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23 September 2011

Lachlan Zangari
Qld Floods Commission of Inquiry
Level 30, 400 Queen Street
BRISBANE QLD 4000
By express post

Dear Mr Zangari

**QUEENSLAND FLOODS COMMISSION OF INQUIRY
STATUTORY DECLARATION OF SHAUN STANDFIELD (QBE)**

Further to our conversation this morning, please find enclosed the original statutory declaration of Mr Standfield dated 22 September 2011.

Yours sincerely



Andrew Forbes
Partner
Direct [REDACTED]

Encl

Oaths Act 1867

Statutory Declaration

QUEENSLAND
TO WIT

I, Shaun Standfield, of 85 Harrington Street, Sydney in the State of New South Wales, do solemnly and sincerely declare that:

- 1 I am employed by QBE Insurance (Australia) Limited (**QBE**) as General Manager, Australian Intermediaries. I am authorised to provide this Statutory Declaration on behalf of QBE.
- 2 I provide this declaration in response to the request by Commissioner Justice C E Holmes to me dated 12 September 2011 (Reference: Doc 1694578(v2)), (**Commissioner's request**). The Commissioner's request was to provide information and documents to the Queensland Floods Commission of Inquiry concerning QBE's household insurance policies. Attached to this Statutory Declaration and marked "Annexure A" is a copy of the Commissioner's request dated 12 September 2011.
- 3 My response to the Commissioner's request is attached to this Statutory Declaration and marked "Annexure B". The documents sought in the Commissioner's Request are attached to my response (namely in Annexure B).

Handling the claims

- 4 The weather related catastrophes in Queensland in December 2010 and January and February 2011 occurred on an unprecedented scale. Responding to four major events in forty days over a vast geographical area was the challenge to QBE and the insurance industry.
- 5 Since these catastrophes, QBE has been involved in rebuilding the devastating losses our customers have endured, and continues to be part of the recovery process. QBE is committed to being part of the solution for our customers, enabling the transfer of risk to protect against unforeseen losses.
- 6 The Insurance Council of Australia's (**ICA**) aggregated industry figures as at 25 August 2011, shows the industry has received 128,875 claims at a total cost of \$3.2 billion.
- 7 QBE received one third (33%) of its annual new claims volume for Queensland during the first six weeks of 2011, that is 17,500 claims (catastrophe claims only for Queensland) at a total cost \$445 million.
- 8 Of these claims, 94% have been accepted and completed or are progressing to repair, replacement or settlement. The remaining claims (6%) have been declined,

primarily because the cause of the claim was determined to be 'flood' as defined under the policy.

- 9 With a dedicated claims team, QBE carefully examined and managed each individual circumstance, including the use of information from experts (that is, hydrologists and loss adjusters) and from customers who were present when the loss occurred. A decision to accept or decline each claim was then made and communicated to the customer. Where the claim was declined, all information and reasons were provided and complaint and dispute options made available.
- 10 In addition to assisting our customers throughout Queensland, QBE offices in a number of locations were disrupted due to flooding and therefore out of action. This resulted in the activation of our business continuity plans. QBE also had to transfer control of claims to other QBE teams across Australia to maintain continuity of services and communication with our customers.

QBE's actions to date

- 11 As a member of the ICA, and through its Insurance Disaster Taskforce, QBE mobilised its resources and kept abreast of emerging issues and the impact of this year's events. This has included contributing to public communications, such as through the ICA's Flood Hydrology Panel, established to reduce duplication and provide facts on the flood events across Queensland.
- 12 QBE's catastrophe plan was activated and communication forums for all internal stakeholders established. Using the pool of resources available, QBE made every effort to respond to customers quickly, efficiently and in a coordinated manner.
- 13 From the beginning, claims teams from across the country, together with service providers (loss adjusters and repairers), immediately commenced the process of taking claim notifications and advising customers of next steps.
- 14 Additional staff were added to teams and trained to do 'back end' processing, information follow ups and payments. QBE ensured adequate resources were always in place to handle the influx of claims, such as supplementing local adjusting resources with those from other parts of the world (including from the US, UK and Canada).
- 15 Intermediaries also played an integral role in collecting the necessary information and advising their customers of the claims process. At every stage open communication was evident between insurers, intermediaries and customers regarding their claims, particularly where additional information and time was needed (in particular to obtain hydrology reports) to make a claim decision.
- 16 Since the catastrophes, QBE has provided the ICA with information on the volume of claims received and paid, for inclusion in publicly available data. This transparency ensured customers and the general public were made aware of the industry's role and contribution to the wider economy.

The way forward

- 17 The current challenge for our industry is to follow through on the next steps and finalise our customers' claims and necessary payments. For the minority of claims

that have been declined, QBE continues to be open to considering any new information from customers, with review options made available in all instances.

