

CLAIMS AS A FINANCIAL SERVICE

CLAIMS AS A FINANCIAL SERVICE – A CHANGE IN THE LEGISLATION

On 1st January 2022, changes to the Corporations Act 2001 (Cth) will come into effect to include claim handling and settlements as a financial service.

Previously, claims services were excluded from being regulated under this legislation. The Financial Services Royal Commission concluded that there was no reason for the exclusion and the industry should operate under these obligations for claims as we do for sales.

How we operate today, will generally remain the same with some minor adjustments. The intent behind this change is to ensure our client's experience is transparent, consistent, and they are treated fairly, honestly, and as efficiently as possible, during their claim.

CLAIMS ARE HANDLED EFFICIENTLY, HONESTLY AND FAIRLY.

The new legislation states that insurers, insurance brokers and financial advisors with claims authority;

- must hold an Australian Financial Service Licence to handle and settle claims,
- or be appointed as an Authorised Representative of a licensee.

To be compliant, a number of changes will be introduced operationally, to ensure requirements are met. This means across the industry; we need to implement adjustments to:

- The Cash Settlement process and;
- The Claim Finalisation process.

WHAT DOES THIS MEAN FOR BROKERS?

- Clients must be provided with 2 new documents, where applicable:
 - Cash Settlement Fact Sheet
 - Confirmation of Transaction
- SUU cannot process a cash payment until the broker or their client accepts the Cash Settlement offer in the Fact Sheet.
- Existing compliance and governance frameworks will extend to cover this legislation.

SIMPLE THINGS TO REMEMBER...

- The legislation applies to claims services provided to retail clients holding general insurance/retail products.
- The Cash Settlement Fact Sheet must be sent when a cash settlement is offered and it is not the only legally available option for settlement.
- The Claim Finalisation Letter includes a summary of the settlement and confirms the claim is closed, with all policy obligations being met.

CLIENT EXPECTATIONS

No claim is the same and neither is the client's experience. In order get our clients back to "normal" after a claim, consistency is the key in how we do it.

The Australian Financial Services Licence general obligations require that claims are handled efficiently, honestly and fairly throughout the entire claim journey. By regulating these services across the industry, we ensure our business processes fully meet these expectations.

WHAT'S NEXT?

SUU will GO Live with our changes for Cash Settlement Fact Sheets from **8th November 2021.**

Claims Finalisation Letter changes will come on **6th December 2021.**