

# Transcript of Proceedings

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THE HONOURABLE JUSTICE C HOLMES, Commissioner

MR JAMES O'SULLIVAN AC, Deputy Commissioner

MR PHILLIP CUMMINS, Deputy Commissioner

MR P CALLAGHAN SC, Counsel Assisting

MS E WILSON, Counsel Assisting

IN THE MATTER OF THE COMMISSIONS OF INQUIRY ACT 1950

COMMISSIONS OF INQUIRY ORDER (No. 1) 2011

QUEENSLAND FLOODS COMMISSION OF INQUIRY

BRISBANE

..DATE 25/10/2011

..DAY 50

COMMISSIONER: Ms Mellifont, I'll just take Mr Diehm's appearance.

MR DIEHM: Yes. May it please the Commission, my name is Diehm, D-I-E-H-M, initials G W of Senior Counsel. I appear with my learned junior, Mr Duffy, initials A W, of counsel. We are instructed by Blake Dawson and appear pursuant to a limited grant of leave made by your Honour yesterday for Queensland Urban Utilities and its employee Mr Paul Belz.

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COMMISSIONER: Thanks, Mr Diehm.

MR DIEHM: Thank you, your Honour.

COMMISSIONER: Yes, Miss Mellifont.

MS MELLIFONT: Thank you, your Honour. I call Paul Belz.

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PAUL BERNARD BELZ, SWORN AND EXAMINED:

MS MELLIFONT: Good morning. Will you state your full name, please?-- My name is Paul Bernard Belz.

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And are the General Manager for Planning for Queensland Urban Utilities?-- Correct.

And are you responsible for strategy and planning of water and wastewater systems, environmental compliance, reporting, trigger plant design and land use planning and development assessments for QUU?-- Yes.

And we will use "QUU" this morning for "Queensland Urban Utilities". Have you produced two statements to the Commission?-- Correct.

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Was the first a statement dated the 21st of October 2011, in response to a requirement issued by the Commissioner?-- Correct.

I'll show you that statement, please?-- Yes, that is it, correct.

All right. And is the statement true and correct to the best of your knowledge?-- Correct.

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I tender that statement.

COMMISSIONER: Exhibit 863.

MS MELLIFONT: And have you produced yesterday and this morning a supplementary statement in response to inquiries made by counsel assisting the Commission to your counsel?-- Yes, correct.

I will show you a copy of that statement, please. Is that your statement of this morning - signed this morning?-- Yes, correct.

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I tender that statement, Madam Commissioner, and I hand up three copies for yourself and the Deputy Commissioners.

COMMISSIONER: Thank you. Exhibit 864.

ADMITTED AND MARKED "EXHIBIT 864"

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MS MELLIFONT: Can I take you, please, firstly, to paragraph 4 of your second statement. I take it by now you are aware that one of the lay witnesses called in the Commission made complaints of sewage flooding at Ferry Road, West End?-- Correct.

And that was in respect of the Aura Apartments at Ferry Road, West End?-- Yes, I'm aware of that.

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Now, you state in paragraph 4 in your supplementary statement that investigations in West End have already been undertaken and are continuing-----?-- Correct.

-----is this correct?-- Yes.

Can I ask you whether those investigations were done internally or by an expert or an independent consultant engaged?-- They were carried out by our day labour crews internal to QUU.

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And are there records in respect of the findings of those day labour crews?-- Correct.

Okay. And they're within the records of QUU and can be obtained given time?-- Yes, correct.

In respect of the further investigations which are ongoing in the West End area, can you elaborate on that, please?-- Yeah, we're carrying out further investigations of the sewer system for the CCTV inspections of the local sewer reticulation mains external to the property.

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To what end? That is, what is prompting the additional investigations for West End?-- It's just final checks

throughout the system to make sure that the system is operating the way it should.

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And who will do that?-- Our local QUU work crews will carry out that work.

And what is the time frame for that work?-- I can't comment on that, I'm not sure of the final completion date.

All right. Do you know whether it's currently - whether it has currently started?-- It's currently in progress, yes.

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All right. Can I ask you, with respect to the investigations which have already been conducted, what were the findings in so far as sewage flooding for West End?-- There were a range of findings. There was obviously debris in some of those sewers. In the cross-river siphon, the siphon had actually fractured due to the flood and there was material in the siphon. And with Grey Street pump station, it had gone under water and the switchboard, et cetera, had to be reinstated.

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And-----

COMMISSIONER: Can you explain about the "siphon" to me. I don't know anything about it, so what's that?-- The "siphon" is a technical term for basically a pipeline under the river, Commissioner, so it takes flow from the south side to the north side.

Thank you.

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MS MELLIFONT: And what was the fracture?-- Debris coming down the river had caused a crack in the pipe that goes under the river.

Is there any means of protecting that sort of infrastructure from debris coming down the river?-- This is quite an old pipeline but typically we would lay those pipelines under the river but this one was built around about the 1900s, 1910, so it's laid on the bottom of the river.

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And so is the plan in respect of that fracture of the siphon to repair it or to replace it with an underground device?-- That sewer has already been repaired as part of the QUU flood recovery works.

So still above sea level, or ground level, as I-----?-- The pipe is actually on the bottom of - on the riverbed-----

On the riverbed, yes?-- -----and it has been repaired already.

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Okay. And is there any means of protecting it in the future?-- We have no plans at this stage to protect it but part of the flood resilience study we reference further on we will evaluate those sort of initiatives.

Okay. To see whether or not protecting it in the future might be a good idea?-- Yeah.

All right. Can I take you, please, to paragraph 7? This topic is touched on in your original statement and here and you state there that there were 110 recorded instances where QUU attended locations to perform onsite clean up but QUU is not able to say with any certainty whether the clean ups were in fact as a result of sewage flooding, backflow or due to other reasons. Why is that?-- Due to the scale of the event and the multiple causes. The events are designated as "wet weather overflow clean up" so we could - during the event we couldn't actually enter sewers to determine the cause of it because the whole system was inundated.

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And that designation is in what kind of document?-- We have that in our Ellipse works order system which is our - basically our internal job allocation system.

So if I understand correctly, it's not something that was capable of further categorisation because of the extent of the inundation or is it simply a matter of the Ellipse system doesn't permit of further sub-categorisations?-- The Ellipse system allows that facility to occur but due to the scale and the intensity of the event it couldn't be determined at that time.

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Can I take you, please, to paragraph 17 of your second statement, and we see in your evidence, and also in the evidence of Mr Lewis, also from QUU, and I'll tender his statement in due course, Madam Commissioner, that the - that there is some evidence to suggest that additional flow within the sewerage system is as a consequence of illegal connections from stormwater to the sewer system. Can you tell me whether QUU is able to take any action with respect to the illegal connections?-- Yeah. In these type of situations council has jurisdiction over private property, so we work in conjunction with councils to address those issues where there is an illegal connection to the sewer system.

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So do you report to council about suspicion of an illegal connection?-- Correct.

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And then it becomes a matter for council to inspect and address compliance issues?-- Yeah, council addresses those issues with the private property owner under the legislation, correct.

Do they - does council report back to you as a result of their inspections and compliance action?-- Correct.

Okay. And do you keep a register of what's occurring in that respect?-- Yes. When we do these type of projects we do track what situations have been corrected and the status of the various jobs as they're executed.

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All right. Can I ask you what you mean by "these types of projects"?-- Well, as I alluded to earlier in my statement, we've identified particular areas where smoke testing occurs

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and we roll it out on an area by area basis according to the  
need.

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Can you explain to us what "smoke testing" is?-- Yeah. Smoke testing is where we introduce smoke or theatrical smoke into the sewer system and if a stormwater pipe or a person's downpipe is actually connected to the sewer system smoke will emit from the person's house gutters because of that connection that's occurring through.

COMMISSIONER: That must be disconcerting for them?-- I beg your pardon, sorry?

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It must be disconcerting for them?-- We go through a customer relationship program where we tell the residents what's happening, what they will see, and the time when we're in those areas. So we do get the odd concern but we address that on a one-on-one basis.

MS MELLIFONT: Can I take you, please, to paragraphs 18 through 21 of your supplementary statement, which relates to the Sewage Overflow Mitigation Strategy, which is a part of QUU's overall Strategic Asset Management Plan. Your statement at 18 through 21 touches upon whether there are any barriers potentially preventing QUU from achieving its strategy of flood mitigation, overflow mitigation. Can you tell me whether, apart from those matters set out in 18 through 21, QUU experienced any other barriers?-- Well, as - as per my statement at 18, as we get more and more into these new arrangements there are further issues that do emerge, but I would have to say, according to my statement, they're the major issues that we've got at this stage.

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And to give some context to this, QUU became responsible for sewerage in July '08?-- QUU, July 2010-----

Oh, sorry?-- -----that was when we were formed, so we separately became responsible for the five local council areas as of that date.

In terms of QUU's interaction with the State Government, which departments do you deal with predominantly?-- Yeah, predominantly the Queensland Water Commission, the Department of Infrastructure and Planning, and the SEQ Water Grid Manager.

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All right. And in so far as sewage overflow mitigation which of those departments does QUU interact with?-- I should have outlined as well DERM.

Yes?-- So predominantly it's with DERM we carry out those interactions with sewer overflows. We've actually got a report in framework in place for that.

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Okay. Is that by way of memorandum of understanding between QUU and DERM?-- No, it's a legislative requirement.

All right. Can I take you now, please, to paragraph 23 of your supplementary statement. This section of your statement deals with the literature that QUU has had reference to in formulating its strategy, and you speak at paragraph 23 of your supplementary statement of other programs locally and internationally are accessible on the Internet and are evaluated from time to time. Can you tell me what are the nature of those programs and who within QUU are looking at these things?-- Yeah. As per my statement previously, that's a responsibility of my group to actually look at those programs. Time didn't permit us giving direct references to those programs in my statement, but typically you'll find most major cities across the world have an issue with ingress of stormwater and other illegal discharges into their sewer system. So most major cities have a program in place to continuously go through and monitor and correct those discharges into their sewer systems.

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And so with time you could be more specific in terms of those programs, I take it?-- Yes. Well, for instance, Washington and New York in the United States all have similar type programs.

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All right. And you say "from time to time". Are you able to give us an indication of how frequently those programs are accessed for consideration for implementation here?-- Yeah. As per my statement, we review those programs on an annual basis and we actually send people over to some of those major cities to do individual benchmarking.

Can I ask you whether you think that - whether you have any suggestions as to whether the DERM Water and Sewerage Planning Guidelines might be amended to include more flood resilience requirements?-- We're not responsible for those guidelines so at this stage it's hard to see what amendments would be made to those guidelines.

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COMMISSIONER: That's a bit different from just asking for your opinion, though, if you think there's anything that could helpfully be done?-- We're carrying out a number of reviews as a result of the event. We've got consultants working, MWH and Aurecon, as per my statement, so we're quite happy to share those studies with DERM for learning as part of the review of those guidelines.

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MS MELLIFONT: I was going to come to those two reviews. Can you give an indication - I know you've touched on it in your statement but just briefly - of what each of those organisations have been commissioned to do?-- Yeah. MWH, Montgomery Watson Harza, we got them specifically to look at the Lockyer Valley water supply system, where we had a number of failures in that system due to the flood event. So they've looked at the risk, the criticality of assets and the mitigation options - short, medium and long-term - that we can carry out within that water supply system.

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COMMISSIONER: Can you give me a better idea of what they're looking at? Where in the Lockyer Valley, what were the

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problems?-- Yes. With the event that occurred, as you are  
well aware, we had the flood come down Lockyer Creek. Across  
each of those creeks we typically have a water main that takes  
water directly up the Lockyer Valley. So it's 60 kilometres  
in length and it goes from Lowood to Withcott. The study  
looked at how those - a number of pipe breakages occurred  
along that pipeline route and the study looked at where those  
pipe breakages occurred, and, as I said, what are the  
mitigation measures that we need to put in place so that we  
don't have that situation occur in the future. That's-----

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MS MELLIFONT: A time frame for that report?-- That will be  
finished in the next month or two.

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Okay. And the second report?-- The second report, we've  
asked Aurecon to generally look across the QUU system, both  
water and sewerage, and evaluate the flood resilience of our  
assets. It's looked at flood levels, risks, then mitigation  
options - short, medium and long-term - and recommended  
options going forward. Now, it's on a similar timeline for  
completion as well.

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And does either part of the commissioning to those  
organisations involve looking at the DERM Water and Sewerage  
Planning Guidelines with a view to making recommendations as  
to potential change?-- It doesn't specifically look at those  
guidelines, it more looks at physical modifications that we  
can make to the assets to improve their flood resilience going  
forward.

COMMISSIONER: What sort of thing are you talking about? Just  
bigger and better pipes or-----?-- No, we're actually  
referring to raising infrastructure, levees, bulkheads in some  
of our major assets, like submarine bulkheads to stop the  
water coming in, and actually you're looking at diversionary  
pipe work in some cases to move flows from one asset to  
another so that the asset can operate or the function can be  
carried out during the flood.

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MS MELLIFONT: Can I then just come back to the issue about the DERM Water and Sewerage Planning Guidelines, and my question is directed to QUU operating on a day-to-day basis, operating within the guidelines issued by DERM. Have you, in your experience, come across some particular issues with respect to the guidelines which present challenges to QUU, or is that something you'd need further time to think about?-- We'd probably need further time to think about that particular issue. We have a general rule of operating within those guidelines, but the practicality of our climate, where we have short, sharp, tropical storms, means that sometimes those guidelines can't be complied with. So, it's not so much a problem with the guidelines, it's more about the environment in which we operate where we do have situations that can cause issues.

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Can you give me an example - a specific example of when you might not be able to comply with the guidelines because of the climate?-- Well, as per my statement, typically the guidelines outline a design guideline for a sewer of five times dry weather flow. So, normally day-to-day, there'd be a volume which would equate to a day's discharge from a normal person's property. What we find, due to our climate, is that sometimes those sewers can operate much greater than that, and I've quoted some figures in my statement around 20 to 30 and so on. So, that's some of the challenges we have of managing that, and hence why sewer overflow management programs have emerged to manage that issue.

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Can I take you to paragraphs 28 and 29 of your supplementary statement, please, and this relates to the trial of different gully cap designs at Rosewood, and you say that those trials are to commence shortly. Now, as I understand it, from your earlier parts of your statement, "Overflow relief gully grates are small grates located externally to the home but within the private property boundary usually in close proximity to the kitchen or bathroom. The purpose is to relieve pressure if backflow occurs higher up the sewer system." Can you give me any better indication as to whether trials are expected to commence?-- Not at this stage, because it involves Council, QU and local residents all working together, so it's really a concept that we've come up with at this stage and we're in discussions with the Council as to how we could roll that out, and simplistically the gully cap mitigates or stops stormwater overflow actually getting into the sewer. So, at this stage, I can't quote a time. Those discussions are still going on with the local Council, et cetera.

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So do I take it it is not an onsite trial at a resident's home, but rather it is still in the concept stage?-- Yes, it is still in concept stage. We know it works from elsewhere, and we have-----

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Where's that?-- Sorry?

Where's that?-- Manufacturers have provided us versions of it, and I think - I'd have to get specifics, but other major

cities in Australia - it's been small trials have occurred of it.

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Successfully?-- Yes.

All right. Can I take you to 32 of your supplementary statement, please? You speak about the means of identifying at-risk properties, including the location of prior complaints, the geography of the area, the status of the sewer system and the ageing condition of the sewer system. I wanted to get a sense from you, please, as to whether this is a proactive means of identifying the properties, or whether it is reactive; that is, whether it is triggered by complaint?-- The complaint is just one part of the picture. We also have a proactive program of looking at those areas - at-risk areas within the QUU area, and we have a fair amount of information that allows us to do that: as per my statement, the elevation of the area, we have master plans or hydraulic models carried out - or completed for all of our system, and we also know the age and the condition of the sewer system. So, it is an ongoing program, combined with the complaints as they come in, to look at areas and then roll out a program for those particular areas.

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Does the program have a name?-- As per the statement, the Sewer Overflow Management Strategy is the program that we're using.

Okay, so it is part of that?-- Correct.

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Okay. I understand that?-- It is the first step in that process.

Right, thank you. Can I take you to paragraph 36, and this deals with a statement in your earlier statement that QU is working with local councils to generate solutions with respect to sewerage flooding, and in clarifying that earlier statement you said that - you've given an example that QUU is working with Ipswich City Council in respect of the trial overflow gully caps in Rosewood, and you say, "This necessarily involves clarification of roles and responsibilities around stormwater management and associated impacts on the sewerage system." Can I get you, please, to elaborate on that; that is, on a day-to-day basis, what are QUU's challenges with respect to the identification of the roles and responsibilities?-- Yeah, it's really not a big issue. We have a joint working group with Ipswich City Council, which is working very effectively. The reality is QU looks after water and sewerage, and that's our jurisdiction. Ipswich City Council, like all local government, has jurisdiction for stormwater, so part of the process of addressing the situation at Rosewood is for all parties to work together and understand who is accountable for what part of those accountabilities, and putting in place an appropriate action plan to address them going forward.

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All right. So, do I have it correct that there's no difficulty in identifying the roles and the responsibilities,

but it is something that has to occur with each Council on each issue?-- As these issues pop up, yes, we go through and cooperatively work through those accountabilities, and they're not - it is not such an issue around general accountabilities, it is more about specific - who is going to do what in the particular area that we're trying to address.

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All right. And that presents itself because QUU has no ability, as it were, in terms of the private property of an individual?-- In this case, it's really to do with the delineation between stormwater, which is Council's responsibilities, and sewerage, which is QU's.

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And apart from working with Ipswich City Council, is QU working with other councils as part of its strategic plan?-- Yes, we have regular meetings and discussions with each of our shareholding councils to work through our strategic plan.

Can I take you, please, to paragraph 42. I don't need to ask you that. You've told us all about that already, thank you. Paragraph 51, please. You're seeking to respond to a query about whether any risks for this wet season have been identified and what is being done to mitigate them, and you mention a short-term measure being implicated is a relocation of a major power generator at the Oxley Creek Waste Water Treatment Plant to higher ground. Can I ask the impetus for that measure being undertaken and its timeframe, please?-- Correct. We're still in recovery of our assets. So, we've got all the assets by about 25 January recovered back to normal operation. As the opportunity arises in the recovery in the short-term, we're moving or improving the flood resilience of the assets. That particular project was a generator that was flooded and we're taking the opportunity to relocate it to higher ground. That has a window of approximately the next two months for that relocation to occur.

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Okay. Can I ask you, please, to go to paragraph 26 of your first statement which deals with new waste water infrastructure and that QU is taking into account knowledge gained from the 2011 floods, and you state that new designs of waste water treatment plants incorporate recommendations from the post-flood reassessment, such as new flood levels. What is the post-flood reassessment you refer to in that paragraph?-- As per my statement 2, this flood, as you're well aware, was quite different to previous floods, so we're actually reassessing - we've got private consultants doing flood analysis and they're looking at location and levels of flood, and that will be inputted into the design of those new waste water treatment plants.

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Now, are they additional studies to the two you've already mentioned?-- I referred in my statement to some work being completed by Gutteridge Haskins and Davey, GHD, and that's referenced in the statement.

When is that due to be completed?-- We're near completion soon. About a month or two we're away from having that

finalised for both new waste water treatment plans.

