

Oaths Act 1867

Statutory Declaration

**QUEENSLAND
TO WIT**

I **Dominic James Dower** of NRMA Insurance, 189 Grey Street, Southbank in the State **Queensland** do solemnly and sincerely declare that:

- 1 I am employed by Insurance Australia Group Limited as the State Claims and Assessing Manager for NRMA Insurance in Queensland. I also have management responsibility for SGIO and SGIC claims operations in Western Australia and South Australia.
- 2 I provide this declaration in relation to the request by Commissioner Justice C E Holmes to Insurance Australia Group Limited dated 2 September 2011 in relation to the Queensland Floods Commission of Inquiry (**Commissioner's request**).
- 3 My response to the Commissioner's request is also made having regard to the further correspondence from Jayne Moynihan, executive director of Queensland Floods Commission of Inquiry to DLA Piper Australia dated 5 September 2011.
- 4 Exhibited to me at the time of swearing this Statutory Declaration is a bundle of documents marked with the initials DD in which the pages are consecutively numbered from 001 to 834. In this Statutory Declaration I will refer to individual exhibits in the form Exhibit DD [First Page] to [Last Page].
- 5 Exhibited to this Statutory Declaration as Exhibit DD 001 to 006 is a copy of the letter from Commissioner Justice C E Holmes to Insurance Australia Group Limited dated 2 September 2011.
- 6 Exhibited to this Statutory Declaration as Exhibit DD 007 to 009 is a copy of the letter from Ms Moynihan to DLA Piper Australia dated 5 September 2011.

Background

- 7 I have been employed by Insurance Australia Group Limited for approximately 25 years since approximately February 1986. As the State Claims and Assessing Manager I was responsible for the coordination of our operational response to the Queensland flood events. I reviewed all process documents that were created for the Queensland flood events.
- 8 Where I depose to matters not directly within my knowledge during the course of carrying out my responsibilities, I make this Declaration having reviewed the business records maintained by Us in respect of this matter and having made enquiries of relevant senior personnel. I refer to these records in this Declaration and, where appropriate, I have Exhibited relevant records.

- 9 The enquiries which I have made include:
- 9.1 in relation to call recordings, I made enquiries of our Telephony & Technology Manager;
 - 9.2 in relation to Dispute Resolution, I made enquiries of our Senior Manager, Customer Relations;
 - 9.3 in relation to claims lodgement, I made enquiries of our National Customer Contact Manager;
 - 9.4 in relation to the engagement of hydrologists I made enquiries of IAG's Senior Manager, Natural Perils Research.

NRMA Insurance's Flood Cover

- 10 NRMA Insurance is the trading name in Queensland, New South Wales, ACT and Tasmania of Insurance Australia Limited, a subsidiary of Insurance Australia Group Limited (IAG). IAG is a national insurance group which issues home and contents insurance policies under a variety of brands. Its policies provide cover for weather events including, bushfire, earthquake, storm, hail, wind, and cyclone.

Insurance policies

- 11 NRMA Insurance offered the following household insurance policies in Queensland at the time of the Queensland Flood Events:
- 11.1 Home Insurance Buildings and Contents¹ (**Home PDS**).
 - 11.2 Landlords Insurance² (**Landlord PDS**).
- 12 The same policy terms set out in a Product Disclosure Statement (PDS) have applied to these policies since 4 December 2004. The cover of the PDS was updated in November 2008 to reflect branding changes. The 2004 and 2008 versions of the PDSs were the only applicable versions of the Home PDS and Landlords PDS in market at the time of the Queensland Flood Events.
- 13 Exhibit DD 010 to 089 is a pro forma copy of the Home PDS.
- 14 Exhibit DD 090 to 166 is a pro forma copy of the Landlord PDS
- 15 Each of the above PDS' contained the following terms relevant to the damage caused by the Queensland Flood Events:

Storm coverage (Home PDS p15):

- If your home or contents suffer loss or damage caused by
- a violent wind, cyclone or tornado

¹ 2004 PDS: Edition 1 (G009823 06/04)
2008 PDS Edition 1 (G012824 09/08).

² 2004 PDS: Edition 1G010206 12/04 2008 PDS Edition 1 (G012825 09/08)

- thunderstorm or hail which may be accompanied by rain or snow, or
- a sudden, excessive run-off of water as a direct result of a storm in your local area

we will under contents insurance

- replace or repair your damaged contents we will under buildings insurance

we will under buildings insurance

- rebuild or repair that part of your home that was damaged
- rebuild or repair that part of any gate, fence or free-standing wall that was damaged by wind, unless
- .. they were not kept in good order and repair, that is, they were not structurally sound or well maintained

Storm coverage (Landlord PDS p18):

If your Landlord buildings or Landlord contents suffer loss or damage caused by

- a violent wind, cyclone or tornado
- thunderstorm or hail which may be accompanied by rain or snow, or
- a sudden, excessive run-off of water as a direct result of a storm in your local area

we will under buildings insurance

- repair or rebuild those parts of your Landlord buildings that were damaged
- repair or rebuild that part of any gate, fence or free-standing wall that was damaged by wind, unless
- .. they are not kept in good order and repair, that is, they are not structurally sound or well maintained

we will under contents insurance

- repair or replace your damaged Landlord contents

Storm definition from glossary (Home PDS p71; Landlords PDS p63):

Storm is a violent wind, cyclone, tornado, thunderstorm or hail which may be accompanied by rain or snow, or a sudden, excessive run-off of water as a direct result of a storm in your local area. It does not include persistent rain by itself.

Storm surge definition from glossary (Home PDS p71 Landlord PDS 63):

Storm surge is the increase in sea level that usually occurs with an intense storm or cyclone. Storm surge is not covered by this policy.

Flood Exclusion (Home PDS p35)

'What you are not covered for -

general exclusions

we will NOT cover

loss, damage, injury or death that occurs as a result of flood...

- .. the sea, high water or tidal wave
- .. the sea, high water or tidal wave'

Flood Exclusion (Landlord PDS p26)

Flood is NOT covered under this policy. However, if your Landlord Buildings or Landlord contents are in either SA or WA you can choose to increase your cover to include flood.

