



20 November 2023

Standing Committee on Economics
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Canberra ACT 2600

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Dear Committee Members and Secretariat

IAG¹ welcomes the opportunity to make a submission to the House of Representatives Standing Committee on Economics Inquiry into insurers' responses to 2022 major floods claims, including for the:

- South-east Queensland and northern NSW floods of February and March 2022
- Hunter and greater Sydney floods of July 2022
- Victorian, NSW and Tasmanian floods of October 2022, and
- Central west NSW floods of November and December 2022

IAG's purpose

Our purpose is to make your world a safer place. We recognise that fulfilling our purpose involves more than transferring risk and paying claims. It drives us to collaborate with the community, government, industry bodies and other Australian and international organisations to understand, reduce and remove risk, and build resilience and preparedness.

Through our businesses, IAG has a long history of working proactively to support the communities in which we operate. As a large Australian and New Zealand general insurer, we see the devastation of natural disasters firsthand when we help our customers rebuild and recover after severe weather events. We have long advocated that preparation, mitigation and strengthening resilience are essential tools for communities to manage the risks that natural disasters pose to life, property, and prosperity. In that context, it is critical that lessons from the recent floods are also used to enable those in high-risk areas to understand the risks they face and where possible, take steps to mitigate those risks and protect communities ahead of future disasters.

Reviewing our response to the 2022 flood events has highlighted areas where we can make improvements to ensure we deliver the level of service our customers expect. In responding to your questions in this submission, we have also set out the challenges we faced at that time, the lessons

¹ IAG is the parent company of a general insurance group with controlled operations in Australia and New Zealand. Our businesses underwrite approximately \$16 billion of premium per annum, selling insurance under many leading brands, including: NRMA Insurance, RACV, CGU, SGIO, SGIC, Coles and WFI (in Australia); and NZI, State, AML, and Lumley Insurance (in New Zealand). With more than 8.5 million customers and information on the majority of domestic residences in our markets, we use our leadership position to understand and provide world-leading customer experiences, making communities safer and more resilient for the future.

we have learned from these floods, and the improvements we have made – and continue to make – to be better prepared in the future.

Investing in understanding natural disasters

These lessons and improvements supplement our already substantial technical foundation.

For more than 20 years, IAG has invested in a specialist in-house natural perils team, which has unique expertise in measuring natural disaster risk, and understanding how to address hazardous characteristics of buildings and property. The team has published a number of research papers, the most recent of which have focused on quantifying the impacts of extreme weather and climate change on risk to property (see *Severe Weather in a Changing Climate 2nd edition*² (in partnership with the US National Center for Atmospheric Research), *Future Tropical Cyclone activity along the East Coast of Australia*³ and *Regional Sensitivity of Australian Flood Risk to Climate Drivers*.⁴

IAG is the founding member of the Australian Business Roundtable for Disaster Resilience and Safer Communities (ABR). The ABR was formed in 2012 by companies with a shared vision to ensure that communities across Australia were better able to prepare for, respond to and recover from disasters triggered by natural hazards. Its activities included commissioning research to support the sound economic and social case for investing in mitigation and resilience building.

The ABR's first report⁵ *Building our Nation's Resilience to Natural Disasters* demonstrated that for every \$10 spent on post-disaster recovery, only \$1 is spent on measures to improve the safety of our communities prior to disasters. The report highlighted that carefully targeted resilience investments of \$250 million per annum have the potential to generate budget savings in the order of \$12.2 billion for all levels of government (or \$9.8 billion if looking at the Australian Government budget only). It further proposed that if successfully implemented, Australian and State Government expenditure on natural disaster response could be reduced by more than 50% by 2050. In addition to the economic case for investing in mitigation, the ABR reports provide insights into the social costs of natural disasters, data needs and infrastructure decision making. (Further detail and the research reports can be found at the website: <http://australianbusinessroundtable.com.au/our-research>).

IAG's response to the Inquiry

Appendix 1 contains IAG's response to the Committee's questions relating to:

- claims management
- internal dispute resolution
- identifying vulnerable customers
- the provision of additional resources devoted to complex cases
- communication
- hydrology reports
- resilience
- land use and planning issues

² <https://www.iag.com.au/severe-weather-changing-climate>

³ Available at [IAG and the US National Center for Atmospheric Research \(NCAR\) release new findings about the future of tropical cyclone activity along Australia's east coast | IAG Limited](#)

⁴ Available at [Regional Sensitivity of Australian Flood Risk to Climate Drivers](#)

⁵ <http://australianbusinessroundtable.com.au/our-research>

- external dispute resolution
- future policies/renewals and
- lessons learned since the 2010-2013 disasters.

Appendix 2 has further responses to several questions, and IAG's claims numbers arising from the flood events related to this Inquiry.

Confidential Appendix 3 provides the Committee with an overview of IAG's flood cover across products and brands.

Broader opportunities to learn from reviews

IAG also contributed to the Insurance Council of Australia's (ICA) submission to this Inquiry and we support the ICA commissioned independent review of insurers' response to the 2022 floods – *The new benchmark for catastrophe preparedness in Australia, A review of the insurance industry's response to the 2022 floods in South East Queensland and New South Wales (CAT221)*. We endorse the recommendations and findings of this report, and have taken steps to adopt the recommendations as we continue to look for opportunities to support our customers.

ASIC's recent review of home insurance has also been valuable. We have closely considered ASIC's feedback and insights in the context of how we manage home claims and engage with our property repair partners, as well as broader opportunities, including the use of technology.

