

**STATEMENT OF JAMES JOSEPH HIGGINS IN RESPONSE TO REQUIREMENT
TO PROVIDE INFORMATION ISSUED TO SUNCORP INSURANCE DATED
9 SEPTEMBER 2011**

JAMES JOSEPH HIGGINS, c/- Suncorp, Level 31, 266 George Street, Brisbane, states on oath:

1. I am the Executive Manager, Queensland Event Recovery for Suncorp Personal Insurance, a division of the Suncorp Group.
2. I have authority on behalf of Suncorp Group Limited, Suncorp Metway Insurance Limited (Suncorp) and Australian Associated Motor Insurance Ltd (AAMI) to respond to the Requirement to Provide Information issued by the Commission of Inquiry dated 9 September 2011 in respect of Suncorp and AAMI home and contents policies.
3. Attached as **Annexure 1** is a spreadsheet containing the following information in relation to Suncorp:
 - a. Tab 1: Number of and time taken to decide household claims (home and contents insurance);
 - b. Tab 2: Number of and time taken to decide household claims (building insurance only);
 - c. Tab 3: Number of and time taken to decide household claims (contents insurance only);
 - d. Tab 4: Number of household claims (home and contents insurance) paid, settled or finalised and time taken to pay, settle or finalise claims;
 - e. Tab 5: Number of household claims (building only) paid, settled or finalised and time taken to pay, settle or finalise claims;
 - f. Tab 6: Number of household claims (contents only) paid, settled or finalised and time taken to pay, settle or finalise claims;
 - g. Tab 7: Number of reviews of rejected household claims and time taken to complete reviews; and
 - h. Tab 8: Outcome of reviews.
4. Attached as **Annexure 2** is a spreadsheet containing the same tabs of information in relation to AAMI.
5. In considering the information contained in the annexures, it is important to be aware that within the industry, and between brands, insurance companies have different ways of processing claims which affect the point in the claims process in which a claim is considered "decided" and "settled". For that reason, the following information is

necessary to properly interpret the attached annexures.

Suncorp

6. Suncorp brand home and contents policies include automatic flood cover. Flood claims for habitable buildings and domestic contents are automatically accepted at the time of claim lodgement, subject to confirmation that there is a valid and paid-up policy acquired at least 72 hours prior to the insurable event.
7. As Suncorp extensively advertised at the time, insureds with Suncorp home and contents cover were covered for flood damage and all they needed to do was lodge a claim.
8. Accordingly, with the exception of policies potentially incepted within 72 hours prior to the relevant flood event, the date the claim was "decided" was simply the date the claim was lodged. Once lodged, the claim proceeded to the assessment, repair and replacement process.
9. Accordingly, the spreadsheets in tabs 1 to 3 of Annexure 1 reflects that all claims were decided within 10 business days. Where policies were potentially incepted within 72 hours prior to the flood event, claims were considered further, but in the case of this event, all such claims were decided in the first 10 days.

AAMI

10. The Suncorp Group's general insurance business has evolved from a series of mergers, the latest of which occurred in 2007. As a result of this history, different processes and systems exist within different brands offered by the Group. As part of the ongoing continuous improvement and post-merger implementation, the AAMI claims operations have now moved to the Suncorp ClaimCentre system. However, as most of the data for claims arising from the flood events was processed prior to conversion, much of the data sought by the Commission in relation to AAMI claims had to be sourced from the legacy AAMI systems.
11. The legacy AAMI system does not have a pre-existing system flag for the date a claim is "decided". In that respect:
 - a. When a decision was made by AAMI to decline a claim, the claim file was noted as a 'decline' and the customer was notified by telephone and letter, usually the same day. For claims declined, the information provided in the spreadsheets in tabs 1 to 3 of Annexure 2 reflect the date of the decision to decline the claim as the fact of the claim having been declined is flagged in the system.
 - b. However, when a decision was made to accept a claim, no flag is placed in the system. The customer was advised by telephone of acceptance of the claim and the required steps to assess, repair or replace, as applicable, was commenced. Because no 'acceptance date' is flagged in the system, in

addressing the Commission's information request, the only conclusive data we can automatically obtain from the legacy claims system, is the date the first payment was made on the accepted claim. The information provided in the spreadsheets in tabs 1 to 3 of Annexure 2 for accepted claims, reflects the date the first payment was made on the claim as the date of "decision" of the claim.