Flood definition from glossary (Home PDS p70; Landlord PDS p61):

"Flood is the covering of normally dry land by water escaping or released from the normal confines of a watercourse or lake, whether or not it is altered or modified. Flood also includes water escaping from the confines of any reservoir, channel, canal or dam. Flood is not covered by this Policy."

Storm coverage exclusions (Home PDS p15):

- we will not cover loss or damage caused by flood
- we will not cover loss or damage caused by storm for the first 48 hours of this Policy, unless
 - .. risk passed to you as purchaser of your home immediately before you took out this Policy, or
 - .. you signed a lease contract for your home immediately before you took out this Policy, or
 - .. your Policy commenced immediately after another policy covering the same risk expired, without a break in cover
- under contents insurance
- we will not cover loss or damage caused by storm
 - .. to swimming pool or spa covers, or
 - .. to detachable covers
- under buildings insurance
- we will not cover loss or damage caused by storm to retaining walls, or when water enters through an opening that was not created by the storm.

Storm coverage exclusions (Landlord PDS p18):

- '- we will NOT cover loss or damage caused by storm for the first 48 hours of this Policy, unless
 - .. risk passed to you as purchaser of your home immediately before you took out this Policy, or
 - .. your Policy commenced immediately after another policy covering the same risk expired, without a break in cover
- we will NOT cover loss or damage
 - .. to swimming pool or spa covers or detachable covers, or
 - .. to retaining walls
- we will NOT cover loss or damage to Landlord buildings when water enters through an opening that was not created by the storm
- we will NOT cover loss or damage caused by flood *unless*
 - .. you have chosen the option for Flood Cover in SA or WA
- you will need to pay any excess that applies.'

Claims Handling Obligations

- 16 The Insurance Contracts Act 1984 (Cth) requires that NRMA Insurance act towards its customers, in respect of any matter arising under or in relation to the subject policies, with the utmost good faith (see section 13). This obligation requires NRMA Insurance to act honestly, reasonably, and fairly in the assessment of a claim. This includes making a prompt admission of liability to meet a sound claim for indemnity and to make a prompt payment in satisfaction of that claim.
- 17 NRMA Insurance's obligations in processing and assessing claims when responding to catastrophes and disasters are set out in Part 4 of the General Insurance Code of Practice. They include responding to claims in a fast, professional and practical way and in a compassionate manner, including by developing internal processes for responding to such catastrophes and disasters.
- 18 The Code notes that, due to the large number of claims received during times of catastrophes and disasters, insurers may not be able to meet all claims handling provisions of the Code.

Insurance claims

Overview

- 19 NRMA Insurance received nearly 3,000 home and landlord claims in relation to the Queensland Flood Events. In addition, we received a significant number of event related claims in respect of other classes. In handling these claims:
 - 19.1 The majority of assessments were completed within six weeks of obtaining access to sites affected.
 - 19.2 All customers were reminded at lodgement that flood is not covered by their policy, but that the claim would be lodged for consideration.
 - 19.3 Claims were paid in line with our policy coverage.
 - 19.4 During the Queensland Flood events, 27 customers were provided with temporary accommodation on an ex gratia basis while we determined their claim and we carried out a number of emergency repairs to pool fences.
 - 19.5 To date, we have finalised over 93.3% of accepted claims meaning that the majority of our customers' have received payments or building repairs have been completed. Of the remainder:
 - 19.5.1 3.6% are in the process of being repaired by our preferred builders.
 - 19.5.2 3.1% are claims where the customer is supplying further information or is selecting their own builder for repairs. In these cases most have already involved part payment.
- 20 Customers have continued to lodge claims as late as August.

Processes and Procedures for handling Potential Flood Claims

- 21 NRMA Insurance has extensively documented processes for the handling of insurance claims and considerable experience dealing with catastrophic events (refer paragraphs 77, 78, 79 and 80 below).
- 22 However, given the scale and complexity of the Queensland Flood Events, NRMA Insurance developed specific processes to take into account indemnity issues and the specific needs of customers arising from these events (refer paragraphs 24, 25, 26 and 27 below).
- 23 Broadly, the claims determination process was as follows:
 - 23.1 Claims were lodged with frontline telephone consultants. Potential flood claims were lodged for consideration on a "without prejudice" basis (given flood was not covered under the Home PDS or Landlord PDS in Queensland). These customers were informed upfront that flood was not covered and that the property would need to be assessed via an onsite inspection to determine the cause of damage.
 - 23.2 Claims were assigned to a claims consultant who determined what further information was needed and made contact with the customer. Where the customer indicated that the property had been inundated by water, the claim was referred for assessment (refer paragraph x below)
 - 23.3 NRMA Insurance used the following information sources in making a determination on the claim:
 - 23.3.1 a customer's account of events;
 - 23.3.2 an on-site assessment (refer paragraph x below)
 - 23.3.3 aerial images taken during the flooding;
 - 23.3.4 river level data; and
 - 23.3.5 and a regional external hydrology assessment
 - 23.4 For those customers where the cause of damage was unclear, NRMA Insurance obtained additional hydrology reports specific to their street or property.
 - 23.5 If the claim was accepted, NRMA Insurance contacted customers to arrange to repair damage, replace damaged items or pay cash settlements.
 - 23.6 Any proposed claim denials were reviewed by a panel of claims managers to ensure all relevant information had been taken into account. That panel comprised the National Major Event Manager; Assessing Operations Manager - Qld & SA; Claims Operations Manager Qld & SA; Home Assessing Team Manager Qld; Home Claims Team Manager Qld; Claims Specialist Manager - Qld, SA, WA; and myself - State Manager, Claims & Assessing QLD, SA & WA.

23.7 If the claim was denied, customers were advised over the phone in accordance with specific scripting as well as in writing and advised of next steps to take should they wish to dispute the decision.

24 The above claim process is illustrated in the flow chart set out on page 25.

25 Specific procedures were developed and communicated to claims staff by way of written process document entitled 'Qld HOME FLOOD Catastrophe Event (December 2010 – January 2011). Given the dynamic nature of these events, the process document was updated regularly to provide guidance to claims staff about how to respond operationally to these events and help our customers in the best way possible.

