



AIG Australia Limited
ABN 93 004 727 753
AFSL 381686

9 August 2019

Jacqueline Rush,
Senior Policy Adviser
Australian Securities & Investments Commission
GPO Box 9827
Melbourne VIC 3001

By Email: IDSubmissions@asic.gov.au

Dear Ms Rush

Update to Regulatory Guide 165: Licensing Internal and external dispute resolution

ASIC Consultation Paper 311

AIG Australia Ltd ("AIG") thanks you for the opportunity to comment on **ASIC Consultation Paper 311** ("CP 311") and the draft updated **Regulatory Guide 165: Licensing Internal and external dispute resolution** ("RG 165").

AIG strongly supports strengthening the complaints process for insureds and as such we welcome the opportunity to respond to the issues raised by ASIC in CP 311. Please find attached our response to the Proposals outlined in CPS 311.

Yours faithfully,

Allan Pincus
Legal Counsel
Phone: 03 9522 4097

Head Office

Sydney Level 19, 2 Park Street Sydney NSW 2000 Australia
GPO Box 9933 Sydney NSW 2001 Australia

Melbourne GPO Box 9933 Melbourne VIC 3001 Australia
Brisbane GPO Box 9933 Brisbane QLD 4001 Australia
Perth GPO Box 9933 Perth WA 6848 Australia

Australia wide

T 1300 030 886
F 1300 634 940

International

T +61 3 9522 4000
F +61 3 9522 4645

www.aig.com.au

ISSUE AND PROPOSAL DOCUMENT

Definition of Complaint - AS/NZS 1002: 2014

Do you consider that complaints made through social media channels should be dealt with under IDR processes?

If no, please provide reasons. Financial firms should explain:

- (a) how you currently deal with complaints made through social media channels; and**
- (b) whether the treatment of social media complaints differs depending on whether the complainant uses your firm's own social media platform or an external platform.**

We consider that not **all** complaints made through social media channels should be dealt with under the IDR process.

Currently AIG has a system in place to monitor and respond to complaints in relation to insurance products sold directly by AIG. This is achieved by notification of complaints by third party contractors as well as embedded internal monitoring systems.

As many of the complaints are anonymous or do not contain valid contact details it is not always possible to respond to these complaints.

A firm should however not be expected to monitor all social media feeds outside out of its control to determine if there is a complaint against the firm. Monitoring should therefore be limited to complaints found on social media platforms where firms are active and have a presence but not extend to social media feeds at large.

Social media complaints also tend to be informal in nature and do not always include sufficient data to enable a more formal response by the firm. In addition as they are easy to make they tend to be more aggressive in nature and may not necessarily reflect the true nature of the complaint. Financial firms should not be expected to have a presence on all social media sites, some of which may not align with their product offerings and risk culture. As such, we do not think all social media complaints should be submitted to the IDR process.

In light of the comments above, our recommended approach to social media complaints is as follows:

- i. Complaints monitoring should be limited to social media feeds in which the firm is active.
- ii. All of the complaints made in social media feeds in which the firm is active should, if contact details are available, be responded to by the firm.
- iii. A standard response should be provided which, inter alia, invites the complainant to lodge a more formal complaint if the initial response does not adequately address the issue.
- iv. Social media complaints should not automatically be referred to IDR but should follow the normal Stage 1 and Stage 2 complaints process.

Definition of Complaint - Additional Guidance

Do you consider that the guidance in draft updated RG 165 on the definition of 'complaint' will assist financial firms to accurately identify complaints?

Is any additional guidance required about the definition of 'complaint'? If yes, please provide:

- (a) details of any issues that require clarification; and**
- (b) any other examples of 'what is' or 'what is not' a complaint that should be included in draft updated RG 165.**

The proposed definition reads as follows:

[An expression] of dissatisfaction made to or about an organization, related to its products, services, staff or the handling of a complaint, where a response or resolution is explicitly or implicitly expected or legally required.

Not every "expression of dissatisfaction" should be considered a complaint.

The issue which needs to be addressed is the extent of dissatisfaction expressed. It would be unreasonable for a firm to address each and every expression of dissatisfaction as a formal complaint or as a matter which warrants a formal IDR.

Criteria should be introduced to enable the firm to distinguish between a complaint which requires a more formal process as opposed to a "grievance" which although not a complaint should still be taken up with the insured or complainant. In addition customer enquires will also need to be distinguished from a complaint.

This does not mean the firm must completely ignore any expression of dissatisfaction. A matter can sometime be easily remediated by the sending of a simple email. In those circumstances, we would recommend that if this was to happen, this would then not be considered a complaint.

The criteria to distinguish between a formal complaint and a matter which can be informally addressed can include:

- Extent of financial prejudice suffered.
- Sensitivity of matter (e.g. personal information or health issue involved).
- Potential breaches of the law.
- Extent of delays in processing a now settled claim.
- Has the claim already been settled?
- Is an alternative remedy readily available?
- Will an apology suffice?
- Is the complaint about attitude of AIG staff?
- Is the complaint indicative of a systemic issue?
- Can the issue be easily mitigated by way of a conversation?
- Does it relate to no cover being available?

