



*Casino River, photographed by Allianz Disaster & Recovery Team, 13 March 2022*

# **Inquiry into Insurers' Response to the 2022 Floods**

**Submission by Allianz Australia**

**November 2023**

## CONTENTS

<b>1. Introduction</b>	2
<b>2. Protecting Australian Communities from Flood Risk</b>	3
2.1. Flood risk in Australia	3
2.2. Insuring for flood risk	4
<b>3. Allianz's Response to the 2022 Floods</b>	8
3.1. Allianz's operational response	8
3.2. Flood claim process	9
3.3. Operational challenges from the 2022 floods	10
3.4. Customer experiences	12
<b>4. Enhancing the Customer Experience</b>	16
4.1. Resourcing and capability uplift	16
4.2. Claims handling model	17
4.3. Communications with customers	17
4.4. Assisting customers experiencing vulnerability	18
4.5. Monitoring of third parties	18
<b>5. Improving the Affordability of Flood Insurance</b>	19
5.1. Flood insurance affordability	19
5.2. Enhancing community resilience to flood risk	20
5.3. Assisting highly exposed communities	21
<b>5. Appendix: Allianz's Response to the Committee's Questions</b>	23

## 1. Introduction

The unprecedented scale of flooding events across Australia in 2022 had a significant impact on affected communities. In the record-breaking February/March floods across Queensland (**QLD**) and New South Wales (**NSW**), 23 people lost their lives, entire communities were destroyed and thousands of people were left homeless. A further four significant flood events were to occur in 2022, with the industry assisting over 300,000 customers to recover and rebuild.

Helping rebuild lives, communities and businesses is at the center of Allianz's business and we recognise the importance of stepping up in our customers' time of need. Allianz's response to the 2022 floods occurred in an extremely challenging post-COVID environment, as skill shortages, a tight labour market and continued supply chain disruptions caused delays to the resolution of some customers' claims. Allianz also had the additional challenge of managing claims for customers who had chosen not to take out flood cover which, while currently an intentional design feature in our home insurance offering so as to retain home insurance affordability and availability for flood-exposed customers, makes claims assessment more complex in the aftermath of a flood event. Nevertheless, we acknowledge that for some customers, we did not meet their expectations or the high standards we aspire to.

Over the past three years, Allianz has undertaken a significant transformation of our claims handling function. The structural and process changes and technology investments we have made over this period have been driven by a recognition of the increasing severity and frequency of extreme weather and has been guided by our objective to embed customer centricity in everything we do. The unprecedented scale of the floods in 2022 provided an opportunity to refine and stress test the resilience of our operations. Allianz has made further changes following our own review into our operational response to the floods. We look forward to the findings and recommendations of the Standing Committee on Economics' inquiry into insurers' response to the 2022 floods (the **Inquiry**) as we continue to look for further improvement opportunities.

Our submission provides an outline of flood risk in Australia and the critical role of insurance, Allianz's response to the 2022 floods, enhancements Allianz has made to improve the customer claims experience and the worsening flood affordability problem for flood-exposed communities. Importantly, Allianz recommends a range of short and long-term measures, including consideration of a national government-backed flood reinsurance pool, as unaffordability becomes more acute in a changing climate. Allianz's response to the Committee's questions is provided in the **Appendix** to this submission.

## 2. Protecting Australian Communities from Flood Risk

### 2.1. Flood risk in Australia

Flooding has historically been one of the costliest perils in Australia, with total incurred claims since the 1970s costing in excess of \$21 billion<sup>1</sup>. It has been estimated that total annualised property damage (insured and uninsured) caused by floods in Australia is \$1.2 billion per year and around \$1.5 billion factoring in other costs such as disruption to communities<sup>2</sup>. Allianz's experience in responding to flood catastrophes is that such events have long-lasting impacts on communities, including on mental health and wellbeing. A study of the February/March 2022 floods found that the mental health impacts in QLD alone exceeded \$1.9 billion<sup>3</sup>.

In 2022, this historical experience was realised on a scale never seen before, as from Southeast QLD, much of NSW, as well as many areas of Victoria, South Australia and Tasmania were subject to flooding (see timeline of events in **Box 1**). Two of these floods were declared a "Catastrophe" (CAT 221 and CAT 223) and the other two as a "Significant Event" (SE 222 and SE 224) by the Insurance Council of Australia (**ICA**). In particular, CAT 221 was the largest flood catastrophe in Australian insurance history, with the number of claims lodged six times higher than the average received for catastrophes since 2016.

For the remainder of this submission, we refer to CAT 221, SE 222, CAT 223 and SE 224 collectively as the 2022 floods. Although not within the scope of the Inquiry, the River Murray floods in South Australia from 16 November also had significant impacts on communities, including the towns of Renmark, Berri, Loxton and Cobdolga.

While most Australian households are not exposed to flood risk, Allianz's analysis is that 11 percent of customers in our householder portfolio have a flood score between four and six and are exposed to material flood risk<sup>4</sup>. It has been estimated that more than 913,000 houses or semi-detached, row or terrace houses and townhouses were subject to flood risk in 2022<sup>5</sup>. The significant flood risk faced by some households is the result of poor historical planning decisions, which allowed homes to be built in flood-prone areas.

The risks faced by flood-exposed households will be further exacerbated by the impacts of climate change. Analysis by the Bureau of Meteorology has indicated that as the climate warms, the atmosphere can hold more water vapour, increasing moisture in the atmosphere by

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<sup>1</sup> Insurance Council of Australia (May 2022), *Climate Change Impact Series: Flooding and Future Risks*, [https://insurancecouncil.com.au/wp-content/uploads/2022/05/2202May\\_Flooding-and-Future-Risks\\_final.pdf](https://insurancecouncil.com.au/wp-content/uploads/2022/05/2202May_Flooding-and-Future-Risks_final.pdf).

<sup>2</sup> The Centre for International Economics (October 2023), *Resilience, Durability and the National Construction Code*, commissioned by the Insurance Council of Australia, [https://insurancecouncil.com.au/wp-content/uploads/2023/10/CIE-Final-Report\\_ICA\\_Economic-Analysis-09102023.pdf](https://insurancecouncil.com.au/wp-content/uploads/2023/10/CIE-Final-Report_ICA_Economic-Analysis-09102023.pdf).

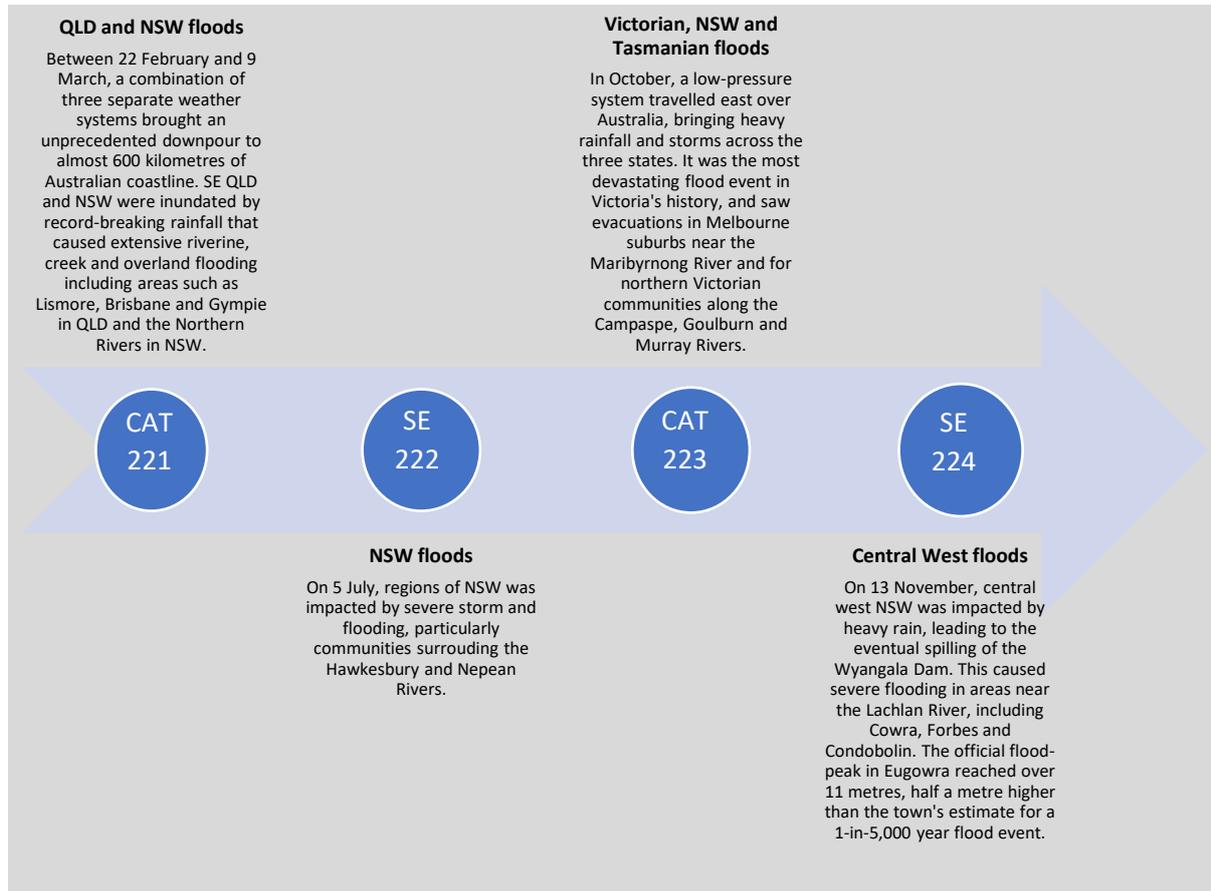
<sup>3</sup> Deloitte Access Economics (2022), *The social, financial and economic costs of the 2022 South East Queensland Rainfall and Flooding Event*, [https://www.qra.qld.gov.au/sites/default/files/2022-07/dae\\_report\\_-\\_south\\_east\\_queensland\\_rainfall\\_and\\_flooding\\_event\\_-\\_8\\_june\\_2022.pdf](https://www.qra.qld.gov.au/sites/default/files/2022-07/dae_report_-_south_east_queensland_rainfall_and_flooding_event_-_8_june_2022.pdf).

<sup>4</sup> Allianz rates flood risk from a scale of 1 – 6, with 6 being indicative of the highest risk of a flood event damaging the property.

<sup>5</sup> The Centre for International Economics (October 2023), *Resilience, Durability and the National Construction Code*, commissioned by the Insurance Council of Australia, [https://insurancecouncil.com.au/wp-content/uploads/2023/10/CIE-Final-Report\\_ICA\\_Economic-Analysis-09102023.pdf](https://insurancecouncil.com.au/wp-content/uploads/2023/10/CIE-Final-Report_ICA_Economic-Analysis-09102023.pdf).

seven percent per degree of warming<sup>6</sup>. This will lead to an increased likelihood of heavy rainfall events, even in parts of Australia where average rainfall is expected to decrease. It has been estimated that the total annualised costs (both insured and uninsured) from flood-related damage would increase from \$1.5 billion to \$2.3 billion by 2050 factoring in the impact of a changing climate<sup>7</sup>.

### Box 1: Timeline of 2022 floods



## 2.2. Insuring for flood risk

Prior to 2008, most Australian insurers excluded flood from residential home insurance policies. Since then, improvements in flood data enabling more granular assessment of risk at the individual property level has resulted in flood insurance being made more accessible to households. From November 2011, Allianz made flood cover available through a customer choice model. This means that customers were offered flood cover but were given the option to not purchase this cover. Most other Australian insurers offer flood cover as a standard inclusion in their policy, meaning that flood cover is mandatory.

<sup>6</sup> Bureau of Meteorology, *State of the Climate 2022*, <http://www.bom.gov.au/state-of-the-climate/australias-changing-climate.shtml>.

<sup>7</sup> The Centre for International Economics (October 2023), *Resilience, Durability and the National Construction Code*, commissioned by the Insurance Council of Australia, [https://insurancecouncil.com.au/wp-content/uploads/2023/10/CIE-Final-Report\\_ICA\\_Economic-Analysis-09102023.pdf](https://insurancecouncil.com.au/wp-content/uploads/2023/10/CIE-Final-Report_ICA_Economic-Analysis-09102023.pdf).

When Allianz introduced flood cover, our analysis indicated that making flood cover mandatory for our home insurance product would result in significant premium increases for customers with medium to high flood risks (eg customers with a flood score of four to six – see **Table 1** below). We discuss flood insurance affordability in more detail in section five of this submission. Given the magnitude of premium increases for customers highly exposed to flood, when we commenced offering flood cover we could foresee that making flood cover mandatory would result in some flood-prone customers being unable to afford home insurance altogether. That is why we designed our home insurance product to enable customers to exercise choice in whether to purchase flood cover. Due to our choice of flood cover model, Allianz’s home insurance portfolio has a relatively greater proportion of properties with a higher flood risk, compared to other insurers, whether the customer has chosen to purchase flood cover or not.

For business insurance, flood cover is provided as an optional inclusion in line with the market practice of all insurers. Comprehensive motor insurance policies provide cover for all accidental damage including flood.

Allianz uses flood risk data from a range of sources including the National Flood Information Database (**NFID**), which incorporates flood mapping undertaken by government sources, depending on which source has the most up-to-date data and granular data. Allianz supplements NFID information with proprietary and third-party (eg reinsurer) data and modelling to enhance the coverage and accuracy of our flood pricing capabilities. The flood mapping Allianz uses is constantly updated, as risk will change overtime, for example, reflecting changes to built infrastructure which has an impact on drainage and water flows. Flood risk modelling based on satellite radar information, digital elevation models and heavy precipitation scenarios generally yields the best quality data for assessing riverine and ‘shallow water’ (eg rainwater runoff) flood risk, and we anticipate that the quality and accuracy of data, modelling and risk pricing will continue to improve over time.

This flood risk modelling, combined with data from Allianz’s claims experience, allows us to assess and price flood risk at the individual property level. The rating that Allianz provides to an address is based on the likelihood of flooding at the premises, usually up to a certain depth level and the frequency of this flood event occurring. Allianz’s flood ratings are summarised in **Table 1**.

