



ANNUAL REPORT

1 JANUARY – 31 DECEMBER 2007

HIGHLIGHTS

- The jurisdictional limit of IBD increased to \$100,000 for new complaints received on or after 1 May 2007.
- IBD opened 108 new cases in 2007, an increase of nine on 2006.
- The number of closed cases in 2007 was 96, which was 13 more than 2006.
- The number of cases closed following a referral to the Referee fell from 19 in 2006 to 14 in 2007.
- IBD agreed to monitor compliance with the 2007 NIBA Insurance Brokers Code of Practice.
- The number of unique visits to the IBD website continues to grow each year.

PURSUANT TO THE TERMS OF REFERENCE OF INSURANCE BROKERS DISPUTES LIMITED (IBD) THE FOLLOWING IS THE ANNUAL REPORT COVERING THE PERIOD **JANUARY 1 2007 TO DECEMBER 31 2007.**

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FOREWORD BY THE CHAIRMAN, MR DICK VINEY

I am pleased to present my first Annual Report as Chairman of Insurance Brokers Disputes Limited (IBD) since my appointment on 1 July 2007.

THANKS AND FAREWELL TO RICHARD SMITH

I would like to thank Richard Smith, who retired as Chairman of IBD on 30 June 2007, for his outstanding service to IBD. Richard had the full support of the Board and succeeded admirably in ensuring that the Board and IBD functioned successfully. On behalf of the Board, I wish Richard well for his retirement.

OUR REFEREE, DAVID LETCHER

It is with sadness that I record that our Referee, David Letcher, passed away on 6 April 2008. His continued support and guidance of the decision-making process at IBD was greatly appreciated by the Board and users of the IBD.

David was first appointed to the role of Referee for broker disputes in the early 1990s, and when IBD was set up in 2002 he continued in the role.

David was a friend and mentor with enormous knowledge of insurance and consumer law. He believed in a fair go, and his determinations on consumer complaints and disputes reflect that. The insurance broking industry has been fortunate to have had such a fair-minded, skilful and articulate practitioner as its adjudicator. David's contribution to the betterment of the industry and the interests of consumers has been immense.

He will be sadly missed and our deepest sympathies go to his family.

THE YEAR IN REVIEW

This year was the first full year of the adoption of the new procedures for dealing with disputes that come to IBD. Further, in May 2007, the jurisdictional limit was increased to \$100,000 for both individuals and small businesses.

The number of disputes referred to IBD rose from 99 in 2006 to 108 in 2007. The median time for dealing with a dispute has increased from 71 days in 2006 to 114 days in 2007. The new process, which involves a more detailed assessment by the Case Manager with a right of appeal to the Referee, was implemented following the 2005 Review of IBD. At the time, the reviewer noted that the change to the process would lead to it taking longer for cases to be considered by IBD.

Notwithstanding the increase in the median time between receipt of a dispute and the file being closed, and the increase in the number of disputes received at IBD during 2007, the number of cases that were referred to the Referee continued to fall, from 17 in 2006 to 14 in 2007. I think that one of the reasons for this continued decline is the more detailed investigation and assessment provided by the Case Manager and I thank Michael Wells for the quality of his work.

As a result of our arrangements with the Banking and Financial Services Ombudsman (BFSO), IBD continued to function smoothly during the absences of Daniela Kirchlinde and Fiona Ottey, who both were on maternity leave during 2007. I would like to thank Philip Field for his outstanding contribution and the staff at the BFSO for ensuring that IBD continued to provide a quality dispute resolution service during their absence.

THE FUTURE

The Board of IBD is watching with interest the merger of the three large external dispute resolution schemes in the financial services sector. Once the details of the merger become clearer, the Board will consider whether it is in the interests of IBD and its members to join the merged entity.

Dick Viney

Chairman

ABOUT IBD

Insurance Brokers Disputes Limited (IBD) is a free external dispute resolution service designed to assist in the resolution of disputes between insurance brokers, underwriting agents and other insurance intermediaries (other than insurance companies) that are members of the scheme (the members) 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 which 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 to provide a service which is free of charge to consumers. Complaints against insurance companies are handled by the Insurance Ombudsman Services (IOS) and cannot be dealt with by IBD.

A consumer with a problem regarding a member 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 their dispute with IBD. A summary of how IBD deals with disputes that are lodged with us is contained in section 3 of this report.

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;
CHAIRMAN TO 30 JUNE 2007

Mr Smith was 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. He retired as Chairman on 30 June.



MR RICHARD (DICK) VINEY, LLB;
CHAIRMAN FROM 1 JULY 2007

Mr Viney was appointed Chairman of the IBD Board from 1 July 2007. He has been a barrister and solicitor for more than 30 years and has held a number of positions in the West Australian and Victorian public services. He was Commissioner of Corporate Affairs for Victoria from 1982 to 1984. He was then appointed Chairman of the Victorian Credit Licensing Authority, and in 1995 joined law firm Mallesons Stephen Jaques as a consultant. Mr Viney is a Chair of Panels and Adjudicator at the Financial Industry Complaints Service.



MR NOEL PETTERSEN
CHIEF EXECUTIVE, NATIONAL
INSURANCE BROKERS ASSOCIATION;
INDUSTRY REPRESENTATIVE

Mr Pettersen is a former ministerial adviser and public relations consultant. He is a Past Chairman of the Council of International Insurance Broker Associations and is an Executive Council member of the World Federation of Insurance Intermediaries. He has more than 17 years' experience as a company director.