Definition of Small Business

Do you support the proposed modification to the small business definition in the Corporations Act, which applies for IDR purposes only? If not, you should provide evidence to show that this modification would have a materially negative impact

We have no objection to the change in the definition of Small Business for IDR/EDR purposes. One general query is whether the change of definition would impact the definition of small business for other purposes such as retail product disclosure?

Recording All Complaints

Do you agree that firms should record all complaints that they receive? If not, please provide reasons.

We do not agree that all complaints should be recorded. Provided the firm actively and promptly addresses the issue within an agreed upon period after becoming aware of the issue there is no need to formally record a complaint. It is also unclear whether recording all complaints will result in any benefit to a firm or ASIC especially for relatively minor matters which are speedily resolved.

Further records of these matters will in any event be retained by the firm as part of their standard record process and CRM systems.

Finally, recording of all complaints will lead to additional resourcing issues and associated costs for firms.

Unique Identifier for Complaints

Do you agree that financial firms should assign a unique identifier, which cannot be reused, to each complaint received? If no, please provide reasons.

Do you consider that the data set proposed in the data dictionary is appropriate? In particular:

- a) **Do the data elements for 'products and services line, category and type' cover all the products and services that your financial firm offers?**
- b) **Do the proposed codes for 'complaint issue' and 'financial compensation' provide adequate detail**

Provided the issue merits registering the matter as a complaint, this is not an issue. In addition the data set requirements do not seem onerous.

IDR Data Reporting and Publication

Do you agree with our proposed requirements for IDR data reporting? In particular:

- (a) **Are the proposed data variables set out in the draft IDR data dictionary appropriate?**
- (b) **Is the proposed maximum size of 25 MB for the CSV files adequate?**
- (c) **When the status of an open complaint has not changed over multiple reporting periods, should the complaint be reported to ASIC for the periods when there has been no change in status**

What principles should guide ASIC's approach to the publication of IDR data at both aggregate and firm level?

While the data set variables are acceptable, this reporting requirement will however result in additional compliance costs.

We therefore suggest that only matters referred to IDR should include more detailed reporting information. Other complaints can still be reported on an aggregated basis with fewer data fields such as:

- Number of complaints.
- Type of complaint (from a pre-defined set type).
- Days to resolve.
- Number of open/closed matters.

Consideration should be given as to whether it would be possible if the data is anonymised before publication.

IDR responses—Minimum content requirements

Do you agree with our minimum content requirements for IDR responses? If not, why not?

No objection to proposed content.

Reduced maximum IDR Timeframe

Do you agree with our proposals to reduce the maximum IDR timeframes? If not, please provide:

- (a) reasons and any proposals for alternative maximum IDR timeframes; and**
- (b) if you are a financial firm, data about your firm's current complaint resolution timeframes by product line**

This currently stands at 45 days. It is proposed to reduce this to 30 days. In principle, this is not an issue. However this will require an assessment as to whether any other General Insurance Code of Practice time frames leading up to the 30 day period is still workable.

There are also a number of other consequences arising from such a reduced time frame.

A reduced time frame would initially be a resourcing challenge and would impact not only the complaints team but also the claims team/profit centres preparing the IDR cases as well as review times.

Going forward this will also increase the frequency of IDR meetings and the associated challenges of obtaining the required quorum for an IDR meeting which will now have to be held on a more frequent basis.

If this reduced 30 day period impacts the other time frames under the General Insurance Code of Practice, these changes will need to be reflected by way of a revised Code.

Role of customer advocates

Do you agree with our approach to the treatment of customer advocates under RG 165? If not, please provide reasons and any alternative proposals, including evidence of how customer advocates improve consumer outcomes at IDR.

Please consider the customer advocate model set out in paragraph 100. Is this model likely to improve consumer outcomes? Please provide evidence to support your position.

AIG does not make use of Consumer Advocates and prefers to address and settle complaints by way of the prescribed process outlined in the General Insurance Code of Practice.

Systemic Issues

Do you consider that our proposals for strengthening the accountability framework and the identification, escalation and reporting of systemic issues by financial firms are appropriate? If not, why not? Please provide reasons.

Save for potential resourcing issues, AIG considers identification of systemic issues as a key risk management tool.

IDR Standards

Do you agree with our approach to the application of AS/NZS 10002:2014 in draft updated RG 165? If not, why not? Please provide reasons.

No issue.

Transitional arrangements for the new IDR requirements

Do the transition periods in Table 2 provide appropriate time for financial firms to prepare their internal processes, staff and systems for the IDR reforms? If not, why not?

Please provide specific detail in your response, including your proposals for alternative implementation periods.

Should any further transitional periods be provided for other requirements in draft updated RG 165? If yes, please provide reasons.

The periods outlined may be too short. Any transition period would in our view require at least a year from the effective date of the revised RG 165. This will ensure any new processes are in place and effectively bedded down. Consideration also needs to be made to whether a transition period is required for strengthening the systemic assessment process.