**Table 1: Allianz flood ratings**

<b>Risk level</b>	<b>Flood score</b>	<b>Annual Recurrence Interval (ARI)</b>
Extreme	6	< 49
High	5	50 – 100
Medium to High	4	100 – 499
Medium	3	500 – 1,999
Low to Medium	2	2,000 – 10,000
Low	1	>10,000

The Average Recurrence Interval (**ARI**) is used to describe the probability of a flood of a certain size occurring and is the average time period between floods of a certain size. For example, a 100-year flood ARI will occur on average once every 100 years and equates to a one percent chance of a flood occurring in a 1-year period (see summary in **Table 2**).

**Table 2: Annual Recurrence Interval and flood probability**

<b>ARI</b>	In any 1-year period	In any 10-year period	In any 30-year period	In any 70-year period
<b>50 years</b>	1 chance in 50 (2%)	1 chance in 5.5 (18%)	1 chance in 2.2 (45%)	1 chance in 1.3 (76%)
<b>100 years</b>	1 chance in 100 (1%)	1 chance in 10 (10%)	1 chance in 4 (26%)	1 chance in 2 (51%)
<b>200 years</b>	1 chance in 200 (0.5%)	1 chance in 20 (5%)	1 chance in 7 (14%)	1 chance in 3.3 (30%)
<b>500 years</b>	1 chance in 500 (0.2%)	1 chance in 50 (2%)	1 chance in 17 (6%)	1 chance in 7.7 (13%)

Descriptions like the 1-in-100 year flood probability has been a source of confusion for many communities. Many assume that based on this description, the risk of flooding will only occur once every 100 years. However, as can be seen in **Table 2**, if a 1-in-100 year flood was recorded this year, the probability of another flood of that size being recorded in the following year (or any other subsequent year) would still be one percent. It is possible to have several 1-in-100 year floods within a 100 year period, just as it is statistically possible to go for 100 years without a single flood.

Once a flood occurs, the objective of insurance is to put the customer back in the same position they were in prior to the loss. For example, for Allianz's home building policy, customers with flood cover are entitled to have their building damage repaired/rebuilt to the same condition as when it was prior to it being damaged (or be cash settled). Customers nominate a sum insured amount when they purchase their policy, which caps the customer's payout in a total loss situation. The policy may also pay for additional costs over and above the sum insured related to the rebuild, such as the cost of debris removal, GST and consultant fees (eg engineers and architects) subject to policy sub-limits. In the context of flood events, where the rebuild process can take an extended period of time, temporary accommodation benefits are also critical to support customers in the recovery process.

Customers will generally have a choice between having Allianz manage the repairs or to be cash settled and manage the repairs themselves, unless the cost of repair/rebuild exceeds the sum insured, in which case a cash settlement is an insurer's only option. Where possible, insurer managed repairs, which generally protect the claimant against unanticipated cost increases and provide a guarantee on the work, are generally preferable and in the best interests of the customer. In some circumstances, a cash settlement is the only available option, for example, if the customer's sum insured is insufficient for the repairs to be completed. If, though, a customer had been cash settled for an amount below their full policy sum insured and subsequently

found that this was insufficient, Allianz would generally consider an additional cash settlement to enable the customer to reasonably complete the repairs.

Allianz customers who did not purchase flood cover are still covered for damage caused by water inundation from stormwater runoff and flash flooding, for example, inundation caused by overflowing stormwater drainage systems. In a single flood event, a property can be subject to both riverine flooding and stormwater runoff. That is why customers without flood cover are generally advised to make a claim so that the cause of flooding can be assessed and any eligible cover can be provided. The next section of our submission provides more detail on some of the complexities in assessing claims for customers without flood cover.

### 3. Allianz's Response to the 2022 Floods

#### 3.1. Allianz's operational response

The scale of the flood events in 2022 and the resulting claim volumes put immense pressure on all aspects of the claims value chain (see **Table 3** for a summary of the volume and status of claims). Just a month after the commencement of CAT 221, Allianz received nearly 30,000 claims, more than doubling the total number of claims we were handling prior to that event. While Allianz is well experienced in responding to catastrophes, the record-breaking nature of the 2022 floods required us to tailor our response to meet the operational challenges experienced. Allianz's operational response initiated following CAT 221 provided the foundation for our handling of the remaining flood events, so we largely focus on our response to CAT 221 below.

Within a month following the start of the Southeast QLD and NSW floods in February (CAT 221), Allianz redeployed 70 existing staff from other parts of the business and recruited an additional 150 new staff to manage the surge in claim volumes. Resourcing was continually re-assessed as the flood events in 2022 continued to unfold, and by end 2022, Allianz had recruited in total around 300 new staff to manage the large volume of claims.

Our priority was meeting immediate customer needs, including making emergency payments, arranging temporary accommodation and facilitating emergency repairs and 'make-safes'. We deployed 51 field staff into impacted areas to provide in-person support to customers at recovery centres.

As the unprecedented scale of CAT 221 became apparent, Allianz also took additional measures to increase our response capacity. This included the appointment of external claims management expertise to assist with managing non-catastrophe and non-complex claims so that internal resourcing can be redeployed to focus on flood claims.

Allianz stood up a flood response team to focus on flood-related claims. Customers impacted by the flood events were either triaged into our Large Loss and Complex claims team (for claims exceeding \$100,000) or into the dedicated flood response team, with a case manager assigned to each claim. Staff on these teams were drawn from existing experienced claims employees.

**Table 3: Allianz claims from 2022 flood events**

CAT 221 QLD and NSW floods				
	Claims lodged (no.)	Average claim size (\$)	Incurred loss (\$)	Claims now closed (%)
Householder <sup>8</sup>	27,100	\$32,026	\$867,892,211	96%
Motor	1,812	\$15,576	\$28,223,791	100%
Business	2,155	\$136,065	\$293,221,032	88%

<sup>8</sup> Includes home building, home contents and landlord insurance.

<b>SE 222 NSW floods</b>				
Householder	2,261	\$15,202	\$34,371,348	97%
Motor	111	\$15,283	\$1,696,408	100%
Business	100	\$37,387	\$3,738,703	89%
<b>CAT 223 Victorian, NSW and Tasmanian floods</b>				
Householder	2,547	\$53,683	\$136,730,837	87%
Motor	195	\$12,335	\$2,405,250	97%
Business	275	\$60,230	\$16,563,321	82%
<b>SE 224 Central West floods</b>				
Householder	2,971	\$15,398	\$45,748,520	95%
Motor	90	\$8,283	\$745,482	96%
Business	203	\$67,734	\$13,750,007	83%

### 3.2. Flood claim process

Each flood claim is different, and the process would depend on the specific nature of the property damage and the customer's cover. Typically, a flood claim on a home building policy would consist of the sequence of events summarised in **Box 2**. We note that the claims process is generally much simpler for other policies such as home contents and motor insurance.

#### Box 2: Sequence of flood claims

<b>Claim lodgment</b>	<ul style="list-style-type: none"> <li>Depending on the catastrophe, Allianz may proactively contact customers in impacted areas to prompt claims lodgment</li> <li>Most customers lodge claims online or by phone</li> <li>Allianz may assist customers to lodge claims in-person at community recovery centres</li> <li>High level information is captured, including the customer's description of the loss and whether they think the loss was caused by flood or storm (if the customer does not have flood cover), any make-safe requirements and any immediate customer needs (emergency payment or temporary accommodation)</li> <li>The customer's preferred method of contact is confirmed</li> <li>Allianz expedites any emergency payments and arranges required temporary accommodation</li> <li>The General Insurance Code of Practice (the <b>Code</b>) requires customers to be updated every 20 business days on the status of their claim</li> </ul>
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<b>Assessment of claim and make-safe</b>	<ul style="list-style-type: none"> <li>• In most flood cases, a loss assessor is appointed to inspect, assess and quantify the damage</li> <li>• The loss assessor will arrange to have access to the property to undertake a detailed inspection</li> <li>• The loss assessor will also arrange to have any make-safes, strip outs and the removal of debris to be undertaken (subject to any government debris removal program)</li> <li>• If the customer does not have flood cover, the loss assessor will engage a hydrologist to determine the cause of flooding</li> </ul>
<b>Claim decision and customer acceptance</b>	<ul style="list-style-type: none"> <li>• Once there is sufficient information (eg from loss assessor and hydrology reports), a claim decision is made subject to the customer's eligibility under the policy and the quantum of the eligible cover (the Code requires this decision to be made within 10 business days of Allianz having all the required information)</li> <li>• If cover is available, Allianz discusses with the customer options to have their property reinstated, including the feasibility of an Allianz-managed repair/rebuild or a cash settlement</li> <li>• Scope of works is agreed with the customer and the customer confirms the reinstatement option</li> <li>• If the customer elects to be cash settled (or it is the only feasible option), Allianz cash settles the claim</li> </ul>
<b>Repair/rebuild</b>	<ul style="list-style-type: none"> <li>• Once the customer elects to have Allianz manage their repairs/rebuild, the full building strip-out will commence</li> <li>• Scope of works may be revised if more damage is found</li> <li>• For flood events, the building usually needs to be completely dry before work can commence (this can take up to 4 months)</li> <li>• Frames are chemically treated to remove toxins (eg from black water)</li> <li>• Further testing/assessment may be required, for example, engineers may be required to determine the impact of flooding to structures (especially houses on stumps)</li> <li>• Multiple trades are engaged to complete repairs/rebuild</li> </ul>

### 3.3. Operational challenges from the 2022 floods

The logistical challenges in responding to the scale of the flood events became apparent early in the recovery process. A week following the commencement of CAT 221, some flood waters had begun to recede enough for Allianz to prepare to dispatch insurance assessors and on-the-ground staff to start managing claims. However, the devastating loss of life and limited access to some flood-impacted areas due to the extent of damage meant that safety clearance from State Emergency Services for insurer access, particularly in the Northern Rivers, was delayed. In many cases it took weeks for services like electricity, water and telephone services to be reinstated. The geographic scale of the areas impacted by CAT 221 was so vast that it posed

logistical challenges with on-the-ground employees and loss assessors required to cover a large area in assisting customers and assessing damage.

There were immediate concerns for temporary accommodation for the large number of customers requiring secure safe housing. In many areas, such as Lismore and Rochester, it was clear that there would be insufficient temporary housing capacity to meet customer needs. Where possible, Allianz sought to find innovative solutions to meet customer needs, for example, purchasing caravans for customers so they could remain on their properties (which was important for many customers to be able to attend to livestock or pets). For customers who were able to stay with family or friends, Allianz paid out their temporary accommodation benefits to supplement any emergency payments we had already provided.

The inconsistent approach by state governments to clean up and debris removal was an immediate source of confusion, for both insurers and customers. Allianz supports the ICA's previous submissions to government recommending the standardisation of safe and timely clean-up of waste and debris programs following a natural disaster and formalising necessary disaster clean-up funding via the Disaster Recovery Funding Arrangements.

As the claims assessment process progressed, Allianz experienced significant challenges with undertaking the required hydrology assessments to finalise claims decisions for customers without flood cover. As noted earlier, Allianz is one of the few insurers that offers choice to customers in purchasing flood cover. This product feature meant that Allianz's claims handling response was more complex, as hydrology assessments are needed to distinguish between damage caused by riverine flooding and stormwater runoff. Hydrology assessments are not required for customers with flood cover because the cause of water inundation has no impact on whether or not the claim is covered under the policy.

Hydrologists play a critical role in the claims process for customers without flood cover. Appointed hydrologists have the expertise and qualifications to determine the cause of water entry (see **Box 3** for a summary of the factors considered in a hydrology assessment). Where it is likely that damage was caused by both riverine flooding and stormwater runoff, hydrology assessments consider the possibility of stormwater runoff occurring prior to riverine flooding in determining the coverage and/or quantum of loss covered for customers without flood cover.

For Allianz customers without flood cover, the significant capacity constraints in the market for hydrology expertise created challenges with the volume of hydrology assessments required to assess claims. For CAT 221 alone, Allianz obtained over 1,800 individual property hydrology assessments. There was a delay of 12 weeks or more for hydrologists to attend properties for site inspections. For CAT 221, Allianz worked with the Australian Financial Complaints Authority (**AFCA**) to obtain agreement to obtain area-wide hydrology reports for Lismore, Casino, Broadwater, Woodburn and Mullumbimby to expedite the claims process for over 1,000 customers. However, customers still had the option to have an individual property hydrology assessment undertaken, and most customers elected to have this done.

Given the heightened complexity of managing claims for customers without flood cover, and the customer experience throughout the 2022 floods, Allianz is reviewing our customer choice flood cover model including considering moving to mandatory flood cover and innovative product solutions (eg parametric cover) for customers exposed to flood risk.

### **Box 3: Hydrology assessments**

Factors hydrology assessments generally consider include:

- The position (height) and location of the property (or parts of the property) against nearby topography, eg street, drain, creek, river, neighbouring properties;
- From what direction(s) did the water come;
- Depth the water reached at specific times;
- The colour of the water, and whether the customer believe there was stormwater mixed with flood water;
- Date and time that the water first entered the property;
- Date and time the customer left the property prior to the damage;
- The customer's understanding of the source of any initial and subsequent water inundations of the property;
- Any date and time annotated photographs of various stages of the water inundation;
- First hand witnesses or CCTV vision if available at and around the time of the initial inundation;
- Other information and from whom the customer is relying upon regarding when and to what level the water damage occurred; and
- The nearest (or more than one) local Weather Bureau Rain Gauge readings for 24 hours prior to, and then continuously until the peak of the water inundation in the area.

The 2022 floods repair and rebuild process was particularly challenged by factors caused by ongoing COVID-related supply chain issues. In particular, building trades were already stretched prior to the floods and along with a shortage in building supplies (eg delays of up to 12 months for trusses and 6 months for windows) has caused significant delays in the completion of repair and rebuild work. The process was made more complex for customers who had to simultaneously navigate eligibility criteria for state government programs for financial assistance or access to resilience mitigation grants or house buyback schemes. Some of these schemes required evidence of a denied insurance claim and, particularly for customers awaiting hydrology assessments, this requirement meant they could not access required assistance in a timely way or at all. In future, stronger engagement with insurers prior to these schemes being introduced would assist in delivering more coordinated support to communities.

The customer experience related to the extensive process for reinstating their properties is highlighted in some of the case studies in the following section.

#### **3.4. Customer experiences**

Allianz provides the following case studies to illustrate some of the complexities Allianz and our customers navigated in responding to the 2022 floods.

#### **Box 4: Linda's story**

At the time of the floods, Linda<sup>9</sup> lived with her three children and dog. She had home building and contents insurance with Allianz, and she had purchased flood cover.