MR PETER GARTLAN
Dip. FINANCIAL COUNSELLING
CONSUMER REPRESENTATIVE

Mr Gartlan has worked for 20 years as a financial counsellor, human services co-ordinator and youth worker specialising in casework and policy reform. He has 20 years' experience as a company director, and is currently employed as a financial counsellor at Eastern Access Community Health. Mr Gartlan is a member of the Financial and Consumer Rights Council, and a past board member of philanthropic trusts and consumer bodies. He is also a board member of the Consumers' Federation of Australia.



MR ROBERT ELDER
INDUSTRY REPRESENTATIVE

Mr Elder has more than 25 years' experience as a company director. He was co-founder and former Managing Director of IPG Insurance Brokers. He was Director and General Manager of the forerunner to NIBA, the Australian Insurance Brokers Association. Mr Elder is also a former President of NIBA and was a NIBA Board member for 10 years.



MS JENNI MACK
MASTERS DEGREE IN ADMINISTRATIVE
LAW AND POLICY
CONSUMER REPRESENTATIVE

Ms Mack has worked actively in the Australian consumer movement for more than 16 years. She has been a Director of consumer group Choice since 2003 and is a former Executive Director of the Consumers' Federation of Australia. She is also a Director of the Financial Industry Complaints Service and a Director of the Travel Compensation Fund. She is also Chair of the Australian Securities and Investments Commission's Consumer Advisory Panel. Ms Mack has also been a Deputy Legal Services Commissioner in New South Wales

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 were:

DIRECTOR	HELD	ATTENDED
MR RICHARD SMITH (TO 30/6/07)	2	2
MR DICK VINEY (FROM 1/7/07)	2	2
MR NOEL PETTERSEN	4	4
MR ROBERT ELDER	4	4
MR PETER GARTLAN	4	4
MS JENNI MACK	4	4

OUR PEOPLE

Daniela Kirchlindé, IBD's Compliance Manager, and Fiona Ottey, Case Manager, went on maternity leave in 2007. Our relationship with the Banking and Financial Services Ombudsman (BFSO) meant that these absences were covered and IBD continued to provide dispute resolution services as usual.

Philip Field, the BFSO's General Manager – Corporate, filled the role of Compliance Manager during Ms Kirchlindé's absence. Michael Wells was appointed as a Case Manager to deal with IBD disputes.

IBD also uses the Referee(s) 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 now-defunct Insurance Brokers Disputes Facility since its inception in 1996 and was re-employed by IBD as its General Manager upon its establishment. Before joining IBD, Ms Kirchlindé worked for an 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 the Australian Insurance Institute Associateship, plus a Graduate Diploma in Finance and Investment from the Securities Institute of Australia.

PHILIP FIELD, ACTING COMPLIANCE MANAGER

Philip Field is General Manager – Corporate and Legal Counsel at the office of the Banking and Financial Services Ombudsman. He joined the BFSO as Legal Counsel in February 2002 and was appointed General Manager – Corporate in March 2006.

He has been a solicitor for more than 20 years and prior to joining the BFSO worked in private practice and as in-house counsel for a number of financial institutions. He has a Bachelor of Economics, Bachelor of Laws (with Honours) and a Master of Laws degrees, all from Monash University.

Mr Field filled the role of Company Secretary and Compliance Manager for IBD during 2007 while Daniela Kirchlindé was on maternity leave.

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 law firm Phillips Fox. Prior to this she practised as a Senior Associate in insurance and commercial litigation at Anderson Rice. Fiona spent her first year of practice as a solicitor for the Commonwealth Bank in Melbourne.

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. Ms Ottey has a Bachelor of Arts and a Bachelor of Laws degrees from Monash University.

MICHAEL WELLS, CASE MANAGER

Michael Wells joined IBD as a Case Manager in March 2007 on a shared basis with the BFSO.

He has 19 years' banking and finance experience gained while working in the Legal Department of the Commonwealth Bank of Australia, including two years as a solicitor:

Mr Wells studied law at Deakin University, graduating in 2003 and being admitted as a legal practitioner of the Supreme Court of New South Wales in October 2004.

DAVID LETCHER, REFEREE

David Letcher was IBD's Referee since the inception of the former scheme in 1996. Complaints made to IBD and alleged breaches of the Code which cannot be conciliated by the Compliance Manager were passed to him for final determination. As Referee, he had the authority to make orders and impose sanctions or orders which are binding on members.

Mr Letcher had 40 years of insurance law experience. He conducted many seminars on insurance law, consumer and regulatory issues. His experience included litigation in the Magistrates', County, Supreme, Federal and High courts. His work also involved policy drafting, document preparation and government submissions.

He was 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 was a partner of Norris Coates Solicitors from 1965 and was a Member of the Law Council of Australia, the Australian Insurance Law Association, and the Insurance Council of Australia's Anti-Fraud Task Force.

Mr Letcher passed away on 6 April 2008.

BELINDA LIM, ALTERNATE REFEREE

Belinda Lim has been a Barrister since 1999. After completing her articles at Arthur Robinson & Co (now Allens Arthur Robinson) in 1982, she practised with that firm in commercial litigation and general commercial law for a further two years. She joined Madden Butler Elder & Graham (now Dunhill Madden Butler) in 1985, becoming a senior associate in 1987 and a partner in 1989.

