

Annual Data Report

2023

INSURANCE
BROKERS

CODE
COMPLIANCE
COMMITTEE

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Chair's message

As we present this year's Annual Data Report, it is clear that the insurance broking industry must make more progress on improving compliance with the Insurance Brokers Code of Practice (the Code).

One of our primary concerns is the significant increase in breaches related to disclosures about remuneration and commissions. In the 2023 reporting year, breaches of these obligations rose to 106, compared to just 23 in the previous period. Transparency regarding commissions and other benefits brokers receive is fundamental to maintaining trust with clients.

We have been vocal about our desire to see the Code strengthened in this area, and we hope that the upcoming review will address this critical issue.

Another concern from the data in the 2023 reporting year was the number of breaches of obligations to meet policy renewal timeframes and communication standards.

The Code mandates that brokers contact clients at least fourteen days before their insurance cover expires, using clear and concise language. Timely and clear communication is essential to ensure continuous coverage and prevent potential financial risks. Unfortunately, as the Data Report shows, many brokers are not meeting these standards, and we urge them to improve in this area.

We also noted that the effectiveness of breach identification and reporting remains a significant challenge. Despite our ongoing efforts to encourage improvements, many brokers continue to submit incomplete, inaccurate, or inconsistent compliance data.

High-quality data is crucial for identifying underlying issues and taking corrective action. It benefits both clients and brokers. Poor data collection is a missed opportunity that can lead to poor client outcomes and increased business costs due to dispute resolution.

The Annual Data Report is a reminder of the areas where brokers need to focus their efforts. Improving compliance with the Code is about more than avoiding breaches; it is about pursuing high standards of service, delivering better outcomes for clients and maintaining the integrity of the industry.

We remain committed to supporting brokers in their compliance efforts and look forward to working together to raise industry standards. It is important to use the insights from this report to drive meaningful improvements and ensure the highest levels of service for all clients.

Oscar Shub

Independent Chair
Insurance Brokers Code Compliance Committee

Introduction

The Annual Data Report provides analysis of the breaches and complaints reported by insurance brokers to the **Insurance Brokers Code Compliance Committee** (IBCCC) for the period from 1 January 2023 to 31 December 2023.

This Report includes our observations on compliance with the Code, along with guidance and recommendations for insurance brokers.

As part of the 2023 Annual Compliance Statement (ACS), 438 insurance brokers provided data on breaches and complaints.

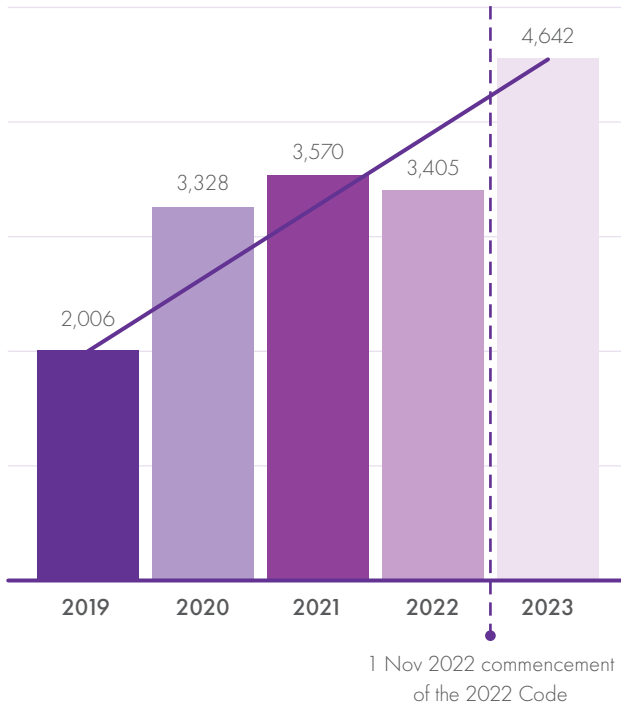
Following submission of the ACS, we contacted 124 insurance brokers to verify their data, gather valuable insights into their compliance practices, and address any questions or concerns. We are grateful for the cooperation and assistance of the insurance brokers in this work.

This report is a result of those efforts and provides a unique and valuable insight into the industry for the 2023 reporting period.

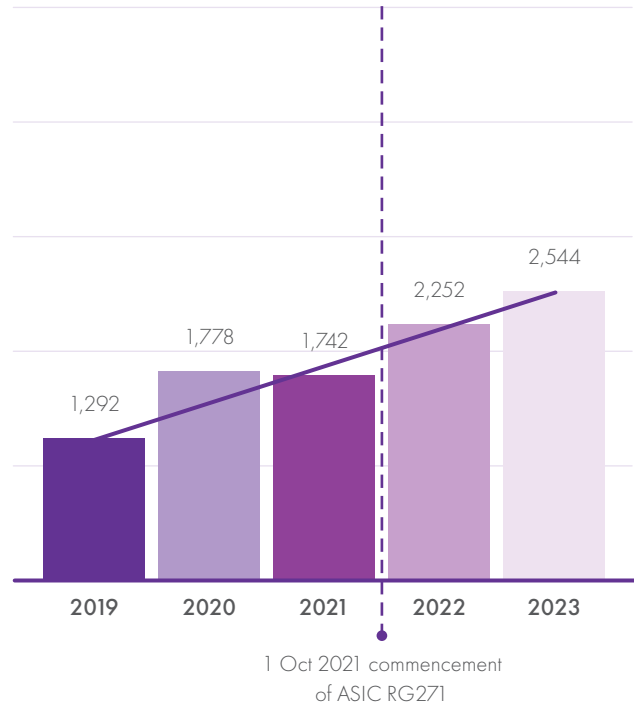
We acknowledge the traditional custodians of the different lands across Australia and pay respect to Elders past and present.

Snapshot of the data

Five-year trend in total reported breaches



Five-year trend in total reported complaints



63%

of insurance brokers reported breaches, up from 55% in 2022

\$9.4 million

financial impact to clients, triple compared to 2022

794,000

clients impacted by breaches, double compared to 2022

270

breaches identified as systemic, up 74% from 155 in 2022

4,642

reported breaches, up 36% from 3,405 in 2022

127

brokers reported zero complaints, including six with over 30 staff

408

breaches posed a significant risk to business operations, up 287% from 142 in 2022

Seven insurance brokers reported over 100 breaches each, totaling

31%

of breaches (1,430)

143

insurance brokers (33%) reported an increase in breaches compared to 2022

66%

of insurance brokers reported complaints, up from 61% in 2022

138

brokers reported 0 breaches (down from 175 in 2022)

Snapshot of the data

Top five Code sections by breach numbers

Code section	Obligation	Breaches	% of total breaches	Comments
7.2(a)	Policy renewal – we will contact client well before and at least fourteen (14) days before insurance cover expiry date.	1,535	33.1%	Two insurance brokers reported 305 breaches (20%).
7.2(a)	Communication – we will communicate with clients in a timely manner using clear and concise language.	775	16.7%	One insurance broker reported 169 breaches (22%).
7.2(a)	Policy renewal – we will take appropriate, professional and timely steps to seek insurance cover and advise clients of available options.	538	11.6%	-
7.2(a)	Our responsibility – we are responsible for ensuring that our employees, agents and representatives comply with the Code.	478	10.3%	-
7.2(a)	Terms of Engagement – we will provide information in writing setting out our terms of engagement.	293	6.3%	One insurance broker reported 160 breaches (55%).