Linda's property was subject to flooding on 28 February 2022. She called our claims team on 1 March and advised that her home had been completely flooded and she had lost everything. She was particularly devastated as she had recently completed renovations, including the installation of a new "dream kitchen". Linda indicated on the phone that there had been up to 1.5 to 2 meters of water internally and the home was uninhabitable. On the same day, Allianz appointed a loss assessor and arranged a \$5,000 emergency relief payment. Linda lodged a claim for damage to her property as well as loss of contents.

Linda advised that she (and her three children and dog) were staying with a relative, however, this was not a long-term solution.

The loss assessor first attempted to contact Linda on 3 March.

The search for temporary accommodation was proving challenging, with limited options available locally, particularly options that were pet friendly. On the 4 March, Allianz suggested the purchase of a caravan (to be covered by the temporary accommodation benefits) as an option.

The loss assessor inspected the property on 9 March with Linda present. Strip-out works had already begun at this stage. A local builder, themselves sustaining damage from the floods, was appointed to carry out make-safes.

By 4 April, strip out had been completed except for the bathroom as asbestos had been detected.

On 7 April, Allianz assessed that Linda's contents claim would exceed the sum insured amount in her policy, and offered to settle her contents claim up to the sum insured amount (\$107,058.10 including policy benefits).

On 8 April, Linda advised that she would like to proceed with accepting a lease on a rental property that suited her needs, so the cost of a 6-month rental was added to the cash settlement offer for the contents claim and Allianz made a total payment of \$129,704.39 that day.

The drying of Linda's home had been hampered by a second flooding event. In addition, a loss of power across the community meant that dryers were inoperable, causing further delays. Linda's home had also been inundated with category three (black) water.

By 30 May, all strip out, sanitation and drying works were finally completed.

Some unrelated leaks were identified and Linda was required to arrange rectification as this was not related to the flood. Issues with the subfloor were also identified and an engineer was appointed to assess the structural integrity of the home.

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<sup>9</sup> Customer's name changed and location omitted to protect the customer's privacy. All other details in this case study are factual.

On 30 June, the engineer's report was received, indicating that a number of the house stumps required repair. The costs to repair the additional damage was estimated by the appointed builder and loss assessor to likely exceed the sum insured.

Quotes from two builders were obtained. The first builder's quote of \$394,000 exceeded the policy sum insured, and would mean that Allianz would have to cash settle the claim. The second builder's quote of \$354,447 was just within the policy sum insured. With Linda's agreement, this builder was appointed to enable Allianz to manage the repairs. The builder confirmed a start work date of mid-January 2023 with an estimated rebuild timeframe of 26 weeks.

As the 6-month temporary accommodation lease was coming to an end, Linda advised that she would be working from Melbourne during the repairs and Allianz paid out the remainder of her temporary accommodation limit.

On 16 February 2023, the builder confirmed that materials had been ordered and work would start within 2 weeks. Friable asbestos removal was delayed due to SafeWork approval, which was completed on 5 June 2023. A revised completion date of July 2023 was advised.

On 2 August 2023, a variation to works, including for additional drainage and plumbing work, was submitted to and approved by Allianz. These variations are due to be completed by mid-November 2023, and at the time of this submission, the claim was still open.

### **Box 5: Janice's story**

Janice<sup>10</sup> called our claims team on 4 March 2022, following devastating floods in her hometown the day before. From our claims consultant's interactions with Janice, she was identified as a customer experiencing vulnerability. Janice held a home building insurance policy, which did not have flood cover.

A team manager on the claims team reached out to Janice on 7 March to advise her that her claim would be escalated and managed through Allianz's High Care Team (**HCT**)<sup>11</sup>. Janice advised that she was trying to access her property and suspected that there may be fuel/diesel contamination from a nearby business. The team manager noted that Janice was distraught and deeply impacted by the catastrophe, which was still unfolding at the time. Janice confirmed that both she and her young son were safe.

On 8 March, a member of our HCT reached out to Janice and confirmed that they would be managing her claim. On 9 March, Allianz approved temporary accommodation for 6 weeks and instructed our temporary accommodation provider to make arrangements. The following day, Allianz provided a \$5,000 emergency relief payment.

On 14 March, the appointed loss assessor inspected the property and confirmed that the whole home was underwater and has petrol and diesel contamination. As Janice has no flood cover, the loss assessor also confirmed that a hydrologist would need to be appointed

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<sup>10</sup> Customer's name changed and location omitted to protect the customer's privacy. All other details in this case study are factual.

<sup>11</sup> Allianz's High Care Team is our specialist team for case managing customers experiencing vulnerability.

to assess the cause of loss. Janice was unhappy about the time taken to have her property inspected and having to wait further for a hydrology assessment.

Due to the limited temporary accommodation options available, on 16 March, Janice agreed to be paid out a benefit of \$4,200 for six weeks of temporary accommodation. These payments continued to be made until the hydrology assessment was complete.

On 26 March, the loss assessor's initial report was received confirming that diesel contamination had occurred to both Janice's yard, detached shed and all internal and external surfaces of the dwelling. A large diesel tank had floated in the water and come to rest in a neighboring property, with diesel spilling for several days. Soil testing had been undertaken with the results still outstanding. Meanwhile, a builder was appointed to undertake an initial clean and sanitation.

On 13 July, the hydrology report is finally received, confirming that the initial inundation of Janice's property occurred when stormwater runoff, unable to discharge due to the capacity of the stormwater network, ponded along the drainage channel to the east of the property. The hydrologist concluded that stormwater is likely to have ponded to a depth of up to 400mm above the ground level, prior to flood water inundating the property. Flooding to the property over 400mm above ground level was the result of flood water flowing from a nearby river.

On 18 July, the loss assessor's report was received, recommending that Janice's claim be partially accepted for inundation from stormwater up to 400mm above ground level. We spoke with Janice on the same day to explain the outcomes of the hydrology assessment. Janice was paid the remaining temporary accommodation benefit of \$21,700 under her policy.

By 21 September, a builder had been appointed. The builder worked with Janice to develop a Scope of Works, and a quote was finalised at \$94,500 to complete the rectification.

On 17 November, Janice's temporary accommodation benefits were exhausted, but Allianz agreed to pay the remaining sum insured in her policy to cover an additional 14 weeks of temporary accommodation payments of \$7,700. A total cash settlement of \$101,594.98 was offered to Janice.

We continued to have discussions with Janice, however, she was reluctant to accept the cash settlement until there was an outcome on legal action she had commenced against a local business for damage caused by the diesel oil contamination. Janice decided to accept the cash settlement on 9 May 2023 and the claim was closed.

## 4. Enhancing the Customer Experience

Following the experience of the 2022 floods, Allianz undertook a post event review to consider aspects of the claims process that worked well for customers and aspects where improvement was required. Allianz had already begun a significant transformation program in 2021 in response to the increased frequency and severity of extreme weather events in recent years.

As we continue to embed enhancements throughout our claims process, we are already seeing improvements in the customer experience. For catastrophe related claims lodged in 2023, Allianz is averaging a 4.61 Star Rating (out of 5) for our claims management performance. While customer feedback has indicated we have improved across the board, the most significant improvements identified by customers include the timeliness of claim resolution as well as being kept informed throughout the claim.

While we are confident that the embedment of these changes has materially improved customers' claims experience, we will continue to look for opportunities to improve and will consider the Inquiry's findings in this regard. Our change program is also well aligned with the recommendations from recent relevant reviews, including the recent Deloitte review commissioned by the ICA into CAT 221 and ASIC's reviews into the industry's handling of claims from the same event.

### 4.1. Resourcing and capability uplift

Allianz acknowledges the importance of the need to resource our claims function to ensure we are equipped to provide appropriate and expected service levels to our customers. As at September 2023, Allianz employs 1,439 FTE claims handling professionals (see **Table 4**). Our permanent claims handling team has increased by over 35 percent since 2021 and nearly doubled since 2019. Importantly, the ratio of claims staff to claims received has continued to fall.

**Table 4: Resourcing of Allianz's claims function**

Year	Permanent FTE	Temporary FTE	Total claims lodged	Ratio of FTE to claims
2019	681	47	272,435	1:374
2020	757	104	263,748	1:306
2021 <sup>12</sup>	964	235	303,969	1:254
2022	1,241	317	345,484	1:221
2023 <sup>13</sup>	1,320	119	232,731	1:162

<sup>12</sup> From 1 July 2021, Allianz acquired Westpac's general insurance portfolio, which has an impact on the resourcing and claims lodgement numbers.

<sup>13</sup> Year to date September 2023.

In response to the recent increased severity of severe weather events, Allianz established a specialist Catastrophe Response Team in July 2021 consisting of consultants with extensive customer and operational experience to assist customers recovering from natural catastrophes.

Allianz is also making significant investments to enhance our internal loss assessing capacity to reduce reliance on the use of external loss assessors. Since 2022, Allianz has recruited an additional 70 internal loss assessors. We anticipate this uplift in internal assessing capability will enhance the efficiency of claims handling and simplify the oversight of the smaller proportion of claims where external loss assessing capability is required.

Allianz recognises that increased resourcing is only effective if those additional resources are adequately trained and skilled. As such, Allianz has further enhanced the bespoke and specialised training given to the relevant claims and complaints teams. The formal role-specific induction program and ongoing training are continually updated to incorporate key themes, insights and areas for improvement identified through our quality assurance processes.

#### **4.2. Claims handling model**

From July 2021, Allianz transitioned from a task-based to a portfolio management model for handling claims. Where previously, workflow management was apportioned to members of the claims handling team based on activity, a more holistic portfolio management approach means dedicated team members now handle a claim from beginning to end. In practice, this means that a case manager is generally assigned to each claim. This not only results in a more holistic view of a claim, but it also engenders a stronger interpersonal relationship with, and enables greater end-to-end accountability to, the customer.

At the same time, Allianz established a Large and Complex Loss Team consisting of specialists who have extensive customer and operational experience, and the appropriate authority to help drive timely resolution of more complex claims. This team was instrumental in helping drive resolution of the more complex claims arising from the 2022 floods.

We already noted that Allianz established a dedicated Catastrophe Response Team in 2021 dedicated to responding to natural catastrophe claims. In 2022, Allianz also substantially enhanced our post-catastrophe on-the-ground capacity by formally establishing a Disaster and Recovery Team, which provides critical assistance to communities in the aftermath of a catastrophe.

#### **4.3. Communications with customers**

Allianz understands the role of effective customer communication in setting appropriate expectations and to enable informed customer decision-making. We acknowledge ASIC's<sup>14</sup> observation that communication standards across the industry can be improved.

Over the year, Allianz has identified improvement opportunities for better communication with customers during the claims process, as well as identifying customers who may require additional support. We are developing a new property conversation guide to better assist

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<sup>14</sup> ASIC (16 August 2023), Navigating the storm: ASIC's review of home insurance claims, Report 768.

claims staff to support customers, including providing a clearer overview of the claims and complaints process.

In addition, we have introduced an Artificial Intelligence program to help identify motor claims which may require additional claims management support. The predictive model uses unstructured file notes and data (eg communication frequency, loss estimates and age of claim) to identify and flag claims for review by the customer care team, which may result in additional contact with the customer or fast tracking of the claim. Our experience with the program to date indicates that it has been effective in reducing customer friction in the claims process and complaint volumes. Allianz is currently exploring ways to leverage this program and apply the learnings from motor to enhance the customer experience in property claims.

#### **4.4. Assisting customers experiencing vulnerability**

Allianz is committed to supporting customers experiencing vulnerability and was a leading advocate for enhancing the General Insurance Code of Practice to better support vulnerable customers when it was updated in 2019. Since 2019, Allianz has made significant investments to better enable staff to identify and assist customers experiencing vulnerability. We are proud of the work we have done to date but recognise that this is an evolving area of expertise, and there is always room for improvement.

Allianz's processes for triaging customers experiencing vulnerability recognise that vulnerability can take many forms, and will be more prevalent after a catastrophe. Following CAT 221, Allianz took this into account in organising temporary accommodation and making emergency payments ahead of considering whether the customer was covered under their policy. Given Allianz's customer choice flood model, Allianz provided this support to a large number of customers whose damage was ultimately not covered by their policy.

Allianz's model to date has been to support its customers with different levels of care, so that customers experiencing vulnerability have the appropriate support mechanisms which are also scalable based on the customer's needs. Allianz has a dedicated High Care Team which assists customers with vulnerabilities such as domestic violence or mental health. Other customers identified as requiring "more care", such as customers requiring interpreter support or experiencing financial hardship, are provided additional support by their assigned case manager. We are currently reviewing the effectiveness of our approach including options to simplify the triaging process and ensuring we are collecting robust data to provide insights into customer vulnerability.

#### **4.5. Monitoring of third parties**

Despite expanding our internal loss assessing and claims handling resources, there will always be a place for external experts including loss assessors and hydrologists. In light of this, Allianz has significantly invested in its oversight of third-party service providers, including enhancing our third-party supplier management framework, which governs how claims service suppliers are selected, onboarded and monitored. A new digital Supplier Governance Platform enables Allianz to track the workflow for each service supplier, customer complaints and other performance metrics. A dedicated team within Allianz is responsible for the oversight of our external claims provider network.

## 5. Improving the Affordability of Flood Insurance

### 5.1. Flood insurance affordability

Over the past five years, significant year-on-year claims inflation has put substantial pressure on premiums more generally, not just in relation to flood cover. The rate of claims cost inflation has been particularly high in the past two years, driven by increased claim volumes and rising costs of material inputs in the construction sector. On average, the cost of repairing the modern home is also higher due to the use of lower quality materials (eg flooring) which is more susceptible to damage, and the need to replace higher value appliances, smart home technology, and solar panels on roofs.