12. Clearly, the date of the decision to accept the claim will in most cases have been prior to the date of first payment. In the majority of cases, it will have been some considerable time prior to this. For example, there will be claims that are active in our system where AAMI is waiting on customers to provide certain documentation to enable us to process and pay their claim (e.g. list of contents, quote to repair minor damage).
13. To obtain the actual date of acceptance for accepted claims, it would be necessary to individually interrogate each claim file for the more than 500 accepted or partially accepted claims. This would provide a more favourable picture of AAMI's speed of decision-making but the time for response to the Commission's Request has not permitted us to complete such an exercise.
14. Should the Commission require that information, we will undertake that exercise, however given the manpower required to do so, at least two weeks would be necessary. Otherwise, we request the Commission take into account that the information in the spreadsheets at tabs 1 to 3 of Annexure 2 for accepted claims contains some 'slippage' of time, i.e. that claims were in fact decided more quickly than the statistics suggest.

Paid, Settled or Finalised

15. The typical steps in a home claim, following acceptance, are:
 - a. On receipt of a claim, it is referred to the assessing team who make decisions on what type of assessment is required on the claim (e.g. internal assessment, external assessment, repair assessment).
 - b. If required, an assessor is sent to the insured address to make a visual inspection of the damage (e.g. for a Major Loss claim).
 - c. The assessor can recommend and estimate repairs or, where applicable, assess an amount to be offered to cash settle the claim or where the damage being claimed is not covered under the policy (eg pre-existing, termite) the assessor can recommend a decline of individual items or the overall claim based on the policy wording.
 - d. For major loss claims and more complex claims (e.g. above \$10,000), a dedicated Client Manager is appointed. The client manager reviews the assessor's report and decides if the claim decision should be changed and they will make this change on the system. The claim manager creates all jobs and assigns them to the Supplier or Repairer Coordination consultant.
 - e. For major claims arising out of the flood events this involved referring claims to

Lend Lease for project management. Following such referral, the claims manager continues to be the point of contact for the customer, to keep the claim under review as to the progress and to deal with other claim components not managed by the Project Manager such as arrangements for temporary accommodation for the customer during repairs.

- f. Supplier & Repairer Coordinators – Interact with the vendors regarding quotes, orders and completion of jobs. They also are involved in the approval and authorisation of vendor invoices.
 - g. In the event that there are concerns over the validity of aspects of claims, a claim may be referred to the Fraud and Investigations team for review.
16. Typically, there will be payments made at various points in that process, therefore in many claims there will not be a single date the claim is “paid”, and the settlement process is necessarily a lengthy one.
17. In contrast, depending on the circumstances of a particular claim and discussions with the insured, some claims are cash settled. If a cash settlement is negotiated with a customer, a claim can be finalised reasonably quickly with a customer then having responsibility for the repairs or replacement.
18. Also, during the recent flood and cyclone events Suncorp introduced strategies to fast track low value claims so they could be settled and finalised quickly, these are set out in paragraph 86-89 of my statement dated 14 September 2011.
19. It is also important to note that a claim is not considered “finalised” until all matters on the file have been attended to.
20. Delay in finalising a claim increases the cost of the claim to the insurer, for example, if repairs to a home is delayed, additional costs for temporary accommodation for the customer will be incurred, which are covered under the policy. Also, there is an administrative cost of staff continuing to manage the claim.
21. The performance measures which the Suncorp Group applies to its staff, and third parties such as its contracted assessors and service providers, include the timeliness of claim completion and customer satisfaction. However, there are a number of factors which can cause claims to remain open on the system which are outside the control of the insurer including:
- a. Customers not responding to requests for information e.g. providing proof of ownership, replacement quotes. There are around 3,000 low value claims across the flood events on our system where we are awaiting a response from customers.
 - b. Customers may abandon their claim without advising.
 - c. Customers not providing proof of ownership where requested.

- d. Customers taking the opportunity to undertake renovations and other work outside the scope of the claim but which can delay the completion of the claim. For example, where an insured renovates a kitchen that is not part of the insurable repair, delays can occur due to the rescheduling of trades to complete this work.
 - e. Other matters remain outstanding, for example, all repairs on a claim have been completed but there are still recovery amounts to be finalised. The claim will remain active until these amounts are recovered from third parties.
 - f. Repairs are completed but the repairers are tardy in finalising and forwarding invoices. From the customer's perspective, the claim is "finalised" but the claim file will remain open on our books until the repairer has submitted a final invoice and it has been paid.
22. As outlined in the various submissions and responses Suncorp has provided to the Commission, there are an enormous number of variables which can impact the time taken to decide and settle a claim. The time required to settle a \$400 food spoilage claim is vastly different to the time required to manage a major repair or rebuild of a home.
23. In addition, Suncorp endeavours to work with its customers during the claims process and provide flexibility to enable customers to take the opportunity to make changes outside policy coverage which can delay the process of finalising claims.
24. In our view these statistics are not a complete measure of insurer performance nor capable of being used to accurately compare the performance of different insurers.

Sworn by the Deponent)
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 At Brisbane)
)
 This 30th day of)
 September 2011)
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 Before me