Top five Code sections by breaches with the greatest financial impact

Code section	Obligation	Financial impact	% of total breaches	Comments
5.2(a)	Behaviour – we will act in accordance with Code Principles.	\$5,295,797	56.6%	One insurance broker reported over \$4.5m in financial impact (86%). Two other IBs reported over \$300,00 each.
7.2(b)	Policy renewal – we will take appropriate, professional and timely steps to seek insurance cover and advise clients of available options.	\$964,389	10.3%	One insurance broker reported \$526,053 in financial impact (55%). Another reported \$116,240 (12%).
7.2(a)	Policy renewal – we will contact client well before and at least fourteen (14) days before insurance cover expiry date.	\$771,348	8.2%	One insurance broker reported \$500,350 in financial impact (65%).
5.1(b)	Communications – when providing advice we will take steps to help the client understand the advice.	\$639,506	6.8%	One insurance broker reported \$450,000 in financial impact (70%).
7.1(a)	Claims management – we will keep clients informed in a timely manner regarding the progress of their claim.	\$463,647	5.0%	One insurance broker reported \$320,000 in financial impact (69%). Another reported \$125,000 (27%).

Top five Code sections by breaches with the most impacted clients

Code section	Obligation	Impacted clients	% of total breaches	Comments
5.1(a)	Communication – we will communicate with clients in a timely manner using clear and concise language.	765,794	96.5%	One insurance broker reported 38 breaches impacting 761,365 clients (99%).
6.1(b)	Disclosing remuneration – details of remuneration which must be included in the disclosure document.	8,219	1.0%	One insurance broker reported one breach impacting 8,000 clients (97%).
4.1(a)	Understanding our role – information to be provided to a prospective client.	5,682	0.7%	One insurance broker reported one breach impacting 5,500 clients (97%).
7.2(a)	Policy renewal – we will contact client well before and at least fourteen (14) days before insurance cover expiry date.	5,000	0.6%	Four insurance brokers reported 83 breaches impacting 1,520 clients (30%). Each reported over 400 impacted clients.
8.1	Our responsibility – we are responsible that our employees, agents and representatives comply with the Code.	4,427	0.6%	One insurance broker reported 27 breaches impacting 2,969 clients (67%).

Top five products by reported complaints

Product	Description	Complaints	% of total complaints	Comparison with 2022
Other small business/farm insurance (ASIC reference 79)	Small business/farm insurance that does not fit into any of the previous categories.	314	12.1%	13.8% (299)
Residential strata title (ASIC reference 53)	An insurance contract insuring the body corporate of large apartment block buildings that are wholly occupied for residential or small business purposes.	312	12.1%	8.4% (181)
Home building (ASIC reference 41)	Provides insurance to cover the destruction of or damage to a home building.	252	9.7%	13.6% (294)
Commercial property (ASIC reference 65)	Insurance that provides cover for commercial and/or farm buildings, which may include fences.	248	9.6%	10.4% (225)
Motor vehicle — Comprehensive (ASIC reference 44)	Provides insurance that covers damage that the policy holder's vehicle (e.g. car or motorcycle) has caused to other people's property, as well as damage to the policy holder's own vehicle, even when the accident was their fault. It also covers damage to the policy holder's vehicle as a result of fire, theft or other adverse events.	214	8.3%	10.0% (217)

Top five issues by reported complaints

Issue	Description	Number of complaints	% of total complaints	Compared to 2022
Delay in claim handling (ASIC reference 78)	The financial firm has delayed actioning or processing a complainant's insurance claim.	382	14.5%	17.9% (406)
General service delay (ASIC reference 80)	Slow or delayed service that has not been recorded using codes listed elsewhere. For example, call wait times, lengthy queues, delays in providing a remediation outcome, difficulties in obtaining a booking or appointment, third-party timelines or delays.	357	13.5%	11.3% (257)
Premiums (ASIC reference 10)	An insurance premium was excessive, inappropriate or wrong. This includes complaints about the level of an insurance premium (in general), as well as about an insurance premium that was incorrectly calculated or charged.	223	8.5%	8.35 (188)
Other service-related issues (ASIC reference 88)	Other service-related issues. For example: staff behaviour and poor client experience.	195	7.4%	7.5% (171)
Denial of claim—Exclusion/condition (ASIC reference 50)	The financial firm denied an insurance claim on the basis that loss or damage occurred as the result of an excluded event, or a breach of an insurance policy condition. For example: damage caused by a flood and floods are excluded under the insurance policy	162	6.1%	5.1% (116)

General findings

We analyse the data we collect to assess industry-wide issues and trends, offering a unique perspective on the insurance broking sector. This data also enables us to provide insurance brokers with individual benchmark reports, which track their compliance performance and offer insightful comparisons with their peers.

It is appropriate to note that during this reporting period, comparisons with previous years are limited. The 2022 period included ten months of reporting against the 2014 Code and two months of reporting against the 2022 Code. The 2014 Code differed significantly from the 2022 Code. It did not contain individual Code sections; rather, only 12 overarching Service Standards.

In contrast, the 2022 Code includes overarching Code Principles and detailed obligations, introducing new requirements for supporting clients experiencing vulnerability, policy renewal, claims management, communication, and remuneration disclosure, which were not present in the 2014 Code. As a result, it is impractical to compare individual Code sections across the 2014 and 2022 Codes. However, future reports will provide a more detailed comparison as we will have a richer data set against the current, more comprehensive, Code.

Cause of breaches

Human error has consistently been the predominant root cause of breaches over the past five years. Insurance brokers have identified human error as arising from staff not following processes and procedures, making manual errors, and using incorrect processes and procedures.

While we acknowledge that human error will always be a factor, insurance brokers need to carefully consider the current error rate, accounting for 74.1% of all breaches, to identify what actions are required to reduce it. There is considerable variation in the

proportion of breaches caused by human error among brokers of different sizes, with some performing considerably better than others.

All insurance brokers must intensify their efforts to identify and address the root causes of recurring breaches. Where possible, brokers should prioritise reviewing systems and processes, reinforced by targeted staff training. In cases of genuine human error, such as not following a process, brokers should address the issue comprehensively rather than treating each one as an isolated incident. There should be a system to ensure effective oversight of staff compliance.

Examples of breaches:

- At one Category A insurance broker, a large list of policies was accidentally sent to a different authorised representative within the organisation. Short-term remediation included an apology to clients, while long-term remediation involved staff training. This breach impacted 2,961 clients and was self-identified by staff. No financial impact was recorded for this breach.
- At one Category E insurance broker, a staff member did not realise that the insurance class in the system included outdated information, resulting in incorrect coverage summaries that did not include information regarding excess bonuses. Short-term remediation involved reviewing and changing processes, while long-term remediation is ongoing. This breach impacted 20 clients and was self-identified by staff. It resulted in a financial impact of \$4,000.
- At one Category A insurance broker, renewal paperwork was issued less than 14 days before expiry. An internal audit identified the breach, with no financial loss. The 109 impacted clients were provided an apology; no other remediation action was reported.

Table 1: Top three causes of breaches since 2021 with impact

	2021			2022			2023		
	% total breaches	Client impact	Financial impact	% total breaches	Client impact	Financial impact	% total breaches	Client impact	Financial impact
Process & procedure not followed	31.7%	2,074	\$0.51m	37.5%	390,837	\$0.43m	39.6%	5,147	\$2.40m
Manual error	40.8%	4,318	\$0.45m	32.2%	2,970	\$0.60m	22.9%	6,133	\$1.40m
Incorrect process & procedure	5.2%	255	\$0.06m	4.6%	835	\$0.02m	11.6%	2,211	\$0.62m

Identifying breaches

We are pleased to see insurance brokers identifying breaches in a range of different ways.

Staff self-identification remains an important method for identifying breaches, particularly for small brokers over the past three years.

Front line broking staff play a critical role in identifying breaches, and this emphasises the importance of ongoing training to ensure employees have the awareness and skills needed to effectively identify and record breaches.

Reviewing client complaints can also be a valuable way of identifying breaches and informing opportunities for further action and improvement. In 2023, 29.6% of total reported complaints helped insurance brokers identify a Code breach. However,

brokers should not rely solely on complaints to identify breaches.

Insurance brokers must balance various identification methods, including staff self-identification, internal quality assurance, internal and external audits, and client queries and complaints, to maintain effective breach identification.