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Right. And in terms of the new flood levels, are you speaking of the flood levels which will come out of that report?-- Correct.

So not flood levels set by temporary planning instruments by the Council?-- In the work that's being carried out, the consultants are looking at the historical floods that have occurred, the floods that Council have - the flood levels that councils have temporarily identified and what actually happened through the recent flood to make sure we've got the right flood level going forward for that particular infrastructure.

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Can you assist us to get a sense of plans for new waste water infrastructure in terms of the extent and timeframes?-- The immediate waste water treatment plants to be upgraded are as per my statement - so that's Fernvale and Lockyer Valley Waste Water Treatment Plants - and I think on the books we've got something like 15 new waste water treatment plants to be upgraded across the region over the next 10 or 15 years.

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Can I take you to paragraph 55 of your second statement, please? This touches on the issue of interaction as between QU and other government agencies, and you state that whilst there would potentially be advantages in QUU having greater input into planning issues, those matters are currently the subject of review about the interaction of agencies of government and the balances between them. What review do you speak of there?-- The State Government have identified that by July 2013 there will be a review of new planning and development assessment arrangements across the South-East Queensland region. So, that's part of the Seqwater restructure impact.

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Now, accepting the qualification that you place in that paragraph about what the proper balance of things should be in terms of the interaction and responsibilities, can you assist us with the potential advantages you see in QUU having greater input into the planning issues?-- Yes, it's really too early to sort of say that. The - there is a process being gone through or going through with both Local Government and State Government, and there's also input from various stakeholders, like development community, as to where those roles and responsibilities should ultimately lie, and then we'll have to go through an internal process of evaluating what resources and systems will be required to have those systems operating.

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Again, accepting those qualifications, obviously when you've prepared this statement, you had some things in mind about areas that QUU might be able to have some valuable input into in terms of planning?-- Probably the area would be - it would make it crisper in terms of how we define development conditions, and might be - there could be more direct processes with the development community going forward, but that's all part of the process.

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So, more direct involvement between QUU and, say, a Council assessing a development application?-- Correct, yes.

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Can I just get a little bit more detail about what you mean by crisper definitions in terms of development conditions?-- It sometimes, at the moment, can get a bit confused in that process through dealing through two or three parties, and so the new arrangements, hopefully, will make that clearer and more direct.

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So, the two or three parties currently might be-----?-- At the moment, we deal with local government, developers. If there's a bulk water arrangement it could be State Government, et cetera. So, there's multiple parties may be involved in that process.

Okay. And what sort of interaction does QUU have with developers?-- We work through councils in defining development conditions.

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I see. And do, currently, QUU make suggestions as to what development conditions might attach to a development approval?-- As per other parts of my statement, predominantly the smaller developments the councils address on our behalf, and the major developments, they get referred to QUU for defining the conditions.

Are you a referral agency then?-- Correct.

Can I take you, please, to the same statement, paragraphs 57 and 58, which touch upon how QU takes Q100 into account, and you say that QU is looking at previous flood levels and flood modelling and the established flood inundation line. Is that the study you've just spoken of by GHD?-- Correct.

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So what reliance currently is still be placed on the old Q100 levels?-- It has been considered, together with the temporary rules that some councils have in place, but we're also looking at what actually happened through the January event, which, in a number of localities, was greater than the Q100.

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And do I have it correct that in the past - that is, prior to the 2011 floods - the Q100 flood level was a consideration taken into account by QUU in terms of placement of and types of infrastructure?-- Correct.

Paragraph 65 of your supplementary statement, please? Again this deals with developments and the query was whether QU was wholly reliant on Brisbane City Council or whether it does its own consideration as to the appropriate level, and your response here is that QUU utilises information from the Bureau of Meteorology plus information from Council, and that you commission your own flood modelling in consultation with the relevant Council. It's that latter sentence I wanted some clarification on. In what circumstances does QUU commission its own flood modelling?-- Well, the most recent cases, BCC have had a resource issue in providing services, so in that regard, with some of the more urgent projects, we've gone to

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external consultants, but we've made sure those consultants discuss those flood modelling outcomes with the relevant local council.

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Right, and when you've-----?-- So, it's purely a resourcing issue, the execution of that modelling.

And are we talking the last six months, 12 months, two years, three years?-- Predominantly - because we're a new organisation, it's predominantly been in the last six to eight months since the flood.

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Okay. So, you commission flood modelling in the context of a development application?-- In terms of the construction of our new infrastructure, which will involve a development application to the local council.

Right, okay. Can you assist me with how QUU has regard to the South-East Queensland Regional Plan 2009 to 2031?-- The - in our net serve plan - water net serve plan, and the legislation, it identifies that arrangement. So, councils are responsible for inputting and commenting on the SEQ regional plan in terms of growth projections and growth. They then flow those down to us to define the water and sewerage infrastructure. We also provide broad inputs into the SEQ regional plan.

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What sort of parameters in terms of those broad inputs?-- Our inputs are predominantly around the type of infrastructure to be built in the future, when it is to be built, expenditure, and appropriate location for that infrastructure.

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Just moving on to another topic: you may be aware that the Australian Building Codes Board has produced a draft standard for construction of buildings in flood hazard areas. Are you familiar with that at all?-- Yes, I was made aware of that pre this hearing, yes.

All right. What I'll do is take you to the relevant parts of those graphs. Now, the first is a draft standard which is Annexure 18 to the statement of Mr Brumby, the Executive Director of Building Codes, Exhibit 666. Now, at the top of page 21 of the document, you'll be able to see 2.12.3 titled "Plumbing and Drainage", which states that, "Plumbing and drainage openings below the flood hazard level must be protected by back flow."

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COMMISSIONER: "From back flow".

MS MELLIFONT: "Protected by" - thank you. "Protected by blackflow".

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COMMISSIONER: "From".

MS MELLIFONT: Sorry, I'm reading from a note. Sorry, "from". My apologies. And you can see from page 18 of attachment 19, part 2, there's an associated handbook to the draft standard that plumbing systems is defined to include sewerage and waste

water disposal facilities, and hot/cold water supply. Do you have any comment in respect of those proposed - or that proposed draft in so far as QUU might be concerned?-- The issue, I suppose, is with those documents, they relate to private plumbing building on a person's property, and the work that we're carrying out with the flood resilience studies, basically compliments those types of initiatives. So, this work will improve flood resilience. My only comment is this work will improve flood resilience on property and the work that we're doing will assist out in the QU system.

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Okay. And I think you said you're expecting a call back in the next month or two. Do you have any sense of time in terms of implementation of recommendations?-- Yes, as per my statement, we will be implementing an expenditure program over the next five years to start to implement those short, medium and long-term measures, and certainly the more immediate measures will be - go into next year's program for execution.

Execution within 2012 or the financial year?-- The financial year - 2012.

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The 2012 financial year?-- Correct.

Okay. Can I please tender at this stage two statements of Mr Robin Lewis - Mr Lewis is the Chief Operating Officer of QUU - and they are dated the 12th of October 2011 and - excuse me - 4 May 2011. If I can tender those statements, please?

COMMISSIONER: The statement of the 4th of May will be Exhibit 865, and that of the 12th of October will be Exhibit 866.

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ADMITTED AND MARKED "EXHIBIT 865"

ADMITTED AND MARKED "EXHIBIT 866"

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MS MELLIFONT: So can I take you to Exhibit 866, paragraph 58. I'll just hand a copy up to you. Now, this part of Mr Lewis' statement deals with the implications of the reassessment for QUU waste water plant or infrastructure generally and proposed upgrades for the Fernvale and Lockyer Waste Water Treatment Plants in particular, and paragraph 58 says that, "To guide QUU decisions, the interim standard adopted by BCC will be used in project feasibility to develop practical flood resilience for existing flood-prone assets and proposed assets that QUU use in the capital investment plan." Are you able to elaborate on that at all for us?-- Yes, that basically refers in summary to the process I outlined earlier where, for the particular local government area, we will take the historical flood levels, what they're designated interim level is, together with the flood modelling to define what should be the final location and level for any new assets that we need to

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construct.

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I have no further questions, thank you.

COMMISSIONER: Mr Diehm, I'll come to you last, if that suits you? Ms Brasch?

MS BRASCH: Madam Commissioner, if the State could preserve its position if there should be anything arising out of this second statement just received, and equally if there's a further requirement in the statement with respect to the evidence just given about DERM's guidelines, if we could come back to that-----

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COMMISSIONER: Yes. Thanks, Ms Brasch. Thank you, Mr Dunning?

MR DUNNING: No questions, thank you, Commissioner.

COMMISSIONER: Thank you. Ms McLeod?

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MS McLEOD: No questions, thank you.

COMMISSIONER: Mr Diehm?

MR DIEHM: No questions, thank you, Commissioner.

COMMISSIONER: Ms Mellifont, do you want the witness excused?

MS MELLIFONT: Yes, please.

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COMMISSIONER: Thanks, Mr Belz, for your time?-- Thank you.

WITNESS EXCUSED

MS MELLIFONT: I call Christopher Arnold.

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CHRISTOPHER JOHN ARNOLD, SWORN AND EXAMINED:

MS MELLIFONT: Welcome back. Is your full name Christopher John Arnold?-- Correct.

Are you the Executive General Manager of Network Performance for Energex Limited?-- That's correct.

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Are you responsible for the asset management function with Energex?-- That's correct.

And between the 4th and the 17th of January this year, were you the acting CEO of Energex?-- That's correct.

Now, you've already provided statements to the Commission dated 5 and 29 April, Exhibits 366 and 367 respectively. Have you also provided a further statement to the Commission dated the 6th of October 2011?-- That's correct.

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I'll show you a copy of that statement, please. Is that your new statement?-- That's correct.

Is it true and correct to the best of your knowledge?-- That's it.

I tender it, please.

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COMMISSIONER: Exhibit 867.

ADMITTED AND MARKED "EXHIBIT 867"

MS MELLIFONT: Do you have a copy of it there?-- I do.

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Can I take you to paragraph 38?-- Sorry, what was that?

Paragraph 38. Sorry, no, I won't take you there. Excuse me for one moment. I'll just ask you some more questions to start with. Now, CBD substations and buildings that were required to be shut down were - in the floods - were generally located below ground level?-- That's correct.

The ones that were the subject of inundation; is that correct?-- That's correct. The substations in those buildings, in many instances, are in basements below the ground level, and so it was - that was generally the case and the water inundation that occurred was into those basements, that's right.

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Okay. Now, you've identified in a prior statement that Energex doesn't have any statutory power to require a substation to be installed at any particular level; is that

correct?-- That's right.

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Now, Energex's position is that consideration should be given to amending the legislation to give an Energex greater powers to obtain suitable locations for electricity assets, taking into account flood levels, access and other design factors, correct?-- That's correct.

If such legislation were enacted, giving such power to Energex, can you tell me would any of Energex's internal standards need to be changed or reviewed?-- It's a complicated question. Probably not would be my best estimate of that, because many of our existing standards do aim to get those particular assets above the flood level, and I should point out that there's actually three types of assets that we employ. So, there's assets that are for major - supplied to broad-scale areas, such as zone substations, bulk supply substations. So, those are on blocks of land that we own, and typically we'll make sure that those areas are as flood-proof as possible. So, we'll by the block of land above the defined flood level. There's also assets that get to those places and to customer premises via public roads - for example, say, poles and so on - and by necessity, some of those assets do go up and down with the roads, and sometimes do go through flood areas. I think a particular type of asset we're talking about here is specifically commercial and industrial substations which are in customer premises in the city in CBD buildings. So, in those cases, we certainly aim to get those above the defined flood level, but, in many instances, that has not been the case.

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All right. And in terms of the type of the standards applicable to this type of asset, the later type of asset, what do you call them?-- We call them customer substations.

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Okay. But the Energex internal documents which set out the documents, what are they called?-- We have a manual called the Commercial Industrial Substations Manual.

Does any State Government Department review Energex's standards on a regular basis or at all?-- Certainly standards are reviewed from a safety perspective from the Electrical Safety Office. I am not aware of a - you know, of other departments, perhaps DD would have a look at some of our standards but that's not done on a routine basis.

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So, it's not part of - there's no formal process of audit by any State Government of your standards that you can point to?-- Apart from the safety one, which is done by the Electrical Safety Office.

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COMMISSIONER: Who are they attached to?-- To - through the division of Workplace Health and Safety, through Justice and Attorney-General, Commissioner.

MS MELLIFONT: Do you see potential advantage in having a formalised process of audit of Energex's standards by any State Government Department?-- Look, I am not sure what that would add to the process. These are a largely technical standards. We comply broadly with Australian Standards, we comply with guidelines that are developed through what's called the Energy Networks Association, which is an association of electricity distributors throughout Australia, and many of our standard documents are either based on Australian Standards or the Energy Networks Association standards or guidelines.

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And are your standards formulated in-house or by referral to experts outside Energex?-- A bit of both. So, look, in the main they would have been developed in-house based on these external standards and guidelines and good industry practice. At times they would be referred to - to consultants, for example, for review of whether that represents best practice or not.

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And is there a formalised process for frequency of internal review of those standards - sorry, review of those internal standards?-- Look, most of our documentation is reviewed either annually or as required from time to time, so there is often periodic review of those, most often triggered by some change in an external standard or some industry guideline.

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All right. So, it's more of an ad hoc - and I don't mean that in a negative sense?-- No.

More of an ad hoc review rather than a formalised process of frequency of review?-- Correct.

Now, you have stated that Energex is investigating the flood

exposure of underground distribution assets and considering modifying standards to encourage the installation of pad mount transformers above relative flood levels, and I just want to take you to a couple of things you said on the last occasion and then ask you for an update-----?-- Sure.

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-----in respect of these three topics. For the record, at transcript 1961 on the 13th of May you spoke about looking at the resilience of some of the buildings within the Brisbane CBD?-- Correct.

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That it may not be possible to relocate your substations in every case, but might be possible to relocate parts of that infrastructure or to provide external generator connection boards, for example, relocate the customer's own switchboard?-- Correct.

Can I ask you how that's progressing?-- Look, we have had a study done looking at all of the CBD, and I think that was specifically about the CBD substations on that occasion. We have had a study done looking at all of the CBD substations that were inundated and looking at the measures in each of those cases that we might employ to, A, improve the flood-proofing by way of keeping water out or relocation of the substation if possible, or, B, in the absence of that, and that is not possible in many cases, in the absence of that, looking at how we improve the overall resilience working with the building own, improving the overall resilience of the building through things like I talked about before with external generator connection points, perhaps moving some of the customer equipment to a higher level. Even if our substation can't be relocated, that would then enable a generator connection, for example, that could be put on and the customer could maintain a supply, even if our substation became inundated.

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So, when was that report done?-- Look, I have seen a draft of that two or three weeks ago, so we're currently working through the process of going around, talking to each of those building owners and that process has commenced.

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Who did the report for you?-- I believe it was an Aurecon report.

That's A-U-R-A-C-O-N (sic)?-- Correct.

You say it's still in draft at this stage?-- Look, I am not 100 per cent sure of that. I have seen a draft. I am not 100 per cent sure if it has been finalised.

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Is there a time frame in terms of working through the issues raised in that report?-- Yeah, look, we are certainly working through those. We would aim to have many of the discussions with the building owners prior to the end of this calendar year to see what we can do on that. I think in the current statement of the 6th of October I have also talked about conduit blocking and we're certainly working through that program. I don't think it will be finished in every case by

the end of December, but we're certainly targeting to get through quite a few of those. We have done several already, for example, I think there was a reference to Suncorp Stadium, there's another building at 111 Eagle Street where we have worked through those issues relating to greater flood resilience of the buildings and, again, in those cases, not able to actually relocate the substation but achieve a much better overall result for flood resilience of that building.

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As much as possible by the end of this year?-- Correct.

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And then continuing, what, into the first half of next year?-- Correct.

With the expectation that everything would be completed by?-- I would have thought so, yeah, everything.

By 30th of June-----?-- I would have thought so, yes.

-----2012. You also spoke on the last occasion, transcript 1963 lines 4, about the four major substations which were significantly impacted and looking at specific plans for those?-- Yes.

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Those plans haven't been finalised yet and will involve some significant expenditure to raise items of plant, perhaps building bunding walls-----?-- Yes.

-----around some parts of the substation to improve the resilience of those. Can you give me an update on that, please?-- Certainly. So, look, those four substations, Archerfield, Oxley, Jindalee and Milton, I believe it's at - the Milton substation project has now been approved and that work is going to progress - that will take some time to do because it's a fairly major piece of work. The other-----

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What's "some time to do" mean?-- Oh, look, I don't know the exact completion of that, but it would be some time in 2012. The other substations suffered fairly major inundation, so we're looking at advancement of future project works at those locations and combining this flood resilience work with that advancement. So, look, that is not a fast piece of work, this is fairly major relocation of equipment to higher ground in those sites, building major pieces of civil infrastructure, so, look, that will take, you know, potentially a couple of years at least to complete those works.

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In respect of the specific plans, are they internal plans or are they commissioned to an independent or outside expert?-- Look, in the main we have taken some advice on some of the components of those plans, for example the ability to do bunding of walls and so on, but in the main we would do that work internally, because once we have got the new defined flood level - and I note that the defined flood level has changed from the old Q100 level - once we got the new defined flood level, you know, in the main, we will be getting equipment above those things or creating bund walls in that. So, that's the sort of work that we're experienced at and in

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the main we will be doing that in-house.

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So, insofar as you have commissioned some advice, is that the subject of written report on those issues?-- Look, I have certainly seen as part of this Aurecon report some information provided in that report about the bunding options that we have got.

And when you speak of the new flood levels, what are you speaking of in that respect?-- Look, I am talking about the defined flood level, which, as I understand it, at the - for example, at the Brisbane City gauge, this may be, I think, an interim flood level that's been published by the Brisbane City Council, but the old Q100, my understanding was 3.7 metres at the Brisbane City gauge. That's risen to 4.5 for the new defined flood level. So, that's my understanding of what that is.

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So, the new defined flood level you refer to is the interim flood level-----?-- Correct.

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-----established by BCC. Now, if BCC sets a new-new defined flood level after the interim, what will Energex do?-- Oh, look, we will certainly follow that, because our major substation sites, such as the Archerfield, Oxley, Jindalee, Milton and so on, are subject to planning permissions through the - through the normal processes, DA approvals and so on, and we would certainly put new infrastructure above that - whatever that new standard became.

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Do I take it, then, that Energex relies on flood levels as set by councils rather than conducting its own assessment of the flood levels?-- Correct. So, just to elaborate on that slightly, we would base our initial information on the flood levels set by council. We might employ some specific hydrological expertise to look at how that translates to our substations site, but it would be based on the council information.

Right. So, you don't regard - "you" meaning Energex - you don't regard yourself as being bound by the City Council levels?-- Oh-----

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But it's something that you would take into account?-- Oh, look, we certainly are bound by the City Council levels, but if I can just correct that, if there's a gauge that's - you know, some way distant down the river and the defined flood level was based on that gauge, we might employ someone to translate to how that works at our site, but if the council has a map that is specific to our site, then we would certainly utilise that information.

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Okay. Can I take you, then, please to paragraph 175 of your most recent statement - sorry, the 5th of April statement?-- I don't have that one in front of me.

It might be just easier if I read it?-- Sure.

