

**IN THE MATTER OF  
THE QUEENSLAND DISTRICT FLOODS COMMISSION OF INQUIRY 2011**

**A COMMISSION OF INQUIRY UNDER  
THE COMMISSIONS OF INQUIRY ACT  
1950**

**AND PURSUANT TO THE  
COMMISSIONS OF INQUIRY ORDER  
(NO. 1) 2011**

**STATEMENT OF GARRY MICHAEL TOWNSEND**

On the 12<sup>th</sup> day of September 2011, I, **Garry Michael Townsend** say on oath as follows:

I am the Chief Operating Officer of Allianz Australia Insurance Ltd (**Allianz**).

I had management responsibility for the processing of claims relating to the Queensland floods in December 2010 and January 2011.

By letter dated 6 September 2011, the Commissioner of this Inquiry has required that a written statement be provided to the Commission on behalf of Allianz which addresses the 41 topics listed in that letter. Set out below is Allianz's response to each of those topics (***the Response***).

The information set out in the Response was compiled by employees and officers of Allianz who report to me.

The information contained in the Response is correct to the best of my knowledge and belief.

**RESPONSE**

**1. Please name the relevant home and/or contents policy or policies.**

At the time of the Queensland floods (December 2010 and January 2011), Allianz had a total of 84 household insurance products. A Product Disclosure Statement (PDS) for each product was in use as detailed in Attachment 1. The month and year that each PDS is dated is also set out in Attachment 1.

**2. Did more than one version of the policy or policies exist? If so:**

**2.1. Please identify each different version of the policy or policies by reference to the dates for which they subsisted as relevant policies.**

Customers with a policy current at the time of the relevant Queensland weather events would have either been covered under the terms of:

- the PDS for the relevant product set out in Attachment 1 (**current versions**); or

- under a previous version of a PDS for the relevant product, updated either by a Supplementary PDS, or by an endorsement in their Schedule so that the cover was the same or similar as provided in the current version of the PDS for that product.

For each product, the cover provided for damage caused by the relevant weather event would be on the same terms, except as indicated in 3.2 below.

**2.2. How did staff of Allianz identify the correct version of a policyholder's policy and ensure that the correct version of the policy was used in all dealings with a policyholder and his or her claim?**

The Allianz policy record system captures the specific product reference applicable to each policyholder's insurance contract. The policy wordings are located in a product catalogue which is easily accessed by our claims staff. As stated previously, the majority of Allianz products exclude coverage for Flood.

**3. For each version of the policy or policies:**

**3.1. What were the terms of cover relevant to damage caused by weather of the kind experienced at the time of the Queensland Floods? How were these terms defined?**

The terms of cover relevant to damage caused by weather of the kind at the time of the Queensland floods are listed below. For the purposes of this summary, if the terms of an individual policy match those of another, the policies have been grouped together. In this way, the 84 household insurance products in use during the period in question have been separated into nine groups. Attachment 1 contains the specific terms of cover for each product.

Group A PDSs:

**Storm, rainwater or run-off**

(Applicable whether you have buildings and/or contents cover)

We will pay for loss or damage caused by storm, rainwater or run-off.

**"storm"** means violent wind (including cyclones and tornadoes), thunderstorms and hail which may be accompanied by rain or snow.

**"rainwater"** means rain falling naturally from the sky onto the buildings and/or ground.

**"run-off"** means rainwater that has collected on or has flowed across normally dry ground or has overflowed from swimming pools or spas.

We will not pay for loss or damage:

a. caused by:

- flood, or

- flood water combined with run-off and/or rainwater;

**"flood"** means the inundation of normally dry land by water that has escaped or has been released from the normal confines of any natural watercourse, lake or lagoon whether or not altered or modified, or of any reservoir, canal or dam.

#### Group B PDSs:

This insurance will cover you if you suffer accidental loss or damage to your contents when they are contained in the buildings, unless we state otherwise.

