

Understanding the cost of claims management companies

This factsheet was developed for consumers with input from Financial Counselling Australia, Legal Aid Queensland and the Insurance Council of Australia.

Claims management companies are businesses that make a profit from your insurance claim. They seek to manage your claim under contract for an upfront fee or for a percentage of your insurance payout.

It is important to understand what it means to use one before you sign up with them.

How do claims management companies work?

They may assist with paperwork, liaise and negotiate with your insurer, and/or coordinate repairs.

They may provide services for people who do not wish to, are unable to, or need support to go through the claims process with their insurer directly.

Tip: If you require additional assistance with the claims process, such as assistance understanding your policy or the claims process, your insurer can help you.

Things you need to know

- **Claims management companies do not offer a free service.** They will require payment from you in some form to help you with your claim. This payment can be in the form of a fee or taking a portion of any cash settlement amount from your insurer (or a combination of both).
- **Claims management companies will liaise directly with your insurer on your behalf.** This means they may make decisions on your behalf, and you may not receive important information about your claim during the process.
- **Fees for claims management companies are not covered by your insurance policy.** This means you must pay fees with your own money. If you cannot afford the fee, often the contract you signed with the claim management company will require you to accept a cash settlement from your insurer. The claim management company will take their fees out of that settlement, which means you may be left without enough money to complete your repairs. Insurers have specialist claims managers (people and systems trained to handle insurance claims) so you can manage your claim directly with them, for no additional fee.

DISCLAIMER: This fact sheet provides general information only and does not constitute financial or legal advice. Always refer to your specific policy documents and consult with your insurance professional for advice tailored to your circumstances.

- **Not all claims management services or companies work the same way.** Make sure you check they have an Australian Financial Services Licence (often referred to as an AFSL) for claims handling and settling.
- **Claims management companies are different from not-for profit consumer advocacy services** (free services that help consumers), such as Legal Aid or financial counselling services. These not-for-profit services do not charge a fee.

If you are approached by a claims management company, ask these questions

- What are the costs of using your service?
- How do you calculate your fees? Are they a flat rate or a percentage of the claim?
- How are fees paid if the insurer completes repairs instead of providing a cash settlement?
- What happens if the claim is unsuccessful or pays less than expected? How is your fee calculated in that case?
- Are you a member of the Australian Financial Complaints Authority (AFCA)? [You can search the membership list on the AFCA website.](#)
- What experience and qualifications do you have?
- Can you provide a written scope of the work you will do? Do I need to sign a contract before receiving this scope?
- What happens if I decide to stop using your service before the claim is settled? Will I still have to pay fees?
- Will you start court action or lodge a complaint with AFCA on my behalf? Do you need my permission before doing this?
- Will you charge a fee for accessing AFCA, even though AFCA is free for consumers?

Finding help

If you need help managing your insurance claim:

- **Contact your insurer:** They can guide you through the claims process and recommend approved service providers.
- **Seek free national or state based independent advice:** Some organisations offer free, independent legal or financial advice on insurance matters, such as from Legal Aid and Financial Counselling via the National Debt Helpline – ndh.org.au or 1800 007 007.
- **Use resources:** Websites like [MoneySmart](#) and the [National Debt Helpline \(NDH\)](#). They provide information on managing finances and avoiding scams.

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