

**STATEMENT OF JAMES JOSEPH HIGGINS IN RESPONSE TO REQUIREMENT
TO PROVIDE INFORMATION ISSUED TO SUNCORP INSURANCE DATED
30 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 Australian Associated Motor Insurers Limited (AAMI) to respond to the Requirement to Provide Information issued by the Commission of Inquiry dated 30 September 2011 and addressed to the Suncorp Group.
3. This response relates to information received by the Queensland Flood Commission of Inquiry from Mr Julian Chambers in relation to a AAMI Home and Contents insurance policy.
4. AAMI's records show that AAMI issued a Home Building Insurance Policy and Contents Insurance Policy (the policy) to Mrs Rebecca Chambers and Mr Julian Chambers (the customer) for the period 5 June 2010 to 5 June 2011 under policy number [REDACTED] on their property at [REDACTED] South Queensborough Parade, Karalee 4306 (the property).
5. The property was insured as follows:
 - a. Complete Replacement Cost (CRC) for building;
 - b. \$1,000.00 for locating water leaks;
 - c. \$1,000.00 for damage to garden beds, trees, shrubs and other plants
 - d. \$64,850.00 for general contents;
 - e. \$9,500.00 for limited cover specified items; and
 - f. \$1,000.00 extra cover for unspecified portable valuables.
6. The following excesses applied to the policy:
 - a. \$400.00 building excess (total flexi-premium excess plus standard); and
 - b. \$400.00 contents excess (total flexi-premium excess plus standard);
 - c. \$100.00 standard excess; and
 - d. \$1,000.00 unoccupied excess (if applicable).
7. Mr Chambers has given information to the Commission which is set out in points 1 to 5

of the Commission's letter directed to me dated 30 September 2011.

Question 1: In respect of the above information, please set out anything with which AAMI disagrees, and the reasons why.

8. The following table summarises the communications between AAMI and Mr Chambers in relation to the progress of his claim.

Date	Mode of Communication	Communication details
12/1/2011	Telephone	Mrs Chambers called reporting her house had been flooded on 11/1/2011
13/1/2011	Telephone	Mrs Chambers called to advise they had not been able to access their flooded home and required assistance with temporary accommodation
13/1/2011	Telephone	Called customer to advise that the only temporary accommodation is at the Gold Coast. They are at a friend's house, customer to call back when able to leave Ipswich
14/1/2011	Telephone	Mrs Chambers called advising area has been opened up and she would like emergency accommodation
14/1/2011	Telephone	Attempted to call customer, no answer, message left
14/1/2011	Telephone	Mrs Chambers called and was advised AAMI is unable to provide any temporary accommodation until her claim has been assessed and that assessor is being arranged as a priority
17/1/2011	Telephone	Attempted to call customer, left message to call back
17/1/2011	Telephone	Called Mrs Chambers and advised of claim details and that assessment has been booked
20/1/2011	Telephone	Mrs Chambers called and confirmed assessment
17/2/2011 (claim assigned to event team)	Telephone	Mrs Chambers called requesting update of claim and she confirmed that assessment had occurred three weeks previously. Mrs Chambers was advised assessment report not yet received and that hydrology report also required prior to claim decision being made
25/2/2011	Telephone	Mrs Chambers called and was advised the assessment report has not been received, hydrology report will be provided for review [when obtained] and if not satisfied with findings there is

		an avenue for appeal
4/3/2011	Telephone	Mr Chambers called seeking update, was advised assessment report received, still waiting for hydrology report
12/3/2011	Telephone	Mrs Chambers called seeking update as she says her neighbours have been advised they are covered by another insurer
14/3/2011	Telephone	Mrs Chambers called, was advised that the assessment report had been received and hydrology report had been released from ICA and currently being reviewed
21/3/2011	Telephone	Mrs Chambers called and was advised we are waiting on review of the hydrology reports prior to making a decision
28/3/2011	Telephone	Mrs Chambers called and was advised that claim is being reviewed by management
1/4/2011	Telephone	Mrs Chambers called and was advised the claim is still with management
4/4/2011	Telephone	Mrs Chambers called and was advised claim is still with management
8/4/2011	Telephone	Mrs Chambers called and was advised claim is still with management
12/4/2011	Telephone	Mrs Chambers called and wanted to know the timeframe for making a decision regarding the claim
15/4/2011	Telephone	Mrs Chambers called for an update and was advised that due to comments made by her [that she had been told the claim would be covered] the operator who lodged the claim online 10/11 was being interviewed by investigations
19/4/2011	Telephone	Mrs Chambers called seeking status of claim, was advised it is currently being investigated
19/4/2011	Telephone	Called customer and advised that operator to be interviewed
27/4/2011	Telephone	Mrs Chambers called and was advised that interview to be conducted and report will be to hand shortly
29/4/2011	Telephone	Attempted to call customer and left message regarding re-scheduling of interview with operator
4/5/2011	Telephone	Mrs Chambers called and confirmed she is aware we will be in contact once a decision has been