This policy does not cover loss, liability, injury or damage:

1. caused by or arising from:

- flood, or
- flood water combined with run-off and/or rainwater;

**"flood"** means the inundation of normally dry land by water that has escaped or has been released from the normal confines of any natural watercourse, lake or lagoon whether or not altered or modified, or of any reservoir, canal or dam

#### Group C PDSs:

##### **Storm, rainwater or run-off**

(Applicable whether you have buildings and/or contents cover)

We will pay for loss or damage caused by storm, rainwater or run-off.

We will not pay for loss or damage:

a. caused by:

- flood, or
- flood water combined with run-off and/or rainwater;

#### Group D PDSs:

##### **Storm (including cyclone or hurricane) and/or rain, which may be accompanied by snow, sleet or hail**

You are insured against loss or damage caused directly by Storm (including cyclone or hurricane) and/or rain, which may be accompanied by snow, sleet or hail.

But not:

- Loss or damage caused by flood, which means the inundation of normally dry land by water escaping from any watercourse, lake, dam, canal or reservoir

#### Group E PDSs:

You are insured against loss or damage directly caused by storm, tempest, rainwater, wind, hail or tornado, cyclone; or hurricane, freeze or weight of snow.

This policy does not cover loss or damage resulting from or caused by:

- flood - 'flood' means the inundation of normally dry land by water escaping from any watercourse, lake, canal, dam or reservoir.

#### Group F PDSs:

We will cover your buildings and your contents for loss or damage from:

- **Storm, rainwater, hail or wind.** This includes storm, rainwater, hail or wind damage to gates, fences or walls that are entirely or partly at the situation. We will not cover storm, rainwater, hail or wind damage:
  - Where the water enters your buildings because of a structural defect, faulty design or faulty workmanship when your buildings were constructed; or
  - Where water enters your buildings through an opening made for any building renovation or repair work.

We will not cover loss or damage by flood.

Flood is the covering of normally dry land by water escaping or released from the normal confines of a watercourse or lake, whether or not it is altered or modified. Flood also includes water escaping from the confines of any reservoir, channel, canal or dam.

#### Group G PDSs:

We will cover your buildings and your contents for accidental loss or accidental damage. There is some loss or damage we will only cover under specific conditions.

This is accidental loss or accidental damage caused by:

- **Landslide or subsidence.** Cover only applies when the landslide or subsidence occurs within 72 hours of, and as a direct result of, one of the following:
  - Storm, tsunami, rainwater, hail, snow or wind;
  - Explosion;
  - Earthquake; or

- Liquid that escapes from a fixed pipe or something attached to a pipe, fixed gutter, fixed tank apparatus or a drain.

This cover also applies to gates, fences or retaining walls that are entirely or partly at the situation.

### **What we will not pay for**

We will not cover your buildings and your contents for any accidental loss or accidental damage caused by:

- Flood;

Flood is the covering of normally dry land by water escaping or released from the normal confines of a watercourse or lake, whether or not it is altered or modified. Flood also includes water escaping from the confines of any reservoir, channel, canal or dam.

### Group H PDSs:

We will indemnify You in respect of loss or damage caused by:

7. Storm but excluding loss or damage:

(a) by the sea, tidal wave, tsunami, high-water, Flood (except as provided under 8 following) erosion, subsidence or landslide

(b) to gates, fences and retaining walls over 15 years of age

(c) by water seeping or percolating through walls, roofs or floors.

8. Flood damage but not exceeding an amount equal to 5% of the Sum Insured on Contents.

### Group I PDSs:

We will indemnify You in respect of loss or damage caused by:

8. Storm but excluding loss or damage:

(a) by the sea, tidal wave, tsunami, high-water, Flood (except as provided under 9 following) erosion, subsidence or landslide

(b) to gates, fences and retaining walls over 15 years of age

(c) by water seeping or percolating through walls, roofs or floors.

9. Flood damage but not exceeding an amount equal to 5% of the Sum Insured on Contents.

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

In very limited circumstances, Allianz has agreed to provide cover for flood insurance on a case by case basis. Where this has been the case, it would be included in the policy schedule. In any such case, the definition of flood is unchanged from the relevant definition contained in the answer to question 3.1.

**3.3. What exclusions or conditions applied to a claim?**

The policy exclusions and conditions pertaining to the cover relevant to damage caused by weather of the kind at the time of the Queensland floods are described in our answer to question 3.1. Other exclusions and conditions are contained in the policy documents that have been supplied.

