



AUSTRALASIAN INSTITUTE OF
CHARTERED LOSS ADJUSTERS

AB.N. 18 074 804 167

Submission to General Insurance Code of Practice Review 2017

Australasian Institute of Chartered Loss Adjusters

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1 Overview

The Australasian Institute of Chartered Loss Adjusters (AICLA) welcomes the review of the General Insurance Code of Practice.

Representing professional loss adjusters in Australasia, AICLA is primarily concerned to ensure that consumers and insurers are served with the level of expertise and professionalism that should apply to loss adjusting services.

Without a registration or licensing process for loss adjusters in Australia, there are no restrictions on who can operate and purport to be a loss adjuster. Many complaints received by AICLA are from insureds about loss adjusters who are not members and have little training and no insurance qualifications.

AICLA considers that the code would be more effective by including minimum training and education standards for Service Suppliers. We are concerned that the current code does not identify minimum standards expected of loss adjusters, assessors and other Service Suppliers.

Insurance claims represent to many consumers a major event and involves significant cash settlements or reinstatement works. Service Suppliers providing such critical advice to insurers and insureds should, we believe, have achieved specified minimum training and education standards.

This would create greater community confidence in the claims process.

2 AICLA and loss adjusting

Australasian Institute of Chartered Loss Adjusters (AICLA)

About AICLA

With about 900 members throughout Australia, New Zealand, South-East Asia and the Pacific region, AICLA is the professional association for loss adjusters in Australia. The primary object of AICLA is to advance the profession (of Loss Adjusting) for the benefit of its practitioners and the public in general through the continual education of its Members and the encouragement of skilled, ethical and sound practice in the Profession.¹

Membership of AICLA

While there are no specific entry requirements to become a loss adjuster, most have a background in insurance and/or qualifications in a specialised area such as engineering, law, accounting or science.

To join AICLA, potential members must be working as a loss adjuster, must demonstrate that they have achieved minimum loss adjusting educational standards and must be prepared to abide by the Charter of Objects and Professional Conduct. Associates and Fellows who maintain Continuing Professional Development (CPD) accreditation are eligible to use the term “Chartered Loss Adjuster” in recognition of their training and expertise. Membership of AICLA is open to loss adjusters working in specialised loss adjusting companies or working for insurers or claims specialists.

Professional standards AICLA members must meet

Our members agree to adhere to a Charter of Objects (‘Charter’), which set standards of ethics and conduct. Under the Charter of Objects, an AICLA Member must:

- *‘strive continually to improve his/her technical services and keep his/her knowledge and skills relevant to the Profession up-to-date’;*²
- *‘use the utmost care and diligence in discharging his/her duties to his/her principals and Clients’;*³
- *‘at all times try to keep completely free of conflicts of interest and at all times shall recognise the legal and equitable rights of all parties’.*⁴

Education of loss adjusters

An examination system, offered through the Australian & New Zealand Institute of Insurance & Finance (ANZIIF), allows loss adjusters and anyone wishing to enter the profession to ultimately qualify for a Diploma of Loss Adjusting. The Diploma has been developed to meet industry requirements and is accredited and internationally recognised under the Australian Qualifications Framework.

This examination system is available to anyone, and is not restricted to AICLA members.

A member of AICLA:

- Has completed the module on Introduction to Loss Adjusting (LA501); and
- Has completed or is in the process of completing Loss Adjusting in Practice (LA502), Property and Casualty Loss Adjustment (LA503), Loss Adjusting Law and Regulation (LA504); and
- Maintains and improves their educational standards by meeting CPD requirements of 30 hours each year

Our members must participate in ongoing training and education, through our continuing professional development (CPD) program.

¹ Further information is available at <http://www.aicla.org/index.html>

² AICLA Charter of Objects, <http://www.aicla.org/about/objects.html>, Clause 4

³ AICLA Charter of Objects, <http://www.aicla.org/about/objects.html>, Clause 4

⁴ AICLA Charter of Objects, <http://www.aicla.org/about/objects.html>, Clause 7(e)

Role of loss adjusters in the claims process

What role do loss adjusters play in claims handling?

Loss adjusters are there to assist people and organisations at times of loss. Loss adjusters can be engaged by a range of parties for a variety of purposes. They are professionals who are the 'bridge' between parties, generally an insurer and an insured and their objective is to establish an outcome that is fair and equitable to all parties.

Typically, a loss adjuster will be engaged to:

- examine the cause of a loss and apply the terms of the insurance policy to the cause;
- assess the amount of the loss within the specific terms of the insurance policy;
- obtain quotations for repair and replacement;
- negotiate a claim settlement that is equitable to the various parties;
- liaise with repairs, builders, contractors and others.
- manage expectations – communication, understanding and empathy;
- pursue recovery from some other party where the opportunity to do so is available; and
project manage the claim to finality

Do loss adjusters play a role in every claim?

A wide range of claims are handled by loss adjusters and the monetary amount can be a few thousands to multi-million dollar losses. Some claims are simply assessed, often by people whose primary business is not loss adjusting but who are contracted by an insurer to assess the loss and in many cases undertake repairs such as a carpet layer, builder or motor repairer.

These persons are normally trade qualified who are labelled as loss adjusters/assessors or who hold themselves out as loss adjusters despite no or superficial claims insurance and consumer law knowledge.

Value of loss adjusters

Value of loss adjusters to consumers

Loss adjusters consider that they improve consumer satisfaction and confidence:

- By having a professionally qualified representative dealing with the claims situation, a policyholder and the Insurer can both have confidence in the outcome.
- Getting a "fair deal" or an equitable outcome in a claim settlement, properly explained to and understood by the claimant is a primary goal of insurers and for policyholders.

Value of loss adjusters to insurers

- Insurance knowledge about the principles and processes in insurance generally and in claims particularly.
- Policy and product knowledge of the policyholders' individual contract and coverage.
- Knowledge of relevant law such as insurance law, consumer law and common law.
- Reserving advice by helping insurers with accurate claims estimating.
- Project Management of claims settlements is often required as many claims may be quite complicated either in terms of the circumstances leading to the claim, or in terms of repairing or otherwise settling the claim.
- Fraud detection is an important skill in the armoury of the loss adjuster which the insurer relies on heavily to contain costs and ensure payments are not made inappropriately.
- Local knowledge of the situation - that often insurers no longer have as their office networks have been reduced across the insurance industry.

- Communication with claimant, insurer and stakeholders is vital to prevent complaints and promote understanding. Negotiation with stakeholders to help achieve a fair outcome.
- Recovery against third parties.

3 Summary

The Code requires Service Suppliers be qualified by education, training and experience to provide the service competently and to deal with insureds professionally.

We believe the Code should identify minimum standards for Service Suppliers.

AICLA maintains that this minimum standard for loss adjusters should be completion of four modules from the Diploma of Loss Adjusting offered by ANZIIF. These four Modules are:

- LA501: Introduction to Loss Adjusting
- LA502: Loss Adjusting Practice
- LA503: Property and Casualty Loss Adjustment
- LA504: Loss Adjusting Law and Regulation

These Modules can be undertaken by any person and are not restricted to AICLA members.

In addition, all loss adjusters should undertake continuing professional development to ensure they remain up to date with changing market conditions.

By defining minimum standards for loss adjusters and for other Service Suppliers it will enhance the Code's objective of ensuring that Service Suppliers are competent and provide a high level of service to insureds.