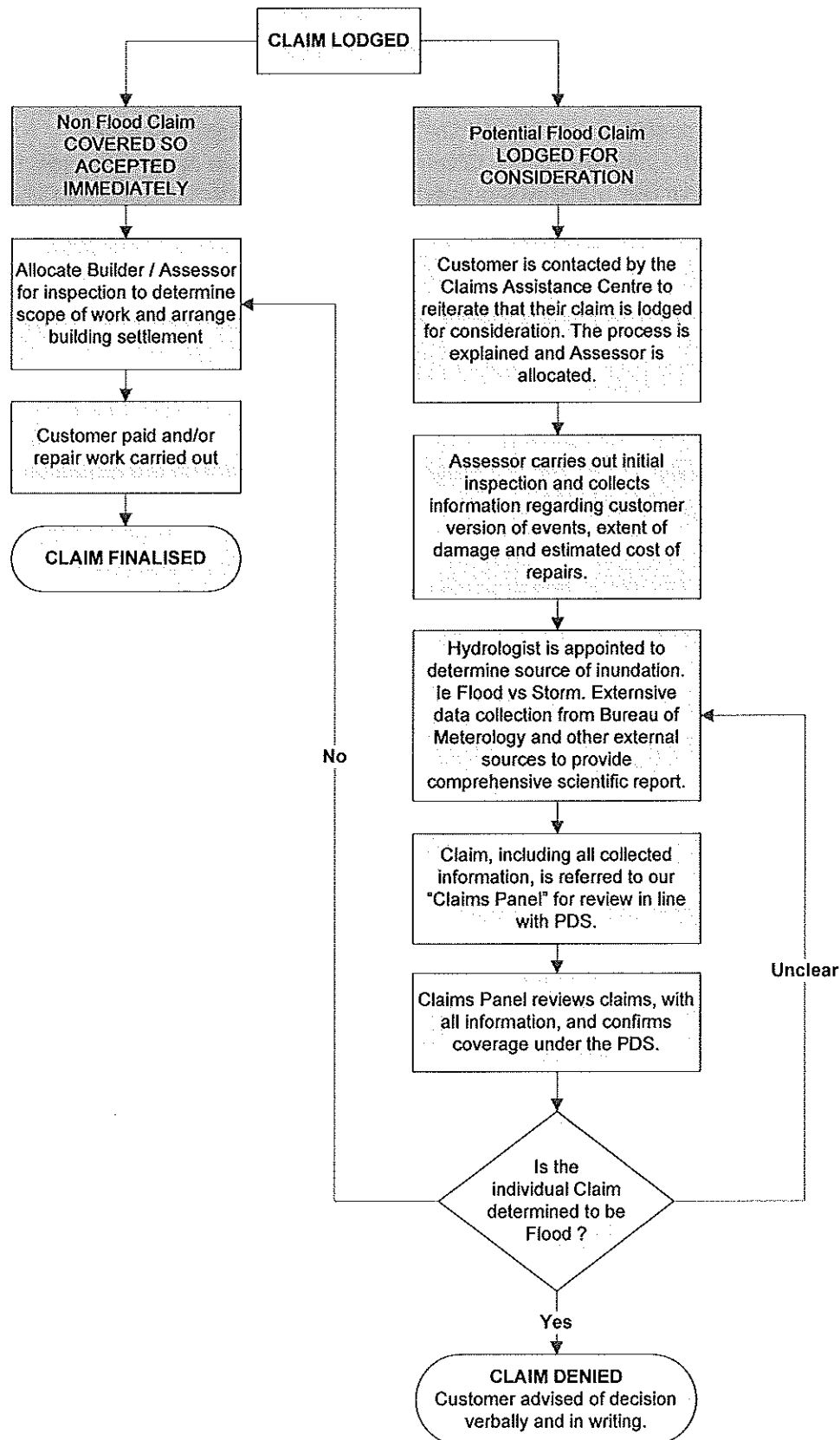
26 Exhibit DD 167 to 176 is the first version of the process document issued 13 January 2011

27 By way of further example:

27.1 Exhibit DD 177 to 188 is a version of the process document issued on 18 January when NRMA Insurance regained access to its South Bank claims site.

27.2 Exhibit DD 189 to 202 is a version of the process document issued on 5 February 2011 shortly after Cyclone Yasi made landfall.

Queensland Flood Event - Claims Procedure



Staffing Levels, Training and Quality Assurance

- 28 After lodgement, the claims were handled by a dedicated and experienced claims team in Queensland which was formed in order to coordinate our operational response to the Queensland flood events and ensure consistency of communication. Event specific process documents and scripting and standard claims validation templates were developed (refer paragraphs 24, 25, 26 and 27 above).
- 29 Initially, staffing levels were adequate to respond to the December flood event, however extra staff were required when the Brisbane and Ipswich events occurred.
- 30 During the Brisbane floods NRMA Insurance's Southbank office was evacuated for a week. During this period, we located claims staff to satellite sites at Salisbury and Stafford. To maintain contact with customers we utilised our national resources to redirect customer calls and non event claims processing to our centres in other states.
- 31 We also brought in experienced resources from interstate operations. We employed temporary clerical staff to assist in processing non flood event claims.
- 32 For the two week period following 18 January 2011, NRMA Insurance's records indicate that the maximum phone wait time did not exceed 15 minutes and the average phone wait time was 130 seconds.
- 33 Cyclone Yasi made landfall on 3 February 2011. Whilst this resulted in a relatively small number of claims it did divert and stretch our claims capability and effort.
- 34 We deployed our Major Emergency Rapid Response Vehicle (MERRV) in the area affected by Cyclone Yasi to provide face-to-face support for customers. It operates as a mobile branch that uses satellite technology so customers can lodge claims and get information about the next steps of their claim. Claim consultants at the MERRV can also process emergency payments and temporary accommodation where required, and provide retail vouchers.
- 35 98% of claims lodged in relation to the Queensland flood events were assessed by 7 February 2011.
- 36 Operational management procedures were put in place whereby senior management teams reviewed event specific claims reports. Those reports provided detailed information on claims volumes and claims status on an aggregated and individual claims basis and broken down by location, incident date, criticality and resolution. The reports were initially produced twice daily up to 31 January 2011. Thereafter, the frequency reduced over time to daily, twice weekly and weekly. We continue to produce these reports on a weekly basis.
- 37 Exhibit DD 203 to 228 is an example of this reporting

Claims Lodgement

- 38 Customers lodged claims by calling 131123 for the cost of a local call (except for mobile phones). Claims lodgement is generally carried out by teams in NSW (which were not affected by the evacuation of our Southbank offices) with national

resources by way of back up. Whilst call volumes were high during and immediately following the event our network was well placed to respond.