IAG submissions to recent flood inquiries and reviews in New South Wales, Queensland and Victoria may be of assistance to the Committee and are available at <https://www.iag.com.au/newsroom/government-submissions>.

Key lessons for IAG

Our customers are our top priority, and we know that the time when a customer makes a claim is the most crucial phase of their insurance experience. But there are a range of challenges we may confront that affect our ability to deliver our claims service and support customers in a timely way. These might include:

- supply chain shortages
- disruptions to the labour market
- increased demands on the construction industry
- rising interest rates
- other economic impacts,
- and during COVID-19, border closures.

All these factors were present during the period in question, affecting insurers' ability to respond to the flood events.

How we prepare for major events – and what we need to change

IAG has a documented and well-tested Major Event Plan which sets out in detail how our claims teams will scale up in preparation for major events, and guides our response. This has been in place for a number of years, however the 2022 floods have shown us that we can do more.

The geographically widespread and long-term nature of the floods compounded resourcing challenges. There were very high levels of and widely dispersed demands on insurers, assessors, hydrologists, builders and restorers, coupled with shortages of materials, and suitable licensed trades.

Our businesses started 2022 still dealing with six weather events in the previous year that were declared insurance events by the ICA. While we were prepared for expected business-as-usual claims, calendar year 2022 brought the South-East Queensland and northern NSW events and then three other flooding events that are the subject of this Inquiry.

As an indication of the increased number of claims we had to deal with from these events, FY22 claims were 43% higher than in FY21, and 46% higher than FY23.

In the face of all the challenges we faced, we have finalised 95% of claims relating to these floods.

We engaged with our customers extensively in relation to the 2022 floods, listening to feedback throughout, and adjusting our processes and communication as appropriate. But I acknowledge that this feedback also tells us that there are times when we could have supported our customers more effectively.

Examples of where we directly adjusted our processes and communication in response to customer feedback are set out in Appendix 1.

Key lessons for the insurance industry

Following the 2022 floods the ICA commissioned Deloitte to review the broader insurance industry's response. Deloitte's report includes key actions to strengthen the industry's preparedness and response. We contributed to and welcomed the report. We have taken the following specific actions in response to its recommendations:

RECOMMENDATION 1 Catastrophe preparedness – Insurers should improve catastrophe planning.

- We are reviewing and testing our Major Event Plan to incorporate new and enhanced scale-up plans and broaden resilience testing (including systemic events).

RECOMMENDATION 2 Customer experience – Insurers should improve the customer experience.

- We have adjusted and continue to review how to manage demand for temporary accommodation following major events, particularly where long-term accommodation is required.
- We are reviewing how people affected by floods access the right information early to ensure they preserve what they can of their flooded property.
- We are using a six-step assessment process to identify vulnerable customers at an earlier stage. This includes customers experiencing domestic and family violence, financial hardship, or other vulnerabilities. We have a dedicated customer support team to appoint a case manager to oversee claims for customers experience vulnerability.

RECOMMENDATION 3 Resourcing capability – Insurers should redesign resourcing capability for catastrophe events.

- We are increasing our arrangements to access at short notice capability of tradespeople in regional areas.
- We are revitalising our 'All Hands-on Deck' program that provides access to the broader IAG employee base and have put in place an enhanced training program; we have had a strong response from across our business.

RECOMMENDATION 4 Operational response – Insurers should assess the operational efficiencies delivered by investment in process, technology, and infrastructure.

- We are making continuous improvements to streamline claims lodgement and processing
- We are enhancing our digital capability to improve triaging and oversight of claims status so we can better identify vulnerable customers, complex cases, and other potential issues.

RECOMMENDATION 5 Governance and transparency – Insurers should improve their ability to capture and leverage data and insights to understand the impact of internal and external factors on performance during catastrophes.

- We are ensuring we improve reporting capability to capture data that allows us to work closely with our repairers and other claims service providers to maintain operational oversight and to map and manage supplier resource capacity.

RECOMMENDATION 6 Coordination with government – More effective coordination between government and the insurance industry is required.

- We will continue to work with all levels of government on opportunities to coordinate disaster responses and we will strongly advocate for boosting investment in resilience and adaptation, including active participation in the Hazards Insurance Partnership.

RECOMMENDATION 7 Code review in the context of catastrophes – The Extraordinary Catastrophe definition in the General Insurance Code of Practice should be reworked as part of the upcoming independent review.

- We will work closely with ICA on the Independent Review of the General Insurance Code of Practice it announced on 14 November 2023.

A coordinated response provides a way forward

Recent flood events have understandably generated discussion on how we might reduce our vulnerability to natural hazard threats.

At the same time, various inundation predictions arising from current weather volatility models predict that worsening flooding is likely to remain a significant community issue.

In response, we must have a more sustainable and comprehensive national approach to managing natural disasters. This is of critical national and economic importance to governments, businesses, and individuals.

A coordinated response to natural hazards must include:

- making individuals more aware of their own personal risk;
- encouraging a more efficient distribution of these natural disaster risks via insurance; and
- adapting our built environment to reduce the impact of natural disasters when they do occur.

As well as providing benefits in flood preparedness and recovery, this approach will also help make communities more resilient to a range of risks including bushfire, land subsidence and sea water damage. All these natural hazards should be included in any approach that is ultimately adopted.

Governments' crucial role

IAG recognises the crucial role governments have in providing a comprehensive and clearly defined regulatory framework that promotes community resilience to risk, and facilitates more affordable premiums, and more predictable claim costs.

Government is uniquely positioned to encourage and regulate risk-appropriate building development and provide an appropriate emergency services framework.