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

Allianz's obligations in processing and assessing claims are to settle claims in accordance with the Policy and handle these claims in accordance with the General Insurance Code of Practice (The Code).

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

Electronic copies of the policy wordings have been supplied as Attachment 2.

**Insurance claims**

**5. Did Allianz establish any special processes or procedures in order to manage claims handling?**

Yes. Allianz established a dedicated Catastrophe Response team and Queensland flood-related claims were managed by that team. We worked closely with our Loss Adjusting partners to ensure, as far as possible, that customers were contacted and arrangements made to inspect properties at the earliest opportunity - taking into consideration the vast number of claims that were received across the insurance industry. We relied upon area hydrology reports in the first instance as we were conscious of the significant delays that would be experienced by our customers if we were to await site specific reports for all claims lodged. As the majority of Allianz policies do not cover Flood, our Technical team was set-up to review area hydrology reports when they came to hand and compare the information with the information from our customer and the loss adjuster reports. If it was determined that the claim did not fall within the policy coverage, a dedicated team phoned our customers and advised them of our inability to accept their claim within the terms and conditions of their policy. The phone contact to our customer was confirmed in writing as per our standard denial process.

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

The Allianz Catastrophe Response Team was staffed by experienced Allianz Senior Claims Service Consultants who were responsible for assisting our customers at initial contact, reviewing incoming documentation and, together with our Technical Team, determining acceptance or denial of the individual claims. All of these staff were experienced in the Allianz policies, processes and procedures.

During this time we increased our property claims staffing levels by 30% - primarily through the recruitment of contract, temporary staff who were trained to manage our non-flood related claim portfolio.

As explained, our Queensland Flood claims management was centralised. As Allianz has an electronic claims management system we were not restricted to any geographic location to recruit the additional staff to support our non-flood portfolios. This allowed us to quickly ramp-up our staff numbers and, although not to our usual high service standard, minimised the delays for all of our customers nationally.

- 7. How could and did policyholders lodge claims? If claims were lodged by telephone did policyholders do so by calling a free call number accessible by landline and mobile phone?**

All Allianz customers have choice when it comes to claims notification and lodgement. We find that the majority of customers choose to notify us by phone, allowing them the opportunity to discuss their particular circumstances. In this respect, customers were able to contact Allianz through a free call number accessible by landline and mobile phone. Others prefer the convenience of online notification and others choose to deal with their insurance broker. All of these options were available to our affected Queensland customers.

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

No contact was made with Policyholders prior to lodgement of a claim.

- 9. What information was given to policyholders in their first communication with a representative of Allianz? In particular, what information was given to policyholders (whether voluntarily or in response to queries from policyholders) about:**

**9.1. The terms of the cover provided by their policy;**

Policy details were checked at time of notification and if the policy did not cover Flood, our customer was advised of this. Allianz's practice was to ask customers whether they would like to notify a claim. Particularly where damage was the result of water inundation, it was our practice to inform our customer that no determination could be made until a Loss Adjuster and potentially a hydrologist

report was received. Due to the high number of properties damaged across Queensland, we also advised that reports may take a number of weeks.

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

Allianz's practice was to inform customers that a claim could either be registered over the phone or via the internet, or via their insurance broker. In relation to whether a policyholder should lodge a claim, that decision ultimately rests with the policyholder, however, it was our practice to inform policyholders that if damage to insured property had been incurred they could lodge a formal claim so that we could properly assess their loss and determine their entitlement to claim under their policy.

**9.3. What to do with damaged property?**

We were conscious of the potential health hazard and therefore it was our practice to pass on to customers the guidelines issued by the Insurance Council of Australia, viz "Damaged or soiled items that might be a health hazard can often be removed to a safe area, or disposed of after being photographed or recorded in some way by the owner, to present later as part of an insurance claim". It was our practice to inform our customers to comply with any instruction or advice from their local authority.

**If the information given to policyholders varied according to the location of the insured property, please outline the variations. Please provide a copy of any and all instructions and/or scripts given to telephone operators.**

There were no material variations to the information given to policyholders according to the location of the insured property. A copy of Allianz's instructions to claims consultants is Attachment 3.

