



ANNUAL REPORT

1 JANUARY – 31 DECEMBER 2006

PURSUANT TO THE TERMS OF REFERENCE
OF INSURANCE BROKERS DISPUTES
LIMITED (IBD) THE FOLLOWING IS THE
ANNUAL REPORT COVERING THE PERIOD
1 JANUARY 2006 TO 31 DECEMBER 2006.

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HIGHLIGHTS

- IBD opened 99 new cases in 2006, an increase of six on 2005.
- The number of closed cases in 2006 was 83, which was 19 fewer than 2005.
- The number of cases closed following a referral to the Referee fell from 34 in 2005 to 19 in 2006.
- IBD introduced a new case management process that provides for a more detailed finding by our Case Manager. Both parties can request a review of the finding by the Referee. The Case Manager investigation process takes longer but results in more detailed decisions being provided to the parties. This is one of the reasons why the number of closed cases and the number of complaints being referred to the Referee have fallen.
- The number of hits on the IBD website continues to grow each year.
- The jurisdictional limit of IBD will increase to \$100,000 for new complaints received on or after 1 May 2007.

INTRODUCTION

Insurance Brokers Disputes Limited (IBD) is a free external dispute resolution service which assists in the resolution of disputes between insurance brokers, underwriting agents and other insurance intermediaries (other than insurance companies) that are members of the scheme and their individual and small business clients. IBD aims to resolve disputes quickly and efficiently, providing an alternative to costly litigation.

IBD is approved by the Australian Securities and Investments Commission (ASIC) and operates in accordance with Terms of Reference. The Terms of Reference are published on our website at www.ibdltd.com.au.

Most general insurance broking firms are members of IBD, including most members of the National Insurance Brokers Association of Australia (NIBA). IBD is funded by its members in order to provide a service which is free of charge to consumers. Complaints against insurance companies cannot be dealt with by IBD and are handled instead by the Insurance Ombudsman Service (IOS).

A consumer with a problem should initially discuss it with the complaints or customer relations officer of the insurance broker or financial service provider. All members are required to have internal dispute resolution (IDR) systems in place to monitor and resolve complaints. They must agree to make a decision about a complaint quickly, usually within 20 working days.

If the consumer is still not satisfied, the consumer can lodge the complaint with IBD. In section 3 of this Annual Report there is a summary of how IBD deals with complaints that are lodged with us.

BOARD OF DIRECTORS

Since 1 January 2003, IBD has operated as a public company limited by guarantee, which is overseen by a Board of Directors. The Board consists of two consumer representatives, two industry representatives and one independent chairperson. The Board oversees the operation of IBD and the Insurance Brokers Code of Practice (the Code).

Industry representatives are appointed in consultation with NIBA, while consumer representatives are appointed in consultation with the Consumers' Federation of Australia and members of the wider consumer movement.



MR RICHARD SMITH BA, BEc
AGE: 65
CHAIRMAN

Retired. Formerly Chief Manager General Insurance with the Australian Prudential Regulation Authority and Deputy Commissioner General Insurance with the Insurance and Superannuation Commission. Mr Smith was also a Member of the Executive Committee of the International Association of Insurance Supervisors.



MR NOEL PETERSEN
NIBA CEO AGE: 57
INDUSTRY REPRESENTATIVE

Over 16 years' experience as a company director: Chief Executive of the National Insurance Brokers Association of Australia. Former ministerial adviser and public relations consultant. Past Chairman of the Council of International Insurance Broker Associations. Executive Council member of the World Federation of Insurance Intermediaries.



MR ROBERT ELDER
AGE: 69
INDUSTRY REPRESENTATIVE

More than 25 years' experience as a company director. Co-founder and former Managing Director of IPG Insurance Brokers. Director and General Manager of AIBA. Former President of the National Insurance Brokers Association of Australia and member of the NIBA Board for 10 years.



MR PETER GARTLAN
Dip. FINANCIAL COUNSELLING
AGE: 44
CONSUMER REPRESENTATIVE

More than 20 years' experience as a company director, and as a financial counsellor, human services co-ordinator and youth worker on a casework and policy reform level. Currently employed as a financial counsellor at Eastern Access Community Health. Member of the Financial and Consumer Rights Council. Past board member of philanthropic trusts and consumer bodies. Current board member of the Consumers' Federation of Australia.



MS JENNI MACK
AGE: 46
CONSUMER REPRESENTATIVE

More than 15 years' experience in the consumer movement. Director of the consumer watchdog CHOICE, former executive director of the Consumers' Federation of Australia, Director of the Financial Industry Complaints Services Ltd and Director of the Travel Compensation Fund. Chair of ASIC's Consumer Advisory Panel. BA Journalism, Masters Admin Law and Policy.

MEETINGS OF THE BOARD OF DIRECTORS

The number of directors' meetings held during the financial year and the number of meetings attended by each director are:

DIRECTOR	HELD	ATTENDED
MR RICHARD SMITH	5	4
MR NOEL PETERSEN	5	5
MR ROBERT ELDER	5	5
MR PETER GARTLAN	5	5
MS JENNI MACK	5	5

OUR PEOPLE

IBD employs highly qualified and skilled professionals whose expertise and work ethic contribute significantly to the quality of its services.

IBD employs one part-time staff member. It also engages the services of the Banking and Financial Services Ombudsman (BFSO) when staff are on leave, if there is a work overload or for special working projects. Specified staff of the BFSO have been trained in the day-to-day procedures of IBD and are readily accessible if needed by IBD. IBD has appointed Philip Field from the BFSO as liaison officer to manage the work arrangements with IBD.

IBD's relationship with the BFSO has proven very beneficial and will be increased in the future. It also supports the objective to utilise different skills and expertise of the different schemes and promotes staff exchange.

IBD also uses the Referee on a consultancy basis to issue determinations and provide specialised advisory services to our staff and the Board.

DANIELA KIRCHLINDE, COMPLIANCE MANAGER

Daniela Kirchlindé has broad insurance industry experience, having worked for both brokers and insurers in Australia and overseas. She held the role of Complaints Manager of the former scheme IBDF since its inception in 1996 and was re-employed by IBD as its General Manager upon establishment. Before joining the IBDF, Ms Kirchlindé worked for an Australian insurer as Intermediaries Underwriting Manager, where her responsibilities included investigating client complaints, analysing statistical data and improving client services. Previously, she worked for two years for a reinsurance broker at Lloyd's. Ms Kirchlindé has a Bachelor of Commerce degree from Cologne University, speaks three languages, and holds the German equivalent of Associate of the Australian and New Zealand Institute of Insurance and Finance, plus a Graduate Diploma in Finance and Investment from the Securities Institute of Australia.