Breach identification observations

Insurance brokers should always consider how Code obligations form part of their audit schedules. This is an important opportunity to test parts of business operations in a deeper way, often uncovering areas for further improvement to address or reduce the risk of non-compliance.

Table 2: Top five methods for identifying breaches per category of insurance broker

Category	Identification method	2021	2022	2023
Category A (over 100 FTE staff)	Staff self-identification	48.9%	13.1%	25.0%
	Internal process or report	22.8%	42.2%	23.0%
	Random internal audit	5.2%	3.8%	15.1%
	Client query or complaint	11.9%	13.1%	21.5%
	External compliance audit	0.7%	14.1%	10.5%
Category B (51 to 100 FTE staff)	Staff self-identification	22.1%	24.0%	16.4%
	Internal process or report	43.6%	17.9%	13.9%
	Random internal audit	4.9%	18.5%	51.5%
	Client query or complaint	16.2%	19.8%	12.0%
	External compliance audit	2.7%	0.0%	2.7%
Category C (31 to 50 FTE staff)	Staff self-identification	36.6%	33.0%	30.3%
	Internal process or report	16.3%	22.2%	25.4%
	Random internal audit	11.4%	13.7%	7.8%
	Client query or complaint	13.0%	12.2%	17.5%
	External compliance audit	8.3%	10.4%	6.2%

Category	Identification method	2021	2022	2023
Category D (21 to 30 FTE staff)	Staff self-identification	31.3%	41.1%	31.3%
	Internal process or report	23.0%	32.3%	23.0%
	Random internal audit	15.1%	11.0%	15.1%
	Client query or complaint	17.8%	10.6%	17.8%
	External compliance audit	2.3%	0.4%	2.3%
Category E (up to 20 FTE staff)	Staff self-identification	41.3%	38.5%	41.3%
	Internal process or report	22.0%	17.9%	22.0%
	Random internal audit	7.7%	9.7%	7.7%
	Client query or complaint	9.5%	12.0%	9.5%
	External compliance audit	9.2%	12.8%	9.2%

Impact of breaches

Reported breaches affected 794,000 clients, an alarming increase from the 412,081 reported in 2022.

Examples of the client impact of breaches:

- One Category A insurance broker issued invoices relating to a Discretionary Trust product that were not clear and accurate, impacting over 380,000 clients. This was categorised as six breaches of obligations concerning communication (Section 5.1 (a)). The breaches were identified through an internal review process and attributed to multiple root causes, including inadequate training, system errors, and human error. Although there was no financial impact, the breaches were reported to ASIC due to their systemic nature. The insurance broker followed up with staff training and a review and revision of processes.
- One Category E insurance broker did not update its Financial Services Guide to include the Lack of Independence Statement. This breach impacted 5,500 clients and was discovered during an internal due diligence process. The broker categorised it as a breach of obligations related to 'understanding our role' when engaging an IB (Section 4.1 (a)). The broker attributed the breach to staff resourcing issues and remediated with further staff training.
- One Category A insurance broker accidentally sent a large list of policies to a different authorised representative within the organisation due to a manual error, impacting 2,969 clients. This was reported as a breach of the obligation to ensure employees, agents and representatives comply with the Code when acting on behalf of the broker (section 8.1). There was no financial impact, and the breach was followed up with an apology and additional training.

The financial impact of breaches reported in 2023 was \$9.4 million, almost 300% higher than the 2022 figure. This financial impact represents the actual or estimated impact on the client before any remediation activities.

Examples of financial impact of breaches:

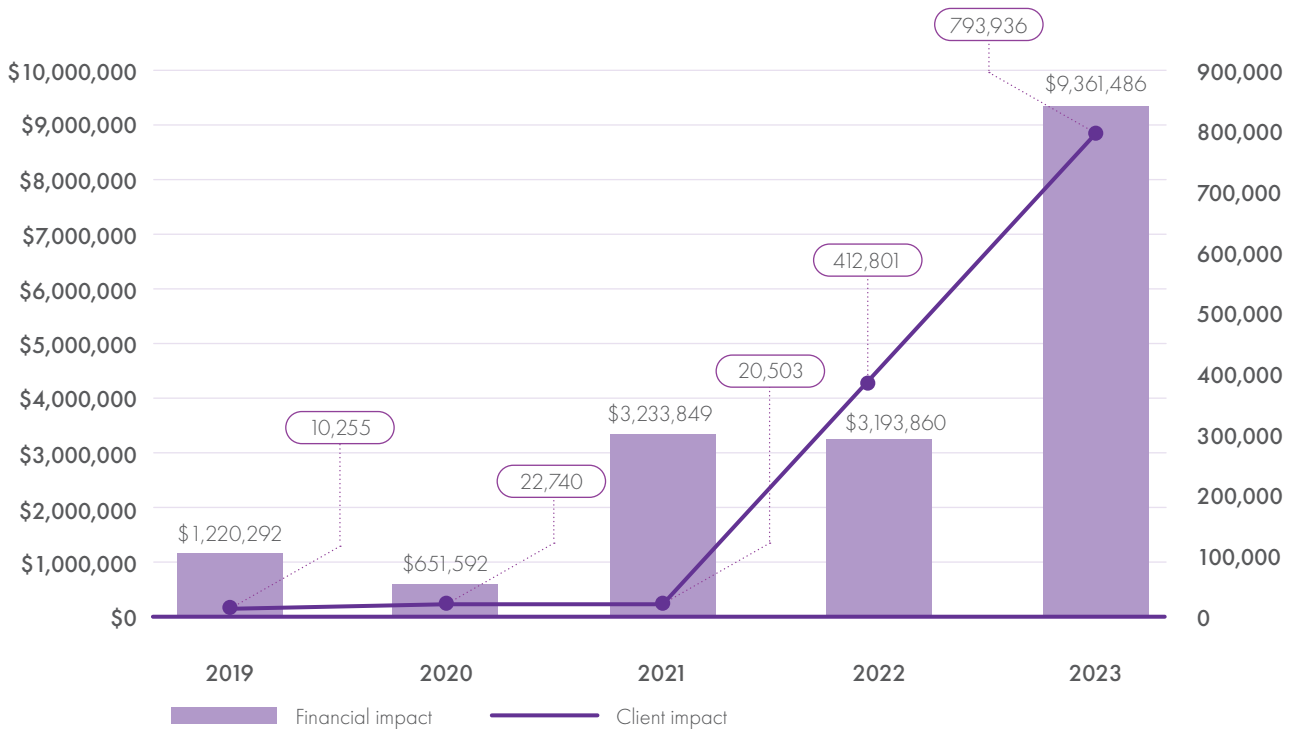
- One Category A insurance broker identified seven breaches relating to seven clients. The breaches were about behaviour (Section 5.2(a)) related to Professional Indemnity and Management Liability issues for various policies based on client complaints. The root causes were identified as system errors and misunderstandings.

The matter was referred to AFCA, and the financial impact for the seven breaches was estimated to be \$2.9 million. The broker reported the matter to its professional indemnity insurer, noting that it had appointed lawyers and reviewed the relationship with the Authorised Representative. The short-term remediation involved reinstating or incepting the right cover, providing an ex-gratia payment or an apology. The long-term remediation also included changes to processes and procedures and training.
- One Category A insurance broker failed to notify potentially eligible clients of a NSW stamp duty exemption, resulting in duty being paid on some exempt insurances for several years. Once identified through a client complaint, a thorough internal investigation was conducted to identify impacted clients, calculate exempt duty, and determine forgone interest. These clients were notified, and remedial payments totalling over \$280,000 were made.

This was reported as a breach under obligations concerning behaviour (Section 5.2(a)). Despite prior training on the new exemption, deficiencies were found in implementation and monitoring processes, as well as inadequate ongoing training and supervision of staff members. An internal working group

was formed to monitor stamp duty requirements and changes, ensuring a consistent approach to NSW exemptions. Policies and procedures were updated, training was provided to all staff, and a process for ongoing monitoring, supervision, and training was developed.