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

The Allianz policy record system captures the specific product reference applicable to each policyholder's insurance contract. The policy wordings are located in an online product catalogue which is easily accessed by our claims staff. As stated previously, the majority of Allianz products exclude coverage for Flood.

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

The information requested from our customers who suffered damage from the Queensland Floods did not vary from the type of information we require on all claims. The information included a description of the damage caused to the property and if known, how it was caused. Where water inundation occurred, our



customer was asked to describe the events leading up to the inundation, including their observations, the direction the water came from and timeframes. Contact details for our customer or their representative were also obtained.

**12. Please outline each step, and by whom each step was taken, in the process by which claims were or are processed, assessed and determined. Please also outline the information relied upon in determining claims.**

In general terms, our practice was as follows:

The Allianz Senior Claims Service Consultant provided our customer with their claim number and the contact details of the claims handler. They also explained the coverage of the policy with respect to the Flood exclusion. A Loss Adjuster was appointed on all claims where there was physical damage to a property and/or contents regardless of the extent of damage.

The loss adjuster submitted their report to Allianz detailing the results of their assessment; in particular whether in their opinion the damage is a result of riverine flooding or storm.

The information in the loss adjuster report, used in conjunction with the area wide hydrology reports was then reviewed by our Senior Claims Service Consultants and Technical team to determine whether the damage was covered by the policy cover purchased. If there was any uncertainty in the assessment the file was referred to a hydrologist for an independent site specific assessment.

**12.1. Were site assessments/inspections carried out?**

Site inspections were carried out by loss adjusters on each claim where physical loss or damage to insured buildings and/or insured contents was reported.

**12.1.1. Were they carried out for every claim or some claims? If the latter, in how many cases were site assessments/inspections carried out?**

Please refer to 12.1

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

Loss adjusters were appointed at the time of claim lodgement. Due to the high volume of damaged properties across the insurance industry, inspections were completed by the external firms over the ensuing weeks.

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

Site assessments were generally conducted by loss adjusters. Instructions were generally given by email and were to the effect that the adjusters were to determine the likely cause of water inundation. Where

the cause of loss was thought to be Flood, Allianz did not make a final determination until the area hydrology reports were available.

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

The only claims declined without site inspections related to solely 'spoilage of food' claims from power loss where certain policies did not respond.

**12.2.1. In how many cases?**

Sixteen claims were declined for spoilage of food due to power loss where cover was not provided under the terms of the policy.

**12.2.2. To which areas did the claims relate?**

Brisbane LGA and Ipswich LGA – specifically Fernvale, Ipswich, Bundamba, Chelmer, West End, Bellbowrie, Hatton Vale, Collingwood, Riverview, Walkuraka, Moggill, Barrellen Point, Winwill, South Brisbane & Graceville.

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

There was no physical damage to the dwelling or contents, only food spoilage due to power interruption. Under the majority of Allianz policies, spoilage of food is an additional benefit; an example of the wording used in the additional benefit is as follows;

Spoilage of perishable food

(Applicable only when you have contents cover)

We will pay for spoilage of perishable food in a domestic refrigerator, freezer or deep freeze unit caused by:

- a. a breakdown or failure of the unit or any of its components;
  - b. escape of the refrigerant or fumes; or
  - c. accidental failure of the public electricity supply to the buildings;
- during the period of insurance.

We will not pay if the spoilage is caused by:

- a. flood;
- b. industrial action;
- c. a deliberate act of a power supply authority;

- d. accidental disconnection or switching off of the electricity supply;
- e. the breakdown or failure of any motor more than 15 years old; or
- f. accidental damage to the motor.

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

Allianz relied upon the power company letters to customers advising of power interruption due to flood. The power outages were also widely publicised in the media with Queensland authorities issuing statements that the outages were necessary to protect vital infrastructure and life.

