

Oaths Act 1867

Statutory Declaration

QUEENSLAND

TO WIT

I, Robert Whelan, care of Insurance Council of Australia, Level 4, 56 Pitt Street, Sydney in the State of New South Wales, do solemnly and sincerely declare that:

- 1 I am the Executive Director and Chief Executive Officer of the Insurance Council of Australia.
- 2 I provide this declaration in relation to the requirement directed to me by Commissioner Justice C E Holmes dated 22 November 2011 (**requirement**).

Question 1

[How are "Queensland Floods claims defined? eg does the data in the General Insurance Claims Response 2010/2011 Queensland Floods and Cyclone, Update 29 September 2011 (**report**) referring to 'Queensland floods' relate to claims arising from the weather events in Queensland in December 2010 and January 2011? If not, advise what is encompassed by such claims.]

- 3 The ICA declared four separate inundation events that when combined may be taken as representing the Queensland Floods and Cyclone from an insurance perspective. These events are:
 - 3.1 Catastrophe 105 Regional QLD Flooding
 - 3.2 Catastrophe 111 Lockyer Valley and Toowoomba
 - 3.3 Catastrophe 112 Brisbane LGS Flooding
 - 3.4 Catastrophe 114 Cyclone Yasi
- 4 The first three catastrophe events relate to defined geographic regions in Queensland where inundation occurred. Catastrophe 105 covered inundation in regional Queensland from 21 December 2010 to 14 January 2011. Catastrophe 111 covered inundation in the Lockyer Valley from 10 to 11 January 2011 and Catastrophe 112 covered inundation in the Brisbane local government area from 21 December 2010 to 14 January 2011. The last catastrophe event relates to Cyclone Yasi. Attached to this statement and marked 1 is a copy of the guideline that relates to Catastrophes 105, 111 and 112 encompassing the Queensland Floods.
- 5 The guideline has been used by insurers to provide claims data for each event, which has then been aggregated to produce the General Insurance Claims Response 2010/2011 Queensland Floods and Cyclone Update 29 September 2011.
- 6 Notably, the 29 September 2011 report has now been superseded by the 24 November 2011 report, which contains the latest aggregated claims data for the Queensland Floods in December 2010 and January 2011.

Question 2

[Provide a list of the insurance companies from which data was obtained for the report. If the same companies are not represented in all graphs in the report, provide separate lists for each graph.]

- 7 The following companies provided data for the compilation of reports. Data from each company has been aggregated by the ICA and included in each relevant graph. However

it is important to note that some companies will (depending on their portfolio) have contributed zero values to some graphs:

Insurance Australia Group	Suncorp	Aioi Insurance
Allianz Insurance	Ansvar Insurance	Assetinsure
Auto & General Insurance	Calliden Insurance	Guild Insurance
Catholic Churches Insurance	Comminsure	CUNA Mutual
FM Global Insurance	Lloyds	Great Lakes Insurance
Progressive Direct	QBE Insurance	RACQ Insurance
Westpac Insurance	Zurich	Wesfarmers Insurance

YouI

Question 3

[Does the data presented in the report reflect information from all insurance companies which received claims as a result of the Queensland floods?]

- 8 No. The data is collected from ICA members by ICA in partnership with the Australian Prudential Regulation Authority (APRA) who have an interest in solvency related data from insurance companies.
- 9 There are a number of insurance companies with relatively small residential insurance market shares who are either not members of the ICA or who have not reported data.
- 10 The data included in the report is estimated to represent 96.8% of the total number of claims lodged as a result of the Queensland events in the residential and commercial sectors.
- 11 Heavy industrial claims (mining and heavy manufacturing) have not been recorded as this type of risk is generally self insured with 3rd party backing from a reinsurer or specialist insurance. This type of policy is often bespoke and subject to confidentiality arrangements beyond the scope of industry reporting. If the value of these larger claims were able to be included in the report, the total insured cost of these events would be considerably larger.

Question 4

[Name all types of claims included in 'all classes' in the graph entitled 'Claims - All Classes Queensland Floods' (eg residential property claims, business claims, motor vehicle claims).]