Chart 1: Impact of breaches since 2019



Remediating breaches

Apology and training are the dominant actions taken for breach remediation, both short-term and long-term.

However, there has been a notable increase in insurance brokers failing to meet their obligation to ensure employees, agents, and representatives comply with the Code when they are acting on their behalf (Section 8.1 of the Code). In 2023-24, 81 brokers reported 478 breaches of this obligation, a significant increase from the previous year's total of 98.

While apologies and training may be appropriate in certain circumstances, we encourage insurance brokers to review the other key elements that help ensure employees, agents and representatives comply with the Code. This includes ensuring:

- Breach reporting mechanisms are transparent, clear and easy for reporting potential breaches.
- People feel supported and encouraged to report.
- There are regular audits and monitoring systems to detect and address non-compliance early.
- External resources, including ours, are used for examples of good practice.
- Improvements to systems, processes and reporting channels.

Lack of long-term remediation action

Insurance brokers considered long-term remediation unnecessary for 58.1% of breaches. Of these breaches, 72% were attributed to human error, including manual errors, failure to follow processes and procedures, or using incorrect processes and procedures.

We understand that people will make mistakes from time to time. However, we encourage brokers to look carefully for repeat patterns and trends over time that may indicate a more serious root cause than isolated incidents of human error. Understanding and addressing root causes of a breach reduces the likelihood of recurrence, reduces the operational and financial burden on the business from repeat errors and ultimately leads to better client outcomes.

Insurance brokers should always consider if multiple breaches point to an underlying systemic issue, understand the root causes, and identify more sustainable fixes rather than one-off solutions for affected clients. This will help ensure the remediation efforts being applied are appropriate, will more likely address the issue, and support longer term sustained compliance.

Table 3: Top four short-term remedial actions per category of insurance broker

Category	Short-term remediation	2021	2022	2023
Category A (over 100 FTE staff)	Apology	10.7%	24.9%	30.9%
	Training	30.0%	10.4%	32.3%
	Undertaking	6.0%	3.2%	6.4%
	Review of and change to process	8.9%	31.5%	4.5%
	Other	35.8%	23.3%	9.4%
Category B (51 to 100 FTE staff)	Apology	18.6%	38.0%	15.0%
	Training	1.7%	6.8%	23.3%
	Undertaking	0.7%	17.2%	34.0%
	Review of and change to process	1.2%	2.3%	3.9%
	Other	69.9%	22.7%	7.9%
Category C (31 to 50 FTE staff)	Apology	22.4%	18.5%	39.4%
	Training	13.7%	19.1%	30.1%
	Undertaking	20.1%	34.1%	5.0%
	Review of and change to process	5.3%	2.0%	2.9%
	Other	18.8%	20.7%	5.4%
Category D (21 to 30 FTE staff)	Apology	11.0%	19.1%	22.8%
	Training	37.0%	12.4%	23.7%
	Undertaking	12.8%	19.5%	14.6%
	Review of and change to process	0.7%	8.5%	20.5%
	Other	31.7%	26.6%	7.2%
Category E (up to 20 FTE staff)	Apology	30.5%	23.0%	31.1%
	Training	12.8%	14.3%	16.7%
	Undertaking	16.2%	12.9%	13.1%
	Review of and change to process	5.7%	3.6%	11.6%
	Other	21.5%	21.9%	5.1%

Examples of possible short-term remedial actions:

- An apology which acknowledges the issue, expresses regret for the error, and demonstrates a commitment to rectifying the issue.
- Training which provides employees with the necessary skills and knowledge to improve performance and behaviour and reduces the likelihood of issues recurring.

Table 4: Top five long-term remedial actions per category of insurance broker

Category	Long-term remediation	2021	2022	2023
Category A (over 100 FTE staff)	Not applicable/no response	See *note	5.0%	58.2%
	Training	31.1%	31.8%	28.4%
	Review of and changes to process	17.0%	3.6%	9.5%
	Review of and changes to procedure	6.3%	38.5%	1.9%
	Other	42.9%	19.1%	1.3%
Category B (51 to 100 FTE staff)	Not applicable/no response	See *note	18.5%	52.2%
	Training	29.9%	43.5%	34.6%
	Review of and changes to process	30.6%	6.8%	3.9%
	Review of and changes to procedure	3.2%	5.2%	7.9%
	Other	30.1%	5.8%	0.3%
Category C (31 to 50 FTE staff)	Not applicable/no response	See *note	30.4%	70.5%
	Training	25.9%	27.6%	24.5%
	Review of and changes to process	1.8%	4.8%	1.2%
	Review of and changes to procedure	4.8%	17.4%	1.6%
	Other	62.4%	13.9%	1.6%
Category D (21 to 30 FTE staff)	Not applicable/no response	See *note	22.0%	61.5%
	Training	23.8%	18.4%	21.8%
	Review of and changes to process	1.8%	9.9%	11.9%
	Review of and changes to procedure	1.4%	14.2%	2.0%
	Other	72.6%	20.2%	0.2%
Category E (up to 20 FTE staff)	Not applicable/no response	See *note	17.5%	54.1%
	Training	22.6%	21.3%	16.7%
	Review of and changes to process	15.2%	18.5%	7.9%
	Review of and changes to procedure	7.3%	9.4%	8.7%
	Other	36.7%	19.1%	1.8%

*Note: This was included in 'other' because 'not applicable/no response' became an option in 2022.

Examples of possible long-term remedial actions:

- Reviewing, updating and improving processes, procedures and policies because this can address systemic issues, support continuous improvement, and enhance an insurance broker's effectiveness.
- Investing in technology and systems, including more sophisticated exceptions reporting and monitoring tools to detect breaches. This may be improved automation to remove the potential for human error or increased cyber security to protect against data breaches.
- Enhanced training programs to ensure knowledge is up to date and having an impact.

Key observations

Transparency of remuneration

The obligations

The Code contains important commitments from industry to provide information about remuneration (including commissions) or other benefits they will or expect to receive from providing certain services to retail clients¹, including individuals and small businesses² (Sections 6.1 (a) and 6.1 (b) of the 2022 Code).

We are concerned to see breaches of these important obligations increase to 106 in the reporting period. In the previous reporting period, insurance brokers reported only 23 breaches of these obligations. In this period, these breaches were reported by 36 brokers and impacted 8,451 clients, making it the second-highest breach issue for affected clients.

Importance of transparency

We have been upfront and clear about the importance of disclosing remuneration and commissions to retail clients.

The increased breaches of these obligations and the high number of clients impacted emphasises that there is more work for insurance brokers to do to ensure their practices align with the commitments in the Code.

Disclosure of remuneration is important for the following reasons:

- To ensure that individuals and small businesses understand the financial relationships and potential conflicts of interest between brokers and insurers.
- To allow people to make informed decisions about their insurance options by having full visibility of all costs involved, including remuneration of brokers.
- Being aware of the remuneration a broker receives builds trust and confidence in the service because the client knows that the advice is not unduly influenced by undisclosed financial incentives.

Breach causes

Insurance brokers reported the root causes for breaches concerning obligations for the disclosure of remuneration as follows:

- **Incorrect processes and procedures in place (34%)**
Examples of breaches included not following the personal advice model, incorrectly classifying policies as wholesale, where the disclosure of remuneration does not apply, and failing to provide the Statement of Advice document to the client.

- **Processes and procedures not followed (30.2%)**

Examples of breaches included sending the General Advice Warning and Letter of Engagement after the policy had already been issued and failing to disclose remuneration on quotes.

- **Manual error (23.6%)**

Examples of breaches included sending an endorsement to the client with an incorrect commission amount and manually amending a policy after issuance per the client's request, resulting in the incorrect commission being copied across.