18 QBE supports the industry's 10 point plan to tackle disasters, including:

- 18.1 Standard definition for flood
- 18.2 Improved disclosure
- 18.3 Provision of adequate flood data
- 18.4 Removal of insurance taxes
- 18.5 Improved land-use planning
- 18.6 Improve building standards
- 18.7 Improve community infrastructure
- 18.8 Education and financial literacy campaign
- 18.9 Measure effectiveness of disaster relief payments
- 18.10 Better advice to consumers

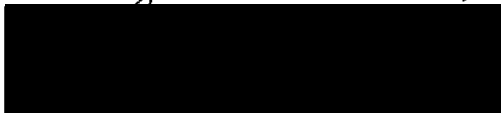
19 QBE also supports the ICA's submission and continues to be heavily involved with the Natural Disaster Insurance Review (NIDR). QBE is committed to being part of the solution for dealing with future catastrophe events that are seen as inevitable in their severity and frequency.

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



Signature of declarant

Taken and declared before me at Sydney this 22nd day of September 2011.



Justice of the Peace/Commissioner for Declarations/Solicitor

NSW PRACTISING CERTIFICATE NUMBER 17592





QBE Submission to Queensland Flood Commission of Inquiry

September 2011

Preamble

The 2010/2011 weather-related catastrophes at Queensland occurred on an unprecedented scale. Responding to four major events in forty days, over a vast geographical area was the challenge.

From day one, QBE has been involved in rebuilding the devastating losses our customers have endured, and continues to be part of the recovery process. QBE is committed to being part of the solution for our customers, enabling the transfer of risk to protect against unforeseen losses.

The Insurance Council of Australia's (ICA) aggregated industry figures as at 25 August 2011, shows the industry has received 128,875 claims at a total cost of \$3.2 billion.

QBE received one third (33%) of its annual new claims volume for Queensland during the first six weeks of 2011, that is 17,500 claims at a total cost \$445 million.

94% of these claims have been accepted and are progressing to repair/replacement or settlement. The remaining claims (6%) have been declined, primarily because the cause of loss was determined to be 'flood' under our policy.

With a dedicated team of claims technicians, we have carefully examined and managed each individual circumstance, including the use of information from experts (hydrologists/adjusters) and from customers who were present when the loss occurred. A decision to accept or decline the claim was then made and communicated to the customer. Where the claim was declined, all information and reasons were provided and Internal Dispute Resolution options made available.

In addition to assisting our customers throughout Queensland, QBE's own offices in a number of locations were disrupted due to flooding, and therefore out of action. This resulted in the activation of our Business Continuity Plans. We also had to transfer control of claims to other QBE teams across Australia to maintain continuity of services and communication to our customers.

QBE's actions to date

- As a member of the ICA, and through its Insurance Disaster Taskforce, QBE mobilised its resources and kept abreast of emerging issues and the impact of this year's events. This has included contributing to public communications, such as through the ICA's Flood Hydrology Panel, established to reduce duplication and provide facts on the flood events across Queensland.
- QBE's catastrophe plan was activated and communication forums for all stakeholders established. Using the pool of resources readily available QBE made every effort to respond to customers quickly, efficiently and in a coordinated manner.
- From the beginning, claims teams from across the country, together with service providers (adjusters/assessors, builders repairers), immediately commenced the process of taking claim notifications and advising customers of next steps.
- Additional staff were added to teams and trained to do 'back end' processing, information follow ups and payments. QBE ensured adequate resources were always in place to handle the influx of claims, such as supplementing local adjusting resources with those from other parts of the world (including from the US, UK and Canada).
- Intermediaries also played an integral role in collecting the necessary information and advising their customers of the claims process. At every stage open communication was evident



between insurers, intermediaries and direct customers regarding their claims, particularly where additional information and time was needed (i.e. hydrology studies) to make a settlement decision.

- Throughout the process, QBE has provided the ICA with information on the volume of claims received and paid, for inclusion in publicly available aggregated data. This transparency ensured customers and the general public were made aware of the industry's role and contribution to the wider economy.

The way forward

- The current challenge for our industry is to follow through on the next steps and finalise our customers' claims and necessary payments. For the minority of claims that have been declined, we will be open to considering any new information from customers, with review options made available as and where necessary.
- QBE supports the industry's 10 point plan to tackle disasters, including:
 1. Standard definition for flood
 2. Improved disclosure
 3. Provision of adequate flood data
 4. Removal of insurance taxes
 5. Improved land-use planning
 6. Improve building standards
 7. Improve community infrastructure
 8. Education and financial literacy campaign
 9. Measure effectiveness of disaster relief payments
 10. Better advice to consumers
- QBE also supports the ICA's submission and continues to be heavily involved with the Natural Disaster Insurance Review (NIDR). We are committed to being part of the solution for dealing with future catastrophe events that are seen as inevitable in their severity and frequency.

REQUIREMENT TO PROVIDE STATEMENT TO COMMISSION OF INQUIRY

I, Justice Catherine E Holmes, Commissioner of Inquiry, pursuant to section 5(l)(d) of the *Commissions of Inquiry Act 1950* (Qld), require Mr Shaun Standfield to provide a written statement, under oath or affirmation, to the Queensland Floods Commission of Inquiry which addresses the topics and exhibits the documents listed below:

Insurance policies

The following questions relate to QBE Insurance Australia Limited's (QBE) 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.