- 12 The following classes of claims are reported on by ICA members:

Residential Building	Residential Contents	Domestic Motor	Domestic Other
Commercial Property	Commercial Vehicles	Business Interruption	Commercial Other

- 13 Claims falling under Domestic Other and Commercial Other cover a wide variety of small insurance classes, for example Landlords Insurance, Farm & Rural Insurance, Marine Insurance.

Question 5

[What data, specifically, did insurance companies provide in order for the Insurance Council to present the information as to 'open' claims and 'closed' claims in the graph entitled 'Claims - All Classes Queensland Floods?']

- 14 For each class of claim where reporting has been requested, insurers provided the specific number of claims currently open and the number of claims closed. An open claim is a claim where work is continuing or settlement has not been reached. A closed claim is a claim where the insurer considers the claim has been finalised. ICA aggregates these details, from each insurer, to produce the industry level data.

Question 5.1

[Did all insurance companies provide data as to 'closed' claims (eg replaced goods, completed repairs and cash settlements) in a consistent and comparable manner?]

- 15 Generally yes. Whilst there are a small number of inconsistencies relating to the definition of each class and the ability of some to separate some claims between the classes – the definition of a closed claim has been consistently applied across the industry.
- 16 Data concerning the precise status/nature of closed claims (eg by virtue of cash settlement, repair or replacement) has not been requested or reported upon for this event.

Question 5.1.1

[If not: explain the nature of the differences.]

- 17 N/A

Question 5.1.2

[If not: explain what allowances were made and how they affected the quality of the data.]

- 18 N/A

Question 5.2

[Did all insurance companies provided data as to 'open' claims (that is, repairs underway or quotes in progress) in a consistent and comparable manner?]

- 19 Yes. Whilst there are a small number of inconsistencies relating to the definition of each class and the ability of some to separate some claims between the classes – the definition of an open claim has been consistently applied across the industry.
- 20 Data concerning the precise status/nature of open claims (eg repairs underway, quotes etc) has not been requested or reported upon for this event.

Question 5.2.1

[If not: explain the nature of the differences.]

- 21 N/A

Question 5.2.2

[If not: explain what allowances were made for the differences and how they affected the quality of the data.]

- 22 N/A

Question 6

[Name the types of claims encompassed by 'residential property' in the graph 'Claims - Residential Property Queensland Floods'.]

- 23 This graph represents data submitted for Residential Building claims only. These claims include claims for non-body corporate policies and could be accurately visualised as claims arising from standalone or duplex properties in domestic use.

Question 7

[What data, specifically, did insurance companies provide in order for the Insurance Council to present the information as to 'open' claims and 'closed' claims in the graph 'Claims - Residential Property Queensland Floods'?)

- 24 For residential building polices (non-strata), insurers provided the specific number of claims currently open and the number of claims closed.
- 25 An open claim is a claim where work is continuing or settlement has not been reached. A closed claim is a claim where the insurer considers the claim has been finalised. ICA aggregates these details, from each insurer, to produce the industry level data.

Question 7.1

[Did all insurance companies provide data as to 'closed' claims (that is, completed repairs and cash settlements) in a consistent and comparable manner?]

- 26 As per response to Question 5.1

Question 7.1.1

[If not: explain the nature of the differences.]

- 27 N/A

Question 7.1.2

[If not: advise what allowances were made for the differences and how they affected the quality of the data.]

- 28 N/A

Question 7.2

[Did all insurance companies provided data as to 'open' claims (that is, repairs underway or quotes in progress) in a consistent and comparable manner?]

- 29 As per response to Question 5.2

Question 7.2.1

[If not: explain the nature of the differences.]

- 30 N/A

Question 7.2.2

[If not: explain what allowances were made for the differences and how they affected the quality of the data.]

- 31 N/A

Question 8

[Name the types of claims encompassed by 'residential property' in the graph 'Priority Residential Property Damage - Flood Event', or indicate whether the types of claims are the same as those referred to in the response to question 6.]

- 32 The claims reported for residential property is the same as those referred to in Question 6.

Question 9

[What data, specifically, did insurance companies provide in order for the ICA to present the information as to 'open' claims and 'closed' claims in the graphs 'Category A Property QLD Floods' and 'Category B Property QLD Floods'?)