It's quite short. "Since 1974 Energex has relied upon the so-called Q100 flood levels supplied by local authorities to site or relocate the electrical assets in substations and help mitigate against flood options. Despite this, some substations built above the Q100 flood levels, for example, Milton, were still inundated during flood events." So, your comment just previously made that sometimes you engage your own hydrological assessment that you can take into account for a particular piece of infrastructure, is that post the January '11 floods, or is that something that Energex has done-----?-- No.

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-----in the past?-- So, we have always relied on the Q100 flood levels and we have always sited those installations and new works at those installations above that Q100. The change here now is due to the defined flood level being higher than the Q100 level which was previously published.

Right. I want to take you now, please, to your most recent statement, the 6th of October?-- Sure.

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It's paragraph 7 where you state that, "In order to supply commercial and industrial premises Energex runs its electrical cables from the footpath through conduits into the substation enclosure inside the building." That's the position as you understand it?-- Yes.

Okay. So, when a new building is being constructed, Energex considers that the best practice position is that its assets be located above the flood level; is that correct?-- Correct, correct.

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And that best practice is reflected in Energex's Commercial and Industrial Substations Manual?-- That's correct.

Which is the document you referred to earlier?-- Correct.

That manual, does it still refer to the old Q100 flood level?-- We have done an update of that. At the time of the January 2011 floods it would have referred to the old Q100 flood level. I believe the latest edition would refer to the new DFL.

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Perhaps we touched on this already, but is one of the challenges that Energex faces is the lack of legislative power to require a building owner to create space for a substation above the flood level, whatever it happens to be?-- That's right. That has been a challenge for us. Some building owners are very good and plan ahead and, indeed, want to have their equipment above the flood levels, but some others, the - when the developer comes to us, the space, if you like, is somewhat pre-allocated and oftentimes we end up down in the basement somewhere which may well be below the flood level.

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In terms of new development applications, is it your understanding that the location - and I am talking about in practice - the location of substations is not regulated by the Council assessment manager?-- That's my understanding.

So, is it the case that Energex is or is not consulted by councils in the assessment phase of development applications?-- Not - not typically for new buildings. We are referral agency for - as I understand it the - for buildings that are near to our existing facility. So, for example, if a property was neighbouring one of our major substations we would be a referral agency for that, but not the case for every other building.

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So, might it assist in terms of Energex getting substations up high enough in the building if Energex were a referral agency for wherever a substation is to be located in the building?-- It might assist, and that may be one way to solve the problem. I guess I would submit, and I think Energex made a submission, that being a referral agency for every new building that occurs may not be the best approach to deal with that, because there are very many buildings and we're trying to fix a problem here which is at the margin if you like. So, I guess our preferred approach may not be a referral - to be a referral agency for every site, but, rather, some other legislative mechanism that will allow us to have a better position with the developers when that debate is going in.

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So, do you mean by that a legislative provision which mandates building substations at a certain level, or are you talking about something else?-- Oh, look, that could well be the case. For example, in the Electricity Regulation 2006, regulation 59 specifies the - that the building owner must provide us with a substation closure. I imagine it would be possible to make amendments to that provision to the effect that, you know, that it's suitable to Energex, you know, in light of flood levels as well or something of that nature. So, at the moment it doesn't actually specify that.

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No. So, accepting that regulation 59 doesn't refer really to flood levels-----?-- Correct.

-----at all or flood risk, can I just clarify whether Energex's position is to have a mandatory requirement for substations to be built at a certain level, or whether Energex's preference is to have some discretionary involvement in the decision-making process for development conditions?-- I think in my view - I am not a planning expert - but I have a view that some discretionary involvement would be better in that process, because there's a whole range of considerations about a commercial building, including, you know, the value of the real estate and so on, and is - if, as I stated earlier, the decision of the building at the end of the day was that our substation needed to be at a point that was below the defined flood level but we could, you know, provide an adequate outcome for the building nonetheless through barriers, pumping, flood proof equipment, for example, then that's something that, I think, would be reasonable to consider in the process, because it is a balance of commercial and other considerations.

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Okay. So, perhaps imposition of conditions for flood



resilience?-- Correct.

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Then isn't that better done by means of being a referral agency?-- Look, it may be. Again, I suppose my view on that was I just don't want to impose on us onerous provisions of being a referral agency for a whole range of issues that are irrelevant.

So, it would fair to say you would like for the various options to be considered?-- Correct.

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COMMISSIONER: Ms Mellifont, would that be a convenient time?

MS MELLIFONT: Yes, it would be.

COMMISSIONER: We will come back at 25 to.

THE COMMISSION ADJOURNED AT 11.20 A.M.

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THE COMMISSION RESUMED AT 11.35 A.M.

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CHRISTOPHER JOHN ARNOLD, CONTINUING:

COMMISSIONER: Yes, Ms Mellifont.

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MS MELLIFONT: Thank you. Paragraph 18, please. You speak about building owners being responsible for location, design, installation and maintenance of electrical conduits in their building, and that's reflected in Energex's Commercial and Industrial Substations Manual. Can I ask you first, is that manual publicly accessible?-- It is for the electrical engineering consultants who do this type of work, so we provide them with access through a website. So all of the consulting engineers who work for those buildings would have access to that, correct.

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Right. Is that a free or a paid subscription?-- I believe it's a free subscription.

And is there any reason it's not available to the public at large?-- Oh, not that I'm aware of. It's a very large and detailed, complex document, so I'm not sure that there is a lot of merit in having it - because it's got all sorts of the technical drawings around conduit plans, switch gear layouts and so on, so it is a very specialist-type of document.

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Now, 4.1.6 states, "Conduits must be securely sealed by the consumer in an approved Energex manner," for example, bungs or expanding foam, "to prevent ingress of dirt until cable installation by Energex," and then resealed by Energex. First, where do we find the approved manners of sealing?-- So that's in that document.

And, secondly, it refers to prevention of ingress of dirt. There's nothing in the manual about preventing ingress of water?-- No, look, that's right, the - this document and the conduit blocking, if you like, has principally been set up around keeping dirt and vermin out of our substations. It may also prevent moisture but it wasn't fundamentally designed to keep out a very large flow of water under pressure.

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Do you know whether consideration is being given to reviewing the manual so as to include standards to prevent ingress of water?-- We're certainly having a look at that whole issue and through this program of proactive working with the building owners where water did come into those basements in January 2011, we're working with them and we're using products that are more likely to provide a solid seal for the electrical conduits. So, yes, we're certainly looking at updating that once we've got some experience on that particular type of product.

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All right. Is there a time frame in terms of that continued review and update?-- Look, I think we'd want to roll out this current program of conduit sealing and get some experience with that over the next few months. I would have thought towards the middle of next year we would do an update on that basis. 1

And can I get a sense of what Energex is doing in terms of sealing as opposed to the individual property owner doing the sealing with the new method?-- Look, we think - so we think we need to proactively work with the property owners. I think, as I've said in my statement, there's a number of means of water ingress into those basements through electrical conduits, telecommunication conduits and various, you know, water drainage conduits and so on, so fundamentally I think that the building owner needs to have a look at that whole picture, and that's not a job for Energex to advise on that. What we are doing proactively, though, is making sure that where there are concerns about electrical conduits, that we're working with the building owners to do the very best job that we can to work with them to waterproof those to the extent possible. 10 20

Right. What I'm trying to get a sense of is, to start with, when you speak about the conduits being resealed by Energex, are you talking about wrapping something around the conduit so as to prevent ingress into the conduit or are you speaking about sealing in a more broad sense, that is point of access into a building?-- Maybe if I can explain the physical situation a little bit. So there is two points. So there's what's commonly described as wall penetration, so where a number of services will penetrate through the concrete, typically concrete, wall of the building and that would include potentially electrical conduits and various other services that would come through there, so that's not what we're talking about. Typically a conduit, which is a pipe, a plastic pipe in the range 100 to 150 millimetres in diameter, then is supplied by the building owner, it comes into the electrical substation inside that building. We then insert our cable, if you like, which is smaller, so it would be, you know, 50 to 70 millimetres in diameter, we would insert that cable into the conduit, and the blocking that we're talking about then is filling the gap between the cable and the bigger conduit with some sort of expanding material that would then prevent, to the extent possible, water ingress. 30 40

So it's an internal-type sealing?-- Correct.

So when - so the sealing which you've spoken of in paragraph 18 of your statement refers to a different type of sealing than is referred to in paragraph 32 of your statement, which states, "it's not part of Energex's responsibility to provide waterproofing of CBD buildings at the underground cable entry point and the ultimate responsibility for preventing water ingress lies with the building owner"?-- So there is two things there, that's right. There is the penetration of the wall and there is also the conduit where it comes into the Energex substation. 50

Right. Do you see advantages in a coordinated approach to address the water ingress into buildings through telecommunications, sewerage, stormwater and other essential services' conduits?-- Look, that's probably right. At the end of the day the building owner, I think, has to take responsibility for looking at all of those issues. We're taking a proactive approach of working with them on the electrical conduits but, more broadly, the building owner could work with a number of utilities to coordinate approach.

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COMMISSIONER: Can I just understand that. When you say you're working with the building owner on the conduits, what you're actually doing is sealing your own conduits internally. How is that working with the building owner? What are you actually doing with them?-- Well, it's actually, Commissioner, the building owner's responsibility to maintain that - 'cause they're not our conduits. They provide that right of way, if you like, from the external building into the substation building that they provide us. So it is, I believe, the building owner's responsibility to block those up. Nonetheless, we're trying to proactively go and do that and help them to do that blocking so that we don't run into the same issue again.

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So you're saying that the air around the cables within the piping is the building owner's problem but you're helping out by providing some sort of sealant-----?-- Correct.

-----in there? It would be generally beyond the average building owner's expertise to do it anyway, wouldn't it? Wouldn't you imagine that you would be at risk of having your cabling damaged if they attempted it?-- Oh, look, that's certainly what the regulation says. I understand your point, that - you know, that there's an expertise required there, and that's one of the reasons we are doing this work, to provide that expertise.

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All right, thank you.

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MS MELLIFONT: I think I need to clarify something for myself now-----?-- Sure

-----on this point, because at paragraph 18, when we refer to the manual, it says, "the conduits have to be sealed by the consumer to prevent ingress of dirt until cable installation by Energex and then Energex reseals"?-- Correct.

So in the first stage they provide, as you say, the conduit as the means of access, and they've got a responsibility to that point in time; correct?-- Correct.

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Then Energex puts their cable in and Energex then have responsibility to do the internal seal once the cable's in?-- That's right, once we've done the initial installation. However, there is also a requirement under the regulation for the building owner to maintain those conduits.

To maintain then externally or internally?-- Look, I think it's both.

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All right. So currently, so far as you understand, there's a requirement for building owners to maintain and upkeep the method of sealing that Energex did?-- Correct.

Does that present some problems?-- Well, look, again, just going back to this point, the conduit sealant that we've done again is fundamentally targeted at the ingress of dirt and vermin, so it's not designed, we've never designed that sealing process as a water-blocking process. However, given what occurred in January 2011, you know, I think that more work needs to be done.

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Okay. So that it does take into account water?-- Correct.

Just remind me, are you actually doing that now or is that something you're postulating it needs to be done in the future?-- We're actually doing that now.

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You're actually doing it now. By means of an internal review process or commissioning experts outside?-- We've actually commissioned some - an expert, I can't remember the name of them, who are - who have some expertise in this space of water blocking.

And when are they due to report to Energex?-- So, look, that program has commenced. I believe we've done one or two buildings already.

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All right. So you've got the report back and-----?-- I'm not sure if there's a report per se but we've commissioned people with expertise to assist in the blocking of conduits.

Right.

COMMISSIONER: How many buildings have you identified that have had a problem of this kind?-- So there's two categories of building here, Commissioner. So there's - I think there was about a dozen buildings that had our substations inundated, so that's one issue, but in terms of looking at the risk of inundation of basements I believe that it's a larger number than that, so in the order of 20, something of that order, so there's a few other buildings.

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Talking about inundation through the conduits?-- Correct.

Thank you.

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MS MELLIFONT: Can I ask you specifically about Festival Towers, and you refer to this at paragraph 19(b) of your latest statement. Now, the Commission has heard evidence of observations made of water coming into the basement of Festival Towers. You state, "While one source appeared to be from the electrical conduits, the other source was from the communications conduits". Starting with the first part of that sentence, please, when you say it appeared to be from the

electrical conduits, are you speaking of failure of the internal sealing or failure of external aspects of the conduits?-- I think that would be the internal sealing.

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All right. And are you relying on a particular report or information received to come to that conclusion?-- I was relying on the evidence that was presented by Lynn de Lange of Festival Towers.

So having read her transcript, I take it, you formed the view that one possible source appears to be from the internal aspects of the electrical conduits?-- Correct.

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Why? Why did you come to that conclusion?-- I had no reason to disbelieve that. That sounds plausible.

So does the description of what she saw, is that consistent with what you would expect to be demonstrated by an internal failure of the sealing?-- It could be, yes.

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Okay. And so, then, if I can just take you to Energex's letter, which is annexed to the statement of Miss de Lange, a letter of the 29th of August 2011, and I'll just give you the opportunity to read through that, I just want to ask you whether Energex's position has changed or moved at all from that expressed in the letter of the 29th of August?-- I don't believe so. We're still fundamentally of the view that the regulation requires the blocking of conduit by the building owner.

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All right. Can I also ask you, please, about River Park Central building, which is located in Mary Street. Now, you're aware it was inundated in the January '11 floods?-- Correct.

Are you familiar with the evidence of Mr Paul Cassels?-- Oh, look, I don't know it in detail but I have read it, yes.

All right. So if I can inform you that Mr Cassels' evidence by way of statement was that the stormwater drain in the basement was leaking and flowing into the basement, and he says that Energex were inspecting the substation and he noticed water flowing from a pipe that he assumed came from the direction of the substation room. Are you able to assist in terms of whether the substation or anything associated with it or the electrical conduits had any role in the flooding of that building?-- I honestly don't know.

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Do you know whether that's been looked at by Energex in terms of-----?-- That's certainly one of the buildings that we're having a look at now in terms of conduit block.

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It is one you have looked at?-- I'm not sure if we have looked at it yet but it's in the program that we are looking at.

I see, okay. So it is a building which has been identified for review?-- Correct.

All right. Paragraph 34, please, of your statement. In 33 you say, "Energex does not design or construct essential services' conduits in premises," but that, "Energex has embarked on a process of educating building owners about methods to make their buildings more flood-resilient". Can you expand on that?-- Yes, certainly. So I think this is the same process that I talked about just before. That is, we are proactively going building by building through those 20-something buildings to talk to the owners and talk to them about sealing of conduits in general, specifically relating to the electrical conduits, and we will do the conduit sealing in those buildings as appropriate.

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All right. So is Energex undertaking that at their own expense?-- We are.

Finally, has Energex done a Summer Preparedness Plan for the 2011/2012 wet season?-- We have indeed. So the 2011/12 Summer Preparedness Plan is published on our website. It also references the flood plan, which has been updated since the January 2011 floods. That's soon to be published, it's not on our website yet, but it is finalised and it's about to be published on our website.

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And a time frame?-- Oh, within the next few weeks, so by the end of November.

All right. And in so far as the 11/12 Summer Preparedness Plan, is everything on track or are there-----?-- Yes, it is.

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-----some hold ups?-- So I think in previous statements we've talked about a range of actions we are undertaking and some of those were in the recommendations in the interim report from this Commission and we are on track to do those actions.

All right. I have nothing further, thank you.

COMMISSIONER: Ms Brasch?

MS BRASCH: No, thank you, Commissioner.

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COMMISSIONER: Mr Dunning?

MR DUNNING: No questions, thank you, Commissioner.

COMMISSIONER: MS McLeod?

MS McLEOD: No questions, thank you

COMMISSIONER: Ms Mellifont?

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MS MELLIFONT: Might this witness be excused, please?

COMMISSIONER: Thanks, Mr Arnold, you are excused.

WITNESS EXCUSED

MS MELLIFONT: I call Max Winders. While Mr Winders is coming in, can I please tender a report under the hand of Mr Trevor Johnson, of Cardno, dated September 2011?

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COMMISSIONER: Exhibit 868.

ADMITTED AND MARKED "EXHIBIT 868"

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MAXWELL FRANCIS WINDERS, SWORN AND EXAMINED:

MS MELLIFONT: Good morning. Is your full name Maxwell Francis Winders?-- It is

Are you Managing Director of Max Winders & Associates Proprietary Limited trading as MWA Environmental?-- I am.

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Do you hold a Bachelor of Mechanical Engineering Honours from the University of Queensland from 1961?-- That's correct.

And do you have memberships as the - in the Fellow of Institution of Engineers, Chartered Professional Engineer and Registered Professional Engineer of Queensland?-- That's right.

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Have you been an engineer for 50 years?-- Yes.

Is one of your areas of expertise flooding and tidal hydraulics?-- Yes, it is.

Was MWA commissioned by the Brisbane City Council to prepare a pre-feasibility study in response to a recommendation made by the Brisbane City Council Flood Response Review Board on the 24th of May 2011 concerning the investigation of the feasibility of backflow prevention devices in particular parts of Brisbane?-- Yes, we were.

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And also to look at the notion that no backflow prevention devices should be incorporated unless a complete risk-based flood management analysis has confirmed it is the best option?-- Yes, that's right.

Have you prepared two statements for the Commission?-- I have.

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I'll show you those statements, please. The first is the 5th of October 2011 and the second is the 18th of October 2011. Are they your statements?-- Yes, they are.

I tender those, please.

COMMISSIONER: The first will be Exhibit 869 and the second Exhibit 870.



ADMITTED AND MARKED "EXHIBITS 869 TO 870"

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MS MELLIFONT: Can I take you, please, to the second of those two statements, to your report, which is MFW-06, at page 7. Now, before taking you to your precise paragraphs there, can I ask you, when you refer to "backflow", what are you speaking of there?-- The backflow of river water up drains into low-lying areas, and the drains can either be an open drain or a pipe

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Right. Do you include within backflow any overtopping of the riverbank?-- I think it needs to be considered.

All right. So do you include that within the definition of backflow or you regard it as something that needs to be considered in deciding whether to use the device?-- I think it should be considered as backflow.

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All right. But it doesn't form part of the definition so far as you have used "backflow"?-- Well, there's two things. There's backflow in a drain and backflow occurring over the top of a levee or a road or-----

All right. It would assist me to know how you have used those terms in your report, so if you could just expand of those two types of backflows as you see them?-- Yes. Well, I've really tried to do that in my figure 3-----

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Yes, which is-----?-- -----and-----

So that's the next page of your report?-- Yes, and-----

If we can get that up on the screen. Just give us a moment. It's the page after page 7, Madam Associate. Madam Associate, it looks like this and in Exhibit 6 it's the page after page 7. Thank you.

WITNESS: That's right.

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MS MELLIFONT: Could you please just explain it by reference to that part-----?-- Yes, well-----

-----page?-- -----there we've tried to represent a situation where the council stormwater system runs down from the hills down through the low-lying parts of the stormwater catchment and outflows into the river, and that stormwater flows down the hills via underground pipes which carry a low amount of flow, and where the pipes are inadequate for the flow it will flow down the roads, and-----

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So that's a capacity issue?-- It's a capacity issue but it's - and it's something that's handled in normal engineering design of subdivisions and has happened in the past, and what has happened is that with densification of a lot of these catchments the - there's been more runoff than was originally expected and so more flows down the road and more flows down

the pipes and if there's enough pressure in the pipe it will  
come out of the gully traps into the roads again and start  
inundating the lower areas.