The insurance industry is also operating in an extremely hard global reinsurance market, again driven by the costs of recent natural catastrophes. Reinsurance costs as a proportion of Gross Earned Premium has been rising since 2017, reaching 27 percent in financial year 2022.<sup>15</sup>

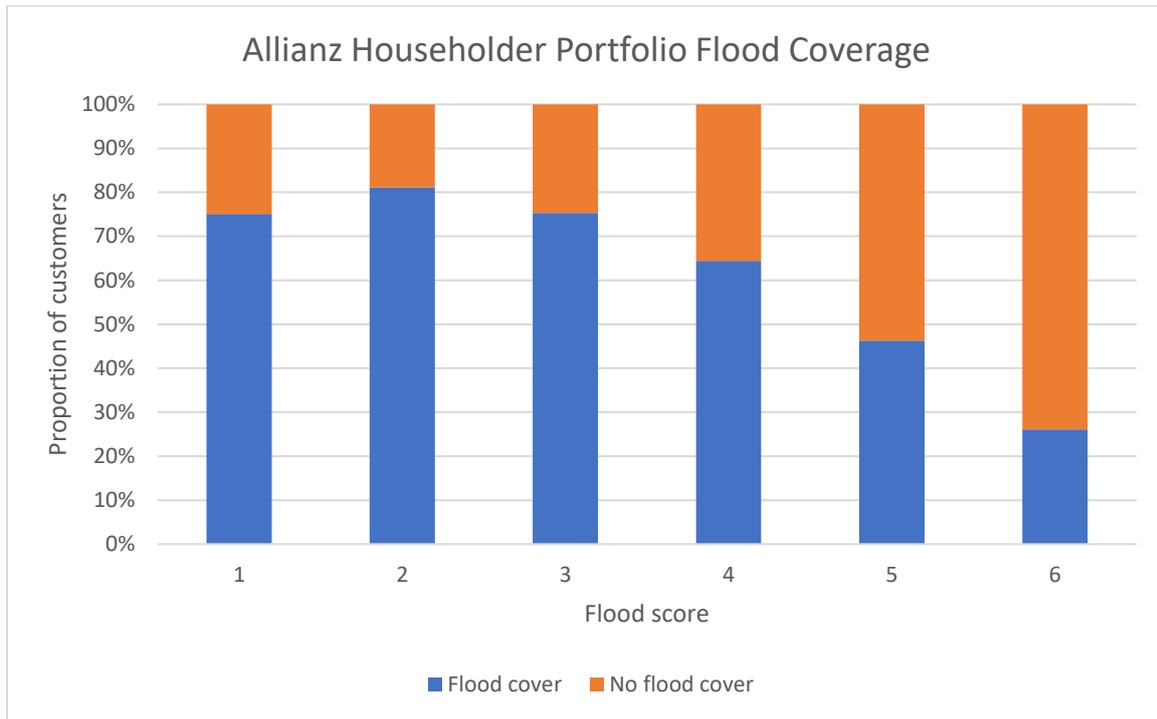
These factors have led to average premium increases in Allianz's householder portfolio of 10, 17 and 14 percent, respectively, in 2021, 2022 and 2023 (to date). These general pressures on insurance premiums are compounded for customers exposed to flood risk. Allianz's flood rating models produce flood premiums of up to four percent of a home building sum insured and 13 percent for contents, before taxes. Thus, for example, the flood premium for a house insured for \$500,000 could be as high as \$20,000. If that homeowner wanted flood insurance for \$100,000 in contents cover, the premium could be as high as \$13,000. The flood premium for this possible home and contents policy with a total sum insured of \$600,000 would be \$33,000, before tax. Add circa 10 percent State Stamp Duty (\$3,300) and 10 percent GST (\$3,630) and the policyholder's after-tax premium is \$39,930. If this home was in NSW, a circa 18 percent in Emergency Services Levy (**ESL**) would be added, taking the total after-tax flood premium to around \$45,000. Of course, the non-flood premium also needs to be added which will vary due to other risk rating factors, for example, related to other potential natural perils (eg bushfire), other risks (eg burglary), building construction characteristics etc.

Because of Allianz's flood customer choice home insurance model, our data on the rate of customers choosing not to take out flood cover provides insights into homeowners' purchasing response to the lack of affordability of flood cover. Our data indicates that for customers with a significant exposure to flood risk, flood non-insurance rates are very high. For Allianz's householder portfolio, 74 percent of customers with the highest flood rating of six do not purchase flood cover (see **Graph 2**). For some highly exposed communities, such as in the Northern NSW region impacted by CAT 221, around 90 percent of customers do not purchase flood cover. These figures indicate that the vast majority of homeowners exposed to material flood risk are non-insured or underinsured and, in most cases, the reason is because they cannot afford the flood premium. Allianz is deeply concerned for customers who cannot afford flood cover because what is likely to be their largest and most prized asset is not insured against the peril to which they are most vulnerable.

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<sup>15</sup> Gallagher Re (October 2023), Asia Pacific Market Watch.

**Graph 2: Flood cover take-up**



Concerningly, since the 2022 floods, Allianz has seen a larger proportion of customers exposed to high flood risk not taking out of flood cover. This includes new customers purchasing policies without flood cover and existing customers cancelling flood cover. Overall, customers with the highest flood rating not taking out of flood cover has increased from 62 percent to 73 percent since last year.

## 5.2. Enhancing community resilience to flood risk

Mitigation, adaptation, land use planning, development controls and robust building standards are all critical in ensuring that all Australians have access to affordable home insurance. The insurance industry has long called for comprehensive measures to mitigate against the risk of extreme weather events.

The cost of home insurance is directly related to the risk of loss faced by a property and, in many cases, the cost and frequency of that loss comes down to how vulnerable to, and/or how well the property is protected from the effects of damaging natural weather events. There are a range of measures that can be taken to reduce homeowners' vulnerability to loss from floods. Important measures include:

- undertaking adaption (eg upgrading the resilience of buildings, such as raising the floor height above the potential flood level) and mitigation (eg flood levies);
- strengthening land use planning (eg preventing development on flood prone land), development controls (eg building height standards in flood areas) and building standards (eg more resilient structures);
- incorporating climate resilience in development assessments by considering flood risks and adopting floodplain management strategies; and

- encouraging community engagement and education to inform residents about flood risks and mitigation measures.

Critically, understanding flood risk and the consequences of it occurring and changing over time is essential in identifying adaption and mitigation strategies that are effective in reducing the impacts of flood in the future.

Allianz recently partnered with Disaster Relief Australia (**DRA**) to enable the volunteer-run non-profit to deliver its 'Big Map' initiative to assist vulnerable communities plan for future natural disasters, particularly fire and flood. Using DRA's mapping and drone technology, large scale floor maps are produced profiling areas in a community at risk of fire and flooding. Community sessions enable local residents to visualise their community's and their own property's risk profile and explore ways to build resilience and reduce the impact of future disaster events. Allianz's Disaster and Recovery Team attends these sessions to help arm residents with the right information to ensure they're adequately covered before a disaster, and provide information on how their insurer can support them after an event.

Consideration should be given to how flood information can be made more accessible for public consumption. It has been our experience that communities are unlikely to engage with, or understand, technical flood metrics such as the 1-in-100 year flood concept. Allianz recommends that easy to understand categories, such as High, Medium or Low flood risk is communicated clearly to land owners either through the rates notice issued by local council or through a flood risk website which enables a land owner to search their address.

### **5.3. Assisting highly exposed communities**

State government land buy-back schemes initiated following the 2022 floods recognise that for a number of communities with extreme exposure to flood risk, mitigation is impractical, financially unviable or simply not possible in order to materially reduce flood risk. While these government assistance programs are very welcome, our experience with the 2022 floods is that government decisions to fund buy-backs and land swap arrangements should be part of pre-catastrophe planning and a part of ongoing State-wide programs. Delayed decision making in relation to land-swaps and buy-back arrangements have led to suboptimal decision-making by customers when they are most vulnerable, such as rebuilding in existing high risk flood areas.

Given the expense of these buy-back and land swap arrangements, this form of assistance is unlikely to be a comprehensive solution for most households in the short to medium term. For households where flood risk cannot be materially mitigated, Allianz is of the view that affordable home insurance for property owners (and tenants) with high flood risks can only be delivered through some form of industry-government partnership.

In Allianz's view, this would best take the form of a national flood reinsurance facility underpinned by Commonwealth legislation. Such schemes can take different forms, particularly in relation to their funding, and may not require a government subsidy, for example, like the UK's insurance industry-administered Flood Re scheme. Alternatively, the recently established Cyclone Reinsurance Pool could be expanded to include cover for all high-risk flood nationally (ie not just flooding associated with a cyclone). Allianz recommends that the Federal Government undertake a feasibility study on potential options for the establishment of a

national flood reinsurance pool to address the lack of affordability of flood cover for homeowners with high flood risks. Allianz would welcome the opportunity to participate in this important policy discussion.

## 5. Appendix: Allianz's Response to the Committee's Questions

### 1. Claims Management

#### 1.1. *How did the sector cope with the surge in claims from the 2022 floods (referred to in the Terms of Reference)?*

The work the Insurance Council of Australia (**ICA**) led to coordinate the industry's response to the 2022 floods, including the 61 community town halls and engagements to consult with flood impacted communities, is covered in detail in the ICA's submission. Our response to this question focuses on Allianz-led activities.

Prior to the 2022 floods, Allianz had undertaken work to prepare and plan for the 2021-22 catastrophe season. This included workforce planning to increase capacity in our claims handling teams. Within a month following the start of CAT 221, Allianz was able to quickly redeploy 70 existing staff from other parts of the business and recruited an additional 150 new staff to manage the surge in claim volumes. Resourcing was continually re-assessed as the flood events in 2022 continued to unfold, and by end 2022, Allianz had recruited in total around 300 new staff to manage the large volume of claims. Like the rest of the industry, Allianz faced significant challenges in recruiting in a tight labour market.

As the unprecedented scale of CAT 221 became apparent, Allianz also took additional measures to increase our response capacity. This included the appointment of external claims management expertise to assist with managing non-catastrophe and non-complex claims so that internal resourcing can be redeployed to focus on flood claims. Allianz also engaged Jigsaw, a social enterprise providing training and job opportunities for people with a disability, to provide administrative support in processing the large volume of claims.

In addition, Allianz also took steps to streamline the claims process to enable claims decisions to be expedited for customers. For example, in relation to CAT 221, Allianz obtained area-wide hydrology reports for Lismore, Casino, Broadwater, Woodburn and Mullumbimby which assisted in assessing coverage for over 1,000 customers and expediting claims liability decision making. Customers still had the option to have a property-specific hydrology assessment undertaken.

#### 1.2. *How many staff are engaged in claims processing? How does this change during natural disasters?*

In previous years, Allianz would scale up our claims handling capacity to manage claims in response to natural catastrophes. Capacity is primarily scaled up through recruitment of claims and customer service professionals and use of external professionals such as loss assessors.

In recognition of the increasing severity and frequency of severe weather events in recent years, Allianz has significantly increased the size of our internal claims handling function. As at September 2023, Allianz employs 1,439 FTE claims handling professionals. Our permanent claims handling team has increased by over 35 percent since 2021 and nearly doubled since 2019. In July 2021, Allianz established a dedicated Catastrophe Response Team within our

claims function, which now consists of 85 consultants with extensive customer and operational experience in responding to natural catastrophes.

*1.3. At times when a high number of claims are submitted, the industry will be competing for additional staff and for materials (for repairs) with other sectors. How does the firm manage cost and/or access issues? How could it do better in the future?*

Each natural catastrophe event is unique, with different operational challenges impacted by the broader economic environment. In the context of the 2022 floods, the industry's operational response was particularly challenged by factors caused and/or exacerbated by COVID. In particular, building trades were already stretched prior to the floods and along with a shortage in building supplies (eg delays of up to 12 months for trusses and 6 months for windows) has caused significant delays in the completion of repair and rebuild work. There was also competition between insurers in recruiting claims professionals or engaging third party experts, which led to delays in the resolution of claims for many customers.

Allianz also considered leveraging offshore resources, and while our external loss assessors were able to access some capability from offshore, there was limited ability to utilise our broader global resource pool in responding to the 2022 floods due to post-COVID international travel constraints.

Since the 2022 floods, Allianz has carried out post-event reviews to strengthen our ability to manage capacity constraints following natural catastrophes. As a result, and as already noted, Allianz has continued to increase the size of our internal claims handling teams. This increase has largely been to our permanent workforce, with less than 10 percent of our claims team now staffed by temporary employees (compared to around 25 percent in 2022). In addition, Allianz has significantly enhanced our internal loss assessing capability by recruiting an additional 70 permanent loss assessors to reduce our reliance on external loss assessors following natural catastrophes.

*1.4. What are the strategies for redeploying resources internally? How do you manage the risk of unintended consequences? (eg insufficient resources in other areas)*

Allianz utilised a number of strategies to redeploy internal resources to assist with managing claims from the 2022 floods. As a multiline insurer, Allianz was able to access claims resources from unimpacted business lines, such as from our Workers Compensation division. Allianz also redeployed experienced customer service professionals from other parts of the business, re-engaged former retired employees and paused non-urgent project deliverables to free up additional staff capacity.

As already noted, Allianz also appointed external claims management firms to assist with managing non-catastrophe and non-complex claims so that internal resourcing can be redeployed to focus on flood claims. The triaging of flood claims into the dedicated flood response team meant that other claims consultants could continue to focus on servicing non-catastrophe claims. Compared to previous catastrophes, Allianz's investment in its Disaster and Recovery Team in recent years providing on-the-ground support to customers also

enabled staff to interact in person with affected customers to escalate issues as they arose, allowing Allianz to more efficiently utilize staff resourcing.

*1.5. What are the key skills gaps currently (or anticipated)? How does the firm/industry propose to manage recruiting and training a surge workforce?*

Experienced claims handling professionals are highly sought after and there has always been strong competition within the industry for such skilled employees.

As already noted, Allianz established a specialist Catastrophe Response Team in July 2021. This dedicated team of consultants with specialist operational experience with natural catastrophes, as well as our enhanced internal loss assessing capability, will enhance Allianz's disaster response capacity and capability and reduce our reliance on temporary surge resourcing following an event. Our claims teams have been structured to have flexibility to scale up with temporary resources to support experienced claims handlers.

Recently, Allianz also expanded our learning and development approach by establishing an internal Claims Training Academy to ensure that bespoke and specialised training is given to our claims staff. The Academy is responsible for developing and administering a formal role-specific induction program and ongoing training on key themes, insights or areas of improvement identified through our quality assurance process (such as through analysing complaints data).

*1.6. What training is provided to claims processing staff? How long does it take?*

For the 2022 floods, Allianz stood up a flood response team to focus on flood-related claims. Customers impacted by the flood events were either triaged into our Large Loss and Complex Claims Team (for claims exceeding \$100,000) or into the dedicated flood response team. Staff on these teams were drawn from existing experienced claims employees, with new recruits focused on non-flood BAU claims.

Induction training and regular refresher training is provided to all claims handling staff on a range of subject matters, including in relation to meeting regulatory obligations (such as on privacy protections and claims handling disclosure requirements), our obligations under the General Insurance Code of Practice, identifying customers experiencing vulnerability and responding to customer complaints. Given the number of new employees onboarded over 2022, 10 rounds of induction training were run, with training generally undertaken over a 4-week period and new recruits were assigned a more experienced "buddy" from our claims handling team. Training was also provided to key external appointments, such as loss assessors.