- 33 Insurers provided a precise count of the number of property claims for Category A and Category B properties remaining open each month – this has been subtracted from the known total for these classes to derive the number closed.

Question 9.1

[Did all insurance companies provide data as to 'closed' claims (that is, completed repairs and cash settlements) in a consistent and comparable manner?]

- 34 All insurers have provided data as to closed claims. However, insurers have not provided data regarding how a claim was closed (that is through completed repairs or by cash settlement), simply that the claim has been closed.

Question 9.1.1

[If not: explain the nature of the differences.]

- 35 N/A

Question 9.1.2

[If not: explain what allowances were made and how they affected the quality of the data.]

- 36 N/A

Question 9.2

[Did all insurance companies provide data as to 'open' claims (that is, repairs underway or quotes in progress) in a consistent and comparable manner.]

- 37 All insurers have provided data as to open claims. However, insurers have not provided data regarding why a claim was open (that is, by virtue of repairs in progress or quotes being sought), simply that the claim remains open.

Question 9.2.1

[If not: explain the nature of the differences.]

- 38 N/A

Question 9.2.2

[If not: explain what allowances were made and how they affected the quality of the data.]

- 39 N/A

Question 10

[What difficulties, if any, were encountered in collating and comparing data from multiple insurance companies? How were the difficulties (if any) addressed?]

- 40 The individual data provided by insurance companies is highly market sensitive. The primary challenge has been to ensure that the reporting and aggregation process takes into account this sensitivity and that the data remains suitably protected.
- 41 Insurers have attempted to provide accurate data at each point in the reporting cycle, however have had to implement special internal processes, and, for some categories of information, have had to task external resources to collect the data.
- 42 Additionally, insurers have selected their own 'as at date' at which the required data is collected from their systems to then be internally verified, compiled and then sent to ICA in order to meet the reporting date. For example, for the 29 September 2011 report, individual insurers may have individually collected the data as it was on 23, 24, 25, 26, 27 or 28 September, to then be compiled, verified and issued to ICA on 29 September.

43 These combined challenges can produce periodic inconsistencies in the data reported from month to month by a single insurer. However, taken in the context of aggregated industry data (all insurance data compiled) the inconsistencies are equalised over time.

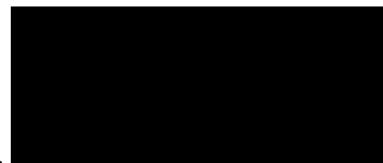
Question 11

[Should all insurance companies record data as to time taken to assess claims, finalise claims and complete internal reviews in a consistent manner so that comparisons can be made across the insurance industry? If so, who should collate that material and how should it be reported?]

44 ICA does not require this data to be reported for every catastrophe event. However, most insurers record this data for internal business improvement purposes. Consequently, when required, the ICA can make a request for data in order to gauge any issues.

45 The Industry Code of Practice requirements are in the process of being amended, which will include new timeframes for claims determinations. While it is currently not a requirement for insurers to record and provide timelines under this regime, in the instance where a complaint is raised regarding the time taken to process a claim, insurers would naturally be required to demonstrate compliance as part of any defence offered.

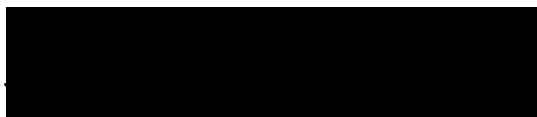
and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the *Oaths Act 1867* (Qld).



