

QUEENSLAND FLOODS COMMISSION OF INQUIRY

Commissions of Inquiry Act 1950

SECOND AFFIDAVIT

I, **GRAHAM IAN DALE** c/- 2649 Logan Road Eight Mile Plains, Brisbane in the State of Queensland, General Manager, say on oath:

BACKGROUND

1. I am the General Manager, Personal Insurance Claims of RACQ Insurance Limited ("RACQ Insurance").
2. As General Manager, Personal Insurance Claims, I am responsible for managing the end to end claims process for personal insurance claims, to deliver the required business outcomes in relation to the overall cost of claims and the desired customer experience.
3. I am a Senior Associate and Certified Insurance Professional of the Australian and New Zealand Institute of Insurance and Finance.
4. I was appointed General Manager, Personal Insurance Claims in December 2007. I have previously been the Executive Manager, Personal Insurance Claims with RACQ Insurance since February 2004.
5. I have 30 years insurance experience across a wide range of positions, my previous experience before joining RACQ Insurance included having been the National Claims Manager for IAG Insurance NZ Limited.
6. This affidavit is provided on behalf of RACQ Insurance in response to a notice served on me by Justice C E Holmes, Commissioner of Inquiry, pursuant to section 5(1)(d) of the *Commissions of Inquiry Act 1950* (Qld), to provide information to the Queensland Floods Commission of Inquiry, which addresses the topics and exhibits the documents listed in the Commissioner C E Holmes letter dated 2 September 2011 ("Second Letter of Inquiry"), as clarified by a letter dated 5 September 2011 from the Commission.
7. A copy of the Second Letter of Inquiry is **Exhibit 1** to this affidavit. A copy of the 5 September 2011 letter is **Exhibit 2** to this affidavit.

Signed:

AFFIDAVIT
Filed on

Page 1

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RESPONSE TO SECOND LETTER OF INQUIRY

8. The matters set out below are not, or are not necessarily, matters of which I have direct knowledge other than by having regard to the records of RACQ Insurance (which I have done in order to provide this affidavit). I have, in answering the questions in the Second Letter of Inquiry done so based on my experience, my own knowledge where possible and relying on material maintained by RACQ Insurance or provided by others.
9. Also I have, with the assistance of others, assembled information and material to respond to the questions the subject of the Second Letter of Inquiry. I have, however, not been able to personally review all of the material which has been assembled for that purpose or exhibited to this affidavit.
10. This affidavit contains a number of references to data. This information is, to the best of my knowledge, correct. However, given the time to prepare this affidavit, it is possible that I may subsequently discover that this data needs to be updated or corrected and I would be grateful for the opportunity to do so if necessary.
11. For ease of reference I have set out in this affidavit the headings and questions from the Second Letter of Inquiry (as clarified by the later letter) and provided my response to them below.

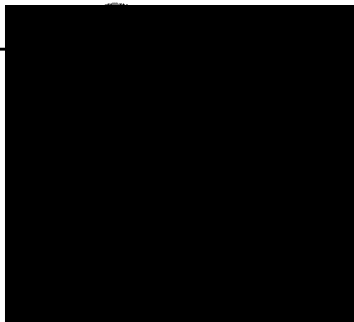
FIRST ISSUE

Insurance policies

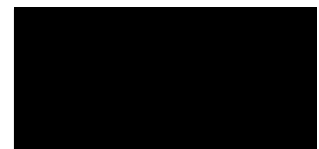
The following questions relate to RACQ Insurance's household insurance policies which applied at the time of the Queensland floods (December 2010 and January 2011):

1. ***Please name the relevant home and/or contents policy or policies.***
12. RACQ Insurance's relevant policy is its "Household Insurance Policy". This policy covers both home and contents, where selected. The Household Insurance Policy also provides cover for legal liability.
2. ***Did more than one version of the policy or policies exist? If so:***
 - 2.1 ***Please identify each different version of the policy or policies by reference to the dates for which they subsisted as the relevant policy.***
 - 2.2 ***How did staff of the RACQ Insurance identify the correct version of a policyholder's policy and ensure that the correct version of the policy was used in all dealings with a policyholder and his or her claim?***
13. The policy terms are set out in Product Disclosure Statements (PDS). Depending on when the policy was renewed the PDS was also to be read with a Supplementary Product Disclosure statement (SPDS). Notwithstanding that the PDS changed (as set out below)

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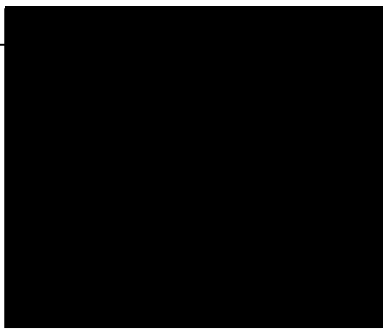
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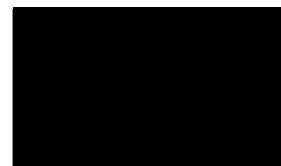
the terms dealing with flash flood and storm cover and excluding flood cover remained the same.

14. The various documents which were current in the period nominated are identified as follows:
 - (a) PDS GHHB2 07/08 initially effective from 16 July 2008 (the "First Policy"), when renewed to be read with the first SPDS referred to below.
 - (b) PDS GHHB2 03/09 effective from 19 March 2009 (the "Second Policy").
 - (c) PDS RHHB2 10/09 effective from 25 October 2009 (the "Third Policy") when renewed to be read with the second SPDS referred to below.
 - (d) PDS RHHB2 01/11 effective from 6 January 2011 (the "Fourth Policy"). This PDS was provided to customers who took out their policy on or after 6 January 2011.
 - (e) SPDS RHHB9 10/09 dated 25 October 2009 (the "First SPDS").
 - (f) SPDS RHHB9 01/11 dated 6 January 2011 (the "Second SPDS"). This SPDS was provided to customers who renewed their policy on or after 6 January 2011.
15. Copies of these documents are exhibited to this Affidavit as **Exhibits 3 to 8**.
16. The documents by which these terms would have come to be operative would depend on when the customer first took out their policy, when the customer renewed or varied their policy, and when their flooding occurred.
17. The SPDS documents are designed to bring older versions of the PDS up to date with the current version of the PDS. For example, the Third Policy, as amended by the Second SPDS, contains effectively the same terms as the Fourth Policy.
18. In the further answers to the questions below I will ignore reference to the SPDS as they effect changes to matters seemingly unrelated to the issues to which the Commission's questions are directed. Accordingly I will refer to the terms of the PDS documents represented by the First, Second, Third and Fourth Policies.
19. I notice that RACQ Insurance's submission to the Commission dated 11 May 2011 states that the Third Policy was effective from September 2009, which is an error. However, renewal notices are sent out ahead of the date for renewal and so the Third Policy would have been distributed to customers in September 2009.
20. The Cogen Policy system is a policy administration system used by RACQ and RACQ Insurance to input and store data relating to customer policies such as customer details and policy details. The data is entered into the system by employees of RACQ and RACQ

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Insurance. The ClaimCenter system is the principal system used by the claims staff for claims management. The policy version is automatically imported from the Cogen system to the ClaimCenter system when a claim is lodged and stays with the claim. Accordingly, when a claim is lodged for a customer, the operator brings up the customer's policy number, and as mentioned, the ClaimCenter system automatically imports the correct version of the policy for the date of inception of that policy.

21. Any other enquiry regarding a policy which does not relate to a claim would be dealt with by RACQ or RACQ Insurance employees who would have direct access to the Cogen system.

3. ***For each version of the policy or policies:***

3.1 ***What were the terms of cover relevant to damage caused by weather of the kind experienced at the time of the Queensland floods? How were these terms defined?***

3.2 ***(If not covered by 1.3.1 [sic] above) Was flood cover included? How was the term 'flood' defined?***

3.3 ***What exclusions or conditions applied to a claim?***

3.4 ***What were RACQ Insurance's obligations in processing and assessing claims?***

22. In respect of damage caused by weather of the kind experienced at the time of the Queensland Floods:

(a) The Household Insurance Policy provided cover for "**Flash flood and storm water run-off**" which is defined in the PDS documents to mean "A sudden flood caused by heavy rain that fell no more than 24 hours prior to the flash flood or stormwater run-off".

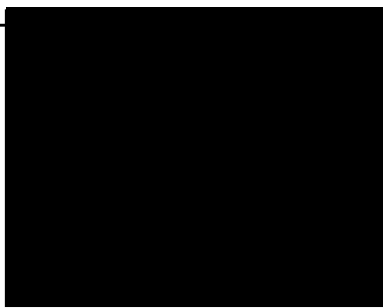
(b) Unless optional cover is effected, the Household Insurance Policy excluded damage caused by 'flood' which is defined in the PDS documents as follows:

"Rising water which enters your home as a result of it running off or overflowing from any origin or cause. This policy does not cover flood unless we have agreed and it is shown on your certificate of insurance."

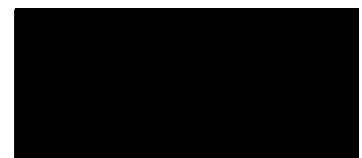
(c) The Household Insurance Policy also provided cover for Storm which is defined in the PDS documents to mean "A violent disturbance of the atmosphere associated with strong winds including a cyclone, lightning, heavy rain, hail or snow, but not continuous bad weather by itself".

(d) The amount of cover provided by the Household Insurance Policy in cases of Flash flooding and storm water run-off is expressed in the PDS documents to be "up to

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50% of your home sum insured or \$25,000 whichever is higher” and “up to 50% of your contents sum insured or \$25,000 whichever is the higher, but not exceeding your contents sum insured”.

- (e) The Household Insurance Policy identified that optional cover was available for flood and storm surge but not provided unless selected and at additional cost. In this respect, the PDS documents provide:

“Optional covers for extra peace of mind

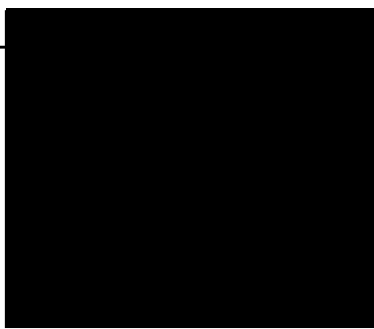
Flood and storm surge

This policy does not cover flood unless we have agreed and it is shown on your certificate of insurance”.

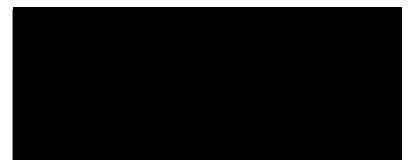
23. The general exclusions and conditions that are applicable to any claim under the Household Insurance Policy, whether an inundation claim or otherwise, are set out in the PDS documents as follows:

- (a) The general exclusions appear under a heading “When you are not covered – general exclusions” on pages 59 to 61 of the First Policy, on pages 59 to 61 of the Second Policy, on pages 59 to 61 of the Third Policy and on pages 55 to 57 of the Fourth Policy.
- (b) The general conditions appear under a heading “General conditions” on pages 70 to 73 of the First Policy, on pages 70 to 73 of the Second Policy, on pages 70 to 73 of the Third Policy and on pages 66 to 69 of the Fourth Policy.
- (c) The list of insured events for both home and contents contains a description of what events are covered and which events are not. These are set out on pages 16 to 22 of the First Policy, on pages 16 to 22 of the Second Policy, on pages 16 to 22 of the Third Policy and on pages 13 to 19 of the Fourth Policy. The events are presented in a table divided into two columns, the first column being headed “What is covered” and the second, “What is not covered”.
- (d) The Household Insurance Policy specifically states for both home and contents, what RACQ Insurance insures as “home” and what it does not insure as “home” (on pages 23 to 24 of the First Policy, on pages 23 to 24 of the Second Policy, on pages 23 and 24 of the Third Policy and pages 20 and 21 of the Fourth Policy); and what is insured as contents, and what is not (on pages 29 to 30 of the First Policy, on pages 29 to 30 of the Second Policy, pages 29 and 30 of the Third Policy and pages 25 and 26 of the Fourth Policy).
- (e) The Household Insurance Policy has exclusions applicable to the legal liability cover provided by the policy as set out in the First Policy at pages 56 to 58, in the Second

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Policy at pages 56 to 58, in the Third Policy at page 56 to 58, and in the Fourth Policy at pages 52 to 54.

24. RACQ Insurance's obligations for settling claims for damage to the home under the Household Insurance Policy are set out on pages 25 to 26 of the First Policy, pages 25 to 26 of the Second Policy, pages 25 to 26 of the Third Policy and pages 22 and 23 of the Fourth Policy, and for contents, on page 31 of the First Policy, page 31 of the Second Policy, page 31 of the Third Policy and page 27 of the Fourth Policy.
 25. In summary, these provisions deal with the basis of settlement including RACQ Insurance's option to rebuild or, repair a home or repair or replace contents, or, in either case, to pay the customer up to the sum insured.
 26. Other general information and requirements in respect of claims processing and assessing (for both RACQ Insurance and its customers) appear on pages 66 to 68 of the First Policy, pages 66 to 68 of the Second Policy, pages 66 to 68 of the Third Policy and pages 61 to 64 of the Fourth Policy.
 27. Under the terms of the Household Insurance Policy, RACQ Insurance also agrees to adhere to and support the General Insurance Code of Practice (the "Code"). The Code sets out certain provisions relating to the processing and assessment of claims (Section 3 of the Code) and responding to catastrophes and disasters (Section 4 of the Code).
- 4. Please provide a pro forma copy of each of the policies referred to in answer to the questions at paragraphs 1-3 above.**
28. Copies of each of the forms of policy referred to in the above paragraphs are exhibited to this affidavit at Exhibits 3 to 8.