**12.3. Please outline all hydrology information obtained and used/relied upon in determining claims and explain:**

**12.3.1. Who provided the hydrology information? If Allianz engaged hydrology experts, what did Allianz brief the hydrology experts to do? What instructions, written or oral, were provided to the hydrology experts? Please provide copies of any written instructions.**

Initially Allianz relied upon the area hydrology reports commissioned by the Insurance Council on behalf of the insurance industry. For site specific reports we used WRM Water & Environment, Water Technology, MCS Group, RPS Group.

Allianz provided simple instructions to conduct site specific assessments and report on the cause of water inundation to the subject property. The majority of instructions were issued via email to the hydrologist, in other cases verbal requests were made. We have attached a sample of emails as examples of Allianz' written instructions (Attachment 4).

**12.3.2. How did Allianz ensure that the hydrology information addressed the relevant terms of the applicable policies? In particular, how did hydrology reports relied upon define the terms 'flood' and 'flash flood'?**

Allianz policies have no reference to 'Flash Flood' - where a Flood is excluded, it is riverine flood. This removed any wording variation from hydrology considerations.

**12.3.3. When the hydrology information was received.**

We relied upon area hydrology reports for the majority of claims. Where there was any doubt we requested site specific reports and these were submitted on completion of their assessment. Times varied dependant on location of the property that needed to be inspected and demand at any given time.

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

Both area and site specific reports were reviewed by our Technical team to ensure prompt and consistent decision making. The majority of hydrology investigations were conducted within three months following the event, although the reports on those investigations were not always received by Allianz within that period. Again, this was dependent upon whether an area or site specific report was required, the timing of any dispute from our customer and the items outlined in response 12.3.3.

**12.3.5. Whether the hydrology information related to general areas or regions or specific sites or both. If the first, please identify the areas or regions and provide copies of the information/reports.**

Overall area assessments and site specific assessments were commissioned by Allianz. Area wide reports were commissioned through the Insurance Council of Australia and Allianz for the following regions;

Dalby

Oakey

Toowoomba

Emerald

Theodore

Bundaberg

Rockhampton

Brisbane City LGA

Somerset Regional Council

Lockyer Valley Council

Ipswich City LGA

Copies of the reports are attached as Attachment 5.

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

Generally site specific reports were not requested for several weeks following the event as area hydrology reports were available for the majority of claims. As outlined previously, this allowed us to speed up the decision making process for the vast majority of customers which in turn provided them with the opportunity to seek Relief Funds.

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

Site specific reports were requested when an overall report did not cover a specific town or if there was any uncertainty in the initial assessment when comparing our loss adjuster reports and the information supplied by our customers. They were also requested where our customer disputed our decision not to accept their claim.

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

There are no generalised variations in the information, each report was based solely on the data relevant to the specific site.

**13. If any of the processes or information relied upon, outlined in answer to questions in paragraph 12 above, varied according to the location of the insured property, please set out the variations.**

There were no variations.

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

With the exception of one isolated instance where we obtained an engineering report to determine the cause of building movement, Allianz relied on the advice of our loss adjusting and hydrology advice.

**15. Were policyholders advised of all information Allianz relied upon in determining their claims? If so, was this advice given voluntarily or only if requested? If any piece of information was not provided or withheld for any period of time:**

Consistent with our standard practice, Allianz voluntarily provided detailed information to our customers as to the reason we were unable to accept their claim under their policy of insurance.

**15.1. What was the nature of the information?**

Due to the extensive nature of the area hydrology reports, we did not provide copies of these to our customers, although we did advise our customers of the content and referred to them in our claim denial.

Where a claim was denied due to a site specific report (either initially or following a dispute), these were provided to our customers.

**15.2. Why was it not provided?**

Due to demand on their services, there was generally a delay before the site specific surveys could be completed by the hydrologists. A copy of the hydrology survey was provided to the insured once the decision on policy response was made.

**16. Were policyholders given copies of all documents relied upon in determining their claims? If any document was not provided, or withheld for any period of time:**

Please refer to our response in 15, 15.1 and 15.2

**16.1. What was the nature of the document?**

See 15.1.

**16.2. Why was it not provided?**

See 15.2.

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

To ensure that our customers who lodged claims with us had their particular circumstances properly considered, Allianz appointed loss adjusters on all claims involving physical damage to building and/or contents. In addition to this, where flood was considered the proximate cause of loss, we relied upon hydrology reports prior to advising our decision to accept or decline a claim.

