

10 June 2011

Queensland Floods Commission of Inquiry  
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## Introduction

[Insurance Australia Group \(IAG\)](#) welcomes the opportunity to make an additional submission to the Commission of Inquiry into the Queensland Floods. This additional submission should be read in conjunction with IAG's comprehensive initial submission lodged with the Commission of Inquiry on 1 April 2011.

Attached to this additional submission are updated details of IAG (NRMA Insurance and CGU) claims numbers (as at May 2011). Please note the updated claims numbers are confidential (see attachment 1).

## Claims Handling

IAG's initial submission addressed the *Terms of Reference* dealing with "*the performance of private insurers in meeting their claims responsibilities*" and highlighted IAG's policy coverage, claims handling, claims assessment processes and dispute resolution processes.

IAG's experience in recent large natural disasters – Victorian Bushfires, Melbourne and Perth storms, and Cyclone Larry affirm that IAG, and more broadly the industry, respond in times of crisis in a timely and efficient manner. Indeed, updated figures released by the ICA confirm that the general industry has responded to the enormous task of assessing over 118,000 insurance claims received as a result of the QLD floods and Cyclone Yasi, with 97% of all claims having been assessed and the customers informed of the insurers decision.

Despite this performance, some claims require more extensive investigation where the cause of damage is uncertain or where the insurer is reliant on third parties or the individual for further information to be able to finalise the claim. Assessments and hydrology reports take time, particularly in large events where the demand for resources such as assessors and hydrologists is high. However, where flood cover is available in addition to storm cover, there is less contention in these claims and reliance on these reports to determine the cause of damage is reduced.

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Interestingly, customer feedback during the Victorian bushfires indicated that some customers who had experienced trauma were not ready to make a claim and needed more time to go through the process as they did not want to rush into decisions such as whether to rebuild in the area or elsewhere. Every event is different and it's important that insurers retain the flexibility to respond in the most appropriate way to a particular event.

IAG considers that the timelines in the General Insurance Code of Practice (GICOP) already meet reasonable consumer expectations and in the vast majority of cases IAG's operating brands meet or indeed exceed these timelines.

IAG is proactive in encouraging our customers to make further enquiries through our Internal Dispute Resolution process. IAG's internal dispute resolution processes follow the guidelines established by the GICOP, and are in line with the Financial Ombudsmen Services *Terms of Reference*, and ASIC Regulatory Guidance. It must be recognised that the weather events this summer presented an unprecedented demand on claims departments as well as on resources such as claims staff, assessors and hydrologists. Even in this scenario, the vast majority of claims were settled within the guidelines in the Code of Practice.

It is of note the Parliamentary Secretary to the Treasurer has recently stated:

*"Self-regulation will usually result in more efficient economic outcomes as it is more accurately tailored to industry conditions and more adaptable to change than legislative approaches."*

<http://parlsec.treasurer.gov.au/DisplayDocs.aspx?doc=speeches/2011/008.htm&pageID=005&min=djb&Year=&DocType=>

IAG believes regulation has an important role to play within the economy and the insurance sector. However, Governments need to bear in mind that competition should, other things being equal, itself produce a better allocation of resources within the economy, and better outcomes for consumers, than any form of regulation. The role of regulation should therefore be to support and enhance competition, not interfere with it.

In relation to the issue of claims the Australian Prudential Regulation Authority, Chairman's opening statement to the Senate Standing Committee on Economics (31 May 2011) discussed the impact of the recent natural disasters on the general insurance industry. In particular:

*"APRA does not expect that any general insurer it regulates will have difficulty continuing to operate in the face of the potential losses from recent natural disasters. We remain confident in the capacity of the general insurance industry in Australia, which holds around \$30 billion in shareholders' equity, to meet all of its claims obligations."*

If you wish to discuss this matter or make further inquiries, please contact

Yours sincerely,

  
  
**Michael J Wilkins**  
**Managing Director &**  
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