



## **The International Institute of Claims Professionals**

### **Submission to The Treasury: Insurance Claims Handling**

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The Treasury

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## Executive Summary

The International Institute of Claims Professionals (“IICP”) welcomes the opportunity to comment on The Consultation Paper: Insurance Claims Handling – Taking action on recommendation 4.8 of the Banking, Superannuation & Financial Services Royal Commission.

IICP represents Claims Professionals who are passionate about the social responsibility of the general insurance industry and who are committed to delivering equitable settlements promptly with empathy at a time when the insurance industry needs to deliver on its promise.

The current lack of registration, regulation and licencing for those involved in providing claims handling and settlement advice in Australia, means that there are no restrictions on who can operate and purport to be a Loss Adjuster, Loss Assessor, Claims Preparer, Claims Advocate or provider of expert services to any of these professionals or insurers direct.

The number of complaints received by our members referred by Insurance Brokers and by word of mouth where members have overturned wrongful denials or had settlements significantly increased from what can only be described as low-ball offers is of deep concern to the IICP.

Linked to this, is our disappointment at the level of training including mentoring and a failure by some insurers to adopt a ‘lessons learned’ approach to improvement to the claims process.

It is the view of our members that the push to drive down Claims Handling Costs with the use of untrained staff, a move from Loss Adjusters and Loss Assessors to ex-builders, tradespersons and others who have not received basic training on ethics, the principle of Utmost Good Faith, any of the remaining 6 principles of general insurance, nor training on the basic rules of contract interpretation has resulted in consumers receiving improper advice and unfair settlement offers.

This deterioration in claims professionalism is not only affecting insured customers but the insurance industry’s loss ratio and loss of trust in general insurance.

The corporatisation of claims handling with the vertical integration of services has resulted in serious conflicts of interest and the real risk that self-interests are prejudicing a premium paying Insured from receiving a fair entitlement under the policy.

The deterioration of claims service is leaving some clients rightly feeling they move from being a customer to a cost centre as soon as they are unfortunate enough to suffer a loss. The current position the industry finds themselves in is particularly disappointing when general insurance has been based on the principle of Utmost Good Faith for over 250 years.<sup>i</sup>

This principle is enshrined in legislation, as is stated in Treasury’s Discussion Paper, by the *Insurance Contracts Act* [1984] and yet, Insurance is perceived by the public as one of the least trustworthy industry professions in Australia. Much of this boils down to the way that the claims are being handled and a review of the licencing and training programs has the strongest possible support of the IICP.

## About International Institute of Claims Professionals

The International Institute of Claims Professionals (IICP) originally, The International Institute of Claims Preparers was founded as a professional body to represent the interests of general insurance Claims Preparers who were concerned with the deteriorating performance of the general insurance industry in respect of claims handling and the training of claims staff.

In 2018 by unanimous vote, the members agreed to extend membership to anyone in the general insurance claims space who shared our values and approach to fair, accurate, and prompt claims settlement.

The institute is committed to developing a world class training program specialising in general insurance claims.

Therefore, IICP have engaged The Financial Services School, a registered training organisation, to assist in the development, approval and delivery of quality training material while the Institute will continue to act as an advocate for fairness and equity in the claims process.

## Licencing Regime Recommendation

The Royal Commissions Recommendation 4.8 that Treasury amend the Corporations Regulations by removing Regulation 4.1.33, that is that Insurance Claims Handling be exempt, has the IICP's full support.

The IICP's position is that Claims Handling is a separate and distinct service to the selling or arranging of Insurance and as such, the handling and settling of an insurance claims ought best be defined as a separate and distinct financial service.

The IICP agrees that the precise definition needs to be further developed from "handling or settling of an insurance claim" and ought to include all those roles involved in the conduct of the Insurer and/or its representatives in relation to claims handling, including:

- Make a decision about a claim, including investigating claims and interpreting policy provisions;
- Conduct negotiations in respect of settlement amounts;
- Prepare estimates of loss or damage, or likely repair costs; and
- Make recommendations about mitigation of loss.<sup>ii</sup>

It is of deep concern to our members that Insurers and Third Party Administrators are engaging builders, tradespersons, forensic accountants and others who have not received any basic training in the principles of general insurance, including Utmost Good Faith, Indemnity, Subrogation, Contribution, Proximate Cause, or who have not undergone any or inaccurate training in how to read and interpret a contract of Insurance.