Please see the disk provided for a listing of all relevant policies marked in a folder titled as Attachment 1.

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 relevant policies.

If a new version of a policy was issued, the superseded version was replaced when the new policy commenced.

Attachment 1 lists the policies in place as at the date of the Queensland floods. The last 2 digits indicate the month and year of the relevant version.

- 2.2. How did staff of QBE 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?

All policies were readily available to staff online via QBE's intranet and to customers and intermediaries via QBE's website.

QBE staff were also trained to identify the policy applicable, which was determined by system information and line of business and type of policy.

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?

There were two types of householder policies available, generally termed Insured Events and Accidental Damage.

The Insured Events policy specifies the events that are insured and any exclusions that may apply.

One event covered in a defined events policy is 'Storm'. Some policies also include reference to 'Flash Flood' as part of the storm event. Flood, as defined by the policy, is excluded from cover.

Accidental Damage policies provide cover for any events/occurrences defined under the policy as well as accidental loss or damage not otherwise excluded under the policy. Flood as defined by the policy is excluded under most of these types of policies (with some exceptions, e.g. Defence Service Homes (DSH) Contents, ANZ Home Cover).

3.2. (If not covered by sub-paragraph 3.1 above) Was flood cover included? How was the term 'flood' defined?

Flood cover was not provided in most policies. In some cases (such as DSH Home Contents noted in 3.1) flood as defined was insured.

While there were some minor, generally insubstantial, differences in the definition of flood in various policy wordings, 'Flood' or 'River Flood' was generally defined as:

'the inundation of normally dry land by water escaping from any watercourse, lake, canal, dam or reservoir';

or

'when water that is normally contained in a water catchment system increases because of rainfall or snow melt (whether in the immediate region or elsewhere) or is deliberately released by an authority, and the water overflows onto land that is not normally covered by water into your home'.

3.3. What exclusions or conditions applied to a claim?

The standard policy exclusions and conditions applied. Where flood cover was not provided under the policy, it was excluded by a clause such as that described in paragraph 3.2.

3.4. What were QBE's obligations in processing and assessing claims?

QBE's obligation was to meet requirements of the General Insurance Code of Practice (the Code) and act within the provisions of the Insurance Contracts Act.

QBE's claims philosophy was and remains to quickly and fairly pay claims that fall under the scope of cover as per the policy.

4. Please provide a pro forma copy of each of the policies referred to in answer to the questions at paragraphs 1-3 above.

Copies of all policies noted in response to Question 1 are on the disk provided marked as Attachment 2.

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 QBE establish any special processes or procedures in order to manage claims handling?

QBE manages claims received from insurance intermediaries (i.e. brokers and authorised representatives), directly from customers, and through business partners (e.g banks, credit unions and financial institutions).

For the Queensland floods, QBE provided electronic messages to policyholders and their representatives on what to do and how to notify QBE of a claim. This was done by email communications and information on our website. QBE does this for all major events.

Loss adjusters were briefed and issued instructions on the nature of the claims occurring and provided an outline of what information was needed to progress a claim.

Staff in our claims teams were briefed on the emerging circumstances of the events and the information to give policyholders on how to make a claim and how they would be assessed.

Where specialist advice was needed (e.g. building consultants, engineers, hydrologists) QBE briefed the specialist on the information required to assist in assessing claims.

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

Staffing levels were increased significantly following the floods and TC Yasi to meet increased claims volumes. Claims staffing in QBE Queensland was doubled to manage the high claims volume following Queensland catastrophes. In interstate offices of QBE, contract staff were employed and permanent staff seconded from their normal duties to assist in processing claims.

Given the enormity of the task of assessing the massive volume of claims received, QBE believes that the staffing levels employed were adequate.

Contract and seconded staff were trained on the tasks they were to perform. Training was provided formally in group sessions and through one-on-one training from experienced staff. All staff continued to be supervised by experienced claims managers.

Contract staff were not involved in making decisions on flood claims or speaking to flood affected customers. Permanent staff involved in handling flood claims were trained on the tasks they were to perform. This training was through group sessions and one-on-one. All training was completed by experienced claims managers.

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?

Claims could be lodged via toll free phone numbers, email, QBE's web-based system for intermediaries, post, or facsimile. All of these methods were utilised by customers to lodge claims. Toll free phone numbers could be accessed by landline and mobile phone.

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

QBE did not make first contact with policyholders. Because intermediaries are active in contacting customers to seek information and provide advice on the claims process, QBE provided information to them on how to make a claim and what information would be required to assess a claim.

9. What information was given to policyholders in their first communication with a representative of QBE? 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;

Having identified the correct policy and the nature of the claim, a discussion of coverage often occurred at the time of first contact by the policyholder. Where it was identified that flood may be a cause of the damage, the steps required to determine the claim were explained and the policyholder was informed whether the policy covered flood.

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

When a policyholder directly contacted QBE seeking to make a claim, the policyholder was initially asked to provide key information about the nature, cause and extent of damage and when and where the damage occurred. Information about the loss and policyholder was recorded in our electronic systems.