FIONA OTTEY, CASE MANAGER

Fiona Ottey joined IBD as a Case Manager in April 2006 on a shared basis with the BFSO. She has extensive experience of insurance and other financial services disputes, having come from private practice as a Senior Associate in the insurance and financial services division of Phillips Fox Lawyers. Ms Ottey previously practised as a Senior Associate in insurance and commercial litigation at Anderson Rice. She spent her first year of practice as a solicitor for the Commonwealth Bank in Melbourne. During her time in private practice, she conducted a variety of litigation, provided commercial and indemnity advice and was actively involved in the mediation and resolution of disputes. At IBD and the BFSO, Ms Ottey facilitates the resolution of disputes between financial service providers, including insurance brokers, and customers. She also issues findings if resolution cannot be achieved between the parties. She has a Bachelor of Arts and a Bachelor of Laws from Monash University.

DAVID LETCHER, REFEREE

David Letcher has been IBD's Referee since the inception of the former scheme IBDF in 1996. Complaints made to IBD and alleged breaches of the Code which cannot be conciliated by the Case Manager are passed to him for final determination. He has authority to make orders and impose sanctions or orders, which are binding on members. Mr Letcher has more than 40 years' insurance law experience. He has conducted many seminars on insurance law, consumer and regulatory issues. His experience has included litigation in the Magistrates', County, Supreme, Federal and High Courts. His work has also involved policy drafting, document preparation and Government submissions. Mr Letcher is well known for his views on ethical issues such as fraud, the duty of utmost good faith and the proper conduct of negotiation and litigation. He has been a partner of Norris Coates Solicitors since 1965 and is a Member of the Law Council of Australia, the Australian Insurance Law Association, and the Insurance Council of Australia's Anti-Fraud Task Force.

CASE OFFICER GROUP

The Case Officers who deal with telephone referrals to IBD and complaints lodged in the early stages are Jack Furphy, Darren Hexter, Ann Tregear, Joseph Sowersby and Sally Thompson, and their Team Leader is Jacinta Ryan.

I. REPORT BY THE CHAIRMAN, MR RICHARD SMITH

2006 was IBD's fourth year as an independent complaint-handling scheme for insurance brokers, underwriting agents and other insurance intermediaries other than insurance companies.

During the year, all recommendations of the Independent Review of the IBD's operations handed down in November 2005 were considered. With the exception of a recommended name change to better describe our activities, all significant recommendations have been implemented. As I mentioned in last year's report, I support the recommendation of a name change, perhaps to Insurance Brokers Ombudsman Limited, but that is a matter for the Board to consider in the future.

As a result, the IBD is now much more fully integrated with the Banking and Financial Services Ombudsman (BFSO). We have implemented structural staffing and systems changes to allow us to operate independently of, but with active support from, the BFSO. Relief and support arrangements with the BFSO make us, as a small organisation, much less vulnerable to losses of key personnel than we were in the past. In addition, the new structure lends itself to the sharing of resources and developmental opportunities.

Access to the IBD dispute-handling processes has also been improved, with IBD now sharing a common toll-free telephone number with other ASIC-approved external complaint-handling schemes.

Improved processes have led to fewer disputes being referred to the IBD Referee. In this regard I take the opportunity to thank our new Complaints Manager, Fiona Ottey, for her significant contribution to this process. In her new role as Compliance Manager, Daniela Kirchlindé has continued her contribution to IBD's impressive compliance and reporting work. We are fortunate to have such able and experienced people in these two key positions. With support from the BFSO's Philip Field as necessary, we have set up a sound and flexible structure to capably handle all key functions at IBD.

During the year David Letcher continued his valuable contribution in handing down 18 written determinations and one supplementary decision relating to quantum of settlement. IBD has been fortunate to retain Mr Letcher's services since 1996 when the first insurance brokers complaints scheme commenced. The quality of his determinations has been an outstanding feature of the initial insurance broker dispute facility and, since 2002, the independent IBD service.

I am pleased to leave on the record the fact that Noel Pettersen, Chief Executive of NIBA and IBD industry Board Member, and I

recommended the appointment of David Letcher in 1996. Mr Letcher has made a significant contribution to IBD's standing as a respected and professional alternative dispute resolution scheme for insurance brokers in Australia. We have indeed been fortunate to have his expertise and knowledge over such a long period of time.

I am also pleased to report that IBD has successfully negotiated an increase in jurisdictional limits of complaints from the previous \$50,000 general limit and \$5000 limit for small business matters to an overall coverage amount of \$100,000. The new limit, initially intended to commence in January 2007, will now come into effect in May 2007 in order to allow brokers to renew and be covered by appropriate professional indemnity insurance. This increase in jurisdictional limit was one of the key recommendations of the Independent Review of IBD. It brings IBD more into line with limits applying to other external dispute-handling schemes and has the support of ASIC as regulator and consumer groups.

The Insurance Brokers' Code of Practice (the Code) referred to in my Report last year has been updated and formally adopted by NIBA members. This was made possible by the significant contribution to revision and redrafting carried out by NIBA consultant John Hanks. I take this opportunity to record my thanks to Mr Hanks for his consultation with IBD and other parties and so capably bringing this undertaking to a successful conclusion.

IBD has entered into an agreement with NIBA to administer the Code on behalf of NIBA members. Approval of the Code represents significant progress and an intention on behalf of insurance brokers to act in the best interests of their customers in accordance with the highest standards of behaviour. The IBD will be responsible for all Code compliance matters. This will complement our dispute resolution role.

As I will be retiring as Chairman as at 30 June 2007 after more than five years in the position, this will be my last Chairman's Report. IBD has made significant progress in that time and is now better placed as an organisation to continue its role as an effective alternative dispute resolution facility for insurance brokers and member intermediaries.

I would like to express my thanks to my fellow IBD Directors for their very many contributions over the past five years. Thank you for the experience and satisfaction of achievement in the progress we have made. I have enjoyed being your Chairman and wish you individually and IBD, as an organisation, all the best for the future.

2. REPORT FROM THE REFEREE, MR DAVID LETCHER

I am pleased to present my 10th annual report in respect of my activities as Referee for IBD.

In 2006 I issued 18 new decisions plus one supplementary decision.