She practised in commercial litigation, banking and finance and engineering and construction law. Ms Lim is an accredited mediator with LEADR, the Association of Disputes Resolvers.

CASE OFFICER GROUP

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

REPORT FROM THE REFEREE, MR DAVID LETCHER

I am pleased to present my 11th annual report in respect of my activities as Referee for Insurance Brokers Disputes Limited.

In 2007, 14 cases were closed after I issued my decision.

Statistics and details of matters referred to IBD and the manner in which IBD deals with complaints and handled complaints made in 2007 are set out in the body of this report.

Five of my decisions were clearly in favour of the disputant and seven were in favour of the broker or underwriting agent. Two decisions were considered to be a compromise.

In one case where I was not actually prepared to find in favour of the disputant I did order that the broker have further education particularly directed to the handling of claims. I had doubts as to whether the broker had really given the disputant sufficient assistance in handling the claim with the insurer:

The number of matters referred to me in 2007 was only about two-thirds of those referred to me in 2006. There are various factors which are probably relevant to this.

IBD is a relatively small consumer complaint body and variations may therefore appear to be greater than is actually the position over a lengthy period.

Further, a diminution in the number of matters referred to me can only reflect favourably on the ability of the IBD complaints officers and other staff to manage the business and provide an effective outcome at an earlier stage so that it is unnecessary for complaints to go the whole distance.

Although numbers are down, and this is consistent with experience over the past few years, complaints have not lost their complexity. In fact, it appears to me that many matters which are now referred to me are more difficult, complicated and involve much more enquiry than was previously the case.

I am not sure whether this is because consumers are now prepared to press matters which they might otherwise have given up on or whether it is because insurance broking disputes have in general become more complicated.

Of interest to me are the continuing attempts by brokers and underwriting agents to settle matters in-house before they are referred to IBD. It appears to me that the files which cross my desk

now indicate more than ever that the broker or underwriting agent has attempted to resolve the claim at an earlier stage than might have occurred previously.

Further, following the 2005 review of the facility's procedures have continued to improve and the changes which were made after 2005 have resulted in a more effective settlement of disputes.

In particular, the presentation by the case manager of a written finding provides both parties with an opportunity to reconsider the complaint particularly in view of the decision to be made whether or not to pursue the matter with the Referee.

IBD staff are to be congratulated on the manner in which they provide a detailed review of the complaint in the finding and the care which they take in reaching a preliminary decision.

SUBJECTS OF COMPLAINTS

A common request made of the Referee and IBD staff is to provide details of the nature of the complaints which are made. These vary from time to time, but there are some "old reliables" which have a general application.

PUTTING IT IN WRITING

Many complaints occur because one or both of the parties is unable to remember exactly what was said or the circumstances under which some arrangement was made. A note by the broker, who is the professional involved in the underwriting contract, can often make this clear. These days it is easy to make a note on a computer file and it is equally easy to attach emails to a computer file.

Brokers have in their own hands the ability to reduce the risk of complaints by using these tools to clarify the underwriting arrangement.

"PENALTIES"

IBD does not impose penalties, but in many cases a broker or underwriting agent may consider that the decision by the Referee is effectively a penalty – particularly if there is an order to pay attached!

IBD does not exist to fine brokers or underwriting agents for misdemeanours but to decide on disputes between parties. As part of that decision the Referee is entitled to make various orders. These may include an order in respect of further education.

Experience in 2007, as previously, suggests that further education can be of a very real assistance in encouraging brokers and underwriting agents to reconsider their forms and procedures.

COMPARISON OF POLICIES

From time to time complaints are made to the effect that if the broker or underwriting agent had been more adept or "on the ball" he would have arranged a much better policy covering wider risks, involving payment of less premium and with a lower deductible than was arranged in a particular case.

It is easy to be wise after the event and it is extremely difficult even one or two years after a policy has been arranged to go back in time and ascertain what policy might have been appropriately obtained and for what premium and on what terms and conditions at some earlier date.

It would be unreasonable to expect that a witness in December 2007 would be able to accurately provide information as to the cost of insurance for a particular property on particular terms and conditions (security, deductible/excess, geographical cover) as at December 2005.

Unfortunately, many insureds and complainants do not appreciate the problem and rely on an anecdotal comment by a colleague in the same business or industry to the effect that the colleague was able to obtain cheaper and better insurance and that such would have been available to the complainant.

MOTOR VEHICLE WARRANTIES

As in 2006, there appears to have been in 2007 a substantial number of disputes concerning motor vehicle warranty contracts arranged for people purchasing second-hand motor vehicles. These are not strictly motor vehicle policies of insurance but, as I mentioned in my annual report last year, are really better described as an extension of a manufacturer's warranty or some form of motor vehicle warranty to cover the cost of repairs which may be required following the purchase of a vehicle.

Consideration of the motor vehicle warranty cases forwarded to me during 2007, and also those cases which for one reason or another did not reach me because they were resolved beforehand in 2007, suggests to me that many motor vehicle purchasers who 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 of the document or its purpose. As I commented in my 2006 report, it is not unusual for the party

issuing the motor vehicle warranty to require that all repairs must be carried out by a repairer nominated by the company or alternatively approved by the company before the work is carried out.

It is also not unusual for the warranty document to require regular servicing and proof of such service and maintenance being provided at regular intervals (both service and proof thereof) to the company issuing the warranty.

In many cases the motor vehicle dealer appears to be acting as some form of agent in the process, but whether or not he is acting as an agent of the consumer or the party providing the warranty will depend on the documentation.