*1.7. For each 2022 flood event, what is the average time taken to:*

- a. determine claims for each relevant category of insurance including, but not limited to, home and business;*
- b. provide a payout to the policy holder;*
- c. commence repair work.*

For each of the 2022 flood events, the metrics requested is summarised below.

		<b>Ave determined days</b>	<b>Ave days to payout</b>	<b>Ave days to commence repairs</b>
Small Business	CAT 221	85.7	79.4	190.6
	SE 222	63.5	56.2	72.6
	CAT 223	35.8	39.5	155.6
	SE 224	40.6	53.7	132.0
Home	CAT 221	97.6	37.3	143.0
	SE 222	50.3	24.1	90.2
	CAT 223	44.8	21.0	97.8
	SE 224	33.2	20.5	90.6

In relation to the data above, Allianz does not retain a full record of repair start days for every case. Where we have been unable to obtain a full dataset from our claims service providers, Allianz has conservatively estimated the first repair payment date which is likely to have increased average repair times.

Most claims were settled by way of a combination of a cash settlement and Allianz managed repairs. For the data on payouts, we have only included where the customer was only fully paid out through a cash settlement and no repairs were undertaken. We have also based our calculation on the final payment and not any interim payments made on a claim, which will overstate the average days to payout figures. Finally, the average figures presented above should be considered in the context of the timeline for responding to flood claims as described in our submission, including the need for drying out of properties before repairs can commence.

1.8. *For each 2022 flood event, why did those policy holders experience delays in the processing of their claims? Were these delays due to:*

- *Internal factors (staffing/resourcing/other)*
- *External factors (lack of access to tradespeople or to materials due to supply chain issues)*

Due to the unprecedented volume of claims, Allianz regrets that some customers experienced claims handling delays. As a matter of priority, Allianz focused on making emergency payments, arranging temporary accommodation and facilitating emergency repairs/make-safes to meet immediate customer needs.

Our response has already covered the challenging COVID operational environment, including critical skills shortages as well as a shortage in building supplies. These operational

challenges were exacerbated by the compounding effect of the multiple natural catastrophes the industry was already managing prior to the February floods (there were 6 declared insurance events in 2021), including the hail and storm events in southeast Australia in October 2021.

For all impacted customers, claim volumes put immense pressure on internal and external resources throughout the claims value chain; from claims assessment and processing through to repair and rebuild activity. Just a month after the commencement of CAT 221 on 21 February, nearly 30,000 claims had been lodged with Allianz alone, which more than doubled the total number of home insurance claims we were handling prior to that event. In 2022, as well as responding to flood claims, Allianz was also managing another five non-flood related catastrophe events in 2022. Significant changes to the claims handling regulatory regime had also been introduced the month before, and we comment more on the impact of specific changes such as the Cash Settlement Fact Sheet on customer delays in our response to question 1.15.

For Allianz customers without flood cover, the significant capacity constraints in the market for hydrology expertise created challenges with the volume of hydrology assessments required to assess claims. For CAT 221 alone, Allianz obtained over 1,800 individual property hydrology assessments. There was a delay of up to 12 weeks for hydrologists to attend properties for site inspections.

In addition, the geographic scale of the areas impacted by the 2022 floods was so vast, stretching from QLD to NSW, Victoria, Tasmania and South Australia, that it posed logistical challenges with on-the-ground employees and loss assessors required to cover a large area in assisting customers and assessing damage.

It is also noteworthy that the recovery process specific to flooding events is distinct from other types of catastrophes. The drying process can take four months or more before rebuilding can commence. Areas like Lismore, which flooded twice, experienced further delays. A lack of coordinated government debris clean-up contributed to the logistical challenges.

*1.9. How did these delays impact policy holders? Was the impact measured?*

Recovering from a natural catastrophe is always a challenging experience, and we acknowledge the added trauma for customers who experienced delays in the handling of their claim. Following the February floods, and recognising that the recovery process was likely to be a lengthy one for many customers, Allianz prioritised arranging emergency payments and temporary accommodation, including for customers without flood cover and unlikely to be covered by their policy. Recognising the impact of natural catastrophes on mental health and wellbeing, Allianz also made a counselling service available to customers.

For some customers, finding appropriate temporary accommodation options was particularly challenging (for example, in areas where there were limited options due to extensive flooding damage), and delays meant that less than ideal temporary accommodation circumstances were extended over a period of time. For example, some customers had to be relocated away from family or work, or had to change accommodation multiple times. Delays also meant that some customers exhausted the temporary accommodation benefits in their policies. Where

possible, Allianz sought to find innovative solutions to meet customer needs, for example, purchasing caravans for customers so they could remain on their properties. Allianz also took a flexible approach to temporary accommodation benefits and extended these benefits for customers where Allianz had control of the rebuild.

*1.10. Under what circumstances do you reduce the quantum of payouts to policy holders?*

A customer's entitlements are subject to the benefits, exclusions and quantum of cover (the sum insured) under their policy. If a customer does not receive a payout or are not entitled to a scope of repair that would fully cover their loss, this could be due to a number of factors including:

- the customer was underinsured because the quantum of their sum insured is less than what is required for their damage/loss to be fully reinstated;
- the customer claimed for loss or damage not covered by the policy, including where policy sub-limits are triggered;
- the customer claimed for a higher amount than what it would reasonably cost for a like-for-like replacement, for example, the customer would like to "build back better" by raising their home on poles;
- in relation to motor policies, the customer retains salvage in which case their entitlement is reduced by the value of the salvage; and
- circumstances where an exclusion has been triggered, such as where there is evidence of fraud.

*1.11. What procedures do assessors engaged by your firm follow to differentiate between storm and flood events?*

Allianz engages loss assessors to inspect, assess and quantify damage when a claim is made. Where an engaged loss assessor is required to determine the cause of damage following a flood event, whether by riverine flooding or stormwater runoff, Allianz will require an expert hydrologist's report to be obtained.

Appointed hydrologists have the expertise and qualifications to determine the possible cause of water entry. We note that the legislated definition of flood provides a clear distinction between inundation caused by riverine flooding and stormwater runoff.

Loss assessors engaged by Allianz are only given the authority to accept claims. Any recommendation by an appointed loss assessor to deny or partially deny a claim based on hydrology assessment outcomes is reviewed by Allianz before a claim decision is made.

*1.12. How do assessors differentiate between storm and flood damage where both may have occurred during a single event?*

Loss assessors are required to obtain expert hydrology assessments where there is a need to determine whether damage was caused by riverine flooding or stormwater runoff. We note that this distinction is only relevant for customers who had not chosen to be covered for flood, but have cover for stormwater runoff which is a standard benefit in Allianz's policies. The

need to distinguish between riverine flooding and stormwater runoff does not materialise for customers who were covered for flood.

Appointed hydrologists have the expertise and qualifications to determine the possible cause of water entry, and will take into consideration local drainage and topography, comprehensive detail about the property following a site inspection as well as the insured's recollection of events. Where it is likely that damage was caused by both riverine flooding and stormwater runoff, hydrology assessments consider the possibility of stormwater runoff occurring prior to riverine flooding in determining the quantum of loss covered by customers without flood cover.

**1.13. How does your firm differentiate between storm and flood damage?**

Given the definition of riverine flooding is legislated, the methodology for distinguishing between riverine flooding and damage caused by stormwater runoff is standard across the industry. Allianz appoints suitably qualified hydrologists to determine whether damage was caused by riverine flooding or stormwater runoff.

**1.14. For each 2022 flood event, how many claims did your firm refuse on the basis that damage was caused by flood and not a storm? What percentage of total claims made for both home and business insurance do these refusals represent?**

The number of claims refused due to customers not having cover for flood is summarised for each of the 2022 floods below.

	<b>Claims lodged</b>	<b>Claims refused</b>	<b>% of claims refused due to no flood cover</b>
CAT 221	27,927	600	2.1%
SE 222	2,310	18	0.8%
CAT 223	2,679	67	2.5%
SE 224	3,106	40	1.3%
<b>Total</b>	<b>36,022</b>	<b>725</b>	<b>2.0%</b>

**1.15. Where policy holders are asked to sign documents with legal implications including but not limited to:**

- a. waiver documents when homes and businesses are being 'stripped out' by building contractors engaged by insurers; and
- b. documents relating to the full or partial settlement of claims;
- c. What steps does your company take to ensure policy holders fully understand the nature and terms of these documents and their legal effect?

A Cash Settlement Fact Sheet (**CSFS**), a legislated disclosure requirement, is provided to retail consumers where Allianz is offering to settle all or part of a claim through cash payment instead of repairing or replacing the insured product. This document outlines options for settling the claim so that the customer has a clear statement of their rights at the time the

cash offer is made. The content of the document is largely prescribed in the legislation and is intended to better equip customers to make informed decisions when accepting a cash settlement offer. Allianz seeks the customer's written acknowledgement of the CSFS for cash settlements exceeding \$10,000. To ensure that customers have the adequate time to consider the contents of the CSFS, Allianz generally prohibits claims consultants from accepting on-the-spot acknowledgements from the customer (unless the cash settlement is less than \$3,000).

The requirement to provide a CSFS came into effect just prior to the 2022 floods on 1 January 2022. Allianz's experience with the CSFS is that, at times, it has been a source of confusion for customers because of the requirement for the word "settlement" to be included in the title of the document. The requirement to provide the document is triggered for most cash payments, even partial payments through the duration of the claim. Allianz recommends that the CSFS should be renamed "Cash Fact Sheet" to alleviate this source of confusion.

Since the introduction of the CSFS requirement, the industry has found it challenging to strike the right balance between putting in place steps to ensure informed customer decision-making and the desire to expedite payments for customers in urgent financial need. Allianz's experience is smaller cash payments under \$20,000 were often delayed by as much as 10 business days as Allianz held off on payments awaiting customer response when they were in urgent need of financial support. ASIC recognised that the CSFS was presenting a roadblock to urgent financial assistance and provided the industry with relief from the CSFS requirements for payments below \$5,000. Allianz would support consideration of increasing this threshold so that payments less than \$20,000 can be made more efficiently to customers.

Allianz does not require customers to sign documents in relation to the stripping out of properties. Builders contracted to undertake repairs may require customers to sign documentation, including Scope of Works documents.

*1.16. Does your firm ever advise policy holders to engage independent legal advice before signing such documents? If yes, does your firm ever assist policy holders to do this?*

Where a CSFS is required to be provided, it is prescribed by legislation that it should contain information advising customers to consider obtaining independent legal or financial advice before accepting a cash settlement offer. It is up to individual customers to obtain any advice they require, and Allianz does not assist customers in this regard.

*1.17. What role does automation/AI have in the claims process?*

Allianz is developing our capability to make use of automation and AI to enhance the efficiency of the claims process. Currently, key processes that have incorporated some form of automation include:

- Payment approvals to providers providing claims services to customers;
- Claims updates provided to customers;
- Initial lodgment advice provided to customers.

Allianz has recently introduced an AI program to help identify motor claims which may require additional claims management support. Allianz is currently exploring ways to leverage this program and apply the learnings from motor to enhance the customer experience in property claims.

*1.18. For each 2022 flood event, how many ex-gratia payments were made? How much was paid on average, and what was the distribution of payments made?*

For the 2022 flood events, Allianz made over \$5.3 million payments to customers whose claim was subsequently denied in full, categorised by event below.

	Customer (no.)	Average Payment	<5k	5-10k	>10k
C221	1150	\$ 3,671	\$ 1,260,750	\$ 1,417,395	\$ 1,544,019
S222	127	\$ 2,784	\$ 200,263	\$ 112,026	\$ 41,258
C223	131	\$ 3,361	\$ 181,902	\$ 91,066	\$ 167,332
S224	84	\$ 4,174	\$ 72,961	\$ 167,417	\$ 110,239

*1.19. What is your assessment of how to strengthen the claims management processes?*

Allianz has undertaken comprehensive post event reviews following the 2022 floods and have made a range of improvements to our claims management processes summarised in section four of our submission.

## 2. Internal Dispute Resolution

*2.1. Please summarise your firm's internal dispute resolution process.*

Allianz acknowledges the importance of a robust complaint management culture that makes it easy for customers to make complaints and to have these complaints resolved effectively and efficiently. When a customer makes a complaint, Allianz's internal dispute resolution (**IDR**) process is for our frontline staff (for example, a claims consultant or contact centre staff) to attempt to resolve the complaint to the customer's satisfaction before being progressed through to our IDR team.

Consistent with the requirements as set out in ASIC's Regulatory Guide 271 on internal dispute resolution, complaints are required to be acknowledged and a written response provided to the complainant within 30 days. Written responses provide information about the outcome of the complaint and how the complaint can be taken further to AFCA if the customer is not satisfied with our response.

Allianz's quality assurance framework, which selects samples of complaints for review, ensures that the effectiveness of the complaint management process is continually assessed.

*2.2. Does the process differ for different categories of insurance? If so, how?*

<p>Allianz's IDR processes are consistent for all complaints made by retail and small business customers.</p>
<p><i>2.3. Are your IDR processes for each 2022 flood event the same? If no, how do they differ?</i></p>
<p>Allianz's IDR processes were the same for each of the 2022 flood events. We note that Allianz's complaints processes are the same regardless of whether a complaint is made directly to Allianz or to a service supplier engaged by Allianz to manage a customer's claim. All third-party service suppliers, such as loss assessors, are provided training by Allianz to appropriately manage complaints received by customers.</p>
<p><i>2.4. How does your firm communicate with policy holders during the IDR process?</i></p>
<p>When a complaint is received, Allianz has in place processes to acknowledge receipt of the complaint within 24 hours, provide updates every 10 days on the status of the complaint and provide a written response within 30 days. Allianz will use the customer's preferred method of communication through the complaints process.</p>
<p><i>2.5. How many cases involved dispute resolution? What was this as a percentage of overall claims?</i></p>
<p>Customer complaints were received for 7,920 claims lodged with Allianz related to the 2022 flood events. As defined in ASIC's Regulatory Guide 271, a "complaint" broadly captures an expression of dissatisfaction expressed about Allianz, our products, services, staff, or the handling of a complaint.</p> <p>For 2,204 of these claims, all the associated complaints were resolved on the spot with the customer and typically related to service issues (for example, the wait time on the phone to speak to a claims consultant or to lodge a claim).</p> <p>This means 5,716 claims had a complaint that progressed through our internal dispute resolution process as they could not be resolved on the spot, representing 15.9% of overall claims lodged.</p>
<p><i>2.6. What were the main causes of disputes?</i></p>
<p>The main causes of disputes for claims from the 2022 floods were related to:</p> <ul style="list-style-type: none"> <li>• decisions or outcomes made about the claim;</li> <li>• the quality of claims case management;</li> <li>• the service provider of the claim; and</li> <li>• general communication quality/delays.</li> </ul>
<p><i>2.7. What was the timeframe – average, and distribution (under 1 month, 1-6 months, 6-12 months, 12+ months) from initial dispute to close?</i></p>
<p>The average timeframe between complaint receipt and internal resolution was 14.2 calendar days. See below the distribution of complaints across the listed cohorts:</p>

- Under 1 month – resolved on the spot = 38.86%
- Under 1 month – not resolved on the spot = 49.10%
- 1-6 months = 11.28%
- 6-12 months = 0.75%
- 12+ months = 0.02%

The vast majority of complaints were resolved within 30 days. For the complaints which took a longer time period for resolution, many were in relation to the decision about the customer's claim which would involve engagement with the customer about any new information they may have which could have a bearing on the claim outcome. In many instances, resolution of these more complex complaints involved outcomes of experts reports such as hydrology assessments. The process for resolving these types of complaints would necessarily involve a longer time period.