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Sorry, I cut you off, so please continue on your explanation of this diagram?-- Yes, well - and so that's where we have - you know, something like what happened up in Rosalie - or more frequently happens in Rosalie - and that's what the stormwater system is designed for. But when we get down closer to - or in the more low-lying parts, such as around Lang Parade in Milton or New Farm - we can have a situation where it will actually outflow and fill the roads and enter the properties at a low level, and that's just with a local storm. If we've got a higher river flow or a creek flow in the river, then the pressure of the water in the river will increase the propensity for that stormwater flow to come out of the gully traps and into the roads and inundate, and then to cause a backflow up the pipe and come out of those pipes into the roads and further inundate it, and that can occur if the flood occurs for long enough. The flow will be such that it can fill those areas to quite significant depths, such as occurred in Milton. Then the last one is when all that's happened and then the river gets higher than the natural levee along the river and causes inundation right through that area, but in which case the backflow inundation from the river has been noticed well before the overflow came back from the river.

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All right. I don't need to ask you about page 7 now, so I will take you, though, please, to page 88, and I preface my questions with the context that you've been asked to look at three specific areas; that is, the Brisbane CBD, Auchenflower, Milton and Rosalie, as well as New Farm; that's correct, isn't it - as specific case studies?-- Yes.

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Okay. But apart from that, there is a second aspect to the study, which is to review other potentially affected areas from backflow inundation?-- That's correct.

Okay. Now, at page 88, in the second paragraph, you refer to figure 1, which shows the 39 areas inundated during the flood which have the potential to be case study areas for future consideration. So, if I could get figure 1 up on the screen, please? Madam Associate, it was my flagged 2(a), and it was the picture you had up there before. It comes after page 6 of the report. What I want to ask you about is the subscript says it also shows the sub-areas in some instances where this distinction might be relevant because of different stormwater drainage systems or different sources of flooding. Can you explain what you mean by the subareas?-- Yes, take, for example, 15B and 15A, there we have in the middle of it Milton. 15B would be Rosalie where we're largely worried about the water coming down off the hills, and 15A is where we're more worried about it coming up from the river and coming out of the open drain.

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I see, thank you. Can I take you now, please, to an example of the desktop analysis you were doing for the potential areas of review. I'll take you to West End south. It's figure 19, my tab 3. Can you just explain - just using this as an example - what we see by this type of map?-- Yes, well, you can see that there's been partial inundation of the river

levee-----

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So, what are we looking at to see that, and if it assists to go up to the screen and point out the features, please do so?-- Oh, okay. See to the west of West End, there's a dry area that parallels the river bank.

I might get you to actually go up and point it out so we can see what you're talking about?-- There's a natural levee comes down there along the river bank, formed by-----

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Formed by a blue line?-- -----by bigger floods in the past, and these are the inundated areas that were obtained from the aerial photographs.

From NearMap?-- From NearMap. And they were marked - these maps were actually produced by Council as part of their temporary planning instrument. And so this key map represents one of these particular areas where we've said, "Here's an area where there's been a lot of recent unit development where all their basements and carparks and that were inundated.", and we were looking for reasons as to why that inundation occurred and some appeared to come down from here and others came back from here, but apparently this was the one where the pipes - where the stormwater came up first, and so we'd be looking to see whether a backflow - see, this is the 2011 flood. The lower floods, it wouldn't have breached the levee. So, in the lower floods, we could look at all these pipes and see, yes, that one's at 1200, we could put a flap on that. We've got an example. There's one shown there in that Honeybrook building. But this is really a first stage. This was just a desktop thing to identify what was the case, and the next stage involves-----

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I might get you to come back to the seat, thanks. All right, so the desktop analysis is the first stage, and now you're moving into the second stage, or you're proposing a second stage?-- Well, it's proposed that the next stage be started shortly.

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I see. And what would the next stage involve?-- Well, it will be like - well, we come up with something similar to - has been done for the case study areas, and I think, probably, the New Farm - yes, New Farm gives a good example. If we look at figure 10, which comes after page 58, there we've actually been able to superimpose the NearMap image of the inundated area on an aerial photograph, and we've then superimposed on top of that the outline - the dark blue outline is of the Q50 stormwater. That's where the stormwater would flow out to under a 50 year storm in the local catchment. So, we know that that's the area that's affected by the stormwater system because it's surcharging under normal conditions. Then the blue area, of course, is what happened in 2011, and the red area is what we obtained from the 1974 flood maps. Now, we've superimposed it on that, and you can see that all three areas are roughly similar in plan area, because it occupies the low part of the suburb before it goes up into the hills. What's different is the depth of inundation, and that's the critical

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thing when it comes to backflow inundation. So, what we - and then if you look at the Auchenflower one, which is on figure 28.

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Which is after what page?-- No, sorry, not 28, it's-----

After page 81?-- Yeah, figure 37. You can see that Coronation Drive became inundated.

We'll just get it up. What page does that come after?-- It follows 86.

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Second picture after page 86?-- Sorry, if we go to figure 34, you can see there there's sort of two arms of inundation - one went up Sylvan Road and the other went up Dixon Street, but it only just covered Coronation Drive in 2011.

All right. So, you're proposing, as part of the next stage, that other areas be the subject of similar case studies as ones you've done?-- Yes, and if you go to figure 35, we can identify there how much residential land was affected and how much commercial land, and therefore whether it's worth having a closer look at it.

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I see?-- So, we've sort of developed a methodology that we use Council spacial information system to quickly reference areas that are deserving of looking at it more closely and getting some priority.

All right. Can you assist me then with the interpretation of a table in your report, headed Brisbane River Backflow Inundation Area Database, which is Attachment 5?-- Yes.

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Now, I want to take you to a specific example in there so you can explain it to us?-- Okay. So-----

Can I take you to an area identified as number 16, West End, West Kurilpa Street, and you will see there that it's got, for example, river and drain identified as the source?-- Yes.

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"Largely flooding from river over riverside properties, small isolated flooding areas from localised drains backing up." You've got augment levee as a possible, channel as a no, barrier required as a no, and BFPD required - so, backflow prevention device - required, possible?-- Yes.

As you say in the one above it - Milton - and it is probably not the best example, because you've done the case study - but we've identified that a backflow prevention device is required?-- Yes, that's right.

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So, how is it that you're suggesting prioritisation for consideration for backflow preventing devices?-- Well, this was just a first pass.

Yes?-- But if you look at the Attachment 4, we've looked at whether - just how - what types of areas were involved. The area to see - you know, how much damage was caused, and should

we prioritise that first.

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Okay. So, what's the state of play? You made a suggestion to Council for the next stage?-- Yes, we've said - in our report we said, "Look, we should pick five out of this list for further study.", like we studied the case studies.

Yes?-- And we'd probably envisage a little bit of extra work to develop that five.

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In what respect?-- Well, we'd go back through our records here and start to produce some of these diagrams that we've done for the case study areas.

You mean further work is being done now in respect of those five areas or further work in addition to the type of thing that you did for the case studies?-- No, well, we would justify picking another five to have a look at.

By doing a little bit more work to start with?-- Just a little bit more work, yes.

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And then what about the other 34?-- Well, we think that the other 34, then, there's a period of public consultation coming up between now and Christmas.

To what end?-- Well, I think things - mainly go out and inform the people of the extent to which they might expect backflow inundation if things go bad this summer.

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All right. What about in terms of redressing or the full consideration of installation of backflow prevention devices for that other 34?-- Well, the Lord Mayor said that if there's anything obvious that needs to be done, then they'll just go and do it, and that could simply be hanging a backflow device off an outfall that's ready to have one hang straight on it, but most of the big ones require a lot more detail to look at.

All right. I just want to get a sense of that. If you do the five of 39 as specific case studies and recommend action, is there no commitment from Council at this point in time for more specific case studies for the remainder 34 and potential recommendations for action?-- Not to date, no.

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Do you consider that it may assist in terms of mitigating floods from backwater that those other 34 are looked at?-- They should be looked at in time, but I think immediately it's more important to inform the people in these areas that they are susceptible to backflow flooding, so that they then become aware of where these stormwater drains are, their local councillor becomes aware of where the problem outfalls are, and it's up to that councillor then to push-----

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Accepting that there's a need for community education, that doesn't have to be to the exclusion of still looking at the other areas; you'd accept that?-- There is no real reason why it shouldn't proceed.

Can I take you then, please, to Annexure 5 to your first statement, and this is your comment in respect to Dr Johnson's report from Cardno. What I want to specifically ask you about is Dr Johnson makes a reference to the need to take into account climate change and the potential for the increase in the highest astronomical tide and, as I understand it, you agree in general terms with that proposition?-- Oh, yes, completely.

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Okay. I want to get a sense of the importance of the need to take into account climate change in so far as what you've been looking at?-- Yes, certainly I think from New Farm downstream we certainly need to take that into account.

What? For the same reason Dr Johnson has expressed?-- Oh, yes, yes. We've certainly - well, the Government has said, you know, point 3 by 2050 and point 8 by 2100, and we already have tidal surges going up those drains down there, and you don't need much of a river flood to push it up there, and, as he said, people are going to have to start looking at levees in those areas.

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So, the priority in terms of taking it into account would be, from your perspective, New Farm, but you'd also accept it needs to be taken into account more generally than that?-- No, I said you'd prioritise it downstream of New Farm.

Sorry, yes?-- Where the land is already low.

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Yes?-- And they've been identified - we've identified those areas.

And are there other areas, though, that you would regard as being prudent to take into account the effect of climate change on the highest astronomical tides?-- No, I'm more interested in the flood heights in the river upstream of New Farm.

Can I take you to paragraph 16 of Dr Johnson's report? It might be just easier to hand you up a copy. Page 4. Your observation in respect of paragraph 16 is that, to your mind, overstates the head loss problem but understates the extent of areas that should be considered for backflow protection. Can I ask you to expand on that for me, please?-- Yeah, I'm more concerned about developed areas, not areas that are now being developed and where new drainage systems are being put in. We're talking about pipes and drains that are in there, in the ground. Nobody even knows where they come out in the river, and-----

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I see?-- -----and people are just unaware of the need for it.

All right. So, the point you're seeking to make in that dot point is the need for a study of what's there in terms of the underground pipe system?-- That's right.

In terms of its capacity and then any issues relating to it in

terms of its ability to cope?-- Well, the main thing is to see whether it will take an outfall without too much - it will take a device without too much modification.

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All right. So, head loss still needs to be taken into account but you see the greater priority as being the point you've just mentioned?-- Well, the head loss we can design our way out of, just by picking the weight of the flap or picking the size of the duck bill. So, it's really just - some engineering decision-making needs to be made, but it's the - it's the large outfalls, like Castlemaine Street and Milton drain and the big New Farm drain, they're the ones that need to be analysed in a lot more detail because they're so susceptible to stormwater flood flow.

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Right. And that takes more than a desktop analysis?-- I'd say so, but Council is proposing to start on that right away. The case study areas - I think those studies are going out to tender shortly.

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And so what sort of expert reports are going to need to be obtained to look at those issues?-- They'll really just be engineering designs. They'll go to normal engineering consultants.

Can I ask you what you mean at dot point 4 under number 2: "Local authority requirements to date have not addressed the backflow flooding problem." Can I get you to expand on that?-- That's my dot point?

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Yes, your dot point 4 in Annexure 5 under point 2?-- Oh. It's been my experience that - certainly in the Brisbane local government area - they've been fitted as outfalls have been modified by developments or to suit particular operations. I haven't been aware of any particular policy that's been followed. It's not in the Queensland Urban Drainage Manual or-----

I see?-- -----or subdivision or development guidelines.

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Right. And, in your view, ought those documents take into account the backflow flooding problems and make provisions in respect of that?-- No, I think you've got to consider it on a case-by-case basis. We've identified those areas. The area where we do need to make some provision, I think, is for underground carparks and underground building services and Council is developing a draft code for basement and building services, and I think that's quite important.

All right. Can I take you to second page of your comments, your first dot point, which refers back to 24 of Mr Johnson's report. Now, Dr Johnson said that, "Since the exclusion of a backflow valve increases headlosses in the stormwater drainage systems, the installation on the existing stormwater pipes will cause upstream flood levels to increase when local storm events occur.", and he says, "While the amount of increase may be relatively low, any flood level increase in an area where significant flooding already occurs would be seen as

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significantly detrimental." You disagree with that last sentence. Can you tell me why?-- Well, the thing is that the benefits of preventing backflow from the river flood far outweigh the disbenefits of any increased pressure increasing the - you know, say under stormwater flooding, you get 300 mils of rain and - of water in your yard and if we put a big duck bill on it, we get 400 mils, nobody is going to get terribly excited about that if it stops you getting one and a half metres of water.

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All right. But if you were to read that sentence together with the next paragraph, which I think you agree with, what Dr Johnson is suggesting is that you have to balance and weigh the various benefits or detriments. You would agree with that proposition?-- Yes, and it's a - it's the sort of thing you can resolve with a computer model. Drainage models do handle backflow devices.

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All right. I have nothing further, thank you.

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COMMISSIONER: Ms Brasch?

MS BRASCH: No, thank you, Commissioner.

COMMISSIONER: Mr Dunning, do you want to go last?

MS McLEOD: I have no questions, thank you.

COMMISSIONER: Mr Dunning?

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MR DUNNING: I have no questions, thank you, Commissioner, but I did enjoy going last.

COMMISSIONER: Very good.

MS MELLIFONT: Could this witness be excused?

COMMISSIONER: Yes, thank you. You're excused.

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WITNESS EXCUSED

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COMMISSIONER: Mr Thompson?

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MR THOMPSON: May it please the Commission, my name is Thompson, initial GA. I appear with my learned friend Mr K Holyoak, instructed by Corrs Chambers Westgarth on behalf of Suncorp Metway Insurance Limited and Australian Associated Motor Insurers Limited.

COMMISSIONER: Thanks, Mr Thompson.

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JAMES JOSEPH HIGGINS, SWORN AND EXAMINED:

MS MELLIFONT: Good afternoon, Mr Higgins. Is your full name James Joseph Higgins?-- It is, yes.

And are you the executive manager, Queensland Event Recovery for Suncorp Personal Insurance, a division of the Suncorp Group?-- Correct.

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And you have authority to give evidence on behalf of AAMI, the Australian Associated Motor Insurance Limited Company and Suncorp Metway Insurance Limited?-- That's correct, yes.

So, AAMI and Suncorp Insurance form part of the Suncorp Group?-- Yes, that's correct. The Suncorp Group encompasses a number of brands, which include Suncorp, AAMI, APA, GIO, and there's a number of other niche brands as well, there's probably about 12 to 13 brands all up that we have.

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Now, you provided a number of statements to the Commission. I will start with the first. This is a statement in response to a requirement to provide information issued to Suncorp and it's dated the 14th of September 2011. If I can have that statement shown to you? There's three volumes. You are being shown the first of them. Does that appear to be your statement?-- Yep, that's my statement.

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Can I tender that, please?-- Correct.

COMMISSIONER: Sorry, what was the date, Ms Mellifont?

MS MELLIFONT: The statement dated the 14th of September 2011.

COMMISSIONER: Thanks. Exhibit 871.

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ADMITTED AND MARKED "EXHIBIT 871"

MS MELLIFONT: The second is a statement in response to a requirement to provide information with respect to AAMI, and again, the 14th of September 2011. We will show you the first

volume of that statement. Is that your statement?-- Yes, that's my statement.

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All right. Now, as I understand it, there are some amendments to be made. First of all, there is an exhibit table which is annexed to that statement. Does it need to be replaced with an amended exhibit list?-- Yes, yep.

Right. Now, I will show you an amended exhibit list?-- So, that's where appendix 5 is blank.

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Okay?-- Yep.

Now, can you explain why appendix 5 should be blank?-- Yes, look, I believe that one was where we - we provided hydrology instructions that were unrelated to AAMI, so I think we have subsequently provided the instructions that related to the AAMI claims. The one that was in the appendix ws, I think, for Suncorp, not AAMI.

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So, if we can now - I am not sure of the best way to do this, Madam Commissioner, whether we tender these as supplementary exhibits, the new exhibits, if we tender them as supplementary exhibits or if you would like them simply slotted in.

COMMISSIONER: Slotted in would be better. I don't want things on the record that we don't need.

MS MELLIFONT: Thank you. So, we will make arrangement for the amended exhibit list to form part of that statement. In respect of Exhibit 6, the current document - the document currently attached is entitled, "Short Form Contract"?-- Yep.

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Now, it should instructions to assessors and flood questionnaire; is that correct?-- Yes, the short form contract was unrelated to the AAMI instructions.

All right. So, we will have that new document inserted as the new Exhibit 6?-- Yes.

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Now, I will show you a copy of the instructions to hydrologist which was referred to in the exhibit list as Exhibit 7?-- Yes.

Is the document being shown to you the correct new Exhibit 7?-- Yes, that's correct. That would be the instructions that we would have provided to - or - to the hydrologist on behalf of AAMI.

Okay. And there are consequential numbering changes, so the current Exhibit 7 should be marked 8 and onwards and that will be reflected in the document which will be part of the statement. With those amendments, I ask that statement be tendered.

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COMMISSIONER: Exhibit 872.

ADMITTED AND MARKED "EXHIBIT 872"

MS MELLIFONT: I will show you now a statement in response to a requirement regarding statistical information regarding claims for Suncorp and AAMI dated the 30th of September 2011. Is that the statement I have just described?-- Yes, that's the data, yep.

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I tender - is that statement true and correct to the best of your knowledge?-- It is, yes.

I tender that statement.

COMMISSIONER: Exhibit 873.

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ADMITTED AND MARKED "EXHIBIT 873"

MS MELLIFONT: I will show you now a statement in response to lay witness Mr Nick Laszlo, a statement dated the 13th of October 2011. Is that the statement I have just described?-- Mr Laszlo, yes.

True and correct to the best of your knowledge?-- Yes.

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I tender that statement.

COMMISSIONER: Exhibit 874.

ADMITTED AND MARKED "EXHIBIT 874"

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MS MELLIFONT: I tender a - can I take you, please, to a statement in response to lay witness Mr Julian Chambers, a statement dated the 7th of October 2011. This is already - has already been tendered as Exhibit 843, but I will just ask you to identify it as a statement of yours which is true and correct?-- Yes. I do, yes.

Thank you. Now, you are aware that Suncorp Group Limited provided a submission to the Commission I think in April, the 4th of April 2011. You are aware that a submission was provided?-- Yes, look, I have read that statement, or that submission this morning.

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Now, you are not the author of that submission?-- No.

All right. Is the submission I'm referring to - you have that with you at the moment?-- Yes.

All right. Well, I will tender the clean copy. You have got a copy for yourself?-- Yes.

All right. Now, do you know who was the - who the author of that document was?-- Look, I believe it was our corporate affairs team or someone within our group division. At the time I was heavily involved in running the Event Recovery for the floods.

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All right. So, you don't know precisely who authored and signed off on this document, the submissions?-- I'm advised that it was corporate affairs/legal, someone within our group area.