This is an area where further education of consumers is obviously necessary to avoid the public being misled, albeit innocently, by any of the various parties involved in the warranty arrangement.

VALUE-ADDED PROCESS

One rationale for the existence of the insurance broker is that he or she provides a value-added element to the underwriting arrangement. By undertaking all those activities for which he or she receives a fee the broker provides a value-added factor to the underwriting process for the benefit of the insured.

I have been concerned on several occasions in 2007 when it appeared to me that the broker had forgotten about this aspect of broking. In most cases the problem arises where the broker is asked to arrange cover of a particular nature and does so but without providing any input, consideration or advice as to whether this is the most appropriate underwriting arrangement or is really what the insured wants and needs.

On some occasions I have been concerned that the product which was ultimately provided was effectively so limited in its extent (cover, applicability, excess/deductible, etc) that the complainant might just as well not have bothered to arrange cover.

Brokers should not forget the basic reason for their existence, which is to provide the value-added element taking the underwriting transaction beyond an over-the-counter dealing with the insurer.

FUTURE PROBLEMS

I now look to the future of complaints against the broking industry. IBD only handles some complaints. Many complaints are the subject of litigation and are not referred to IBD.

Brokers should not expect that their liability to clients and complaints and claims against brokers and underwriting agents will be any different from the experience of other commercial groups such as banks, insurers, financiers and similar commercial enterprises.

In that regard, class actions are the flavour of the decade for litigation funders and lawyers. Courts are making it easier to bring class actions and fund cases in the commercial area.

Brokers who arrange cover for industry groups, members of trade associations and similar should be mindful of the ease with which groups of individuals can now litigate. For example, a policy which does not offer all benefits available on the market, a policy which may have different deductibles, conditions, exclusions and limits to those offered by another policy may well be the subject of criticism and complaint.

It must be expected that consumers will wish to revisit the question of premium on the basis that it was too high compared with another premium said to be available on the market at the same time.

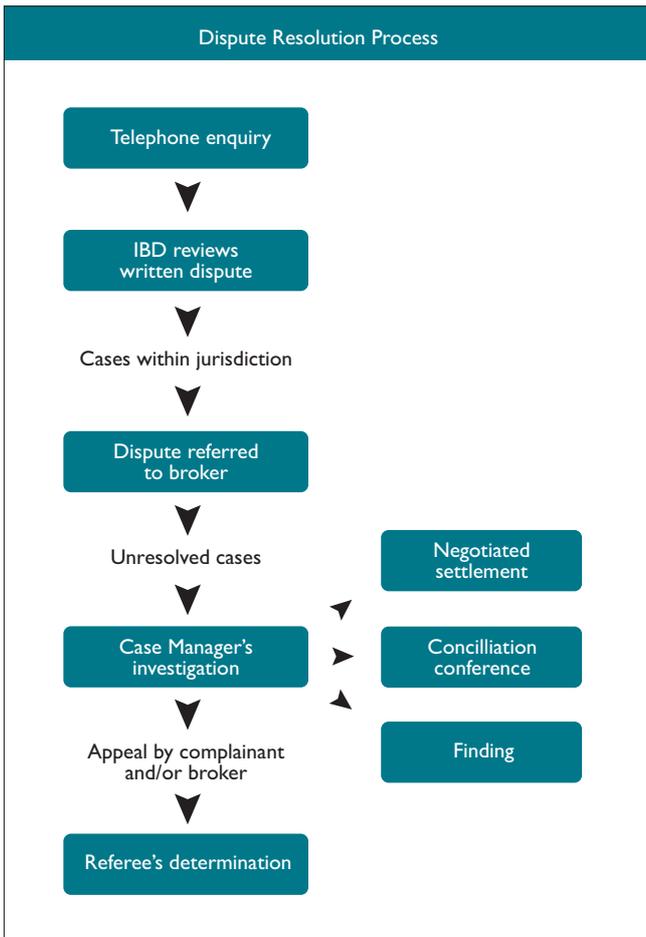
I would remind brokers and underwriting agents that many remedies in respect of complaints are in their own hands. Keeping full and proper documentation, checking documents carefully where there is any alteration in cover – however minor – and constant attention to detail will minimise the risks of complaint.

Finally I wish to thank Mr Philip Field and the Directors and staff of IBD for their assistance and support during the year.

David Letcher

Referee

DISPUTE RESOLUTION PROCESS



STAGE ONE: TELEPHONE ENQUIRIES

All telephone enquiries to IBD are initially answered by the Financial Ombudsman Service (FOS). FOS 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 disputes.

If the matter appears to be within the Terms of Reference, the Case Officer will also provide information about how to lodge a written dispute 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 disputant does not accept the member's proposal to resolve the dispute, the disputant can write to IBD to lodge a dispute. A member can also refer a disputant's complaint directly to IBD with the disputant's written consent.

Complaint forms and translating services are available in Arabic, Chinese and Vietnamese (and other languages if required) to cater for the most common languages. If complainants are experiencing difficulties lodging their dispute, due to language problems or disability, staff can assist by:

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

STAGE THREE: REFERRAL TO THE BROKER

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

The member has 14 days to respond to the dispute 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 disputes 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 dispute can be resolved in one of the following ways:

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

In considering a dispute, 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.

COMPLAINTS ANALYSIS

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

The following pages contain statistical information about the operation of IBD over the reporting period (1 January 2007 – 31 December 2007).