- 39 Details on how to make a claim are clearly set out in the Home or Landlord PDS as follows:

'How to make a claim

If your home or contents suffer loss or damage call us immediately,
24 hours a day, 7 days a week

See back cover for contact details'

- 40 Our standard process is to encourage customers to lodge claims. Consultants are trained to encourage customers to lodge claims for consideration where there is uncertainty of coverage, insufficient information, the claim type is unclear or the claim needs further investigation.
- 41 Within four days of the Toowoomba and Lockyer Valley flood event, NRMA Insurance began making proactive contact with impacted home customers to inform them of their coverage under our policy. We had assessors in these areas as soon as fly-in or road access was available and most claims were accepted within days of assessment.

Initial Communication Procedures

- 42 Claims were lodged at initial telephone contact. Where flood was identified as a potential cause of the loss claimed or raised by the customer, claims staff followed a standard script in respect of policy coverage.
- 43 Initially (from 12 January 2011), the message to our customers in respect of flood cover was as follows:

'I do need to advise you that your policy does NOT provide cover for flood damage; however we are in the process of assessing all claims.

At this stage, your claim is lodged for consideration only. However, to ensure that we review your specific situation, a Home Assessor will be appointed to attend your property. Your assessor will be in contact with you shortly to arrange a visit as soon as they can access your area.

We understand this is a difficult time for you and we are here to work with you through this event. Once the assessor has attended and we have clarification on the cause of damage we will be in contact to provide you with an update. However, I must stress that there is no cover for Flood under your Home Insurance policy.'

- 44 Subsequently (from about 5 February 2011) this script stated:

I do need to advise you that your policy does NOT provide cover for riverine flood damage but does cover a sudden, excessive run-off of water as a direct result of a storm within your local area. Riverine flooding relates more to intense upper catchment rain resulting in lower catchment flooding, often referred to as "sunny-day flooding".

We are currently in the process of assessing all claims but at this stage, your claim is lodged for consideration only. However, to ensure that we review your specific situation, a Home Assessor has been appointed to attend your property. Your assessor will be in

contact with you shortly to arrange a visit as soon as they can access your area.

We understand this is a difficult time for you and we are here to work with you through this event. Once the assessor has attended and we have clarification on the cause of damage we will be in contact to provide you with an update.

- 45 Separate scripting was provided in respect of specific issues and in response to specific questions:

'Am I covered for Flood?

Flood is not covered by your policy; however we are reviewing each claim on an individual basis.'

'How do you determine the difference between flood and flash flood?

We would consider a flash-flood to be the sudden, excessive run-off caused by a storm in your local area, where as flooding is the water rising some time later at a different location. Sometimes it is difficult to determine the difference, so we use independent hydrologists to make an assessment.³

- 46 In relation to the disposal of damaged property:

- 46.1 As potential flood claims were lodged for consideration only, customers were warned that the items damaged may not be repaired or replaced.
- 46.2 Customers were told that they could dispose of items as part of the clean up process to avoid health and safety issues but were asked to keep a list of items disposed of and to arrange photographs if possible.
- 46.3 Specific scripting was provided in respect of common loss types.

The scripting was used for all claims which were assessed to be potential flood claims regardless of geographical location.

- 47 As all Home and Landlord claims involved the same policy wordings, our frontline and claims staff did not encounter issues requiring the verification of the applicable policy wording.

Claims Validation Procedures

- 48 Claims staff asked the customer a series of validation questions to determine where the water came from (refer to Exhibit DD 167 to 202) and also for them to make themselves available for our assessor to view the property.

- 49 The validation questions were:

'Good Morning/Afternoon, its (insert name) calling from NRMA Insurance in regards to your claim. Are you and your family safe? Do you have a few moments to discuss your claim?

³ refer to Exhibit DD 167 to 202

To assist me in determining the cause of the damage, can I please verify some information? [please confirm the following]

- Do you know where the water has come from that has entered your property? [Describe the incident]
- How did the water enter your property? [through the roof or at floor level]
- When did the water enter your property? [approximate date and time]
- What is damaged? [confirm building and contents]
- Has the water receded, is your property accessible?
- [gather any other information about the water in the area, how high, other houses etc]

50 These standard validation questions did not vary by location.

Assessment/ Inspection Procedures

51 As shown in the Flow Chart on page 8 the standard claim assessment procedure involved physical site assessment for every potential flood claim.

52 In addition, assessments were conducted for Storm claims where the Customer was not able to live in their home or where there were safety concerns.

53 Site assessments were completed by experienced internal assessing staff⁴ who were instructed to complete a specific Storm/Flood Assessment Report template for each property to ensure consistency. A copy of that template is Exhibited at DD 229 to 232. This helped us prioritise our claims response based on customer need.

54 Physical site assessments were conducted at the beginning of the claim process once access to each location was possible. 98% of site assessments were completed by 7 February 2011.

55 The only departure from this procedure was in respect of six claims in Emerald which were late lodgements that we did not physically assess. For these claims the property locations were plotted geographically against all the claims data (including individual site assessments for other properties in the immediate vicinity) to ascertain whether there were in any locational factors which would result in different claims outcome. It was determined that we had sufficient information to determine these claims without a physical site assessment.

Hydrology Reports

56 IAG's Natural Perils Team obtained a series of regional reports (**Regional Hydrology Reports**) from the following external hydrology firms:

⁴ In one Rural town (Alpha) a Preferred Building Consultant attended 2 properties and this was overseen by the Home Assessing Team Manager.