.....
Signature of declarant

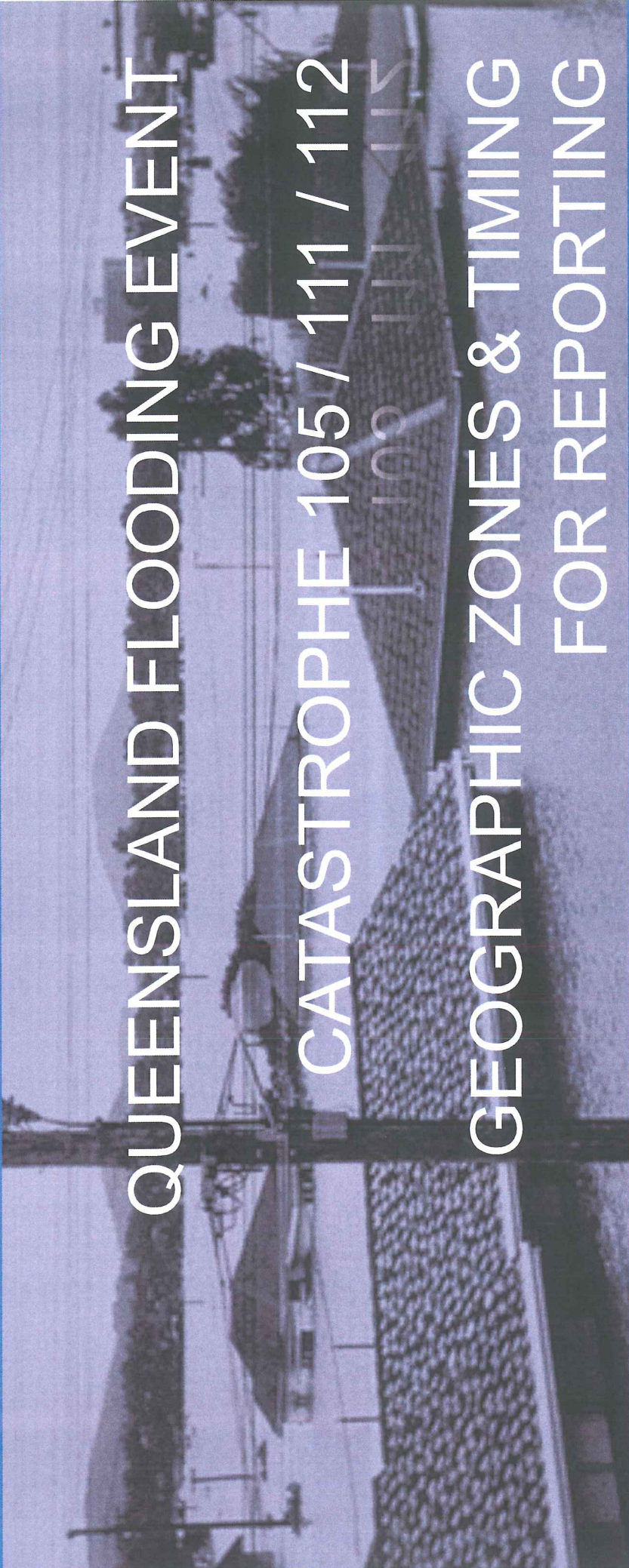
Taken and declared before me at Sydney in the State of New South Wales

this 2nd day of December 2011.