USERS OF IBD

ALL USERS

IBD compares the percentage of written disputes 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 108 (25.9%) of written complaints in the reporting period compared to 28.3% in the last reporting period.

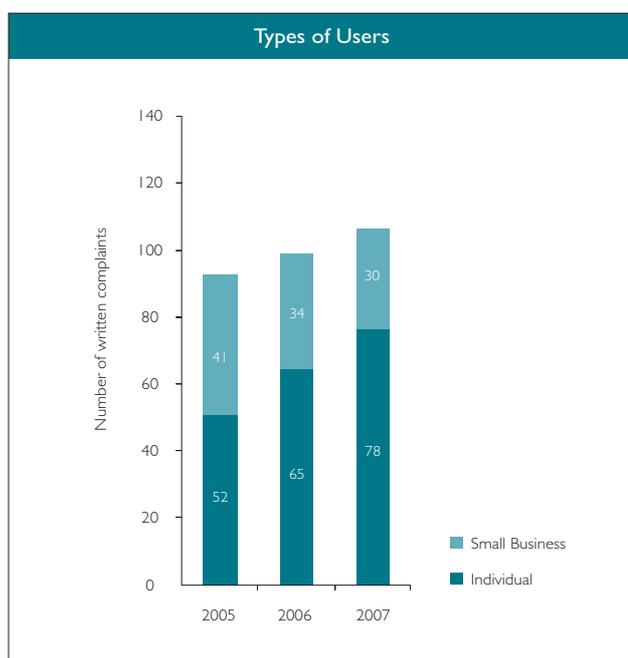
	ACT	NSW	NT	QLD	SA	TAS	VIC	WA	Other	Total
Users – metro	0	18	1	14	4	0	26	9	0	72
Users – country	2	9	0	8	1	1	6	1	0	28
Not provided	1	1	0	0	0	0	1	1	4	8
Total users	3	28	1	22	5	1	33	11	4	108

Country and Metropolitan users 2007

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 operation which employs less than 100 people if it is or includes being a manufacturer of goods,

otherwise 20 people. The graph below shows the numbers of small business disputants compared with individuals in 2005, 2006 and 2007.



Individual and Small Business Users

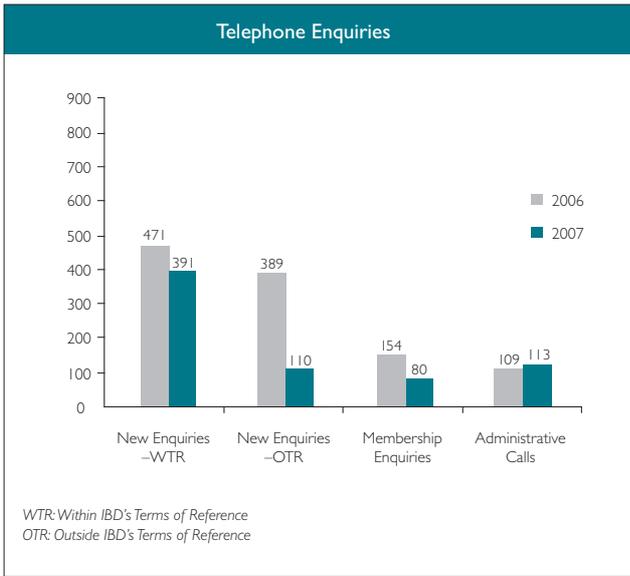
IBD was predominantly used by individuals. One explanation for this may be that the jurisdictional limit for individuals is \$50,000, whereas for small business disputes it is only \$5,000. However, we note that both of these limits increased to \$100,000 in May 2007.

TELEPHONE ENQUIRIES

As noted in section 3 of this report, callers to our 1300 78 0808 number reach the Financial Ombudsman Service (FOS), a central telephone referral service for seven alternative dispute resolution schemes serving the financial services sector. FOS then refers broker-relevant callers to IBD.

During the reporting period IBD recorded a total of 775 telephone calls, 501 of which were new enquiries, and 391 of which were within IBD's Terms of Reference.

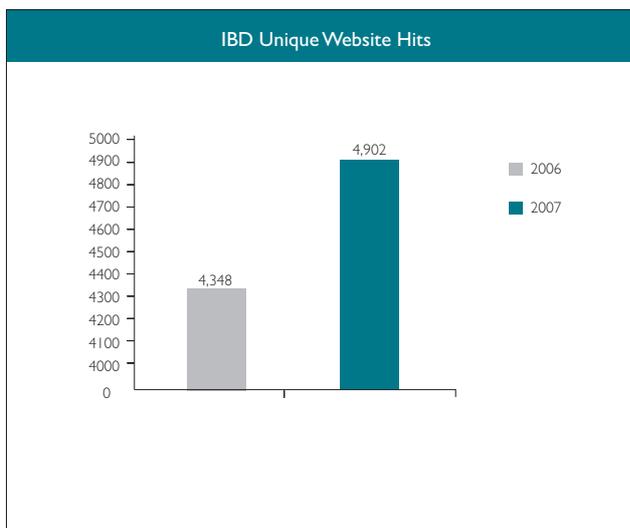
This equates to a monthly average of 65 calls of which, on average, 42 were new enquiries. Compared to the last reporting period, the total calls decreased by 31% and new enquiries by 42%.



