 clients	15	4	9	4	49	81
Up to 200 clients	1	1	2	3	18	25
Up to 100 clients	3	6	7	13	55	84
Less than 50 clients	1	6	13	12	166	198
Nil	2	-	2	-	35	39

Table 4: Severity of impact by Bushfire major events (CAT195, CAT194, CAT193)²⁰

<i>Clients impacted by event</i>	<i>Cat A</i>	<i>Cat B</i>	<i>Cat C</i>	<i>Cat D</i>	<i>Cat E</i>	<i>All</i>
Over 200 clients	6	-	-	1	1	8
Up to 200 clients	1	-	-	-	2	3
Up to 100 clients	3	2	2	-	5	12
Less than 50 clients	8	11	19	21	151	210
Nil	4	4	12	10	164	194

Table 5: Severity of impacted by Storm, hail or flooding major events (CAT202, CAT201, CAT196)²¹

<i>Clients impacted by event</i>	<i>Cat A</i>	<i>Cat B</i>	<i>Cat C</i>	<i>Cat D</i>	<i>Cat E</i>	<i>All</i>
Over 200 clients	8	1	1	1	2	13
Up to 200 clients	2	3	1	2	3	11
Up to 100 clients	-	1	3	2	10	16
Less than 50 clients	9	11	17	21	176	234
Nil	3	1	11	6	132	153

Table 6: Resilience policy and learnings²²

<i>Do you have an effective resilience policy in place?</i>	<i>Cat A</i>	<i>Cat B</i>	<i>Cat C</i>	<i>Cat D</i>	<i>Cat E</i>	<i>All</i>
Yes	10	2	13	12	84	121
No, but developed a policy since	3	3	2	3	31	42
No, but currently developing a policy	2	4	4	10	96	116
Other²³	5	5	11	3	77	101
Not able to provide this information	2	3	3	4	35	47

Appendix 3. About the Code

The Code

The 2014 Insurance Brokers Code of Practice ([the Code](#)) sets standards of good industry practice for the insurance brokers that have agreed to follow its standards when dealing with current and prospective individual and small business clients. The Code is owned and published by the National Insurance Brokers Association ([NIBA](#)) and forms an important part of the broader national consumer protection framework and financial services regulatory system.

The Code contains 12 key Service Standards that apply to all insurance broking services delivered to individuals and small businesses by Code subscribers across Australia.

By subscribing to the Code, insurance brokers have committed to continuously improving their standards of practice and service in their sector; promoting informed decision-making about their services; and acting fairly and reasonably in delivering those services.

NIBA has completed its review of the Code and the new [2022 Code](#) will become effective on 1 November 2022.

The Committee

The Insurance Brokers Code Compliance Committee ([the Committee](#)) is an independent compliance monitoring body established under the Code and the Code Compliance Committee Charter (the Charter). It comprises of an independent chair, a person representing the interests of the insurance broking sector and a person representing the interests of consumers (including small businesses). The Code and Charter entrusts the Committee with several functions and responsibilities, including to:

- conduct Own Motion Inquiries into compliance with aspects of the Code, and
- provide advice to NIBA on training and other activities necessary to assist Code subscribers to meet their Code requirements.

Definitions

For ease of reference when reading this report:

- 'the Code' means the 2014 Code unless otherwise stated.
- 'consumers' or 'clients' includes individuals or small businesses that are current and prospective customers of Code subscribers.
- 'Code subscribers' means insurance brokers that subscribe to the Code.

Contributions

The Committee would like to thank each organisation that participated in the survey and the Code team who contributed to the publication of this report.

¹⁹ Responses to item F.2 of the 2020 ACS questionnaire.

²⁰ Responses to item F.2 of the 2020 ACS questionnaire.

²¹ Responses to item F.2 of the 2020 ACS questionnaire.

²² Responses to item F.3 of the 2020 ACS questionnaire.

²³ Examples of this include: no formal written policy, management engaging with staff to address their needs, other policies about business continuity and disaster recovery.