We are particularly concerned for those Insureds who do not have the benefit of an Insurance Broker or other advisor to verify the fairness or otherwise of decisions made by such people. The effect of a wrong decision can be devastating to a motor vehicle, home or business owner, a traveller or any other insured entity.

The IICP strongly support the view of the Royal Commission that *'there can be no basis in principle or in practice to say that obliging an insurer to handle claims effectively, honestly and fairly is to impose on the individual insurer or the industry more generally, a burden that it should not bare. If it were to be said that it would place an extra burden of cost on one or more insurers or on the insurer generally, the argument itself would be the most powerful demonstration of the need to impose the obligation.'*

It is the experience of IICP members that some claims handling is not being treated effectively, honestly and fairly. Members of the IICP are also particularly concerned with conflicted remuneration, where profit share is offered to those arranging the insurance or handling the claims. Clearly, this creates a conflict of interest between the representative's own interests and the legal obligation to the insuring public.

Members are also concerned at the use of consultants which are subsidiaries of other firms and while purporting to provide 'independent' advice or reports, are themselves conflicted due to the ownership or association with the instructing principle versus the insuring public.

Examples here are loss adjusters owning engineering or building consulting firms, builders or restoration companies. These are just a few examples of vertical integration of services that can result in conflicts of interest.

One of the concerns raised by IICP members in this vein has been where the claims professional, particularly the organisation preparing the claim, is owned by the insurance advisor. Where there is a situation of improper advice at the time the insurance was arranged, the claims preparer is conflicted in that they are on the one hand possibly influenced to protect the professional indemnity program of the insurance advisor at the expense of the premium paying customer.

A suitable disclosure regime is the minimum requirement to address this very real issue.

Other issues that the IICP wish to be considered are:

1. Those handling or settling claims should only be permitted to handle claims under those classes of insurance for which they have received training. Claims can be feast or famine and during peak times it is possible to see say a motor assessor be entrusted to handle a complex property or business interruption loss which is well outside the experience and expertise of the individual. This can result in a failure to mitigate the loss and unnecessary stress on the Insured.
2. Consideration needs to be made for serious national catastrophe situations where professional loss adjusting and claims preparing firms seek assistance from their international offices.

One possibility is to follow the authorised representative model that is working effectively in general insurance broking where the organisation holds a master licence and the organisation is responsible for ensuring that those assisting in natural disasters hold the equivalent qualifications and experience that would be required should they be a permit licence holder in Australia.

What the IICP wish to avoid is the situation that was witnessed following Christchurch Earthquakes where foreign companies and individuals flew in without the correct Visa's inadvertently or deliberately provided wrong advice as they were basing it on the policy coverage afforded in their jurisdiction rather than New Zealand, charged exorbitant fees and in at least one case, when into liquidation leaving customers adrift after years of non or poor advice and performance.

3. All referral fees, commissions and ownership arrangements ought to be advised to all parties to the insurance contract.

The IICP believes that all incentives from builders, panel beaters and others paid to anyone in the claim chain including procurement officers, insurance claims officers, third party administrators, loss adjusters, claims preparers, and or insurance brokers ought to be outlawed completely.

The IICP members deal only in general insurance and do not believe they are qualified to provide any advice or recommendation as to whether or not the new financial services framework should involve superannuation trustees.

It is the IICP's position that **all** insurance claims ought to be subject to the change in regulations and not just services to retail clients.

The financial impact on Insureds, communities and the economy, based on wrongful advice or the handling of a claim can be equally if not more devastating to wholesale customers.

IICP have seen many examples where the inappropriate handling of a claim or wrong decision making has led to the liquidation of an Insured with a loss of jobs to that organisations employees. The IICP would cite the example of *Australian Aluminium Boats* where over 150 people lost their job and Australia lost a world class business with the expertise of that organisation lost to the United Kingdom and Singapore. Too much is at stake for it to be confined solely to retail claims.