Until we have mitigation activities that materially strengthen our resilience such as relocating from areas of extreme risk, and improved land planning and building codes, disasters will continue to have major and largely avoidable consequences.

Crucially, recent flood events must lead to a policy response that goes beyond insurance. Ultimately, more flood insurance products will not prevent floods from occurring in future. To build the resilience of our communities and reduce exposure to significant flood risk, we require a broader response.

IAG advocates for:

- **Land planning reforms** so no further development is allowed in areas of unacceptable risk. Additionally, existing owners of property in high-risk areas should be provided with incentives to move to areas with lower risk.
- As well as the current focus on protecting lives, **building standards** must reflect the need to protect property against the risk of flood and other natural hazards in certain locations; the two go hand in hand.
- An approach for managing **unapproved building works** to address instances where storage spaces are turned into habitable spaces, and inappropriate building methods and materials are used. There must be a requirement to upgrade properties to current building standards.
- **All levels of government** – led by the Federal Government – must significantly boost investment in mitigation infrastructure (such as levees and barrages) that will protect assets like homes and businesses and lower the cost of risk. The Federal Government's initiatives in the Disaster Ready Fund and the Hazards Insurance Partnership are important first steps.
- **Greater availability and transparency of mapping and information** to help householders and businesses understand the flood risk in their location. This information has significant economic value: it reduces risk; will benefit planning authorities, banks, financiers, and developers; and will allow insurers to underwrite the risks with maximum certainty.
- The **removal of all State Government taxes and duties on general insurance** products is an important step in addressing insurance affordability, accessibility, and participation. We see a clear social and economic case for eliminating or at least reducing State insurance taxes. This case is based on recognising the essential benefits of insurance to the economy and community generally and of the role of the current tax system in discouraging insurance coverage.

In the context of this last point, we welcomed the NSW Government's 16 November announcement to reform the Emergency Services Levy (ESL) which will benefit people and businesses across the State. The ESL adds a significant additional cost to home and business insurance premiums, which means only those people and businesses who take out insurance contribute under the current funding model. We are dedicated to working with the NSW Government to reform the ESL through its consultation process.

Reforms that will assist insurers

We recommend the following reforms to assist insurers to strengthen their claims processes and further reduce response times:

- **Government Flood Relief Grants** – access to grants for impacted residents should not rely on a claim declinature letter from their insurer. This causes unnecessary delays for impacted community members and is a drain on valuable resources – especially when the technical expertise of a hydrologist is required. We have examples of claims where customers had no intention to claim, but lodged a claim for the sole purpose of receiving a declinature letter so they could access government grants.

- **Sharing of Rapid Damage Assessment (RDA) Data** – in past events, government agencies have shared RDA Data with insurers so we can understand which customers have been impacted, and to what level of severity. This is of great assistance when we have large scale events, so we can quickly deploy assessing teams to the most affected locations and proactively reach out to customers there to provide immediate support.
- **Build Back Better Blueprint** – we would like to see governments across all states and territories have pre-agreed processes in place, ready to deploy at the time of an event should the government determine that event triggers a grant program. In some instances, flood impacted customers were hesitant to start the repair process until they had the outcome from these programs.
- **Removal of Debris** - we would like to see pre-agreed arrangements and processes for the removal of debris in place prior to an event. We recommend having a memorandum of understanding (MOU) in place across the states and territories, so we are not working through the debris removal process during an event. Victoria's long-standing MOU introduced following the 2009 bushfires provides a useful example.

The power of private insurance

The private insurance market remains the most effective and economically sustainable solution to ensuring the maximum number of people choose to cover themselves for their risks.

Taking steps to mitigate against these risks requires all levels of government to work collaboratively with the private sector and community organisations, to design natural disaster strategies and allow each sector to capitalise on its unique expertise, data, and skill set.

Despite these actions, however, we also acknowledge that in some high flood risk areas, premiums may not be affordable. In this context IAG, will continue to work constructively with Government to seek solutions on the affordability of insurance.

To discuss this submission further, please contact Louise Kerkham, Principal Public Policy and Industry Affairs

Yours sincerely

Nick Hawkins

Managing Director and Chief Executive Officer

Insurance Australia Group Limited

Appendix 1

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 2022 floods were unlike any event we have experienced in Australia and tested our ability to respond. The key challenge for our sector and for IAG was the global economic challenges happening simultaneously with weather events in Australia, that constrained our access to labour and materials. This persists to some degree today.

Through lessons learned from previous events, combined with the expertise of our Natural Perils team, we estimate the volume of claims anticipated and extend our workforce in advance. We recruited internally to scale for extra claims resources and engaged two additional claims partners to support the processing of claims. That said, key resources were stretched thin as effects of the weather events continued to extend across NSW and Victoria.

The invocation of our Major Event Plan (MEP) meant that as soon as it was safe, IAG was on the ground in communities most impacted through physical presence in the Recovery Centres, our Mobile Claims Capability, and our established Branch Network as appropriate. This was to ensure our customers had the face to face contact with our teams they required. These teams remained in Lismore for many months after the event and have continued to visit impacted regions since.

We triage major event claims by the severity of individual customer impact, aligning claim complexity to the experience of the claims consultant. IAG's 'All Hands on Deck' program enables people across our organisation to support our claims teams with claim lodgement calls, using our digital claims capability. IAG also benefits from the long tenure and experience within claims teams to increase our internal assessing workforce by calling on current employees who have assessing experience in times of increased demand.

