

Good Practice and Company Culture

**INSIGHTS FROM THE 2021 OWN MOTION
INQUIRY INTO COMPANY CULTURE**

Insurance Brokers Code Compliance Committee

November 2022

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Background

Over the past two years, the Insurance Brokers Code Compliance Committee has worked to highlight and promote the relationship between good behaviour, company culture and compliance with the [Insurance Brokers Code of Practice](#).¹

In November 2021, we published a report titled [Culture is Key](#)², which contained findings and insights of good practice from a two-year review of self-reported breaches undertaken by Ravi Dutta-Powell, Senior Advisor at Behavioural Insights Team (Australia).

Culture is Key identified several actions that insurance brokers could take to help encourage good behaviour, including:

- establishing multiple processes or ‘lines of defence’
- recording how a breach is discovered
- understanding the root cause of a breach
- conducting random audits
- sharing the lessons of mistakes widely
- setting higher, aspirational internal standards
- encouraging brokers to be more focused on client perspectives and outcomes, and
- documenting discussions and consultations in detail.

This Own Motion Inquiry (OMI) report is a follow-up to **Culture is Key**. It provides a summary of the key findings as well as examples of good practice from subscribers.

The OMI is based on the responses we received from 415 Code subscribers to a series of questions about company culture that were included as part of the 2021 Annual Compliance Statement (ACS). Developed by Behavioural Insights Team (Australia), the questions aimed to find out what policies and practices subscribers have to encourage good behaviour within their organisations.

For the inquiry, subscribers were categorised according to their number of full-time equivalent (FTE) staff:

- Category A: 100+ FTE staff
- Category B: 51–100 FTE staff
- Category C: 31–50 FTE staff
- Category D: 21–30 FTE staff, and
- Category E: up to 20 FTE staff.

¹ See <https://www.niba.com.au/insurance-brokers-code-of-practice/>

² See <https://insurancebrokerscode.com.au/app/uploads/2021/11/IBCCC-OMI-Culture-is-Key-Report-Nov-2021.pdf>

Recommendations

From our analysis of the responses, we present the following recommendations that will help subscribers build a company culture that encourages good behaviour and helps achieve compliance with the Code.



Internal standards for policy renewals

- Use higher standards than the legal minimum for renewals. For example, rather than sending renewals 14 days before expiry, aim to send them 21 or 28 days before. Make this an explicit internal key performance indicator (KPI).



Internal training

- Highlight lessons from past breaches as a part of training. Use specific training sessions, written updates, or incorporate the lessons into existing meetings.



Use of audits and detecting breaches

- Use regular, structured internal audits that review a broad sample of files. For example, review new and old clients, different policy types, different client sizes.
- Conduct regular external compliance audits (ideally every 12–24 months).
- Create reports for when things go wrong or not according to expectations. If possible, use software to help monitor compliance (e.g. management exception reports).



Understanding the client's perspective

- Prompt staff regularly to declare any breaches, conflicts or compliance issues.
- Disclose information about fees and commissions in plain English and in multiple documents. Explain costs to clients during meetings and discussions.
- Use different methods to explain products. For example, short videos can help some clients better understand products and services.
- Create reports that show the coverage and gaps of a product and explain the risks for a client (e.g. risk appetite reports).



Identifying systemic breaches

- Consider a range of factors to identify whether a breach is systemic. For example, consider other events, files or clients associated with the staff member or with the time period to see whether the breach occurred multiple times.

Findings

The responses to the ACS questionnaire show that subscribers use a variety of practices to encourage good behaviour and improve compliance with the Code.

Subscribers used, on average, five or six of the processes or procedures listed in the questionnaire, regardless of their business size. Nearly 90% of subscribers said they use at least three of the listed processes or procedures.

Most Code subscribers (76%) have procedures to identify breaches, with a similar number (74%) reported having random internal audits and client file reviews.

In contrast, a smaller percentage reported having higher standards than the legal minimum for policy renewals (56%) and information about fees and cancellations in plain English (57%).

In general, subscribers of all sizes demonstrated several examples of good practice, with innovative approaches and rigorous processes. The examples demonstrate that size is no barrier to good practice and improvements are within reach of all.



Internal standards for policy renewals

Insurance brokers must provide their clients with a renewal notice no later than 14 days before the policy expires (Section 58 of the *Insurance Contracts Act 1984*). **Culture is Key** highlighted the value in promoting a higher standard, encouraging an aim to send renewals 21 or 28 days before a policy expires.

Just over half of Code subscribers (56%) reported having a higher standard for policy renewals than the legal minimum of 14 days.