**2.8. How many claims that went to IDR were resolved in favour of the policy holder?**

Excluding complaints resolved on the spot, 48% of complaints were resolved in favour of the customer.

As already noted, complaints resolved on the spot are often service-related complaints, and outcomes like the claims consultant apologising for the phone wait time are recorded as resolutions in the customer's favour. The majority (85%) of complaints resolved on the spot were recorded as being resolved in the customer's favour. If including complaints resolved on the spot, 63% of all complaints were resolved in the customer's favour.

**2.9. How many claims that went to IDR:**

- a. led to no change to the original decision;
- b. led to full acceptance of the claim; or
- c. led to partial acceptance of the claim?

For the claims where a customer complaint (many of which were not about the claim decision) was recorded:

- a) 6,822 claims did not have a change in the decision at the resolution of the claim. Note this figure includes claims not yet completed and claims that did not have a decision at the time of the first complaint.
- b) 182 claims moved from denied to full acceptance at the resolution of the claim. 67 claims moved from partial acceptance to full acceptance at the resolution of the claim.
- c) 114 claims moved from denied to partial acceptance at the resolution of the claim.

Our response here excludes claims progressed by the customer to AFCA for external dispute resolution. See question 9.5 for these complaints.

*2.10. How have the frequency and causes of disputes changed over time? (eg vs the 2011/2012 floods)*

There have been significant changes to the operating and regulatory environment since 2011/12 which makes it very difficult to compare how disputes have changed over this period.

In particular, the definition of "complaint" has changed considerably since 2011/2012. At the end of 2019, Allianz changed the way complaints were recorded to capture all complaints not resolved on the spot. Previously only complaints not resolved within 5 days were recorded. This hinders the usefulness of any comparisons between complaints pre and post 2019.

In addition, there have been significant changes to Allianz's product offering over this period, the key one being the provision of flood cover. Again, this makes any comparison between disputes over this period problematic.

*2.11. Is there (or should there be) a change in general dispute management handling during surge times?*

Robust complaints and dispute management processes are essential to protect consumers' rights to make complaints and safeguard consumer trust in the industry. Allianz's view is that the requirements on complaints handling contained within ASIC's Regulatory Guide 271 and the General Insurance Code of Practice are appropriate, regardless of whether the complaint was received through the course of an everyday claim or a natural catastrophe claim. Allianz manages all complaints through the same processes.

The unprecedented flood events in 2022 created significant operational challenges, including in managing a higher number of complaints reflecting the volume of claims made by customers. In preparation for future events of such scale, Allianz has continued to make investments in the resourcing and capability of our complaints handling function, growing our dispute resolution team by over 300 percent since 2020 and 19 percent since 2022.

*2.12. What percentage of policy holders engage a hydrologist during the IDR process?*

On all claims where the customer has not taken flood cover, Allianz engages a hydrologist to enable a claim decision to be made. Customers are not required to engage a hydrologist to have their claim progressed.

A customer may obtain their own hydrology assessment if they do not agree with the conclusion of the hydrology assessment obtained by Allianz, but Allianz does not capture this information from customers. We currently do not have the data to comprehensively report on the instances where a customer obtains their own hydrology assessment.

*2.13. What percentage of policy holders engage a legal representative during IDR?*

Allianz does not comprehensively collect this information from customers and is not able to produce such data.

### 3. Identifying Vulnerable People

#### 3.1. How does the firm define/identify vulnerable customers?

Allianz recognises that customer vulnerability can take many forms, including due to physical attributes (age, disability, mental/physical health), caused by language/literacy barriers, or may arise due to life events (family violence, job loss, caring responsibilities) or other factors such as financial distress or the customer being in a remote location. Allianz has a dedicated High Care Team which assists customers with vulnerabilities such as domestic violence or mental health. Other customers identified as requiring "more care", such as customers requiring interpreter support or experiencing financial hardship, are provided additional support by their assigned case manager.

Allianz trains all staff, with more specialized training for frontline staff, to identify verbal or non-verbal cues which may be indicative of a customer experiencing vulnerability. This training recognises that customers interacting with us will often not explicitly articulate that they are experiencing a vulnerability.

#### 3.2. Should the definition of 'vulnerable customer' be expanded?

The General Insurance Code of Practice provides industry with guidance on a number of attributes which may be indicative of customers experiencing vulnerability. This guidance is not intended to limit how customer vulnerability is defined. This approach is appropriate and provides industry with flexibility to adapt as we continuously learn and enhance our capabilities in this area.

We acknowledge that natural catastrophes will trigger vulnerability for many customers, and we provide an outline of how we supported customers in the context of the 2022 floods in our response below.

#### 3.3. How are vulnerable customers supported?

Allianz's model supports customers with different levels of care, so that customers experiencing vulnerability have the appropriate support mechanisms which are scalable based on the customer's needs. In the context of supporting vulnerable customers through the claims process, Allianz's model is for dedicated claims consultants to be involved in the management of a claim from beginning to end so there is continuity in our interactions with a customer. Our claims consultants are trained to identify potential vulnerability and to deliver required support to customers such as providing financial hardship support or arranging an interpreter. For customers with more complex support requirements, for example, customers experiencing multiple vulnerabilities, mental health conditions or family violence, Allianz has a dedicated High Care Team to help tailor support on a case-by-case basis. This is appropriate, as each customer experiencing vulnerability will present unique needs that are likely to change over time.

Throughout the 2022 floods, Allianz recognised that many customers, but particularly customers without flood cover, would require immediate support as the recovery process commenced. Allianz provided customers with emergency payments of up to \$5,000 and

temporary accommodation benefits as required. These benefits were provided to customers without flood cover and unlikely to be covered under their policy. Allianz will continue to take a customer-centric approach in responding to future natural catastrophes.

**3.4. For each 2022 flood event, how many vulnerable policy holders were identified and supported?**

A total of 837 customers were identified as experiencing vulnerability in relation to the 2022 floods. This is summarised by each of the 2022 flood events in the following table.

CAT 221	SE 222	CAT 223	SE 224
596	52	125	64

Recognising the vulnerability of customers without flood cover, Allianz provided emergency payments and temporary accommodation before confirming whether the customer's policy provided any cover. For the 2022 flood events, Allianz made over \$5.3 million payments to 1,492 customers whose claim was subsequently denied in full.

**3.5. How effective is that process?**

Over the past few years, Allianz has made significant investments to better enable staff to assist customers experiencing vulnerability. We are proud of the work we have done to date but recognise that this is an evolving area of expertise and there is always room for improvement.

Allianz's model to date has been to support its customers with different levels of care, so that customers experiencing vulnerability have the appropriate support mechanisms which are scalable based on the customer's needs. Allianz is currently undertaking a review to consider the effectiveness of our approach and to look at opportunities to simplify the triaging process. Importantly, we are also considering whether we are collecting sufficiently robust data so that we can continue to refine our processes for identifying customer vulnerability. The ICA has commenced a review into the General Insurance Code of Practice and will consider possible enhancements to the Code's obligations on customers experiencing vulnerability, particularly in the context of natural catastrophes.

**4. Complex Cases**

**4.1. How does the firm define/identify 'complex cases'?**

Recognising that complexity in the context of claims is nuanced and can take many forms, Allianz does not utilise simple categorisations of claims along complex/non-complex lines.

Within our claims function, Allianz has a Large and Complex Loss Team dedicated to claims where the quantum of the claim is greater than \$100,000. However, we also recognise that claims involving smaller amounts can also be complex, for example, in situations where customers are experiencing longer term or immediate vulnerability in the aftermath of a catastrophe requiring a more tailored approach by Allianz. Allianz has in place a framework

for assisting customers experiencing vulnerability, regardless of the nature or quantum of their claim.

**4.2. *Once a complex case is identified, what is the process for managing that claim?***

Where customers require a more tailored approach in managing their claim, Allianz's approach to that claim would depend on the specific circumstances of each claim.

Larger and more complex claims require more experienced staff to assess and review expert reports, including hydrology reports, scope of works and building reports. For more complex claims, a decision to deny the claim is generally peer reviewed and, in some cases, escalated to a multi-disciplinary team for review.

On-site Allianz staff and loss assessors attend customers with complex claims to assist them through the claims process and, in relation to the 2022 floods, experienced staff were available at recovery centres to assist with immediate questions, claim lodgment, provision of emergency payments and arranging accommodation.

Where a customer has been identified as experiencing vulnerability, common approaches that Allianz may take include dedicated case management by a member of the High Care Team, more frequent and/or tailored communication, engagement with support persons and expedited claims outcomes.

**4.3. *How effective is that process?***

As noted in our response to question 3.5, Allianz is further refining our approach to assisting customers experiencing vulnerability.

In July 2021, Allianz established a Large and Complex Loss Team within our claims function consisting of specialists who have extensive customer and operational experience. Our experience to date is that this triaging of claims enables Allianz to more efficiently assign claims to consultants with the appropriate set of skills and authority to help drive timely resolution of claims.

**4.4. *In what proportion of complex cases were case managers deployed? How effective was this?***

From July 2021, Allianz transitioned to more holistic portfolio management approach to handling claims which means dedicated team members handle a claim from beginning to end. Therefore, Allianz takes a case management approach for all claims, not just claims handled by the Large and Complex Loss Team or High Care Team. Our experience since this transition is that the new model not only provides our claims consultants with a more holistic view of a claim, but also simplifies a customer's engagement with us throughout the claims process.

**4.5. *Is there a longer-term trend in the proportion of complex cases? (eg comparing the 2011/2012 floods to the 2022 floods)***

The establishment of our High Care Team (2019) and Large and Complex Loss Team (2021) were relatively recent initiatives, and we expect data providing insights into customer experiences will become more extensive over time. The number of customers experiencing vulnerability that Allianz assisted throughout the 2022 floods is provided in our response to question 3.4.

More generally, the industry is keenly focused on identifying vulnerabilities, are quick to assess claims as likely large losses and tapped into communities through attendance at recovery centres in the 2022 floods to identify emerging vulnerabilities.

**4.6. For each 2022 flood event, how many policy holders told your firm they had engaged legal representatives?**

Allianz does not comprehensively record this data. In response to this question, we have data mined our case notes to identify cases where customers have told us they may obtain their own legal advice. As such, this data is likely to underrepresent the number of customers who engaged legal representation.

CAT 221	SE 222	CAT 223	SE 224
48	3	6	3

## 5. Communication

**5.1. What is the typical process of communicating with clients once a natural disaster is declared?**

Allianz has a catastrophe event communication plan, with specific communications following a catastrophe dependent on the nature and severity of the event. Allianz may distribute general communication about lodgment of claims through various media channels and through partners such as insurance brokers. Allianz may also seek to contact impacted customers directly, and this was the approach we took following CAT 221. Allianz's Disaster and Response Team also attended recovery centers to provide on-the-ground and face-to-face support to customers, including helping customers lodge claims.

**5.2. What is the typical response time to incoming:**

- a. Phone calls
- b. Emails
- c. Written correspondence

Allianz's typical response time to phone calls (split between calls about claims lodgment and other enquiries) is represented in the first table, with response times to emails and written correspondence summarised in the second table.

	Lodgement (minutes)	Claim Enquiry (minutes)
<b>CAT 221</b>	14:54	15:18
<b>SE 222</b>	4:54	9:18

<b>CAT 223</b>	3:30	1:36
<b>SE 224</b>	2:8	1:06
<b>All Events</b>	<b>7:27</b>	<b>9:42</b>
	<b>Written correspondence (days)</b>	<b>Emails (days)</b>
<b>CAT 221</b>	5.3	5.2
<b>SE 222</b>	4.5	3.4
<b>CAT 223</b>	2.0	3.3
<b>SE 224</b>	2.4	2.7
<b>All Events</b>	<b>4.6</b>	<b>4.8</b>

5.3. *What are your firm's processes to ensure effectiveness and quality of communication with policy holders after natural disasters?*

Allianz recognises the importance of effective customer communication to setting appropriate expectations and to enable informed customer decision-making. Allianz's Voice of the Customer program is a longstanding initiative which uses insights and data from customer feedback and complaints to drive improvement across our business.

Allianz's Quality Assurance framework also uses customer insights to determine areas of staff training that needs to be reinforced to deliver better customer experiences.

5.4. *What are your firm's procedures to ensure claimants are not speaking with different customer service representatives and have to repeat information already provided?*

As noted earlier in our response, from July 2021, Allianz transitioned to a portfolio management model for handling claims which means dedicated team members now handle a claim from beginning to end. When a customer lodges a claim, they will be assigned a single Allianz case manager. While customers may come into contact with more than one claims consultant (for example, if the customer calls our general claims contact centre), the portfolio management model ensures there is continuity in a customer's engagement with us.

Once a claim is lodged, Allianz's appointed external loss assessor engages directly with the customer to assess the loss, accept claims and arrange for repair work to be completed. Allianz does not authorise external loss assessors to deny (fully or partially) claims and directly engages with customers in these circumstances. Allianz's digital Supplier Governance Platform enables us to track the workflow for each service supplier, customer complaints and other performance metrics. Moving forward, with the enhancements to Allianz's internal loss assessing capabilities, much of the customer engagement previously undertaken by external loss assessors will be done in-house and Allianz will have a greater degree of control over the quality of customer engagement.

