

CLAIMS AS A FINANCIAL SERVICE

CLAIMS AS A FINANCIAL SERVICE – LEGISLATION CHANGE

On 1st January 2022, changes to the Corporations Act 2001 (Cth) come into effect to include claim handling and settling as a financial service provided to an insured person under the policy and any third-party beneficiaries.

The changes include the requirement to hold an Australian Financial Service Licence (AFSL) to handle and settle claims or be appointed as an Authorised representative of a licensee.

Claims handling and settling services include:

- **Making a recommendation or opinion responding to an inquiry about a claim or potential claim;**
- **Making a recommendation or opinion that may influence a decision regarding a claim;**
- **Representing or assisting someone pursuing a claim and offering to settle all or part of a claim;**
- **Deciding whether to accept or reject a claim;**
- **Quantifying an insurers liability under and insurance product;**
- **Satisfying an insurers liability under a claim.**

The obligations of an AFS licensee include:

- Claims to be handled efficiently, honestly and fairly;
- System to manage conflicts of interest
- Adequately train representatives to ensure they are competent to provide a financial service
- Have adequate internal dispute resolution services and membership to Australian Financial Complaints Authority (AFCA).
- Have arrangements in place to compensate clients for losses they may suffer due to a breach of licence obligations

AFS Licensees (including Brokers) providing claims handling and settling services are required to provide Disclosure documents to clients in certain circumstances. These include:

- Cash settlement Fact Sheets;
- Financial Services Guide;
- Confirmation of transactions/ Claim Form of Release;

Axis cannot process a cash payment until the broker, or their client accepts the Cash Settlement offer in the Fact Sheet.

SIMPLE THINGS TO REMEMBER...

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

CLIENT EXPECTATIONS

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 meets its obligations of utmost good faith, acts consistently with commercial standards of decency and fairness and with due regard to the interests of their insured at all times.