- 56.1 Worley Parsons Services Pty Limited;
 - 56.2 WRM Water and Environmental Pty Limited;
 - 56.3 RPS Australia East Pty Ltd.
- 57 Regional Reports were obtained for the following areas:
- 57.1 Brisbane dated 17 February 2011;
 - 57.2 Ipswich dated 17 February 2011;
 - 57.3 Emerald dated 20 January 2011;
 - 57.4 Lower Burnett River dated 16 February 2011;
 - 57.5 Rockhampton dated 10 February 2011;
 - 57.6 Bundaberg dated 9 February 2011;
 - 57.7 Theodore dated 18 February 2011;
 - 57.8 Chinchilla dated 4 February 2011;
 - 57.9 Dalby dated 8 February 2011;
 - 57.10 Toowoomba dated 20 January 2011; and
 - 57.11 Oakey dated 27 January 2011.
- 58 On 22 March 2011 IAG provided copies of all the Regional Hydrology Reports completed to that date in compliance with the Commission's notices dated 10 March 2011 and 16 March 2011.
- 59 Since that time there has been only one additional Regional Hydrology Report received by IAG. This was an Ipswich regional report by Worley Parsons dated 24 June 2011 (**Updated Ipswich Report**). This was an update to the earlier Ipswich Regional Hydrology Report by Worley Parsons dated 21 February 2011. A copy of the Updated Ipswich Report is Exhibit DD 233 to 273. A copy of the instructions in respect of this report is Exhibit DD 812 to 834.
- 60 For the Regional Hydrology Reports the classification system, methodology and reporting template are identified in the standardised terms of reference forming the schedule of work for each hydrology firm engagement.
- 61 Exhibit DD 274 to 280 is copy of the instruction pro-forma provided in respect of Regional Hydrology Reports.
- 62 Exhibit DD 281 to 355 is a complete set of all instructions issued in respect of the above Regional Hydrology Reports.
- 63 Expert hydrologists were not asked to express any view or conclusion as to the application of policy terms and conditions. The opinions provided by the hydrologists

were confined to matters within the scope of their expert qualifications. Expert hydrological reports were interpreted and applied to particular claims in accordance with policy terms and conditions by a panel of claims managers.

- 64 In addition to the above Regional Hydrology Reports, NRMA Insurance obtained site specific and street specific reports relating, respectively, to a specific customer's property or to specific streets. (Individual Hydrology Reports).
- 65 Individual Hydrology Reports were obtained where greater clarity was required relating to the cause of damage sustained at an individual property or a number of customer's properties in a particular street. Individual Reports were obtained where the relevant Regional Hydrology Report, in conjunction with supporting aerial images (where available) and assessment report did not provide information at a level that was detailed enough for a decision to be made at a site specific location.
- 66 In relation to a dispute, if the Customer and/or their representative submitted information relating to the water movement which damaged the property, in particular if they submitted that the damage was not caused as a result of "flood", but as a result of blocked drains and/or the property was located close to a main drainage system we organised a site specific property hydrology report.
- 67 198 site specific hydrology reports were obtained.
- 68 Exhibit DD 233 to 273 is a copy of the Individual Hydrology Report instruction pro-forma instruction.
- 69 The above process was applied consistently across all regional areas.
- 70 However, conclusions drawn from the hydrology reports varied between regions. For example:
- 70.1 Regional hydrology information was sufficient in respect of Toowoomba and the Lockyer Valley to allow NRMA Insurance to assess and determine that damage was covered storm damage within a very short period of the storm events in that region.
- 70.2 In other areas, regional hydrology information strongly indicated that damage was caused by flood, for example, in Emerald.
- 70.3 In other areas the regional hydrology information was not sufficient to base a policy determination. In those areas individual property or street hydrology reports were obtained prior to claims determinations being made.
- 71 Customers were also referred to the publicly available reports commissioned by the Insurance Council of Australia.

Other Information

- 72 In addition to Regional and Individual hydrology reports, we utilised:
- 72.1 aerial images taken during the flooding which showed levels of inundation and water colouration; and

72.2 QLD Government flood mapping.

- 73 In the event that a claim was declined, customers were provided with a copy of the relevant hydrologist report.

Claims Assessment Difficulties

- 74 Generally, the processes adopted by NRMA Insurance operated well in practice and allowed the fair and timely assessment of claims. I refer to my observations at paragraph 19 above.
- 75 We were concerned to balance the need to managing customers' expectations of being told their claim outcome as soon as possible whilst ensuring we had enough information to make a fair and reasonable claims determination.
- 76 In some instances, final determination of claims were delayed when there was some uncertainty in respect of coverage and we needed to engage site specific hydrology reports. Delays in obtaining these reports were exacerbated by difficulties in obtaining the release of relevant rainfall and river level gauge data from the Bureau of Meteorology (BoM) immediately following the Queensland Flood Events and the relatively small pool of expert hydrologists available to manage the volume of requests across the industry.
- 77 We have extensive experience in managing disaster events. In the last 18 months, NRMA Insurance, SGIO and SGIC have received over 80,000 lodgments for catastrophe events.
- 78 NRMA Insurance, SGIO and SGIC has developed capability to manage the different extremes of claims volumes received during natural disasters, while also managing business as usual demands. The graph on page 17 shows lodgements received since July 2005 and demonstrates major weather events generate large numbers of claims, in short periods of time, in localised areas.
- 79 Below is a snapshot of the response to some of the significant weather events by region that have occurred in the last five years.

Cyclone Yasi, QLD 2011

- Cyclones are disasters that often afford considerable warning. Therefore we prepared our claims_response in advance.
- The day after Cyclone Yasi, we sent assessors to the most affected regions to assess our customers' property provide information and help them lodge claims.
- The vast majority of claims were lodged and accepted as soon as access to all regions was granted.
- We received over 1,000 claims in total and we were able to complete assessments within two weeks of gaining access.
- If customers had safety concerns such as roofs and pool fences, make-safe repairs or temporary accommodation were organised within 24 hours

- We deployed our Major Event Rapid Response Vehicles prior to the cyclone making landfall on 7 February 2011 to provide localised and expert support in the lodgement and processing of claims.