Examples of breaches:

- One Category E insurance broker failed to provide notice of remuneration to a group of 46 clients who were incorrectly classified as wholesale clients. The root cause was reported to be incorrect process and procedure. The broker's system had limitations and restricted any updates being made to client classifications on endorsements. The short-term remediations were a review of and changes to procedures. In the long term, the remediation was training for all staff. This breach was also reported to ASIC. There was no reported financial impact from this breach.
- Another Category E insurance broker failed to issue financial information with policies sent to 150 clients that included a retail component. The root cause was reported to be human error and incorrect process and procedures. There was no reported financial impact. The broker's short-term remediation was a review of and changes to processes and the long-term remediation included training and updated processes and procedures.

What we expect

Any breaches of obligations to disclose remuneration must be closely scrutinised by the insurance broker to ensure that any underlying issues are identified and addressed. This should include ensuring:

- Documents and templates are correct, clear and easy for clients to understand.
- Timely disclosure so clients have an opportunity to make an informed assessment and decision.
- Staff are trained and understand their obligation to disclose remuneration to retail clients.
- Disclosures are properly logged or diarised.

Disclosure of remuneration will remain a priority area for us. When we see continued breaches of these obligations, we will engage directly with the insurance broker to understand what it is doing to address the non-compliance.

¹Retail clients' are defined in the Corporations Act 2001 (Cth) and linked to the purchase of limited general insurance products (e.g. motor vehicle, home building, home contents, sickness and accident, consumer credit, travel, personal and domestic property, medical indemnity). (See Definition on page 22 of the 2022 Code).

²Small business' is defined as a business employing less than 20 people, or if a manufacturer, less than 100 people. (See Definitions on page 22 of the 2022 Code).

Policy renewal and communication

We saw too many failures to meet policy renewal timeframes and communication standards in 2023.

The obligations

In the Code, insurance brokers commit to contact clients well before and at least fourteen days prior to the insurance cover expiry date to engage them on the next steps in accordance with the terms of engagement (Section 7.2(a)). Brokers also commit to taking appropriate and timely steps to seek insurance cover terms and conditions and advise clients of available options (Section 7.2(b)).

The Code also stipulates that brokers will communicate with clients in a timely manner using clear and concise language (Section 5.1 (a)).

Importance of timely and clear renewal communication

Timely insurance policy renewal ensures continuous coverage, thereby preventing potential financial risks and liabilities that can arise from lapses in insurance.

How an insurance broker communicates with a client is important. Clear communication about policy renewal provides clients with peace of mind, reduces unnecessary confusion and ensures they have confidence that their coverage is maintained, and they are protected against unforeseen events.

When brokers communicate effectively and clearly, clients are empowered to review and understand any changes in their policy, allowing them to make informed decisions about their insurance needs and options.

Timely and clear communication also reduces the likelihood of client complaints. This could be complaints resulting from a lack of information and updates, or more serious issues where a client may feel that a policy was not explained clearly or that the client did not have time to make an informed decision. Good communication practices also reduce costs to the business associated with remediation, loss of client confidence and reputational damage.

What we saw

Breaches related to policy renewal increased by 48%, from 1,397 in 2022 to 2,073 in 2023. Three-quarters of these breaches (1,535) related to obligations in Section 7.2(a), which require insurance brokers to contact the client at least fourteen days prior to the insurance cover expiry date. Of concern, there were 538 breaches of the obligation to take appropriate, professional and timely steps to seek insurance cover and advise clients of available options (Section 7.2(b)).

A total of 198 brokers reported breaches related to policy renewals, impacting 6,054 clients, resulting in the second-highest overall financial impact, exceeding \$1.7 million.

At the same time, we saw breaches of obligations relating to communication with clients in a timely manner using clear and concise language (Section 5.1 (a) and (b)) rise to 1,014, a sharp increase from the 141 reported in 2022. Breaches of this obligation were the second-highest number of overall breaches.

Breach causes

Insurance brokers reported the root causes for breaches of obligations for policy renewal and communication as follows:

- **Process and procedure not followed (40%)**

Examples included:

- ◆ Existing process and procedures regarding transition of client accounts between account managers were not followed correctly. Lack of communication between the account managers caused incorrect renewal coverage to be arranged.
- ◆ Staff did not monitor active renewals correctly.
- ◆ Renewals were not actioned within 14 days.

- **Manual error (21.6%)**

Examples included:

- ◆ Renewals were not tagged in system.
- ◆ The broker selected incorrect documents and did not realise that cover had not been renewed.
- ◆ Renewal was ticked off as completed but was missed.

Examples of breaches:

- One Category C insurance broker neglected to contact 450 clients well before or at least 14 days prior to the expiry of their insurance cover, resulting in 12 separate breaches. Although the broker runs monthly reports, these delays left clients exposed to potential risks.
- One Category A insurance broker failed to take appropriate, professional and timely steps to seek insurance cover and advise clients of available options. The broker did not appropriately review terms and conditions, the sum insured, or policy wording for four clients, nor did it advise these clients of available options for consideration. This oversight resulted in a financial loss of \$61,000.
- One Category D insurance broker failed to contact or issue renewals for a small group of eight policies. Despite having a weekly reporting system in place to monitor renewals due within six weeks, this process was not followed by the account manager. This breach did not result in a financial loss, as policies were issued before their expiry dates. The short-term remediation included having dedicated staff to check the upcoming renewals report, including providing monthly reports to the Board. Long-term remediation included implementing further training and monitoring programs.

What we expect

Insurance brokers must have effective systems and processes in place to ensure all their clients receive timely communication and engagement ahead of the policy renewal process. This may include ensuring Client Relationship Management (CRM) systems track timeframes and provide an early flag for upcoming communication requirements. Irrespective of the size and capabilities of the broking firm, systems and processes need to be in place to provide a reminder for important client communications.

Insurance brokers should continually review their communication with clients and analyse complaints data to identify opportunities for improvement. It is also critical that brokers keep comprehensive records of communication with their clients. This makes assurance processes much easier if questions are raised later about the nature of the information and communication provided with the client.

Spotlight

Data quality

Breach causes

There is further work for insurance brokers to do to ensure the effectiveness of their breach identification and reporting.

Despite ongoing efforts to improve, many brokers continue to submit incomplete, inaccurate or inconsistent compliance data. In addition to this, too many were late in providing their compliance data to us. This undermines adherence to Code standards, complicates operational efficiency, and clouds strategic decision-making.

Data quality issues are prevalent across the sector, with frequent instances of reporting errors and discrepancies. Common problems include incomplete datasets that lack critical information necessary for thorough compliance assessments, inaccuracies stemming from errors in data entry and processing, and inconsistencies due to varied data sources and formats.

This observation is significant for several reasons. Good quality data helps brokers to readily identify underlying issues and act to address them. This is good for their clients and good for business. Poor quality data, or no data collection, is essentially a missed opportunity and is more likely to result in poor client outcomes in the long run and increased costs to the business resulting from dispute resolution.

Insurance brokers set and commit to the promises in the Code. It is a progressive conduct model, and they should measure themselves against their promise in a thorough and meaningful way.

Furthermore, poor quality data impedes our ability to support industry improvements with timely and meaningful insights and analysis. These insights help the industry learn and address issues early.

In addition to the quality of reporting, we urge brokers to address the timeliness of their reporting. We provide brokers with numerous reminders of their reporting obligations and deadlines. Late reporting raises serious questions and concerns about the effectiveness of the systems and processes in place to meet compliance commitments.

Data inconsistency

In the 2023 reporting period, 63.4% of insurance brokers reported breaches, up from 55.2% in 2022. Despite the improvement in the number reporting breaches, we have ongoing concerns about under-reporting from insurance brokers:

- 138 reported zero breaches, down from 175 in 2022, including a Category A broker with over 100 staff.
- 184 reported fewer than 20 breaches each, with 17 of these being brokers with more than 50 staff.
- 66.3% of brokers reported complaints, an increase from 61.1% in 2022.
- 127 reported zero complaints, down from 152 in 2022, including one Category B broker with over 50 staff.
- 218 reported fewer than 20 complaints each, including 23 brokers with more than 50 staff.