		made
10/5/2011	Telephone	Mrs Chambers called and was advised that interview transcript completed and is now with management
12/5/2011	Telephone	Attempted to call customer to advise that claim not covered, left message to call back
12/5/2011	Telephone	Mrs Chambers called and advised that claim not one for acceptance, further advised that operator did not recall the relevant telephone call
12/5/11	Email	Email sent to Mrs Chambers advising of claim decline
26/5/2011	Facsimile	Facsimile received from Legal Aid

9. AAMI would like to highlight the following in relation to the issues numbered 1 to 5 in the Requirement to Provide Information.
10. Point 1: AAMI's records show that it was Mrs Chambers, rather than Mr Chambers who made the claim on 12 January 2011. AAMI claim notes record that when Mrs Chambers rang again on 13 January 2011, she advised that she lives on the river, and the Claims Advisor responded by advising that AAMI does not cover flood but that an assessor would attend to advise if covered. The claim notes record that Mrs Chambers "was shocked as she advised original operator stated 99.9% that she would be covered". This assertion was investigated by AAMI, however the original operator could not specifically recall Mrs Chambers' call. She was able to explain the usual information communicated to customers, and this is set out in detail in my response to question 5 below.
11. Point 2: AAMI issued instructions to its assessor on 17 January 2011 and advised Mrs Chambers of the assessor's appointment the same day. The assessor contacted the customer on 19 January 2011. The assessor attended the property on 31 January 2011. Therefore, the assessor attended 13 working days after the claim was lodged, not four weeks.
12. Point 3: During the course of managing this claim the customer was contacted on 8 occasions and the customer contacted AAMI on 22 occasions. The majority of the communications were between Mrs Chambers and AAMI. AAMI has a record of only one call from Mr Chambers, being on 4 March 2011.
13. Point 5: AAMI's Consumer Appeals Service notified the customer of the outcome of the Internal Dispute Resolution process by letter dated 14 June 2011.

Question 2: Please provide a copy of Mr Chambers' contract of insurance which applied in respect of this claim.

14. A copy of Mr Chambers' contract of insurance and product disclosure statements for AAMI's Home Building Insurance Policy and Home Contents Insurance Policy are attached as **Annexure 1**.

Question 3: Please advise the extent to which AAMI kept Mr Chambers informed of the progress of his claim from the date the claim was made, including the dates on which AAMI contacted Mr Chambers; the mode of communication for each contact; and the details of that communication.

15. Over the course of the customer's claim and as at the date of this statement, AAMI's records show that communications either occurred or were attempted between AAMI and the customer:
 - a. AAMI contacted or attempted to contact the customer on 8 occasions;
 - b. The customer contacted or attempted to contact AAMI on 22 occasions; and
 - c. Legal Aid Queensland contacted AAMI on 1 occasion.
16. Details of the dates on which AAMI contacted the customer, the mode of communication for each contact and the details of that communication are contained in the table above.

Question 4: Please provide copies of all records including audio recordings, in respect of the claim and internal review, including, but not limited to, all communications between Mr Chambers and AAMI.

17. A copy of AAMI's electronic records of policy and claim details in relation to communications between AAMI and the customer are attached as **Annexure 2**.
18. In order to consider Mrs Chambers' statement that during her call of 12 January 2011 she was advised it was 99.9% she would be covered, AAMI arranged for Mark Benedick, an AAMI internal investigator to interview Lisa Sampson, the Call Centre Consultant who took that call.
19. Attached as **Annexure 3** is an audio tape recording of that interview.
20. Attached as **Annexure 4** is a copy of a transcript of that tape recording.

Question 5: In respect of point 1 above:

5.1 Does the account of the telephone conversation outlined in point 1 accord with AAMI's records? In particular, what advice did AAMI give to Mr Chambers on that occasion?

