AUSTRALASIAN INSTITUTE OF CHARTERED LOSS ADJUSTERS

ABN 18 074 804 167

# Submission to the Insurance Council of Australia

**Draft General Insurance Code of Practice**

The Australasian Institute of Chartered Loss Adjusters (AICLA) welcomes the opportunity to comment on the draft General Insurance Code of Practice (the Code).

As one of the twenty-two stakeholders that responded to the Independent Review of the Code, AICLA was pleased to see the Independent Reviewer recognise our recommendation to strengthen education, training and professional standards for loss adjusters involved in the insurance claims process.

Insurer's valued customers (Insureds) are entitled to expect that those assessing, managing and making recommendations regarding their insurance claims possess appropriate qualifications, skills and professional competence. This expectation is particularly important given that many Insureds are experiencing significant personal and financial hardship following an insured event. Loss adjusters are trained to handle high-pressure situations with empathy and skill, providing clear judgement and compassionate communication under stress.

The Code plays a critical role in establishing standards that promote competent, consistent and ethical claims handling, improving outcomes for Insureds while supporting accountability and confidence across the insurance industry.

**Education, Training and Professional Standards**

AICLA supports the inclusion of minimum education and competency expectations for those undertaking loss assessment functions.

Individuals responsible for investigating losses, assessing damage and providing recommendations to insurers should possess an appropriate level of technical knowledge and practical competency. At a minimum, AICLA considers that loss adjusters should hold an industry-recognised qualification, such as the Certificate in Loss Adjusting Practice or an equivalent qualification demonstrating competence in insurance principles, policy interpretation, claims investigation, and loss assessment.

Recognising an appropriate minimum educational standard within the Code would promote greater consistency across the industry and provide consumers with confidence that claims are being assessed by appropriately qualified professionals.

**Removal of Clause 38 – Appointment and Monitoring of Service Suppliers**

Consistent with the need to maintain appropriate education and competency standards, AICLA is concerned that the removal of Clause 38 represents a weakening of the professional expectations placed on insurers when appointing service suppliers (i.e., loss assessors/adjusters) engaged in the claims process. The existing provision requires insurers to appoint service suppliers who are appropriately qualified through education, training or experience, and recognises membership of a relevant professional body as an indicator of professional competence.

For loss adjusters, membership of AICLA provides independent assurance that an individual has met recognised professional standards, undertakes continuing professional development and is subject to a Code of Professional Conduct.

Removing this provision diminishes the Code's emphasis on professional competency and accountability. AICLA therefore recommends that the Code retain a requirement for insurers to appoint appropriately qualified service suppliers (now loss assessors/adjusters) and continue to recognise membership of relevant professional bodies as an important indicator of competency and professional standards.

Ensuring appropriate qualifications of loss assessors/adjusters will support more consistent and timely claims handling, improved co-ordination with Claims Fulfilment Providers and enhance communication with Insured throughout the claims process. This will, in turn, reduce the likelihood of complaints due to misunderstanding, delays, or inconsistent claims management.

**Role Clarity and Professional Accountability**

AICLA is concerned that the current draft Code does not clearly distinguish the respective roles and responsibilities of Loss Assessors/Loss Adjusters and Claims Fulfilment Providers.

While Claims Fulfilment Providers perform an important role in delivering repair, restoration and replacement services, their responsibilities are fundamentally different from those of loss adjusters, whose role is to impartially investigate claims, assess losses and provide professional recommendations to insurers. Maintaining this distinction is essential to ensuring claims functions are performed by individuals with the appropriate qualifications, training and expertise.

**Definition of Loss Assessor / Loss Adjuster**

The draft Code defines a Loss Assessor (which may also be called a Loss Adjuster) as:

(a) a person, company or entity who is not our Employee; and
(b) that we contract to:
(i) examine the circumstances of your claim;
(ii) assess the damage or loss;
(iii) determine whether your claim is covered under your policy;
(iv) assist in obtaining a repair quote, or a replacement quote; and
(v) help settle the claim.

**Inconsistency within the Draft Code**

This definition is inconsistent with Clause 68 of the draft Code, which states:

> "We may appoint a loss assessor who is an Employee."

The definition excludes employees, whereas Clause 68 expressly permits their appointment. These provisions should be reconciled to remove ambiguity and provide certainty regarding who may undertake loss assessment functions.

**Role in Coverage Decisions**

AICLA also submits that item (iii) should be amended. The current wording states:

> "(iii) determine whether your claim is covered under your policy."

While loss adjusters investigate claims, assess evidence, and provide professional recommendations, the determination of policy coverage remains the insurer's responsibility. Accordingly, AICLA recommends that item (iii) be amended to read:

"(iii) advise us on whether your claim ought to be covered under your policy."

This more accurately reflects the respective responsibilities of insurers and loss adjusters.

**Claims Fulfilment Providers**

AICLA supports the Code's decision to separately recognise and define Claims Fulfilment Providers (CFPs). However, the current definition is broad and should be supported by clearer guidance within the operative provisions of the Code.

AICLA recommends that the Code include a corresponding provision within the Claims Fulfilment section (Clauses 83–85) stating:

"Insurers should ensure Claims Fulfilment Providers understand that they are not to provide a view about the application of policy terms."

Claims Fulfilment Providers are engaged to provide technical services such as repair, restoration and replacement. They are not engaged to interpret insurance policies or provide opinions regarding policy coverage. This distinction should be expressly recognised within the Code. This recommendation is consistent with the ICA's *Use of Experts: Industry Best Practice*, which states:

"Insurers should also ensure experts understand that they are not to provide a view about the application of policy terms."

AICLA considers that the same principle should apply equally to Claims Fulfilment Providers.

**Conclusion**

AICLA supports a General Insurance Code of Practice that promotes clarity, professionalism and accountability throughout the insurance claims process.

The draft Code contains a number of positive reforms, including the recognition of Claims Fulfilment Providers. However, it should more clearly distinguish the respective roles of loss adjusters and Claims Fulfilment Providers, ensure that coverage recommendations remain the responsibility of appropriately qualified claims professionals, and recognise the importance of minimum competency standards for those undertaking loss assessment functions.

Accordingly, AICLA recommends that the Code:

- recognise an appropriate minimum education standard for loss adjusters, such as the Certificate in Loss Adjusting Practice or an equivalent industry-recognised qualification;
- retain the existing requirement that insurers appoint service suppliers who are appropriately qualified through education, training or experience, and recognise membership of relevant professional bodies as an indicator of professional competency and ongoing professional standards;
- resolve the inconsistency regarding whether a Loss Assessor/Loss Adjuster may be an employee of an insurer;
- amend the definition of Loss Assessor/Loss Adjuster to reflect their advisory role in relation to policy coverage;
- strengthen the operative provisions relating to Claims Fulfilment Providers by clearly defining their responsibilities; and
- expressly require insurers to ensure Claims Fulfilment Providers do not provide opinions regarding the application of policy terms or insurance coverage, consistent with the requirements applying to External Experts.

These amendments will improve clarity, reinforce appropriate professional boundaries and support more consistent, transparent and consumer-focused claims handling.