To address capacity with our builder network and its access to materials during the 2022 floods, we scaled property repair capacity by engaging 12 additional builders and amended processes to create capacity and improve customer response times. The MEP enabled our people to make pre-determined decisions such as increasing auto approval limits for builders to complete make safe repairs, releasing surge capacity that sits within the Builder Panel and optimising digital online lodgement as appropriate. This gave our people the opportunity to confidently make decisions to respond to customer needs as the events unfolded.

Additionally:

- We removed the need for comparative quotes to fast track settlements.
- We implemented a streamlined proof of loss process, eliminating the need for customers to provide receipts and documents to prove what they owned, removing a point of friction and stress for customers.
- We established forums with our specialist partners to monitor service delivery, so we had information to make rapid coverage and scope decisions for our customers.

Surge capacity

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

Over the last four financial years IAG has had an average workforce of 3,800 full time claims employees in Australia. Processes are in place during a natural disaster to scale this capability including:

- 'All Hands on Deck' where employees from across IAG are called upon to support with claims lodgements. This provides IAG with immediate access to up to ~100 additional people to assist with claim lodgement. Existing claims experts prioritise the more complex claims to provide immediate support.
- Accessing skilled claims resources in IAG New Zealand where available.
- Leveraging digital capability to support lodgement and tracking of claims. IAG is equipped with a self-service digital platform and customised communication during events to promote online claims capability during periods of high call volumes. This can include sending customers proactive text messages to promote online claim lodgements.
- Focusing our retail branches and agencies across impacted regions to support with the lodgement of any new claims, including in branch claims expertise.
- Deploying our mobile support branches to the location of an event to provide face to face support to affected communities.
- Scaling service capacity through our partnering strategy. Our dedicated Workforce Planning team together with our in-house Natural Perils experts determine the projected volumes of the event to inform the required scale of resourcing. IAG's two-partner strategy provides claims operational partners support in the end-to-end processing of claims by delivering mass rapid recruitment, training, and workforce management capabilities. The onboarding of new partners gave us access to an additional 270 onshore employees working full time on 2022 flood events claims.

Our broad physical presence is complimented by digital technology. Continued investment in digital capability means that during the February and March 2022 flood event over 195,000 text messages were sent to customers in affected regions promoting our self-service digital claims platform. The platform allowed customers to submit a claim online, allocate a repairer and receive information on the next steps of the claims process. The outcome realised more than 17,000 claims lodged online, meaning customer claims were recorded quickly, without the need to wait on the phone to speak to a consultant.

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?

IAG has long established pre-existing partnerships with offshore and onshore claims service providers, one of whom is exclusive, that enable rapid resource scaling. This process has proven successful in previous large-scale events and reduces the need to compete for resources.

To counter the reduced access to support, in addition to the response outlined in 1.2 above, IAG relied on local dedicated recruitment targeted at specific Australian corporations with strong customer service capability (e.g., Telecommunications and Airlines) and invested in digital.

To manage time and cost we prefer to use local trades, however, at times there are insufficient local trades with the necessary qualifications, licensing, and insurance to support the volume of work. To manage this, resources from IAG's broader multi region network partners are utilised. Management of this network includes a panel builder audit framework focused on customer service, cost, and quality. This program is supported by a dedicated team of qualified employees that analyse builders repair cost data and conduct site-based reviews.

To assist IAG's panel builders to prioritise our customers' needs, upfront payments were made to create the cash flow to enable our builders to secure the required materials and trade labour in the relevant areas. Securing the materials and trades early, coupled with an auto repair approval, provides our panel builders with the ability to commence repairs quickly. This helped reduce repair cycle times, mitigating the impact to customers and reducing reliance on temporary accommodation. To respond to the competitive pressures during the 2022 floods, and to optimise customer outcomes, IAG made several further adjustments. This was done in conjunction with our reinsurance partners to ensure appropriate levels of recovery from our capital providers (reinsurers).

IAG applies a range of governance practices to support and drive the performance of property repair service suppliers. This performance governance framework includes:

- A scorecard incorporating cost, quality and service metrics that monitors supplier performance.
- A feedback mechanism available to Claims and Assessing staff to capture customer and staff feedback on supplier performance; and
- Regular formal performance review meetings (generally monthly) to highlight performance concerns. These routines utilise performance data from the scorecard alongside the feedback to help set relevant action plans.

If performance is unsatisfactory contractual performance warnings, breaches, reduction in work supply, and ultimately removal from the IAG supplier panel may follow.

We have close relationships with the relevant emergency services, infrastructure providers and local councils to inform us of when it is safe for our people to access disaster impacted areas. We provided emergency services with the NRMA Helicopter to drop off essential items to impacted communities. In addition, IAG collaborates with the ICA to predict when, how and where recovery centres will be established. IAG has significant major event infrastructure stored across Australia and prides itself on the ability to be first on the ground and the last to leave during major events.

Outside of our preparatory recruitment and partnership work, the circumstances in 2022 were unique, with the world emerging from the widespread international effects of the global pandemic. This affected both our local capacity and our offshore support services. Generally, we can secure onshore call centre resources rapidly due to our flexible work practices however at this time, other industries were also experiencing the same offshore call centre impacts and our ability to source additional resources was made more difficult.

Our contingency plans had contemplated the effects of impacts to service centres and supply because of catastrophes, but to a lesser extent the effect of a global pandemic that simultaneously affected all industries. This is a key lesson from these events which is being built into our future contingency plans.

Specifically, COVID restrictions made the ability to re-direct resources more challenging (particularly in and from Victoria), faster cross boarder access (State border) in the face of disasters would support better outcomes for the broader Australian community.