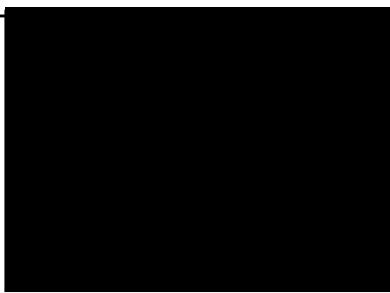
SECOND ISSUE

Insurance claims

The following questions relate to household insurance claims made as a result of the events comprising the Queensland floods (in December 2010 and January 2011):

- 5. Did RACQ Insurance establish any special processes or procedures in order to manage claims handling?***
29. The Queensland Floods of December 2010 and January 2011 consisted of two major events. The first was the floods caused in parts of Queensland in December 2010 as a result of Cyclone Tasha which crossed the Queensland coast on 25 December 2010 ("December Events"). The second was the flooding in Central and Southern Queensland that occurred in January 2011 ("January Events").

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30. As at 31 August 2011, these two events have given rise to 6,235 claims on RACQ Insurance. Combined with the claims arising from the Brisbane hailstorms of mid-December 2010 and Cyclone Yasi in February 2011, RACQ Insurance has received 15,816 claims as at 31 August 2011. Claims from each of these events are still being received.
31. As to the Queensland Floods, as at 31 August 2011, RACQ Insurance had received the following claims:

December Events - QLD Ex tropical cyclone Tasha

Claim type	Received
Household	1,253
Motor/Boat/Caravan/Trailer	195
Total	1,448

January Events – Central and Southern QLD heavy rain and flood

Claim type	Received
Household	4,014
Motor/Boat/Caravan/Trailer	773
Total	4,787

32. As at 31 August 2011, 88% of claims arising from the Queensland Floods have been finalised.
33. I have managed much of RACQ Insurance's response to the claims arising from the Queensland Floods. The number and complexity of these claims is unparalleled in my experience.
34. RACQ Insurance established the following special processes to manage the claims arising from the Queensland Floods in addition to its "business as usual" claims processes. These special processes were intended to operate so that RACQ Insurance could respond to the claims in a fast, professional, practical and compassionate manner; which, as detailed below, overall I believe RACQ Insurance achieved.

Assembling a Dedicated Response Team

35. By 4 January 2011, RACQ Insurance had established an internal team of experienced staff that was specifically dedicated to managing claims arising from Cyclone Tasha. This team is known within RACQ Insurance as the "Household Claims Temporary Event Management

Structure” but for simplicity I refer to it in this affidavit as the “dedicated response team”. The dedicated response team was based on what I believed to be necessary as at early January 2011. I supervised the operation of the dedicated response team which originally consisted of:

- (a) the Household Claims Manager, who had responsibility for the day to day supervision and control of the claims staff on the team and who reported directly to me;
 - (b) approximately 10 members made up from the business as usual household claims team and secondments from other areas of RACQ Insurance.
36. The dedicated response team was initially set up in one of the training rooms at RACQ Insurance to use as an operations centre.
37. At the beginning of January 2011 it was unclear how many claims RACQ Insurance would receive. As is often the case with catastrophic events, there are delays in customers contacting RACQ Insurance. This can come about because telephone lines are down or the fact that customers usually have more immediate issues to deal with before contacting their insurer.
38. As a result the claims response was very fluid. The size and function of the dedicated response team changed significantly as events worsened with the onset of the January Events and then Cyclone Yasi.
39. As the scale of the flooding increased along with the number of claims, I was constantly reassessing the size and makeup of the dedicated response team.
40. On 14 January 2011, following previous agreement with RACQ Insurance’s General Manager of Sales and Product, the Underwriting Team moved out of their offices at Eight Mile Plains to Murarrie. This was aimed at freeing up space to allow the dedicated response team to expand and occupy one place in close proximity to my office at Eight Mile Plains. IT and telephony arrangements to facilitate the operation of the dedicated response team were established over the course of that weekend.
41. On 14 January 2011, I also formally confirmed with [REDACTED] the Executive Manager of Household Claims and Loss Adjusting, that I wanted him to take over the role of Event Manager and to head up the day to day operations of the dedicated response team for household claims. I made this decision because of the escalation of the flood events and the anticipated claim volumes.
42. [REDACTED] and I had been working together to determine the revised resource requirements for the dedicated response team since around 8 January 2011. Approximately 15 further

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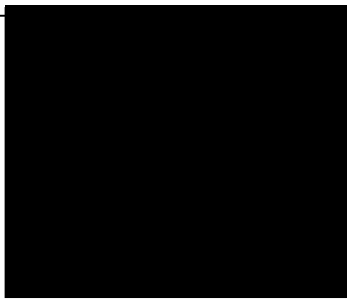
[REDACTED]

personnel both from within the personal insurance claims departments and from other departments within RACQ Insurance had been seconded to the dedicated response team. On 15 January 2011, I produced a first draft of a functional Household Claims Temporary Event Management Structure. This provided a framework to guide the workings of the dedicated response team in respect of the management of the Queensland Floods.

Exhibit 13 is a copy of the draft functional Household Claims Temporary Event Management Structure organisational chart.

43. The finalised functional Household Claims Temporary Event Management Structure organisational chart for the response to the Queensland Floods was issued on 25 January 2011. The chart specifically noted that the structure was subject to change as the response demanded and that resources were to be kept under constant review to ensure RACQ Insurance was providing an appropriate response to the events. **Exhibit 16** is a copy of the finalised functional and operational Household Claims Temporary Event Management Structure organisational charts. This structure was further reviewed from time to time and particularly following Cyclone Yasi.
44. As the establishment of the team developed, team members were allocated to perform four key functions – technical, case management, support and information management functions:
 - (a) the technical team was dedicated to inundation and sensitive claims. The members of the technical team were chosen for their demonstrated ability to handle difficult situations and their strong customer service skills. The majority of the team had extensive experience whilst the newer members had demonstrated strong skill sets in the business areas that they had worked in;
 - (b) the case management team dealt with the claims that were not being handled by the Technical team;
 - (c) the support team dealt with recruitment, training, coaching, process review, and some aspects of reporting; and
 - (d) the information management team dealt with claims analysis, reconciliation, system changes and reporting to ensure that all customer claims were captured and analysed as required.
45. However, the continuing escalation of events made it necessary for these arrangements to be flexible, and staff were transferred from performing one function to another as circumstances required. From time to time staff were also dedicated to performing specific tasks to manage the workflows (such as telephoning customers when hydrology reports were received) and while they were doing those tasks I instructed that they should not be

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disturbed by responding to calls as those tasks needed to take priority. On such occasions Teleclaims staff took messages (call backs) for those staff members who were called.

Increasing staffing levels

46. RACQ Insurance increased its staff levels to deal with the volume of claims it was receiving. This question is addressed further in response to question 6 which deals specifically with staff issues.

Engagement of specialised external consultants

47. It was necessary for RACQ Insurance to appoint specialised external consultants to assist it in processing claims as quickly as reasonably possible in the circumstances. Having discussed the necessity of the appointment of specialised external consultants with the CEO, I arranged for the appointment of external loss adjusters and hydrologists, as set out below. In addition, lawyers were retained to provide advice to RACQ Insurance and in particular in relation to the meaning and operation of the policies.

Loss adjusters and hydrologists

48. As at December 2010, RACQ Insurance had existing service agreements with both MYI Freemans Ltd (MYI Freemans) and Stream Group Aust Pty Ltd (Stream) who it used as its contents and building loss adjusters respectively for business as usual claims.
49. At the time Cyclone Tasha struck northern Queensland, Stream was still dealing with a significant number of claims arising out of the Hail Storms which struck South East Queensland including Brisbane in October and December 2010.
50. I have already touched upon some aspects of this in paragraphs 7 to 10 of the first affidavit I provided to the Commission which is sworn 1 September 2011, but in summary the process in respect of the appointment of loss adjusters was as follows. In conjunction with the Manager of Household Claims, I decided that the loss adjustment of claims from South East Queensland arising out of the December Events should be allocated to both Stream and MYI Freemans in accordance with RACQ Insurance's "business as usual" allocations. However, for losses outside South East Queensland, I decided that MYI Freemans should be appointed as the lead loss adjuster. This was because MYI Freemans is an international loss adjusting firm with substantial resources and with offices in each of the large regional towns in Queensland. The Household Claims Manager formally contacted our Account Managers at MYI Freemans and Stream on 29 December 2010 to confirm the loss adjusting arrangements for the December Events. MYI Freemans and Stream commenced work as soon as they were allocated jobs from the claims department. When the January flood events happened MYI Freemans again were instructed to take the loss adjusting

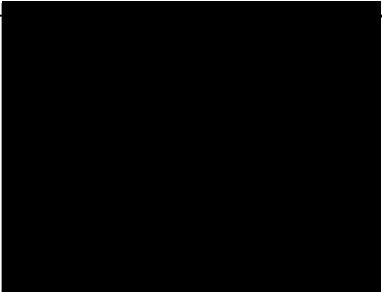
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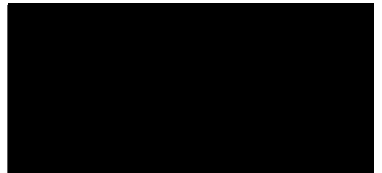
lead, which role entailed, amongst other things, inspecting affected properties and co-ordinating the involvement of Stream if required.

51. On 30 December 2010, the Household Claims Manager and I met with the Account Manager from MYI Freemans to discuss its plan to process the work that RACQ Insurance required it to carry out. I was satisfied following this discussion that MYI Freemans had the required capacity to respond to RACQ Insurance's anticipated requirements.
52. I recognised that the inundation claims arising out of the December Events would give rise to a number of potentially complex hydrology issues. As stated above, RACQ Insurance's Household Insurance Policy excludes damage caused by "Flood" but covers damage caused by "Flash flood and stormwater runoff". In cases where optional flood cover had not been effected, the determination of the cause of damage to insured property i.e. Flood or Flash flood or stormwater run-off, was central to the determination of most inundation claims. I therefore knew that hydrology expertise would be needed to provide advice on these issues. I also recognised that the volume of claims that would require consideration by hydrologists was a significant issue that would have to be dealt with.
53. As a result, much of the meeting with MYI Freemans on 30 December 2010 was dedicated to discussing these hydrology issues, including, amongst other things, who should be engaged and what instructions the hydrologists should be given. It was resolved at the meeting that MYI Freemans would investigate potential hydrology providers who might be able to assist RACQ Insurance as a matter of urgency. In early January 2011 MYI Freemans put forward Water Technology as a hydrology firm that might be able to satisfy RACQ Insurance's requirements. At my instruction, [REDACTED] made enquiries as to Water Technology and one other hydrologist's preparedness to act and capacity to act. The other hydrologist did not have the capacity to take on any additional work from RACQ Insurance. On or about 7 January 2011 it was reported to me by [REDACTED] that Water Technology had the capacity to accept instructions. I was satisfied that Water Technology met RACQ Insurance's requirements and at a meeting with [REDACTED] over the weekend of 8 and 9 January, I resolved to appoint Water Technology as RACQ Insurance's hydrologists.
54. Over that same weekend i.e. 8 and 9 January 2011, [REDACTED] and I worked to further develop the appropriate hydrology strategy for dealing with inundation claims from the December Events and the then known January Events. Our strategy was developed as follows. In late December 2010 I had commenced to question how RACQ Insurance would go about assessment of the hydrological data. Even at that point, I was starting to question whether reporting separately in relation to each affected property would be feasible in respect of every property that had suffered inundation. As the flooding continued in January 2011, it became clear to me that reporting separately in relation to each affected property would not be reasonably practicable.

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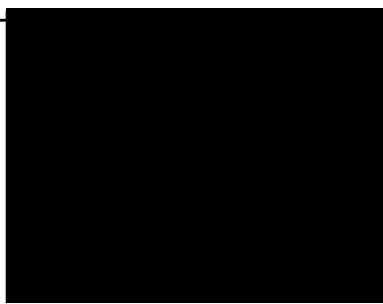


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55. On 10 January 2011 Toowoomba experienced a severe weather event that caused extensive inundation in the town centre and its surrounds. The waters that caused the flood in Toowoomba travelled down the range and caused extensive flooding in the Lockyer Valley. Shortly after this, the Bureau of Meteorology published warnings that severe flooding would be experienced in Ipswich on 11 January 2011 and in Brisbane from on or about 13 January 2011. Some predicted that the flood in Brisbane would exceed the level of the 1974 flood.
56. RACQ Insurance insured many thousands of customers in Toowoomba, Lockyer Valley, Ipswich and Brisbane and it was therefore apparent to me that having Water Technology reporting separately in relation to each affected property would not be viable as it would take too much time.
57. I was aware, in part from discussions [REDACTED] had had with officers of Water Technology (as he related them to me), of:
- (a) The escalation in the flood events that was occurring during this period which I expected to give rise to thousands of claims;
 - (b) The difficulty in securing the services of appropriately qualified hydrologists given the spike in demand from many other interested parties such as other insurers, government bodies, local authorities, dam operators and the like; and
 - (c) The expectation that many common factual issues would arise and be investigated on a regional basis.
58. Accordingly the overall strategy was determined as follows:
- (a) lodge all claims in all circumstances where any type of inundation to the property had occurred (a reaffirmation of our existing claim process);
 - (b) a loss adjuster should inspect every property for which a claim had been made and prepare a report on the nature and extent of the damage and state whether a hydrology report was required – although I note that, in relation to Toowoomba and Upper Lockyer Valley, in a lot of instances, causation determinations were able to be made before loss adjuster site inspections (I describe this in further detail in paragraphs 116 and 124 below);
 - (c) Water Technology should: (i) undertake regional investigations in areas where properties were located which loss adjusters had recommended for hydrological investigation in an attempt to identify the cause of inundation; and (ii) also consider and advise upon any considerations affecting particular properties that potentially gave rise to exceptions to the regional findings;

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(d) further investigations would be carried out on any particular properties identified by Water Technology as falling within a potential exception.