With further inquiry, you would be able to able to ascertain who was the author-----?-- Yes.

-----who signed off on it; correct?-- Yes.

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COMMISSIONER: It will be Exhibit 875.

ADMITTED AND MARKED "EXHIBIT 875"

MS MELLIFONT: Subject to you making a further inquiry and with the qualification you have just mentioned, might it have been Ms Judy Loghnan, general counsel for Suncorp Group Limited?-- Oh, yes. Most likely.

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Now, having read that submission - is that for the first time the morning, was it?-- It was, yes.

All right. Have you identified some areas of - in need of correction?-- Yes. So, paragraph - the first one is paragraph 11.8, where it makes reference to our - the Suncorp CRTs, which are our Customer Response Team, mobile claims unit. We didn't get to Rockhampton because of access issues.

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So, Rockhampton ought to be deleted from 11.8?-- Correct, yes.

Is your second amendment with respect to paragraph 13.1-----?-- That's correct.

-----an amendment to the statement, "The insurers in the Suncorp Group treat customers individually. For example, AAMI policies exclude riverine flooding. AAMI did not commission area-wide hydrology reports with a view to treating customers within a geographical area on a grouped basis. It did not rely upon reports of this kind that were commissioned by the Insurance Council of Australia." Do you wish to make an amendment in respect of - a correction, rather, in respect of that statement?-- Yes. So, AAMI conducted assessments of every property and used the area hydrology report in some

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cases, but we also commissioned about 180 site hydrology reports. So, to say that we didn't rely upon the area report needs to be corrected.

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And do you know how it was that this incorrect statement came to be in this document?-- No, I don't. I guess at the time - I think this was done in April - we were heavily involved - the claims teams were heavily involved in responding, I guess, to the rebuild of Queensland, so I'm not sure why that - that statement may have been made, but certainly in around March was - and subsequent weeks was when we started to get information on the area hydrology reports.

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All right. So, in terms of area-wide hydrology reports which were commissioned by the Insurance Council of Australia, were they first referred to by AAMI in considering claims at a point earlier than the 4th of April 2011?-- Yeah. Look, I think the - the message there was that we didn't make, I guess, a general call based on postcode or area, that we wanted to treat every customer at an individual level, so, therefore, we didn't - we didn't rely - we didn't use or make a blanket call, I guess, we wanted to look at every individual case and I - during that period we were, I guess, looking at all the claims that we had received to try and determine which ones would require site hydrology reports and which claims - the information that was provided to us and subsequently when the area report came in was sufficient to make a decision.

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If I can just come back to the question, which was whether AAMI had reference to reports of the nature of area-wide hydrology reports commissioned by the Insurance Council prior to the 4th of April 2011?-- There would have been - yes, there would have been decisions made. On receipt of the area hydrology report there would have been decisions made on that report and between that report and the date of this report, yes. Does that answer your question?

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So, how early on did AAMI start looking at the area-wide hydrology reports which had been commissioned by the Insurance Council of Australia in reference to assessing claims?-- We would have received those reports - I think it was around the 10th of March, so from the 10th of March.

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So I can understand the process, in what circumstances were they relied upon to determine a claim?-- Well, they would have been - as I said, each claim we would have used in determining the decision on a specific claim. Every claim - we'd already received the assessment report, because we assessed every claim. We were waiting then on the area hydrology report to be provided. We also used information that the customer provided. So, with all of that collective information together, if it provided sufficient evidence to form a decision, then we would have used the area hydrology report in conjunction with the assessment report for that purpose.

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All right. So, as I understand the process, you had your - you had your assessor look at the claim, you had some

information from the customer and you had hydrology - the area-wide hydrology report?-- For the majority of the cases, yes, and in some cases when the hydrology report was received, it didn't provide us with, we believed, sufficient information to form a decision, and, therefore, we commissioned site specific hydrology reports.

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So, what I want to understand is in what circumstances did AAMI regard the area-wide hydrology report as being sufficient to determine the claim compared to the circumstance where you regarded it as necessary to obtain a site specific hydrology report?-- There would have been a couple of pieces of information. One would have been if the date of loss on the information provided by the customer was consistent with the area hydrology report and there was no other information provided to us to suggest - on the balance of probabilities that it wasn't a decision for a decline, then we would have used that information. Where there was information to suggest, for example, stormwater inundation and/or drain backflow and the area report didn't provide us with information we needed, and largely that information would have been provided by the customer, we would have then had to have gone and commissioned a site hydrology.

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Even if the date matched up with the hydrology report - if the date of loss was consistent with the hydrology report?-- Yeah, and in some cases customers - the area hydrology report didn't cover their area, so we would have commissioned a site specific for that particular area.

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All right. I am not following?-- So, Narangba, for example, the hydrology report didn't provide enough information in that area and other areas, I guess, in Brisbane and Central Queensland where we felt that we needed to get a site specific hydrology report done.

So, is it the case that there was area-wide hydrology which in general terms covered those areas, but weren't sufficiently specific for subareas; is that what you are saying?-- Largely, yes, yes. I mean, the critical information that you need to get in forming a decision is the date of loss, the causation, so was the - was the damage a result of stormwater run-off, which the AAMI policy responds to, or was the damage caused by riverine flooding, which the policy doesn't respond to. So, if there's any information that leans either way, you need to investigate that. So, if the customer says that the water - stormwater inundation, for example, "and then I flooded", we'd need to get - we need to investigate that.

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Was it the case that on every occasion where the customer suggested it might have been caused by the stormwater inundation that AAMI commissioned specific site hydrology?-- Not in every case, because the - the information that we would have relied upon - and we would have considered the customers' version of events as well - but with all that collective information together with the customer, from the area hydrology report, from the assessor, if all that information and the weight of that evidence pointed towards on the balance

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of probabilities that it was a decline, then we would have leaned towards that decision.

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Let me just see if I have got this right. You have got an assessor who doesn't have hydrology expertise providing an assessment report; correct?-- Yes. No, they're not engaged to do hydrology, exactly.

All right. So, you have - that's one of your pieces of information?-- Correct.

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The second piece of information is your area-wide hydrology reports, which provided a conclusion as to source of flooding based on an area; correct?-- Yep.

That's your second piece of information?-- Yep.

Your third piece of information would be what the client told you, for example, client says it comes from stormwater?-- Yes.

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All right. But even if the client said that, it came from stormwater, that would not always involve you looking for a site specific hydrology report; correct?-- Correct. If the information - and the other thing was the aerial flood mapping from the Reconstruction Authority, so if those pieces of information, the assessor's report, the flood mapping, the area hydrology report all leaned towards, I guess, on the balance of probabilities a decline and, I guess, the customer said it's stormwater, we would look at that in cases - and, in fact, I think we did about 150 second assessments where we did go out and speak to the customer again about what - you know, what they saw and then took that information and considered that in totality, and if all of that information on the balance of probabilities suggested it was one for decline then we made the decline.

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How would you take into account the flood mapping by the QRA?-- It showed the areas from where the river came and the areas - you can see in the area map where the water's actually coming from and I think it's in a time.

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You are talking about the NearMaps or QRA?-- There's - I wasn't directly involved in reviewing those particular maps. I believe it was a Reconstruction Authority website that they took those maps from.

And in terms of somebody applying the notion of the balance of probabilities, who's doing that?-- So, what we did was - I guess in setting up the Queensland - the Event Recovery team with the large - I think with 20,000 claims and the AAMI - the AAMI piece had - we had 1700 circa claims on the 28,000 that - 17 on the 11,000 for flood, it was very important for us, even though the volume was sort of less to put in a team to look at all aspects of the decision, to make sure that we made the right call. So, we set up a team, the AAMI Flood Team, and we put together or total loss guys. Now they're experienced in major loss, total loss, and they've worked through the

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bushfires and the other major - major events for us. So, they were experienced in dealing with, I guess, catastrophes. We also brought in - I brought in one of my senior investigators, who's got experience in, I guess, collecting and managing evidence. He's also experienced, I guess, in the home product and the home claim process. There were other people collectively involved at some point, whether it was a legal view or a product view/portfolio view or an ADR, IDR sort of dispute view. So collectively we got together before making any decisions to agree the process we wanted to go through to make a decision, and what are the steps we were going to go through, what is the information we're going to collect, what are we going to rely upon and who do we need to talk to, I guess, to - so that's everyone's comfortable that this is the process. So, it wasn't - it wasn't one person, it was a collection of people, I guess.

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What did it take to get a site specific hydrology?-- Well, I guess there were probably a couple of things that would have triggered a site hydrology. One, it would be the evidence that we have collected to date, including the area hydrology, the mapping and the assessor's report still puts a level of doubt in our mind that this is a claim that there's - there's a piece of information that we're missing.

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Can you be more specific? Give me examples?-- So, for example, the customers say, "Well, the water came from - came from down the hill and it came in to a certain level and then I flooded."

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That would be enough? That would be enough to prompt you to do a site specific hydrology?-- In some cases, it probably would, we just wanted to be sure, because the date of loss was around the time, I suppose, that - where there was a lot of rain. So, the information would not have been - by itself there was - there was just a little bit of information missing that we wanted to be very certain that we were making the right decision for the customer, yes.

Well, what else would prompt a site specific hydrology?-- There were times when the customer would have said the water came from a drain, the mapping and first assessment probably - and even - first assessment probably would have said exactly what the customer would have said, that water came - originally came from a drain, and if all of that, I guess, pointed to, well, we need to go out and get a hydrologist who - look at the site and look at where the drain is, then do all the calculations that they do to determine drainage and overland flow, then we would have engaged site hydrology for that.

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Is it fair to say that whether or not information coming from a client would prompt you to do site specific hydrology was based on a subjective view of one or more members of the team?-- Look, it wouldn't in all cases, because the - if the customer gave us information on a drain, for example, but all the other evidence that we have received at that particular point in time suggests differently, then we - you know, and

there was a time factor involved here as well, so there's a lot of pressure to make decisions, and the process that we had agreed or that we had internally agreed and we had spoken to the - to FOS and the ombudsman on, this is what we're going to do, so there was a pretty clear process in place that we needed to get the information quickly, we wanted to make the decision as quickly as possible, then we would have made that decision if the information on the balance of probability suggested that it was one for decline, and at that time when we contact the customer and explained the position, we would then explain the next steps for them if they chose to take up which is really their right of appeal.

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Right. Okay.

COMMISSIONER: Is that a convenient time?

MS MELLIFONT: Yes, it is.

COMMISSIONER: We will resume at 2.30.

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THE COMMISSION ADJOURNED AT 12.55 P.M. TILL 2.30 P.M.

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THE COMMISSION RESUMED AT 2.30 P.M.

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JAMES JOSEPH HIGGINS, CONTINUING:

COMMISSIONER: Yes, Ms Mellifont.

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MS MELLIFONT: Thank you, your Honour. I just wanted to make the third correction I think you wanted to refer us to in this submission by Suncorp, which is, as I understand it, the last dot point of paragraph 15.3, and it states: "As outlined above AAMI has not commissioned or used area-wide hydrology opinions but rather has assessed each affected property according to its own particular circumstances. In many cases this has led to acceptance of part or all of a claim which would have been rejected had a whole of area approach been taken." That's incorrect, is it?-- Yes. We did use area-wide hydrology reports.

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And do you know how that paragraph came to be in Suncorp's submission?-- No, not directly.

Or who was responsible for it?-- No.

Now, before lunch you were explaining by way of a specific example that you might not have specific information - sorry. You might have a claim, it might relate to a drain, the customer might have made mention of a drain having impact, but on the balance of probabilities AAMI might decline that claim, especially taking into account time constraints, and the other known information. Have I got your evidence before lunch correct - fairly stated?-- Yeah, that's correct. So all the information that was available at the time to us.

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Right. Now - so do I take it from that that because of the time constraints with respect to progressing claims, in some circumstances the claim was simply denied rather than making further investigations?-- The - every - every claim was looked at on a case by case basis, so - so where the information was sufficient enough for us to make a decision on the balance of probabilities we made that decision. If - if the information presented to us that we examined still didn't give us the level of comfort to make a decision then we would have done further investigation.

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But before you did link the two. That is, you linked declining the claim, in reference to this drain example, declining the claim, taking into account - especially taking into account time constraints. So can I suggest to you that by that answer you meant to indicate that sometimes claims were simply declined rather than making further inquiries because you were trying to deal with time constraints?-- No, I wouldn't necessarily draw that conclusion. It was important for us as a company and important - more importantly for our customers to investigate what we would have thought as the

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information that was available, the information we thought we needed to decline the claim, so we wouldn't necessarily have done that. We would have investigated if there were - if we felt that the standard of proof wasn't met.

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All right. Well, when you said "especially taking into account time constraints" what did you mean?-- I guess at the time Suncorp group was facing unprecedented claim volumes and we - you know, setting up a team not only to manage the Suncorp and Apia claims that we did pay but also a team for the AAMI claims. There - you know, the flood happened in 11th of January, the hydrology report, you know, was 10th of March, so there is a time factor there, and we were conscious that customers were getting - wanted an answer, I guess, on their claim, but we - we wanted to make sure that on a case by case claim every single customer, their individual circumstances were investigated. So whatever - whatever their position was we didn't make a blanket call, we wanted to look at every single claim on its merit.

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I'm not sure you're answering my question, which really is how you took into account the time constraints given that the answer was in - connecting - especially taking into account time constraints having declined a claim on the balance of probabilities without going to a site-specific hydrology. So how did you take into account time constraints in that decision to decline a claim on the balance of probabilities without going to a site-specific?-- So what we did was with the claims that - during the period when the hydrology reports were being prepared, we tried to separate those claims that - once we received the hydrology report that they were fairly straightforward decisions to be made based on date of loss and all the other circumstances. So when the hydrology report came in then we tried to make those decisions fairly quickly, because we'd done all the pre-work leading up to. But where there were claims where there were circumstances that would have warranted a site-specific, and on receiving the hydrology report, in some cases areas that the hydrology report didn't cover, we commissioned site-specific, 180 site-specific - or 146 site-specific hydrology reports on those claims. Does that-----

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Still no. All right. Perhaps if I put it in a different way. Did time constraints ever factor in your decision - by "yours" I mean AAMI's - decision not to get a site-specific hydrology report-----?-- No-----

-----and rather simply to decline the claim?-- No. No, they wouldn't have.

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All right. So time constraints did not play any role in deciding not to get a site-specific report?-- They wouldn't have played any role to make our - to form our decision. We would have - as I said before, we wanted to make the right decision on each individual customer's claim so-----

All right?-- -----time constraints would not have necessarily played a factor on that. We would have tried to talk to the

customer, "Look, we're going to get a site-specific done, it's going to take six weeks to do," and get them comfortable with the time frame.

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All right. So, to summarise, time - in your view time constraints did not in any case make you decide not to get a site-specific report?-- Not to my knowledge, no.

And just going - finally just going back on this point rather, finally just going back to the example before lunch, that you might receive information from a client, customer, about impacts of a drain but decide on the balance of probabilities and on the information you had, which we discussed before lunch, your general hydrology report and QRA maps and your assessment, you might on the balance of probabilities decline to undertake a site-specific hydrology report. What I want to know is what specific information did you have in those cases about the specific drains the clients referred to?-- So are you saying whenever - if we didn't have a site-specific hydrology report in those cases?

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Yeah, I'm referring to the example you gave before lunchtime, that - you gave an example the client might raise the issue of the water coming from the drain-----?-- Yep.

-----and you might decide on the balance of probabilities on the information that you had, generalised hydrology report and your assessments and QRA aeriels, that you wouldn't get a site-specific hydrology report. Now, what I'm asking you is, what specific information would you have had at that stage about that drain in the absence of a site-specific hydrology report?-- Well, in some circumstances we commissioned a second assessment, so there's about a hundred and 50 second assessments we did, where we wanted to clarify the information that the customer had said, so we sent our internal assessor back out to the site-----

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To talk - so the supplementary information was again information from the client?-- The customer, yes.

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Or customer, rather?-- Yes.

Anything else?-- Look, it was generally, as I say, case by case, it was generally - every claim got assessed, we used the - either a site-specific second assessment or area hydrology report. There was information on the BOM website, for example, rainfall data that we would have used. We also in some cases used video evidence where the customer had provided us with a video of the inundation, so we would have used that information. So whatever information was provided to us from the customer or otherwise we would have used.

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And nothing else? Nothing else in the example that you gave us before lunch?-- Nothing that I can think of at the moment.

There are some further statements to be tendered, Madam Commissioner. Can I show you, please, statements by you in relation to Suncorp Group Limited dated the 14th of September

2011. For the Commission's reference that's 1761699. Is that a statement you prepared?-- So that's my general statement; is that correct? Yes.

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It's a-----?-- 14th of September, yes.

Okay. So this is a third statement, not in response particularly to a requirement?-- Sorry, yes, correct.

Okay. So it's just another statement produced by you and your legal team?-- Yes.

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Okay, thank you. I tender that statement, please.

COMMISSIONER: Exhibit 876.

ADMITTED AND MARKED "EXHIBIT 876"

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MS MELLIFONT: Can I show you, please, a statement of yourself in relation to Beryl Sutcliffe dated the 14th of September 2011? Is that a statement you prepared?-- Yes.

Is it true and correct?-- Yes.

I tender that.

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COMMISSIONER: Exhibit 877.

ADMITTED AND MARKED "EXHIBIT 877"

MS MELLIFONT: Can I show you, please, a statement in relation to Gary Loble, dated the 13th of October 2011? Is that a statement you've prepared?-- Yes.

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I tender that.

COMMISSIONER: 878.

ADMITTED AND MARKED "EXHIBIT 878"

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MS MELLIFONT: Can I show you, please, a statement in relation to Dennis ward, dated the 28th of September 2011? Is that a statement you prepared?-- Yes

I tender that statement.

COMMISSIONER: 879.

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ADMITTED AND MARKED "EXHIBIT 879"

MS MELLIFONT: Can I ask you why AAMI decided to rely on Insurance Council Australia's Regional Hydrology reports rather than commission its own regional hydrology reports?-- Yes. At the time I guess we weren't sure, as a company, the amount of claims we were going to get. Certainly when - when Toowoomba hit, and obviously then Brisbane and Ipswich, we knew we were going to get a lot of claims because what we've called - what we've got is called RIFA, risk enforced data, so we knew the number of policyholders that we have got in the area so we were sort of speculating how much - how many claims we'd get. In conjunction with that, the ICA had commissioned a panel of hydrologists and we had also held discussions with the Ombudsman on the process that we would adopt to make our decisions, and I guess it was agreed that it wasn't unreasonable for us to use the area hydrology report at that time because of the demand for hydrologists I guess by the industry, that had we - had we have gone down the site-specific route for every claim it would take months, take a long time, so an unreasonable time frame to make a decision for the customer, so we - so we agreed a process internally, we shared that with the Ombudsman and it was agreed that we would - we would, I guess, follow the steps and form - where we had a declined decision, in all cases we spoke to the customer about that and then sent a letter but also talked to them about their right of appeal and the ADR - ADR process.

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All right. When did those discussions with the Financial Ombudsman occur?-- There was probably two - two discussions. One was around extending the Code of Practice time frames and then there was a second one where I had a meeting with Mr John Price. I'm not quite sure of the date but it was - I think it was in March. I haven't got the date, though. March/April.