Furthermore, among the brokers that reported breaches, we noted a lack of detail in the remediation actions taken in response.

For instance, 182 brokers reported no long-term remediation actions for breaches attributed to staff errors in following processes or procedures. In these cases, we would expect to see actions such as audits, process improvements, and ongoing staff training undertaken to prevent the recurrence of the breaches and to determine if the breaches were systemic.

Moreover, eleven brokers with over 30 staff frequently categorised breach identification under 'Other' without providing sufficient detail. It is crucial that brokers capture how breaches are identified.

The categories for reporting breach identification methods were developed in consultation with the industry, ensuring brokers are familiar with the options. However, the frequent use of the 'Other' category without accompanying detailed information complicates our understanding of how brokers are identifying breaches.

Table 5: Breach data inconsistency in 2023

Insurance brokers that reported breaches by category						
Number of reported breaches	Cat A	Cat B	Cat C	Cat D	Cat E	Total
No breaches	1	0	5	4	128	138
1 to 10 breaches	4	7	16	15	97	139
11 to 20 breaches	4	2	11	7	21	45
21 to 50 breaches	9	5	4	5	12	35
51 to 100 breaches	3	1	3	3	3	13
Over 100 breaches	5	2	0	0	0	7

Table 6: Complaints data inconsistency in 2023

Insurance brokers that reported complaints by category						
Number of reported complaints	Cat A	Cat B	Cat C	Cat D	Cat E	Total
No complaints	0	1	5	6	115	127
1 to 10 complaints	6	9	25	18	131	189
11 to 20 complaints	2	6	8	3	10	29
21 to 50 complaints	11	1	1	7	4	24
51 to 100 complaints	5	0	0	0	1	6
Over 100 complaints	2	0	0	0	0	2

Opportunities to improve data

In discussions with insurance brokers to understand the issues and challenges they face, we found the following factors to be important for improving breach reporting:

- A standard approach across the business – consistent data formats and definitions across departments and systems make it easier to collect and compare data effectively.
- Effective data governance – clear and up-to-date policies, procedures, and oversight for breach identification and recording.
- Central storage of breach data – this helps ensure information is not inadvertently overlooked and provides the broker with a complete picture.
- Training – ensuring that staff understand their obligations for reporting breaches of the Code.
- Investment in data reporting solutions (where appropriate) – this makes it easier to report and capture breach-related information.
- Clear accountabilities – this covers reporting, reviewing, and analysing breach data.
- A positive culture of Code compliance – developing a culture that promotes breach identification and recognises the value that comes from ongoing learning and improvement.

Timeliness of reporting

Over 100 insurance brokers missed the deadline of 31 March for submitting data to us, with the last submissions received on 29 April.

This delay is unacceptable under the Code, which mandates that brokers cooperate promptly with us in reviewing compliance (Section 11.4(b)).

Not meeting the reporting deadlines raises the question about the systems and processes that brokers have in place to capture the breaches as they occur. We urge brokers to invest in systems that facilitate centralised recording of breaches and complaints as soon as they occur, which will assist in meeting reporting obligations and timeframes.

For the 2024 reporting period, meeting the 31 March 2025 deadline will be carefully monitored. This year we engaged with a number of brokers that had been late in submitting their data to us in two or more reporting periods. Where we continue to see late reporting, requiring our continued follow-up, we will consider further action, including naming sanctions.

What we expect

We will continue to focus on insurance brokers that are under-reporting, not reporting breaches or reporting late. We will engage directly with these brokers to assess the effectiveness of their compliance frameworks, systems, and processes in identifying breaches of the Code. It is crucial that all brokers report comprehensively and in a timely manner.

Beyond addressing immediate breaches, we will encourage brokers to identify underlying patterns and trends that indicate root causes and implement long-term remediation strategies. We continue to encourage brokers to use insights from their reporting to enhance Code compliance and achieve better outcomes for clients.

Insurance brokers should use the 'Other' category judiciously and provide detailed additional information whenever it is used. Frontline staff play a critical role in capturing and documenting breach information promptly.

We strongly recommend that brokers train frontline staff thoroughly in identifying, categorising, recording, and reporting breaches and complaints. This training is vital for maintaining compliance and ensuring client protection. Improving reporting practices for breaches and complaints is essential for enhancing transparency and accountability.

Breach data

Table 7: Impact of breaches by Code section

Code section	Comparison to 2022	Breaches	%	Clients impacted	%	Financial impact	%	Insurance brokers that reported	Systemic	Grade 3 and over
Behaviour	131	↑ 217	4.7%	1,474	0.2%	\$5,295,797	56.6%	35	8	36
5.2(a)	44	↑ 212	4.6%	1,471	0.2%	\$5,295,797	56.6%	29	8	34
Policy Renewal	1,397	↑ 2,073	44.7%	6,054	0.8%	\$1,735,736	18.5%	198	72	115
7.2(b)	221	↑ 538	11.6%	1,054	0.1%	\$964,389	10.3%	100	27	42
7.2(a)	190	↑ 1,535	33.1%	5,000	0.6%	\$771,348	8.2%	169	45	74
Claims Management	1,001	↓ 119	2.6%	123	0.0%	\$1,278,899	13.7%	39	-	4
7.1(a)	14	↑ 78	1.7%	82	<0.1%	\$463,647	5.0%	27	-	4
7.1(f)	1	↑ 6	0.1%	6	<0.1%	\$427,447	4.6%	6	-	-
7.1(d)	0	↑ 2	<0.1%	2	<0.1%	\$235,254	2.5%	2	-	-
7.1(c)	0	↑ 10	0.2%	9	<0.1%	\$102,500	1.1%	6	-	-
Communications	141	↑ 1,014	21.8%	766,183	96.5%	\$828,070	8.8%	128	97	59
5.1(b)	87	↑ 239	5.1%	389	<0.1%	\$639,506	6.8%	43	11	6
5.1(a)	54	↑ 775	16.7%	765,794	96.5%	\$188,564	2.0%	118	86	53
Our Responsibility (training)	98	↑ 478	10.3%	4,427	0.6%	\$152,535	1.6%	81	28	17
8.1	62	↑ 478	10.3%	4,427	0.6%	\$152,535	1.6%	81	28	17
Who We Act For	41	↑ 61	1.3%	321	<0.1%	\$27,736	0.3%	21	1	7
5.3(a)	1	↑ 46	1.0%	293	<0.1%	\$22,311	0.2%	17	1	4
Understanding Our Role	37	↑ 71	1.5%	5,682	0.7%	\$13,061	0.1%	32	5	10
4.1(a)	37	↑ 71	1.5%	5,682	0.7%	\$13,061	0.1%	32	5	10
Terms of Engagement	127	↑ 331	7.1%	823	0.1%	\$0	0.0%	57	5	149
4.2(a)	44	↑ 293	6.3%	734	0.1%	\$0	0.0%	47	5	149
Disclosing Remuneration	23	↑ 106	2.3%	8,451	1.1%	\$0	0.0%	36	27	9
6.1(a)	5	↑ 58	1.2%	228	0<.1%	\$0	0.0%	21	8	3
6.1(b)	1	↑ 42	1.0%	8,219	1.0%	\$0	0.0%	15	16	6

Notes:

- Code sections with less than 1% of total breaches are not included, unless they impacted over 1,000 clients or had more than \$100,000 in financial impact.
- Section 5.2(a) - 86% (\$4,558,271) financial impact reported by one insurance broker.
- Policy renewal - 61% (\$1,054,383) financial impact reported by two insurance brokers.
- Claims management - 74% (\$950,254) financial impact reported by two insurance brokers.
- Communications - 55% (\$454,343) financial impact reported by one insurance broker.