The policyholder was then advised of the next steps in the process (e.g. a loss adjuster may have been appointed to conduct a site visit or a builder was instructed to attend and report or the policyholder asked to obtain a quote for the damage and submit to QBE for consideration).

Where policyholders had arranged cover via a broker (or other intermediary), the broker lodged the claim on behalf of the policyholder.

QBE did not provide advice as to whether a policyholder should lodge a claim but always considered a claim regardless of whether it was believed to be covered.

- 9.3. What to do with damaged property?

Policyholders were advised to take appropriate action for the safety and protection of people and property and where necessary comply with any directions from local authorities.

Where property needed to be disposed of immediately, the policyholder was asked to retain details of that property and if possible to take photos to record its condition and to substantiate their claim.

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 and/or scripts given to telephone operators.

No variations existed according to location.

Scripts provided to QBE staff are on the disk provided marked as Attachments 3.1, 3.2 & 3.3.

10. How did a representative of QBE giving information to a policyholder (whether voluntarily or response to queries from a policy holder) about matters of the kind referred to at subparagraphs 9.1- 9.3, or any other matter concerning the policy holder's policy or claim, ensure that the information provided to the policyholder was accurate and based on the correct version of his or her policy?

As referred to in paragraph 2.2, staff determined the relevant policy that applied. All versions of policies were available on QBE's intranet for reference by staff.

Claims staff had immediate electronic access to claim files and assessment reports and were provided with updated information on the status of hydrological investigations.

Loss adjusters appointed by QBE were informed which policy wording applied.

11. What information was a policyholder required or asked to give QBE for the purposes of assessing the policyholder's claim? If the information which a policyholder was required or asked to give, varied according to the location of the insured property, please outline the variations.

Policyholders were requested to provide the following information:

- 1) Name, address and contact details.
- 2) Date and time that the damage occurred.
- 3) How the damage occurred.
- 4) Extent of the damage.
- 5) Estimated value of the damage.
- 6) If flood was the likely cause, additional questions were asked as per Attachment 4 on the disk provided.
- 7) Any other relevant information about the incident that may assist in determining whether the claim loss would be covered and if so to what extent.

No variations existed according to location.

12. Please outline each step, and by whom each step was or is taken, in the process by which claims were or are 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?

Except in certain specific instances (see paragraph 12.2.1) site inspections were carried out for all claims lodged.

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

Assessors were appointed following lodgement of a claim. The site inspection was the next step of the claims handling process.

12.1.3. Who conducted the site assessments/inspections? What instructions, written or oral, were they given?

Site assessments were carried out by property loss adjusters. Some were QBE staff assessors and some were staff of external assessing firms.

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

12.2.1. In how many cases?

Approximately 90 claims were declined without site inspection.

12.2.2. To which areas did the claims relate?

These claims did not relate to any specific areas.

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

In the majority of these claims the damage claimed was for either food spoilage, minor property damage or rental losses only and did not warrant site attendance. Policyholders were advised that no site inspection would occur and what information they were required to provide for their claim.

In two cases policyholders lodged a claim knowing that they did not have cover for flood damage but had to undertake a process of claim lodgement and declination so that they would be eligible for relief from the Premier's Disaster Relief Appeal fund (PDRA). The policyholders had requested or agreed to there being no site inspection to expedite their PDRA application.

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

The decision on unassessed claims was made on verbal and/or written information provided by the policyholder as well as review of the Queensland Reconstruction Authority flood mapping and hydrology reports available for the area in question.

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 QBE engaged hydrology experts, what did QBE brief the hydrology experts to do? What instructions, written or oral, were provided to the hydrology experts? Please provide copies of any written instructions.

QBE utilised available hydrology consultancy services including the Insurance Council of Australia (ICA) hydrology panel providers. The ICA panel comprised WRM Water & Environment, Water Matters International & Worley Parsons.

Where site specific hydrology was required and in regional areas not covered by ICA panel arrangements, QBE used the following consultancies:

- 1) WRM Water & Environment Pty Ltd.
- 2) Water Technology Pty Ltd.
- 3) Cardno Limited.

Where QBE requested a report on the inundation of a broad region such as a city or town, the hydrologists were instructed to provide an overview report of where, when and for how long the inundation occurred and the source and cause of that inundation and whether it was flood or some other cause.

Where QBE requested a site specific report on the inundation of a particular property, the hydrologists were instructed to provide a report of where, when and for how long the inundation occurred and the source and cause of that inundation and whether it was flood or some other cause.

Instructions were provided in writing and verbally by various QBE staff or external loss adjusters. In the initial stages of engaging hydrologists, QBE agreed that given the volume of claims to be reviewed, instructions would not necessarily be given specific to each property to be inspected, but the experts were required to inspect and report in the terms described above. On many occasions the experts were simply given the address of the property and contact details of the policyholder and asked to provide their report.

Given how the hydrologists were engaged it is not possible to provide copies of written instructions with respect to every inspection that occurred. A sample of the instructions we have been able to provide in the time available is on the disk provided marked as Attachment 5.