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

IAG has a dedicated Major Event Response team permanently in place to manage events, their risk, resources, and response strategy. This helps all customers maintain access to the appropriate claims management resources when needed.

The team is responsible for coordinating IAG's event response, across all brands and products Australia wide. They support our customer response to major events at any time of the day or night with many events occurring on weekend or on a public holiday. They have well established processes in place that are designed to ensure we are ready to support our customers at any given time.

As outlined in earlier in this response, IAG leverages its digital capability to process simple tasks which allows claims experts to focus on complex claims. We reprioritise staff and other resources which provides extra capacity until the required scale to respond is achieved. Flood claims are managed and prioritised internally by IAG claims teams to expediently determine coverage. This gives customers certainty and access to other government support plans (which are often only accessible once an insurance determination is made). Our offshore claims partners also supported the processing of less complex claims which provided the capacity to redirect claims support internally.

IAG has invested in systems, assets, and specialised capability to enable a rapid response. This includes but is not limited to, a fleet of Major Event Rapid Response Vehicles (MERRVs) that can be deployed to impacted regions for immediate claims support, natural perils teams who provide expert weather advice on the impacts if events to IAG and its customers, mapping that allows IAG to understand the impacts of certain events to its customers. In the case of the 2022 floods CAT221 event, we could see from weather patterns a major event was about to occur, so this team started planning IAG's response on the Thursday prior to floods.

Digital capabilities allow claims experts to focus on complex claims. We reprioritise to allow for extra capacity until the required scale is achieved. Flood claims are managed and prioritised internally by IAG claims teams to expediently determine coverage, so customers have certainty and access to other government support plans (which are often only accessible once an insurance determination is made). Our offshore claims partners support the processing of less complex claims which provided the capacity to redirect claims support internally.

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?

There is an industry wide shortage in skilled recruitment to meet surge demand for claims management. To manage this shortage IAG has a rapid training program specific to event claims where new employees are closely supported by subject matter experts post training. Ongoing, trainees are supported by team leaders for continued uplift, with regular call and compliance monitoring conducted to ensure appropriate interaction with corrections where needed. Pre-season briefing sessions take place for all claims employees which outlines event specific claims processes.

Online training modules are permanently available to allow employees outside of claims to be quickly skilled to support claims lodgements through our 'All Hands on Deck' program. In addition to our training, IAG is investing in digital capability to enable more of the claims process to be self-service which will enable claims experts to focus more on complex claims.

In response to the 2022 events, IAG is reviewing and further updating knowledge management articles, leveraging greater digital capacity and AI to provide faster access to information to support and strengthen triage capability to better support appropriate allocation of customer needs to resources.

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

When onboarding new staff, training specific to processing perils claims takes **two weeks**. This training covers compliance and regulatory requirements, customer service, end to end claims processing, supply chain allocation and procurement, policy training, systems and technology training, managing complaints and vulnerable customers. Ongoing, trainees are supported by team leaders for continued uplift, with regular call and compliance monitoring conducted to ensure appropriate interactions and corrections where appropriate.

In 2022, the **six-week** training program was updated to support rapid scale of claims consultants, training for the processing of perils claims was condensed to **11 days** to help fast track the additional support that was required.

Claims processing

- 1.7 For each 2022 flood event, what is the average time taken to:
- 1.7.1 determine claims for each relevant category of insurance including, but not limited to, home and business;
 - 1.7.2 provide a payout to the policy holder;
 - 1.7.3 commence repair work.

Please refer to appendix 2.

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

South-east Queensland and northern NSW floods of February and March 2022

Due to the high volume of claims, internal resources were redirected to support our immediate response to the event, helping to bolster our teams. We scaled resources for our call centres to answer the influx of calls, redirected employees with expertise in property assessing and leveraged from our internal claims teams that had scaled in the October prior to this event to support other large-scale events such as Adelaide Hail Event (CAT216). We also redirected resources from planned internal recruits before to the 2022 floods to help support the immediate claims response.

Repairs to homes damaged by floods can take several months due to the damage caused by water and the need to dry the home out before repairs commence. In this event some homes with extensive damage to floors, walls, cabinetry required a complete strip out of wall linings, floor coverings (including tiles) and cabinets so that the home could dry out and then be sanitised for all surfaces. The complete strip out of materials is critical to prevent rotting, corrosion, and future mould issues.

Continued rain and secondary flooding events impacting some of the same areas again caused further delays. While repair and assessment timeframes were stretched customers were generally understanding of this with regular communication, and updates on progress of their claim.

It is important to highlight that insurance repairs represent a small portion of work undertaken by the construction industry. Infrastructure projects, commercial buildings and new homes are all competing with the demand for construction and building services in the sector. Materials, trades and COVID have all had a substantial impact broadly on the construction sector. Our ways of working, systems, and supplier payment models provide a level of protection for partners to focus on customer repairs and reduce some the disruption experienced in the broader construction industry.

While we retain excess building and restoration capacity for large events, the size and scale of the floods was significant. We increased the number of partners on our property panel with 12 additional partner builders brought on board to respond to the influx of work. We worked with our existing partner builders to increase their capacity through recruitment of trades which have been trained and inducted to do IAG work.

Hunter and greater Sydney floods of July 2022

Leveraging from the internal claims resources to scale for the South-east Queensland and northern NSW floods of February and March 2022 event meant that IAG could provide immediate claims support by having all claims managed within the existing teams overseeing peril event claims. Although volumes from this event were much lower than the February and March event, claims resources continued to be scaled to support with the additional claims.