Statistics and details of matters referred to IBD and the manner in which IBD dealt with them are set out in the body of this report. My decisions were approximately equally in favour of the complainant and the broker/underwriting agent. This appears to put complainants to IBD in a slightly more favourable position than those who make complaints to other similar complaint bodies. I am not sure why this is so. IBD is a relatively small complaints unit and it may be inappropriate to make comparisons with other much larger bodies which handle many more complaints.

However, I believe there are probably two factors at work:

Firstly, it appears to me that over the 10 years during which IBD has been in operation, insurance brokers and underwriting agents have more and more decided to attempt to settle matters in-house before they are referred to IBD.

Secondly, IBD has a small but dedicated team of case managers who work closely with me in attempting to mediate complaints, narrowing the issues where disputes proceed and then clarifying those issues to the parties in writing. There is then a written detailed finding before any matter is formally referred to me. My view is that these procedures result in fewer matters reaching me than might otherwise be the case.

The IBD staff are to be congratulated on the way in which they carry out their tasks which improves the service to both members and complainants.

Some of the above procedures have occurred as a result of recommendations made in the 2005 review of the facility. I note that all those recommended changes to procedures have now been put in place.

SUBJECTS OF COMPLAINTS

Over the years complaints vary, but in general the subjects of complaints tend to be much the same from year to year. Among other things, this past year there were complaints about allegedly excessive premiums, delays by brokers, complications arising out of lack of knowledge on the part of insureds as to how insurance or warranty policies operate, endorsements of special conditions on

policies, non-disclosure of material facts and cancellation.

I comment on two matters which were the subject of more frequent complaints – mid-term cancellations and motor vehicle warranties – and mention a new problem resulting from a change to a broker's portfolio.

MID-TERM CANCELLATION OF POLICIES

This year there were several decisions over problems which arose where a policy was cancelled by an insured before the due date. There were many different fact situations and different issues, but in general it appears that there are problems for many insureds about how a refund of premium is calculated by the insurer; what refund the broker may make in respect of commission and/or a separate broking fee and finally complications arising out of a premium funding arrangement which might be in existence in respect of that policy.

Different insurers may have different ways in which a refund of premium is calculated. Many do not have a simple daily pro rata premium refund policy but make calculations in blocks of weeks, months or even quarters. Some insurers specifically set out in the policy that there will be no refund of premium if the policy is cancelled mid-term.

Different brokers appear to have different views about an appropriate refund of commission and/or any broking fee. There may well be complications about refunds for ancillary charges such as fire brigade fees, stamp duty and GST.

Premium funding refunds are notoriously complex because a premium funder makes a loan to an insured which is different to a premium charge. Most premium funders are not members of IBD so IBD has no jurisdiction over most premium refund complaints.

Brokers can help themselves to avoid problems by taking the following steps:

1. Brokers should provide full details about their refund policies together with warnings to clients about problems which might arise.
2. Brokers should ensure that staff are aware of those particular policies where the insurer does not provide any refund and in any event should warn insureds that the premium refund is unlikely to be made on a pro rata basis.
3. Brokers should warn insureds about problems with premium

funding refunds. Often there is no refund payable to the insured because the amount received from the insurer, whether or not after deduction of broking fees, is insufficient to pay out the money owing to the premium funder.

MOTOR VEHICLE WARRANTIES

Over the past few years there appears to have been a substantial increase in the issue, predominantly by underwriting agents, of warranties which may be variously described as an extension of a manufacturer's warranty or some form of motor vehicle warranty. The intention appears to be to cover the cost which may be incurred by the purchaser of a motor vehicle for the cost of certain repairs which may be required during a particular period of time following the purchase of the vehicle.

Consideration by IBD of complaints arising out of these warranties suggests that many motor vehicle purchasers who may either purchase the warranty, or receive it from the motor car dealer as part of the purchase arrangement, may not understand the terms and conditions which, because of the nature of the warranty, may be very different from the usual provisions to be found in motor vehicle insurance policies, or any insurance policy, and may also differ from the original manufacturer's warranty.

For instance, one not uncommon provision appears to be that the repairs must be carried out by a repairer nominated by the company issuing the warranty, or alternatively approved by the company before the work is carried out.

Also, there may be terms and conditions of the warranty concerning maintenance of the vehicle, regular servicing and proof of such service and maintenance being provided to the company issuing the warranty.

In many ways these documents are very different to an insurance policy and may be restrictive in respect of the benefits and terms and conditions. However, that may relate to the nature of the risk which is borne by the party issuing the warranty. Obviously, the warranty is not designed to cover all expenses and repairs which are incurred by a motor vehicle owner.

There appear to be very real problems which arise where the motor vehicle owner has not carefully read the document and/or does not understand the limitations in cover and the terms and conditions. In particular the description of a warranty as an extension of a manufacturer's warranty may be misleading if the warranty does not provide all the benefits which the purchaser of

the motor vehicle is entitled to under the warranty issued by most vehicle manufacturers or those benefits which a purchaser believes he should be entitled to receive from a manufacturer.

One of the problems may be that warranties may be issued for vehicles which are second-hand. After some years of use, many vehicles require continuing maintenance and repairs to parts which may become worn out or deteriorate with age or use.

Unfortunately, many warranty documents appear to be provided by motor vehicle retailers to vehicle purchasers rather than provided by brokers or underwriting agents even although an underwriting agent may be an involved party. This means that the purchaser has never had a discussion with the underwriting agent until a claim is made. It may be not until that time that the purchaser realises that the warranty is not an unlimited warranty and that the purchaser has duties and obligations which if not complied with may prevent them receiving any benefits under the warranty.

Warranties are complex and it appears that it will be necessary for IBD to have some discussions with underwriting agents and others who issue warranties to address the above problems.

COMPLAINTS ARISING OUT OF PORTFOLIO CHANGES

Mergers, takeovers and the sale of portfolios or part of a portfolio by brokers are now much more common than in previous years. Unfortunately this may result in complaints arising out of problems caused following such changes.

Brokers are reminded that in any merger arrangement they should ensure that professional indemnity cover continues in respect of both businesses. A broker who sells his business may still be at risk in respect of complaints about problems arising out of past dealings. Likewise a broker who takes over another broker's portfolio might find himself caught with problems arising out of something which has happened in the past.

I note that problems may now arise out of decisions by brokers to sell or transfer part of a portfolio in order to concentrate on another section of the business. Household and motor vehicle policies appear to be increasingly written direct by insurers and appear not to be the financial earner for brokers which they were in the past. Many brokers appear to be concentrating on commercial business.

Where a broker disposes of a portfolio he should remember that

he has obligations to his clients, many of whom may have supported the broker over many years and may not be happy to lose the service.