59. I discussed with [REDACTED] on 18 January 2011 the approach to the hydrological investigation referred to above and he agreed with my proposed approach.
60. This hydrology investigation strategy was continually reviewed and adjusted where required. Subsequently, I approved a process for dealing with those claims that had been identified by Water Technology as requiring further investigation and for new claims that had been referred to Water Technology after it had already prepared its report for a region. The process I approved essentially involved:
- (a) Water Technology undertaking a "desktop review" of properties that were the subject of new claims and properties which, in its original report for a region, Water Technology did not confirm the cause of inundation;
 - (b) Water Technology considering whether it could deal with new claims on the basis of the findings in its original report and considering what further investigations were required in respect of "undecided" properties, including whether a site inspection or interview of the insured was necessary;
 - (c) Water Technology undertaking the further inspection or interview where required.
61. I believe the decision to instruct Water Technology to prepare reports on a regional basis was the correct decision. The perceived benefits at the time the decision was made have been realised. If a similar event occurred in the future, I would make the same decision to have the hydrological investigations carried out on a regional basis.
62. I believe the processes and procedures implemented by RACQ Insurance were appropriate for it to adopt and implement in the circumstances. The processes and procedures had to be implemented and of course errors and delays can arise. I do not suggest that in the implementation of the processes and procedures errors or delays did not occur.

6. What changes, if any, were made to staffing levels in order to deal with the volume of claims RACQ Insurance received? Were staffing levels found to be adequate to deal with the volume of claims? What training, if any, was given to staff of RACQ Insurance involved in processing, assessing and deciding claims relating to the Queensland floods?

Staff levels

63. Prior to the Queensland Floods, the Personal Insurance Claims department consisted of approximately 293 full time equivalent (FTE) staff positions. From mid December 2010 RACQ Insurance commenced an ongoing process of increasing this number in order to

deal with the large numbers of claims generated firstly by the Brisbane hailstorms and then by the Queensland Floods and Cyclone Yasi.

64. In mid-December 2010, following the Brisbane hailstorms an additional 8 FTE temporary resources were approved.
65. From approximately 23 December 2010 I was aware from emails from the Bureau of Meteorology (BoM) and from news reports that a tropical low was present off the coast of northern Queensland. The reports from the BoM and the media suggested that this tropical low had the potential to develop into a tropical cyclone and if it struck northern Queensland, had the potential to cause significant damage.
66. When I receive information of this kind, my primary concern is, and was in this case, to ensure that the Personal Insurance Claims team is in a state of readiness to deal with the possible event. When an event is developing the first area that is affected is the Teleclaims department. Therefore, the first step I take is to talk to the Executive Manager of Teleclaims to ensure they have optimised their roster to ensure there are adequate staff in place to deal with the call volumes.
67. Accordingly, over 23 and 24 December 2010 I liaised with key managers from Teleclaims to ensure that steps were taken to maximise the Teleclaims staffing numbers and rosters for the period from 24 December 2010 through to 29 December 2010. This was a considerable challenge as staff numbers are low at this time of the year as a result of the December holiday period.
68. By email on 24 December 2010 I confirmed the staffing arrangements to the CEO. I copied the email to [REDACTED] the Executive Manager of Teleclaims and [REDACTED] and [REDACTED] the Manager of Support, Teleclaims and the Manager of Operations, Teleclaims, respectively. **Exhibit 9** is a copy of my email.
69. Christmas day is the only day in the year when the Teleclaims department does not operate. Support for customers is normally provided through RACQ's 24 hour Call Centres as call volumes on Christmas day are traditionally extremely low.
70. On this occasion, however, I put in place arrangements to review the position at 6.00am on Christmas day and, if necessary, to call in 9 Teleclaims staff who had been put on standby to start at 7.00am on 25 December 2010.
71. As it transpired, call volumes were low on Christmas day. The position was monitored throughout the day and I decided that it was not necessary to call in the staff who had been put on standby.

72. Between 24 December 2010 and 28 December 2010, I maintained regular contact with the Support Manager - Teleclaims to understand the volume of claims being received and the types of claims that were being made. I used this information to determine staffing requirements and to keep the CEO informed.
73. During this time reports of flooding in northern and central Queensland were beginning to emerge, particularly in the areas of Alpha, Bundaberg, Emerald, Rockhampton and the Fitzroy River catchment. There were also reports of flooding in parts of the Condamine region.
74. It was obvious to me from the internal reports I was receiving and from news reports that by 29 December 2010 a catastrophe was unfolding. I cancelled my annual leave which was scheduled to start on 29 December 2010 and met with key members of my management team throughout the day on 29 December 2010. I also scheduled a series of meetings with them over the next few days to develop a response in accordance with RACQ Insurance's Personal Insurance Claims Catastrophe Plan.
75. On 29 December 2010, I also met with the CEO and gave him a verbal progress report. My report covered matters such as claim volumes, staff levels and the loss adjusting and assessing responses I was developing in conjunction with my management team.
76. Staffing levels for both the dedicated response team and the "business as usual" team were reviewed and adjusted as claim numbers continued to rise.
77. On 5 January 2011 the CEO approved my recommendation for the immediate recruitment of further additional staff to support the management of claims arising from Cyclone Tasha. A further 22 FTE staff were approved in total. The Teleclaims department was already in the process of forward recruiting for 8 FTE staff which had been previously approved and training for these staff was scheduled to commence on 17 January 2011. In addition to this, a further forward recruitment of 10 FTE staff was approved for the Teleclaims department. This brought the total forward recruitment in the Teleclaims department to 18. An additional 12 staff were approved for the claims departments, which brought the number of approvals for these departments to 20. These resources were in addition to temporary secondments from other departments within RACQ Insurance which were already in place.
78. On 19 January 2011, two staff from RACQ's People Department (RACQ's human resources division) were seconded to the dedicated response team on a temporary full time basis to support HR management including recruitment and staff welfare and wellbeing.

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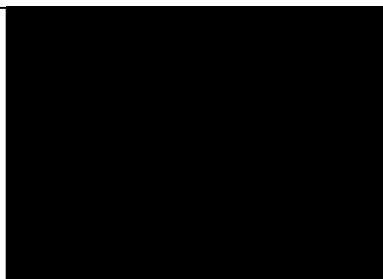
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79. As at 19 March 2011, 42 staff within the dedicated response team were supporting the management of claims arising from the Queensland Floods. This was made up of 23 internal secondments and 19 temporary staff. Three of these staff were engaged in dealing with dispute resolution in relation to flood claims.
80. Temporary staff were also appointed to the "business as usual teams" to replace staff internally seconded to the dedicated response team. In some instances, pre-approved staff leave was cancelled.
81. Managed overtime was implemented for both the dedicated response team and the business as usual teams to ensure adequate levels of staffing.
82. The total approved temporary resources, excluding the Teleclaims forward recruitment program, was 77 as at the 9 May 2011. This included resource approvals to backfill the positions of staff who were seconded to the dedicated event response team. As at the 2 June 2011, the approved resourcing level for the dedicated event response team, handling claims from the Queensland Floods and Cyclone Yasi was 70 FTE excluding myself.
83. Ultimately the levels of staff identified above were adequate to deal with the volumes of claims. The reality is that it took us some time to ramp up our resources and get on top of the unprecedented work demands that these events placed on us. There were peaks in the workflows, such as through March and April when high numbers of hydrology outcomes became known, that provided significant challenges. At these times decisions had to be made to dedicate resources to managing these outcomes and that impacted on our service levels. It was difficult to recruit qualified staff in an environment where other insurers were doing the same. However, RACQ Insurance embarked upon acquiring the staff, training them and setting them at functions necessary to meet the demands at a very early stage, and in my view as early as possible. Merely to throw extra people at the work flow would not have been productive as they needed to be the right people and appropriately trained.

Staff training

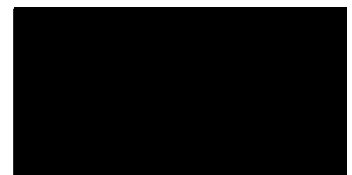
84. All members of the dedicated response team were trained with the technical skills necessary to manage the claims. The training included:
- (a) guidelines or scripts for the information to be conveyed to the customer;
 - (b) role specific training including on the Household Insurance Policy;
 - (c) role specific training in relation to RACQ Insurance systems;
 - (d) claim specific processes and procedures;
 - (e) guidelines on dealing with confronting situations that may arise;

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- (f) process flows for different situations; and
 - (g) training on how to deal with distressed, emotional or abusive customers.
85. Newly appointed staff were also required to complete an appropriate level of compliance training including training in corporate induction, workplace behaviour, safety, trade practices, insurance code of practice and code of conduct, ergonomics, emergency procedures and manual handling.
86. Training for both seconded and temporary staff was converted into an intensive format which allowed it to be delivered in 8 days rather than the usual duration of 4 weeks.
87. Training was delivered by technical trainers and performance coaches from within the Technical Training and Development Department. Technical trainers also monitored and assessed trainees through observation and activity completion to ensure competencies were met. Newly appointed staff were given substantial support by performance coaches who worked with them on the "on the floor" when released from training to their allocated roles.
88. Staff from the RACQ 24 hour Call Centre were trained to provide general information and assistance in relation to the flooding situation (for example, in relation to the steps to be taken by the customer to deal with damaged flooring or walls).

Staff wellbeing

89. The Queensland Floods placed the Personal Insurance Claims division under significant pressure. The team had to respond to a mounting number of claims and queries from customers.
90. By email on 11 January 2011, I advised the Personal Insurance Claims team of the onsite "Employment Assistance Program" (EAP) that I had caused to be established. **Exhibit 11** is a copy of my email.
91. EAP is a staff welfare initiative, which provides counselling support to RACQ Insurance staff. Whilst it is always available to staff, given the increased pressures that staff were under as a result of the floods I was particularly concerned about their wellbeing. I asked that the EAP counsellors be present on site so that there was immediate access to support if it was needed.
92. Additionally, all team members attended training sessions as part of an employee assistance program during which they were taught how to monitor their own emotional states and physical health. Staff were also provided with targeted information sheets dealing with topics including: "Supporting Others and Provide Recovery from Disaster",

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"Managing Distressed Customers Affected by Hardship and Disaster", "Self Care and Resilience During Busy Times" and dealing with strong emotional reactions.

93. These and the other human resources measures that RACQ Insurance implemented to assist our staff in coping with the additional pressures resulting from the floods were important not only to ensure the staff were cared for properly but also to assist in the delivery of our services to those affected by the floods and making claims on RACQ Insurance.

7. How could and did policyholders lodge claims? If claims were lodged by telephone, did policyholders do so by calling a free call number accessible by landline and mobile phone?

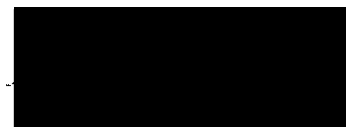
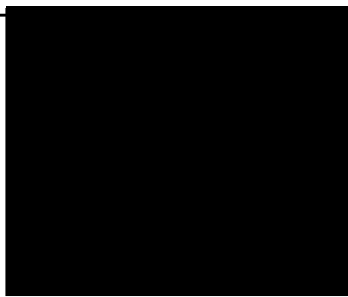
94. Customers can lodge claims by telephone, by attending at a RACQ branch or by post or fax. The vast majority of claims were made over the phone. RACQ and RACQ Insurance's telephone contact details are published widely. Calls made to these numbers for claims lodgement and enquiries are directed (by automated menu) to RACQ Insurance's representatives. Customers can and could make claims or otherwise discuss their claims with a representative of RACQ Insurance by telephone Monday to Friday from 7am to 9pm and on weekends from 8am to 8pm. Outside of those times calls made to the number would be answered by RACQ's 24 hour call centre. If a customer sought to make a claim out of the RACQ Insurance call centre hours the RACQ call centre staff member would complete an online contact form and email it to the Teleclaims department who would endeavour to contact the customer the following day.

95. The telephone numbers are not free call numbers. The number is the cost of a local call when called from a landline (no matter from what part of Australia the call is made). If the customer calls from a mobile phone, the cost of the call is determined by the customer's mobile phone carrier.

8. Were there any cases in which RACQ Insurance made contact with a policyholder before the policyholder contacted RACQ Insurance (whether to make a claim or otherwise)? If so, for what purpose?

96. I am not aware of RACQ Insurance making personal contact with any customer before the customer contacted RACQ Insurance to make a claim or to make an enquiry. RACQ Insurance's website contains specific information for customers affected by storms which gives the customer the telephone number for them to ring if they wish to make a claim. This information is provided on the website as a matter of course.

97. As a result of the Queensland Floods, the home page of RACQ Insurance's website was altered to add a heading stating "Important Information for customers affected by the



floods” and underneath that heading a link to a page containing a general notice encouraging its flood affected customers to make a claim and telling them, amongst other things, how to do this. This notice was first published on or about 18 January 2011. I approved the text of the notice on or about 15 January 2011 and a copy of the text I approved is attached at **Exhibit 12**. The text that currently appears on the RACQ Insurance website is slightly different. A copy of the current text is attached as **Exhibit 22**. I do not know whether the current text was in fact the text initially published or whether there has been some subsequent modification, and if so when it was modified. The changes are minor.

98. In addition, the RACQ website at the same time was amended to display a scrolling banner in part directed to people affected by the Queensland Floods which, when clicked on, took the customer to the same information mentioned above.

99. RACQ Insurance, through RACQ’s General Manager of External Relations, arranged for a media release to be issued on 16 January 2011 which encouraged customers to contact RACQ Insurance and make a claim. A copy of that media release is attached to this affidavit as **Exhibit 15**.

9. What information was given to policyholders in their first communication with a representative of RACQ Insurance? In particular, what information was given to policyholders (whether voluntarily or in response to queries from policyholders) about:

9.1 The terms of the cover provided by their policy;

9.2 Making a claim (both as to how a policyholder could make a claim and whether a policyholder should make a claim); and

9.3 What to do with damaged property?

If the information given to policyholders varied according to the location of the insured property, please outline the variations. Please provide a copy of any and all instructions or scripts given to telephone operators.

100. The information which was to be provided to customers in their first communication with a representative of RACQ Insurance was that set out in the scripts exhibited as **Exhibit 10** and **Exhibit 14**, which were provided to RACQ Insurance’s staff on 30 December 2010 and 15 January 2011 respectively.

101. It would be possible to check (by reference to recordings of such of the initial conversation as were made by phone and were taped) whether the script was followed or what information was provided. I have not done so for the purposes of this affidavit and to do so would be a very large task indeed. However, all of the telephone conversations were taking place with team leaders and managers around, and I would expect that if there was any significant departure from the script I would be informed, and I was not.