**5.5. *In what ways could communication improve – before, during and after natural disasters?***

Allianz actively communicates with customers to provide practical information, such as home preparation tips, ahead of catastrophes. Allianz also take a lead role in communicating with brokers and other intermediaries to present information on pre-season preparedness.

Following a catastrophe, social media banners and IVR messaging are deployed to promote awareness of the event and encourage claims lodgment. Promotion via SMS and social media platforms brings awareness of where our Disaster and Recovery Team deployments are taking place as well as our attendance at community forums and ICA claims consultation events.

Over the year, Allianz has identified improvement opportunities for better communication with customers during the claims process. We are developing a new property conversation guide to better assist claims staff to support customers, including providing a clearer overview of the claims and complaints process.

**6. Hydrologist Reports**

**6.1. *How do hydrology reports assist in determining liability (ie is it principally storm water vs riverine flood)?***

Hydrology assessments are obtained when there is a need to determine whether damage was caused by riverine flooding or stormwater runoff. The need to distinguish between riverine flooding and stormwater runoff is only relevant for customers who had not chosen to be covered for flood but have cover for stormwater runoff which is a standard benefit in Allianz's policies.

**6.2. *Is it common for different insurers to engage the same hydrologists with respect to the same storm and flood events?***

As there are a limited number of hydrology experts, it is likely that insurers engage the same hydrology firms following flood events.

**6.3. *Did your firm engage the same hydrologists as other insurers during each of the 2022 flood events?***

While Allianz is not aware of the arrangements other insurers have with hydrology firms, it is likely that a number of hydrologists providing assessments for Allianz also worked with other insurers for each of the 2022 floods.

**6.4. *In preparing their reports, did hydrologists engaged by your firm communicate and/or collaborate with hydrologists engaged by other insurance companies with respect to the same event?***

Hydrologists are generally engaged to provide an expert opinion on the cause of water inundation at an insureds specific address, so there is no benefit for Allianz appointed

<p>hydrologists to collaborate with other hydrologists. We are unaware of any collaboration between hydrologists in relation to the 2022 flood events more generally.</p>
<p><i>6.5. For each 2022 flood event, how many hydrologists did your firm engage?</i></p>
<p>Allianz and our appointed loss assessors engaged eight hydrology firms to undertake hydrology assessments for the 2022 floods.</p>
<p><i>6.6. Did your firm provide policy holders with hydrology reports obtained by your firm and relevant to their claims during the 2022 flood events?</i></p>
<p>Yes, Allianz obtained hydrology assessments for all relevant flood claims where the insured did not have flood cover and these reports were provided to insureds when a claim decision was communicated to the customer.</p>
<p><i>6.7. For each 2022 flood event, how many policy holders obtained their own hydrology report?</i></p>
<p>Allianz does not comprehensively track if customers obtain their own hydrology report and customers may not inform us of their intention to do so. From a review of our case files, we have identified that 16 customers obtained their own hydrology report for CAT 221, and one customer for each of CAT 223 and SE 224 obtained their own hydrology report. Given the data limitations noted, this is likely to be an underrepresentation of the instances in which customers obtained their own hydrology report.</p>
<p><i>6.8. Does your firm have procedures to assist policy holders obtain their own hydrology report?</i></p>
<p>Allianz does not have in place procedures to assist customers obtain their own hydrology reports.</p>
<p><i>6.9. What is the average cost of a hydrologist's report for home and business claims?</i></p>
<p>The average cost of hydrology reports to Allianz was \$4,700. We note that this cost is absorbed by Allianz and claimants are not required to pay for hydrology assessments.</p>
<p><i>6.10. What is the timeframe for seeking/receiving hydrology reports?</i></p>
<p>Generally, Allianz expects to be provided with hydrology reports within four weeks of the hydrologist attending the property for a site inspection. For the flood events in 2022, particularly CAT 221 where there was an unprecedented volume of claims, there were significant capacity constraints in the market for hydrology expertise and for some claims there was an associated delay of up to 12 weeks for hydrologists to attend properties for site inspections.</p> <p>We note that in some locations, site inspections were also delayed by limited access due to extensive damage to critical infrastructure.</p>

**6.11. In how many instances was lack of access to, or unaffordability of, hydrology reports an issue for the timely processing of claims and/or the timely and fair processing of disputes?**

As noted in our response above, capacity constraints in the market for hydrology expertise following CAT 221 led to delays in Allianz obtaining required hydrology assessments and subsequently increased the timeline for the processing of claims for many customers. Also noted previously, the costs for obtaining hydrology reports are absorbed by Allianz and the affordability of hydrology assessments is not a factor that impacts customers when they are making a claim.

**6.12. Are there ways for clients to better share access to hydrology experts?**

While there were significant capacity constraints in the market for hydrology expertise, this was an issue experienced across the insurance industry and unlikely to be alleviated by access arrangements between insurers.

As noted in our submission, Allianz has increased our internal loss assessing capacity, which in the future will include dedicated internal hydrology expertise. This will assist in reducing our reliance on external hydrology expertise for catastrophe events.

**6.13. How could access to hydrology reports for policy holders be improved?**

As noted previously, Allianz provides a copy of hydrology reports to all claimants where a hydrology assessment was obtained. While customers can obtain their own hydrology reports if they disagree with the findings of the hydrologist engaged by Allianz, customers are not required to access hydrology experts to have their claim assessed. Allianz arranges to have hydrology assessments conducted for all claims where the customer does not have flood cover.

**6.14. In how many instances (separately for each category incident) did the company obtain advice from expert hydrologists when assessing claims?**

A summary of the number of individual property hydrology reports by each of the flood events is provided below.

	Number of individual property hydrology reports
<b>CAT 221</b>	1,835
<b>SE 222</b>	Data unavailable
<b>CAT223</b>	142
<b>SE 224</b>	84

Data is unavailable for SE 222, as this was a smaller flood event and our automated data reporting system cannot easily extract this information.

<p>6.15. <i>In how many instances (separately for each category incident) were hydrology reports required to resolve disputes?</i></p>
<p>Allianz does not comprehensively collect this information from customers and is not able to produce such data.</p>
<p>6.16. <i>What types of issues did hydrologists typically deal with (eg determining whether flooding was storm water vs riverine flooding)</i></p>
<p>Hydrology assessments are obtained when there is a need to determine whether damage was caused by riverine flooding or stormwater runoff.</p> <p>Where it is likely that damage was caused by both riverine flooding and stormwater runoff, hydrology assessments consider the possibility of stormwater runoff occurring prior to riverine flooding in determining the quantum of loss covered by customers without flood cover.</p>
<p>6.17. <i>Are you aware of particular areas/regions where access to expert hydrologists was an issue for the timely processing of claims or resolution of disputes?</i></p>
<p>The capacity constraints in the market for expert hydrologists was experienced nationally and affected claims in all areas/regions where hydrology assessments were required.</p>
<p><b>7. Resilience</b></p>
<p>7.1. <i>What options are there for households or businesses to repair/rebuild properties in a more resilient way? (eg from elevated buildings through to more resilient flooring such as tiles vs carpet)</i></p>
<p>For households and businesses highly exposed to flood risk, the most effective way to mitigate against future loss or damage from flooding is to raise floor levels by elevating buildings on poles. While the role of insurance currently is limited to some extent to restoring the customer back to their pre-loss situation, State government assistance, for example the QLD home raising program and the NSW resilient homes program, is critical in helping households impacted by the 2022 floods in meeting the significant costs associated with raising homes.</p> <p>There are a range of other mitigation measures for enhancing the resilience of homes to flood risk, including replacing floor coverings with more water-resistant options (such as vinyl, tiles, polished concrete). Useful resources for households have been developed since the 2022 floods, for example the <i>Design Guidance for Flood Resilient Homes</i> by the QLD Government and the <i>Flood Resilient Design Framework</i> by the NSW Government, providing guidance on flood-resilient rebuilding options.</p> <p>Allianz has also partnered with Green Building Council Australia in developing <i>A Guide on Sustainable Home Renovations</i>, which is available online and provides practical building tips on more resilient home design options for a range of perils, including floods.</p>
<p>7.2. <i>In a practical sense, what is your firm doing to reflect changes in household level resilience/mitigation in pricing?</i></p>

In relation to flood risk, Allianz's pricing reflects mitigation undertaken by households to elevate the floor height of buildings. Our experience is that, for customers most exposed to flood risk, the most effective way to reduce this risk is by raising the home. Reductions to premiums have been passed onto customers with raised homes compared to if their home had not been raised.

*7.3. How can this be done in a way that directly leads to lower premiums? (ie in a way that allows insurers to quantify the reduced risks of the more resilient building)*

Allianz recognises that more can be done to more granularly price policies to reflect mitigation undertaken at the household level. Allianz has been actively participating in a joint industry-government initiative, the Hazard Insurance Partnership, focusing on exploring data initiatives that could better enable insurers to more comprehensively reflect mitigation in pricing.

Data limitations are the biggest obstacle for insurers in taking into consideration mitigations to reduce flood risk. Currently, Allianz seeks information from customers on whether their home is raised, and pricing for customers exposed to flood risk reflects this. However, our pricing engine currently is not calibrated to price at a more granular level, for example, taking into consideration the exact height of the floor level for raised homes. There is also limited data to enable insurers to verify that mitigations have been undertaken, or to quantify the effectiveness of those mitigations in reducing flood risk. There have been initiatives, for example in relation to cyclone risk, for households to have mitigation activities assessed and certified. There have been no similar initiatives in relation to flood risk.

The Hazard Insurance Partnership is working through options to overcome these obstacles, including the feasibility of a national database of information containing detailed building attributes for households exposed to flood risk so that insurers can more efficiently incorporate this information into pricing engines.

In addition, we note that mitigations like house raising, whilst effective are incredibly costly and the associated expense is likely to be out of reach for most households. Government assistance like the QLD home raising program and the NSW resilient homes program initiated following the 2022 floods are critical. Consideration should be given to extending these programs and introducing programs for properties not impacted by the 2022 floods to more comprehensively assist households nationwide in mitigating against flood risk.

**8. Land Use and Planning Issues**

*8.1. Are there instances of flood mapping or hydrological analysis that has materially changed the firm's assessment of a region's risk?*

The flood mapping Allianz uses to determine flood risk at the individual property level is constantly updated. In addition to the National Flood Information Database (**NFID**) which incorporates flood mapping undertaken by government sources, Allianz also uses several private sources of flood maps, depending on which source has the most up-to-date data and most granular data. Flood mapping based on satellite radar information generally yields the best quality data for assessing flood risk, and we anticipate that the quality of data will

continue to improve over time. Updates to flood maps can change our assessment of risk, for example, updates to flood mapping did result in changes to Allianz's assessment of flood risk for some customers in 2022, with some customers receiving a lower flood rating and others receiving a higher flood rating.

**8.2. What can be done to reduce the likelihood of additional development occurring on high-risk land?**

Allianz supports the submissions made by the ICA advocating for the development of a national standard that considers disaster and climate risk as part of land use planning and building reform processes. Such a standard would provide a nationally consistent framework for land use planning decisions made by state and local governments and enable a more cohesive approach to managing flood risk across local government boundaries. In some cases, decisions by local councils are overridden by independent planning panels, creating further complexity.

A national standard should continue to enable land use planning to be state-led and catchment-based, incorporating flood risk and localized water catchment boundaries rather than local government boundaries. Local government councils should be empowered to provide input into strategic planning at the catchment level and receive direction from the State on where housing should not be planned as part of the development of regional plans.

**8.3. How can your company better support individuals who own property on high risk/medium risk/low risk land?**

Allianz has initiated key partnerships to support customers better understand the natural peril risks they are exposed to and to take action to reduce that risk.

In particular, we have recently partnered with Disaster Relief Australia (**DRA**) to enable the volunteer-run non-profit to deliver its 'Big Map' initiative to assist vulnerable communities plan for future natural disasters, particularly fire and flood. Using DRA's mapping and drone technology, large scale floor maps are produced profiling areas in a community at risk of fire and flooding. Community sessions enable local residents to visualise their community's risk profile and explore ways to build resilience and reduce the impact of future disaster events. Allianz's Disaster Recovery team attends these sessions to help arm residents with the right information to ensure they're adequately covered before a disaster and provide information on how their insurer can support them after an event.

Allianz also undertakes targeted communication campaigns in preparedness for anticipated natural catastrophes, for example, we have started making customers aware of the heightened risk of bushfire activity in the upcoming summer season. The purpose of these campaigns is to prompt customers to consider whether their insurance cover is adequate as well as providing practical information to minimize risk of damage.

**8.4. In determining premiums, does your firm take into consideration:**

- Detailed flood mapping of localized areas (vs just using postcodes)?

- *Local government flood planning, including changes to mitigation in local areas post-flood?*
- *Development approvals or risk assessments undertaken by local governments?*
- *Has your approach to any of these (the 3 issues above) changed in any way since the 2022 flood events?*

Allianz uses flood mapping with sufficient granularity to determine risk at the address level. Allianz does not price flood risk at the postcode level.

The NFID is the source of information that Allianz uses for flood mapping conducted by government. To the extent that governments update flood mapping to incorporate public mitigation works conducted post flooding events, this information should be available to insurers through accessing the NFID (although there may be lag between the public mitigation and updating of data on the NFID).

Allianz is not aware of any of the flood mapping used incorporating development approvals in a comprehensive or systematic way.

The approach Allianz takes to using flood mapping in determining risk and premiums has not changed since the 2022 flood events.

## 9. External Dispute Resolution

### 9.1. *For each 2022 flood event, how many claims were referred to EDR?*

In total, 735 claims from the 2022 floods had a complaint that was referred for External Dispute Resolution (**EDR**) with AFCA, summarised by each event below.

	<b># Claims Lodged</b>	<b># Referred to EDR</b>	<b>% Claims Referred to EDR</b>
CAT 221	27,927	652	2.3%
SE 222	2,310	38	1.6%
CAT 223	2,679	31	1.2%
SE 224	3,106	14	0.5%
<b>Total</b>	<b>36,022</b>	<b>735</b>	<b>2.0%</b>

### 9.2. *What was the typical cause of this?*

The main causes of complaints referred to AFCA were:

- Denial of claim (40% of complaints);
- Delay in claim handling (38% of complaints); and
- Claim amount (17% of complaints).