Where a broker does decide that he no longer wishes to keep a part of his business, then he should properly and adequately inform his clients about his decision and give them adequate time and information to enable them to make other arrangements. It appears to me that a broker may well have a choice of advising a client that he is no longer in a position to look after a particular policy or that he will only be able to do so on payment of some additional broking fee. I have little doubt that many clients of brokers would prefer to keep the broker handling their business. Many might not object to payment of an additional fee. That is an alternative which a broker might consider putting to a client before cutting him or her loose.

In my opinion brokers are obliged to advise a client of their intention to dispose of a portfolio which includes the client's policies, and should ensure that the client understands what is being done. Further, the broker should realise that he has entered into an obligation to look after the particular client for the policy year and cannot, in my opinion, just abrogate that contract in the middle of the policy year without reaching a proper agreement with the insured.

Specifically, my view is that brokers should provide clients with details of alternative arrangements which can be made before disposing of the portfolio. These alternatives might be a continuing arrangement (for an additional fee), a referral to another broker, a referral to buy insurance directly from the current underwriter or a referral to buy directly from another underwriter.

Whatever course is decided – and I consider that brokers should give insureds as many options as possible – the broker should ensure that the client understands the broker will no longer continue handling the business at the expiration of the policy year and that some other arrangement must be made. The broker should ensure that the client understands this. The best and only effective way in my opinion for this to be done is for the broker to write to the insured client before the event, advising him of the broker's intention, giving the client the various alternatives and providing for some form of acknowledgement by the insured to the broker that he or she understands the position and giving details of the option the insured wishes to exercise in respect of continuing insurance arrangements.

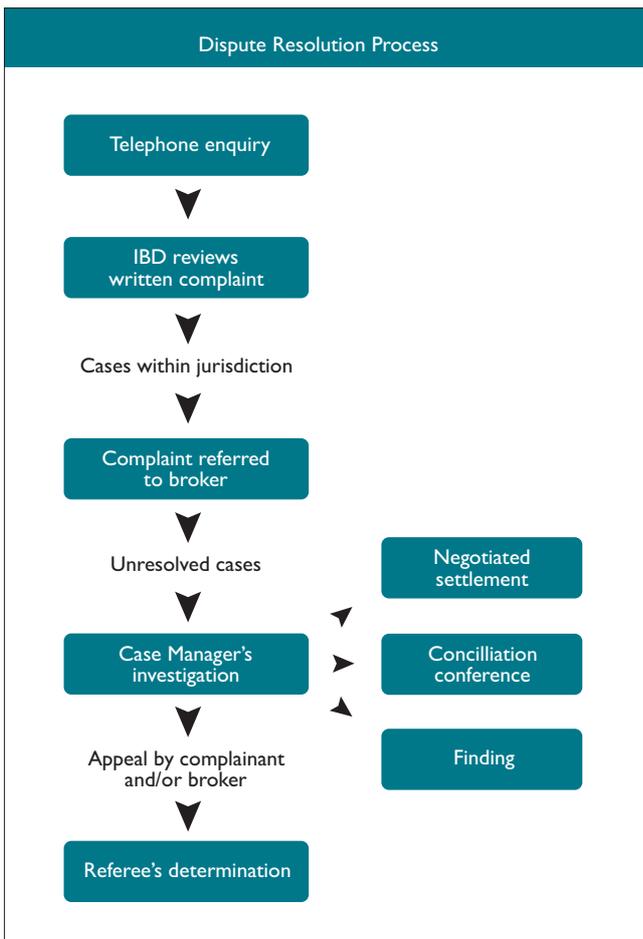
In my opinion brokers who do not take steps along these lines may find themselves in breach of the Code. Brokers should remember that changes of portfolio are usually for the broker's benefit. I expect brokers to take all possible steps to assist clients who are affected by such a change so that the client is not confused or prejudiced and does not suffer any problem with his or her insurance arrangements.

CHAIRMAN

Mr Richard Smith is about to retire as Chairman of IBD. Mr Smith has given me all the support which a Referee needs in a situation where any decision must result in one disappointed party at least. I will miss his experience and guidance. I wish to thank him and wish him all the best for the future.

Mr Richard Viney will be the new Chairman and I look forward to the benefit of his experience in consumer complaints.

3. DISPUTE RESOLUTION PROCESS



STAGE ONE: TELEPHONE ENQUIRIES

All telephone enquiries to IBD are initially answered by the Financial Ombudsman Service (FOS). This is a central telephone contact point for consumers wishing to access a financial services alternative dispute resolution scheme. When a consumer calls the 1300 78 08 08 number to discuss their complaint about a broker, a FOS Enquiry Officer will identify whether the broker is a member of IBD. If the enquiry does not involve a member, FOS will refer the caller to the most appropriate service.

If the enquiry involves a member, the Enquiry Officer will refer the caller to an IBD Case Officer.

If the caller's complaint has not been dealt with by the broker's IDR process, the Case Officer will provide the caller with contact details of the person nominated by the broker to deal with customer complaints. If the matter appears to be within the Terms of Reference, the Case Officer will also provide information about how to lodge a written complaint with IBD if the matter remains unresolved following referral to the member.

If the matter is outside IBD's Terms of Reference, the Case Officer will advise the caller of other organisations that may be able to assist.

STAGE TWO: LODGING THE DISPUTE

If the complaint remains unresolved by the member, or the complainant does not accept the member's proposal to resolve the dispute, the complainant can write to IBD to lodge a complaint. A member can also refer a complaint directly to IBD with the complainant's written consent.

Complaint forms and translating services are available in Arabic, Chinese and Vietnamese (and other languages if required) to cater for complainants who have a first language other than English. If complainants are experiencing difficulties lodging their complaint, due to language problems or disability, staff can assist by:

- meeting with complainants to identify the grounds of their complaint;
- arranging for a translation services; and
- assisting complainants to write their initial letter of complaint.

STAGE THREE: REFERRAL TO THE BROKER

After reviewing the written complaint and assessing that it falls within IBD's Terms of Reference, the Case Officer refers the complaint to the member, giving the member a final opportunity to resolve the complaint before a Case Manager investigates.

The member has 14 days to respond to the complaint after receiving the formal referral from IBD.

STAGE FOUR: INVESTIGATION AND RESOLUTION

Following the response from the member, or the expiry of 14 days, the Case Manager will investigate any unresolved complaints by collecting and examining all relevant documents and information.

In determining the most appropriate option for resolving disputes after an investigation has commenced, the Case Manager will consider factors such as the complexity of the issues in dispute, the expectations of the parties and their willingness to negotiate a settlement.

