

28 August 2025

Lead Ombudsman – General Insurance  
Australian Financial Complaints Authority  
GPO Box 3  
Melbourne VIC 3001

Dear Lead Ombudsman

## **RE: CONSULTATION ON AFCA'S GENERAL INSURANCE CLAIMS HANDLING APPROACH**

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The Motor Trades Association of Australia (MTAA) welcomes the opportunity to provide input into AFCA's consultation on its general insurance claims handling approach. MTAA represents thousands of automotive businesses across the country, including repairers who are directly engaged in the claims process and who consistently see the impacts of poor insurer practices on both consumers and industry.

It is important to recognise that repairers themselves are not parties to the AFCA process. AFCA regulates the relationship between consumers and insurers – not repairers. Consumers are not bound by AFCA's decisions, but insurers are. Repairers act as a proxy voice for consumers, whose preferences and rights can go unheard during the claims process.

Repairers are an important voice for consumers who often find it difficult to navigate complicated insurance and repair matters. While not regulated by the AFCA directly, they can provide unique insight into how the AFCA's approach actually affects consumers. This submission draws on real-world examples from repairers to highlight how the AFCA can more effectively support the industry and most importantly, consumers.

Notably, repairers often see cases where consumers' preferences are not being honoured, with insurers influencing AFCA rulings and disregarding expert repairer quotes that reflect those preferences. This not only undermines AFCA's authority but also leaves consumers disadvantaged, as their chosen solutions are sidelined in favour of insurer-driven outcomes.

AFCA's Approach to General Insurance Claims Handling 2025 should in principle encourage insurers to lift their practices to avoid systemic breaches. However, there remains a clear disconnect between the standards outlined in the document and the reality experienced by consumers and repairers. While the framework promises greater fairness and transparency, the persistence of poor claims handling behaviour demonstrates that the practical application of these principles is still falling short.

The claims process is a critical juncture where consumers rely on their insurer to act fairly, transparently, and in accordance with the Insurance Contracts Act. However, MTAA is aware of persistent systemic issues that undermine trust in insurance products and cause significant financial and emotional distress to consumers, while placing unfair pressure on independent repairers. These issues include:

- > Unfair treatment of consumers who exercise choice of repairer
- > Insurer-driven substandard repair authorisations

- > Intentional delays used as a coercive tool
- > Misleading policy terms around “comprehensive” coverage and repair guarantees
- > A lack of transparency and evidence in decision making

This submission includes real-world case studies submitted by the members of state and territory Motor Trades Associations (MTAs) and the Victorian Automotive Chamber of Commerce (VACC) which illustrate how current claims handling practices often fail to uphold fairness and transparency, and how they directly contradict insurers’ stated obligations and result in poorer consumer outcomes. It also provides recommendations for how AFCA can strengthen its approach to ensure insurers are held accountable to evidence-based, consumer-focused standards, and to reduce the escalation of systemic disputes.

## Issues encountered during the claims process

Despite clear obligations under the Insurance Contracts Act, including the duty of utmost good faith, insurers frequently fail to handle claims fairly, transparently, or efficiently. The following examples illustrate recurring issues that repairers and consumers encounter. We would be happy to provide further details should it be of interest.

### 1. Failures to act fairly

#### *Punishing consumers for choice of repairer*

##### Case example: RACV

*A consumer who paid extra for choice of repairer was punished by their insurer for making that choice. RACV authorised repairs based on two assessments which confirmed the vehicle could be repaired. Once repairs were completed and payment for the work was due, the insurer internally altered their report, and reverse engineered a new desired outcome to justify declaring the vehicle a total loss. This outcome went against the insurers own original assessment.*

*This action saw the insurer penalise the consumer as the insurer notified Vic Roads to deregister the vehicle without justified cause. When the consumer commenced a complaint with Vic Roads under their right to do so, Vic Roads would not investigate the matter. VicRoads later admitted insurer pressure influenced its refusal to investigate.*

#### *Authorising substandard repairs*

##### Case example: RACV (AFCA Case No. 647152)

RACV refused to authorise Original Equipment Manufacturer (OEM) standard repairs, instead mandating cost-cutting methods. When challenged, RACV made the process unnecessarily difficult. AFCA ultimately sided with RACV, relying on the insurer’s “lifetime guarantee” despite independent evidence supporting OEM repairs. The matter dragged out for three years, during which the consumer suffered severe distress. Subsequently this decision to incorrectly repair this vehicle, a decision supported by AFCA, resulted in this vehicle being deemed a total loss post repairs. This demonstrates how AFCA’s reliance on “good faith” guarantees can inadvertently extend harm to consumers.