Queensland Floods 2010 - 2011

- We received nearly 3,000 home and landlord claims, and the majority of assessments were completed within six weeks of obtaining access to sites affected.
- During the South East Queensland floods the Southbank office was evacuated for a week. We utilised our national resources to redirect customer calls and claims processing to our centres in other states.
- All customers were reminded at lodgement that flood is not covered by their policy, but that the claim would be lodged for consideration.
- There were some delays experienced in managing claims for this event as hydrologists reports were required to clarify coverage

Perth Hailstorm, WA 2010:

- We received over 20,000 home and motor claims, equivalent to more than six months worth of WA claims in one day.
- Employees were flown in from interstate and New Zealand. Temporary staff and contractors were also engaged to help manage the number of claims.
- The vast majority of claims lodged were accepted on the same day.
- We set up three hail centres for cars.
- We inspected 9,000 cars in two months and assessed all the houses damaged in three months.
- We deployed Major Event Rapid Response Vehicles to provide localised and expert support in the lodgement and processing of claims.

Melbourne Hailstorm, VIC 2010

- Nearly 40,000 claims were received, equivalent to a years worth of storm claims in just two days.
- We moved quickly to establish six hail centres at various locations to assess cars. Just days after the event, we were assessing up to 550 cars per day and were able to assess over 10,000 vehicles in eight weeks.
- Employees were flown in from interstate and New Zealand. Temporary staff and contractors were also engaged to help manage the number of claims.
- The vast majority of claims lodged were accepted immediately.
- We deployed Major Event Rapid Response Vehicles to provide localised and expert support in the lodgement and processing of claims.

Victorian Bushfires, VIC 2009

- Over 2,000 claims were received, with the vast majority of home claims being total losses.

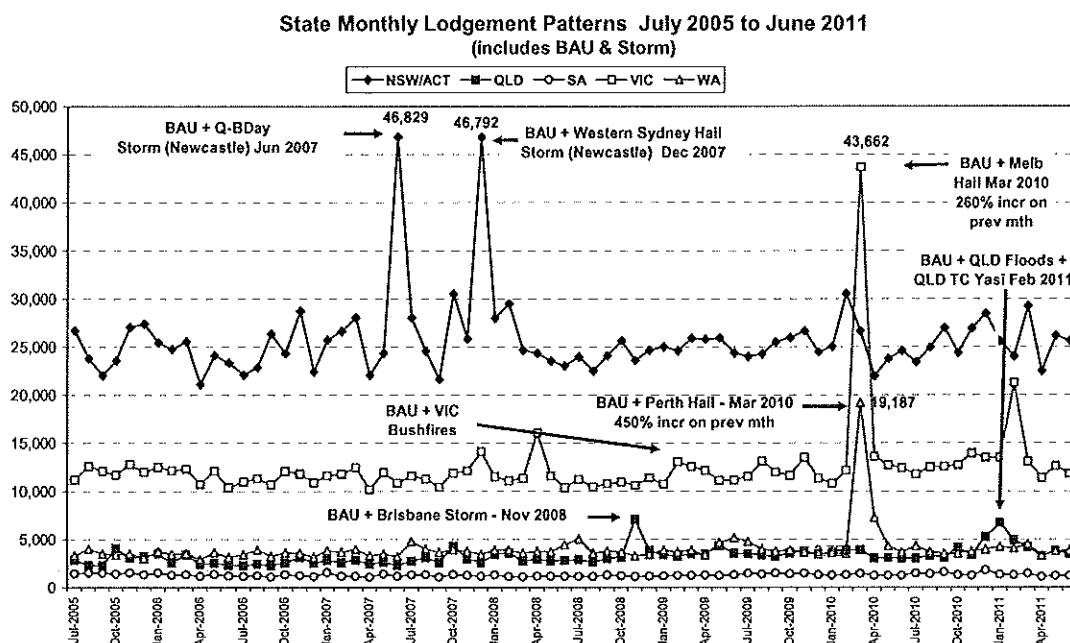
- Due to safety reasons, insurance assessors were not provided with access for some time. We developed a unique process which used aerial photography to enable us to assess and settle over 85% of houses in Marysville weeks before access was granted.
- The vast majority of claims were lodged and accepted immediately.
- We deployed Major Event Rapid Response Vehicles to help our customers lodge claims and get the support they needed.
- Employees were flown in from interstate, and many of our claims employees worked remotely at affected areas.

Blacktown Hail Storms, NSW 2007

- We received in the vicinity of 30,000 claims following this storm.
- Employees from interstate were flown in. Temporary staff and contractors were also engaged to help manage the number of claims.
- We would usually assess hundreds of claims weekly; in this case we saw a ten-fold increase to a couple of thousand claims weekly.
- Majority of claims were lodged and accepted on the same day.
- We committed to having customers' roofs repaired within 90 days.
- It rained continuously just after the hail storms, so we developed large, crane-borne canopies.
- These were hoisted over damaged roofs to protect them from rain so repairs could continue, helping customers return to their homes quickly.

Cyclone Larry, QLD 2006

- We received nearly 700 home and motor claims.
- We transported 200 tarpaulins from interstate the next day, and deployed Major Event Rapid Response Vehicles to help our customers lodge claims and get the support they needed.
- Claims were lodged and accepted straight away.
- Just eight weeks following the event, we led a "Help Expo" to help our customers and the community get practical information on repairing or rebuilding their homes.



Communicating with Customers during Claims process

- 81 We used a range of communication methods during the course of the claims process to communicate progress to customers. The method used was dependent on that customer's preferred method including telephone (landline or mobile), text, email, facsimile or letter.
- 82 A dedicated local phone line was set up for potential flood customers and accessible by both landline and mobile phone. Our dedicated claims team serviced this line so that we could promptly respond to Customers' enquiries. Customers could request to speak to a specific claims consultant with whom they had previously dealt or could contact the particular assessor appointed to their claim.
- 83 Claims were managed by their severity and isolated from 'business as usual' claims.
- 84 Claims were managed using worklist diary 'bring ups' and closely monitored through the event specific claims reporting (refer paragraphs 36 and 37).
- 85 The NRMA Insurance Claims Imaging System (CIS) provides for the electronic capture of documents and correspondence as well as electronic 'file notes' of telephone conversations with customers and other individuals involved in a claim. CIS records a date and time stamp for all actions. It also has work flow functionality so that claims can be diarised for action.
- 86 Home assessors use a system called Opus to capture and record assessment details and customer interactions (which are also date and time stamped). Opus integrates with CIS in displaying CIS claims actions.
- 87 All staff are trained and required to write clear case notes to detail the conversations with customers. In addition to this, customers with claims that required additional information such as site-specific hydrology reports were kept informed of the progress.