## Who would be covered?

The IICP's recommendation is that not only should representatives acting on behalf of the Insurer be included but also those acting on behalf of the Insured in preparing or negotiating an insurance claim. As with any profession, there are some who are engaging in unprofessional behaviour for their own ends at the expense of the Insured and Insurer and to the brand of insurance in general.

In Australia, many policies provide claims preparation fees and any firm offering this service ought to be bound by the same rules and regulations as those acting on behalf of the Insurer, particularly when it comes to the principles of Utmost Good Faith and in respect of training and professionalism requirements.

Further, it is the IICP's view that certain third-party representatives of Insurers should include, builders, tradespersons, forensic accountants who are making decisions regarding policy interpretation and quantum be included in the list. As previously mentioned in this submission, it is of particular concern to IICP members that many of those involved in these functions have not had any training in respect of ethics and Utmost Good Faith, nor in policy interpretation, insurance practice and procedures.

## Impact on the Licencing Framework

The IICP recommend that a two-stream approach be adopted. Where an existing licence holder provides services that are currently exempt, they ought to be able to have the licence extended to cover the financial services which will no longer be exempt. This would avoid the need for two separate licences.

There will be many organisations such as loss adjusting firms, claims preparation firms, building consulting firms, third party administrators that currently do not provide services that require a Financial Services Licence and it is the view of the IICP that it would be an unnecessary impost for them to obtain a 'full' AFS licence which would only add to the cost and not provide any additional benefit to consumers. IICP would not be in support of such firms being able to start selling or otherwise dealing in insurance products.

As such a limited licence covering the specific claims services provided by them is all that is required.

## Application to Insurance Products

As stated earlier, the IICP members strongly support the recommendation of the Royal Commission that the proposal will apply to **all** general insurance products.

The IICP members do not feel qualified enough to offer comment on life risk products, investment life products or group life products.

## Consultation Questions

### **1. Are there additional issues that have not been identified? If so, are there potential options for addressing them within the proposal?**

IICP members have the following issues they wish to raise when it comes to claims handling.

- A. Firstly, many policies contain a purported benefit to allow an Insured to engage their own expert, often referred to as a claims preparer, to assist them in mitigating their loss and preparing the claim within the terms and conditions of the contract.

Some such policies, including strata and business packs, have a proviso that the Insurer agree to allow the cover to be utilised.

This disadvantages the insured for some insurers refuse to grant the benefit, even in extreme circumstances where they are seeking genuine help and guidance.

Examples are:

- a 70 plus year old new Australian in Adelaide who had a \$1.3million claim. He could not read or write English and was not granted permission to engage an expert claims preparer to assist him with his claim. An IICP member nevertheless handled the claim on his behalf on a pro-bono basis to ensure he receive the fair and equitable settlement after it was demonstrated the claims preparer provided a value-added service to both the Insured and Insurer and the Insurer still refused to pay. To the knowledge of the IICP executive this particular insurer has never granted permission which would activate the benefit and continues to include the 'Clayton's' benefit under their policy despite a member writing to them asking that if they are never going to provide the coverage, they ought to remove the phoney benefit from the Policy. No reply was received. In the eyes of the IICP this is deceptive and misleading and ought to be banned.

Contract certainty is required in all contracts and general insurance is no exception. A benefit is a benefit for all, or it is not in the policy. Only then can a true comparison of the features and benefits of a policy be made by those advising and arranging general insurance.

- Secondly, a loss in Darwin estimated at \$16million for a business suffering both property damage and business interruption, where the Insurance Broker sought to engage a local claims expert to assist the client with the Insurer refusing to grant the cover, even though there was no requirement in the policy to obtain permission, where the Insurer elected to use a fly in-fly out loss adjuster.
- B. As mentioned earlier in this submission, consideration ought to be given to temporary licences or exemptions being granted in the event of natural catastrophes where existing licence holders under the new regime seek the assistance of international claims experts to assist them in either the loss adjusting or claims preparation roles.
- C. A review of the internal dispute's resolution ("IDR") process currently being used by some insurers.