Due to the extraordinary demand for the services of both loss adjusters and hydrologists there were, regrettably, delays in receiving information. This was particularly evident with hydrologists where, in some cases, delays of up to 8 – 12 weeks were experienced before the hydrologist could complete a survey and report as firms struggled to cope with the wide geographic spread of properties, including Victoria.

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

It is difficult to compare the Queensland Floods, where for the majority of policies Allianz does not provide cover for riverine floods, with other natural disasters where policy coverage is not an issue and claims are often accepted at initial contact.

As outlined in Question 17, it was important to ensure we had the appropriate information prior to making a decision. Due to the reliance on expert advice, combined with the volume of claims within the industry, this had a flow-on affect to decision making timeframes.

**19. Were policyholders kept informed, or have they been kept informed, of the progress of their claims in accordance with the standards stipulated in the General Insurance Code of Practice? How did or does Allianz monitor whether those standards are adhered to?**

Customers have been and continue to be kept informed of their claim progress. Our dedicated team have claims tagged for updates to customers or their representatives, within Code timeframes.

During the initial weeks following the events, despite the additional resources, there were challenges in keeping customers fully informed on progress. Once the area hydrology reports arrived we prioritised the need to advise our customers that the damage to their property was caused by Flood and therefore did not fall within the terms and conditions of their policy - this included additional staff working on weekends and evenings so that our customers were aware of our decision in the earliest timeframe.

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

No. Reinsurers were not involved in the processing, assessment and decisions in respect of any of Allianz's domestic claims.

**21. By what means did or do representatives of Allianz contact policyholders (for example by mail, email, landline, mobile phone)? By what means were policyholders whose claims have been determined, informed of the outcome of their claims? Were all policyholders whose claims have been determined informed of the outcome of their claims in writing?**

Allianz has a standard policy of contacting our non-broker customers by telephone (landline or mobile) to advise them verbally of our decision, before confirming our decision in writing (either mail or email, depending on customer's choice). Where our customer is via a broker, the decision is advised in writing to the broker who then advises their customer.

**22. By what means could or can policyholders find out about the progress of their claims or otherwise discuss their claims with a representative of Allianz? If by telephone, could or can policyholders contact Allianz by calling a free number accessible by landline and mobile phone? Could or can a policyholder contact the person responsible for handling his or her claim directly?**

Allianz provides toll-free phone numbers to all of our claim customers, not just at times of catastrophes. Contact is also available via email. We do not generally provide direct contact numbers for our Claims Service Consultants as we find that when claim volumes are high it can be difficult to get through and we believe it is more appropriate for customers to speak with an individual rather than leaving a voicemail. All members of the Catastrophe team are able to respond to customer enquiries.

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

At this stage, only calls with our Direct brand sales calls are recorded. As part of our service improvement program we are arranging for all claims calls to be recorded from 2012.

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

As per question 23, only sales calls for our Direct brand are recorded. We do provide copies of these transcripts to our customers on request.

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

We have provided copies of sales recordings/transcripts to policyholders or their representatives when requested. Allianz has had four cases where a call recording/transcript was requested and provided to a policyholder.

**24.2. Have any such requests been refused or not responded to?**

No requests have been refused.

**24.2.1. In how many cases?**

See 24.2.



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

See 24.2.

**25. In what circumstances were policyholders advised of their entitlement to make a complaint or request a review of a decision through the internal dispute resolution process?**

In cases where a policyholder's claim was denied in full or partially, the usual process was first for a phone call to be made to the policyholder explaining the reasons for the decision. As part of that phone call, the policyholder's rights to Internal Dispute Resolution would be explained. The decision was also provided to the policyholder in writing, including advice on their rights to dispute our decision.