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102. The information to be provided by RACQ Insurance to its customers did not vary according to the location of the insured property.
- 10. How did a representative of RACQ Insurance giving information to a policyholder about matters of the kind referred to at sub-paragraphs 9.1-9.3 (whether voluntarily or in response to queries from a policyholder) ensure that the information provided to the policyholder was accurate and based on the correct version of his or her policy?**
103. As mentioned above, the Cogen Policy system stores data relating to customer policies such as customer details and policy details. The policy version is automatically imported from the Cogen system to the ClaimCenter system when a claim is lodged and stays with the claim.
104. Thereafter, whenever an enquiry is made, the responding RACQ Insurance employee can access that claim record which will record all relevant information.
105. Any other enquiry regarding a policy which does not relate to a claim would be dealt with by RACQ or RACQ Insurance employees who would have direct access to the Cogen system.
- 11. What information was a policyholder required or asked to give RACQ Insurance for the purposes of assessing the policyholder's claim? If the information which a policyholder was asked or required to give varied according to the location of the insured property, please outline the variations.**
106. The key information obtained from the customer included policy information, contact details, a declaration of truth of details to be provided, whether the customer has been convicted of any criminal offence in last 5 years, a description of how loss occurred, whether any renovations were being conducted, whether the customer was aware of where water had come from, the extent of damage and other questions surrounding the customer's ABN and preferred payment methods.
107. In addition, at the site inspection the loss adjuster would obtain additional information to help understand the loss. An example of this is included at Exhibit 41 of my first affidavit to the Commission sworn 2 September 2011.
108. In some instances as part of the hydrological investigation of inundation claims (described in further detail below) Water Technology sought further information from the customer by phone or a specific site visit. It is likely that in most cases the information sought by Water Technology would relate to the property or its surrounds and that would vary according to the location of the property. The type of information requested is illustrated by the checklists exhibited to this affidavit as **Exhibits 20 and 21**.

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109. As the claim proceeds and more is known about the specific circumstances of the loss, RACQ Insurance may ask for further information (e.g. receipts, quotes, proof of ownership) to assist in assessing/settling the claim.

12. Please outline each step, and by whom each step was taken, in the process by which claims were processed, assessed and determined. Please also outline the information relied upon in determining claims. In particular:

12.1 Were site assessments/inspections carried out? If so:

12.1.1. Were they carried out for every claim or some claims? If the latter, in how many cases were site assessments/inspections carried out?

12.1.2. At what stage of the claims handling process were site assessments/inspections carried out?

12.1.3. Who conducted the site assessments/inspections? What instructions were they given?

110. All household claims arising from the Queensland Floods were processed and assessed by the dedicated response team.

111. As stated above, most claims were made over the phone. A small number of customers attended at RACQ Insurance's branch offices or emailed claims. Once received, the claim was lodged and then allocated to a specific Customer Service Officer from within the dedicated response team. Communications with the customer were then made by the Customer Service Officer allocated to the claim or another Customer Service Officer. The records in ClaimCenter are comprehensive which means that any Customer Service Officer should be able to deal with customer queries.

112. The majority of claims arising out of the Queensland Floods did not involve household inundation and accordingly did not require hydrology investigation as part of the assessment process. The types of claims that I am referring to here are traditional storm claims such as leaking roofs, overflowing gutters, wind damage and the like. They were allocated to the case management team within the dedicated response team.

113. Claims which related to household inundation were allocated to the technical team.

114. The determination of which category a claim was allocated to was made by the Operations Manager, who oversaw the case management team and technical team within the dedicated response team.

Inundation claims (for technical team management)

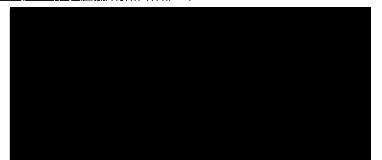
115. For inundation claims, after the claim was lodged, a loss adjuster was assigned to the claim to conduct an inspection and provide a report. I believe that every property which was the subject of an inundation claim was inspected by a loss adjuster who carried out a

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site assessment. The loss adjuster prepared an individual report for every such claim. It is possible that where claims were not covered under the policy for some reason which did not relate to the nature of the damage (such as where the inundation occurred within 48 hours of inception of the policy or where the policy had lapsed before the event) no loss adjuster site inspection may have taken place. I have not separately checked how many claims, if any, fall within this category.

116. As stated above, Water Technology was engaged to undertake hydrological investigations in those regions where inundation claims had been made. In addition, each property was assessed as part Water Technology's regional review and was listed in a schedule attached to one of its reports or updates for the region in which the property was located. The only regions where this did not occur were Toowoomba and Upper Lockyer Valley, where schedules were not attached to the reports. RACQ Insurance identified the properties covered by this report.
117. Water Technology was instructed to consider, amongst other things, the geographical extent of the flood event, the timing of the flood event and of the damage to properties in that area, the cause of the flood event and any other factors that may have affected the extent and timing of the flood event.
118. The investigations generally were to identify the cause and timing of the flooding which occurred taking into account the claims which had been received at the time. Where possible the cause of the inundation to stated areas was identified. Even in the course of undertaking their analysis on a regional basis Water Technology carried out inspections of properties and some interviews with customers.
119. I understand from Water Technology that:
 - (a) Representatives of that company attended each of the regions before completing the respective regional reports. The purpose of these attendances was to look at general terrain features and to obtain observations from residents about what happened so that they could be compared with gauge records and other hydrological information.
 - (b) In addition representatives made some investigation of a number of individual properties before completing some regional reports. This consisted of (a) an actual inspection of a property itself; (b) driving past the property; or (c) in some cases speaking to or telephoning a resident of the property. The representatives had flood imaging of the regions and looked at samples of properties within the region to gain an understanding of the topography and hydrological features of the areas.

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- (c) There were more inspections in some regions than others. Whether many inspections were needed depended on the relative complexity of what was understood to be the flood mechanism(s) involved.
- (d) These sorts of inspections were undertaken for the following regions:
- (i) Ipswich;
 - (ii) Brisbane;
 - (iii) Bundaberg;
 - (iv) Rockhampton;
 - (v) Regional Fitzroy;
 - (vi) Alpha;
 - (vii) Gladstone;
 - (viii) Middle Brisbane;
 - (ix) Condamine (other than Dalby).
 - (x) Caboolture;
 - (xi) Moreton Bay;
 - (xii) Lower Lockyer Valley; and
 - (xiii) Upper Brisbane.

120. In instances where the likely cause of inundation for a property could not be determined from a regional review, Water Technology carried out further investigations including as they considered appropriate, a site inspection of that property or speaking to the customer. This arose in a number of cases such as where there were features like a localised detention basin or localised severe runoff and which required further investigation at an individual rather than regional level.

121. In addition, RACQ Insurance audited the above process and through this process identified additional claims with an inundation aspect that were added to the schedules of claims for investigation by Water Technology.

122. The decision on whether sufficient information existed to enable decisions to be made on causation for some or all of the claims in a particular region and (where sufficient information existed) what was the causation, was made by me based principally on the hydrological information received and after receiving legal advice. Once a decision on

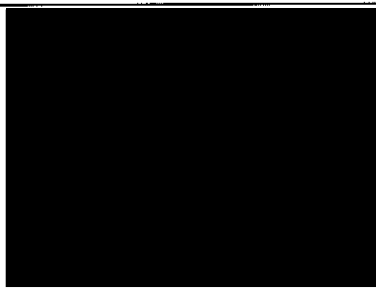
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causation was reached based on Water Technology's regional advice, a schedule of claims was passed to the claims processing teams, and was then processed in the manner described below.

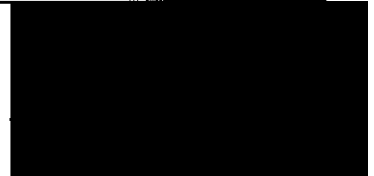
123. As further hydrology reports became available and further advice was prepared, approved listings of claims, advising as to the determined cause of inundation, were prepared and passed to the claims teams for action.
124. The stage in the claims handling process when the site assessments and inspections were carried out is generally as set out above. That is, loss adjusters carried out their site assessments and inspections as soon as circumstances permitted after RACQ Insurance instructed them to do so which was immediately following lodgement of a customer's claim. Water Technology undertook their regional investigations (and in the course of doing so inspected many properties) and, if necessary, specific site inspections and direct telephone calls to customers generally after the loss adjuster's report had been prepared. It is likely that aspects of Water Technology's investigations on a regional basis (such as acquiring data and some inspections) occurred at earlier stages. In respect of the Toowoomba and Upper Lockyer Valley regions, I believe that the Water Technology report was prepared and in many instances, the causation determination was made before loss adjuster site inspections and reports had been completed.
125. On the basis of the terms of the policies, the loss adjuster's report, hydrology information (and my decision as to causation of damage as mentioned above), claim lodgement details (or details subsequently provided by the customer in making the claim) and legal advice, members of the claims team made a decision on the claim outcome within their delegated authority. For "flood" (inundation) claims which were declined they also completed an assessment of eligibility for a compassionate payment from a Special Fund, which RACQ Insurance established on compassionate grounds. The Special Fund is described more fully in RACQ Insurance's submission to the Commission dated 11 May 2011. The determination of a customer's entitlement to a compassionate payment from the Special Fund is based on a set of approved criteria. Payments from the Special Fund are separate from hardship payments under the Code of Practice, which are determined as part of the claims process and in advance of the claim determination.
126. For accepted claims, the process involved:
 - (a) advising the customer over the telephone (or advising the loss adjuster so that they could advise the customer) of the acceptance of the claim and the next steps involved;
 - (b) endeavouring to meet any emergency needs; and

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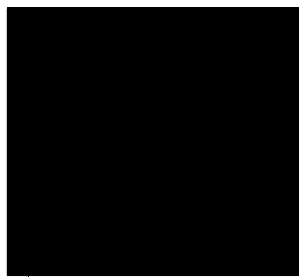
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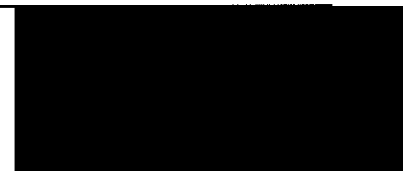


- (c) advising service providers so that the repair/settlement process can commence.
127. The procedure once a claim was accepted depended on the size and nature of the claim. A contents claim where the loss plainly exceeded the sum insured was usually cash settled. However, the typical procedure for an accepted claim for household building damage was as follows:
- (a) a building consultant visited the site to assess the damage and prepared the scope of repair work required. This permitted builders to submit desk-top tenders based upon a (uniform) prepared scope of works;
 - (b) RACQ Insurance (or its consultants) then obtained tenders on this scope of work from builders. Customers were also free to obtain their own quotes for the work contemplated by that scope of repairs;
 - (c) the customer and the builder then agreed upon and entered into a contract for the repair work;
 - (d) the repair work is then carried out.
128. RACQ Insurance makes payments against invoices from the builder, suppliers and contractors.
129. In some instances cash settlements of the claims are made.
130. For declined claims, the process involved:
- (a) a review of the claim information by a team leader in the dedicated response team to confirm the decision to decline cover;
 - (b) consideration and pre-approval of eligibility under the terms of the Special Fund;
 - (c) attempted personal contact with the customer to advise them of the decision, any Special Fund payment and rights in relation to dispute resolution. Sometimes in this conversation additional information may have been provided by the customer which was then further considered;
 - (d) during the initial telephone advice and the related letter to the customer, it was made clear to the customer that accepting a compassionate payment did not preclude their right to challenge the claim decision; and
 - (e) providing the customer with a formal letter of advice which included information as to the complaints and dispute process.

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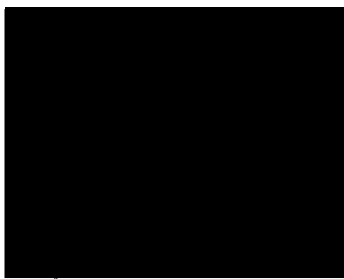
Non-inundation household claims

131. Non-inundation household claims were typically easier to deal with than inundation claims, since they did not require hydrological investigations or reports.
132. After a non-inundation claim was lodged, the customer was contacted to confirm that a loss adjuster had been appointed to assess the claim and would attend the premises to conduct an inspection. This was the case in respect of all non-inundation claims save where the claim was for a minor contents only claim for a low value (this covers things such as food spoilage claims).
133. With that limited exception, the loss adjuster conducted an inspection and provided a report. The loss adjuster had a delegated authority to accept claims on behalf of RACQ Insurance where the cost of the claim was estimated to be less than \$20,000 and where there were no concerns as to coverage under the policy. This expedited the claims acceptance and repair/settlement process.
134. If the claim was estimated to exceed \$20,000 or where there were concerns as to coverage under the terms of the policy, the loss adjuster provided a report to RACQ Insurance with recommendations about policy coverage, claim acceptance and settlement. Based on the loss adjuster's report, members of the dedicated response team made a determination, within delegated authority, as to whether the claim was accepted or declined and notified the customer over the phone or notified the loss adjuster so that the loss adjuster could advance the claim. My expectation is that the loss adjuster would then get in touch with the customer to do so.
135. The information relied upon to make a decision on a non-inundation claim is the information provided by the customer at the time of lodgement and during the processing of the claim, the terms of the policy and a loss adjusters or other expert reports if these were required in the circumstances (for example, an engineer's report).
136. If the claim was accepted RACQ Insurance arranged for repairers to be appointed, goods to be replaced, or for a cash settlement to be made.

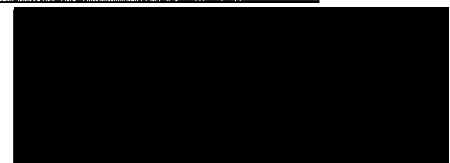
Settlement of contents claims

137. In relation to contents claims arising from the Queensland Floods (both inundation and non-inundation claims), RACQ Insurance generally adopted a policy of paying cash settlements for accepted contents claims to make the process quicker and easier for customers.