Telephone enquiries

WEBSITE USAGE

Unique visits to IBD via our website (www.ibdltd.com.au) grew in 2007, with 4,902 hits recorded in the reporting period. The graph below shows the continued growth in hits since 2006. Complainants are encouraged to refer to our website for information about IBD and to lodge a complaint with us.

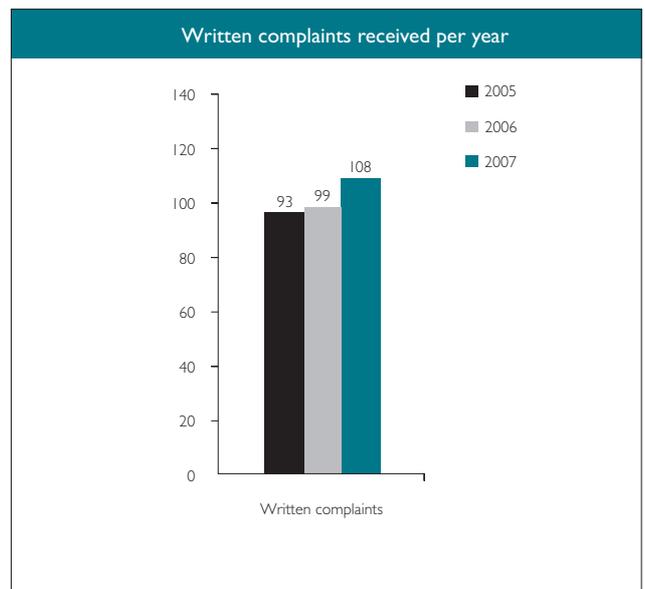


IBD website hits

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 dispute form that can be completed and submitted online. When a written dispute is received by IBD, a new case is opened.

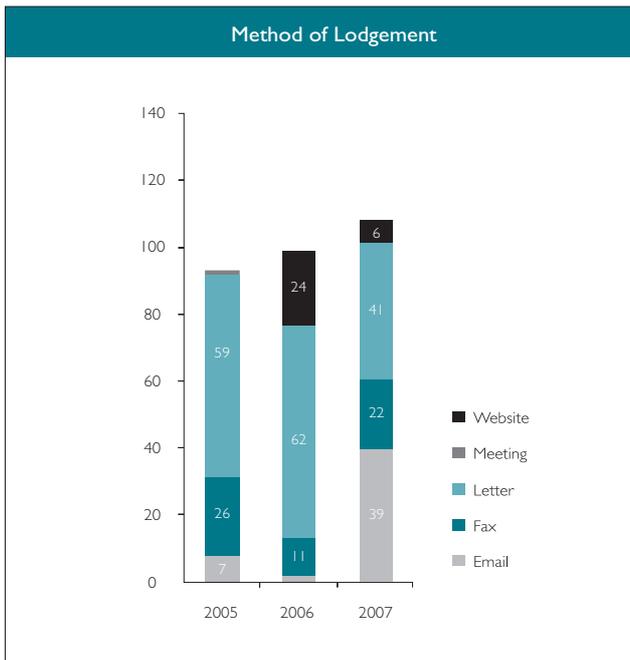
In 2007, IBD received a total of 108 new cases, an increase of nine (8.3%) on the previous year. The graph below represents the number of new cases received since January 2005.



New Cases Received

METHOD OF LODGEMENT

The majority of complaints are still lodged by letter, with a large increase in the receipt of complaints by email. In 2007 the number lodged using the website form decreased significantly to 5.6%, but emailed complaints rose from two in 2006 to 39 in 2007.



Method of Lodgement

OPEN CASES: OUR WORK IN PROGRESS

As at 31 December 2007, IBD had 44 open cases, 11 more than the number of open cases at 31 December 2006. The table below shows the distribution of open cases at different stages of the IDB process.

Open Cases – as at the end of the period	
With member for consideration	7
Member response being assessed	10
Case Manager investigating	23
With Referee for determination	3
Determination issued by Referee	1
Total open cases	44

Distribution of Open Cases at 31 December 2007

CLOSED CASES

In the period from 1 January 2007 to 31 December 2007, IBD closed 96 cases, 13 (13.5%) more than the number of closed cases in the previous reporting period.

The investigation process usually involves the Case Manager writing to both the disputant 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 in 2005. The reviewer noted in his report that such a process would result in it taking longer to resolve disputes. 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 2006. 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	2007	% of total	2006	% of total
Closed without referral to member	22	22.92%	4	4.82%
Closed after referral to member	32	33.3%	4	4.82%
Closed after referral to Case Manager	28	29.17%	56	67.47%
Closed after referral to Referee	14	14.58%	19	22.89%
Total	96		83	

Closed Cases

CASE OUTCOMES

Cases closed without formal referral to the broker

In 2007, 22 cases were closed without being formally referred to the broker. These include 10 cases assessed by IBD as outside the Terms of Reference and nine that were referred to other bodies.

The remaining 74 cases were formally referred to the relevant broker for its response.

Cases closed following a formal referral to the broker

Of the 74 cases formally referred to the broker, 24 were resolved after IBD facilitated settlement between the parties. Another six cases were either discontinued, withdrawn by the disputant or the disputant failed to respond to a request for further information. Two cases were assessed to be outside Terms of Reference at this stage.

The remaining 42 cases were investigated by the IBD Case Manager.