12.3.2. How did QBE 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'?

The instructions to the hydrologist were to advise on the source and cause of water that inundated the property. QBE determined whether or not the policy responded on the basis of the hydrologist's advice as to how the inundation and resultant damage occurred.

12.3.3. When the hydrology information was received.

The hydrology reports commissioned by the ICA were received on the following dates:

- Toowoomba Volume - finalised & received 18/2/2011.
- Brisbane River Catchment overview Volume 1 - finalised & received 9/3/2011.
- Brisbane LGA Volume 2 - finalised & received 9/3/2011.
- Ipswich Volume 3 - finalised & received 22/3/2011.
- Lockyer Valley Volume 4 - finalised & received 29/3/2011.
- Somerset LGA Volume 5 - finalised & received 27/4/2011.

Other regional and site specific hydrology reports were received on an ongoing basis as available from the consulting hydrologists.

In each case, experienced claims staff reviewed the hydrology information and all other information gathered from the customer and loss adjuster and applied it to the relevant policy coverage.

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

Hydrology investigations were undertaken continuously following the flood events and reports were generated from these investigations.

Site specific investigations were generally conducted within 6 to 8 weeks of receiving individual instructions from QBE.

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 information/reports. If the second or third:

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

Regional reports are on the disk provided in a folder titled Attachment 6.

As part of the site assessment process, the loss adjuster sought information from the policyholder about the inundation at their property (as per point 6 under paragraph 11).

QBE then considered each claim and whether policy coverage could be decided on the general or regional hydrology reports and other available information. If not, a site specific report was sought. If the policyholder provided further information which conflicted with the general hydrology report, QBE sought site specific hydrology.

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

As per 12.3.5.1, the circumstances of each loss, its geographic location and all information gathered by the loss adjuster or supplied by the policyholder was used to determine whether site specific hydrology was required.

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

No variations applied by location.

13. If any of the processes, or 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

There were no variations to the process outlined in paragraph 12 according to location of the insured property.

14. Was any advice other than hydrology information/reports and reports of loss adjusters/assessors obtained and relied upon in determining claims? If so, please identify the nature of the advice.

Apart from a legal advice on a discrete issue (over which privilege is maintained), the only information relied upon was that provided by policyholders and the reports of hydrologists and loss adjusters.

15. Were policyholders advised of all information QBE 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?

All relevant information was voluntarily provided by QBE to the policyholder. The only exception, where it may have been relevant to a claim, was the advice described in the response to question 14.

15.2. Why was it not provided?

Either because it was not relevant to the claim and it was subject to solicitor client privilege.

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?

Further to paragraph 15, policyholders were voluntarily provided copies of all relevant documentation by QBE.

This included but was not limited to: assessment reports, Queensland Reconstruction Authority flood mapping, and hydrology reports. Online access was provided to the ICA hydrology reports.

16.2. Why was it not provided?

As described in paragraph 15.

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

In some instances there were initial delays in accessing some areas that were still flooded, isolated by flood waters or inaccessible due to road outages. The sheer enormity of the geographical area covered by flood waters also presented a significant challenge in providing assessing personnel to some areas.

In addition to normal claims volumes, an abnormally high number of claims were received due to the Queensland flood and cyclone events. While additional staff were hired or seconded and claims staff worked extended hours, often 6 days a week, some delays did occur. There was also a limited number of loss adjusters and hydrologists available to service the increased volume of work which led to delays in assessment and reporting.

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

Further to the response to paragraph 17, the figures below demonstrate the impact on the average time taken to determine the claim. On average, QBE determines 'business as usual' claims in 5 business days.

Event	Volume of claims lodged	Average time taken to determine claim (No. of business days)
Queensland Floods	4,062 *	35
Cyclone Yasi	6,986 *	14
Victorian Storms	4,504 *	14
Average 'business as usual' claims per month - Queensland	~ 2,200	5

* In addition to 'business as usual' claims.

For claims that did not require a site specific hydrology report, a decision on the claim was generally made in less than 35 business days.

Where a site specific hydrology report or further information was required, a claim decision may have taken more than 35 business days.

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 QBE monitor whether those standards are adhered to?

Policyholders were kept informed and QBE believes it adhered to the standards stipulated in the Code.

The Code stipulates that in normal circumstances ('business as usual') insurers are to provide a claim status update to policyholders every 20 business days. The Code recognises that following catastrophe events it may not be possible to strictly adhere to this time frame, but insurers are to use their best endeavours.

In early February 2011, QBE wrote to all policyholders who had made flood related claims to advise them of the status of their claim and the reason that a decision had not yet been made. Policyholders were also advised when QBE believed that hydrology reports would be available enabling their claims to be further considered. An example of this letter is on the disk provided marked as Attachment 7.

Once hydrology reports were available, QBE reviewed claims within 10 business days as required by the Code. Where sufficient information existed, a final claim decision was made and communicated in writing to the policyholder. Where sufficient information was not available, further investigation or information was requested and this was communicated with the policyholder.