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And in terms of the process you said you spoke with the Ombudsman about following, in reference to hydrology reports, was that in the earlier meeting or the March meeting?-- No, no, that was in the - that would have been the March meeting. The February meeting was purely letting the Ombudsman know that the Code of Practice time frames that we - you know, the 20 day, 10 day time frames that we were going to struggle to meet and so we advised them we were going to - you know, we wanted some flexibility on those time frames.

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So do I take it then that until AAMI commissioned its first site-specific hydrology report AAMI hadn't previously commissioned any hydrologists to look at any of the issues?-- In terms of the Queensland floods you mean?

Yes?-- We are - we would have commissioned the first site

probably after Emerald, which would have - I don't have the exact date but it was certainly - it would have been in January, 'cause Emerald flooded, I think it was late December, and then we would have had Rocky, Bundy, Theodore, those places.

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All right?-- So they were all in the sort of late December, early January period.

Assist me if you can with the chronology. Did you get the ICA hydrology reports before you started commissioning any site-specifics?-- No, we commissioned site-specifics before the area. Certainly for Central-----

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For Emerald?-- Certainly for Central Queensland, yes.

All right. What about for Brisbane? Ipswich, Toowoomba?-- We - we - we probably would have done on basis that the area report wouldn't have covered the risk address. I don't know for-----

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You don't know for sure?-- -----exactly but it's quite possible that we would have.

All right. Well, that's something that could be ascertained by you with time-----?-- Certainly, yes.

All right. Can you tell me whether or not when AAMI commissioned site-specific hydrology reports AAMI required the hydrologist to go out and actually inspect the property and speak with the customer?-- Yes.

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In all cases?-- In the majority of cases. There may have been, and again I don't know specifics, certainly any of the cases that I've looked at in preparation for today they were site-specific.

Yes, but actually - did AAMI actually require the hydrologist to go to the site?-- I believe so in most cases, yes.

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All right?-- Yep.

In those - in those cases where AAMI didn't require that, do you know the reasons for that?-- The - we would have had discussions with the hydrologist about, I guess, the instructions and the circumstances surrounding the claim, so it might have been a joint discussion and agreement between AAMI and the hydrologist that a desktop was all that was needed for this particular-----

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In what circumstances did AAMI consider that a desktop site-specific hydrology report would suffice rather than an actual inspection?-- Look, I'm not sure I can answer that question. I don't know what criteria would have been used to commission desktop versus physical site. We certainly did a lot more physical site inspections than desktop.

All right. So who was doing the commissioning within AAMI?



Who would know the answer to that?-- The AAMI flood team. So we set up a separate team to manage all of the AAMI claims and I put a manager in charge of that.

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Who was the manager?-- Peter Unwin.

"Peter"?-- Unwin.

U-N, what, W-I-N?-- Yes.

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Can I take you, please, to the statement in response to Mr Julian Chambers, which is Exhibit 843. I want to take you to paragraph 53. All right. All right. So that's coming up for you. You'll see at paragraph 53 you use the term "desktop site"-----?-- Yes.

-----"specific hydrology report"; do you see that?-- Yes.

All right. If I can ask you to look at annexure 13 and you will see there's an example of a desktop site-specific report. The very last annexure?-- Yep.

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Now, you will see that that is a report by a hydrologists firm WRM Water and Environment dated the 8th of August 2011; correct?-- Yes.

All right. So if you can have a look, please, at the first paragraph and the second sentence. You will see it says, "As requested we have not undertaken a site inspection of the report property or spoken directly to the insured"?-- Yep.

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All right. Do you know the circumstances in which those instructions were given?-- So this is a - this is a hydrology that was commissioned post-decline. So, in other words, we have - the claims people have already made their decision on the claim and, as I understand, this was commissioned in August, so - so the customer has been on - as I mentioned before, there was a process where we explained to the customer at the time you made the decision, claim decision, the right of appeal and the right of - and their rights were to go to our internal dispute resolution or directly to the Ombudsman FOS, and so this looks like it's been commissioned after we had made our decision and at the - and perhaps required to - by - at our IDR level or at FOS.

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Right. So you think this is not at internal review level?-- This is not - we have already made - the claims department have already made the decision-----

Yes?-- -----and so the customer, it would appear, has exercised their right of appeal-----

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Yes?-- -----and-----

So can I just clarify for AAMI. Is it a three-step process? That is, initial decision, internal review, then FOS, or is it initial decision, then FOS?-- It can - it actually could be both. But what - if they go directly to FOS without it first

going through the IDR process, what FOS will do is tell us to go through the IDR process and have an independent review internally and form a decision-----

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Mmm?-- -----and then they will - and if the customer is still unhappy with that - if the decision is maintained and the customer is still unhappy then they can go to FOS.

All right. So at what stage of the process are you suggesting this report kicked in? This request for a report kicked in?-- Yeah, look, I did speak to my manager I mentioned before, Peter Unwin, about this one and he said it was done at ADR level so - which is the FOS level.

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At the FOS level?-- Yeah.

But, from what I understand, the FOS would have required you to do your internal review in any event; is that right? Have I got that right?-- Is - if there is a final decision, if there is a final decision letter on this file - so there was a final decision letter, it looks, on the 14th of June, so that would have been our IDR, internal dispute resolution process, and, as I understand it, the decision was maintained and then they went to FOS.

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Well, could I start with this: why wouldn't a site-specific report be undertaken as a part of the internal review process?-- Again I'm advised by the IDR that when they looked at this particular claim that they formed the same view that on the balance of probabilities the information suggested a decline and supported the decline.

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All right. So for AAMI's part, if the internal review process people came to the view that on the material they had on the balance of probabilities it should be declined, that's what would happen without at that stage engaging a site-specific hydrology report?-- They have the option of commissioning one if they felt that it was warranted but I believe in this particular case they didn't believe it was warranted and therefore maintained the decision.

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Okay.

COMMISSIONER: So essentially does an internal review just consist of a different group of people looking at the same material?-- Correct. Independent of the claims process.

Yes, all right, thanks.

MS MELLIFONT: All right. Now, just coming back to the sentence, "As requested we have not undertaken a site inspection of the property or spoken directly to the insured," do you expect only to see that kind of statement in respect of matters which are with FOS post-internal review, or was it the case that AAMI was giving those types of instructions with respect to internal review as well?-- Sorry, I'm not clear on the question.

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All right. You see from the letter, "As requested we have not

undertaken a site inspection of the property or spoken directly to the insured". In what circumstances were AAMI requesting the hydrologist they engaged not to undertake a site inspection of the property or speak directly to the insured?-- Yeah, I'm not sure I can answer that question as I'm not - I wasn't privy to the instructions at this particular letter so - so-----

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Yes, but generally are you aware of the circumstances in which AAMI was telling your hydrologists, "Don't go to the property, don't speak to the insured"?-- I would be working on the assumption that they could make - that the hydrology examination of the rainfall patterns and the available information on the water levels would have been sufficient to make a call on the height of the water and likely inundation.

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Are you speculating about that?-- Yes. Yes.

All right. And in terms of who gave the instruction, Peter Unwin's our person, is he?-- No, this one was done at ADR level, I believe, so it was outside the claims area.

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All right. So who is in charge of that area?-- I think it's Jane Perez-----

Or at least their position-----?-- -----Chris Cunnington.

"Chris"?-- I think it's Chris Cunnington or Jane Perez, one of those.

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Or?-- Jane Perez.

Jane Perez?-- Yeah.

What's their title?-- Executive Manager External Dispute Resolution.

Do you know how commonly desktop site-specific hydrologists' reports were used in comparison to inspection-specific - site-specific hydrology?-- Again, when speaking with the AAMI flood team and the manager by and large they were all physical site inspections and that was one of the reasons why, I guess, there are delays, because they've got to physically travel to the site, inspect damage, speak to the customer and then report back.

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Do you know whether any of Suncorp groups, other insurers relied on desktop site-specific hydrology reports rather than inspection hydrology reports?-- Any other members of the Suncorp group?

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Yeah?-- Well, all the other brands cover flood.

Right?-- Other than where it probably came into my area of investigations but all the other brands that we manage in the Queensland Event Recovery Team all covered flood and hydrology was not required.

All right, thank you. Now, I want to take you to Annexure 9 of your general AAMI statement. I'll bring it up to you. Just give us a minute and we'll flag relevant documents. What I'm going to take you to is, as I said, Annexure 9. Now you enclose a copy of all AAMI's final decision letters and I'm going to take you specifically to two letters in particular, one is dated the 3rd of May 2011 and the second is the 9th of May 2011, and while they're being found I'll tell you why I'm drawing your attention to them. So, you have the letter of 3 May 2011 and the second letter of 9 May 2011? I'll give you an opportunity to read them, but it might help you to know what I'm going to draw your attention to so you know what I'm looking for. It appears - these letters appear to be claims to client in circumstances where there's no reference to any hydrology report, whether regional, desktop site-specific or inspection site-specific. So, I want to know if I would be correct in assuming that the claims were decided on the basis of information which did not include any kind of hydrology report?-- Without the reference to it, there would have been, I guess, claims where we use, for example, the BOM rainfall data, and other information. I can't tell specifically from these letters the information that was used to form the decision, but whatever information was actually available at the time to make that decision. As I said before, if that information supported the decision on the balance of probabilities, then we would have made that decision.

Right. If a hydrology report of any character had been taken into account in making the decision, would we expect to see reference to that in the decision letters, such as the decisions of 3 May and 9 May?-- Yes, you would have.

Okay?-- Yes.

Now, given that there is no such reference to a hydrology report, can we safely assume that in deciding those particular claims, hydrology reports probably weren't relied upon?-- Correct.

And so do I take it then from your answer that, in some cases, you would rely on your assessor's report, your client information, such as AAMI decided to accept such of it as AAMI decided to accept, and BOM data as to rainfall?-- Yes.

All right. And nothing further?-- Well, as I said, every single claim was examined on its merits. So, if there was other information from the photographs or video, we would have used that. We may not have necessarily referred to it in the letter, but we would have used it in the decision.

Are you talking about photographs or video from the client, for example?-- Yes.

Or that the assessor took?-- Yeah, well - well, generally photographs of the assessor, but there were cases where customers provided us with video footage, and we used that to help us make the decision.

And how did AAMI treat BOM data as being determinative or relevant to the assessment of the claim?-- I guess they would have looked at rainfall data, rainfall patterns around the date of loss.

I guess I'll have to get you to be more specific about it. In what way did you determine for a particular location whether a claim should be accepted or rejected based on BOM data in the absence of hydrology?-- Well, if the BOM data - again, if the BOM data showed there was no rain and the place was flooded, then you would probably work on the assumption that it wasn't stormwater run off.

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And what if the flipside were correct; that is, that it showed there was rainfall?-- Well, again, that would then lend itself to a level doubt that we would require to investigate. So, if there's information there that doesn't give us the level of comfort that we're making the right decision, we'll investigate.

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All right. So, you wouldn't expect in the case where the BOM data showed rainfall for that area that you would rely purely on BOM data without, for example, going further to at least a generalised hydrology report?-- Yes, that was the general process that we wanted to put in place.

Did you put it in place?-- Sorry, that we put in place that - yes.

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All right. Is there any reason that you would not refer to specific information to which you had reference in declining a claim in the letter?-- No, look - and I know that, for example, we provided the - on most occasions, we provided the assessor's report to the customer but didn't necessarily refer to that in the letter.

Why not?-- I suppose it was attached.

All right?-- See, the - I guess the hydrology, in most cases - site or area - was what we were provided and referred to in the decision.

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All right. Again with reference to those letters of 3 and 9 May - give yourself the opportunity to read them when you need to - the letters on their face appear to indicate that the claims were denied based upon, at least in part, geography; that is, the fact that the property was located near a creek or a river, as the case may be; is that right?-- Well, Jericho was - I think that's around Emerald - so there was information we were getting out of Emerald, and I'd have to look at the specific claim to be able to properly answer that question, but I know that there was information that we were getting out of Emerald that would probably have lent us to make a decision on that, but I can't tell you specifically what that is.

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So, based on proximity to the creek or river?-- Yes, there

would have been information.

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And can I ask you whether a claim would be denied based purely on proximity to the river, or did you require additional information such as lack of rainfall?-- The information that we would have used - assessor's report - if you're referring to these in particular - but generally it's assessor's report, area-specific hydrology, mapping, we used BOM data, we used video evidence, photographs. Again, it was whatever information was readily available at the time and that could be provided to us to make a decision.

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All right. Let me be a bit more specific and I apologise for the last nonspecific question. I'm thinking about a situation where you've got no hydrology report, no BOM data; would the pure fact of proximity to a river be sufficient for AAMI to decline a claim?-- Look, if it's a scenario, I would suggest we would want to do a little bit more work on that one.

All right. So that's something again that you're speculating? You don't know whether it did, in fact, happen or not?-- Specifically I don't know whether that happened, no.

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I want to now turn to some questions which relate both to Suncorp and to AAMI. Now, in your general AAMI statement and in the general Suncorp statement, you say that, "In circumstances where a claim is accepted during the claims management process, a large number of documents such as scope of works, engineer reports, invoices and reports from the project manager may be generated.", and you state that Suncorp and AAMI do not provide those documents to customers, and you go on to say in respect of AAMI and Suncorp, "In circumstances where a claim is declined or where cover had been confirmed but any element of a claim has been declined, AAMI provides a copy of the assessor's report and/or site-specific hydrology reports, but in contrast Suncorp provide a summary or extract of any report Suncorp relies on." Can I ask why there's the difference of approach?-- I'd say that's more legacy.

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Say again?-- I'd say that's more legacy of how each of the brands managed, I guess, their claims. Leading up to the floods - and we're now in that position - all of the claims are managed using the same process, so we've put in a new claim system and everything is now managed the same way. So, the differences, I would suggest, would probably be as a part of legacy and that's the way the brands managed their particular claims.

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All right. And can I ask you with - as things progress, is AAMI becoming more like Suncorp or Suncorp more like AAMI, or is it a moulding of the two?-- We've picked the best of both.

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Right. So in this particular context, are we moving to a situation where there will be provision of the assessor's reports and site-specific hydrology reports or the current Suncorp approach of the extract?-- Well, Suncorp don't need a hydrology, because it covers flood.

Yes?-- So, if it's a decline based on an assessment report, you know, we would take an extract of that assessment report. I'm not sure - I mean, a customer is entitled to it if they want to read it, but we try to pick out the relevant points of the assessment report that relate to the decline or partial decline.

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All right. I'll just come back to my question: the coverage that AAMI offers now post-flood, are we still in the situation of the legacy-type policy or has that moved into Suncorp's type-----?-- The claim process - the back-end claim process is now consistent across mass-market brands.

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Okay. Do AAMI and Suncorp now offer the same kind of flood cover?-----

COMMISSIONER: You're talking about two different things, aren't you?

WITNESS: They're two different things, yeah.

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COMMISSIONER: Mr Higgins is saying that processing of claims is uniform, but not the coverage. They're two different concepts.

MS MELLIFONT: Yes, I understand that. My question is directed to this: that in respect of Suncorp, the reason for giving extracts has been related to the fact that the policy itself covers flood, whereas, for AAMI, you didn't cover flood in all circumstances. So I'm trying to find out what the current situation is in respect of AAMI coverage. Are we still dealing with an old situation where we're dealing with the old type of flood coverage, in which case the reason for providing the full assessment report and full hydrology reports-----

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COMMISSIONER: Well, if the cover hasn't changed, have you changed the process?-- No, your Honour, it hasn't, and within the next six months, we are looking at that, but the claim process is now consistent. When you make a reference to a decline letter and what you provide with that letter I believe is now consistent.

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MS MELLIFONT: All right. Now, at the time of the floods, whether claims were accepted or denied for Suncorp, were customers advised that they could get full copies of reports where they did exist, or are we simply dealing with a situation where you didn't have reports for Suncorp?-- Look, the customer's main objective is to get their house repaired and in Suncorp, you know, we had 11,000 claims and \$750 million worth spent or will be spending on repairing them, so they're not necessarily worried about the documents that go to support the rebuilding of their home. They may get a contract of repair - in fact, they do get a contract of repair, because that's a contractual agreement between the builder and the customer. They wouldn't necessarily - well, they wouldn't get an assessment report unless they asked for it, and our experience is they rarely ask for it if they're getting their

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house rebuilt-----

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Sorry, just to cut you short, are we dealing with a situation where my question really didn't matter to the reality of the situation; that is, people were getting their Suncorp claims accepted, so, therefore, they weren't concerned with getting copies of hydrology reports or site assessment hydrology reports because there really weren't going to be any?-- Well, we didn't commission any for Suncorp.

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All right, thank you. Now, you spoke earlier about your - about Suncorp meeting with FOS in terms of extending out the timeframes under the code, so that we know that the insurance code generally requires that in section 3.2.3 that insurers will keep insureds informed of the progress of their claim within 20 business days?-- 20, yes.

And as a consequence of those discussions with the Ombudsman, that was extended out to 40 days?-- Yes. So, there's a number of timeframes. "Keep the customer informed every 20", went to 40, "appoint an assessor" I think it was in five, moved to 10, "make a decision within 10", moved to 20, so there was effectively doubling of the timeframes, because we just knew we were going to be under pressure. You know, after Yasi hit, we had 28,000 claims. All of Queensland was under repair. So, we were hit with the largest volume in Queensland in terms of claims that was ever experienced, so we just knew we were not going to make those timeframes.

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So, the timeframe was extended out for AAMI and for Suncorp?-- Yes.

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And so, for example, taking the 40 day update on progress of the claim timeframe, did AAMI and/or Suncorp put in place a means to tell the clients that?-- Yeah, look, we did. We told the customers - we tried to manage their expectations; in fact, what we tried to do internally was try to make BAU as much as possible - which is business as usual. We tried to meet the core timeframes, but the most important thing in our experience during events: communication with the customer, but also managing their expectations, and not overpromising. So, you know, we didn't want to promise 10 days when we knew we couldn't meet it. So, after we got the - after we had the discussions with FOS on the timeframes, we were having those discussions with customers about extended timeframes and, in some cases, it was difficult to say - particularly, for example, with an assessor - when an assessor would actually be at your property, but, yeah, over the four events, we managed to do the majority of the assessment within eight weeks - which I guess, was the 40 business days - but we did try to manage - so, we assessed the majority of claims across the four events within eight weeks, so it was about 95 per cent of the claims within eight weeks.

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What I was directing my question to was whether, having the agreed extended time frame up to 40 days, there was a process by which AAMI and Suncorp customers were told, "Look, we've had to extend out the timeframes. It may be up to 40 days



before you hear something about the progress of your claim." Was that done as a uniform process or was it rather an ad hoc process of customer to customer?-- So - yes, well, we would have communicated those code timeframes to the Queensland Event Team, and then they would have had those discussions with the customer on an individual basis.

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All right. And-----?-- And then within the claim system you have what's called an activity or a diaral system, so you can put in a date - like a bring-up date, so-----

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You say they would have. Is that something you know or again something you're presuming they did?-- I didn't necessarily check up on all of the conversations that they had with customers to see whether that was, in fact, said on all occasions. I mean, I did speak with the managers at the time and, you know, it's a long time and customers weren't necessarily happy with that, but we were trying to be as honest as possible with them, but at the same time trying to push through the volume of work so that we didn't have to be in that space for too long.