Table 8: Graded breaches by category of insurance broker

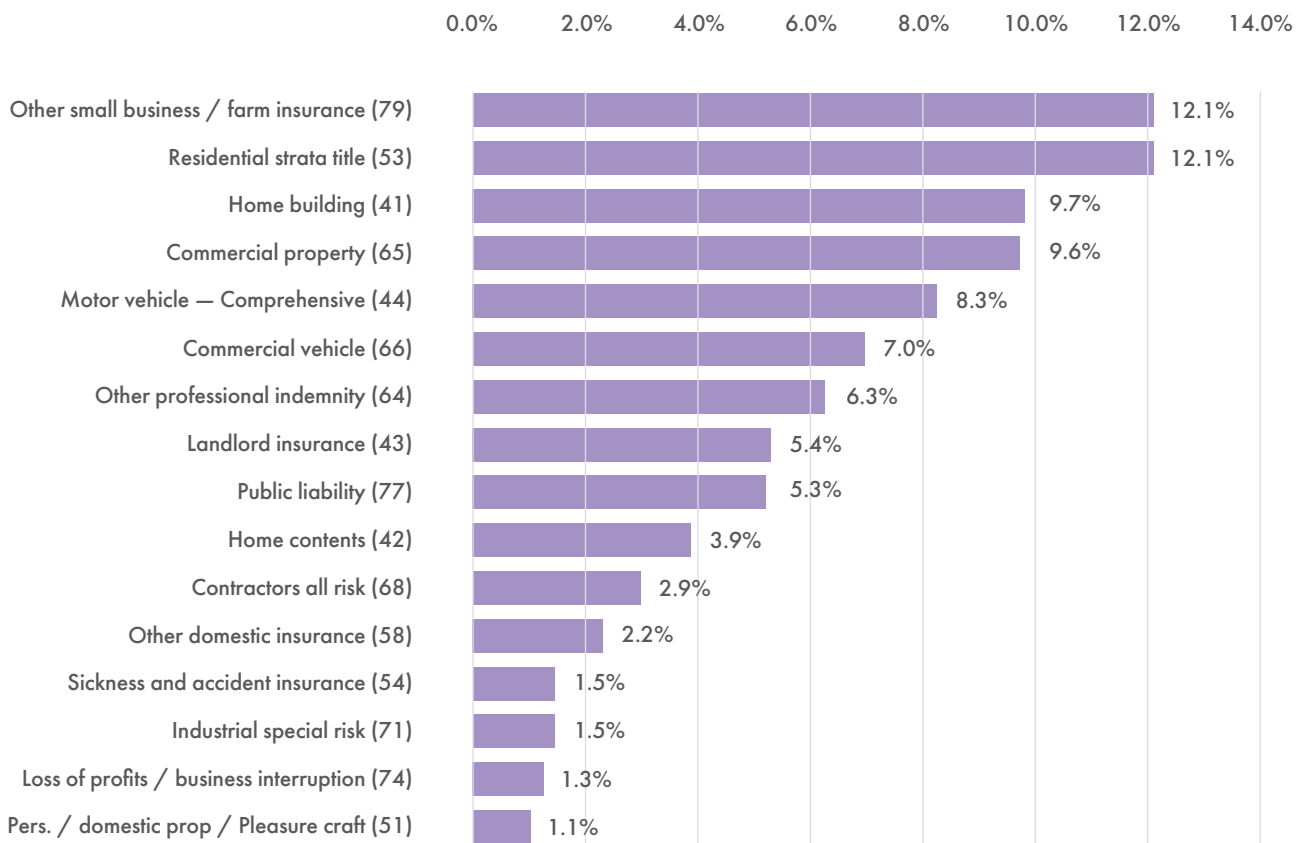
	Cat A	Cat B	Cat C	Cat D	Cat E	Total
<p>Grade 1 An action or incident that requires management attention but does not impose a serious risk to business operations or the AFS licence.</p>	1,301	378	430	462	1,137	3,708
<p>Grade 2 An action or incident that requires immediate management attention. It can be an accumulation of three Grade 1 actions or incidents.</p>	249	21	61	75	120	526
<p>Grade 3 An action or incident that poses a significant risk to business operations or the AFS licence or has resulted in direct financial loss by a client. It can be one action or incident or an accumulation of four or more Grade 1 or two or more Grade 2 actions or incidents.</p>	148	192	8	17	16	381
<p>Grade 4 An action or incident that requires urgent management attention and poses a serious risk to business operations or the AFS licence (includes major compliance failures, training inadequacies and overall poor performance).</p>	1	1	14	2	7	25
<p>Grade 5 An action or incident that poses a catastrophic risk to business operations or the AFS licence and cannot be rectified.</p>	0	0	2	0	0	2

Table 9: Systemic breaches by Code obligation and category of insurance broker

A systemic breach is non-compliance that has implications beyond the immediate actions and affected parties. A systemic breach has affected, or is likely to affect, more than one person, and is likely to involve a process, policy or technological issue within an insurance broker's operations.

	Cat A	Cat B	Cat C	Cat D	Cat E	Total
Communications	17	11	0	58	11	97
Section 5.1(a)	17	11	0	47	11	86
Section 5.1(b)	0	0	0	11	0	11
Policy Renewal	27	11	1	25	8	72
Section 7.2(a)	27	1	1	12	4	45
Section 7.2(b)	0	10	0	13	4	27
Our Responsibility (training)	0	1	22	3	2	28
Section 8.1	0	1	22	3	2	28
Disclosing Remuneration	0	1	0	14	12	27
Section 6.1(b)	0	1	0	14	1	16
Section 6.1(a)	0	0	0	0	8	8
Section 6.1(c)	0	0	0	0	3	3
Promoting the Code	25	0	0	0	0	25
Section 12.1(b)	25	0	0	0	0	25
Behaviour	2	0	0	6	0	8
Section 5.2(a)	2	0	0	6	0	8
Understanding Our Role	0	0	4	0	1	5
Section 4.1(a)	0	0	4	0	1	5
Terms of Engagement	1	0	2	0	2	5
Section 4.2(a)	1	0	2	0	2	5
Handling Complaints	1	0	0	0	0	1
Section 9.2(c)	1	0	0	0	0	1
Who We Act For	0	1	0	0	0	1
Section 5.3(b)	0	1	0	0	0	1
Service Provided to Insurers and others	0	0	0	1	0	1
Section 6.4(b)	0	0	0	1	0	1
Total	73	25	29	107	36	270