QBE monitors compliance to the standards in the Code in several ways:

- 1) System diary lists are used to control and action progress of a claim. Claims managers monitor performance on a weekly basis.
- 2) Where a claim is being managed by an external loss adjuster, they are responsible to meet the Code requirements. QBE monitors this via periodic file audits.
- 3) QBE's online claims portal for intermediaries also allows them to at all times see the status of the claim. It also provides access to assessment reports and enables intermediaries to contact claims staff for updates on the progress of a claim.

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

No.

21. By what means did or do representatives of QBE 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?

QBE contacted policyholders or their representatives (such as a broker or other intermediary) by phone, email, facsimile or letter.

Where claims were accepted, the policyholder was advised verbally by their intermediary, QBE or the appointed loss adjuster. QBE may have also confirmed acceptance in writing to the policyholder or intermediary.

Policyholders whose claims were declined were informed in writing by QBE. In some instances the policyholder or their intermediary was also advised verbally by QBE.

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 QBE? If by telephone, could or can policyholders contact QBE 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?

Policyholders or their representatives could seek a progress update of their claim from QBE via toll free phone numbers, email, QBE's web-based system for intermediaries, post or facsimile. All of these methods were utilised by policyholders and intermediaries. Toll free phone numbers could be accessed by landline and mobile phone.

Policyholders and intermediaries could contact the claims department handling their claim and seek an update from a member of the claims staff who had full access to their file.

Where policies are arranged through an intermediary, QBE provides a web-portal system whereby the intermediary could lodge householder claims and access all claims and policy information for their clients in real time. They can access assessment reports and other relevant information. Intermediaries can also use this portal to email the claims officer or loss adjuster for updates or to provide further information for the policyholder.

As per paragraph 19, QBE sent an interim letter to customers. This included a phone number which directed callers to a claims manager. Policyholders had access to speak with a claims manager or could leave a voice message which was responded to within 48 hours.

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

Sales and service calls to QBE's Direct Distribution Call Centres are recorded (including in December 2010 and January 2011).

Other sales and service calls are not recorded, nor are claims calls recorded (nor were they in December 2010 and January 2011).

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

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

Where QBE received a request for a call transcript, QBE checked its records to determine whether any recording existed.

If a call recording existed, a transcript was freely provided to the policyholder.



QBE has not kept an exact record of how many transcripts have been made available, but QBE believes it be fewer than 10.

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

24.2.1. In how many cases?

Where a recording existed, QBE is not aware of any instances where a request for a transcript of the recording was refused or not responded to. Where no recording existed policyholders were informed that one could not be provided.

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

Where no recording existed, policyholders were informed that a transcript could not be provided.

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?

As described in paragraph 22, QBE provided an interim letter to policyholders where flood was possibly the cause of damage and while hydrology was being awaited. This letter advised the customer of their rights to contact QBE's Complaints and Dispute Resolution department and provided relevant contact details.

When a claim was declined, QBE sent a letter to the policyholder setting out the reasons for the decision and providing all documents and/or links to information as per paragraph 16. That letter concluded as follows:

'Should you disagree with our decision you can request the matter be reviewed through our Internal Disputes Resolution Process. The attached brochure sets out this process.

If you wish to dispute this finding, you should contact our Complaints and Disputes Resolution team on either email complaints@qbe.com or call 1300 650 503.'

Examples of these two letters are on the disk provided marked as Attachments 7 and 8.

All policy wordings contain information on complaints and internal dispute resolution procedures. QBE's website also provides this information and email access to the Complaints and Dispute Resolution area.

26. Please outline each step, and by whom each step was or is taken, in the process which QBE 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.

For each matter referred to QBE's Complaints and Dispute Resolution area, the complaint was entered into QBE's complaints database. Initially, an Internal Dispute Resolution (IDR) team member contacted the policyholder within 3 business days and:

- 1) Acknowledged receipt of the complaint.
- 2) Requested any clarification and further information.

- 3) Invited the policyholder to provide any additional information they wanted considered in the review.
- 4) Advised that the complaint would be reviewed within 15 business days where possible. If not possible, that they would be contacted within that time to advise the need for an extension and the reason for the delay.
- 5) Provided contact details of the IDR team and the IDR team member managing the complaint, if known at that time.

Once the matter was allocated, the IDR team member contacted the policyholder (or their legal representative or intermediary) to confirm they were reviewing the matter and request any additional information they wished to provide (including photographs, timeline of events, statements and statutory declarations). The policyholder was asked to confirm the nature and details of the complaint and issues they wished to be addressed in the review.

The IDR team member gathered all documentation held by QBE relevant to the policy and claim. Where the policyholder believed that they had not received a copy of the policy wording, the relevant QBE Business Support area was contacted to verify the procedures followed at new business and/or renewal for issue of the policy wording.

Next, the IDR team member reviewed the ICA hydrology reports and any site specific hydrology report. They also reviewed data from the Bureau of Meteorology, various mapping available (such as the Queensland Reconstruction Authority flood mapping), the claim file and policy schedule and policy wording and any submissions made by the policyholder. If further expert advice or other information was required, the IDR team member arranged to obtain this and advised the policyholder.