#### *Intentional delays as punishment*

##### Case example: Suncorp

Consumers exercising choice of repairer regularly experience delays of up to three months for assessments,

while insurer-preferred repairers are fast-tracked within days. This coercive tactic undermines genuine consumer choice and breaches expectations under the Code.

#### *Misleading comprehensive coverage*

##### Case example: Shannons Insurance

Despite purchasing comprehensive insurance, consumers are forced to absorb significant out-of-pocket costs when selecting independent repairers. Shannons, like other Suncorp brands, will only cover repairs up to their contracted repairer's lower quote. This effectively restricts choice of repairer and creates a gap insurance model. Additionally, Suncorp has imposed unfair supplier terms, such as demanding free services and refusing to pay full list prices for genuine parts, shifting costs to repairers and consumers.

## **2. Failures to act transparently**

#### *Lack of evidence for decisions*

Insurers often deny consumers access to critical assessment reports, leaving them without evidence to challenge decisions.

*Example: RACV (30 January 2025 assessment)* – The consumer was pressured to release their vehicle without being provided a copy of the insurer's assessment report, undermining transparency.

#### *Contradictions with Product Disclosure Statements (PDS) and Repair Authorities*

Insurers instruct repairs using non-genuine parts, which can void manufacturer warranties, while failing to disclose this risk to consumers. Liability is unfairly transferred to repairers, damaging both their reputation and the consumer's long-term protection. These decisions also breach the repair authority supplied by the insurer which form the contract between insurer and repairer.

Consumers have limited ability to identify these actions, but through repairers we can bring these matters to the attention of AFCA to support better consumer outcomes in claims handling.

#### *Ambiguity around "lifetime guarantees"*

Insurers frequently use lifetime guarantees as justification for non-OEM repairs. However, in practice, enforcing these guarantees requires prolonged disputes and often legal action, making them inaccessible for many consumers.

## **3. Failures to act efficiently**

#### *Unreasonable delays*

Claims are often delayed well beyond the expectations set out in the Motor Vehicle Insurance and Repair Industry (MVIRI) Code of Conduct Clause 4.2(c). Deliberate stalling is a common tactic used when consumers decline insurer-preferred repairers.

Consumers have the right to choose but these delays fail to honour their preferences and show a lack of willingness from insurers to account for AFCA rulings.

### *Non-evidence-based settlements*

Cash settlement offers are routinely made without supporting evidence or adequate justification, leaving consumers with insufficient funds to restore their vehicle to pre-accident condition.

### *Systemic Concerns*

These case studies are not isolated incidents but point to systemic practices within the insurance industry. The continued rise in AFCA complaints reflects an entrenched imbalance where insurers leverage opacity, cost pressures, and coercive practices at the expense of consumers and independent repairers.

MTAA has previously raised concerns about the adequacy of the Internal Dispute Resolution (IDR) and External Dispute Resolution (EDR) framework, and our submission to the MVIRI Code of Conduct Review outlines reforms needed to ensure that insurers are held to their obligations of fairness, transparency, and efficiency.

This submission can be found online on the MTAA website<sup>1</sup> and is also attached to this document for reference.

## **How AFCA can support greater clarity, fairness, and efficiency**

In our response to the draft MVIRI Code of Conduct, MTAA has outlined a series of recommendations designed to strengthen the Code, deliver fairer outcomes, and better protect consumers from poor insurer practices.

These recommendations are also relevant to AFCA's work. If adopted, they would reduce systemic issues in claims handling and, in turn, the volume of complaints escalated to AFCA.

MTAA would welcome the opportunity to brief AFCA further on these proposals and looks forward to its support as we continue negotiations with the Insurance Council of Australia (ICA).