In an analysis conducted by IICP members, it was found that the decision in a number of claims was simply rubber stamped by Insurers, which added nothing to the claims process other than to delay a fair and proper assessment by the Australian Financial Complaints Authority (AFCA) and its predecessor being the Financial Ombudsmen Service (FOS).

This could be addressed in two ways.

- a) If following an analysis of claims disputes that have been found in favour by the AFCA and or courts shows a disproportionate number found against the Insurer, then a show cause be given to the insurer.
  - b) A report be provided to the regulatory body outlining the number of complaints addressed by IDR outlining the number overturned. This is not as effective as it could be easily manipulated by a dishonest provider.
- D. IICP recommend that consideration be given to the requirement to provide details of dispute resolution process at the start of the claims process.

IICP members have advised that some insurers are not following the appropriate process at this point in time and without an insured knowing that there is a dispute's resolution process they are being disadvantaged.

This behaviour is not only disadvantaging the particular Insured but also the honest Insurers who advise their clients and as such record a higher level of disputes going to the AFCA than another.

- E. One consideration that could be adopted is to follow the approach adopted by the Central Bank in Ireland which requires that underwriters must inform policyholders that they can engage their own representative in the event of a claim. This would be particularly advantageous to Insureds who already have the cover afforded to them under the terms and conditions of their existing policy.
- F. One area of particular concern to IICP members is the level of training throughout the general insurance industry, particularly in the claims space. The quality of training that is being delivered has been reduced with the emphasis on cost reduction, rather than quality of training.

- G. Linked to this issue, is the fact that many of the highly trained experts in general insurance both at the insurance companies and Loss Adjusting, are at the end of their careers and there is a dearth of suitably qualified and experienced experts.

This is being exacerbated by changes to Insurance Loss Adjusting in the medium and long-term skills shortage list which has been addressed partly by Insurance Loss Adjusters remaining on the eligible skilled occupation list.

We attach a separate document prepared by one of our members which highlights the issue. Other individual companies have also lodged similar ones on behalf of their organisations. (Refer Attachment 1).

- 2. Are there other approaches that can be taken in designing the legislative amendments that would further improve consumer outcomes (including by reducing compliance costs)?**

The IICP do not wish to offer any advice or recommendations in answer to this question.

- 3. Are there any obligations, besides the existing AFS licencing obligations, that would provide further useful consumer protections in respect claims handling activities and so should also apply to them?**

The IICP would recommend that from the start of the new regime, the issue of conflicted remuneration, referral fees, secret commissions and full disclosure of the financial relationship between organisations, be communicated to all parties to the contract of insurance.

When we refer to conflicted remuneration, IICP members appreciate that a loss adjuster, insurance investigator or other consultants are ultimately paid by the Insurer. This ought to be based purely on a commercial basis of time/ hourly rate, an *ad valorem* scale fee or in the other commercially reasonable approach approved by Treasury.

What ought to be outlawed are profit commissions, based on the loss ratio of the program or any other remuneration basis which places the service provider in a conflict between their self-interest and the Insured receiving a fair and just settlement.

- 4. How could the activity of handling or settling an insurance claim (in relation to both life and general insurance products) be defined as a financial service for the purposes of the Corporations Act?**

The IICP recommends that final quantification of loss or damage be included in the definition of 'handling or settling an insurance claim'.

For example, Loss Adjusters prepare a recommendation of the adjusted loss under the terms and conditions under the policy to the Insurer. In the vast majority of cases, Insurers rely on the expertise of the Loss Adjuster to make the settlement.

This is more than an estimate, it is the amount on which the settlement offer is based.

**5. What penalties should apply to insurers breaching the general obligations of s912A in the specific instance of insurance claims handling? Should the penalties attaching to insurance claims handling, be the same that attach to other financial services?**

IICP members believe that Insurers and the Loss Adjusting practice be penalised if it is found that there are systemic low ball offers.

Similarly, if there is proven systemic over statement of claims by those handling insurance claims on the behalf of an Insured, then such firms and/or individuals should be subject to the same penalties.

It is the recommendation of the IICP that separate penalties, including loss of licence and/or financial penalties be imposed upon organisations that only deal in claims.

IICP members would recommend including imprisonment in cases of fraud or other dishonest practice which results in the disadvantage of an Insured.