21. AAMI did not give Mr Chambers any advice on that occasion. The call was made by Mrs Chambers. The claim notes of that conversation record that Mrs Chambers reported "due to storm my house has flooded".

22. The claim notes do not record whether and if so, what, information was communicated by the Call Centre Consultant, Ms Sampson, to Mrs Chambers. I have read the transcript of the interview with Ms Sampson. From that transcript, I understand the position to be that Ms Sampson does not recall the specific conversation with Mrs Chambers but says that:

- a. She was aware that AAMI did not cover flood, but did cover some water events such as storm.
- b. If Mrs Chambers had mentioned a river, she would have noted that in the claim notes as she was aware that this would be of relevance to a Claims Consultant in determining the claim.
- c. She would have told Mrs Chambers that she was covered for flood if it is confirmed to be from the storm.
- d. With the Brisbane claims, she (and others) emphasised to customers that it (damage) had to be from storm damage for it to be covered and that they are not covered if it was from a river.
- e. Customers were advised to lodge their claim as a storm and that we [the call centre staff] don't know if its actually covered because it had not been confirmed.

Question 6: In respect of Point 2:

6.1 Please provide a copy of AAMI's instructions to the assessor concerning Mr Chambers' claim.

23. A copy of AAMI's Home Assessment Instruction Sheet dated 17 January 2011 is attached as **Annexure 5**.

6.2 Was it four weeks or so before an assessor attended Mr Chambers' property? If so, why did it take this much time?

24. The assessment instructions were issued on 17 January 2011. The assessor, Cunningham Lindsey Australia Pty Ltd (Cunningham Lindsey) contacted the customer on 19 January 2011. A site inspection was arranged for and took place on 31 January 2011. Mr Chambers was not in attendance at the appointed time.

25. Therefore, the assessor attended the property 13 working days (2.5 calendar weeks) after the claim was lodged, not four weeks.

Question 7: In respect of Point 3:

7.1 When was Mr Chambers' claim determined?

26. The customer's claim was determined on 11 May 2011.

7.2 Please provide details of the steps taken, including any investigations made, in determining Mr Chambers' claim; and details of when each step was taken.

27. The steps taken, and investigations made, in determining the claim were as follows:

Date	Action Taken
12/01/11	Claim lodged.
13/01/01	Advised customer that an assessor would be appointed as AAMI did not cover Flood.
17/01/11	Assessor appointed (Cunningham Lindsay).
31/01/11	Cunningham Lindsay conducted site inspection of insured property.
17/02/11	Confirmed to customer that AAMI would require the hydrology report being prepared by the ICA prior to making a decision on the claim.
18/02/11	<p>Property assessment report received by AAMI from Cunningham Lindsey, including Flood Questionnaire completed on the basis of information provided by the customer to Cunningham Lindsay.</p> <p>Note: Although the claim notes on 25/02/11 say "advised insured we are waiting on C&L report", it would appear that the CL report had not yet been reviewed by this date (as it had been received).</p>
Early March	All flood claim files managed and coordinated by Flood Team management to segment into decision types (e.g. loss dates) and identify complexity levels for decisions.
10/03/11	Hydrology report released by the Insurance Council of Australia (ICA).
8/04/11	Claim examined by AAMI's Acting Technical Event Manager. Determined additional information required (e.g. necessary to interview the call centre consultant who lodged the claim, as to what advice was given to the customer).
Week of 8/04/11	Request forwarded to Property Investigations to interview call centre consultant.

02/05/11	Call centre consultant interviewed as to what advice she provided to the customer during that call.
About 06/05/11	Acting Technical Event Manager sought legal advice from Suncorp Group Legal in relation to the customer's claim. That legal advice, which is and remains the subject of legal professional privilege, was provided on 11/05/11.
12/05/11	Claim determination made – claim is not for acceptance as the damage was due to overflow of the Bremer River which adjoins the insured property.

7.3 What information did AAMI rely upon in making the decision about Mr Chambers' claim? How, if at all, did the assessor's report impact on the decision? Was this information provided to Mr Chambers? If not, why was it not provided?

28. The customer's claim was decided on the basis of relevant information held by AAMI at that time, including:
- a. Property assessment report of Cunningham Lindsey dated 31 January 2011, which included:
 - (i) a Flood Questionnaire completed by the assessor from information provided by the customer;
 - (ii) an aerial photograph obtained from Nearmap of the area as at 13 January 2011;
 - (iii) photographs taken and details of damage recorded by Cunningham Lindsey during the site inspection.