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Instructions

138. Loss adjusters were instructed in writing to arrange an assessment and report. They were provided with a "loss adjustment verification sheet" containing site specific information. A sample of these documents is Exhibit 36 to my First Affidavit sworn 1 September 2011.
139. Water Technology were also instructed in writing as I discuss further below in response to question 12.3.

12.2 Were any claims declined without site assessments/inspections having been carried out? If so:

12.2.1. In how many cases?

12.2.2. To which areas did the claims relate?

12.2.3. Why were site assessments/inspections not carried out in those cases?

12.2.4. What information was relied upon to determine whether those claims would be accepted or declined?

140. No claim was declined without a site inspection or assessment having been carried out, save for those minor possible exceptions to which I have referred to above (e.g. claims declined for reasons unrelated to damage).

12.3 Please outline all hydrology information obtained and used/relied upon in determining claims and explain:

12.3.1 Who provided the hydrology information? If the RACQ Insurance engaged hydrology experts, what did RACQ Insurance brief the hydrology experts to do? What instructions, written or oral, were provided to the hydrology experts? Please provide copies of any written instructions.

12.3.2 How did RACQ Insurance ensure that the hydrology information addressed the relevant terms of the applicable policies? In particular, how did hydrology reports relied upon define the terms 'flood' and 'flash flood'?

12.3.3. When the hydrology information was received.

12.3.4. When investigations upon which the information was based were conducted.

12.3.5. Whether the hydrology information related to general areas or regions or specific sites or both. If the first, please identify the areas or regions and provide copies of the reports. If the second and third:

12.3.5.1 At what stage of the claims handling process was hydrology information for specific sites requested and obtained?

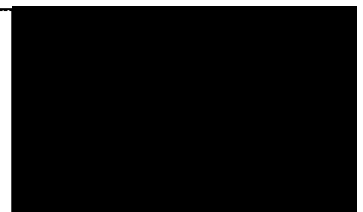
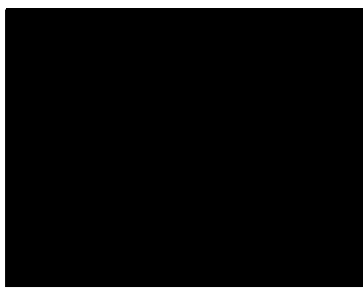
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12.3.5.2 What determined whether hydrology information for a specific site was requested?

12.3.6. If the nature of the hydrology information varied according to the location of insured property, please set out the variations.

141. In every case, the hydrology information obtained, used and relied upon in determining inundation claims consisted of a report from Water Technology. Copies of all of Water Technology's reports and updates are at **Exhibits 41 to 129**. The schedules to these documents contain the names and addresses of customers which I would ask that the Commission not disclose to protect the privacy of the customers. A decision on causation in terms of inundation has been made on all claims and there are only two claims where further investigation is required to enable a final claims decision to be made.
142. The hydrology information was provided by Water Technology which is an independent expert in this field.
143. Water Technology was originally retained by RACQ Insurance and then formally briefed by RACQ Insurance's solicitors, Cooper Grace Ward ("CGW"). CGW provided written instructions to Water Technology.
144. Copies of CGW's written instructions to Water Technology are attached at **Exhibit 40**.
145. RACQ Insurance ensured that the hydrology information addressed the relevant terms of the household insurance policy by instructing CGW to include in their written instructions to Water Technology the definitions of "Flood" and "Flash flood and stormwater run-off" from the policy and to instruct Water Technology to prepare reports which addressed, amongst other things, the issue of causation of inundation in light of these definitions (which are not necessarily the same as the definitions adopted by other insurers). Water Technology was not instructed to offer a view as to the meaning of the policy wording but rather to consider and report on the physical causes of the inundation damage which arose, and its timing.
146. The dates upon which Water Technology's various reports and updates were received appear in **Exhibit 23**.
147. I do not know the exact period of time over which Water Technology's investigations were conducted. I am advised by Water Technology that on 17 January 2011 Water Technology requested all hourly rainfall data from BOM for every gauge in Queensland from December 2010 to the date of the request. I believe that Water Technology were conducting investigations before RACQ Insurance had formally retained them. The most that I can say is that Water Technology's investigations were continuing from the date that they were formally instructed in relation to each region to the date that each regional report was provided.

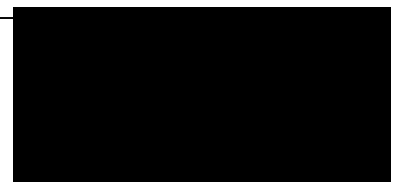


148. The reports each identify a region by name to which the report relates: for example, "Condamine". The particular area covered by each report is more fully identified in each report. Accordingly, the regions covered by Water Technology's reports appear in those reports in **Exhibits 41 to 129**.
149. As mentioned above, in the course of these investigations of hydrological issues on a regional basis, Water Technology inspected many properties. However, after preparation of a regional report, hydrological information for specific sites was requested after Water Technology advised in its report for a particular region that it was unable to determine the likely cause of inundation for a property or group of properties in that region and that further investigations were necessary. A decision was then made as to whether a site inspection or telephone discussion with the customer was required. Within the time available to respond to the Commission, I have not had sufficient time to prepare a list of the addresses of each property individually inspected by Water Technology, or the names of customers who Water Technology personally interviewed, or the dates of when this occurred. However, this information is available and if required by the Commission, could be made available.
150. Whether an issue required some site specific further hydrological examination was generally determined by whether Water Technology suggested that was the case. The kinds of issues which they identified varied. The reports identify some such issues and include things such as whether there was an eccentricity about a site or the immediate vicinity of the site that made it potentially unreliable to rely upon a regional finding, for example because of the topography of the land on which the property was constructed (e.g. if it was located in a basin or at the foot of a steep slope), if there were drainage issues in that locality as a result of insufficient infrastructure such as kerbing and stormwater drains or if the available rainfall and river height data made it impossible to determine the likely mechanism of inundation for that property. On occasions RACQ Insurance identified to Water Technology that an individual inspection should be undertaken. One example of this that I recall involved a site where RACQ Insurance was aware (from the customer) that the site had been inundated on a previous occasion.
151. The general nature of the hydrology information did not vary according to the location of insured property. However, clearly the detail of the hydrological information and the conclusions drawn from it varied according to the location of the properties under consideration. The detail of the hydrological information is set out in the reports which comprise **Exhibits 41 to 129** to this affidavit.

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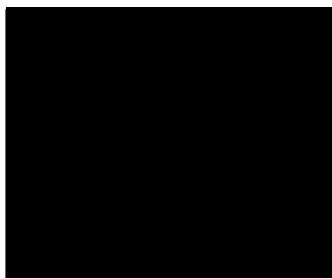


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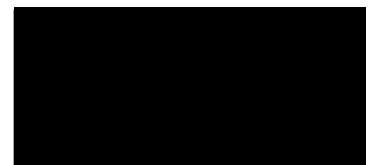


13. ***If any of the processes and information relied upon outlined in answer to questions in paragraph 12 above varied according to the location of the insured property, please set out the variations.***
152. The processes and the general nature of the information relied upon as referred to in my answers to the questions in paragraph 12 did not vary according to location of the insured property. Some regions were easier to determine than others. The extent of Water Technology's original investigations was therefore dependent on the complexity of the hydrology in each region but the process was the same for each.
153. Further, as mentioned above, clearly the detail of the hydrological data and conclusions to be drawn from it varied from place to place. This depended upon topography, rain fall, the gauge and other raw data available and many other things. The details are set out in the reports which comprise **Exhibits 41 to 129** to this affidavit.
14. ***Was any advice other than hydrology reports and reports of loss adjusters/assessors obtained and relied upon in determining claims? If so, please identify the nature of the advice.***
154. RACQ Insurance also relied upon legal advice in determining claims. On some occasions, other specialist advice was obtained, for example, an engineer's report.
15. ***Were policyholders advised of all information RACQ Insurance relied upon in determining their claims? If so, was this advice given voluntarily or only if requested? If any piece of information was not provided or withheld for any period of time:***
- 15.1 What was the nature of the information?**
- 15.2 Why was it not provided?**
155. When a decision was made to accept a claim the customer was told of that decision. The customer was told of the reasons for that decision, for example in the case of inundation claims that the cause of inundation had been determined as "Flash flood and stormwater run-off" within the terms of the policy and where applicable the PDS limit. As the claim was settled (with each instalment of payment and upon final settlement) a letter was sent to the customer a sample of which is part of **Exhibit 18** referred to further below.
156. As to the information relied upon:
- (a) In respect of inundation claims, the information relied on was the terms of the Policy, the information provided by the customer when lodging the claim or at any time during the claims process, the loss adjuster's report, the terms of the Water Technology report(s) which dealt with the area in which the customer's property was

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located and any specialist reports such as engineers reports when these were required.

- (b) In respect of non-inundation claims the information relied on was the terms of the Policy, the loss adjuster's report, the information provided by the customer when lodging the claim or at any time during the claims process and any specialist reports such as engineers reports when these were required.

157. Other than as provided when advising them of the decision to accept it was not felt necessary to provide to the customer details of that information. If a customer had asked for a copy of that information, it would have been provided, other than hydrology reports (at least initially) and other than legal advice, for the reasons discussed below.

158. When a decision was made to decline a claim the customer was told of that decision. The customer was told of the reasons for that decision.

- (a) In respect of inundation claims:

- (i) the reasons were (most typically) that the Policy did not cover the insured for Flood and that the cause or a real cause of the damage to the insured property was Flood;
- (ii) those reasons were provided voluntarily;
- (iii) the information relied on was the terms of the Policy, information provided by the customer when lodging their claim or at any time during the claims process, the loss adjuster's report, specialist reports where these were required and the terms of the Water Technology report(s) which dealt with the area in which the insured's property was located;
- (iv) this information was not provided unless asked for. If it was asked for, it was provided except for legal advice and Water Technology's reports (initially, for the reasons discussed below). Where hydrological information was requested, as discussed below, RACQ Insurance offered the customer an information sheet which summarised hydrological findings relevant to the customer's claim.

- (b) In respect of non-inundation claims:

- (i) the reasons would vary depending on the circumstances, but the customer would be told those reasons;
- (ii) they would be told voluntarily;

- (iii) the information relied on would depend on the circumstances but would generally include the terms of the Policy, what the customer told us when lodging the claim or at any time during the claims process, and the loss adjuster's or any other specialists' reports.
- (iv) depending on the circumstances, this information may be provided voluntarily, but would in any event be provided if requested by the customer.

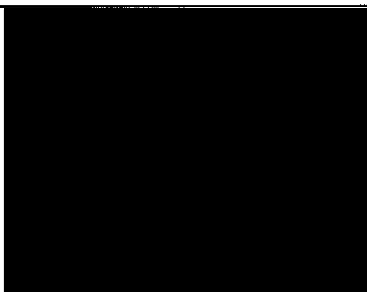
16. Were policyholders given copies of all documents relied upon in determining their claims? If any document was not provided, or withheld for any period of time:

16.1 What was the nature of the document?

16.2 Why was it not provided?

159. I have in substance answered this question above.
160. If a customer requested a copy of a hydrology report, then until relatively recently this was not provided. But where the hydrology report was not provided, the customer was offered a plain English information sheet which summarised hydrological findings relevant to the customer's claim. Copies of the information sheets that were prepared are exhibited to this affidavit as **Exhibit 26**.
161. Whilst the reports were prepared on a regional basis they (with the exception of Toowoomba and Upper Lockyer Valley) contained schedules containing personal information about other customers. RACQ Insurance was concerned to preserve the privacy of customers as it is required to do by the privacy laws.
162. I also understood that the Code permitted RACQ Insurance to not disclose any information which would infringe a person's privacy or where information was protected from disclosure by law. I understood this included documents subject to legal professional privilege and that the Water Technology reports were privileged.
163. In any event, as stated above, any customer who requested a copy of a hydrology report was offered a detailed plain English information sheet which summarised Water Technology's findings. Additionally, any customer who made a complaint to the Financial Ombudsman Service regarding a decision made by RACQ Insurance, was provided with a detailed personalised Water Technology report as it related to their property. Typical examples of such personalised reports are attached at **Exhibits 37 to 39**. Again, to protect the privacy of the customers involved I would be grateful if the Commission would redact the names and addresses of the customers.
164. From around late July/early August 2011, given the position taken by the Financial Ombudsman Service, who informed RACQ Insurance that it would make adverse

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inferences against RACQ Insurance when determining complaints made to FOS if RACQ Insurance did not release copies of the reports, RACQ Insurance has now disclosed all of the hydrology reports to FOS. The reports have also been provided to legal representatives such as Legal Aid Queensland and Caxton Legal Centre and non-legally represented customers who have made a complaint. **Exhibits 27 to 30** are copies of correspondence with FOS regarding the provision of the regional hydrology reports including where FOS indicated that they required disclosure of the hydrology reports. RACQ Insurance has also decided to release copies of the hydrology reports to any customer who requests a copy.

165. Requests for copies of RACQ Insurance's legal advice were also refused on the grounds of legal professional privilege, and copies of those advices have not been provided to any customer as they are privileged.

17. *Were any difficulties encountered in processing, assessing and deciding claims? In particular, did any factors cause delays in this process?*

166. The following difficulties were encountered in processing, assessing and deciding claims. These difficulties caused delays in completing these processes.

Volume of claims

167. When combined with the claims arising from the Brisbane hailstorms of mid December 2010 and those from Cyclone Yasi which crossed the Queensland coast on 2 February 2011, RACQ Insurance has to date received 15,816 claims. This was in addition to its "business as usual" claims. The sheer volume of claims placed extreme demands on RACQ Insurance's internal and external resources. The need to engage and train staff and implement new processes to deal with the claims is dealt with above.

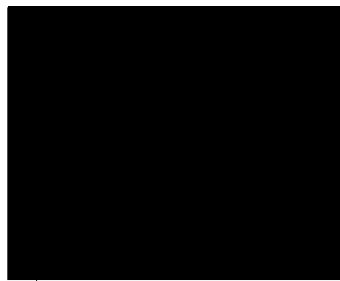
Complexity of events

168. The events causing flooding in the various regions during the Queensland Floods were factually complicated. Properties in some regions were inundated by more than one flood event. The extent and timing of each flood event was the result of different factors. In other regions, especially those in Brisbane and parts of Ipswich, the flooding was affected by the release of flood waters from the Wivenhoe Dam. The complexity is apparent from the hydrology reports which are exhibited as **Exhibits 41 to 129** of this affidavit.