Once an investigation has commenced, a complaint can be resolved in one of the following ways:

Negotiated settlement	<p>The Case Manager may facilitate a negotiation process for the parties in dispute to come to an agreement as to how the complaint should be resolved. The terms of any agreement will then form the basis of the dispute settlement and will be confirmed in writing.</p> <p>The parties to the complaint may independently come to an agreement as to how it should be resolved, with the terms of settlement confirmed in writing.</p>
Conciliation conference	<p>A conference may be convened in order to discuss the case, with the view to reaching a resolution at the conference. The terms of any resolution are confirmed in writing.</p>
Finding	<p>The Case Manager may issue a written finding, setting out his or her views of the merits of the complaint and how it should be resolved. The complaint will be resolved if both parties accept the finding.</p>
Determination	<p>If either party rejects the Case Manager's finding, the Referee will review the complaint and issue a determination setting out how he considers the matter should be resolved. If the complainant accepts it, the determination is binding on the member and IBD cannot consider the complaint further and the file will be closed. If the complainant does not accept the determination, the complainant will retain their right to pursue the complaint in other appropriate forums.</p>

In considering a complaint, or making a determination, the Case Manager and the Referee must observe applicable rules of law, judicial authority, and precedent.

The Referee must also have regard to:

- applicable industry codes (including the Insurance Brokers Code of Practice);
- good industry practice; and
- what is fair and reasonable in all the circumstances.

4. COMPLAINTS ANALYSIS

IBD uses its Case Information Management System (CIMS) to capture information about enquiries and complaints that it receives. The details recorded for each enquiry or case includes the name of the relevant member, the product type to which the complaint relates, and the main problem or problems identified by the complainant.

The following pages contain statistical information about the operation of IBD over the reporting period (1 January 2006 – 31 December 2006).

USERS OF IBD

ALL USERS

IBD compares the percentage of written complaints from each state to the total population in each state and the number of members in that state. As shown below, most representations are consistent with the state's population and the number of members.



State Distribution

COUNTRY USERS

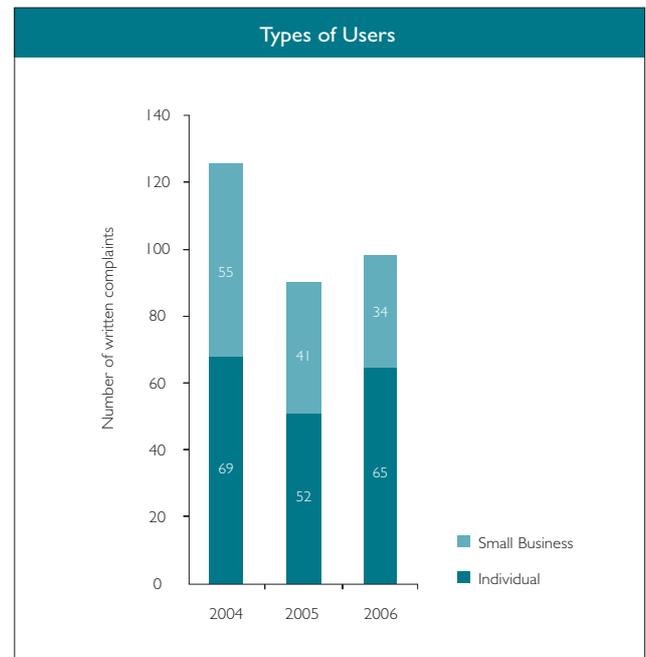
Country users are those identified as living in the non-capital statistical divisions identified by the Australian Bureau of Statistics. As shown in the table below, country users made up 28 out of 99 (28.3%) of written complaints in the reporting period compared to 26% in the previous reporting period.

	ACT	NSW	NT	QLD	SA	TAS	VIC	WA	Total
Users – metro	2	24	1	8	6	0	22	6	69
Users – country	0	10	0	12	0	1	4	1	28
Not provided		1					1		2
Total users	2	35	1	20	6	1	27	7	99

Country and Metropolitan users 2006

SMALL BUSINESS

In addition to individuals, any retail client who has a problem with his or her insurance broker or intermediary concerning a general or life insurance product can contact IBD. "Retail client" includes any small business which employs 100 people or less if it is a manufacturer, or 20 people or less if it is not a manufacturer. The graph below shows the number of small business complainants compared with individuals in 2004, 2005 and 2006.



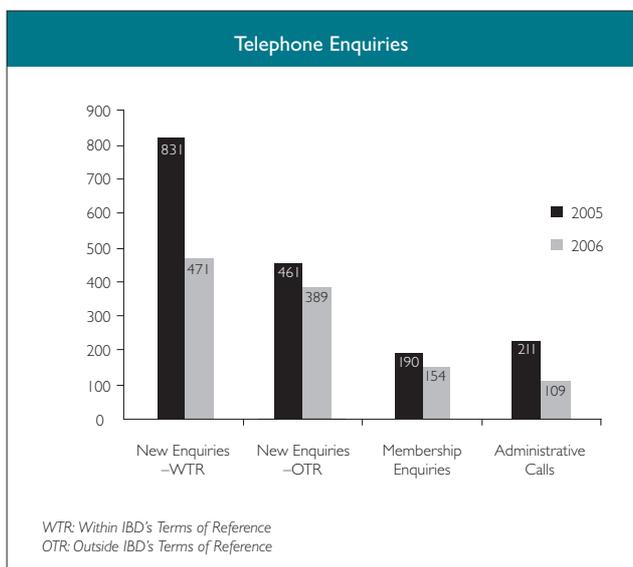
Individual and Small Business Users

IBD was predominantly used by individuals. One explanation for this may be that the jurisdictional limit for individuals is \$50,000, whereas for small business disputes it is only \$5000. However, we note that both of these limits will increase to \$100,000 in May 2007.

TELEPHONE ENQUIRIES

As noted in section 3 of this Annual Report, callers to our 1300 78 08 08 number reach the Financial Ombudsman Service, a central telephone referral service for seven financial services alternative dispute resolution schemes. FOS then refers callers to IBD if that is the most appropriate scheme to handle their query or complaint.