A copy of the report and its enclosures is attached as **Annexure 6**;
 - b. Joint hydrology report titled *Flooding in the Brisbane River Catchment, Volume 1 An Overview* and *Volume 3 Flooding in Ipswich City LGA* (available for download at www.insurancecouncil.com.au), dated 20 February 2011. This report identifies rainfall in Karalee and flooding behaviour of the Bremer River across the time period 10 - 14 January 2011, including river heights in locations near Karalee;
 - c. Queensland Reconstruction Authority Interactive Flood Map (available from www.qldreconstruction.org.au).
29. The Cunningham Lindsey assessment report provided AAMI with relevant information such as the height above ground level of the dwelling (approximately one metre) and the depth of water at the customer's dwelling (at least to roof level). The report also

confirmed that the customer was unable to provide any anecdotal information as to the progress of water inundation. Mrs Chambers advised the assessor that she had left the premises between 3pm and 5pm on 11 January 2011 and did not return until Thursday evening (13 January 2011), and Mr Chambers had been extremely busy assisting neighbours to escape the rising flood waters.

30. On that basis, there was no anecdotal evidence suggesting that the expert determinations reached in the joint hydrology report for that locality commissioned by the ICA should not be considered sufficient to assess the insured property.
31. When the claim was determined, a letter was sent to the customer advising the claim had been declined. The letter referred to the joint hydrology report, noted that the report was over 260 pages in length, and outlined to the customer the relevant conclusion from this report, namely that the inundation was caused by flood water escaping and overflowing from the Bremer River at the time the insured property was inundated. The letter also identified the aerial flood mapping on the Queensland Reconstruction Authority's website as information relevant to the matter. AAMI did not provide a copy of the report or aerial maps, but advised the website links where the customer could access each of those.
32. In addition to the above, AAMI also provided the customer with a copy of the Cunningham Lindsey assessor's report and, from on or about 14 April 2011, information on the Queensland Premier's Disaster Relief Fund. Although these documents were not referred to in the decline letter sent to the customer, they were always sent as a matter of process. Attached as **Annexure 7a** is a copy of the information on the Qld Premier's Disaster Relief Fund sent to the customer.

7.4 Did any factors impede the determination of Mr Chambers' claim?

33. In order to determine the claim, it was necessary to identify the source of the damage. This required that a property assessment be undertaken, and the information gained considered in light of a hydrology report.
34. In addition, AAMI was aware that Mrs Chambers believed she had initially been advised when she lodged her claim (12 January 2011), that on the basis of the information the customer provided to AAMI at that time, it was 99.9% likely her claim would be covered and AAMI felt this warranted internal investigation. The customer was advised by AAMI on 13 January 2011 that the policy does not cover flood damage and AAMI specifically confirmed on 14 January 2011 that the claim was for consideration only.

7.5 When and how was the decision first communicated to Mr Chambers?

35. The claim was determined on 11 May 2011. AAMI telephoned Mrs Chambers on 12 May 2011 and left a message on her mobile phone asking that our call be returned. Mrs Chambers returned our call on 12 May 2011 and was informed that AAMI was declining the claim and would write confirming this decision. The decision letter was posted to Mr and Mrs Chambers on or about 12 May 2011. The decision letter was also emailed to

Mrs Chambers at her request on 12 May 2011.

36. Attached as **Annexure 7b** is a copy of the decision letter to the customer dated 12 May 2011.

Question 8: In respect of Point 5:

8.1 When did Mr Chambers or his legal representative make a request for a review of the decision to refuse Mr Chambers' claim to AAMI, initiating the Internal Disputes Resolution process?

37. The AAMI Consumer Appeals Service (CAS) received a Registration notification (Registration) by email from the Financial Ombudsman Service dated 11 May 2011 advising that FOS had received a dispute and would assess whether it fell within its Terms of Reference. The email stated FOS did not require any action at that stage, but that if AAMI was yet to review this dispute in accordance with its Internal Dispute Resolution (IDR) procedures, FOS would encourage AAMI to do so. A copy of that email is attached as **Annexure 8**.
38. As at that date, the claim had not yet been determined. However, a determination was made the following day, and a letter was sent by email to Mrs Chambers advising of the decline of the claim and advising of the IDR and FOS review processes.
39. In accordance with AAMI's usual practice, receipt of the notification from FOS caused CAS to request the claim file in order to commence an IDR process. Therefore, notification that the claim was declined and commencement of the IDR process were effectively simultaneous.