Cases closed after referral to the Case Manager

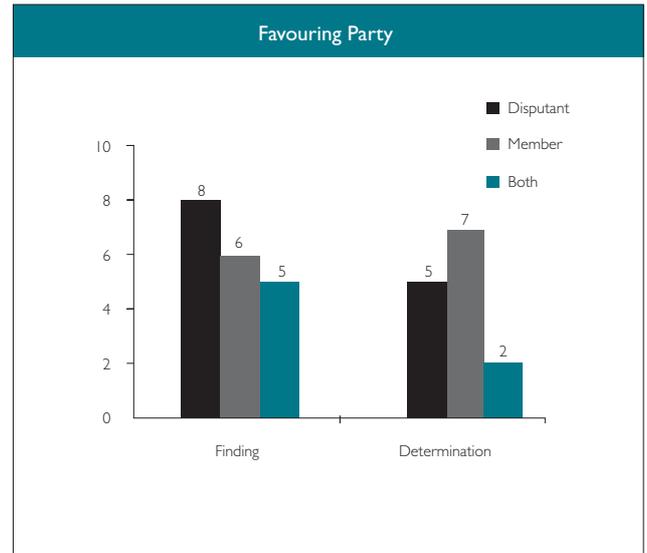
During the Case Manager's investigation six cases were discontinued because the disputants did not respond to a request for further information. Two cases were resolved after IBD facilitated settlement between the parties, and one case was withdrawn by the disputant.

Of the remaining 33 cases, 19 were resolved after the Case Manager issued a finding on the merits of the dispute. Eight findings were issued favouring the disputant, six favouring the member and five compromises.

Cases closed after referral to the Referee

There were 14 cases closed 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 14 determinations, five favouring the disputant, seven favouring the member and two compromises.



Favouring Party – Cases Investigated

The table above shows the overall spread of case outcomes favouring the disputant, member or both at both the finding and determination levels.

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, many OTR cases are more appropriately dealt with in another forum, or the claim amount may be too high or legal action may have commenced.

Of the 96 cases closed in 2007, 12 were found to be OTR. The reasons are as set out in the table below.

OTR Reasons	
Large business	3
Not a member of IBD	3
Not lodged by member's client	3
Product not covered by IBD	3
Total	12

OTR Cases

CASE RESOLUTION TIMES

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 disputant to return a written authority and any "appeal" period, when the case is provisionally closed.

In 2007, the median number of days taken to resolve closed cases was 114 days.

The table below shows the length of time taken to resolve the cases closed (excluding cases that were discontinued or outside the Terms of Reference) in the reporting period, compared to 2005 and 2006.

	2005	2006	2007
Less than 7 days	6	6	13
7 days to less than 15 days	16	5	5
15 days to less than 30 days	15	6	10
30 days to less than 60 days	22	16	14
60 days to less than 90 days	10	16	5
90 days and over	33	34	49
All cases closed in the period	102	83	96

Case Resolution Times

PRODUCTS AND PROBLEMS

IBD's activities cover 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 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.

	2005		2006		2007	
Business Pak electronics	1	0.98%	1	1.20%	0	0.00%
Business Pak	11	10.78%	11	13.25%	11	10.89%
Business Pak burglary	4	3.92%	3	3.61%	1	0.99%
Business Pak business interruption	1	0.98%	0	0.00%	0	0.00%
Business Pak electronics	0	0.00%	0	0.00%	1	0.99%
Business Pak fire & perils	1	0.98%	0	0.00%	2	1.98%
Business Pak glass	0	0.00%	1	1.20%	0	0.00%
Business Pak machinery breakdown	1	0.98%	0	0.00%	1	0.99%
Business Pak money	1	0.98%	0	0.00%	0	0.00%
Business Pak personal accident	0	0.00%	0	0.00%	0	0.00%
Business Pak public liability	3	2.94%	1	1.20%	1	0.99%
Farm	1	0.98%	1	1.20%	2	1.98%
Home and contents	18	17.65%	9	10.84%	16	15.84%
Income Protection	3	2.94%	4	4.82%	2	1.98%
Industrial Special Risk	2	1.96%	0	0.00%	0	0.00%
Life	0	0.00%	0	0.00%	1	0.99%
Livestock	2	1.96%	0	0.00%	1	0.99%
Marine	4	3.92%	0	0.00%	2	1.98%
Motor vehicle commercial	6	5.88%	2	2.41%	4	3.96%
Motor vehicle extended warranty	0	0.00%	15	18.07%	18	17.82%
Motor vehicle private	16	15.69%	12	14.46%	8	7.92%
Other	4	3.92%	1	1.20%	5	4.95%
Personal Accident and Sickness	4	3.92%	6	7.23%	2	1.98%
Pleasure Craft	0	0.00%	0	0.00%	2	1.98%
Professional Indemnity	7	6.86%	2	2.41%	3	2.97%
Public Liability	6	5.88%	7	8.43%	4	3.96%
Strata Title/Landlord	4	3.92%	5	6.02%	9	8.91%
Superannuation	1	0.98%	0	0.00%	0	0.00%
Travel	0	0.00%	0	0.00%	5	4.95%
Workers' Compensation	1	0.98%	2	2.41%	0	0.00%
Number of 'Products' Reported	102	100%	83	100%	101	100%