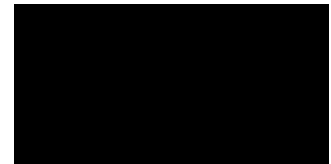
169. Detailed analysis was required in order to reach conclusions in accordance with the Household Insurance Policy.

170. This process took time. And the process was in some instances further complicated and delayed by the unavailability (or delayed availability) of information and data necessary for Water Technology to complete its investigations.

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Lack of access

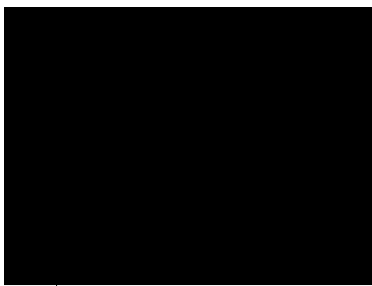
171. As a result of the damage caused to key infrastructure in the flood affected regions, access to some regions was restricted. RACQ Insurance's loss adjusters were therefore unable to visit as many properties as quickly as they would have liked and Water Technology's ability to commence its investigations and undertake site inspections was impeded. Some areas of Grantham, for example, were necessarily cordoned off by police for some weeks. Difficulties with access were also experienced in relation to Toowoomba, the Lockyer Valley, Emerald and Rockhampton.

Lack of information

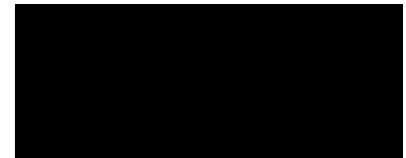
172. Water Technology's ability to progress the investigations was also contingent upon its representatives being able to gain quick access to information and data relevant to the flood events. This information included, amongst other things, I understand, flood inundation maps, terrain information and rainfall and river gauge data. In the usual course, this information is made available free of charge and with short lead-time from local and state authorities such as DERM and BoM.
173. Of course DERM and BoM had considerable burdens to deal with as a result of the Queensland Floods. However, I understand from correspondence referred to in RACQ Insurance's submission to the Commission, for some flood affected regions, this information and data was sometimes slow to be provided to Water Technology by the relevant local and state authorities. In some cases, despite requests, the information and data was not made available in full or even in part to Water Technology in a timely fashion.
174. I was aware that Water Technology had a proprietary version of a computer program known as MIKE 11. I understand from Water Technology that the program requires the input of data as to, amongst other things, the characteristics of the rivers and the outputs of the program to be calibrated against data over extended periods so as to ensure the program accurately models the performance of rivers in various circumstances.
175. I understand from Water Technology that it had been able to input some limited data concerning the Brisbane and Bremer Rivers into the program and that they required more complete data for the Brisbane and Bremer Rivers to enable them to accurately estimate the effect that the flood waters in the Brisbane River had on the flooding in Ipswich.
176. I was aware that Water Technology had requested this model from SEQ Water on 21 February 2011 and that on 23 February 2011 CGW had also requested access to the model from SEQ Water, Brisbane City Council and Ipswich City Council explaining that it was required to assist RACQ Insurance in assessing claims.

177. By email on 28 February 2011 Ipswich City Council informed CGW that the request for access to the MIKE 11 model had to be made under the Right to Information Act 2009. On 3 March 2011, SEQ Water advised CGW they were not prepared to make the model available to RACQ Insurance or Water Technology. On 10 March 2011 the BCC wrote to CGW stating that the request for access to the model had been passed onto the "appropriate area" as a priority. CGW chased up a response from BCC on 4 April 2011 as they had still not received a substantive reply. On 13 April 2011, CGW received a letter from Ipswich City Council stating that their request for access to data required by Water Technology to input into the MIKE 11 model was refused on the basis the information did not exist.
178. Up until it was received (see details below), it was not known whether the MIKE 11 model (with better data) would be made available to Water Technology. In order to make progress in dealing with the claims Water Technology carried out its own modelling based on the (limited) information then at its disposal to estimate the effect that the high Brisbane River tailwater had on the flooding that occurred in Ipswich. Water Technology's first report with respect to Ipswich, adopting expressly a cautious approach with respect to the data then available to it, concluded that absent the high Brisbane River tailwater at the junction of the Bremer River, the waters in the Bremer River would largely have been contained within its banks.
179. This led to RACQ Insurance making a decision to decline (as caused by Flood, an excluded cause) many claims in Ipswich on the basis, in summary, that rain that had commenced falling more than 24 hours prior to the inundation was a real cause of the inundation there, in particular the rain that had fallen in the Wivenhoe Dam catchment from 6 January 2011 which had led to large amounts of water being released from it and swelling the Brisbane River.
180. After initially being provided with a proposed User Agreement for the model by BCC on 5 April 2011, BCC provided Water Technology with access to the MIKE 11 model on 17 May 2011. I understand from Water Technology that the MIKE 11 model obtained from the BCC:
- (a) contained data needed for cross sections of the Brisbane and Bremer Rivers;
 - (b) contained data detailing the major infrastructure in the Brisbane and Bremer Rivers that had the capacity to affect water flow such as weirs and bridges;
 - (c) had been calibrated against real life data over an extended study period.
181. I understand from Water Technology that the BCC MIKE 11 model was a vastly more informative and accurate model than the one used by Water Technology initially.

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182. Thereafter Water Technology carried out further investigations of the cause of flooding in Ipswich. Its further report dated 14 June 2011 was provided to me with covering legal advice on or about 11 July 2011. In that report Water Technology concluded that the effect of the Brisbane River tailwater at the junction of the Bremer River was not as substantial as it had concluded in its original report.
183. In view of Water Technology's revised conclusions and having obtained legal advice, RACQ Insurance agreed to accept (as caused by flash flood) claims which fell in the new Bremer River inundation zones drawn up by Water Technology. This led to accepting 248 claims in Ipswich on 2 August 2011 which had previously been declined. I believe that had the BCC MIKE 11 model (or the SEQ Water model and data or, if they had it, the Ipswich City Council model and data) been available to Water Technology sooner the claims in Ipswich which were accepted in August would not have been declined in the first place.

Demand on hydrologists and other consultants

184. In addition to its engagement on behalf of RACQ Insurance, Water Technology was engaged by or on behalf of a number of parties, including other insurers that have received claims relating to the Queensland Floods. Given the unique skills possessed by hydrologists and the scale of the Queensland Floods, my understanding from discussions with Water Technology, other people in the insurance industry and members of RACQ Insurance's staff was that it is likely the majority of hydrologists undertaking work in relation to the Queensland Floods were in a similar position to Water Technology, simultaneously undertaking work for more than one client.
185. Given that each of Water Technology's clients would have had different policy terms, requirements and expectations, Water Technology's (and other hydrologists') resources have been under a significant amount of pressure. This pressure on resources was exacerbated by the volume and geographic spread of properties that Water Technology was required to consider.
186. These demands on Water Technology's resources have impacted on the period of time it took Water Technology to complete its investigations for each region and for RACQ Insurance to make decisions on claims.
187. These matters equally apply to other consultants such as those engaged in relation to the process after a claim is accepted (see further comments in the answer to question 34 below).

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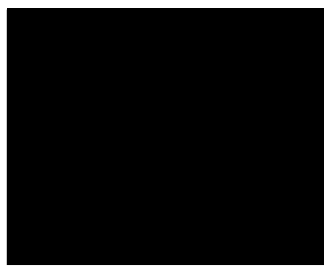
Reinsurance, prudential standards and corporate governance

188. Whilst perhaps not properly described as "difficulties" in the same sense as the matters described above, the following matters are also relevant to the time that it took for RACQ Insurance to make claims decisions.
189. Like all insurers, RACQ Insurance relies on reinsurance arrangements to meet, at least in part, the risks posed by natural catastrophes. Were RACQ Insurance to have accepted flood claims that were not covered by its policy, RACQ Insurance itself would not be covered by reinsurances.
190. RACQ Insurance has prudential obligations imposed by statute. These prudential requirements effectively limit the extent to which capital can be disposed of in an ex gratia (albeit compassionate) manner.
191. RACQ Insurance has an obligation towards all of its customers, and not just those affected by the Queensland Floods.
192. RACQ Insurance has an obligation to its sole shareholder, RACQ, and its 1.2 million members.
193. I do not consider that RACQ Insurance would be acting in a professional manner were it to simply accept claims without proper consideration of whether the claim was covered by the policy.

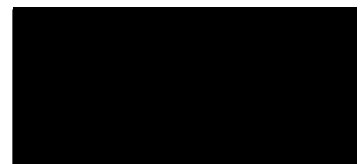
18. How does the volume of claims RACQ Insurance received, and the timeliness with which they have been decided, compare with (a) 'business as usual' and (b) other recent natural disasters?

194. RACQ Insurance has to 31 August 2011 received 11,836 household claims and 3,980 motor claims from the Brisbane storms of mid December 2010, the Queensland Floods and Cyclone Yasi; a period spanning less than two months. For the Queensland Floods as defined, RACQ Insurance received 5,267 household claims and 968 motor claims.
195. RACQ Insurance's average number of "business as usual" monthly household claims in 2011 (up to 31 August 2011) was approximately 2,350.
196. RACQ Insurance processed 2,375 household claims and 373 motor claims arising from Cyclone Larry in 2006 and 6,518 household claims and 1,461 motor claims from the severe storms centred in the Gap in Brisbane in 2008.
197. The number of household claims received from recent events is greater than four times the average monthly "business as usual" claims in 2011. Moreover, of the claims received, approximately 2,323 were household inundation claims from the Queensland Floods which

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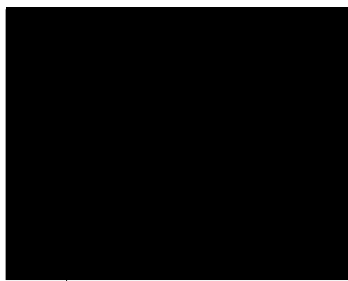
given the policy wording and the level of work and complexity involved in investigating those claims, has placed enormous pressure on RACQ Insurance's resources. That question was not especially relevant to assessment of the claims from Cyclone Larry or the storms in the Gap in Brisbane in 2008.

198. RACQ Insurance does not maintain data which would enable a ready comparison between the time taken to decide business as usual claims during any earlier period or claims from earlier events and the time to decide claims arising out of the Queensland Floods. It does maintain data which records the time from the making of claims to their finalisation (which in the case of accepted claims, means after the final payment under the claim).
199. Without the data it is not possible to provide more than my impression as to likely comparison of the average times taken to decide previous business as usual claims and claims from earlier events and the time to decide claims arising out of the Queensland Floods. The time taken to make decisions of some claims (the inundation claims) has been prolonged because of the need to undertake hydrological investigations which would not normally be the case for business as usual claims and was not a significant issue for the claims arising out of Cyclone Larry or the storms in the Gap. The sheer numbers of claims arising out of the Queensland Floods and the other factors dealt with elsewhere in this affidavit, would impact on the time taken to decide claims during that period and it would be longer, on average, than the time taken to decide business as usual claims during any earlier period or claims from earlier catastrophic events. Additionally, "business as usual" claims range from things very small and simple events to large serious claims. The Queensland Floods have, I believe, given rise to claims which generally are more serious and complex thus making the time taken to decide and then finalise them, on average, longer.

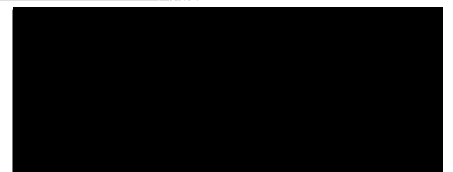
19. Were policyholders kept informed, or have they been kept informed, of the progress of their claims in accordance with the standards stipulated in the General Insurance Code of Practice? How did or does RACQ Insurance monitor whether those standards are adhered to?

200. The Code lays down certain standards in section 3 that it expressly contemplates, by section 4, may not be complied with in certain circumstances. The Queensland Floods (and indeed the other storm events in December 2010 and Cyclone Yasi in February 2011) were such as to make it not feasible to comply with the section 3 standards.
201. However, as set out above in detail, RACQ Insurance established its own internal processes responding to the catastrophe. These were designed to achieve and achieved a number of things. A dedicated response team was established to deal with claims. Claims were allocated to case managers and customers were given the Teleclaims number to

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contact their case manager as they required. In that way customers were able to be kept informed of the progress of their claims. The notes in the ClaimCenter system allow any customer service officer to have up to date information regarding claims and generally therefore any customer service officer (not just the case manager) who received a customer query would seek to deal with that straight away.

202. Additionally, the dedicated response team adopted processes in order to deal with the claims quickly as possible. Hydrological reports were undertaken (in the main) on regional bases again in order to streamline the claims process and resolve claims as quickly as possible. Customers were (as set out above) advised when decisions were made and the reasons for those decisions. While the standards set out in section 3 of the Code were not always achieved the processes adopted were directed to as speedy a determination of the bulk of the claims as was possible. In many respects, these standards were achieved, such as:

- (a) section 3.2.1(a) - advising of the detailed information needed to make a decision on a claim;
- (b) 3.2.1(b) - appointing a loss adjuster as necessary;
- (c) 3.2.2 - notifying customers of the appointment of a loss adjuster; and
- (d) 3.4.5 - providing written reasons for declining a claim along with information about complaints handling procedures and, on request, information relied on the decline the claim.

203. The dedicated response team was set up in one location and with a structure of managers and team leaders. This was to ensure that leaders were located close by to enable claims to be managed as efficiently as possible.

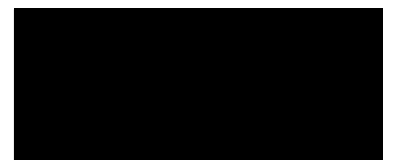
204. The managers and I were on hand to deal with any queries from staff but also to monitor their progress of the claims. There were morning meetings held on Monday, Wednesday and Friday with all operational managers to monitor progress. RACQ Insurance also has general quality assurance processes which are ongoing as part of its usual procedures.