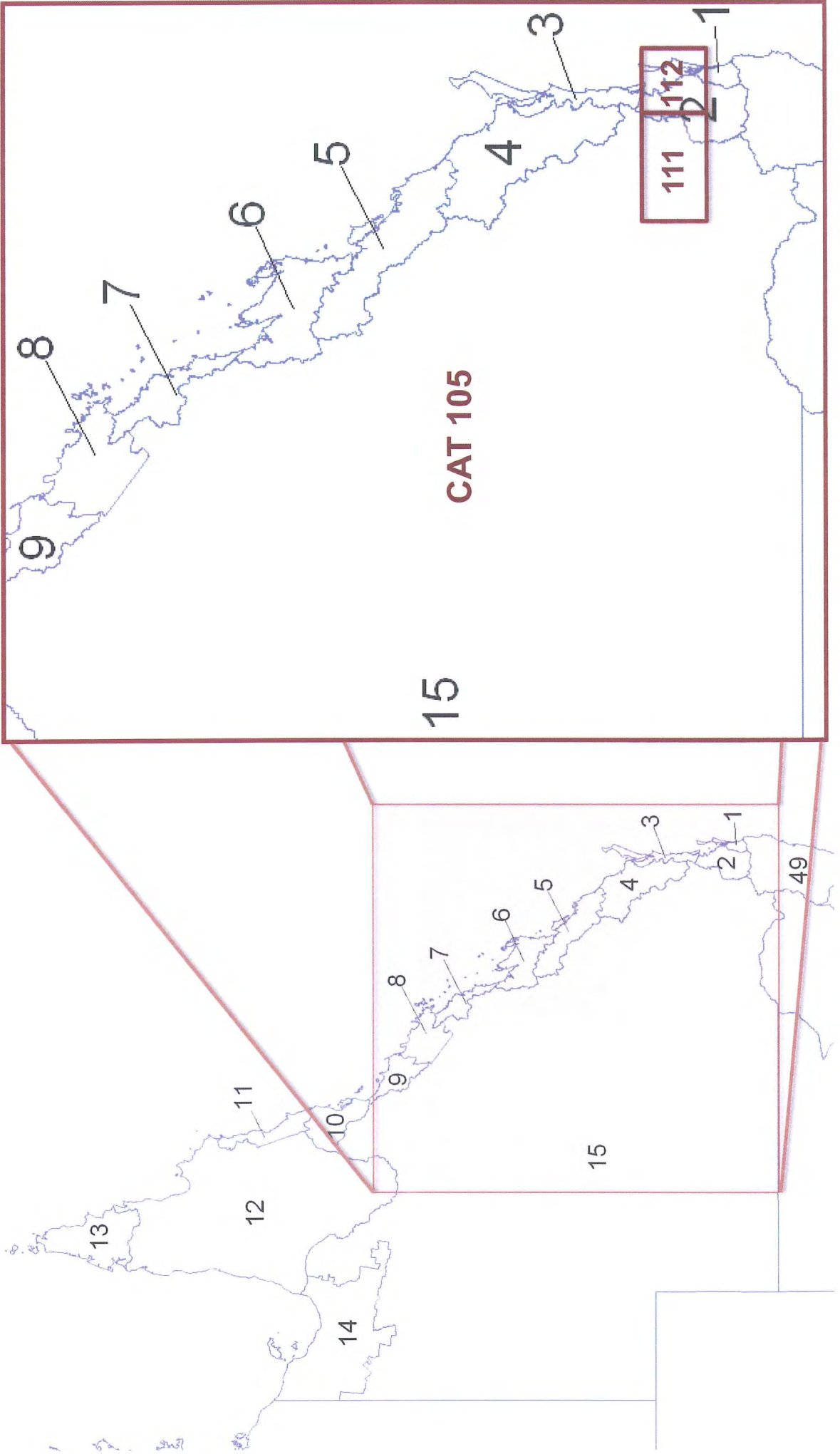
~~Justice of the Peace/Commissioner for Declarations/Solicitor~~

Attachment 1



**QUEENSLAND FLOODING EVENT
CATASTROPHE 105 / 111 / 112
GEOGRAPHIC ZONES & TIMING
FOR REPORTING**

WEF 14 FEBRUARY 2011



Claims reporting is to be provided using the [ICA claims template accessible here](#)

Notes on CAT A, CAT B and Denied Claims Collection:

CAT A claims should be reported only if assessed as a CAT A and while the claim is open.

CAT B claims should be reported only if assessed as a CAT B and while the claim is open.

Denied claims should only be reported (by class) where a claim has been lodged and the client has been instructed that the claim is denied.

The intention is to be in a position with CAT A and CAT B reporting, to demonstrate the number of properties (insured) where there has been substantial damage and the rate at which those claims are acquitted. To that end, as with previous catastrophes, insurers have been asked to provide (at each data collection) the remaining number of CAT A & B properties on insurers books, regardless of how the claim is acquitted (eg, cash settlement or repair).

A crude example for the sake of clarity:

- ABC Insurance may accept 100 property claims and assess 25 as CAT A.
- In the first month they would report these to the ICA, the ICA would put them in the aggregate for the industry and report to govt.
- The next month, ABC insurance may have repaired 5 CAT A properties and cash settled 10. ABC insurance would then report to the ICA that they had 10 CAT A remaining, ICA records the decrease for ABC Insurance and alters the industry aggregate.
- This process should be repeated each month until ABC insurance has no CAT A claims outstanding – these may have been 100% repaired or 100% cash settled over time.
- This allows the ICA to show how the claims are being reduced over time whilst being careful (as with other disasters) to ensure the government understands that post cash-settlement there is no visibility for how any funds may have been spent by the policyholder.
- If some insurers, in the interests of providing more accurate data to government, wish to keep a claim open post settlement so they can track how the property owner carries out the repairs, the ICA will happily continue to report the number of open claims in the industry whilst those claims are open.
- If ABC Insurance accepts a claim and offers a fixed cash settlement without assessing the property as CAT A, then it should not be reported as a CAT A property.
- If ABC Insurance assesses a property as a CAT A property but then cash settles for a fixed amount under the policy, the claim will still be reported in the first instance as a CAT A, but would be reported next month as no longer open.
- If ABC Insurance accepts no property claims at all for the event, then no CAT A claims will be/can be reported.
- If ABC Insurance accepts claims but assessment processes do not reveal any CAT A properties then no CAT A claims will be reported.
- This example applies to CAT B as well.



