



ASIC

Australian Securities & Investments Commission

20 April 2011

Mr Dion Gooderham
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CGU Insurance Limited
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By Email [REDACTED] and By Post

Dear Mr Gooderham,

Assessments of home and contents insurance claims following recent extreme weather events

As you know, the Australian Securities and Investments Commission (ASIC) is Australia's corporate, markets and financial services regulator. ASIC's responsibilities include enforcement of the consumer protection provisions of the *Australian Securities and Investments Commission Act 2001* (the ASIC Act) as well as the administration of the *Insurance Contracts Act 1984* (the IC Act).

Concerns have recently been raised with ASIC about the approach that CGU has adopted to assessing home insurance claims made on its policies after the recent extreme weather events in Queensland.

The concerns raised with ASIC relate to the 'desk top triage process', which we understand includes CGU asking up to five short questions of the policy holder and referring to a 'Google Map' or 'nearmap' image of the policy holder's damaged property in order to decide a claim. This approach is in contrast to sending a qualified assessor to the customer's property to inspect the damage suffered in all cases.

ASIC notes that CGU's 'Fundamentals Home Insurance Product Disclosure Statement and Policy' includes the following terms:

- At page 26, an exclusion for loss or damage as a result of, or caused by flood;
- At page 54, 'flood' is defined as '*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.*'

- At page 36, a *'Fair Dealing Guarantee'* which provides that *'We will meet any claims covered by your policy fairly and promptly'* and a *'Service Guarantee'* which provides that *'We will provide you with the highest standard of service'*.

ASIC would appreciate your response to the concerns outlined in this letter. In particular, we would appreciate information about:

1. CGU's procedures for handling home insurance claims, in particular the process followed by CGU in order to determine whether a particular policy holder's damage is a result of, or has been caused by 'flood' as defined in the relevant CGU insurance policy, and details of any changes that have been made to the procedures since 1 January 2011;
2. Details of any claims where there was a different assessment outcome between the initial desk-top assessment and subsequent escalation to an onsite inspection by a qualified assessor; and
3. CGU's views about how its procedures ensure that it complies with its obligations under the terms of the relevant insurance policy (whether or not those terms are express or implied into the contract of insurance), the General Insurance Code of Practice and its obligations under the provisions of relevant legislation, including the IC Act and ASIC Act.

Please contact me on (07) [REDACTED] if you would like to discuss the above.

Thank you for your assistance.

Yours faithfully

[REDACTED]

[REDACTED]
Senior Specialist,
Deposit Takers, Credit & Insurers