

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS INSURANCE SECTOR

Cover-More Group

CVM05QON

**Dr LEIGH:** They were the significant breaches. In terms of self-reported breaches, I asked Mr Stein at our 3 June 2020 hearing how many breach reports had been issued by Cover-More. He took that on notice. I don't recall having received an answer, although I might be wrong. How many breaches did you commit?

**Ms Crompton:** I believe we did submit an answer to that question, but I will take that on notice. If we didn't, I will ensure that's done. In terms of self-reporting, we submitted one report, which was about exceeding the time frame for the processing of our refunds. We asked our underwriter, Zurich Australia, to proactively notify ASIC that we were outside of the 15-day turnaround time.

**Answer:** Responses to Dr Leigh's questions at the 3 June 2020 hearing were provided in Cover-More's response to questions on notice lodged on 23 June 2020. Please refer to CVM02QON, CVM03QON and CVM04QON.

**Dr LEIGH:** You just told me there were two significant breach reports. I'm now asking about overall breach reports. Was there only one overall breach report? I'm puzzled by this. We're talking about 2019-20 here.

**Ms Crompton:** I believe we had two significant breaches. One was self-reported, and the other was around the claims turnaround times. I will take that on notice to review.

**Dr LEIGH:** And overall breaches?

**Ms Crompton:** I'll need to take that on notice.

**Dr LEIGH:** That's a little disappointing, I have to say. This is a question you were asked at the last hearing, and, at the last hearing, you took it on notice. I've got to say that I'm surprised that you can't tell me your number of overall breaches. We're here to follow up on the Hayne Royal Commission, which went to the misconduct of your industry. We're talking about breaches reported under your code, and today you can't tell me the number of breaches Cover-More committed in the last financial year.

**Ms Crompton:** I have two significant breaches. I'm sorry, I don't have that information at hand about other breaches that aren't classed in the significant category.

**Dr LEIGH:** Could you get your staff to look into that and report it back at the end of the time? I'm not particularly comfortable with having to leave this to a question on notice given that I'm asking about something that is pretty basic and ought to be in the briefing materials in front of you.

**Answer:** Cover-More provided this information in its response to CVM02QON lodged on 23 June 2020. This is noted here again for the Committee's convenience.

Zurich Australian Insurance Limited (ZAIL) is Cover-More's underwriter and the Code subscriber.

ZAIL has confirmed that in 2019/20 there were two incidents with respect to Cover-More that resulted in reportable breaches. These related to timeliness of responding to customer claims in Q4 (due to COVID-19) and incorrect application of depreciation to some claims in Q2. In total, these breaches affected 17,805 customers.

In addition, ZAIL recorded eight incidents in 2019/20 with respect to Cover-More that resulted in breaches of the Code that were not reportable.

**Dr LEIGH: What's happening to your overall business? How many insurance policies are you writing at the moment? How does that compare to pre-pandemic?**

**Answer:** In Q2 2021, Cover-More wrote 17% of the premium and 33% of the policies written for the same period in 2019.

There has been a significant shift from international to domestic and trans-Tasman within this figure. In Q2 2021, international (excluding trans-Tasman) premium is 2% of the same period in 2019.

Policies written in Q3 2021 are expected to be substantially lower than Q2, due to lockdowns and border closures across various States and Territories.