### *Summary of MTAA recommendations on the draft MVIRI Code of Conduct*

- > **Fairer estimation & assessments** – Limit insurer control over estimates, require OEM repair standards, and introduce independent technical review mechanisms.
- > **Payment & cash flow protections** – Mandate enforceable payment timelines, partial payments of undisputed amounts, and penalties for late payments to safeguard small businesses.
- > **Independent dispute resolution** – Strengthen the dispute resolution process with capped costs, transparent adjudicator criteria, independence from the Code Administration Committee (CAC), and an appeal pathway.
- > **Repairer warranty protections** – Ensure repairers are not held liable when following insurer-mandated methods or non-genuine parts, with written indemnities required from insurers.
- > **Consumer choice & anti-steering** – Enshrine consumer rights to choose repairers, require disclosure of direct repair networks, and prohibit insurer coercion.
- > **Parts & safety standards** – Require written consumer consent before non-OEM parts are used, mandate waivers absolving repairers of liability, and protect repairers who refuse unsafe parts.

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<sup>1</sup> <https://www.mtaa.com.au/news/mtaa-response-to-motor-vehicle-insurance-and-repair-industry-mviri-code-of-conduct-review>

- > **Data transparency & AI oversight** – Introduce mandatory human review of AI estimates, disclosure of AI tools, and governance protocols to ensure accountability in automated assessments.
- > **Governance reform of the CAC** – Restructure the CAC with an independent Chair, balanced representation (insurers, repairers, consumers), transparent appointments, and published decision summaries.
- > **Mandatory qualifications & training** – Require nationally recognised certification and ongoing CPD for assessors and estimators, ensuring only qualified professionals are engaged.
- > **Transparency, accountability & enforcement** – Establish tiered sanctions for breaches, publish annual compliance data, and introduce protections against insurer retaliation, backed by a fast-track escalation process for urgent repairs.

## MTAA recommendations to AFCA

1. AFCA should require insurers to demonstrate transparent, evidence-based decision making. Insurers must provide assessment reports, repair methodology justification, and parts sourcing evidence when challenged.
2. AFCA should endorse and align with improvements put forward by MTAA to the draft MVIRI Code of Conduct, including an empowered CAC. A stronger Code would reduce complaints escalated to AFCA.
3. AFCA must clearly state that poor claims handling constitutes a breach of insurers' obligations under the Insurance Contracts Act. Adjudicators should place greater weight on independent expert evidence and not rely solely on insurers' representations.
4. AFCA should treat recurring complaints on issues such as repairer coercion, OEM standard avoidance, and assessment delays as systemic. These issues should trigger proactive investigation and industry-wide recommendations.
5. As per above, MTAA has made further recommendations which are relevant to the intent of AFCA's consultation paper in the submission to the review of the MVIRI Code of Conduct (attached).

## Anticipated consequences of the proposed changes

Strengthening AFCA's approach should reduce systemic complaints and support better outcomes for consumers, leading to improved trust in insurance products. However, it should be noted that if insurers were genuinely committed to fairness, they would already be achieving these outcomes voluntarily.

Insurers may argue that fairer claims handling will drive up costs. This argument has been repeated for decades. In reality, consumers deserve repairs that restore vehicles to pre-accident condition and maintain safety standards. Cutting costs through substandard repairs, predatory pricing, and unwarranted parts substitution is unsafe and unsustainable.

## Conclusion

The current claims handling framework is failing consumers. Insurers are consistently prioritising profit over fairness, transparency, and efficiency. AFCA has a critical role in restoring balance to the system by enforcing insurer obligations, supporting stronger industry codes, and addressing systemic misconduct.

While not a party to the AFCA process, repairers play a critical role as the proxy voice of consumers navigating complex claims. Their perspective highlights how insurer practices often disregard consumer preferences, consumer policy benefits, and expert repairer advice. By drawing on repairers' real-world experiences, this submission demonstrates the urgent need for AFCA to enforce stronger, evidence-based, consumer-focused standards that hold insurers accountable and ensure fairer outcomes.

MTAA urges AFCA to adopt a more robust, evidence-based, and consumer-focused approach to general insurance claims handling. This will not only deliver fairer outcomes for consumers but also reduce systemic disputes and enhance trust in the insurance sector.

A handwritten signature in black ink, appearing to read "Rod Camm".

**Rod Camm**

Interim Executive Director

Motor Trades Association of Australia