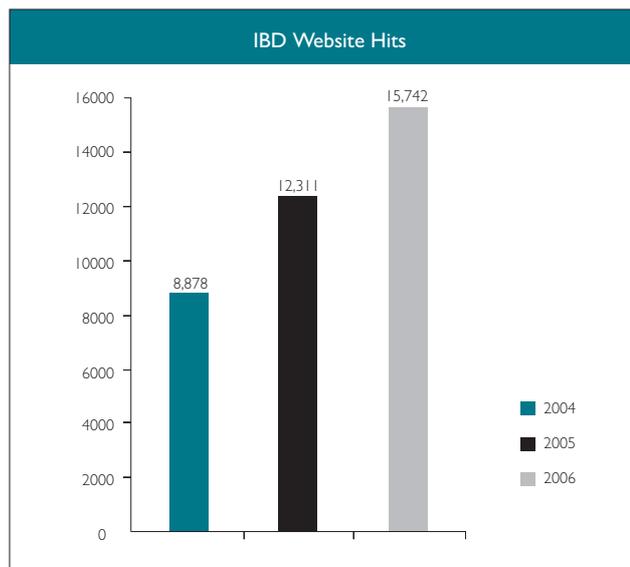
During the reporting period, IBD recorded a total of 1123 telephone calls. 860 of these were new enquiries, of which 471 were within IBD's Terms of Reference. This equates to a monthly average of 94 calls of which, on average, 72 were new enquiries. Compared to the last reporting period, both the total calls and new enquiries decreased by 33%.



Telephone Enquiries

WEBSITE USAGE

Access to IBD via our website (www.ibdltd.com.au) continued to grow in 2006, with 15,742 hits recorded in the reporting period. The graph below shows the continued growth in hits since 2004. Complainants are encouraged to refer to our website for information about IBD and to lodge a complaint with us.

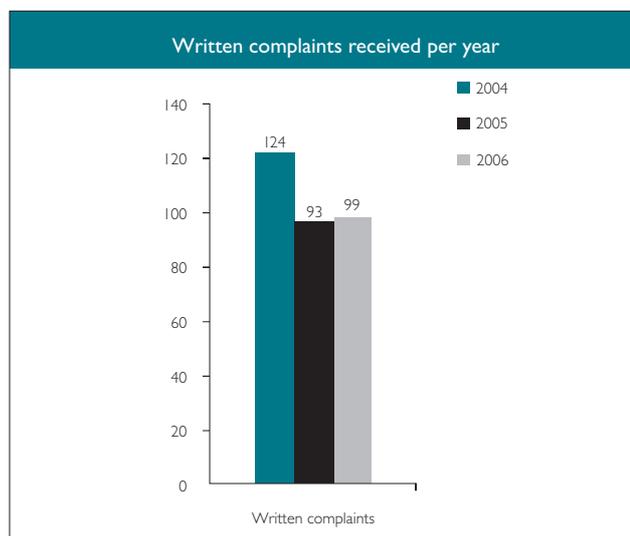


IBD Website Hits

NEW CASES RECEIVED

New cases can be lodged with IBD by email, fax, letter, via a meeting with IBD or through the IBD website, which contains a complaint form that can be completed and submitted online. When a written complaint is received by IBD, a new case is opened.

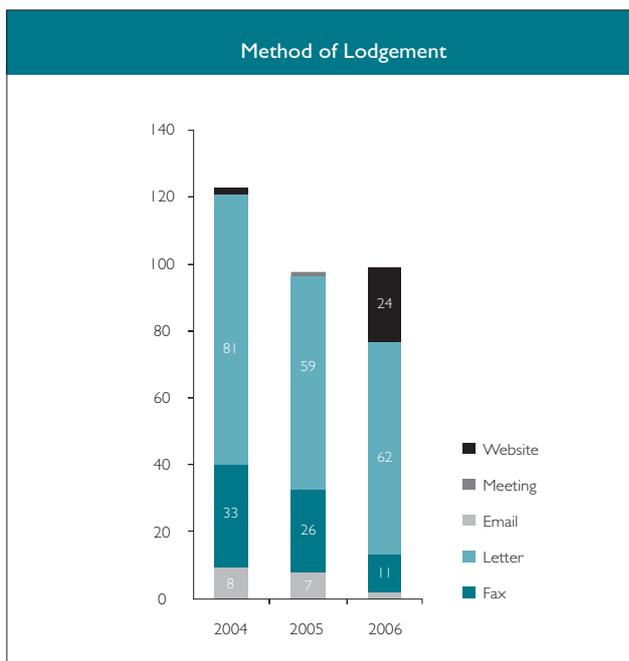
In 2006, IBD received a total of 99 new cases, an increase of 6 (6.5%) on the previous year. The graph below represents the number of new cases received since January 2004.



New Cases Received

METHOD OF LODGEMENT

The following graph shows that the majority of complaints are still lodged by letter or fax. However, in 2006 the number lodged using the website form increased significantly to 24%.



Method of Lodgement

OPEN CASES: OUR WORK IN PROGRESS

As at 31 December 2006, IBD had 33 open cases, 16 more than the number of open cases as at 31 December 2005. The table below shows the distribution of open cases at different stages of the IBD process.

Open Cases – as at the end of the period	
Complaint form being assessed by IBD	1
With member for consideration	9
Member response being assessed	4
Case manager investigating	12
Finding issued by Case Manager	2
With Referee for determination	2
Determination issued by Referee	3
Total open cases	33

Distribution of Open Cases at 31 December 2006

CLOSED CASES

In the current reporting period from 1 January 2006 to 31 December 2006, IBD closed 83 cases, 19 (18.6%) less than the number of closed cases as in the previous reporting period.

During the year, the investigation process of IBD was changed. The Case Manager now usually writes to both the complainant and the broker setting out the complaint and the response and seeking further information from the parties before providing a detailed finding. This process was introduced in response to the Independent Review of IBD conducted by the Navigator Company in 2005. The reviewer noted in his report that such a process would result in longer periods to resolve disputes. The more detailed investigation process has resulted in fewer cases being closed in the current reporting period. However, the more detailed findings provided by the Case Manager is one reason why fewer cases have been referred to the Referee for a determination during the reporting period.

The table below shows a summary of the outcome of the closed cases compared with the same data from 2005. This table shows that a greater percentage of cases are being resolved at the Case Manager level without further referral to the Referee.

Closed outcomes	2006	% of total	2005	% of total
Closed without referral to member	4	4.82%	2	1.96%
Closed after referral to member	4	4.82%	0	0.00%
Closed after referral to Case Manager	56	67.47%	66	64.71%
Closed after referral to Referee	19	22.89%	34	33.33%
Total	83		102	

Closed Cases

CASE OUTCOMES

Cases closed without formal referral to the broker

The table above shows that, in 2006, four cases were closed without being formally referred to the broker. These include three cases assessed by IBD as outside the Terms of Reference and one that was withdrawn by the complainant.