**26. Please outline each step, and by whom each step was or is taken, in the process which Allianz employed or has employed in responding to complaints and/or disputes in the internal dispute resolution process. Please also outline the information considered and relied upon in determining complaints/or disputes.**

The Allianz Internal Dispute Resolution process to deal with complaints and/or disputes involves a committee of at least three claims staff members who were not involved in the initial decision. The review committee meets twice weekly to ensure that there is sufficient time to properly consider all claims and advise customers of our final decision quickly. The material relied on includes (a) the policy wording (b) the information provided by our customer (c) the policy schedule and new business documents where appropriate (d) the loss adjuster's report and (e) hydrological evidence.

Prior to the IDR committee meeting in person and by phone conference, an agenda of the claims being reviewed is circulated to allow the participant's to request any additional information or evidence that they believe to be necessary. Once the IDR decision has been determined, it is communicated to the policyholder in writing.

**27. Were policyholders advised of all information upon which Allianz relied in determining their complaints/disputes? If so, was this advice given voluntarily or only if requested? If any piece of information was not provided, or withheld for any period of time:**

All Allianz customers were voluntarily advised of the information relied upon to form a determination on their claim and any complaint/dispute.

**27.1. What was the nature of the information?**

Not applicable.

**27.2. Why was it not provided?**

Not applicable.

**28. Were policyholders given copies of all information relied upon in determining their complaints/disputes? If any information was not provided, or withheld for any period of time:**

Allianz customers were provided with site specific hydrology reports, where obtained. Allianz did not, however, provide copies of area hydrology reports due to their size and technical complexity.

**28.1. What was the nature of the information?**

Area hydrology reports.

**28.2. Why was it not provided?**

Size and technical complexity.

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

All complaints/disputes are responded to in writing.

**30. Please provide copies of all written responses by Allianz to all complaints/disputes (final decision letters). For each written response (final decision letter), please attach a copy of the correspondence in which the substance of the complaint/dispute to which the response relates, is set out.**

Please see attached (Attachment 6).

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

Allianz customers were kept updated on the progress of their complaint/dispute. Allianz's Diary System and Complaint Handling Register were used to ensure customers were updated in accordance with the Code of Practice, whereby set diaries and automatically generated reminders from the Complaint Handling Register were utilised to remind claims staff of dates where customers required an update.

To complement this, a spreadsheet of all disputes registered was maintained and reviewed daily. The information captured includes the dates of last contact with the insured and when the next contact is due. The spreadsheet was reviewed by a Claims Service Consultant who contacts the insured and advises the claim

status and any updates that have occurred, subsequently moving the follow up date for the next review.

**32. Has Allianz received any complaint relating to inappropriate, insensitive or offensive conduct by a representative or agent of Allianz toward, or about, a policyholder?**

No complaints of this nature have been received.

**32.1. How many such complaints have been received?**

See 32.

**32.2. What did or does each complaint relate to?**

See 32.

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

See 32.

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

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

Yes – please refer to 34.1.

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

Yes – please refer to 34.1

**34. If Allianz has received complaints, or dealt with any dispute, of the kinds referred to in sub-paragraphs 33.1 and 33.2:**

Yes.

**34.1. How many of each kind has it received?**

Six claims were reviewed relating to 33.1. In each instance our customers claim was accepted following our investigation.

Forty seven disputes have been raised by Legal Aid relating to 33.2 and forms part of their generic dispute notification. Each of these matters have been investigated as part of our IDR review and we have found no evidence to support the allegations.

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

Allianz fully investigates these allegations. As part of the investigation process, sales call recordings (where available) are requested and reviewed, proof of documentation dispatch is also gathered to validate that Policy documents have been dispatched in accordance with the Insurance Contracts Act.

Once all relevant information has been reviewed, our decision is communicated to our customer or their representative.

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

**35.1. How many?**

There are 27 matters currently with the Ombudsman, from the >3,660 domestic and commercial property claims lodged with us for the Queensland floods.

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

Disputes are in relation to claim denial based on the flood exclusion. The dispute causes include objections to the decision based on the customers rejecting the adjuster/hydrologist's findings, requests for review on compassionate grounds or the result of going through the process in order to obtain relief through the Premier's Disaster Fund.