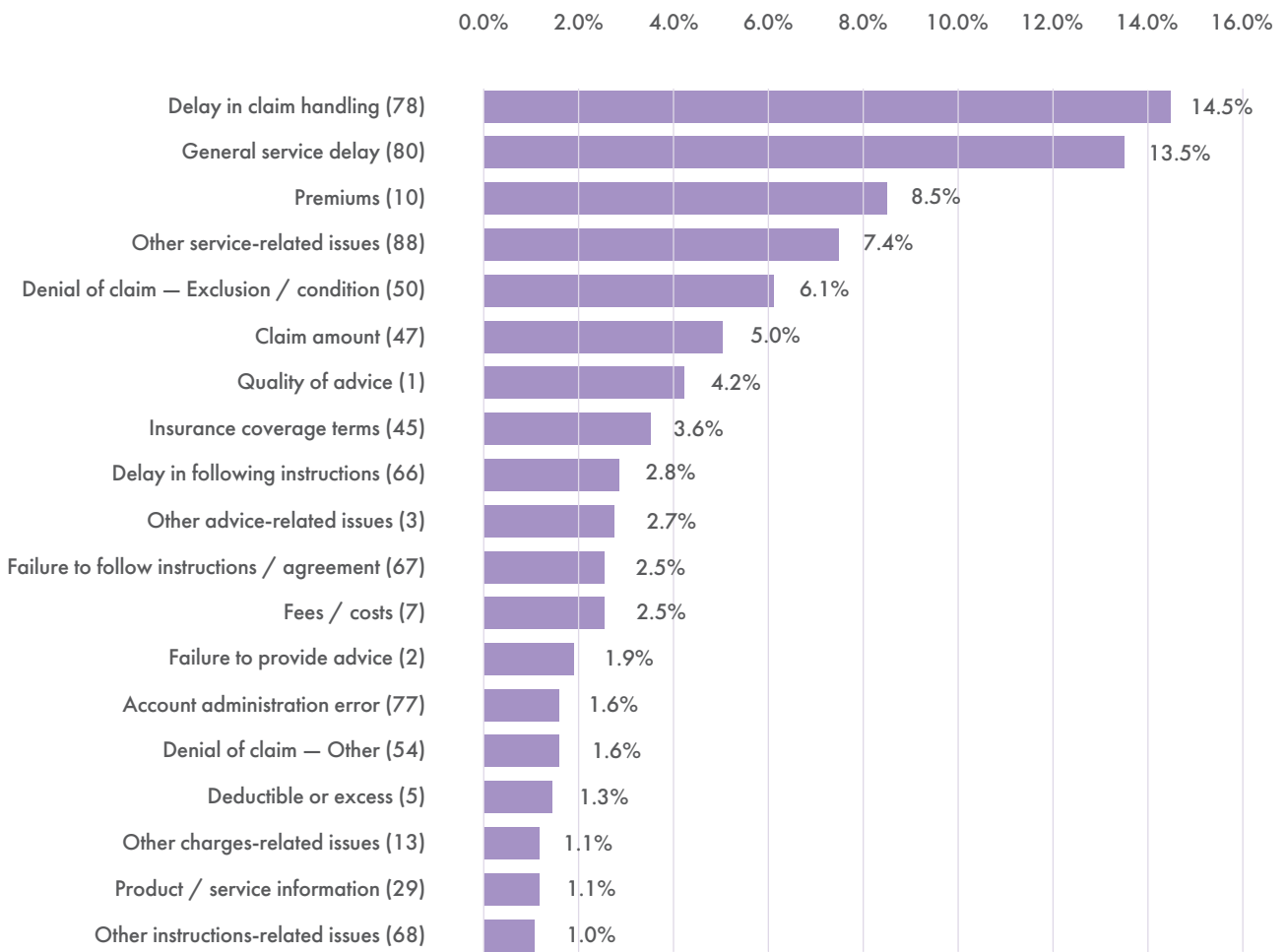
Chart 2: Top product categories by complaints



Notes:

- Categories with less than 1% of total complaints are not included.
- Numbers in brackets refer to complaint product categories as per ASIC's IDR data reporting handbook.

Chart 3: Top issue categories of complaints



Notes:

- Categories with less than 1% of total complaints are not included.
- Numbers in brackets refer to complaint issue categories as per ASIC's IDR data reporting handbook.

Industry data

Table 10: Insurance brokers by state (head office) and category

	Insurance brokers		Branches		Clients		Written policies	Staff
	2023	Change from 2022	2023	Change from 2022	2023	Change from 2022	2023**	2023**
TOTAL	438	9	2,058	138	2,304,507	- 5.3%	4,401,060	16,905
Category A (over 100 FTE)	26	3	1,273	31	1,388,724	- 4.3%	2,557,203	11,165
Category B (51-100 FTE)	17	- 1	90	- 19	181,226	- 16.7%	293,639	1,238
Category C (31-50 FTE)	39	4	113	- 6	191,936	13.6%	407,691	1,496
Category D (21-30 FTE)	35	7	104	30	148,319	39.8%	268,776	876
Category E (up to 20 FTE)	283	- 5	478	102	394,302	- 19.6%	873,751	2,130
Part of Group*	38	=			included in above			

*Insurance brokers are generally counted by their Australian Financial Services Licence (AFSL). Some brokers provide one Annual Compliance Statement (ACS) for all the AFSLs they hold. We considered this when analysing the percentage ratio of returns for specific categories. We also granted several exemptions for the 2023 ACS due to circumstances specific to the individual brokers.

** Comparable data for December 2022 not available.

Table 11: Branches by location and category of insurance broker

As at December 2023

Category of broker	ACT	NSW	NT	QLD	SA	TAS	VIC	WA	Total
Category A	0	518	0	114	38	0	588	15	1,273
Category B	0	26	0	38	0	5	15	6	90
Category C	0	43	0	19	10	0	18	23	113
Category D	11	21	0	27	1	6	28	10	104
Category E	2	116	1	79	28	8	213	31	478
Total	13	724	1	277	77	19	862	85	2,058

About us

The Code

About the Code

The Code sets out the promises and commitments to clients made by the insurance brokers that subscribe to it.

Subscribing to the Code commits an insurance broker to good practices, informed decision-making, and service delivery that is fair and reasonable.

The Code is owned and published by the National Insurance Brokers Association (NIBA) – the industry association for Australia’s insurance broking sector - and is an important part of the broader national consumer protection framework and financial services regulatory system.

Following a review that began in 2018, NIBA produced an updated version of the Code which came into effect on 1 November 2022.

The Code is underpinned by a set of guiding principles (Code Principles) and a number of more detailed standards to guide brokers and clients on what to expect. It contains a focus on professional commitment, ethical behaviour and transparency and accountability, including new obligations for supporting clients experiencing vulnerability.

Self-regulation

The Code is a fundamental element of successful self-regulation.

Self-regulation involves the industry setting its own standards of conduct and enforcing these standards through breach identification, reporting, and remediation.

This model allows the industry to demonstrate a commitment to ethical and responsible behaviour, helping to build trust with clients. It also reduces the need for costly and time-consuming regulatory intervention.

Our work monitoring the Code is crucial to the success of the self-regulation model working to its full potential.

The Insurance Brokers Code Compliance Committee

We are an independent Committee established to monitor compliance with the Code and to encourage best practice and improve client outcomes.

Our Charter provides for us to undertake the following functions:

- Monitor compliance with the Code.
- Collect and analyse data.
- Identify areas for improvement.
- Provide guidance.
- Publish findings of inquiries.
- Engage with stakeholders.

We also have the power to issue determinations and impose sanctions when fair and appropriate in the circumstances.

In addressing issues, our first step is to work with the insurance broker to rectify what has gone wrong, support its compliance with the Code, and pursue better outcomes for clients.

Our work is supported by the Code Team which provides monitoring, operational and administrative services.

The Code Team works within the Australian Financial Complaints Authority (AFCA) alongside four other code compliance committee teams.

This arrangement allows the Code Team to learn from other code committees and teams, share insights and information about compliance, and develop ways to help shape company culture.

Table 12: Categorisation of Code obligations

Category	2022 Code Sections
Terms of Engagement To ensure that the client understands the role of the insurance broker and provides information and details about these services.	4.1(a) 4.2(a) - (c)
Communications To provide timely and clear communications and ensure that clients understand the advice provided.	5.1(a) - (b)
Behaviour To act in accordance with the Code Principles. To not tolerate inappropriate behaviour. To support clients experiencing vulnerability and/or with special needs.	5.2(a) - (c)
Who We Act For To act in the client's best interest. To manage conflict of interest.	5.3(a) - (e)
Remuneration Disclosing remuneration. Not receiving contingent remuneration. Non-monetary remuneration. Services provided to insurers and others. Remuneration review.	6.1(a) - (d) 6.2(a) - (c) 6.3(a) - (b) 6.4(a) - (c) 6.5
Buying Insurance Policy renewal.	7.2(a) - (b)
Claims Management Claims management.	7.1(a) - (g)
Training Responsibility to train employees, agents and representatives to comply with the Code. Promoting compliance with the Code.	8.1 8.2(a)(i) - (v)
Complaints Handling Making a complaint. Handling complaints. Responding to complaints. Timeframe for handling complaints.	9.1(a) - (b) 9.2(a) - (c) 9.3(a) - (c) 9.4(a) - (c)
Vulnerable Clients Identifying vulnerable clients. Supporting vulnerable clients.	10.1(a) - (c) 10.2(a) - (d)
Enforcement of the Code Working with the IBCCC.	11.4(a) - (b)
Promoting the Code Promoting the Code.	12.1(a) - (c)