Of the brokers that used a higher standard, around two-thirds (66%) sent renewal notices either 21, 28 or 30 days before expiry.

Just under 10% of these subscribers sent renewal notices with even longer notification periods, with some six weeks or two months before expiry.

Around 25% of subscribers that used a higher standard did not specify when their renewal notices were sent to clients, despite some indicating that they started the renewal process weeks or even months before the policy expired.

Nonetheless, sending renewal notices long before the deadline shows an awareness of good practice and a commitment to high standards.

✓ **Example of good practice:**
Internal standards for policy renewals

One Category E subscriber aimed to have renewals to clients at least 30 days before the policy expired. It had an internal key performance indicator (KPI) of having “no more than 5 renewals not out to clients within 30 days of due date”.

The KPI makes it clear that sending renewals with more than 14 days’ notice is a priority. This sets a high standard for the broker. Making the broker’s minimum requirement to send the renewal to the client 30 days before expiry changes the ‘default’ of the 14-day legal requirement. This also creates a buffer for the broker which will allow them to still meet the legal obligation in case the renewal is not sent with 30 days’ notice.



Internal training

Culture is Key recommended regular internal training that highlights past breaches and lessons learned.

Around two-thirds of Code subscribers (66%) stated that they use regular internal training to highlight past breaches. This training typically took one of three forms:

- **Specific training sessions** – focused on recent breaches and compliance issues and typically held monthly or quarterly.
- **Training incorporated into existing meetings** – some subscribers reported having a standing item to discuss compliance issues at regular meetings. These generally occurred more frequently (weekly, fortnightly, or monthly).
- **Written updates** – after notable breaches, or after larger compliance reviews, some subscribers sent correspondence to brokers highlighting issues.



Subscriber tip

Subscribers should incorporate multiple methods for training staff.

They should conduct specific training sessions on recent breaches, and flag emerging issues that are time-sensitive through written updates or at regular team meetings.

The approach when discussing breaches is an integral part of effective training, as one Category E Code subscriber observed, it is important to “...*focus on improvement rather than discussing events of the complaint or breach itself*”.



Use of audits and detecting breaches

Culture is Key recommended insurance brokers conduct regular random internal audits and client file reviews, as well as external compliance audits every three to five years.

Just under three-quarters of Code subscribers (74%) use random internal audits, with almost two-thirds (65%) having conducted an external compliance audit in the past three years.

Of the subscribers who reported conducting external audits, most conduct them annually, while others conduct them less frequently, commonly every 18 or 24 months.

The practices for internal audits varied. Some subscribers reported conducting internal peer audits, where files are periodically reviewed by other staff members.

The best practices involve regular, structured audit processes that cast a wide net. A structured approach to internal audits, in which a subscriber examines a range of files, presents the best chance of identifying issues.

The files a broker selects for audit will depend on the type of business they conduct. For example, a broker that works with only commercial clients might select sample files drawn from each industry they represent.

In addition to audits, a little over three-quarters of subscribers (76%) said they had procedures that identify breaches or potential issues, such as reports for when things go wrong or fail to meet expectations. This was another recommendation from **Culture is Key** to promote a higher standard of behaviour from Code subscribers.

“Internal audits are conducted quarterly on each staff member. Work samples are chosen at random, with a mix of new business and renewals, and a mix of commercial and domestic products.”

— **Category D subscriber**



Example of good practice: Use of audits and detecting breaches

Following each round of internal and external file reviews, one Category C subscriber emails a compliance newsletter to all staff highlighting the common errors that were uncovered during the review.

In general, the larger the Code subscriber, the more likely they were to have procedures that identify breaches or potential issues: 90% of Category A subscribers, 87% of Category B subscribers and 93% of Category C subscribers reported having breach identification procedures, while 79% of Category D subscribers and 72% of Category E subscribers reported the same.

Some subscribers reported using specific compliance software that automatically generates reports to assist in monitoring compliance issues. While this may not be feasible for all subscribers, a software solution that automatically tracks and reports issues is an example of good practice.



Subscriber tip

Culture is Key highlighted the need for brokers to be vigilant about ‘inertia’ – that is, sticking with the default and assuming everything is ok, unless there is a significant adverse event.

To avoid this inertia, and to encourage good practices, some subscribers reported reminding staff regularly about their compliance obligations, such as the need to report breaches and declare conflicts.

Providing specific reminders to staff prompts them to consider whether any conflicts have arisen since their last declaration. Unless staff are regularly focused on conflicts, they may not realise that one has arisen. Similarly, reminders about breaches and compliance obligations can help reinforce issues and prompt staff to report issues that have not been reported.