Supply chain capacity also continued to be scaled to ensure we could support our customers claims over a vast area.

Victorian, NSW and Tasmanian floods of October 2022

Smaller volume of claims from these events allowed IAG to leverage from its internal resources already acquired to help support the response from the previous two flood events.

Unique to this event was the delays were experienced due to drying out times and, in some cases, the drying out process was unable to be completed for a considerable time particularly for properties which are less than 150mm between the floor and ground level, leading to floorboards being pulled up to assist with the drying process. Due to ongoing wet conditions, 'drying' out time for some properties took in the vicinity of 12 months. In some unique instances, underpinning work was unable to be completed for a long period of time due to soil conditions.

Central west NSW floods of November and December 2022

Low volumes of claims from this event allowed IAG to leverage from its scale from the prior flood events with experienced claims teams well versed in the flood claims process providing immediate support. Region based property assessing teams were supported by assessors being redeployed into Central West NSW to respond to the immediate influx of claims.

While we have increased our builder capacity to support repairs for all flood events, drying out times following a flood can take several months. It's important that the homes are completely dried out and sanitised before repairs commence.

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

Extended repair times meant that customers were displaced from their homes and residing in temporary accommodation for longer periods of time than is usually seen. In some instances, the time customers had been placed in temporary accommodation extended well over their policy cover. In these situations, IAG extended temporary accommodation cover and worked with customers to find temporary accommodation solutions that met their needs.

Customers wanting fast claims outcomes to assist with the process of applying for government grants (which aren't given without refusal of their insurance claim) were also impacted in some instances when expert hydrology reports were required to assess the cause/s of damage. Longer than usual repair time frames meant the recovery process was much longer and slower than usual, causing disruptions and ongoing work for customers.

Due to the many different factors which can contribute to delays it is complex to measure individual impacts. However, to ensure customers are kept up to date on the progress of their claim, we maintain regular communication in line with our General Insurance Code of Practice obligations. To date, 95% of IAG claims relating to the flood events have been finalised.

Claims decisions

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

IAG settles customers' claims for the full cost of repairs for the damage that has been caused from a listed event, where the policy responds.

Claims are thoroughly assessed to determine an appropriate settlement amount which includes acquiring expert reports such as hydrology where necessary. Sometimes a cash settlement is the most appropriate way of resolving a claim. In these circumstances, customers are provided with a cash settlement fact sheet to help them make an informed decision on whether to accept the cash settlement. All claims for flood damage by customers whose policy did not include flood cover were submitted to a claims review panel before a determination was made on coverage.

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

Assessors use a storm and flood assessment template and report to assess damage from ground water up or top-down damage. All flood claims have had a site assessment carried out as IAG follows this process in all circumstances of flooding where the policy may not provide flood cover (except where a customer has opted out of flood cover under our flood opt out model). After the assessment, all claims are referred to a panel for a final determination on coverage. Our flood cover options across products and brands are at confidential appendix 3.

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

As outlined earlier, the cause/s of damage are separated in the assessment process to determine damage from ground water up or top-down damage.

Ground water up includes rainwater run-off which means water that flows over the ground, or backs-up, because of a storm, that is not a flood. It also includes flooding; flood which means the covering of normally dry land by water that has escaped or been released from the normal confines of any lake, river, creek or another natural watercourse, reservoir, canal, or dam.

Top-down damage refers to storm damage. That is, if the loss or damage is caused by a storm meaning rain, thunderstorm, hail, snow, violent wind, a cyclone, or tornado.

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

IAG's products offer varying coverage for damage by water inundation which we split into three classes: flood, rainwater run-off and storm surge.

- "Flood" as defined by the Insurance Contracts Regulation 34: *'the covering of normally dry land by water that has escaped or been released from the normal confines of any of the following:*
 - a) *a lake (whether or not it has been altered or modified);*
 - b) *a river (whether or not it has been altered or modified);*
 - c) *a creek (whether or not it has been altered or modified);*
 - d) *another natural watercourse (whether or not it has been altered or modified);*
 - e) *a reservoir;*
 - f) *a canal;*
 - g) *a dam.'*

- “Rainwater run-off” being water that flows over the ground, or backs up, as a result of a storm, that is not flood”. For example, damage caused by water flowing over the ground towards a watercourse, or ponding in a local area caused by poor drainage.
- Coastal inundation or “storm surge” being “an increase in sea level because of an intense storm or cyclone and associated waves”. Exclusions apply to normal tidal movements like high tides or king tides, and certain policies use slightly different definitions. For example, damage caused by the high ocean levels and large waves which occur when a tropical cyclone crosses the coastline.

Many of our policies do not explicitly define rainwater run-off – in these cases, rainwater run-off is implicitly included in the more general “storm” definition.

If a water inundation claim occurs on a policy, the first step is to assess which of the three damage mechanisms (flood, rainwater run-off, storm surge) is covered under the policy. Our response will vary based on the coverage.

If all three damage mechanisms are covered, the claim proceeds as a normal claim.

If all three damage mechanisms are excluded (e.g., an NRMA home policy where a customer has opted to remove their cover for flood, rainwater run-off and storm surge), our assessor will use a storm and flood assessment template to identify cause of loss, particularly noting any ‘top-down’ damage (e.g., tree or roof damage) which would be covered under other sections of the policy.