## Attachment 1 – Changes to Visa Rules for Loss Adjusters

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- i Carter v Boehm (1766) 3 Burr 1905
  - ii Final Report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, Vol 1, pg 308,  
<https://financialservices.royalcommission.gov.au/Pages/reports.aspx>



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17 July 2017

Attn: The Hon Peter Dutton MP  
Minister of Immigration and Border Protection  
PO Box 6022  
Parliament House  
Canberra 2600

Dear Minister,

**Changes to Visa rules for Loss Adjusters**  
**Our Ref: LMI Staff 170602/ALM**

I write on behalf of three companies that act as loss adjusters in the Australian Market. They are:

- Crawford & Company – Andrew Bart, Chief Executive Officer, Asia Pacific;
- Cunningham Lindsay – Mark Thompson, Head of Major and Complex Loss;
- LMI Group – Dr Allan Manning, Managing Director

**Who we are:**

Crawford & Company and Cunningham Lindsay are far and away the largest employers of loss adjusters in Australia while LMI Group, are the largest employers of public adjusters or claims preparers, that is, loss adjusters who act for the client in the event of a major or complex insurance claim.

**Why we write:**

The recently announced changes to the 457 Working Visa has meant that we are no longer able to recruit professional staff internationally beyond 2 years and this eliminates the possibility of their obtaining permanent residency.

The effect of this change is going to seriously affect profession in Australia. LMI Group are perhaps worst effected in the short-term in that it is likely to mean that LMI will be forced to close its operations in Western Australia, South Australia and Tasmania due to the age of our existing team, our inability to train up staff fast enough to a level required despite our best efforts, and the inability to now recruit staff from overseas due to the visa changes.

**Loss Adjusting as a profession:**

Loss adjusters are engaged by insurers to act on their behalf to investigate the cause of insured losses, determine whether the loss falls within the scope of the policy coverage, and then quantify the loss. They are involved in all classes of general insurance including:

- Fire/Property



- Business Interruption
- Crime and Money
- Contract Works
- Heavy Motor / Mobile Plant and Equipment
- Marine
- Public and Product Liability
- Product Recall and Product Contamination
- Machinery Breakdown
- Professional Indemnity
- Directors & Officers
- Workers Compensation/WorkCover
- Aviation
- Cyber

I have not included personal lines, such as home and contents, private motor, pleasure craft, and caravans as such losses are able to be recruited and trained within 2 to 5 years and more and more are being brought in house by insurers.

The classes listed above, take, due to the diversity of insurance contracts, types of loss, significant amounts involved and the impact on the business owner should we get it wrong, takes an average of 10 years to reach the level required to handle major losses. Even the most talented and dedicated staff take at least 5 years of practical experience while undertaking formal studies to reach a level where they can operate without constant supervision.

### ***Claims Preparation as a Sub-Set***

While loss adjusters act for the insurer, claims preparers act for the Insured to ensure that they receive their just entitlement under the policy. The role includes advising the business owners and or managers on how to mitigate the loss and or disruption to their business, prepare the insurance claim in accordance with the policy and negotiate and just and equitable settlement.

With the move from smaller socially minded insurers including mutual to huge corporate insurers who tend to move a customer to a cost centre the role of the claims preparer to protect businesses of all sizes is more important than ever even though the profession is little known and understood.

The increasing number of complaints lodged with the Financial Ombudsmen Service ("FOS") 21.5% increase in the first quarter 2017 is driving more demand for assistance by the insuring public on both loss adjusters and claims preparers in the larger more complex losses that are not handled by the FOS, or the newly announced super FOS.

The skills and experience required for a competent claims preparer are the same as a loss adjuster and the majority of claims preparers are trained/qualified loss adjusters.

### ***Skills required to be Loss Adjuster***

To act competently as a professional loss adjuster, requires a range of professional skills in contract and, insurance law, accounting and or engineering, investigative prowess, unscrupulous integrity with empathy and a desire to genuinely help people in need.

The time a loss adjuster or claims preparer are involved are at a time of great stress for the owners and management of the organisation who have often seen their life's work destroyed or disrupted. Dealing with people in this distressed state appropriately and with genuine empathy is naturally required.

