

CommInsure proves the need for a banking royal commission

Written by The Conversation

Last week, Commonwealth Bank [announced](#) the creation of a Blue Riband panel to “provide an additional layer of assurance for complex claim assessment and decision-making processes” at its troubled CommInsure subsidiary.

CommInsure’s CEO Helen Troup, claimed

“We remain absolutely focused on doing the right thing by our customers and the appointment of these independent experts further strengthens our decision-making processes for complex claims.”

The bank is cack-handedly trying to divert attention away from itself in advance of calls for a banking royal commission when parliament resumes this week. “Look – see we are trying to do things better, no need for regulators to get involved”, is the subtext.

The creation of this extra layer of supposed scrutiny is an admission by the bank that all was not well in the past. It completely vindicates the stance taking by Dr Benjamin Koh who was fired by CommInsure for [rocking the leaky boat](#) .

Unfortunately CommInsure’s response has been to create a camel of ill-considered corporate governance.

“Where CommInsure’s claims committee recommends a complex life insurance claim be declined, this will be referred to the Claims Review Panel. The Panel will consist of at least two independent panel members, as well as the Managing Director of CommInsure, and will provide an independent review and assessment of each claim to provide confidence that the outcomes are fair and consistent.”

Note that the supposedly independent committee contains the CEO - hardly that independent.

The murky waters are muddied even further when"

"A sub-committee of the CommInsure Board will monitor the outcomes of the Panel. The sub-committee is comprised of independent non-executive directors."

Of course, this is the same Board that has been in place all along and presumably would have had oversight of the existing claims committee, which obviously was not doing its work properly. So all that has been done is to slide yet another committee into the CommBank layer cake (with at least six tiers up to the CommBank Board).

Accountability has been completely lost in this cake mix.

The remit of this Claims Review Panel has not yet been defined, but its name gives it away. It is meant to discuss "complex" claims that have been rejected by the CommInsure process. In this case read "expensive" for "complex". The cases reported by Four Corners were pretty much open and shut, to all but CommInsure management who only saw profits going out the door.

The creation of the panel does not address the very serious claims that were made that medical records had been manipulated and that medical professionals had been [pressured to change their medical opinions](#)

. If true, such claims would apply not only to complex cases but run-of-the-mill cases too.

Unless the new panel can adjudicate on all claims, and have the power to censure staff and management it will not get to the causes of the problems but only treat the symptoms.

These are serious charges that only truly independent scrutiny can get to the bottom of.

No level playing field

For claimants, the new committee is yet another hurdle they will have to climb over to get their entitlements. As Four Corners and journalist Adele Ferguson showed, CommInsure is adept at dragging out the claims process forcing seriously ill and dying people to fund their own visits to specialists to provide additional proof of their rightful claims. This new committee just adds another hurdle to this soul-destroying process.

Who will represent the aggrieved customer before this new Claims Panel? Do they have to engage lawyers to represent their case, what rights will they have to question CommInsure's management? No answers as yet, but remember that the CEO will be on the panel, with all of the resources of the bank behind her.

All of the members of the new "complex" Claims Panel are experts and beyond reproach as regards conflicts of interest but the appointment of one member is particularly interesting – Chris McRae. He is a board member at the Financial Ombudsman Service (FOS) and an experienced financial services lawyer.

This raises the obvious question, has the FOS fallen down on the job in this case? And, does the Ombudsman service have the capabilities to adjudicate on such "complex" claims?

If it does, then surely there is no justification, other than as a fig-leaf', for the new panel at CommInsure. If FOS does have the necessary capability, then CommInsure should disclose how the complex claims brought to light by Four Corners were handled, if at all, by the FOS and why a new panel is needed.

If the FOS does have not sufficient capabilities, then surely there is need for a truly independent body to adjudicate on these issues not only for CommInsure but also across the industry? Ideally, that would be a beefed-up Ombudsman.

These are structural issues about how customers are served and ill-served by the financial services industry. It therefore needs a "systemic" inquiry into how the public, banks, insurance companies, regulators and the FOS **should** interact with one another and where accountability **should** lie.

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While ASIC may have some of the powers of a royal commission to obtain testimony, it does not have the powers to critique other regulators, to address [structural issues in the financial sector](#), or to make laws to protect whistle-blowers. Those are rightly political decisions.

Malcolm Turnbull [summarised](#) the position eloquently

“The truth is that despite the public’s support offered at their time of need, our bankers have not always treated their customers as they should. Some, regrettably, as we know have taken advantage of fellow Australians and the savings they have spent a lifetime accumulating.”

By obstructing, obfuscating and bullying, the banks have ensured that a systems-wide inquiry into financial conduct can only be undertaken by a royal commission.

The banks have had ample opportunity to mend their ways, but they still don’t get it!

Read more <http://theconversation.com/comminsure-proves-the-need-for-a-banking-royal-commission-57954>