

Insurance CBA in shareholders' sights

Call to start taking ethics seriously'

Sarah Danckert

The peak body representing retail shareholders in Australia has called for a royal commission into the insurance sector and urged the Commonwealth Bank of Australia to "start taking ethics seriously" after a scandal in the bank's insurance arm CommInsure.

The Australian Shareholders Association (ASA) lashed CBA over revelations by former CommInsure chief medical officer Dr Benjamin Koh that staff tampered with medical files, claims managers leaned on doctors to change medical opinions and customers were sold policies with out-of-date definitions of serious medical conditions.

The ASA, which counts CBA shareholders among its members, has also thrown its weight behind a call for a royal commission into the practices of CommInsure and the wider insurance industry. At last year's CBA annual meeting, ASA represented 2367 shareholders for a total of 6.32 million shares.

ASA chairman Diana D'Ambra described the conduct uncovered by the joint media investigation between Fairfax Media and *Four Corners* as "very disturbing".

"Despite pledges to be the 'ethical bank', it is very disturbing that the integrity and ethics of Australia's largest bank have again been brought into question," she said.

In 2014, Fairfax Media revealed that Commonwealth Bank's planning arms had tried to cover up the reckless advice given by financial planners who were working in the bank or authorised by the bank's advice divisions.

Ms D'Ambra said the reports suggested CommInsure had gone to lengths to ensure some policies were not paid out.

"This is exacerbated by the fact that financial advisers are selling these products to customers who do not fully understand the policy carve-outs until it is too late.

"It is time directors and management took responsibility to ensure that they are aware and in a position to action real changes to prevent these practices," Ms D'Ambra said. "At the end of the day, it is the customer and investor who suffer from such poor behaviour."

Separately, CBA said in a statement on Thursday that it had accelerated its planned upgrade of its definitions for heart attack and severe rheumatoid arthritis in its trauma coverage. The upgrade will be backdated to apply to all claim events from May 2014.

CommInsure will also introduce an independent review panel to assess "complex" claims that have been declined. The bank will appoint an independent expert to oversee a claim review program.

"Ethical concerns that have been aired in recent media reports will be independently investigated," the statement said.

CBA chief executive Ian Narev said he remained concerned about the customers who were the subject of recent media reports, and welcomed the actions being taken by CommInsure in response to the issues raised.

The chairman of the CommInsure board, Geoff Austin, said he apologised to affected customers on behalf of CommInsure.

The CommInsure board had met and reviewed current initiatives and agreed to take extra steps immediately to reassure customers of its values and commitment.

CBA also claimed that assertions CommInsure was not responsive to internal concerns raised were incorrect.

The ASA's call for a royal commission comes amid mounting pressure on the government to crack down on the financial services sector.

This week, shadow financial services minister Jim Chalmers said the government must consider a royal commission, and the Greens finance spokesman, Senator Peter Whish-Wilson reiterated his party's call for a royal commission into the sector.

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