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

Where a claim for household building insurance has been accepted by Allianz, the policyholder is advised of the decision. The loss adjuster is given instructions to commence the repair quotation process through the completion of a scope of works, and quotation/tender process to the scope. Builders from a panel of repairers, whose work quality is known to Allianz or our appointed loss adjuster are selected on the basis that (a) they are capable of completing the work in a quality manner, (b) that they are licensed to work in Queensland and (c) that they are able to commence work as soon as possible. Where the insured needs to leave the premises whilst repairs are completed, they are generally entitled to claim for temporary accommodation. Where the claim relates to household contents, the policyholder is requested to supply a schedule of damaged

property. Settlement is made on household contents either by replacement of the damaged contents item or by cash settlement.

- 37. Has Allianz entered into any confidentiality agreement with any policyholder or otherwise required, advised or suggested to, any policyholder to keep matters concerning his or her claim confidential, whether before or after settlement of the claim? If so, please identify the nature of each matter which the policyholder was required to keep confidential.**

Allianz has not entered into any confidentiality agreements with policyholders in relation to the Queensland floods..

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

No, we are not aware of any instance where an Allianz claims staff member has provided incorrect advice to our policyholder.

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

In the second week of January 2011, Allianz was contacted by the Central Queensland News (CQN) for comment on an Allianz home insurance claim lodged by Ms Virginia Morgan. Nicholas Scofield, Allianz's General Manager Corporate Affairs, verbally discussed the claim with the CQN representative. No written copy of the comments exists, however, they were reported in an article that appeared in the CQN on 14 January. A relevant extract of that article is below, however, the reported comment that is underlined has been misreported as it was not said by Mr Scofield in the context of a claim for damage arising from 'riverine' flood.

Allianz General Manager Corporate Affairs Nicholas Scofield said a hydrologist would be sent to her home in the coming weeks to determine the cause of the damage, after which time, Virginia's claim would be reviewed.

Mr Scofield said no Allianz policy offered flood coverage, but did cover all accidental damage.

"There are three levels of coverage from the basic level, to a mid-range to a top range," he said. "Those policies offer different coverage, obviously, but all would have a flood exclusion clause in the contract.

"Rainwater runoff is covered." Rainwater runoff, Mr Scofield said, is water which runs across usually dry land due to excessive downpours.

"For example, if on a slope and water was rushing down the slope, that would be rainwater runoff," he said.

Mr Scofield said the best advice for Allianz customers whose properties have been assessed and claims lodged would be to wait for a hydrologist to inspect their homes.

"There'll be hydrologists commissioned for every flood claim," he said.  
(Central Queensland Times, "Mum battles flooding and insurance giant",  
14 January 2011.)

On 24 January 2011, Allianz was approached by the ABC Radio PM program for comment on an Allianz home insurance claim by Mr Andrew Atkinson of Emerald. Nicholas Scofield verbally discussed the claim with the representative of the ABC. No written copy of the comments exists, however, they were reported in a segment on the PM program on that day in which the following was said by ABC reporter, Ashley Hall:

Allianz says its domestic home and contents policies explicitly exclude flood damage. (ABC Radio PM program, 24 January 2011)

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

Allianz is not and has not been the subject of any investigation by the Financial Ombudsman Service (other than disputes referred to in paragraph 35) or any other regulatory body about the manner in which Allianz has dealt with claims relating to the Queensland floods

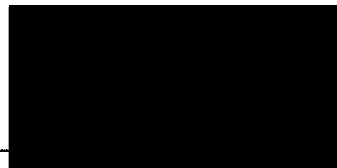
**41. Should any changes be made to the General Insurance Code of Practice?**

Allianz, as an individual company, is not proposing that any changes be made to the General Insurance Code of Practice. Allianz, however, is participating in and supportive of deliberations being undertaken by members of the Insurance Council of Australia on the inclusion of a "Right to Claim" clause in the Code along the lines that has been suggested by some consumer advocates and organisations.

**SWORN** by Garry Michael Townsend on the 12<sup>th</sup> day of September 2011 at Adelaide in the presence of:



Deponent



Solicitor

**MICHAEL BROOKS**  
*A Commissioner for taking affidavits  
in the Supreme Court of South Australia.*

There are 7427 pages of attachments that have not been uploaded to the website because of their size.

Any reference to 'Annexure B' is a typographical error.