Once all information pertaining to the complaint was available and reviewed, a final decision letter was then prepared and provided to the policyholder.

27. Were policyholders advised of all information upon which QBE relied in determining their complaint/disputes?

A final decision letter was provided to policyholders for all complaints reviewed which set out the information relied upon.

Copies of documents not already provided to the policyholders were enclosed with the final decision letter.

If so:

27.1. Was this advice given voluntarily or only if requested?

Policyholders were voluntarily advised of all information relied upon by the IDR team and given copies of all relevant documentation.

27.2. If any piece of information was not provided, or withheld for any period of time:

- What was the nature of the information?
- Why was it not provided?



No information relied upon by the IDR team was withheld.

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:

As per paragraph 27, copies of all information relied upon by the IDR team was freely provided to the policyholder.

- 28.1. What was the nature of the information?

No information relied upon by the IDR team was withheld.

- 28.2. Why was it not provided?

N/A

29. Were written responses given in response to all complaints/disputes?

A final decision letter was provided to all policyholders who lodged a complaint with the QBE IDR team. This included details of the dispute, the issues, information and documents considered and the relevant policy wording.

Where the outcome of the IDR review was to change a previous decision, the policyholder was advised of the outcome. The policyholder was also advised that the claims area would arrange settlement of the claim.

30. Please provide copies of all written responses by QBE to all complaints/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/dispute to which the response relates, is set out.

QBE has reviewed 281 claims matters through its IDR area to date. Where the matter related to one household with both building and contents cover, only one IDR final decision letter was issued.

A listing of these matters is on the disk provided marked as Attachment 9. Copies of 281 final decision letters and enclosures are attached as Attachment 10.

31. Were policy holders kept informed of the progress of their complaint/dispute in accordance with the General Insurance Code of Practice? How did/does QBE monitor whether the standard for providing information on progress of the dispute is adhered to?

The Code stipulates that in normal circumstances ('business as usual') insurers are to provide a complaint status update to policyholders every 10 business days. The Code recognises that following catastrophe events it may not be possible to strictly adhere to this time frame, but insurers are to use their best endeavours.

Policyholders were contacted on receipt of the request for IDR review and were updated on the progress of the review. The IDR team endeavoured to keep policyholders updated

within the timeframes provided by the Code. QBE believes that it adhered to the standards stipulated in the Code.

In cases where QBE was awaiting site specific hydrology, policyholders were advised of the likely timeframe for the receipt of the report and were advised they would not be further contacted until the hydrology report was received, unless a significant development occurred.

IDR team members set diary reminders for each matter and utilised a follow-up system. In the case of flood matters, longer follow up dates were utilised.

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

32.1. How many such complaints have been received?

QBE's IDR team has received has received 13 complaints relating to inappropriate or insensitive conduct of representatives or agents of QBE.

32.2. What did or does each complaint relate to:

These complaints related to:

- 1) Policyholders reporting that assessors were not listening to their issues and not paying appropriate attention to the information the policyholders wanted considered.
- 2) Failure by assessors and claims staff to return telephone calls in a prompt fashion or at all.
- 3) Assessors contacting an incorrect policyholder to discuss a claim.

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

For complaints relating to external assessors, an explanation was sought from the adjuster. Their response to QBE was reviewed in conjunction with the details provided by the policyholder. QBE responded in writing to the policyholder about their complaint.

Feedback was provided to the adjusting companies with a view to improving their service levels.

For complaints relating to a failure to respond to telephone calls, a manager from the QBE claims department was requested to review the complaint and contact the policyholder to address their concerns.

33. Has QBE received any complaint, or dealt with any dispute, in the internal dispute resolution process, relating to:



33.1. Misrepresentation made by a representative of QBE to a policyholder at the point of sale as to the existence or extent of flood cover under a policy purchased by the policyholder; or

QBE has received such complaints.

33.2. Failure on the part of a representative of QBE to adequately inform a policyholder that a policy purchased by the policyholder excluded flood cover?

QBE has received such complaints.

34. If QBE has received complaints, or dealt with any dispute, of the kinds referred to in subparagraphs 33.1 and 33.2:

34.1. How many of each kind has it received?

QBE's complaints recording system does not categorise complaints in the terms described in paragraph 33. As such QBE is unable to easily specify how many of the matters referred to in paragraph 30 are of the kinds referred to in paragraph 33.

QBE can review each IDR matter and provide the required information to the Commission, however the collation of this information would need to be undertaken separately.

34.2. Please outline the steps taken in investigating and responding to such complaints/disputes.

When a complaint as described in paragraph 33 was raised, the IDR team member made enquiries with the relevant business area and/or the intermediary about how the policy was entered into and what discussions occurred at the time. This information was reviewed in the context of the complaint received. A decision was then made and the policyholder advised of the outcome.

35. Is the QBE involved, or has QBE been involved, in any matter with the Financial Ombudsman Service? If so:

35.1. How many?

QBE currently has 62 matters which have been referred to the Financial Ombudsman Service (FOS).