The remaining 79 cases were formally referred to the relevant broker for its response.

Cases closed following a formal referral to the broker

Out of the 79 cases formally referred to the broker, two cases were resolved by the broker without the need for IBD investigation. Another two cases were either discontinued or assessed to be outside Terms of Reference at this stage.

The remaining 75 cases were investigated by the IBD Case Manager.

Cases closed after referral to the Case Manager

During the Case Manager's investigation, a further 12 cases were found to be outside the Terms of Reference. Four cases were discontinued because the complainants did not respond to requests for further information. Two cases were closed after the complainants accepted IBD's advice that the broker had acted appropriately. One case was withdrawn by the complainant.

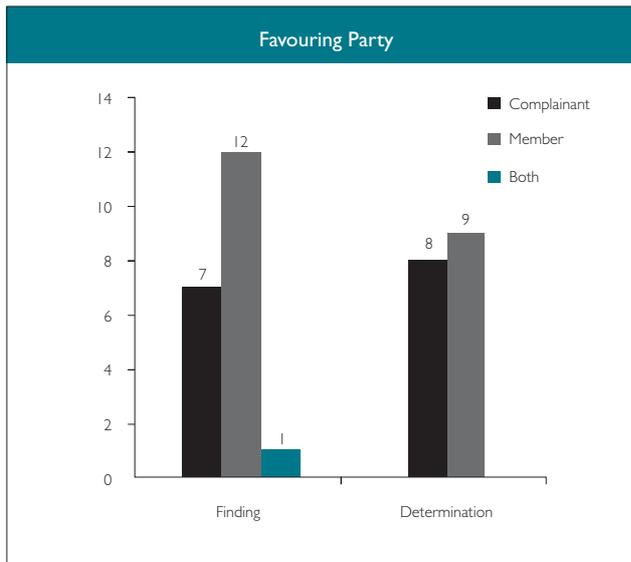
Of the remaining 37 cases, 17 cases were resolved after IBD facilitated settlement between the parties and 20 cases were resolved after the Case Manager issued a finding on the merits of the complaint. Seven findings were issued favouring the complainant, 12 favouring the member and one favouring both.

Cases closed after referral to the Referee

There were 19 cases where the Case Manager's findings were rejected by either or both of the parties and each of these cases was referred to the Referee.

The Referee issued 18 determinations, eight favouring the complainant and nine favouring the member. One case was closed when it was determined to be outside the Terms of Reference due to legal action. Another case was closed without a determination being issued after the complainant failed to respond to a request for information.

The overall spread of case outcomes favouring the complainant, member or both at both finding and determination level is shown graphically over the page.



Favouring Party – Cases Investigated

Information about disputes outside IBD's Terms of Reference

The Terms of Reference define our jurisdiction to consider disputes and there are some disputes that we cannot consider and are considered to be outside our Terms of Reference (OTR). For example, OTR cases are typically those that are more appropriately dealt with in another forum, where the claim amount is too high or where legal action has commenced.

Of the 83 cases closed in 2006, 17 were found to be OTR. The reasons are as set out in the table below.

OTR Reasons	
General complaint only	1
Not lodged by broker's client	2
More appropriate forum	6
Claim amount too high	2
Product not covered by IBD	4
Other	1
Legal action	1
Total	17

OTR Cases

CASE RESOLUTION TIMES

The table below shows the length of time that it took to resolve the cases (excluding cases that were discontinued or outside the Terms of Reference) in the reporting period, compared to 2004 and 2005. The case resolution time is determined from the date that the case is referred to the broker until the date that it is closed. It includes the time taken for the complainant to return a written authority and any "appeal" period, when the case is provisionally closed.

In 2006, the median number of days taken to resolve closed cases was 71 days.

	2004	2005	2006
Less than 7 days	5	6	6
7 days to less than 15 days	18	16	5
15 days to less than 30 days	13	15	6
30 days to less than 60 days	23	22	16
60 days to less than 90 days	13	10	16
90 days and over	40	33	34
All cases closed in the period	112	102	83

Case Resolution Times

PRODUCTS AND PROBLEMS

IBD covers a range of products including motor vehicle, home buildings and contents, sickness and accident, life, consumer credit, travel, personal and domestic property and small business policies.

Cases are classified in CIMS in accordance with:

- the product or service provided by the broker to the complainant; and
- the problem with the product or service, as reported by the complainant.

The following two tables show the major products and main problems for the cases closed after referral to the broker or investigation. Note that there can be more than one product or problem involved in any one case.

	2004		2005		2006	
Business pak electronics	0	0.00%	1	0.98%	1	1.20%
Business pak	25	22.32%	11	10.78%	11	13.25%
Business pak burglary	2	1.79%	4	3.92%	3	3.61%
Business pak business interruption	0	0.00%	1	0.98%	0	0.00%
Business pak fire & perils	0	0.00%	1	0.98%	0	0.00%
Business pak glass	1	0.89%	0	0.00%	1	1.20%
Business pak machinery breakdown	0	0.00%	1	0.98%	0	0.00%
Business pak money	1	0.89%	1	0.98%	0	0.00%
Business pak personal accident	1	0.89%	0	0.00%	0	0.00%
Business pak public liability	8	7.14%	3	2.94%	1	1.20%
Farm	0	0.00%	1	0.98%	1	1.20%
Home and contents	12	10.71%	18	17.65%	9	10.84%
Income Protection	3	2.68%	3	2.94%	4	4.82%
Insurance Special Risk	2	1.79%	2	1.96%	0	0.00%
Livestock	0	0.00%	2	1.96%	0	0.00%
Marine	3	2.68%	4	3.92%	0	0.00%
Motor vehicle commercial	7	6.25%	6	5.88%	2	2.41%
Motor vehicle extended warranty	0	0.00%	0	0.00%	15	18.07%
Motor vehicle private	30	26.79%	16	15.69%	12	14.46%
Other	3	2.68%	4	3.92%	1	1.20%
Personal Accident and Sickness	3	2.68%	4	3.92%	6	7.23%
Professional Idemnity	1	0.89%	7	6.86%	2	2.41%
Public Liability	7	6.25%	6	5.88%	7	8.43%
Strata Title/Landlord	2	1.79%	4	3.92%	5	6.02%
Superannuation	0	0.00%	1	0.98%	0	0.00%
Workers' Compensation	1	0.89%	1	0.98%	2	2.41%
Number of 'Products' Reported	112	100%	102	100%	83	100%