8.2 What steps were or have been taken, including any investigations made, in reviewing the decision to refuse his claim; and when was each step taken?

40. On 12 May 2011 Mrs Chambers was advised verbally that the claim was not for acceptance, and a decline letter was emailed.
41. The complaint was elevated to CAS for review as described in response to question 8.1 above. Pursuant to the request, CAS received all the information pertaining to the decision to deny the claim, including the Cunningham Lindsey report, flood map and checklist, scope of damage and the decline letter. CAS also had available to it the joint hydrology report and aerial mapping available on the relevant websites.
42. On 17 May 2011 CAS wrote to the customer by letter attached as **Annexure 9** acknowledging receipt of the matter and advising an anticipated completion date for the review of 31 May 2011.
43. CAS had created a team of staff members with extensive IDR experience to review flood matters, consisting of a Team Leader, Senior Dispute Resolution (SDRO), two Dispute Resolution Officers (DROs). The file was allocated on 17 May 2011 to a DRO to conduct a review in accordance with AAMI's Internal Dispute Resolution process.

44. On 26 May 2011, CAS received a written submission from Legal Aid - Queensland (LAQ) on behalf of the customer requesting a review of the customer's claim. Attached as **Annexure 10** is a copy of the faxed submission to AAMI from LAQ dated 26 May 2011.
45. On 28 May 2011, CAS sent an acknowledgement letter to LAQ confirming an additional 15 business days would be required to consider and respond to his submission. Attached as **Annexure 11** is a copy of the letter from CAS to the customer dated 27 May 2011.
46. On 14 June 2011 the DRO completed a review of the customer's dispute. The DRO was satisfied AAMI had established the damage to the insured property was a result of flood as defined in the AAMI Home Building Insurance Policy and was not covered by the policy.
47. On 14 June 2011, CAS wrote to LAQ advising that the IDR determination was to uphold AAMI's decision to not accept the claim. Attached as **Annexure 12** is a copy of the letter from CAS to LAQ dated 14 June 2011.

8.3 Has AAMI made a decision regarding the review of Mr Chambers' claim? If so, when and how was this decision communicated to Mr Chambers? What information did AAMI rely upon in making the decision which was the result of the Internal Dispute Resolution process?

48. AAMI has made a decision regarding the review of Mr Chambers' claim.
49. The review request had been lodged by LAQ on behalf of the customer, therefore the review decision was communicated to LAQ. This was done by letter dated 14 June 2011 setting out AAMI's final decision not to accept the customer's claim as a result of it's Internal Dispute Resolution Process and advising LAQ of the customer's entitlement to appeal to the Financial Ombudsman's Service (FOS).
50. CAS relied upon all documents provided in the claim file.

8.4 If not, why not; and when is it expected that the internal review process will be completed and Mr Chambers advised of the result?

51. Not applicable.

Closing Comments

52. A FOS Notice of Referral was received by AAMI on 30 June 2011.
53. AAMI responded to the Notice of Referral on 26 July 2011 and commissioned a desktop site specific hydrology report for the property.
54. After the widespread flooding of Brisbane City and Ipswich City, FOS held a number of discussions with its member insurers. The outcome of these discussions was that FOS

indicated to members that it would not be unreasonable for a member to rely on the Joint Hydrology Reports for the Brisbane River Catchment and the Ipswich Local Government Area in deciding claims for flood damage. At the time of these discussions, it was exceptionally difficult, if not impossible, to obtain site specific reports.

55. By July 2011 there was more capacity to obtain site specific reports. Accordingly, to fully explore more recent allegations made by Mr and Mrs Chambers about the nature of the inundation of their house (which had not been raised at the time of the initial determination or the IDR determination), AAMI obtained a site specific report for this property. This report is dated 8 August 2011 and is attached as **Annexure 13**. The report states that:

- The subject property is located adjacent to the Bremer River. Runoff from around the subject property would drain to the Bremer River within a few minutes.
- There is virtually no external stormwater catchment draining toward the subject property. Stormwater from land on the northern side of South Queensborough Parade drains north and east, away from the subject property.
- The property would have been inundated by flood water at about 9pm on 11 January 2011.

The report supports AAMI's initial decision to decline the claim on the basis that the damage to the property was caused by flood.

Sworn by the Deponent)
)
At Brisbane)
)
This 7th day of)
October 2011)

[Redacted Signature]

/James Joseph Higgins

Before me
[Redacted Name]
Solicitor