

Thursday November 1, 2018

Insurance industry completes transition to new consumer dispute body

The general insurance industry has completed its transition from the Financial Ombudsman Service (FOS) to the new one-stop shop Australian Financial Complaints Authority (AFCA), which formally opened for business today (November 1) to handle external dispute resolution.

Mr Rob Whelan, CEO of the Insurance Council of Australia (ICA), which represents general insurance companies, said the shift from FOS to AFCA had been smooth, with ICA members signed up to AFCA by the September 24 deadline.

“The industry believes the establishment of AFCA from the mergers of FOS, the Superannuation Complaints Tribunal and the Credit and Investments Ombudsman should be a win for consumers and small businesses that experience financial sector disputes,” Mr Whelan said.

“The ICA’s 52 member companies have been preparing for the new streamlined dispute resolution service for almost a year and have changed their systems, forms and advisory information. Staff have also been briefed on this significant alteration to the dispute resolution process.

“Importantly, AFCA has also taken over the provision of support to the Code Governance Committee, the independent body that monitors and enforces insurers’ compliance with the General Insurance Code of Practice. This ensures continuity.”

Mr Whelan said AFCA had broader jurisdiction than FOS in several areas, with limits for disputes capped at \$1 million (from \$500,000) and compensation capped at \$500,000 (from \$325,000).

The uninsured third-party motor vehicle compensation cap is \$15,000 (from \$5000). The compensation cap for broker disputes has also increased, from \$174,000 to \$250,000. AFCA has now defined a small business as any business with fewer than 100 employees.

Mr Whelan said the insurance industry would closely monitor AFCA’s service delivery, efficiency and performance and would prepare a submission for a formal review expected in 18 months.

-ENDS-