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

The issues being considered by FOS include:

- 1) Failure to provide a policy wording.
- 2) Failure to explain the policy cover as required under Section 35 of the Insurance Contracts Act.
- 3) Whether damage claimed was storm or runoff damage rather than flood damage.
- 4) Whether information and facts regarding storm or flood events were used correctly.

5) Water inundation caused by sewage or storm pipe backflow.

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

Once QBE accepts liability on a claim, the next steps taken depend on the scope and extent of damage. The steps typically are:

- 1) Where a loss adjuster is involved they will coordinate and manage the process between the policyholder and any suppliers to ensure the repairs and /or replacements are completed and then submit relevant invoices for payment.
- 2) If no loss adjuster is involved, quotations for repairs or replacement of damaged property are obtained by the policyholder and forwarded to QBE.
- 3) Provided the quote is considered acceptable, QBE authorises to the policyholder or supplier to proceed.
- 4) If the repair or replacement has been authorised by QBE, the supplier and policyholder will coordinate for the repair or replacement to be completed and invoiced to QBE for payment.
- 5) Where the policyholder arranges their own repairs or replacements themselves, QBE will reimburse their costs.
- 6) QBE will reimburse the policyholder up to the maximum covered under the policy (i.e. the sum insured) where their loss exceeds that limit.

37. Has QBE 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 the nature of each matter which the policyholder was required to keep confidential.

QBE has not entered into any such agreements.

38. Is QBE aware of any instances of staff of QBE having given incorrect advice in response to queries from policyholders about the terms of their cover, or about their claim?

There have been instances identified where incorrect advice has been provided. These matters have been investigated and where confirmed incorrect advice was given, corrective steps taken to ensure that the policyholders have suffered no prejudice.

39. Has QBE made any public statement, or commented in any public forum, about any individual policyholder (or an advocate for a policyholder)? If so, please provide copies of the statements or comments.

QBE has not made any public comment or statement regarding an individual policyholder.

40. Is QBE or has QBE been the subject of any investigation by the Financial Ombudsman Service (other than disputes referred to in paragraph 35) or any other regulatory body about the manner in which QBE has dealt with claims relating to the Queensland floods?

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

Reforms

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

As member of ICA, QBE will continue to support any review of the Code of Practice.

Details are contained in the preceding Statutory Declaration.



Attachment List

- Attachment 1. List of all relevant QBE policies.
- Attachment 2. Copies of all policy wordings listed in paragraph 1.
- Attachment 3. Scripts as per paragraph 9.3.
- Attachment 4. Additional flood questions as per paragraph 11.
- Attachment 5. Sample of instructions as per paragraph 12.3.1.
- Attachment 6. Regional hydrology reports as per paragraph 12.3.5.1.
- Attachment 7. Example of interim letter as per paragraphs 19, 22 and 25.
- Attachment 8. Example of decline letter as per paragraph 25.
- Attachment 9. Listing of IDR final decision letters as per paragraph 30.
- Attachment 10. Copies of IDR final decision letter as per paragraph 30.



Only Attachment 4 to Annexure B is attached here, as it is referred to in the Final Report. The other attachments to Annexure B have not been uploaded due to their size.

From: [REDACTED] AU/QBE
To: [REDACTED] AU/QBE@INSURANCE, [REDACTED] /AU/QBE@INSURANCE, [REDACTED]
[REDACTED] /AU/QBE@INSURANCE [REDACTED] AU/QBE@INSURANCE [REDACTED]
[REDACTED] AU/QBE@INSURANCE, [REDACTED] AU/QBE@INSURANCE, [REDACTED]
[REDACTED] AU/QBE@INSURANCE, [REDACTED] AU/QBE@INSURANCE [REDACTED]
[REDACTED] /AU/QBE@INSURANCE, QBE-QLD-Claims [REDACTED] QBE-QLD-Claims [REDACTED]
[REDACTED] AU/QBE@INSURANCE, [REDACTED] /AU/QBE@INSURANCE
Date: 05/01/2011 05:40 PM
Subject: Re: Qld Flood Hydrology

Hello once more,

Further to my earlier email, no matter whether or not a hydrologist is attending, all adjusters should make the following enquiries at every property as they may assist should a dispute later develop.

- What type of house is on the property – low set, highset, double storey, split level, etc?
- Is the house on stumps or slab-on-ground?
- Approximately how high is the habitable floor level above surrounding ground level?
- Is the ground level at the house higher than the street level?
- What date and time was the rain heaviest?
- What time did the heavy rain stop?
- When did the property get inundated (date)?
- What time did the inundation of the property (yard) commence?
- What time did water come into the house, garage, shed, etc?
- What date and time did the water level in the property peak?
- At its peak, how deep was the water inside the house, garage, shed, etc?
- At its peak, how deep was the water in the yard?
- Which direction did the water come into the property?
- Was the water inundating the property 'clean' or 'dirty'?

Thanks

[REDACTED]
Manager, Short Tail Claims QLD
Intermediary Distribution
QBE Australia