205. I recognise, however, that in dealing with the Queensland Floods, we were not always able to provide the level of access to our staff or communication with customers which I would ideally wish for and which is provided in our "business as usual" handling of claims. As a company I know that RACQ Insurance attempted to put in place the staff and systems necessary to do so, and in doing so I took the steps I believe were appropriate. As I have said, these events were unparalleled in my experience.

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20. Was the position adopted by a reinsurer communicated to policyholders at any stage? If so, why?

206. The reinsurance arrangements which RACQ Insurance had in place obliged reinsurers to indemnify it with respect to settlements made by RACQ Insurance within the terms of the PDS (above certain levels and within the limits of the reinsurance cover).

207. That "position" was not communicated to customers. However, there were media statements by RACQ Insurance which stated (to the effect) that RACQ Insurance had in place reinsurance arrangements and acted in accordance with those arrangements.

208. RACQ Insurance did not consult its reinsurers in relation to its claims decisions save on one occasion.

209. When RACQ Insurance reassessed claims in Ipswich and decided to accept a further 248 claims, it (through its broker) advised reinsurers of its decision and asked them if they had any comments on that reassessment. Ultimately they raised no concerns about RACQ Insurance's decision. That position was not notified to customers.

21. By what means did or do representatives of RACQ Insurance contact policyholders (for example, by mail, email, landline, mobile phone)? By what means were policyholders whose claims have been determined, informed of the outcome of their claims? Were all policyholders whose claims have been determined, informed of the outcome of their claims in writing?

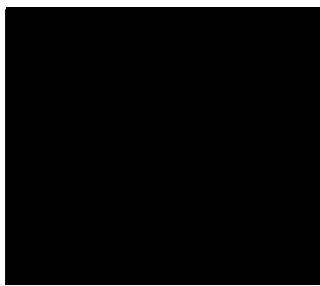
210. Representatives of RACQ Insurance usually contact customers by the telephone number provided by the customer when placing, renewing or varying their cover whether that be a landline or a mobile number. The contact phone numbers on record are imported from Cogen into ClaimCenter when the claim is lodged. The Teleclaims Officer then checks the contact details with the customer as part of the lodgement process including confirming the preferred contact number. If more than one contact number is provided by a customer, RACQ Insurance claims staff will initially attempt to contact the customer on the number nominated by the customer as their preferred contact number.

211. The next most frequent form of communication with an insured is by mail. Other methods of communication include email and fax at the preference of the customer.

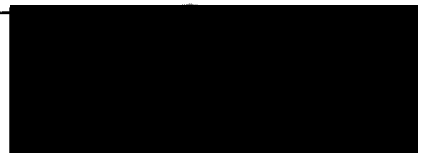
212. In respect of claims determinations, the means of communication to the customer is as follows:

- (a) In some instances for non-inundation claims the loss adjuster (acting within their delegated authority) may verbally advise the customer of acceptance.

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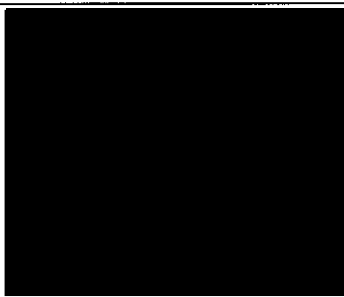


- (b) In every other case of acceptance the customer would be advised by telephone if possible and failing that by letter.
- (c) In every case of a decision to decline the customer would be advised initially by telephone (unless for some reason such contact could not be made) and in every case by letter.

22. *By what means could or can policyholders find out about the progress of their claims or otherwise discuss their claims with a representative of RACQ Insurance? If by telephone, could or can policyholders contact RACQ Insurance by calling a free call number accessible by landline and mobile phone? Could or can a policyholder contact the person responsible for handling his or her claim directly?*

- 213. Customers can and could discuss their claims with a representative of RACQ Insurance by telephone Monday to Friday from 7am to 9pm and on weekends from 8am to 8pm. Outside of those times calls made to the RACQ Insurance number would be answered by RACQ's 24 hour call centre. Staff in this call centre are equipped to deal with emergency matters. In respect of other matters an online contact form is completed and emailed to the Teleclaims department who will contact the customer the following day.
- 214. Customers could speak to the Customer Service Officer handling their claim. Naturally, given claims volumes and allowing for different work shifts, a customer might not have been able to speak to a specific person. The way the ClaimsCenter system is set up and in fact operates is that any Customer Service Officer is able to access a customer's claim file and, where possible, deal with queries without having to wait on a specific person to answer a query.
- 215. Contact is made through RACQ Insurance's dedicated (and widely advertised) claims contact number – 137 202. In addition to this, customers who ring the RACQ contact number (131 905), which is also widely advertised, are automatically directed on claims related matters to the Teleclaims department.
- 216. The telephone number was not a free call number. The number is the cost of a local call when called from a landline (no matter from what part of Australia the call is made). If the customer calls from a mobile phone, the cost of the call is determined by the customer's mobile phone carrier.
- 217. Policy holders could also contact the loss adjuster who had carried out an inspection of their property. The loss adjusters had a claims settling authority of up to \$20,000 and any questions that they could not answer or which were beyond their authority would be requested by the loss adjuster to be addressed to a member of RACQ Insurance's claims staff.

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23. Are all telephone calls between policyholders and representatives of RACQ Insurance recorded? Were all telephone calls between policyholders and representatives of RACQ Insurance which took place in December 2010 and January 2011 recorded?

218. All claims calls which are handled by Teleclaims (whether they originate from the 131 905 number or the 137 202 number) are recorded by a system called Verint. In respect of non-claims calls, I understand that those calls are also recorded by the Verint system but that, at some peak call times, an overflow of these calls may be diverted to "mini switches" which are areas set up in RACQ branch offices where staff working in those offices can assist with these calls and that most telephone calls to branches are not recorded.

219. These comments apply equally to all telephone calls which took place in December 2010 and January 2011.

220. In early January 2011, I instructed that arrangements be put in place for calls to and from the dedicated response team to be recorded.

24. How has RACQ Insurance responded to requests for copies of recordings or transcripts of telephone calls between policyholders and representatives of RACQ Insurance?

24.1 Have copies of any recordings/transcripts been provided to policyholders (or their legal representatives) in response to such requests? If so, in how many cases?

24.2 Have any such requests been refused or not responded to? If so:

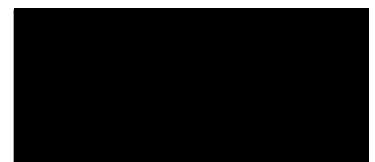
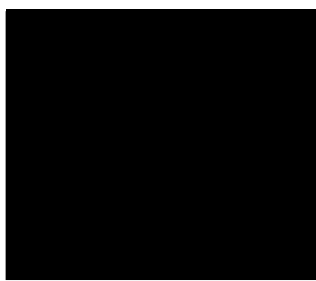
24.2.1. In how many cases?

24.2.2. In the case of requests that have been refused — why have such requests been refused?

221. In relation to the Queensland Floods and claims arising from them, RACQ Insurance has actioned all requests for copies of recordings or transcripts of telephone calls between customers and representatives of RACQ Insurance as follows.

222. Where a customer requests a copy of a specific call recording, RACQ Insurance has attempted to locate it, and where it has been located it is provided to the customer. The recording is provided by copying it on to a disc and sending it out to a customer. Transcripts have also been provided on occasions.

223. The process in place for requesting a call recording was that when a customer requested a recording the claims officer would complete electronically a request for the recording which was directed to RACQ (which maintained the recordings). If a recording was located, it was



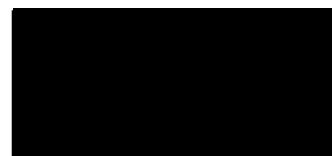
provided to RACQ Insurance which forwarded it to the requesting customer or their legal representative.

224. I am not aware of a particular list maintained of all requests for recordings. I believe it may be possible to identify all such requests, given time, by accessing the requests made to RACQ and excluding the business as usual requests. This can be attempted if the Commission requires it.
225. I am however able to identify that requests have been made for recordings. Recordings were identified and provided to customers in respect of those customers identified in a schedule to this affidavit which I have made **Exhibit 31** with (where available) copies of those letters have been which are included in the **Exhibit 32**.
226. Calls recorded on the Verint system are able to be searched as follows:
- (a) Date and time: Searches can be performed by searching for particular calls during a period of time on a given day. For example, this type of search would identify a list of all calls made between 1.00pm and 2.00pm on 1 January 2011. As a matter of practicality, this method is only appropriate where there is some certainty about the date and time at which the relevant call occurred. This is because of the numbers of calls RACQ Insurance receive each day which can be as many as approximately 500 calls per hour.
 - (b) Phone number dialled from: A search can be undertaken for any date period to locate any call received from a particular phone number. This search is dependent upon the caller having 'own number sending' activated on their phone.
 - (c) RACQ/RACQ Insurance consultant: If the customer can provide the name of the consultant with whom they spoke, a search can be undertaken purely on this name, or by reference to a date/time range which is then narrowed down by reference to the consultant's name.
227. Accordingly, when RACQ Insurance received a request for a recording or transcript of a recording of a phone call, a member of staff would in discussions with the customer seek to identify the date and time of the call, who they spoke to and the number called from as this would facilitate searching for any recording. The more of that information that was provided the narrower the required search.
228. Unless information of that nature can be provided it would be virtually impossible to locate the call for the reason explained above.
229. Once a recording is found, RACQ Insurance arranges for a copy of the recording (on a disc) to be provided to the customer. As mentioned above in some instances a transcript is

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prepared and the transcript is also provided to the customer or the customer's legal representative.

230. To my knowledge, no request for a recording where RACQ Insurance has been able to locate the recording has been declined. I am aware that the legal representatives of some customers have made some generic requests for material which have included non-specific requests for recordings. In these instances, RACQ Insurance has asked the legal representatives to provide more specific information to enable to retrieval of any relevant recording. I have included in **Exhibits 31 to 36** a number of examples of these requests and the response given.

25. *In what circumstances were policyholders advised of their entitlement to make a complaint or request a review of a decision through the internal dispute resolution process?*

231. Customers were advised of their entitlement to make a complaint or to request a review of a decision through the internal dispute resolution process when their claim was declined and indeed for accepted claims when details of the settlement were provided. This advice was given verbally and confirmed in the letter that was sent to the insured informing them of the claim decision. The letter also enclosed a Customer Information Sheet which described how to make a complaint, what the customer could do if their complaint was not resolved to their satisfaction and of their right to seek a determination from the Financial Ombudsman Service in the event they were dissatisfied with the RACQ Insurance's internal review. A copy of the RACQ Insurance's Customer Information Sheet is included at **Exhibit 24**.

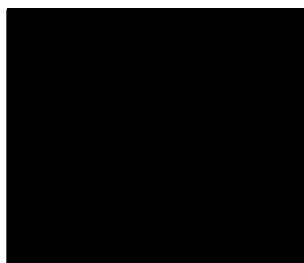
232. As mentioned above, where RACQ Insurance was also able to make personal contact with a customer to inform them that their claim had been declined, the customer was also informed verbally of their right to make a complaint or to seek a review of that decision. The scripts that RACQ Insurance provided to its operators for this purpose are at **Exhibit 17**. I would expect that the script was followed.

233. The household insurance policy also contains a section that informs customers of their right to make a complaint, seek an internal review and of their right to seek a determination from the Financial Ombudsman Service. This is set out on page 69 of the First Policy, page 69 of the Second Policy, page 69 of the Third Policy and page 65 of the Fourth Policy.

26. *Please outline each step, and by whom each step was or is taken, in the process which RACQ Insurance employed or has employed in responding to complaints and/or disputes in the internal dispute resolution process. Please also outline the information considered and relied upon in determining complaints/or disputes.*

234. RACQ Insurance has a detailed corporate policy on handling complaints and disputes a copy of which is exhibited to this affidavit as **Exhibit 25**. The process was further streamlined for the Queensland Floods events – this is summarised in the flowchart exhibited to this affidavit as **Exhibit 19**.
235. RACQ Insurance's usual process for dealing with customer complaints about the claims process, including claims decisions, is described below.
236. In the first instance, RACQ Insurance seeks to resolve customer complaints within the Personal Insurance Claims team. This process is referred to within the Personal Insurance Claims team as the "complaints process". The essence of this process is that the customer services officer will look to resolve the customer's complaint with them and if unable to do so the matter will be escalated to a team leader for resolution. If the team leader is unable to resolve the complaint then the complaint will be referred to a manager or executive manager for resolution. Essentially each of these staff members (as required) will contact the customer and discuss their concerns and seek to resolve them.
237. If the customer's complaint cannot be resolved through the complaints process, the matter is escalated to the next step of RACQ Insurance's internal dispute resolution process. In order to maintain its impartiality and independence, the internal dispute resolution process sits outside of the Personal Insurance Claims function and is managed principally by the Manager Consumer Advocate, who sits within the Sales & Product Division.
238. RACQ Insurance's Personal Insurance Claims Division's usual process at this stage is for a manager or executive manager to perform a review of the complaint prior to consideration by the IDR Committee. This is effectively a review of the decision by the Claims Division before the matter is referred to that committee. The purpose of this review is to ensure that RACQ Insurance had followed the appropriate processes, that nothing had been overlooked and that everything that could have been done by RACQ Insurance to resolve the matter was done.
239. In the event that the review identified a need for further investigations to be carried out, those further investigations would be undertaken. If no further investigations are necessary or, where further investigations were necessary, when they are completed, the matter is passed to the Manager Consumer Advocate's ' assistant to prepare the material relating to the complaint if it remains unresolved and is to be referred to the IDR Committee
240. A committee of usually three or four IDR Managers then reviews the material and makes a decision on whether to accept the complaint in whole or part or, alternatively, to confirm the original decision.