- 88 Claims consultants endeavour to deal with customer queries on the spot, or if additional information is required, we aim to get back to them within 48 hours.
- 89 There has been no communication with policyholders regarding any position adopted by any of our reinsurers under our Reinsurance Agreements. The position adopted by reinsurers is not a matter directly relevant to the claims assessment process.
- 90 Reinsurers provide reinsurance cover based on the underlying policy wording issued by the insurer and they pay claims accordingly. Reinsurers are not obliged to pay any ex gratia settlements under the terms of Reinsurance Agreements.

Telephone Recordings

- 91 We record all calls made to and from customers by our front line staff for quality and assurance purposes. On occasion calls are not successfully recorded or are found to be corrupted on retrieval.
- 92 Telephone calls are not recorded where the calls are made to or from home assessors with mobile phones, certain team managers, customer relations staff and some calls to our outsourced call centre in Tasmania.
- 93 Where customers requested copies of recordings or transcripts of telephone calls between themselves and NRMA Insurance representatives, we have sought to meet these requests.
- 94 NRMA Insurance releases personal information to customers in accordance with the National Privacy Principles. In doing so, we usually ask customers to complete a Personal Information Access Request (PIAR) form specifying the required information. Once received together with a nominal processing fee, the policyholder is sent the requested information.
- 95 In the case of the Queensland Flood Events, given the volume of requests for information and the sensitivity of these claims, we changed our usual process and provided requested information without charge.
- 96 We do not have details of the aggregated numbers of call recordings provided as this information is on individual claim files.

Communication of Claims Determinations

- 97 All claim acceptances were communicated by phone at which time claim settlement options were discussed and agreed with the customer.
- 98 All flood claim declinations were communicated by a Manager over the phone to the Customer in accordance with standard script.
- 99 Exhibit DD 356 is a copy of that script.
- 100 This was then followed up by a letter to confirm the decision and outline the Dispute Resolution process. The standard procedure provides for a copy of the hydrology report to be attached to the decline letter.

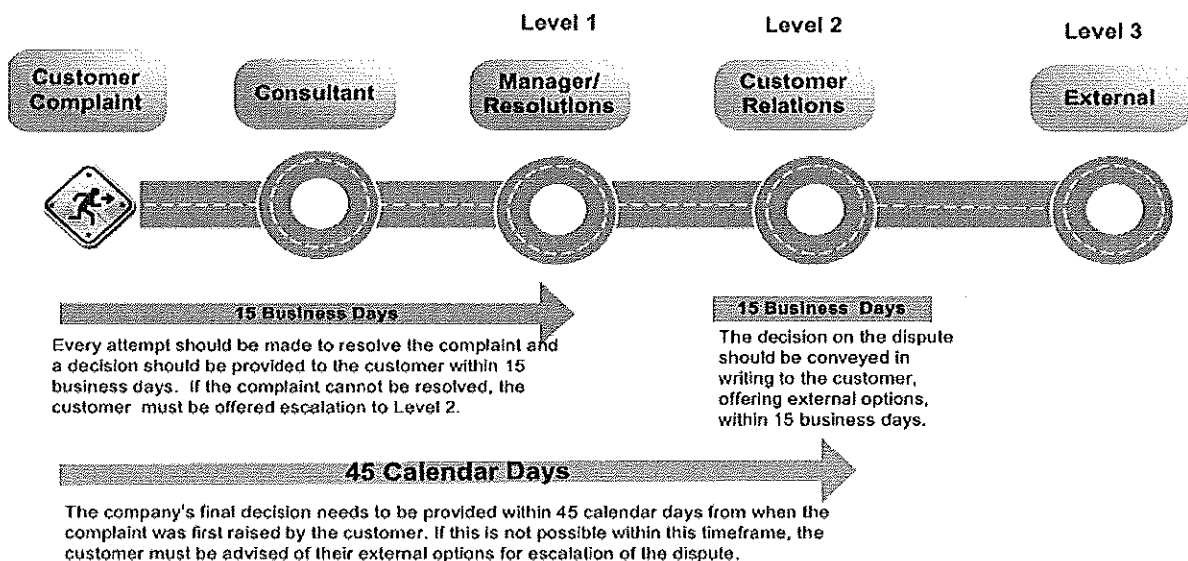
Dispute Resolution

Advice as to Dispute Resolution Procedures

- 101 Customers were advised of dispute resolution procedures verbally and in the written decline letter.

Internal Dispute Resolution Procedures

- 102 NRMA Insurance's Internal Dispute Resolution (IDR) process follows the guidelines established by the *General Insurance Code of Practice*, and also follows the Financial Ombudsman Services *Terms of Reference*, and ASIC Regulatory Guidance.
- 103 The IDR process as set out in below provides the customer with a review of their claim independent of the original decision maker and to also present any additional information they feel may add to the validity of their claim.
- 104 If the claim denial is maintained, NRMA Insurance will give the customer a 'final decision letter'. If the customer doesn't accept the final decision, due within 45 calendar days from receipt of the initial complaint. The customer may escalate their dispute externally. For example, to the Financial Ombudsman Service.
- 105 The following figure shows the IDR Process and timeframes:



Complaint Types

Level 1 Complaint

- 106 Complaints not resolved by the next business day and/or complaints referred to a Manager need to be recorded. This process captures customer feedback, which is fed into product, process and service improvements.
- 107 Managers review and attempt to resolve the complaint within 15 business days from the date the complaint was received. Complaints that are not resolved are escalated to our Customer Relations department.