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The Commission has heard or received some information in terms of customers - not specifically from Suncorp or AAMI - receiving updates or basic information by means of texts?-- Yep.

Did Suncorp or AAMI adopt that kind of process?-- Yes, Suncorp and - sorry, we've been doing the text messaging for the last two or three years after lodgement, so when you lodge your claim you will get a text just with the claim number and basic details. What we did in the Event team is we introduced that during the claim. So, we took the technology, and as we were calling customers - and in some cases we didn't get them and got a message bank - we would send an SMS to say, "We've tried to call you.", or, "We have called you and you need to fax your quote or information to this number.", and so kind of very basic, and over, I guess - so, we introduced that - I think it was maybe late April, and we would have sent over a thousand out over a period of some months. I guess it was important to - and every call we have is to make sure, I guess, we understand how the customer wants us to communicate with them as well.

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And you do say in paragraph 206 of your general AAMI statement and 177 of your general Suncorp statement that Suncorp and AAMI informed customers of the revised timeframes. Just so I understand your evidence correctly, was that in the context of when there was individual contact between the insurer and the insured, or as a result of a bulk mail-out or text-out or-----?-- No, it was individual. We didn't do bulk texts to say, "The codes or timeframes have now changed." It was at the time of call.

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So some may have been missed?-- Yes. Oh, yes.

In fact, you would expect that-----?-- With 28,000 customers, yes.

I want to ask you about the process for managing suspected fraudulent claims. Was there a particular process put in place by Suncorp or AAMI where there was a suspicion that the damage being claimed by the customer may not be entirely as a result of the flood or storm damage?-- There wasn't any - there wasn't any particular process. In the fraud investigation team, which I head up, there's a number of processes, both system and hotlines and manual referral processes, that would have been engaged during the floods and, in fact, we got our investigators to the Queensland Event Team and did presentations to them on what to look for in terms of fraud and what to look for and how to deal with it and how to refer it. So, we would have used the existing processes at the time. So, some of them were automated rules that are built into the system and other ones are manual referral processes, and then we run a hotline as well.

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All right. So, you go into the normal process by which there is suspicion in respect of a claim being made?-- Correct - save for the fact, as I said, education is the biggest thing and awareness is the biggest thing, so it is important that all the people in the event recovery team were properly educated in fraud triggers.

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Right. And in such cases, that might involve further assessment and investigation in the ordinary claim?-- Yes, that's correct.

Can I take you, please, to paragraph 99 of your general AAMI statement, paragraph 98 of your general Suncorp statement which sets out the reasons and percentages of claims under \$10,000 which are still active. What I want to ask you is that the percentages for AAMI and Suncorp appear to be identical across both statements?-- Sorry, which paragraph are you referring to?

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Ninety-nine of the AAMI statement and 98 of the Suncorp statement?-- Yes. So, they're claims that have been assessed.

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Yes, and you will see that when you compare paragraph 98 with 99, they match. Is that a fluke or do you think there may have been an error?-- No, what we're saying there is that we undertook an exercise to understand why - we had about 3,000 claims of the 28 that are still in that under 10 bracket across those brands that weren't moving; so, in other words, there's been no activity and we just want to settle and close those claims, so I got the guys to undertake an exercise to say, "Well, can we understand why aren't these claims moving, considering we've done such a - I guess, an extensive advertising campaign for those claims in the under 10 bracket?" So, "If it's up to 2,000, just send us your quote." "Two to five, get it fixed, send us the invoice." So, that is the - they would have done that assessment across all of the brands they were responsible for, so that's why that data is the same.

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All right. So, really that data applies to AAMI and Suncorp?-- AAMI, Suncorp, ABA, GIO.

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All right, thank you. I'll just have my pages back, thanks. Can I take you, please, to paragraph 135 of the general Suncorp statement that's coming up? Now, you'll see that you mention that it was generally not necessary to carry out site assessments or inspections to determine cover, and as you outlined above, assessments were undertaken in claims classified as "major loss and assessment required". Can you give us a sense of what a claim needs to be to fall into that category?-- Sorry, is this a paragraph on 136.

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135 of Suncorp?-- Sorry.

It's up on the screen, actually. It might be easier?-----

COMMISSIONER: Well, major loss is described in 133. Do you need that expanded on?

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WITNESS: This is - yeah, this is the Suncorp response.

MS MELLIFONT: All right?-- So in our claim system, we do categorise, as your Honour said, in relation to 33.

All right. And in so far as the assessments were undertaken for those particular claims as classified, can I ask you whether there are any other reasons which required assessments to be undertaken?-- In - I guess when you look at our normal claims system, there's built - there's rules built into the system that determine when a claim needs to be assessed and a claim doesn't need to be assessed, and if you look at our - our general claim operation, the average claim costs us around \$3,000, so it's glasses, it's computer, it can be glass, so you don't necessarily need to assess that damage, you just tell the customer to go to OPSM or their computer store to get a repair. So - and any damage under, say, \$1,500 is patch and paint. You don't need to send an assessor out to look at that, you just send a builder out to fix it, so it's - yeah-----

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It's a quantum-based type thing?-- Yeah, yeah.

I'll take you to paragraph 153. Now, you speak about - this is in the context of restricted access to flood areas and that a related issue was delays or experience in being able to arrange inspections because the customer was not available. I just want to know whether, to your knowledge, any inspections occurred without either a prior arrangement being made with the customer or a customer's agent or authorised representative?-- We try to assess every claim to ensure the customer is there. There would be the very, very odd occasion where the customer said, "No, but, I can arrange for a representative.", and it could an agent to be there - like a landlord to be there with the keys - but it's important for us for the customer to either be there or authorise us to be there in some other fashion.

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So, without the customer being there or giving authority , it wouldn't happen?-- We would not do it without someone being there, yes.

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I want to ask you about telephone recordings of claims. Now, most of the claims were lodged by telephone?-- Yes.

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And I should say that I'm now dealing with Suncorp specifically?-- Yep.

Okay. Now, Suncorp doesn't recall telephone calls either at the time of lodgement or during the management of the claim; is that correct?-- That's correct, yeah.

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And calls only start to get recorded if there's suspicion of irregularity?-- Yeah, property nature, yep, so investigations.

Yes?-- Investigations.

So, a potential fraudulent claim?-- Potential fraud, yes.

Are there other types of irregularities in which Suncorp - in respect of which Suncorp would start to record claims?-- The capacity to record is within my Investigations team, so to my knowledge the - certainly Investigations, we do it, because - because of its probative nature.

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So, you have capacity within Investigations to record, but elsewhere within Suncorp there's not such a capacity?-- I'm not sure whether - I don't believe there is. We certainly don't do it. I am not sure about capacity to do it.

All right. Is there a reason that Suncorp doesn't record telephone calls made at the time of lodgement or during the management of the claim?-- Look, I guess our experience has been that we have never had any material controversy in terms of what's been said at the time of the call other than investigations, so it's probative in nature, so we get 3 million calls a year. It becomes a cost and logistical issue, I guess, to record that in terms of recording it, but then for how long, but we have never had - there's never really been a certain - material need to do that, I guess.

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All right. So, you're not - when you speak of the statistic of 3 million calls a year, are you speaking across the Suncorp group or-----?-- PI, personal insurance.

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Right?-- So that wouldn't include necessarily commercial or any of our statutory lines.

But not just Suncorp?-- No, sorry, across the brands, yep, across the personal insurance brands, yep.

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3 million across the brands?-- Yes.

And so it's been Suncorp brands' experience that what was said during the conversations hasn't become an issue which would have required telephone calls to be recorded?-- No.

Is that correct?-- Other than investigations and, you know, predominantly motor. So-----

And predominately?-- Motor investigations.

Okay. I want to turn now to some AAMI specific questions, please, and the issue about emergency accommodation. So, I am going to start with your statement in response to Mr Chambers and annexure 2. Now, I will take you, please, to the notes recorded for the 13th of January 2011 and you will see at about line 12-----?-- Mmm-hmm.

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Or at line 12 you see the words "Referred to TSO". What's that?-- That's a Technical Service Officer.

"Rachael Hogden who auth", authorised?-- That's what I assume.

"For emergency accommodation". Can I take you then over the page at line 21, "Please organise accommodation once IO calls back." "IO" is?-- Insured owner, I think it is, the customer.

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Would you agree from these notes it appears at this point in time that AAMI was indicating to the customer agreeance with the request for emergency accommodation?-- Yes, on the basis of what the customer told them, yep.

All right. Can I take you, then, please to the note for the 14th of January 2011 at line 51?-- Yep.

Where we have got, "Insured owner has been previously offered accommodation. As this claim is likely to be considered flood, no policy benefits are to be authorised on this claim until assessed. If insured owner calls back, we need to explain to insured owner that at this stage claim has not been accepted and nil benefits can be extended at this time." So, that tends to indicate a reversal, as it were, of the indication to be given to the client. You'd agree with that?-- Yeah. It's indicating that probably the initial conversation regarding temporary accommodation, based on, I think, the customer said storm, due to the storm, so temporary accommodation - the policy would have responded to storm in terms of temporary accommodation.

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All right?-- So, I think later on they talk about - I think she mentions a river. Yes, so on the 13th, I guess, she mentions that she lives on the river. So, I guess when the client manager has read the notes-----

Can I just - sorry, can you just give me the line reference-----?-- Oh, I beg your pardon.

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-----to the river?-- If you look at line 8.

Looking at that file note, though, that reference to the river by the insured appears to be prior to the indication to her for authorisation for emergency accommodation; would you accept that?-- Yes. So, those - yes, sorry, yes.

Okay. All right. Now, I want to take you to annexure 2 to the statement in response to Mr Laszlo. I will take you through the documents, but with the point of demonstrating the same problem seems to have occurred. 11th of January at line 5, the note records that, "Mr Laszlo requested emergency accommodation as the house was not liveable.", and if you have a look at the entries which immediately follow that, it appears to be some arrangements being made by AAMI to find suitable accommodation. Is that a fair reading of those notes?-- I don't have Laszlo-----

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You don't have that?-- I don't have Laszlo in front of me, but I have read Laszlo and - yeah.

We will get it up to you so you can have a look. It's annexure 2 and the entry is-----?-- Which line?

-----11th January 2011 from line 5?-- "Request emergency accommodation", yeah.

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And at page 57 down the bottom?-- Yes, got that.

Have you got that?-- Mmm.

All right. So, it appears to be indication that AAMI's making some arrangements to find suitable accommodation in response to the emergency request?-- Yes, and again on line 1 it indicates that the customer's rung up about a storm-----

Yes?-- -----which would suggest the policy responds.

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All right. Now, I take you, please, to 14th of January at line 74. Have you got that?-- Yes.

All right. So, "Insured has been previously offered accommodation. As his claim is likely to be"-----?-- "Considered".

-----"considered flood, no policy benefits are to be authorised on this claim until assessed. If IO calls back requesting to utilise policy benefits, please explain to IO that claim has not been accepted at this stage. Nil benefits available at this time." So, again, we have the situation of couple of days later AAMI saying - giving an indication - or the request for the indication to be given to the client that there wouldn't be emergency accommodation?-- Yes, so it's have the conversation with flood.

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Yes?-- Yep.

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All right. And you can look at this if you want to confirm this, but there appears to be nothing in those file notes as between the 11th of January '11 at line 5 and 14 January line 74 that refers to river rather than, for example, storm?-- Yeah.

All right. So, we have got - tell me if you disagree, but we have got a couple of good examples here where there appears to

be incorrect information being given out to people who were seeking emergency accommodation only to be reversed a day or two later. Would you agree with that as a fair synopsis of what these two-----?-- They - the conversation would have been around at the time of the call. So, yes is your answer, around providing emergency accommodation, based on what the customer's told the call centre operator. 1

Yes. All right. But in the first one for Mr Chambers, they mention it was a river and then told - they're given the indication they will get emergency accommodation?-- The dates would suggest that, yes. 10

All right. Now, obviously I have only referred you to two examples here, but in your experience were there more examples of when - of information being given to insured people who made requests for emergency accommodation, indications given to them in the first call, "Yes, AAMI could assist.", only to be reversed a day or two later?-- Other than looking at these, I haven't taken any action to look at any other claims in terms of what was said at the time of lodgement so I can't say whether there are other claims that - where that has been said. Suffice to say that looking at these dates, they were all - looks like they were taken from the Melbourne call centre because the Brisbane call centre had been evacuated. So - and I guess at this time the message was, as I said earlier in my evidence, we wanted to assess every single AAMI claim and to do that we lodged - we had to lodge it as storm so that we could send the assessor, so the critical information that we had to get to the customer was, "Lodge your claim, we don't know yet whether you're going to be covered, but lodge your claim so that we can assess." That was the message we gave out----- 20 30

All right?-- -----to - yep.

How was that message communicated to the people who were on the phones responding to people's requests? Was there a written instruction?-- I believe there might have been a written instruction. We would - we would have - the event - the team involved would have made that call and then each - each individual executive manager is responsible for going back to their respective divisions and making sure that that message gets through----- 40

All right?-- -----to the call centre operators.

All right. So, you don't know presently for sure that there was a written instruction given to the people who were on the phones and if so what it was?-- At the time on these dates, I can't say, but I know there were instructions given on or about the 17th, 14th, 17th. 50

Of January?-- Of January, yes.

All right?-- So I think I have provided it in my statement.

Yes?-- Yes.



All right. Do you know whether AAMI or Suncorp has in light of knowledge gained in the 2011 floods instituted particular training or procedures in respect of instructions to call operators about emergency accommodation requests?-- Sorry, post flood or-----

Yes, in terms of, say, a reform if I can call it that?-- Other than on boarding training, so new staff coming on board, they would get trained on how to manage claims generally, but specifically to do with flood emergency accommodation, I - I can't say. I don't think between, I guess, January and now - there may have been.

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Well, from your perspective-----?-- I am not aware of it.

From your perspective, is today the first time you have had your attention brought specifically to the issues like we see with respect to Mr Laszlo and Mr Chambers with the emergency accommodation requests?-- I guess my day job is or was at the time of the floods head of investigations, so I was brought in to manage the event recovery, so I haven't - I don't necessarily get involved in the day-to-day or month to month operations of call centres. So, certainly when you - so, in answer to your question I haven't - I haven't seen that.

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So, whose section is that?-- The way we're - the way we're structured is by functional line, so you have Claims Assist, which manages all the call centres, then you have then all the functions, motor, home, investigations, that's the way we're structured.

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Let me shortcut. Who would be responsible for providing training to the call centre operators-----?-- That would be-----

-----about emergency accommodation requests?-- That would be the executive manager of Claims Assist.

Thank you. Now, in respect of both Mr Chambers and Mr Laszlo, the entries I took you to for the 14th of January 2011 both include the statement, "As this claim is likely to be considered flood, no policy benefits are to be authorised on this claim." Now, at that very early point in time, that is the 14th of January 2011, can you assist us with what information AAMI would have had to form that presumptive type view?-- I guess other than general knowledge in the AAMI business that most AAMI people can quote page 13, "Does not cover flood", so, it's - it's an uninsured event and, therefore, the benefits in an uninsured event don't apply.

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All right. Well, I understand that for Mr Chambers where you have got a reference to "river"?-- Yes.

But what about with Mr Laszlo? Are you able to assist us?-- Laszlo - the only thing I can sort of shed any light on is that that's the week when Brisbane was in shutdown and our - I guess our response was to try and manage not only the

Central Queensland floods but the tragedy in Toowoomba and Grantham as well as Brisbane/Ipswich and I guess focus on the critical claim things that need to take place. So, in Laszlo's case, I guess, lodging on the 11th, which I think was the Tuesday, I'm not sure whether - this one looks like taken by the Claims Assist New South Wales, whether they were aware at the time that Brisbane was flooding.

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All right. I am not sure that answers the wording in the file note which is, "As this claim is likely to be considered flood", so we're not dealing with a situation where there was particular focus on the essential aspects as you have-----?-- But that was on the 14th.

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Yes?-- So, by that stage we were - the water had receded and we were, I guess, catching our breath and bringing resources in and providing the information, "Guys, this is a what we're dealing with here."

I am still not sure it answers the question. I will repeat it and see how we go. It says, "As this claim is likely to be considered flood", so that's a presumption or presumptive view expressed on the 14th of January 2011. What information did AAMI have at that point in time to come to this presumptive view that it was likely to be considered flood?-- Well, as I said before, the message would have - the message would have been given by the Claims Assist managers to the call centre operators that there's going to be a lot of flood claims coming in, so this is the message that we need to give to the customers, we are going to assess every single claim and if an AAMI claim is lodged with these loss dates and these postcode ranges and, therefore, it fits in the definition of what we're dealing with, then we need to assess those claims. So, they were the key messages.

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But that's not what the note reflects. Doesn't it reflect, "We have got to assess it", it reflects "likely to be considered flood"?-- Yes, so that was a Friday so the Brisbane River had already receded then, and I guess they would have looked at the loss date of when the customer would have reported - when the damage occurred, and then the messaging from, I guess, by that stage we'd commissioned the event leadership team so there was messaging going out, I guess, daily to not only Claims Assist but other parts of the business on how we should be responding.

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So did that message include if you have got a claim in Brisbane?-- If the - with those loss dates-----

Let me - I better finish my question. If you have got a claim on the 11th of January 2011 then you can inform the presumptive view by the 14th of January 2011 that it's unlikely to be accepted?-- Again, if it's the loss date and the postcode, so they will be given postcode ranges as to if a claim fits with these characteristics, because the flood has occurred, we need to consider that - the flood aspect of that damage.

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And-----?-- So that message would have been given.

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The chain of messaging was from?-- Well, when - Central Queensland flooded - I think in my earlier statement we talk about the event response plan so we set up an ELT, an Event Leadership Team, and that was called on the 4th of January, I believe, or 2nd of January - 2nd of January. What that is a series of senior people in the claims and other areas getting together to make decisions on how the Suncorp group needs to respond and cover off on everything from messaging to policy to assessing to repair, access to issues, et cetera. So, with that forum, I guess we would have made calls on this is how we need to manage the AAMI claims.

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So, who was picking the postcodes at that stage in respect of which this kind of presumption was attached?-- Well, that will be done within our event coordinator, so that's a small team that monitors claims that are being lodged, and they take information from not only the BOM by the ICA and other areas to say this is - this is the catastrophe range of this event and so these are the postcodes that fit in that catastrophe range.

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All right. Just let me understand that then. So there was a selection of postcodes as at or at least by the 14th of January where this kind of presumption was going to apply and the information you had in respect of coming up with those postcode ranges were - was information from BOM; is that what you said?-- BOM's - well, the BOM is a part of it, but I guess a large part of it comes from my - our own internal sources, which we call RIF, our risk enforcers, so we know - we know where the damage is - has taken place from publicly available information as well as the ICA send a catastrophe code to all insurers and nominate the postcodes that apply to that catastrophe range.

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I understand you knew where there was water, but what information did you rely upon as early as 14th of January 2011 to determine which postcodes would fall into the category where the cause of inundation was outside policy? What did you have?-- What information did we rely upon?

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Yes?-- Our internal information.

Which is the stuff you have just mentioned?-- Yes. But it was important that we assessed every claim to make sure that it - either the policy responded or didn't respond.