### 9.3. *How many disputed claims remain unresolved (internal and external)*

As we continue to finalise building and restoration works for claims from the 2022 floods, we would expect to continue to receive complaints, for example, if the customer identified aspects of the rebuild that requires rectification given Allianz-managed rebuilds are guaranteed.

As at end-September 2023, 17 complaints were open internally:

	# Open internally
CAT 221	13
SE 222	1
CAT 223	3
SE 224	0
<b>Total</b>	<b>17</b>

As at end-September 2023, 67 disputes were open with AFCA for external dispute resolution:

	# Open with AFCA
CAT 221	54
SE 222	3
CAT 223	6
SE 224	4
<b>Total</b>	<b>67</b>

**9.4. How many claims that went to EDR were resolved in favour of the policy holder?**

AFCA only provide a resolution in favour of the customer or financial firm when they issue a determination during their decision stage or sometimes in preliminary assessment. AFCA defines an outcome in favour of the customer as follows:

AFCA Outcome	Definition
Decision in favour of the customer	Where AFCA issues a determination, and some significant issue * was decided in the complainant's favour.
Preliminary assessment in favour of the customer	Where AFCA provides a preliminary assessment at preliminary view or decision status, some significant issue * was decided in the complainant's favour, and this results in the complaint closing.

\* A significant issue is an issue that is important in the context of the whole complaint, and/or which results in some significant remedy being awarded to the complainant.

When we consider these complaints 36% were resolved in favour of the customer:

In favour of	# Complaints	% of total
Customer	38	36%

	Financial Firm	69	64%
	<b>Total</b>	<b>107</b>	<b>100%</b>
9.5.	<i>How many claims lodged with your firm that went to EDR:</i>		
	<ul style="list-style-type: none"> <li>a. led to no change to the original decision;</li> <li>b. led to full acceptance of the claim; or</li> <li>c. led to partial acceptance of the claim?</li> </ul>		
	<p>The majority of complaints that went to EDR were not in relation to the claim decision. For the complaints related to the claim decision:</p> <ul style="list-style-type: none"> <li>a) 669 claims did not have a change in the decision at the resolution of the claim. Note this figure includes claims not yet completed and claims that did not have a decision at the time of the first complaint.</li> <li>b) 32 claims moved from denied to full acceptance at the resolution of the claim. 11 claims moved from partial acceptance to full acceptance at the resolution of the claim.</li> <li>c) 23 claims moved from denied to partial acceptance at the resolution of the claim.</li> </ul>		
9.6.	<i>How is the policy holder supported during this process?</i>		
	<p>The EDR process varies depending on the type of complaint. Generally, when a complaint is received by AFCA, Allianz will attempt to resolve the complaint directly with the customer. This includes complaints that had already been processed through Allianz's IDR process. If a resolution cannot be reached, Allianz will work with AFCA to ensure it receives the information required to resolve the dispute.</p>		
9.7.	<i>How long does this EDR process typically take?</i>		
	<p>AFCA has in place timelines with progressing complaints through its EDR process, and timelines will differ depending on the nature of the complaint. When a complaint is made to AFCA, AFCA will refer the complaint back to the financial entity to attempt a resolution and depending on whether the complaint had already been through the IDR process, this "registration and referral" process will take between 21 – 30 days. Where the complaint progresses further through the AFCA case management process, the timeline will be subject to AFCA processes and will differ depending on the complexity of the complaint. For the 2022-23 period, AFCA reported that the average time taken to close general insurance complaints was 85 days.</p>		
9.8.	<i>What is the expense to the company of the EDR process?</i>		
	<p>For the 12 months to September 2023, the cost in AFCA fees to Allianz was \$8.39 million. This cost does not include other expenses in participating in the EDR process, such as the resourcing of our EDR team.</p>		
9.9.	<i>Does this cost disadvantage a policy holder?</i>		

The AFCA resolution process is free for complainants, and Allianz does not pass any of this cost to complainants. Allianz is required by law to be a member of an external dispute resolution scheme, and this expense is absorbed as a cost of doing business. Like other expenses, these costs are reflected in the premiums that customers pay.

**9.10. For each 2022 flood event, how many policy holders engaged a legal representative?**

Allianz does not comprehensively collect this information from customers and is not able to produce such data.

**9.11. How could EDR processes be improved?**

Like the industry, the unprecedented volume of claims from the 2022 flood events also put significant pressure on AFCA in responding to complaints. We understand that AFCA has increased its resourcing in line with the heightened demand for its services.

**10. Future Policies/Renewals**

**10.1. What trends are you seeing in policy holders reducing coverage? (ie potential underinsurance issues)**

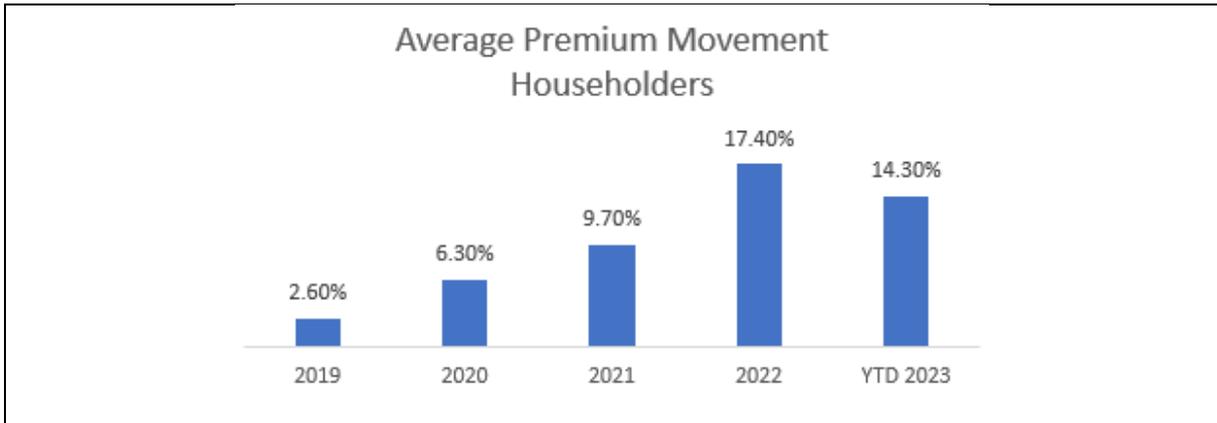
Allianz differs from the other major insurers in how our policy responds to flood. Allianz intentionally designed our policy to give customers choice in taking out of flood cover, to make home insurance affordable for customers with a high exposure to flood. For these customers, without the ability to not purchase flood cover, they may not be able to afford home insurance at all.

Since the 2022 floods, Allianz has seen a larger proportion of customers exposed to high flood risk not take out flood cover. This includes new customers purchasing policies without flood cover and existing customers cancelling flood cover. Overall, customers with the highest flood rating (scores 5 and 6) without flood cover has increased from 48-53% and 62-73% respectively since last year. The level of coverage has been maintained for the vast majority of customers not exposed to flood risk.

**10.2. What are the overarching/summary trends in premium increases?**

The average premium changes for Allianz's householder portfolio (including our home building, home contents and landlord policies) is summarised in the below graph.

In 2022, there was significant pressure on premium rates caused by claims inflation, the volume of catastrophe events in recent years, a tight reinsurance market and updates to Allianz's risk pricing (such as updated data on flood mapping). These factors, while easing slightly in 2023, continued to put pressure on premiums through the year.



**10.3.** *How do you ensure transparency in pricing? For example, when there is a premium increase, do you clarify how much is due to upward pressure on reinsurance costs and how much to changes in the assessment of underlying risk?*

Communication to customers about the reasons for premium changes would depend on the specific drivers of change. Allianz understands the importance of providing customers with accessible information to explain material movements in premiums.

For example, prior to the 2022 floods, Allianz undertook a comprehensive national review of flood premiums based on updated government flood maps, data and flood risk modelling. The outcome of this review was incorporated into premiums for existing customers whose policies renewed during 2022 and 2023. For most customers, this resulted in no change or a modest increase in flood premiums. In some areas, however, the updated flood modelling indicated a much higher flood risk than previously, which resulted in more material premium increases. For these customers, Allianz provided information indicating that premium increases were due to the updated flood mapping changing our assessment of risk. It is generally not possible, at the individual customer level, to quantify the proportion of the price increase attributable to different factors such as reinsurance or claims inflation given these costs are shared across the portfolio.

**10.4.** *How do you convey information on the changing risk profile of policy holders?*

For customers who see large premium increases due to changes in flood rating, Allianz writes to customers to make them aware of the change and provide reasons for the increase. In addition, for recent premium increases in 2022, Allianz also supplemented this with SMS and outbound phone calls to select customers.

**10.5.** *How many policy holders that were covered for storm and/or flood damage during the 2022 flood events have been denied full or partial coverage when seeking to renew their policies after these events?*

Allianz has not sought to decline renewals for any impacted customers due to the 2022 floods. For customers in high-risk flood areas, Allianz will generally seek to price the risk and offer insurance (including the ability to not purchase flood cover) rather than not offering insurance altogether.

**11. Lessons Learned Since 2010-12 Natural Disasters**

*11.1. What is the total number of claims for all events that were declared natural disasters for the period 2010-2011 floods and the 2010-2013 natural disasters?*

Given the need to access legacy data systems for historical claims data, we note there may be data quality issues particularly with the matching of Allianz claims data with specific ICA-declared catastrophes. Allianz was able to extract data for 16 ICA-declared catastrophes between 2010 and 2013. For these events, Allianz received 49,901 claims.

*11.2. How many clients had the same or similar claims in 2010-2013 for natural disasters?*

Claims in relation to flood events prior to 2012, particularly the Brisbane floods in 2011, is not comparable to the flood claims of 2022 as Allianz did not fully offer flood cover until November 2012. The most significant flood event in this period following Allianz's transition to offering flood was the QLD flooding related to Cyclone Oswald in 2013 where Allianz received over 6,400 claims.

*11.2. Of the total claims made in 2010-2013, how many ended up in dispute resolution? What was the percentage (of disputes) from claims made during this period?*

Again, historical data should be interpreted cautiously, particularly historical complaints data given the significant changes to the way the concept has been defined and how complaints were recorded over the period. For the 16 ICA-declared catastrophes referred to in our response to question 11.1, Allianz has identified 418 recorded complaints. This represents around 1 percent of relevant claims received.

*11.3. What have you learnt from claims management from the 2010-13 period?*

Prior to 2008, most major Australian insurers excluded flood from residential home insurance policies. At the time of the 2011 Brisbane floods, flood was excluded from the vast majority of home insurance policies. From 2012, all major insurers including Allianz introduced flood cover as standard or under a customer choice model.

In the 2011 floods, the biggest challenge that most insurers had was the exclusion of flood, meaning that insurers needed to obtain hydrology reports to confirm that the source of inundation was riverine flooding as opposed to storm water runoff which policies did provide cover for.

When Allianz introduced flood cover between November 2011 and November 2012, we were one of the few insurers who decided to make flood cover optional, as it became evident that making flood cover mandatory would preclude customers highly exposed to flood risk from being able to afford home insurance altogether.

When it came to the floods in 2022, our experience was not dissimilar to 2011 in that allowing customers to not take out of flood cover created operational complexities in managing claims due to the need to obtain hydrology assessments to determine the cause of loss.

*11.4. What changes have been implemented in the intervening period?*

The most significant changes to our claims handling model have been implemented in recent years and already mentioned in our response, including:

- a transition to a portfolio management approach;
- the establishment of dedicated teams to tailor our approach to customer needs, including a Large and Complex Loss Team and a High Care Team;
- the establishment of a dedicated Catastrophe Response Team;
- the establishment of a Disaster and Recovery Team to provide customers with more comprehensive on-the-ground support following catastrophes;
- enhanced internal loss assessing capability; and
- heightened oversight and monitoring of third-party claims service providers.

More generally, there has also been significant legislative changes impacting claims handling during this period, including a legislated definition of flood and the more recent reforms to make claims handling a financial service. In addition, broader adoption of online solutions has better enabled customers to more efficiently lodge claims online.

## 12. Case Management

*12.1. What is the company's policy in relation to appointing a case manager? (ie when it should occur, protocols for engagement, protocols for internal reporting)*

As noted earlier in our response, Allianz transitioned towards a portfolio approach for managing claims whereby assigning a case manager to each claim is part of our business-as-usual approach to managing claims. At the time of the 2022 floods, Allianz was still transitioning towards this model. However, recognising the scale and complexity of the events, Allianz took an approach whereby all flood-related claims were triaged into a specialist flood team (for claims at or under \$100,000 and customers with no flood cover) or our Large Loss and Complex Claims Team (for claims exceeding \$100,000) where a case manager was assigned to every claim.

*12.2. Are there timelines in relation to this appointment?*

Allianz endeavors to appoint a case manager as soon as possible after a claim is lodged (ie on the same day). As a claim evolves and more information is obtained on the claim complexity, the claim may be reassigned to a more experienced consultant to manage the claim.

*12.3. Once a claim is identified for case management, how high up the chain does management of the claim go?*

Currently, Allianz takes a case management approach for all claims under our claims handling model, and this approach is not limited to more complex claims or claims requiring dispute resolution. Where a claim decision or complaint requires escalation, Allianz's process is to have the claim reviewed by the claims consultant's team manager prior to escalation through our dispute resolution process. For more complex claim decisions, a multi-disciplinary

team of claims and product specialists review all claim decisions and outcomes. In certain circumstances a claim decision may be escalated to the General Manager Claims.

*12.4. What are the protocols in terms of a case manager interacting with a policyholder (eg mode of communication, frequency of communication)?*

The way and frequency with which Allianz interacts with customers would depend on the nature of the claim as well as the individual customer. Allianz takes a flexible approach to interacting with customers and would use the customer's preferred method of communication. Allianz has in place a number of controls to provide regular updates on claims progress. The General Insurance Code of Practice contains minimum standards on claims handling communication frequency.

For customers experiencing vulnerability that have been referred to our High Care Team, we take a more tailored approach depending on the customer's vulnerability. Generally, Allianz aims to expedite cases where the customer is experiencing vulnerability.

*12.5. For each of the four category incidents, for how many claims was a case manager appointed?*

For the 2022 flood claims received by Allianz, a case manager would have been appointed for each claim.

*12.6. How is the progress of claims that are being case managed reported to the Board?*

As noted, Allianz takes a case management approach in the ordinary course of responding to claims. For the 2022 flood events, regular reporting was provided to management and the Board to provide visibility of key claims metrics.