The role is made more difficult following a natural disaster and while the profession has tried to bring in short term help from other countries during such periods, this has not been a success, in fact it has been an abject failure.



The insuring public want to deal with the same individual all the way through the claim and they expect them to be fully trained in their policy, the *Insurance Contracts Act*, the Insurance Council of Australia's *Code of Conduct*, the *Building Code of Australia* etc. No crash course can address this. We need to have the staff on hand to manage the volume of claims during such periods and currently we, as a profession fall well short.

### ***The numbers currently involved***

Currently the three firms seeking assistance to overcome the extreme shortage in our profession are as follows:

<b><i>Company</i></b>	<b><i>Current Visa</i></b>	<b><i>In negotiation</i></b>
Crawford & Co	21	4
Cunningham Lindsay	14	2
LMI Group	2	3
<b>Totals</b>	<b>37</b>	<b>9</b>

### ***Attempts to recruit within Australia***

Crawford & Co, Cunningham Lindsay and LMI Group are constantly trying to recruit staff with the basic skill level to train into professionals capable of performing the role of a loss adjuster without constant supervision.

LMI the smallest of the three firms have 4 positions at present that we are trying to fill.

To highlight the difficulty, I would explain that LMI had been looking for a suitable person to open an office in Perth, Western Australia for over 5 years before we found someone with the suitable skills to fill the role. It took three years to bring the new office to a position of profit and at that point, we received the disappointing news that our staff member's wife disliked living in Perth so much that she was returning to New South Wales. Our staff member was duty bound to follow although he enjoyed the work, the people and the state.

Rather than lose the talent completely we agreed to allow the person to transfer and stay within LMI. That staff member, did the right thing by us and gave us a full 12 months warning. We spent this time discussing the opportunity to our existing staff, attempting to recruit within Australia and then internationally. 18 months after the staff member had left Perth and transferred we found someone suitable for the Perth role, that person relocated from South Africa after we did all the necessary reference checks and a personal interview

That person, Mr Ian Sjoberg has proved to be a highly motivated, highly skilled professional and as such is a valued member of our team. He has been with LMI now for 18 months and working together we have just about got the branch back into profit for not having a presence on the ground in Perth for so long meant we virtually lost our entire client base other than our national clients. Mr Sjoberg is currently helping LMI assist insured's effected in Cyclone Debbie. He is highly regarded within LMI and from his side he is committed to LMI, his profession, and Australia: Western Australia in particular.

Under the change of rules, it appears that we will not be able to extend his contract and offer him permanent employment which is what we would dearly want to do. In addition, Mr Sjoberg is over the age of 50 and was recruited on the basis that he would need to complete more than 4 years on the 457 visa, while being paid above the Fair Work High Income Threshold, in order to apply for the Permanent Residency visa.

Despite the Perth branch not being in a profitable position that would normally dictate when you would employ a junior person with basic skills and train them up, appreciating the situation, we have been attempting to recruit for the long term. LMI being a family business which takes a long term approach to our company, now in its 19<sup>th</sup> year.

It is not just one state, it is across the entire country. In South Australia, our current manager Mr Erik Kroon is 67 and in Tasmania, our manager is Mr Gary Price who is over 70. Both branches are profitable and we have been seeking to recruit and train fresh staff to take over the branch without success.



The irony is that we had offered the South Australian position to Mr William Pringle who we also recruited from South Africa, but it appears that, as he too is on a 457 visa, he will not be permitted to stay.

This being the case, by 2020 we fear we will have to close our Western Australian, South Australian and Tasmanian offices and this gives us no chance to train up local staff. This not only effects our business, but insured's who have a claim and the state's economy. This being the case, by 2020 we fear we will have to close our Western Australian, South Australian and Tasmanian offices and this gives us no chance to train up local staff. This not only effects our business, but the local community in our ability to employ support staff, trainees, rent office property etc but most important to me, the insured's who have a claim and will now have no technically strong advocate in their corner which in turn also effects the state and federal economy, particularly after a natural disaster.