If the policy has mixed coverage for water inundation damage (e.g., a CGU small business policy where flood cover has not been selected by the insured or their broker), a hydrologist (where flood is suspected) or coastal engineer (where storm surge is suspected) will be engaged to attend the site and report on the damage mechanism. All suspected flood or storm surge claims have a site visit undertaken by the specialist. Upon receipt of the specialist’s report, claims are either accepted or, where IAG’s claim specialists recommend declination of some aspect of the claim, are referred to a panel for a final determination on coverage.

Some customers are offered the option to remove flood, rainwater run-off and storm surge cover. If a customer chooses to do this, there is no cover for loss or damage caused by any of these events. These covers can’t be removed individually.

Details of our flood cover options across brands is included at confidential appendix 3.

Claims are triaged once they are lodged to identify flood impacts. Claims which are identified as flood, or where the cause of the damage is uncertain, are referred to an internal or external assessor who will determine the cause of damage. As outlined above depending on the product there may be circumstances where an expert hydrologist is required to determine the mechanism of inundation. Once all reports are received claims are then referred through to a Claims Review Panel for coverage determination. Once a decision is made to decline or partially decline a claim this is referred to the relevant Executive General Manager for sign off before the customer is informed of the decision.

- 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?

Please refer to appendix 2.

Claims protocols

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

- 1.15.1 waiver documents when homes and businesses are being 'stripped out' by building contractors engaged by insurers; and

IAG does not ask for waivers to be signed by any building contractors it engages. Contents restorers (who are responsible for cleaning, drying and sanitising of contents items and if required, disposal of these contents items) may request customers to sign a document to acknowledge the disposal of spoilt items or contents. This is a standard process across all contents claims where disposal of goods is taking place.

- 1.15.2 documents relating to the full or partial settlement of claims

In some circumstances such as contentious claims or cash settlements we may ask a customer to sign a settlement agreement in the form of a deed of release. Customers whose claims are cash settled (where there are other settlement options such as repair are available, but cash is the most appropriate in the circumstances) receive a Cash Settlement Fact Sheet which advises the customer they should consider obtaining independent legal or financial advice, before accepting the cash settlement.

- 1.16 What steps does your company take to ensure policy holders fully understand the nature and terms of these documents and their legal effect?

In addition to the Cash Settlement Fact Sheet, as part of the claims settlement process, claims employees explain documents relating to the settlement of claims to customers.

IAG's partner repairer network includes contents restorers. Contents restorers may issue documents relating to disposal of a customer's goods and will explain the intent and purpose of the document they are signing.

- 1.17 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?

IAG provides a Cash Settlement Fact Sheet to its customers which advises that customers should seek independent legal and financial advice. IAG does not itself provide that advice or assist customers to do so.

We comply with all regulatory disclosure requirements by providing Product Disclosure Statements and explaining cover in plain language over the phone and in writing.

1.18 What role does automation/AI have in the claims process?

IAG is always looking for ways to enhance and expedite the claims experience for our customers, claims teams, suppliers, and stakeholders. A large part of this is in the opportunity to improve efficiency by automating repeatable processes.

We use several robotic process automations (RPAS) to streamline processes and to create capacity for our frontline teams. This automation can assist with removing hundreds of tasks from our people such as validation of claims, email correspondence with customers, service requests and claims finalisations. A faster response on claims is provided where simple transactions that were manually completed are now automated on a large scale.

We can also enable customers to self-settle simple claims via our digital claims' platforms for some of our brands. In our motor claims division, the time to settle a claim has reduced from four weeks to only a few days.

Automation and AI are technologies we will invest in further to eliminate high volume, low value elements of the customer experience, with the primary objective being speed to customer satisfaction.

1.19 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?

Under IAG's customer support program, ex gratia payments were made to support those customers affected by the flood events. Customers who did not purchase flood cover were offered up to three months temporary accommodation. IAG also made ex gratia repairs for damage caused by flood rescues and funeral expenses where there was a loss of life. These costs are incurred by IAG and were not claimable under our reinsurance programs.

For the amounts paid, please refer to appendix 2.

Strengthening processes

1.20 What is your assessment of how to strengthen the claims management processes?

As the 2022 floods progressed, we made changes to expedite, strengthen, and enhance the claims process, this included the implementation of a robust fast track process to review claims where no flood cover and or storm water run-off was covered by the policy. NRMA Insurance was the first insurer to begin communicating claims decisions.

Enhancing customer self-service functionality further is a focus. We have now introduced the ability for eligible property customers to digitally self-settle their claim online by procuring their items in the Claims Tracker. Claims Settlement and Content Procurement (CSCP) is a solution enabling customers to self-settle their loss items online via their Online Account, removing the need to contact the Claims team and returning capacity to our colleagues. IAG is committed continuing investment in our online capability to manage and fast track claims progress online through our Next Evolution of Claims project.

During the southeast Queensland and northern New South Wales floods, we implemented pre-determined approval limits so our partner builders could undertake make safe repairs immediately. These now form part of our Major Event Plan to draw upon for future events.

Given the sheer volume of claims received across the impacted regions, we immediately brought in builders and trades from across our national partner repair network to support local repairers and provide additional capacity to ensure works could begin as soon as possible. We have now retained these additional 12 builders brought onboard for the 2022 flood events to assist with future responses.