Product Types

	2005		2006		2007	
Cancellation/refund	10	9.8%	6	7.2%	14	13.9%
Cancellation/refund commission issue	1	1.0%	2	2.4%	3	3.0%
Cancellation/refund funding issue	6	5.9%	7	8.4%	2	2.0%
Cancellation/refund time issue	1	1.0%	3	3.6%	0	0.0%
Claim	5	4.9%	7	8.4%	24	23.8%
Claim settlement issue	14	13.7%	12	14.5%	7	6.9%
Claim time issue	6	5.9%	4	4.8%	2	2.0%
Cover	31	30.4%	17	20.5%	31	30.7%
Excess	3	2.9%	2	2.4%	0	0.0%
Fee from broker	3	2.9%	3	3.6%	1	1.0%
Fraud	0	0.0%	1	1.2%	2	2.0%
New business	2	2.0%	4	4.8%	3	3.0%
Non-disclosure	1	1.0%	2	2.4%	1	1.0%
Non-disclosure conviction	2	2.0%	2	2.4%	1	1.0%
Other	0	0.0%	0	0.0%	4	4.0%
Premium funding	2	2.0%	1	1.2%	0	0.0%
Premium level	2	2.0%	0	0.0%	1	1.0%
Professionalism	3	2.9%	3	3.6%	3	3.0%
Renewal	3	2.9%	4	4.8%	1	1.0%
Renewal not received	4	3.9%	1	1.2%	0	0.0%
Renewal time issue	0	0.0%	1	1.2%	0	0.0%
Value (agreed/market)	3	2.9%	1	1.2%	1	1.0%
Number of 'Problems' Reported	102	100%	83	100%	101	100%

Problem Types

The top three product groups in terms of the number of complaints received were motor vehicle extended warranty (17.82%), home and contents (15.84%) and Business Pak (10.89%). The top product category in disputes in this reporting period was motor vehicle extended warranties. The group of members providing this product are relatively new members of IBD.

SYSTEMIC ISSUES

In addition to investigating and resolving individual disputes, IBD has a broader role in identifying systemic issues and cases of serious misconduct. ASIC's Policy Statement 139 (PS139) formalises this role. As a scheme approved under PS139, IBD must:

- 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 2007 to 31 December 2007, no systemic issues were identified.

As noted in the 2006 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.

In 2007 we conducted an audit of 100 randomly selected members to see if they had adequate procedures and correctly informed customers about IBD. From the documents provided by our audited members in relation to the information provided to member's clients and complainants, the most common areas of concern are as follows:

- 1) The audit has shown that 31% of the members audited still refer to "Insurers Brokers Disputes Limited" as "Insurance Brokers Dispute Facility";

- 2) The audit has shown that 23% of the members audited have provided IBD's old contact telephone number to complainants and clients; and
- 3) The audit has shown that 13% of the members audited have provided IBD's old address to complainants and clients.

All members of IBD were informed of the audit results and requested to ensure that they provided accurate and up to date information to their customers. Full details of the audit results were contained in our August 2007 Newsletter, which is available from our website under the "News" tab.

VALUE OF COMPLAINTS

Some cases, such as those already involved in legal proceedings, cannot be handled by IBD. Prior to 1 May 2007, IBD was unable to consider disputes involving claims of more than \$50,000 for individual disputes and \$5,000 for small business disputes, 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 increased to \$100,000 in all cases from 1 May 2007.

	2005 %	2006 %	2007 %
Less than \$1,000	20.4	43.4	50.0
\$1,001 to \$5,000	45.2	33.3	25.9
\$5,001 to \$10,000	9.7	4.0	6.5
\$10,001 to \$50,000	21.5	16.2	13.9
\$50,001 to \$100,000	0.0	1.0	3.7
\$100,000+	3.2	2.0	0.0

Value of Claims

OTHER ACTIVITIES

During the reporting period IBD actively participated in the Consumer Conference held in Sydney. We also conducted a presentation for members in conjunction with our Annual General Meeting and in an individual presentation for the larger broker members. Case Manager Michael Wells also attended the National Insurance Brokers Association Convention in October.

IBD entered into an agreement with NIBA to monitor the standards contained in the Insurance Brokers Code of Practice. The Code applies automatically to all NIBA members. Non-NIBA members can also apply to NIBA via IBD to subscribe to the Code. IBD is of the view that the Code represents good industry practice and the role of Code Monitor is consistent with IBD's objectives to ensure that good industry standards are achieved and maintained.

Code standards will be monitored through the consideration of disputes and by conducting random audits. In late 2007, IBD commenced an audit of 100 randomly selected NIBA members to ascertain their compliance with:

- Clause 10.4 of the Code relating to the disclosure of whether or not commissions and broker's fees will be refunded in the event that a policy is cancelled before the period of insurance ends; and
- Clause 13.1 of the Code relating to the disclosure of the role played by the broker that are related to the provision of premium funding.

Both of these matters have been the subject of comment by the Referee in previous Annual Reports. The results of the audit will be posted on the IBD website.

PARTICIPATING MEMBERS

Members as at 31 December 2007		
Extended Warranty	5	0.6%
Financial Planner	6	0.7%
General & Foreign Broker	65	8.1%
General & Life broker	51	6.3%
General & Super Broker	1	0.1%
General Broker	608	75.6%
General, Life & Foreign Broker	2	0.2%
General, Super & Life Broker	28	3.5%
General, Super, Life & Foreign Broker	11	1.4%
Life Broker	1	0.1%
Super & Life Broker	13	1.6%
Superannuation Broker	3	0.4%
Underwriting Agency	10	1.2%
Total	804	100%

Members

As noted in the table above there were 808 members as at 31 December 2007. 90% of members provided general broker, general and life, or general and foreign broker services.



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