Understanding the client's perspective

Culture is Key noted that one of the best examples of good behaviour – but the hardest to measure and quantify – involves seeing things from the client's point of view and adapting practices to suit them.

Some subscribers have implemented processes and procedures that were designed with clients' needs in mind, particularly for information about fees, commissions, terms and conditions.

Disclosure of fees and commissions

Just over half of Code subscribers (57%) said they provide clients with information about cancellations and fees in plain English, with actual disclosures of any brokerage or commissions. In the most comprehensive examples, subscribers reported including the information in detail on client invoices, with a full breakdown of premiums, fees and commissions.

By contrast, other subscribers revealed that they provided information about fees and commissions to clients as an attachment to the invoice, usually as a Statement of Advice (SOA), a General Advice Warning, a Financial Services Guide (FSG).

Providing clients with information about fees, commissions and other important policy advice in a single document – particularly one that is not the main invoice – is not considered to be good practice.



Example of good practice: Understanding the client's perspective

A small number of subscribers said they provide information about fees to clients through different channels. For example, in addition to providing a detailed fee breakdown on the invoice, they also include information about fees in the SOA and FSG.

All subscribers should adopt a similar approach to sharing information with clients. Subscribers should provide information about fees and commissions, as well as terms and conditions, in plain English and across various communication channels, including in conversations and meetings with clients.

Checklists and other client-centered communication approaches

Around two-thirds (67%) of subscribers reported using checklists to ensure they provide their clients with the necessary information when renewing policies, while 60% said they use checklists for this purpose for new clients.

One Category E subscriber explained that it tailors its checklists, taking each client's needs and requirements into account. A second Category E subscriber said that all checklists completed by its brokers are reviewed by a second member of staff to ensure that the client has received all the required information.

Another Category E subscriber said it uses videos to explain products and services to clients. Videos may be more engaging and interesting for many clients, particularly those who find information easier to understand in a visual format. As long as it provides clear and objective information about the benefits and risks of products, using an explainer video is a good example of meeting client needs.

One Category A subscriber revealed that it had developed a series of reports for clients that provide a detailed picture of their coverage and, importantly, what they are not covered for. Each report includes visual information that provides a client with an overview of their coverage at a glance and helps them understand their risk.

This innovative way of showing a client's coverage helps to overcome the issues of inertia discussed in **Culture is Key**. Because it can be easy to simply renew insurance policies each year without considering changes or developments, these reports, with visual elements, can act as a timely prompt for a client to review their insurance coverage.

Using innovative and different approaches to ensuring clients are informed and understand risks is an example of good practice in customer service. All subscribers should explore innovative ways of working with clients to help them understand their insurance needs and coverage.



Identifying systemic breaches

The best way to ensure that breaches are not systemic is to assume that all breaches *are* systemic until proved otherwise. High-performing brokers make efforts to understand the root causes of breaches to determine whether an issue is systemic.

Some subscribers said they review their breach register for systemic breaches regularly (for example, every quarter). Other subscribers were more proactive, noting that their standard practice is to review the breach register for past breaches whenever a new breach is recorded to determine whether there is a systemic issue. This is considered good practice.

In investigating root causes of breaches and potential systemic issues, several subscribers demonstrated good practice by specifying the types of issues they look for.

One Category E subscriber noted that when a breach is recorded, it typically looks for similar events that occurred around the same time or by the same staff member involved in the breach. Another Category E subscriber said that following a breach, it audits additional files, reviews the audit trail and examines correspondence to see if there is any evidence of other customers being affected.

A Category C subscriber reported that it conducts regular client audits, and if a breach is identified more than once involving the same staff member or from the same account manager, it triggers a more detailed audit of client files targeting that specific breach.



Subscriber tip

Systemic breaches are likely to have one of these five root causes:

- a process within the business
- an issue with a specific staff member
- a particular product or insurer
- a specific client
- an issue that was specific to a particular point in time.

Subscribers should ensure that a breach does not meet these criteria. While a process issue might be easy to rule out, other issues may require further investigation.

Conclusion

We are grateful to Behavioural Insights Team (Australia) and Mr Dutta-Powell for developing the questions that formed the Company Culture section of the 2021 ACS questionnaire and for the detailed analysis of the responses, which formed the basis of the follow-up inquiry. The findings presented in this report provide a valuable insight into the way subscribers promote good behaviour and where improvements can be made.