For LMI it is not just these three states it is also our operations across the eastern seaboard of Australia. We are just pleased that 2 recruits had been granted permanent residency just before the latest announcement had been made. If they had been caught, we would have had to close Brisbane and reduce our capability in Melbourne.

### ***The Key Issues confronting the profession***

#### ***Short term visas***

The professionals with the level of training, skill and experience that we require in Australia are at an age and time of life that they are not prepared to sell up their existing practice and or sacrifice their position with their current employer to come to Australia for 2 years and then go back.

In all cases they are seeking to immigrate to Australia and continue their profession here. The ones that we have recruited at LMI, including the two that are currently effected by the changes, have all sold up their home, their share in their own business, if they had one, and make a life changing commitment to come to this great country.

We pay them well and all bar one, who was offered a partnership in a rival firm, have stayed with LMI after they received their permanent residency. The reason being we treat them well in pay, conditions and ongoing training. These people have been extremely important to the success and high brand value of LMI.

The international staff we have recruited have assisted LMI expand within our region boosting our response to claims in New Zealand after the Christchurch/Canterbury and Kaikoura Earthquakes, Fiji after Cyclone Winston, and Papua New Guinea with staff training and claims.

#### ***Existing Professionals***

The talent pool within Australians is reducing. The older experts are retiring and or dying. While some have been great at their profession, not all have been suitable candidates to mentor the next generation. Meanwhile the complexities of the role have increased with new risks such as cyber throwing up new challenges. The consolidation of the insurance industry has not helped due to bringing enormous pressure on costs.

The harsh reality is that the biggest cost to the insurance industry is claims and if the costs here can be reduced then their profit goes up.

Other areas to see this cut in cost has been in training.

The majority of the smaller loss adjusting firms are not investing in the future and are just working to maximise their profit until they retire and if they have any staff the approach is they will attempt to sell their practice to a larger firm or to their existing staff who on past performance are taking the same approach as those before.



### Recruiting within Australia

Linked to the cost cutting, many insurers have off-shored their claims and basic underwriting functions which has been the talent pool on which the loss adjusting profession has drawn from in the past. This may be good in the long term for countries like the Philippines and India but it is certainly having an effect on the loss adjusting profession now and this will only get worse as time goes on.

We have tried everything we can think of to recruit locally, from employment agencies, social media and trade journals. Nothing is working to the speed we need to fill existing positions let alone grow.

### Training

The level of technical training has disappointingly reduced over time with the emphasis moving from technical training by the industry association, Australian and New Zealand Institute of Insurance and Finance ('ANZIIF') to inhouse or third party providers focusing on selected products and or compliance.

In the past, there were three professional bodies in Australia and New Zealand with training offered by all three. In 1996 / 1997 the three bodies merged in an attempt to raise the professional standards but arguably the exact opposite occurred. Many of the top professionals were trained by the Chartered Institute of Loss Adjusters headquartered in London. This has now been passed to ANZIIF as modules of their course. In my view this is not working as it should be and as a profession we are looking to address this.

In the case of LMI we have invested heavily in training trying several different approaches. Taking other professions, such as lawyers, accountants and engineering and training them in insurance and loss adjusting. This takes at least 5 years for the very brightest as explained above.

We have tried recruiting experienced claims staff but we are finding that they are not technically trained well enough and that they have often reached an age where they are too set in their ways to learn a new profession. Sitting behind a desk, filling in forms on a computer and sending and receiving emails is a lot different from being in the field, often working in terrible conditions after a fire, flood or storm with distressed business owners.

Taking young graduates and training them from the ground up has been tried as well. We had 3 such employees in our Melbourne operation and 1 in our Sydney office. In the one month we had 2 resign from Melbourne to move to the United Kingdom independently and for completely different reasons wholly unrelated to pay or conditions here. The one in Sydney advised that we worked too hard and he took a job outside of insurance. We had invested over 10 years in these 3 staff and while we hope to get one back one day, hopefully with some international experience in the UK market, there of course, can be no guarantee. None of them paid their way during their formative years and the loss of the 2 Melbourne ones, in particular, is as a great a disappointment to us, as much as the announced changes to the 457 visa regime.

### Competition

Insurers and insurance brokers are attempting to address the problem by using builders, investigators, forensic accountants and others to fill the role of the loss adjuster and keep costs down.