ICA Zone 1 4210, 4211, 4212, 4213, 4214, 4215, 4216, 4217, 4218, 4219, 4220, 4221, 4223, 4224, 4225, 4226, 4227, 4228, 4229, 4230, 4272, 4275

ICA Zone 2 (Partial) 4019, 4020, 4021, 4022, 4035, 4037, 4054, 4055, 4114, 4119, 4124, 4125, 4127, 4128, 4129, 4130, 4131, 4132, 4133, 4157, 4158, 4159, 4160, 4161, 4163, 4164, 4165, 4183, 4184, 4205, 4207, 4208, 4209, 4270, 4271, 4280, 4300, 4301, 4303, 4304, 4305, 4307, 4310, 4500, 4501, 4502, 4503, 4504, 4508, 4509, 4520

ICA Zone 4 4565, 4570, 4571, 4580, 4581, 4620, 4621, 4630, 4650, 4655, 4659, 4660, 4662, 4670, 4671, 4673, 4674, 4676

ICA Zone 5 4677, 4678, 4680, 4694, 4695, 4697, 4699, 4700, 4701, 4702, 4710, 4711, 4714, 4715, 4716

ICA Zone 6 4703, 4704, 4706, 4707

ICA Zone 7 4737, 4738, 4739, 4740, 4741, 4750, 4751, 4753, 4754, 4756, 4757, 4798

ICA Zone 8 4799, 4800, 4801, 4802, 4803, 4805

ICA Zone 15 (Partial) 4285, 4287, 4306, 4309, ~~4342~~, 4313, ~~4352~~, 4353, 4354, 4355, 4357, 4360, 4361, 4362, 4365, 4370, 4371, 4372, 4373, 4374, 4375, 4376, 4377, 4378, 4380, 4381, 4382, 4383, 4384, 4385, 4387, 4388, 4390, 4402, 4403, 4404, 4405, 4406, 4407, 4408, 4410, 4411, 4412, 4413, 4415, 4416, 4417, 4418, 4419, 4420, 4421, 4422, 4423, 4424, 4425, 4426, 4427, 4428, 4454, 4455, 4461, 4462, 4465, 4486, 4487, 4494, 4496, 4497, 4498, 4515, 4600, 4601, 4605, 4606, 4608, 4610, 4611, 4612, 4613, 4614, 4615, 4625, 4626, 4627, 4705, 4709, 4712, 4713, 4717, 4718, 4719, 4720, 4722, 4723, 4742, 4743, 4744, 4745, 4746, 4804

ICA Zone 15 (Partial)

4312, 4364, 4356, 4401, 4363, 4358, 4400, 4350, 4352, 4359

ICA Zone 2 (Partial)

4344, 4347, 4343, 4345, 4342, 4311, 4341, 4340, 4346

ICA Zone 2 (Partial) Postcodes - 4000, 4005, 4006, 4007, 4008, 4009, 4010, 4011, 4012, 4013, 4014, 4017, 4018, 4025, 4029, 4030, 4031, 4032, 4034, 4036, 4051, 4053, 4059, 4060, 4061, 4064, 4065, 4066, 4067, 4068, 4069, 4070, 4073, 4074, 4075, 4076, 4077, 4078, 4101, 4102, 4103, 4104, 4105, 4106, 4107, 4108, 4109, 4110, 4111, 4112, 4113, 4115, 4116, 4117, 4120, 4121, 4122, 4123, 4151, 4152, 4153, 4154, 4155, 4156, 4169, 4170, 4171 4172 4173 4174 4178 4179