It was pleasing to see that all subscribers reported having at least one of the eight processes or procedures listed in the questionnaire for encouraging good behaviour and improving Code compliance. This, along with the many examples of good practice, demonstrates that all subscribers are capable of implementing processes that improve their compliance.

With the [new Code](#) in effect from 1 November 2022, all subscribers should review their existing processes and procedures. They should use the recommendations and examples of good practice in this report to help identify ways they can improve their breach reporting and company culture.

For our part, we will continue to focus on organisational culture, with the aim of helping subscribers build company cultures that encourage good behaviour, improve client outcomes, and achieve Code compliance.

Appendix 1: Extract of 2021 Annual Compliance Statement (ACS), Part F Company Culture

F.1 Does your organisation have any of the following process/procedures in place? *[Please select ALL that apply and provide comments]*

- A longer internal standard for policy renewals (e.g. 21 or 28 days instead of the legal minimum of 14).
- Regular internal training that highlights past breaches and lessons learned.
- Fee disclosure about cancellation in “plain English” and actual dollar disclosure of brokerage/commissions.
- Procedures in place to identify breaches or potential issues, such as management exception reports.
- Random internal audits and client file reviews.
- External compliance audit within the past 3 years.
- Using checklists when on-boarding clients.
- Using checklists when renewing policies.
- Other

F.2 In the past two years, how often have you had Code breaches come to your attention because a client and/or staff raised an issue (e.g. including complaints)? *[Please select ONE and provide comments]*

- Regularly (e.g. monthly or more)
- Sometimes (e.g. up to 6 times per year)
- Very rarely (e.g. 1-2 times per year)
- Never
- Other *[please comment]*

F.3 When you identify a breach, what actions do you take to ensure that it is not systemic? *[Please comment]*

Appendix 2: Analysis of responses for Part F of the 2021 ACS

The following statistics are based on the 415 responses received from Code subscribers.

F.1 Code subscribers who have any of the following process or procedures in place

[Multiple selections possible]

	Cat A Over 100 FTE	Cat B 50 to 100 FTE	Cat C 30 to 50 FTE	Cat D 20 to 30 FTE	Cat E Up to 20 FTE	Total
A longer internal standard for policy renewals (e.g. 21 or 28 days instead of the legal minimum of 14).	52%	40%	55%	57%	57%	56%
Regular internal training that highlights past breaches and lessons learned.	67%	80%	73%	75%	64%	66%
Disclosure about cancellation fees in plain English and dollar disclosure of brokerage/commissions.	52%	60%	65%	68%	55%	57%
Procedures to identify breaches or potential issues, such as management exception reports.	90%	87%	93%	79%	72%	76%
Random internal audits and client file reviews.	90%	80%	90%	93%	69%	74%
External compliance audit in the past 3 years.	67%	67%	75%	68%	63%	65%
Checklists for dealing with new clients.	71%	47%	68%	57%	59%	60%
Checklists for renewing policies.	76%	67%	78%	57%	67%	67%
Other (please provide comment)	5%	0%	5%	11%	8%	7%

F.2 Frequency with which subscribers identified breaches because a client or staff raised an issue (including complaints) in the past two years

[One selection per subscriber]

	Cat A	Cat B	Cat C	Cat D	Cat E	Total
Regularly (e.g. monthly or more)	48%	20%	33%	7%	7%	12%
Sometimes (e.g. up to 6 times per year)	33%	60%	37%	25%	15%	20%
Very rarely (e.g. 1-2 times per year)	10%	20%	25%	39%	37%	35%
Never	5%	0%	5%	18%	35%	28%
Other (please provide comment)	5%	0%	0%	11%	6%	5%

Appendix 3: About the Code and the Committee

About the Code

The [2014 Insurance Brokers Code of Practice](#) (the Code) sets good standards of practice for the insurance brokers that have agreed to follow it. It 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 new [2022 Code](#) came into effect on 1 November 2022.

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

By subscribing to the Code, insurance brokers commit to:

- improving standards of practice and service in their sector
- promoting informed decision-making about their services, and
- acting fairly and reasonably in delivering those services.

About the Committee

The Code is monitored and enforced by the independent [Insurance Brokers Code Compliance Committee](#), which works with stakeholders to improve compliance with the Code and promote good industry practice.

The Committee offers regular guidance to help Code subscribers understand and meet obligations to the Code.

The [Australian Financial Complaints Authority](#) (AFCA) provides the Committee with Code monitoring and administration services by agreement. AFCA has appointed a dedicated staff within its office (the Code team) to undertake these duties.

For more information about the Code, the Committee or the Code Team, please visit insurancebrokerscode.com.au.