If it was this easy, the loss adjusters and claims preparers themselves would do the same. While an independent or chartered loss adjuster is trained to be independent, and fairly calculate the Insured's entitlement under the policy the in-house loss assessors are clearly the agent or employee of the insurer with the primary task of reducing the cost of the claim to the insurer. The loser in this of course is the customer often resulting in business failure. Insurance is so complex the Insured does not know what they do not know and as I say are the loser.

This in turn has created a greater need for claims preparers and has helped LMI's ongoing growth but without the correct staff this will end or at the very least limit us to only work on the largest losses when our passion and sense of worth is helping SME's.



### Other Facts

All those that have been recruited from overseas by the three firms making this presentation under the old arrangement have much more than 3 years' experience in loss adjusting. Some in excess of 20 years.

All have English as their first language, coming from the United Kingdom, Ireland, New Zealand, South Africa, Canada or the United States.

All are paid in well in excess of the Skilled Migration Income Threshold. The salary for an experienced loss adjuster in my firm is \$150,000+

None are exploited and receive the same pay rates, conditions etc as all other staff within the organisations.

All are paying their income tax as they are all engaged as full time employees, with superannuation, WorkCover.

None, to our knowledge, have ever committed a criminal act or been involved in any anti-social behaviour. While I do not now all those at Crawford's or Cunningham Lindsay, I know the ones who have joined LMI have assimilated well into the Australian culture. Speaking with my counter parts at the other two firms we all feel that all are valuable assets to Australia and our respective organisations.

All three organisations are extremely professional, treat our staff as we wish to be treated ourselves, have a high social conscience and commercially are all keen to retain good staff long-term as we know this is the best outcome for our respective organisations.

### **Our Plea**

On behalf of Crawford & Co, Cunningham Lindsay, LMI Group, the loss adjusting and claims preparation professions I respectively request the following:

The profession of loss adjusting be moved from the two-year Short-Term stream to the four-year Medium-Term stream.

The profession work with the Australian Government and the Department to work out a way that candidates that have the professional skills we require to have the opportunity to obtain permanent residency.

That the government recognise that many loss adjusters and claims preparers will be aged over 45 due to the nature of their professional experience and the training required for the profession. Removal of a pathway to permanent residency will be extremely detrimental to our business as it will remove a major incentive for potential staff to relocate to Australia.

The existing staff who are currently working in Australia under the old 457 visa be able to stay under the old rules as it is on this basis that we, in good conscience offered them their current position. All of them are required, meet our needs as loss adjusters or claims preparers and have made a positive contribution to the profession. There loss would create significant stress to both the employees and our three organisations. This requires that the 45-year-old threshold for permanent residency be removed for those that have already made the commitment to the profession in Australia and Australia itself. This is only fair as the owners and management in all three firms are having real difficulty looking at these people in the face as we feel we are letting them down. The stress that this is causing them is indescribable.

### **Our commitment**

We do not expect that this can be a one-way street. Our commitment is to review our existing training regime and invest both time and funds to examine how we can better train our existing staff and fast track new recruits.



This is something that is currently already being started and I personally have been investing more and more of my own time and resources in this field.

We are committed to not stopping at a review but developing and implementing the training measures recommended by the review.

We are considering strengthening our relationship with the Chartered Institute of Loss Adjusters in the United Kingdom on the proviso that they will work with the local profession to Australianise their courses.

LMI Group have already invested in the Financial Services School with the aim of developing courses specifically for claims professionals, not only loss adjusters but claims staff, claims managers, investigators, and claims preparers. We have written texts, developed on-line learning and much more.

### **Conclusion**

We appreciate that the loss adjusting profession are not alone with the de-skilling of our profession over the past 20 years. The results of this are now hitting home and we 3 professional firms are committed to investing in fixing this for the good of our profession, the insurance industry and our own organisations long term good.

We do seek the genuine help of the Government to allow us the time to do so, so that we do not enter a period of decline that we simply can never escape from.

If appropriate we are happy to meet with the appropriate officials and or provide any further information that you or the Department may require to consider our urgent plea.

Yours sincerely

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