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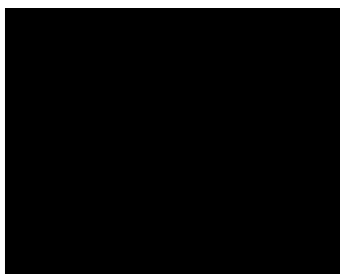


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241. By March 2011, RACQ Insurance was beginning to receive an increase in the number of complaints from customers. Given the number of claims that RACQ Insurance had received, the fact that a large number of those claims had been rejected and the complicated hydrology issues associated with these claims decisions, this increase in the number of complaints by customers was to be expected.
242. Changes were implemented to the internal dispute resolution process to streamline its operations. The processes remained those outlined above but with two principal amendments to streamline operations. First, a dedicated complaints manager was appointed on 25 January 2011 to handle the review of complaints arising out of the Queensland Floods. Secondly, on 7 March 2011 it was determined that disputes would now be reviewed by one of two IDR Managers who were dedicated to that role rather than a committee of usually three or four who normally met once per week, in the interests of delivering the fastest possible outcome to customers. All staff in the internal dispute resolution/complaints handling team were also given additional training and coaching on the revised processes.
243. The information considered and relied upon in determining complaints and disputes depends upon the nature of the complaint or dispute. Where the complaint related to a decision to decline an inundation claim, I expect that the information would have included the wording of the Policy, the information provided by the customer when making the claim, the loss adjuster and hydrologist's reports, any relevant specialist reports and any other information provided by the customer relating to the complaint or dispute including their letter or letters of complaint.
244. Where the complaint concerned something the customer says they were told in a telephone call, I believe that all reasonable efforts were made to retrieve any recording of the call which was reviewed.
245. The absence of any information supporting the customer's complaint may also have been a relevant factor in some instances.
- 27. *Were policyholders advised of all information upon which RACQ Insurance relied in determining their complaints/disputes? If so, was this advice given voluntarily or only if requested?***
246. Customers were advised of the reasons for the determination that was made of their complaint or dispute. The reasons were provided voluntarily and in writing as a matter of course and orally if the customer contacted RACQ Insurance to discuss the determination that had been made.

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247. The information provided to the customer depended on the nature of the complaint/dispute and the particular issues raised by the customer. For some disputes the information provided was a response letter simply confirming that the decision made and communicated by the claims division was upheld. For other disputes, the information comprised detailed correspondence with supporting material.

28. Were policyholders given copies of all information relied upon in determining their complaints/disputes? If any information was not provided, or withheld for any period of time:

28.1 What was the nature of the information?

28.2 Why was it not provided?

248. I have provided some details about this question under the previous heading. I make the following further comments.

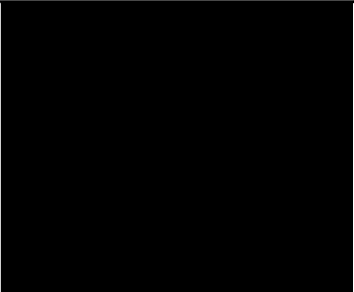
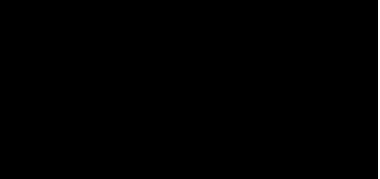
249. The nature of the information relied upon by RACQ Insurance depended upon each complaint that was made. As stated above, if a customer requested a copy of the loss adjuster's report or other specialist reports they were given it. If they requested a copy of a hydrology report this request was until recently refused, but a detailed Information Sheet setting out the key hydrology findings was offered in its place. The reason why RACQ Insurance did not provide copies of its hydrology reports are explained in paragraphs 160 to 164 of this affidavit.

250. Copies of recordings were provided to customers on request, provided they could be found.

29. Please provide copies of all written responses by RACQ Insurance to all complaints and/or disputes (final decision letters). For each written response (final decision letter), please attach a copy of the correspondence in which the substance of the complaint and/or dispute to which the response relates is set out.

251. Copies of all written responses by RACQ Insurance to all complaints/disputes made in respect of claims arising out of the Queensland Floods are attached at **Exhibit 134**. Copies of correspondence from customers which contain the substance of their complaint and to which RACQ Insurance's responses relate are also contained in that exhibit.

252. Not all complaints/disputes to RACQ Insurance were in writing. Many were made verbally in telephone conversations between the customer and RACQ Insurance's claims team. I have caused to be prepared a schedule which, amongst other things sets out the whether the complaint was in writing or made verbally, sets out the gist of all verbal complaints and the dates of the complaints. This schedule is attached at **Exhibit 130**. The details of the

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verbal complaints are summarised from the comments recorded by the claims officer in ClaimCenter.

253. The information set out in the schedule which is **Exhibit 130** is based on complaints recorded in the complaints register as at 31 August 2011 and has been extracted from RACQ Insurance's records. Although all staff are trained in the processes to support the appropriate completion of the complaints register, by its nature, the recording of the complaints on the register is subject to human error. There is therefore a possibility that there may be complaints which have not been recorded on the register in accordance with our procedures given the enormous pressure caused by these unprecedented events.

30. Has RACQ Insurance received any complaint relating to inappropriate, insensitive or offensive conduct by a representative or agent of RACQ Insurance toward, or about, a policyholder? If so:

30.1 How many such complaints have been received?

30.2 What did or does each complaint relate to?

30.3 What steps were or have been taken in respect of each complaint?

254. RACQ Insurance has received complaints relating to alleged inappropriate, insensitive or offensive conduct by a representative or agent of RACQ Insurance toward, or about, a customer.

255. It has received 2 complaints which fall in these categories, though of course different interpretations can be placed on complaints as to whether they are of conduct which is "inappropriate insensitive or offensive". Details of each complaint are set out in at **Exhibit 131** and the relevant parts of **Exhibit 134**.

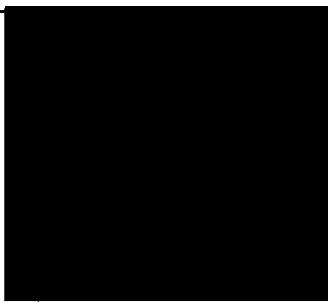
256. The ClaimCenter records note the steps taken in investigating and responding to these complaints. Those records and the relevant correspondence are contained in **Exhibit 134**.

257. I have interpreted the Commissions questions as primarily concerning steps taken in relation to each complaint insofar as the policy holder is concerned. Of course, in addition to steps recorded in ClaimCenter, I have, through the course of the response, provided direction to staff and when necessary taken disciplinary action. I have not sought to detail those internal matters in this affidavit but, I can do so if the Commission requires.

31. Has RACQ Insurance received any complaint, or dealt with any dispute, in the internal dispute resolution process, relating to:

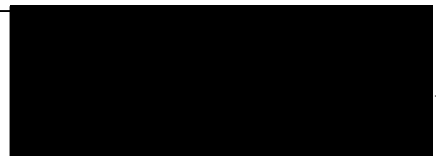
31.1 Misrepresentation made by a representative of RACQ Insurance to a policyholder at the point of sale as to the existence or extent of flood cover under a policy bought by the policyholder; or

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31.2 Failure on the part of a representative of RACQ Insurance to adequately inform a policyholder that a policy bought by the policyholder excluded flood cover?

258. RACQ Insurance has received complaints relating to:

- (a) alleged misrepresentation by a representative of RACQ Insurance to a customer at the point of sale as to the existence or extent of flood cover under a policy bought by the customer; and
- (b) alleged failure on the part of a representative of RACQ Insurance to adequately inform a customer that a policy bought by the customer excluded flood cover.

32. If RACQ Insurance has received complaints, or dealt with any dispute, of the kinds referred to in sub-paragraphs 31.1 and 31.2:

32.1 How many of each kind has it received?

32.2 Please outline the steps taken in investigating and responding to such complaints.

259. RACQ Insurance has received 75 complaints which involve either or both of these types of complaints. Out of the 75 complaints/disputes 37 of the complaints/disputes involve complaints or disputes of the kinds referred to in paragraph 31.1 above and 73 of the complaints/disputes involve complaints or disputes of the kinds referred to in paragraph 31.2 above.

260. These are identified in the schedule exhibited to this affidavit as **Exhibit 132**.

261. The ClaimCenter records note the steps taken in investigating and responding to these complaints. Those records and the relevant correspondence are collected in **Exhibit 134**.

262. The information set out in the schedule which is **Exhibit 132** is based on complaints recorded in the complaints register as at 31 August 2011.

33. Is RACQ Insurance involved, or has RACQ Insurance been involved, in any matter with the Financial Ombudsman Service? If so:

33.1 How many?

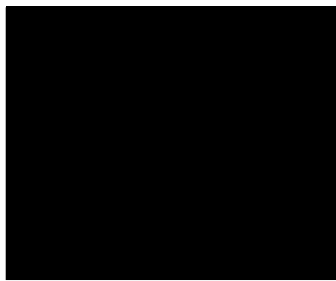
33.2 Please identify the cause(s) of the disputes.

263. RACQ Insurance has been involved in 88 matters with the Financial Ombudsman Service. These are identified in the schedule exhibited to this affidavit as **Exhibit 133**.

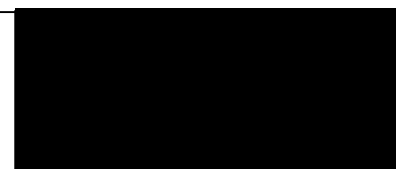
264. The issues in dispute are identified in the schedule exhibited to this affidavit **Exhibit 133**.

265. This information is based on FOS submissions received on complaints registered to 31 August 2011.

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34. Please outline the process involved after a claim was or is accepted in order to get insured property repaired or restored or otherwise settle the claim. What information or steps did or does RACQ Insurance require of policyholders in this process?

266. I have described the process after a claim is accepted above in my answer to question 12. Generally, the process is as follows.

267. For accepted claims, the process involved:

- (a) advising the customer over the telephone (or advising the loss adjuster so that they could advise the customer) of the acceptance of the claim and the next steps involved;
- (b) endeavouring to meet any emergency needs; and
- (c) advising service providers so that the repair/settlement process can commence.

268. The procedure once a claim was accepted depended on the size and nature of the claim. A contents claim where the loss plainly exceeded the sum insured was usually cash settled. However, the typical procedure for an accepted claim for household building damage was as follows:

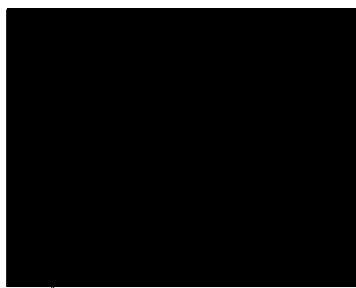
- (a) a building consultant visited the site to assess the damage and prepared a document that detailed the scope of repair work required.
- (b) RACQ Insurance (or its consultants) then obtained tenders on this scope of work from builders. Customers were also free to obtain their own quotes for the work contemplated by that scope of repairs;
- (c) the customer and the builder then agreed upon and entered into a contract for the repair work; and
- (d) the repair work is then carried out.

269. RACQ Insurance makes payments against invoices from the builder, suppliers and contractors.

270. In some instances cash settlements of the claims are made.

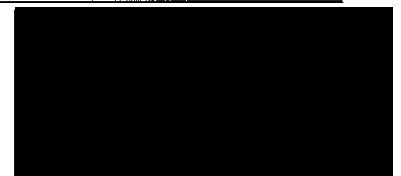
271. The information or steps required of customers depends on the specific circumstances of the claim. As part of the claim process RACQ Insurance may request reasonable information in support of the customer's claim (e.g. receipts quotes proof of ownership) to assist in assessing/settling the claim.

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272. In relation to the Ipswich claims reassessment, given the time that had passed from the date of the event to when RACQ Insurance was able to make a decision to accept the claims, RACQ Insurance has taken a different approach to the settlement of the claims. All of these customers were visited by an RACQ Insurance employed loss adjuster. The loss adjuster worked through the settlement of the claim, establishing the loss with the agreement of the customer. The majority of the claims have been cash settled as most customers had already commenced repairs or indeed completed them. In a number of instances quotes already provided by contractors who had provided those for the purposes of the Premier's Relief Fund payments were used to support settlements.

35. *Has RACQ Insurance entered into any confidentiality agreement with any policyholder or otherwise required, advised or suggested to, any policyholder to keep matters concerning his or her claim confidential, whether before or after settlement of the claim? If so, please identify each matter which the policyholder was required to keep confidential.*

273. I have identified two matters where customers agreed to keep matters confidential. In each case the customer agreed to keep confidential the document recording the settlement and any matters negotiations or discussions whatsoever relating to the settlement document and the claim.

274. Otherwise (in relation to the Queensland Floods) I am not aware of any occasion where RACQ Insurance entered into any confidentiality agreement with any customer or otherwise required, advised or suggested to, any customer to keep matters concerning his or her claim confidential, whether before or after settlement of the claim.

THIRD ISSUE

Reforms

36. *Should any changes be made to the General Insurance Code of Practice?*

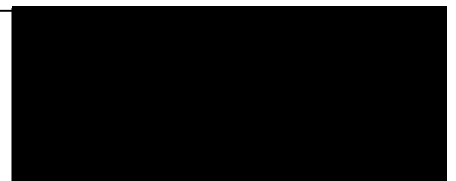
275. Generally, in my view, the Code of Practice works very well in almost all insurance claim situations. I am not sure whether any change could be made to improve outcomes for customers in circumstances as extraordinary as those encountered in respect of the Queensland Floods.

276. In general terms it is my understanding of the Code of Practice requires information regarding claims decisions to be made available to customers at their request. As some customers do not require extensive written documentation I believe that this is the most sensible approach as it allows insurers to otherwise focus on the job of processing claims.

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277. In relation to the Queensland Floods, where information has been requested RACQ Insurance has tried its best to provide it (where possible) within the quickest possible times. Of course given the unprecedented nature of the events there have been delays.
278. All the facts and circumstances above deposed to are within my own knowledge save such as are deposed to from information only and the means of my knowledge and sources of information appear on the face of this my Affidavit.

SWORN by **GRAHAM IAN DALE** on 19 September 2011 at Brisbane in the presence of:

Deponent



~~Barrister/Solicitor/Justice of the Peace/
Commissioner for Declarations~~