Level 2 Disputes

- 108 Customers are offered an internal independent review of their complaint. This review is either initiated by the customer or referred from a Level 1 reviewer.
- 109 If the dispute is complex, additional information may need to be provided by the customer, a third party, or via an additional independent review.
- 110 In relation to the Queensland flood events, information relied upon to make our decision is provided to our customers with the 'final decision' letters. Depending on the complexity of the dispute, some reviews can be completed quickly.
- 111 In the majority of cases we call our customers, and also send them a final decision letter outlining the reasons for our decision and the customer's external dispute options, including the Financial Ombudsman Service and seeking legal advice.
- 112 If the customer doesn't accept our 'final decision' letter, due within 45 calendar days from receipt of the initial complaint, the customer may escalate their dispute externally, for example to the Financial Ombudsman Service.
- 113 Our Customer Relations area set up a specific team of case managers to manage disputes in respect of claims arising out of the Queensland Flood Events.
- 114 The information considered and relied upon in determining disputes are:
- 114.1 assessor reports,
 - 114.2 the hydrologist reports (regional, street or site specific);
 - 114.3 Flood mapping;
 - 114.4 Aerial photographs;
 - 114.5 Information provided by the customer;
 - 114.6 PDS;
 - 114.7 claim file;
 - 114.8 mail trace documents (if the Insured alleged that they had not received the PDS); and
 - 114.9 call recordings (if available).
- 115 In the event that any customer complaint raised issues as to whether flood was the cause of the customer's loss, it was NRMA Insurance's standard dispute process to obtain an Individual Hydrology Report if one had not previously been obtained during the claims assessment process.
- 116 Customers and/or their representatives were always provided with a copy of any relevant material relied upon including hydrology reports and a copy of the PDS.
- 117 Where requested, customers were also provided with call recordings which had been relied upon in the claims assessment process.

- 118 Exhibit DD 357 to 811 is a complete set of all Final Decision Letters issued by NRMA Insurance during the dispute resolution process.
- 119 Our dispute records show that we received two complaints relating to inappropriate, insensitive or offensive conduct by a representative or agent of NRMA Insurance toward, or about, a policyholder:
- 119.1 Mr Kevin Dawber - has alleged that an investigator acting on behalf of NRMA Insurance requested mobile telephone numbers of Mr Dawber's teenage daughters and subsequently attempted to telephone them. Those allegations are denied by the investigator. They are the subject of separate Statutory Declarations provided to the Commission⁵.
- 119.2 During a telephone call to tell a customer his flood claim would not be covered, the customer alleged that an NRMA staff member was rude in an earlier conversation.
- 120 Our dispute records show that we have received:
- 120.1 39 complaints which have alleged misrepresentation as to the existence or effect of flood cover; and
- 120.2 54 which have alleged a failure to adequately inform the policyholder as to the absence of flood cover.
- 121 Where such allegations are made NRMA Insurance has reviewed its records, including telephone recordings and file notes, to verify what statements were made to the customer.
- 122 In particular, we would review the policy inception call recording and/or the call from the date on which the Customer alleged the misrepresentation to have occurred. If the call recording was not available we would clarify what occurred from the file notes and discussions with the relevant consultant and/or their reporting Manager.
- 123 If the above investigations confirmed that a staff member had made statements to the customer which were either unclear and this had prejudiced the customer, the customer's claim was paid in the early stages of the IDR process.
- 124 Six complaints involving such allegations being verified. In each case the claim was accepted and paid.
- 125 In two of those matters the customers were asked to sign a confidentiality agreement following the resolution of the complaint in the customer's favour. The customers were required to keep the circumstances of their dispute confidential including:

⁵ Refer Statutory Declaration of Susan Kenny dated 23 September 2011 provided in response to Requirement dated 8 September 2011: Ref:1702612; Statutory Declaration of Paul Charles Streeter dated 20 September 2011 provided in response to Requirement dated 13 September 2011: Ref:1702612.

125.1 the allegations of misleading statements made as to the existence or effect of flood cover; and

125.2 the resolution of their complaint by payment.

126 Such confidentiality was sought because the claim payments were made in response to the specific facts of the customer's complaint. Confidentiality was sought to avoid creating unrealistic expectations of the complaints process in other customers whose circumstances could be expected to be different. This did not affect the outcome of the claim.

Financial Ombudsman Service

127 NRMA Insurance supports the Financial Ombudsman Service (FOS) as the industry's provider of External Dispute Resolution.

128 NRMA Insurance's External Dispute Resolution (EDR) process follows the guidelines established by the *General Insurance Code of Practice*, and follows the Financial Ombudsman Services *Terms of Reference*, and under ASIC Regulatory Guidance.

129 There is opportunity for the FOS to consider establishing a strategic response to disaster situations to improve the effectiveness of dispute resolution during this time. A timelier, consultative approach, with regular communication, is essential to minimise stress on customers. It is also important that matters are determined as quickly as possible.

130 NRMA Insurance has 67 disputes presently registered with FOS. Those disputes concern claims which have been declined on the basis of the flood exclusion.

131 As at the date of this statement, FOS has upheld 6 claims decisions by determination. No claims decisions have been overturned.

Facilitating Repairs

132 After a claim has been accepted, the customer has the choice of:

132.1 using our preferred network of repairers; or

132.2 obtaining their own quote and submitting it to NRMA Insurance for approval.

133 Where the customer elects to use our preferred network NRMA Insurance will proactively facilitate the repairs process. Where the customer elects to obtain their own quote and oversee the repairs themselves we will pay a cash settlement to the customer for the fair and reasonable amount quoted.

Reforms

134

[REDACTED] the ICA and its members have been working with consumer advocates, the Financial Ombudsman Service and ASIC on Code changes that would:

- require Code members to ask insureds who have inquired whether they had cover for a particular event if they want to make a claim; and

- establish an overall timeframe of six months for determination of a claim unless exceptional circumstances applied.

135 NRMA Insurance supports the proposed changes.

Request of 12 September

136 In relation to questions 40 and 41 of the Commission's request dated 12 September 2010 I am informed that:

136.1 NRMA Insurance has not made public statements about an individual policyholder.

136.2 NRMA Insurance has not been the subject of any investigation by FOS or other regulatory body about the manner in which it has dealt with claims relating to the Queensland floods.

and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the *Oaths Act 1867* (Qld).


Signature of Dominic Dower

Taken and declared before me at BRISBANE this 23 day of September 2011


Justice of the Peace/Commissioner for Declarations/Solicitor