Product Types

	2004		2005		2006	
Cancellation/refund	13	11.6%	10	9.8%	6	7.2%
Cancellation/refund commission issue	1	0.9%	1	1.0%	2	2.4%
Cancellation/refund funding issue	7	6.3%	6	5.9%	7	8.4%
Cancellation/refund time issue	2	1.8%	1	1.0%	3	3.6%
Claim	19	17.0%	5	4.9%	7	8.4%
Claim settlement issue	8	7.1%	14	13.7%	12	14.5%
Claim time issue	1	0.9%	6	5.9%	4	4.8%
Cover	33	29.5%	31	30.4%	17	20.5%
Excess	2	1.8%	3	2.9%	2	2.4%
Fee from broker	5	4.5%	3	2.9%	3	3.6%
Fraud	1	0.9%	0	0.0%	1	1.2%
New business	1	0.9%	2	2.0%	4	4.8%
Non-disclosure	2	1.8%	1	1.0%	2	2.4%
Non-disclosure conviction	4	3.6%	2	2.0%	2	2.4%
Other	5	4.5%	0	0.0%	0	0.0%
Premium funding	0	0.0%	2	2.0%	1	1.2%
Premium level	3	2.7%	2	2.0%	0	0.0%
Professionalism	1	0.9%	3	2.9%	3	3.6%
Renewal	2	1.8%	3	2.9%	4	4.8%
Renewal not received	1	0.9%	4	3.9%	1	1.2%
Renewal time issue	0	0.0%	0	0.0%	1	1.2%
Value (agreed/market)	1	0.9%	3	2.9%	1	1.2%
Number of 'Problems' Reported	112	100%	102	100%	83	100%

Problem Types

The top three product groups in terms of the number of complaints received were motor vehicle extended warranty (18.07%), motor vehicle private (14.46%) and Business Pak (13.25%). The top product category in complaints in this reporting period was motor vehicle extended warranties. The group of members providing this product are relatively new members of IBD. Other top categories are consistent with previous years.

IBD publishes determinations made by the Referee on its website

(www.ibdltd.com.au) to provide examples of the type of disputes handled by IBD.

SYSTEMIC ISSUES

IBD investigates and resolves individual disputes and raises issues that concern the industry as a whole, such as those referred to in the Report from the Referee. In addition, IBD has a broader role in investigating systemic issues. ASIC's Policy Statement 139: Approval of external complaints resolution schemes formalises this role by requiring an approved scheme to:

- Identify systemic issues and cases of serious misconduct that arise from the consideration of disputes;
- Refer any identified matters back to the member for response and action; and
- Provide quarterly reports to ASIC about systemic issues and cases of serious misconduct.

A systemic issue is one that has been raised in a dispute or several disputes to IBD, which will affect a class of people, in addition to those who have complained to IBD. Several disputes of the same type may indicate a systemic problem. However, an issue may also be identified out of the consideration of one single dispute where the effect of the issue will clearly extend beyond the parties to the dispute.

Serious misconduct is a broad term that includes fraudulent conduct, grossly negligent or inefficient conduct, and wilful or flagrant breaches of relevant laws and codes of practice.

In the period 1 January 2006 to 31 December 2006, no systemic issues were identified. As noted in the 2005 Annual Report, IBD continues to monitor whether members have adequate procedures in place for dealing with complaints internally, in particular whether they provide the client with written information and advice concerning the broker's own internal dispute resolution procedures and the services provided by IBD once a possible complaint/problem has been noted.

VALUE OF CLAIMS

Some cases, such as those already involved in legal proceedings, cannot be handled by IBD, nor does IBD handle complaints involving claims of more than \$50,000 for individual complaints and \$5,000 for small business complaints, except where the insurance broker or financial service provider and its professional indemnity insurer have agreed to waive this limit. A consumer also has the

right to confirm in writing that he or she will waive that amount of the claim which is above these limits to enable IBD to handle the complaint. These limits will increase to \$100,000 in all cases from 1 May 2007.

	2004 %	2005 %	2006 %
Less than \$1000	29.8	20.4	43.4
\$1001 to \$5000	25.8	45.2	33.3
\$5001 to \$10,000	15.3	9.7	4.0
\$10,001 to \$50,000	29.0	21.5	16.2
\$50,001 to \$100,000	0.0	0.0	1.0
\$100,000+	0.0	3.2	2.0

Value of Claims

5. OTHER ACTIVITIES

IBD has actively participated in the Consumer Conference and the NIBA Convention this year, both which provided an excellent opportunity to speak to consumers and members in regards to effective dispute resolution.

As a scheme approved by ASIC, IBD recently undertook an independent review as required under Clause 8.1 of the IBD Terms of Reference and ASIC's Policy Statement 139: Approval of external complaints resolution schemes.

IBD has now implemented all of the significant recommendations of the review other than a recommended name change.

6. PARTICIPATING MEMBERS

Members as at 31 December 2006		
Extended Warranty	6	0.8%
Financial Planner	8	1.0%
General & Foreign Broker	56	7.0%
General & Life Broker	65	8.1%
General & Super Broker	1	0.1%
General Broker	604	75.5%
General Life & Foreign Broker	8	1.0%
General, Super & Life Broker	11	1.4%
General, Super; Life & Foreign Broker	11	1.4%
Life Broker	7	0.9%
Super & Life Broker	4	0.5%
Superannuation Broker	2	0.3%
Underwriting Agency	17	2.1%
Total	800	100%

Members

As noted in the table above, there were 800 members as at 31 December 2006. 90.6% of members provided general broker, general and life, or general and foreign broker services.

7. THANK YOU IBD

The following are notes received from complainants and members regarding services provided by IBD.

COMPLAINANTS

"Thanks for your efforts."
LG, 27 February 2006

"Thank you for your assistance in this matter; it was greatly appreciated."
JM, 20 April 2006

"Thank you for your patience in sorting out the details of my son's claim. We appreciate the way that you handled the matter and the clarity of your report."
GW, 30 June 2006

"A few weeks ago I sent a fax to let you know that the complaint had finally been settled. Thank you for your time and help. We still can't believe it was so easy to charge for something that was not wanted and then wait for two months to get a refund. Once again thanks."
B&MJ, 14 October 2006

MEMBERS

"Many thanks for your personal assistance, as well as that of Insurance Brokers Disputes in general. It has been greatly appreciated."
DT, 27 February 2006

"Thank you very much for your assistance and understanding with this matter. If I can ever be of assistance, please don't hesitate to call."
CB, 7 June 2006

"We refer to the above claim and confirm that we are satisfied with your finding. We take the opportunity to thank you for your time and consideration of this matter."
AM, 15 September 2006



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