COMMISSIONER: Was there actually discrimination between postcodes or did you just take every postcode where it was known that inundation had occurred and say, "Well, that could be flood."?-- Well, I guess the Toowoomba and Grantham area, that we probably excluded that because of the nature of the event. I guess the postcode is kind of like a catchall, but that's why it's important to assess the claim, to make sure that because of the amount of water - of the rain that was happening at the time that we-----

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Well, I understand you want to assess the claims, but you're at the starting point now where you are operating on a premise that we're not going to offer benefits until we have got this sorted out, and we will start from the premise that it's probably a flood. I am just wondering did you say, "Well, this is Narangba, so that specifically was an area that was flooded.", or did you just look at bits of Brisbane that got inundated and take all of them?-- I think Narangba - those areas that were on creeks that were linked into the Brisbane River would have been included in the catchall.

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All right.

MS MELLIFONT: All right. So, putting it very bluntly, everywhere that was wet outside the Toowoomba, Lockyer Valley, everywhere else that was wet-----

COMMISSIONER: And was on a river or a creek is the other thing you are saying, isn't it?-- Yep.

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MS MELLIFONT: Yes.

COMMISSIONER: Or near.

MS MELLIFONT: But there was a negligence at or around the 14th of January 2011 to decline?-- Not to decline to-----

No, no, to decline or at least postpone requests for emergency accommodation?-- The important - yes, so the important thing is that we have to make sure the policy responds. So, we can't necessarily pay outside the policy. So, to make sure - and that again was - that's what drove our decision to assess the claims and as quickly as we could.

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And so when were you able to start accepting emergency accommodation claims?-- As soon as we confirmed with the policy respondent.

So, when you got the generalised hydrology reports from the Insurance Council, when you got BOM data?-- Well, when we accepted the claim, so it could be - the assessor was out and says - and looks at it and it's one for acceptance because of the information or certainly there were claims late in the piece where after a hydrology report and on site it was accepted or partially accepted, so the benefits would have - at that point then said, "Well, your claim is now for acceptance, your benefits apply."

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Can I take you, please, to paragraph 10 of your statement of response to Chambers? Now, paragraph 10 responds to .1 of the requirement and I will need to refer to .1 which is at the - "Mr Chambers made a claim on his policy by phone on 11 January during which he explained inundation to his home. During the conversation AAMI representative advised him that she was 99 per cent certain he would be covered. He was advised that his policy would cover temporary accommodation costs and that an assessor would attend his home." Now, I am going to ask you to respond to the points made and to address any points of

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difference, in essence. So, can I preface it this way, by saying that this line of questioning is about the recordkeeping of AAMI. Your response at .1 is AAMI records show it was Mrs Chambers rather than Mr Chambers who made the claim on 12 January 2011 but para 21 of your statement - sorry, and again at paragraph 21 of your statement you have got a reference to the call having been made by Mrs Chambers. Now, what I want to do, please, is take you also to paragraph 22 where you refer to the fact that, "The claim notes do not record whether and if so what information was communicated by the call centre consultant, Ms Sampson, to Mrs Chambers on that day."

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Can you tell me whether AAMI has requirements for its staff to record by way of file note information given to a claimant when they ring up to make a claim?-- I - yeah, I believe there is recording - recording the information that we receive and provide.

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Is that - again, is that a belief based on actual knowledge or a presumption?-- Well, it's a belief based on the claim process that we have in place. I mean, my general knowledge of the claim process is that - that the conversation - or the notes regarding the conversation is recorded in the AAMI claim system.

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All right. So you would certainly expect, given what you ordinarily see in the course of your work, that records would be kept of telephone calls and advice given?-- Certainly the - yeah, certainly information, yeah-----

All right, but you can't speak to whether or not there's a formalised procedure in place?-- No, but I could find - I mean, if it's formalised I could-----

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You could find out?-----Find out quite easily, yeah.

All right. Can I take you, please, to paragraphs 60 to 64 of your response to Mr Laszlo? Now, these paragraphs deal with the internal review process requested by Mr Laszlo and which was conducted by one of your dispute resolution officers, Mr Robert Hazell, and we see at paragraph 60 the information that was available to Mr Hazell. So would we expect that that information was the same information that the original decisionmaker would have had as well? Would that be your general expectation?-- Yeah, it would be, yes.

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All right. Now, you can see within that there is a letter from Mr Laszlo to AAMI dated the 21st of March 2011?-- Mmm-hmm.

All right. And at para 64 you say you were - you are advised that Mr Hazell - excuse me for a second. Is it the case that Mr Hazell did not request the hydrology company to comment on Mr Laszlo's submission? Is that your understanding?-- Sorry, I cannot answer that, I don't know.

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You don't know?-- No.

All right.

COMMISSIONER: That was something you were asked, apparently. You didn't take any steps to find out?-- This is about the drain?

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Whether the hydrologist was asked to comment on what Mr Laszlo had provided. I just notice in paragraph 59 - below 59 you set out at 9.3, which is presumably the requirement to you, and that includes asking you whether a hydrologist was asked to comment on Mr Laszlo's submission.

MS MELLIFONT: I can take you, please, to paragraph 63 in that respect?-- Sorry, the question, I'm a bit-----

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All right. It seems on paragraph 63 that you were advised that the dispute resolution officer did not request WRM to comment on Mr Laszlo's submission?-- Yep.

All right. Does that accord with your current knowledge?-- Yes.

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And you state that Mr Hazell - or you were advised that the DRO considered this option but decided against it, taking into account those features at (a) and (b) of paragraphs 63. Firstly, can I ask you your source of knowledge. That is, was Mr Hazell telling you these things?-- Yes. So when - I guess when the request for information came through, particularly when it comes to the IDR, we would source that information from our IDR colleagues to respond to - to provide information and help us respond to that question.

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Did you ask Mr Hazell and did Mr Hazell tell you these things directly?-- I didn't have a direct conversation with him, no.

All right, so it's come through-----?-- Yes.

-----somebody else, third party?-- Yes.

Well, now, in respect of the first reason in your statement, "the evidence of the hydrologist as presented in WRM's report was strongly convincing, that is it was not equivocal". Now, we see at paragraphs 58 and 59 that Mr Hazell has a degree in economics and experience in general insurance. We can see that from paragraphs 58 and 59?-- Yep.

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You'd agree he doesn't have any expertise in hydrology?-- Yep.

All right. So, in those circumstances where you have a specific submission from a customer about cause of inundation, do you consider it appropriate for your dispute resolution officer to decide not to refer those considerations to your hydrologist for consideration?-- Look, I guess in answering that it's difficult to say what was going through the mind of the - the - Mr Hazell at the time, and whether or not, I guess, based on his experience and the information that he was presented with, whether he felt comfortable that the decision that was made at claim time was the correct one.

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All right, I'll ask the question again. You see, we have here your best endeavours, it would seem, in determining the state of mind of Mr Hazell. We see that at paragraphs 63(a) and (b). So my question is do you consider it appropriate for your internal dispute resolution officer not to refer a submission from Mr Laszlo about cause issues to your hydrologist?

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COMMISSIONER: And it's not just a submission, he provides rainfall charts and photographs of the drain. Why not get the

hydrologist to have a look at it?-- I accept it - a conversation with our hydrologist may have - may have been useful in that particular case. I guess we - the claims guys are independent of the internal dispute and so I can only say that we don't influence which way they look at a claim or a decision that's made, so, you know, in looking at it it might have been appropriate to speak to the hydrologist at the time.

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MS MELLIFONT: Do you know whether there is a protocol in place as to when a dispute resolution officer or, for that matter, a person in the initial stage of claims assessment, would refer specific issues raised by a customer relevant to cause to the hydrologist, is there a protocol?-- There's probably no written protocol but I know IDR certainly do have a lot of conversations with customers and others at the time of reviewing the claim. In this particular case, I'm sorry, I can't answer why they didn't----

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So-----?-- -----and there's no - I'm not aware of a protocol, a written protocol.

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So it seems to be in the hands of the IDR officer as to whether they think it's worth sending out to a hydrologist and if they don't think it's worth sending out they don't?-- Well, that's - I guess they - being independent of the process they - they're a customer appeal service so they - they would look at a claim, I guess, based on the evidence that we provide in support of our decision and they can also request any other additional evidence or information to help or assist them in looking at the claim.

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That doesn't answer my question. You've got information, specific information from a customer. Is it fair to say your experience is or the extent of your understanding is it just comes down to the individual dispute resolution officer as to whether they think it's worth sending out to the hydrologist to consider or not?-- It would be down to the individual IDR person, yes.

Do - are you able to assist as to whether time constraints relevant to the internal review process might impact on that type of decision?-- There are time frames under the code at IDR so, I guess - maybe 15 days - 10 days to respond that we've got it and then I'm not quite sure of the time frame but there is a time frame under the code where they must respond and provide a decision.

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But do you have actual knowledge as to whether or not those time frames play a part in the decision process for internal review as to whether or not to refer information out to a hydrologist for consideration? Do you actually know?-- Not direct knowledge, no.

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So who's in charge of internal review?-- Again there's an executive manager, his title Executive Manager, I think, IDR.

In fact, you see there at paragraph 63(b) that there was a wait of at least six to eight weeks on hydrologists' reports



and significant pressure to complete reviews within the time frame. So is it correct to say so far as the information was conveyed to you the time frames was something that was considered by Mr Hazell in his decision not to refer the client information out to hydrologists?-- Well, this one had a hydrology report already provided. Whether or not he wanted to get a subsequent one done-----

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Sorry, you understand we are talking about the client - the customer provided information and it wasn't given to the hydrologist for consideration, that's what I'm asking about, and that Mr Hazell's reason, as communicated to you through someone, was, "I didn't do that because the hydrologist's report was not equivocal and there were significant pressures to complete reviews within the time frame"?-- Well, certainly that's what he said, yes.

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Right. And that remains an accurate reflection of the information given to you as to Mr Hazell's reasons?-- Yes.

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I have nothing further, thank you.

COMMISSIONER: Ms Brasch, is there anything-----

MS BRASCH: No questions, thank you.

COMMISSIONER: Mr Porter?

MR PORTER: No questions, Commissioner.

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COMMISSIONER: Ms McLeod?

MS McLEOD: No questions, thank you.

COMMISSIONER: Mr Thompson.

MR THOMPSON: Thank you. Mr Higgins, you were asked some questions by Counsel Assisting about the criteria applied by AAMI in determining whether a claim fell within the policy or not. In making that determination was legal advice sought in respect of claims?-- Yes, it was.

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And was that the case in respect of each claim that was declined?-- Yes.

Was the decision in relation to declining claims one which was assessed by reference to some general criteria or was it a case by case assessment?-- It was definitely case by case assessment.

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Now, you made reference in response to questions from Counsel Assisting the Inquiry to the number of site-specific hydrology reports which were obtained in respect of AAMI claims and you mentioned two figures. Perhaps you could explain those figures?-- Yes. There was 100 - all-up there was 180 site-specific reports done of which 146 were done, I guess,

pre-decline, so in helping us make the decision, and there were 34 done at the IDR and predominantly ADR level. So 33 at the ADR level and I think one at the IDR level is the figures.

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All right. So that in some IDR cases, in that number of IDR cases there was reference to a site-specific hydrology report required by AAMI - required by the person deciding the IDR issue?-- Yep.

Now, in relation to regional hydrology reports you've made reference to the ICA report. Did AAMI, and you in particular, have any discussions with hydrologists other than those which were ultimately used for site-specific reports?-- Look, I - yes, I - I had discussions with one in particular, in fact two - two at around the time the ICA report was coming out to try and engage them to do site-specific for us and those discussions took place over three to five weeks and they ended up deciding not to work for us.

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And can you tell me who that was?-- WorleyParsons.

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And with one aspect of the WorleyParsons negotiations that they would have some regional hydrology information available to AAMI?-- Yes. Look, we felt that since they had released their report and they had done so much work in understanding, I guess, the flood that we could use - then use them to help us make our decisions.

All right. But, in any event, those discussions were unfruitful?-- Correct, yes.

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Now, you were taken to some correspondence by letter of the 3rd of May 2011 and another letter of the 9th of May 2011, being letters in which AAMI had declined cover, and it was pointed out to you that there was no reference in that correspondence to hydrology reports, for example. Were there cases where the customer, giving anecdotal accounts of the circumstances of the loss, identified that they were flood - riverine flood-related losses?-- I guess other than at the time the claim was lodged they would have told us the circumstances of the damage and then being evacuated from their homes.

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All right. In circumstances where, on the anecdotal evidence from the customer it was clear that it was riverine flood, in those circumstances did AAMI seek to get a site-specific hydrology report?-- No, we wouldn't have.

Now, you were also asked some questions about whether claims had been denied based purely upon - or solely upon proximity to rivers or other watercourses. Are you personally aware of any case where proximity to a river or creek was the sole basis for declining a claim?-- No.

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Now, you were taken to Mr Laszlo's material and your response to Mr Laszlo's statement. I just wonder, if it please the Commission, if I could ask to have annexure 2 to the Laszlo response, Exhibit 874, on the screen? I just wanted to direct

your attention, please, Mr Higgins, to that first page, which is on the screen now, and you will see about a third of the way down there's a reference to the customers' names and then immediately under that there's a "Nature Code ST" reference; do you see that?-- Yes.

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And the words "storm and rainwater" appear there. Are you able to assist us with an explanation for that particular entry as the initial - on the initial page of this report?-- Yes. Look, at the time, as I said in my earlier evidence, we wanted to assess every single AAMI claim, so we lodged it - two things. We lodged it as storm and rainwater but also if that's what the customer told us the cause of the damage was we would - that's the information we would have put in the claim system.

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All right-----

COMMISSIONER: Presumably you wanted to classify it as a form of insurance that was at least available under your policy and then determine whether-----?-- So we could-----

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-----in fact it applied. Storm and rainwater was it?-- Exactly.

MR THOMPSON: And then perhaps to further understand these notes, if we go forward two pages, if that could be done, please, to the very first line. Is that a reference to the same classification or is line 00001 a reference to what was communicated by the customer?-- Well, that would be a reference to the loss cause reported, so storm would have been the loss cause.

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All right. Now, can I take you forward then to line 00058? Is it the case in this specific example, and I'm not suggesting this is a generalised position, but is it the case in this specific example that Mr Laszlo had elected not to take up the accommodation offered in any event?-- Correct.

And that was before any reference to a reservation of the entitlement under the policy?-- Yeah.

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Sorry, you will just have to - I didn't-----?-- Yes.

Now, you were also asked some questions of examples where the customer had reported damage but AAMI had declined on the basis of area hydrology or other considerations, and you made reference to the incidence of rainfall. Was the incidence of rainfall in the particular area where the claim arose a consideration which was taken into account, that is the absence or presence of rainfall in that particular area?-- It would have been, yes.

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Now, in your general, what I will call, the statement of the 14th of September, which is not in response to questions from the Commission, which has been marked Exhibit 876, Mr Higgins, in paragraph 95 you give some references to the - in a table to the number of claims in respect of which - disputed claims

in respect of which there have been resolutions, do you see that in paragraph 95?-- Yes.

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Have you for the purposes of assisting the Commission updated that table, which is as at September, to provide an updated calculation - or an updated statement of what the present position is?-- Yes, I have.

With the Commission's leave I'd seek to tender that table.

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COMMISSIONER: Exhibit 880.

ADMITTED AND MARKED "EXHIBIT 880"

MR THOMPSON: That's the only questions I have, if it please the Commission.

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COMMISSIONER: Thanks. Anything further?

MS MELLIFONT: Very briefly, please. You were asked a question about circumstances in which a client might give anecdotal information that the inundation was by river and flood-related losses, is how the question was put to you. If AAMI received such anecdotal information from a client - a customer, would a claim been declined purely on the basis of that anecdotal information?-- No, we assessed every claim, so an assessor would have gone out to that claim as well, and that's the information we would have used.

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The information from the assessor?-- All the information. So whatever the customer says, whatever the assessment says, collectively together, we would have made our decision.

Can I confess to not hearing the first part of Mr Thompson's first question to you. He asked you about whether claims were - declined claims were on the basis of legal advice, I think?-- Correct.

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Was that - was every declined claim on the basis of legal advice?-- Yes, so - yes. The - the team that we set up included that.

So every single declined claim arising out of the Queensland floods had the input of lawyers?-- I believe so, yes.

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COMMISSIONER: You mean that in a general sense that you had legal advice that this was covered and that wasn't covered and you assessed against that or that every single claim had a lawyer look at it?-- Yeah, we had a couple of lawyers as part of the team.

All right.

MS MELLIFONT: I'm still not sure which of the two propositions-----

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COMMISSIONER: They had a couple of lawyers as part of the team. You mean every single claim had those lawyers-----?-- Yes so we-----

-----as part of the team looking at it?-- Yes.

MS MELLIFONT: And just in respect of the updated table that's just been just tendered, we have eight decisions pending for AAMI still now?-- Yes

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The reasons for those claims still being outstanding?-- Look, it's hard to say. They could be late lodgements.

They could be late lodgements?-- They could be.

Right?-- It's hard to say without looking at the claims themselves.

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All right. So you don't know?-- I don't know, no.

And you wouldn't know for Apia either, the reason?-- Well, there's none pending for Apia.

A-P-I-A one-----?-- Sorry, beg your pardon, there's one pending for Apia.

Do you know the reason for that one?-- No I don't.

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Right. Thank you. I have nothing further. Might Mr Higgins-----

COMMISSIONER: Thanks, Mr Higgins-----

MR THOMPSON: Can I just raise one matter? Sorry to do it at this stage.

COMMISSIONER: That's all right.

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MR THOMPSON: In relation to the submission of the 4th of April about which Mr Higgins was asked a number of questions, which is now Exhibit 875, when one goes to that submission and one sees that it incorporates by reference, and is stated to be a submission which should be read in conjunction with an earlier submission of the 11th of March-----

COMMISSIONER: Are you saying that should go in too?

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MR THOMPSON: We would like that to be tendered, if it's not inconvenient to the Commission.

COMMISSIONER: All right. Well, there's no difficulty about that, I imagine?

MS MELLIFONT: There's no issue. I don't have it right here-----

COMMISSIONER: No.

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MS MELLIFONT: -----but I will tender it in the course of the week, if that's convenient.

COMMISSIONER: Yes.

MR THOMPSON: Perfectly satisfactory, thank you.

COMMISSIONER: Thanks, Mr Higgins, you're excused.

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WITNESS EXCUSED

COMMISSIONER: Mr Doyle, I'm sorry, we just aren't doing the RACQ witness, pretty plainly. I don't know whether we can assist you with a time when it can happen.

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MS MELLIFONT: Friday.

COMMISSIONER: Friday.

MS MELLIFONT: Friday's the plan, if that's going to work.

MR DOYLE: Work in - I ask whether it's first thing Friday?

MS MELLIFONT: These are things outside my power, Madam Commissioner-----

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MR DOYLE: I personally proposed going away Friday night so if there's any chance of it going over I would have to make arrangements-----

MS MELLIFONT: I will try to exercise my influence-----

COMMISSIONER: All right. Can somebody get back to you and try and sort it out at a time convenient to you. Thanks.

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MS MELLIFONT: Thank you.

COMMISSIONER: We will adjourn until 10 o'clock tomorrow.

THE COMMISSION ADJOURNED AT 4.28 P.M. TILL 10.00 A.M. THE FOLLOWING DAY

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