As mentioned, earlier in this response, the following will assist us in strengthening our claims process:

- **Government Flood Relief Grants** – access to grants for impacted residents should not be reliant on a claim declination letter from their insurer. This causes unnecessary delays for impacted community members and a drain on valuable resources especially when the technical expertise of a hydrologist is required. We have examples of claims where customers have had no intention to claim but have lodged a claim for the sole purpose of receiving a declination letter to access government grants.
- **Sharing of Rapid Damage Assessment (RDA) Data** – in past events government agencies have shared RDA Data with insurers to allow us to understand which customers have been impacted and to what severity. This assists us greatly when we have large scale events so we can quickly deploy assessing teams to the most affected locations and proactively reach out to customers to provide immediate support.
- **Build Back Better Blueprint** – we would like to see governments across all states and territories have pre agreed processes in place and have these ready to deploy at the time of an event should the government determines an event triggers a grant program. In some instances, flood impacted customers were hesitant to start the repair process awaiting the outcome from these programs.
- **Removal of Debris** - we would like to see pre agreed arrangements and processes in place prior to the event. We recommend having a memorandum of understanding (MOU) in place across the states and territories, so we are not working through the debris removal process during an event. Victoria has a long-standing MOU following the 2009 bushfires.

2. Internal dispute resolution

IDR processes

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

IAG recognises the importance of having an effective internal dispute resolution (IDR) process to assist customers with any complaint in relation to our products or services. IAG adheres to the requirements of ASIC Regulatory Guidance (RG271) (Internal Dispute Resolution) and operates a tiered IDR process. Customers are first asked to contact us via phone or email to discuss their concerns.

If the complaint can't be resolved quickly, the complaint can be sent to our Customer Relations team for further consideration and decision. If the complaint hasn't been resolved after 30 days, or if the customer is unhappy with our decision, they may seek an external review via the Australian Financial Complaints Authority (AFCA). There are limits to AFCA's jurisdiction though and not all disputes can be resolved there.

All frontline employees are responsible for capturing and responding to complaints at Level 0, with unresolved complaints escalating to Level 1 which is typically managed by a Lead, Specialist or Senior, and unresolved Level 1 complaints escalating to Level 2 Customer Relations, which is the final stage of the IDR process. This process is outlined in our Product Disclosure Statements (PDS) and the relevant brand's websites.

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

IAG's complaints process does not differ across categories of general insurance.

2.3 . Are your IDR processes for each 2022 flood event the same? If no, how do they differ?

As a result of the South-east Queensland and northern NSW floods of February and March 2022, IAG introduced a fast-track IDR process for denied flood claims. The complaint escalated directly from Level 0 to Level 2 and a dedicated team within IAG Customer Relations. This was to expedite those complaints so a final IDR decision could be issued in writing to the customer. This enabled customers to access government grants as soon as reasonably practical.

2.4 How does your firm communicate with policy holders during the IDR process?

IAG acknowledges receipt of the complaint and provides a unique complaint reference number. Communication methods include telephone, email, SMS, or post. Decisions are issued in writing as set out in the requirements of RG271 and GICOP. Our process is to contact the customer during the complaint process to discuss their complaint and the resolution that is sought, including any further information they may wish to provide the decision is then communicated over the phone to the customer, then in writing.

In response to the 2022 floods, we enhanced our flood claim review process by streamlining our existing flood review panel process for impacted customers which focused on expediting the claim and the internal dispute resolution process. This enabled our teams to speed up our response to customers and provide information and decisions quickly.

IDR outcomes

2.5 How many cases involved dispute resolution? What was this as a percentage of overall claims?

Please refer to appendix 2.

2.6 What were the main causes of disputes?

Please refer to appendix 2.

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?

Please refer to appendix 2.

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

Please refer to appendix 2.

2.9 How many claims that went to IDR:
2.9.1 led to no change to the original decision;

Please refer to appendix 2.

2.9.2 led to full acceptance of the claim; or

Please refer to appendix 2.

2.9.3 led to partial acceptance of the claim?

Please refer to appendix 2.

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

As noted elsewhere in this submission, the circumstances of the 2011/2012 events are difficult to compare with the 2022 floods. Significant changes have occurred in each of our insured portfolio, coverage, and complaints capture (IDR data is unavailable from this period).

Complaints in 2010/2011 were likely primarily related to claim denials and exclusions (flood was not generally covered at that time in Queensland). With changes in policy cover (the composition of IAG brands, consumer behaviours and IDR and EDR frameworks and processes in 2022, complaints are attributed more to delays in assessment, claims processing and repairs than coverage matters.

We do not have data to undertake this analysis but can discuss this anecdotally during the Committee process.

Strengthening IDR arrangements

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

IAG is committed to continuous improvement. As described earlier, we modified our standard process to manage urgent complaints concerning flood denial and increased our capacity. We are always reviewing the adequacy of our processes to meet our customer needs.

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

We do not report on this data.

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

We do not report on this data.

3. Identifying vulnerable people

- 3.1 How does the firm define/identify vulnerable customers?
- 3.2 Should the definition of 'vulnerable customer' be expanded?
- 3.3 How are vulnerable customers supported?
- 3.4 For each 2022 flood event, how many vulnerable policy holders were identified and supported? (Please refer to appendix 2.)
- 3.5 How effective is that process?

Questions embedded in the claim lodgement process are designed to identify vulnerability at the first point of contact with the customer. This assists with the triaging of the customer's claim into dedicated customer support teams where they will have a dedicated case manager appointed to their claim.

Our claims system flags claims that include vulnerable customers to allow for triage and identification, enabling our Managers to have operational oversight on how these claims are managed.

A customer experiencing vulnerability is a person who due to their **personal circumstances**, may not be able to easily communicate with us, make a claim or complaint, access or understand our products and services. We understand these circumstances might be permanent or temporary and include a range of possible circumstances that might indicate a customer is experiencing vulnerability. We consider this definition to be sufficiently broad and it includes:

PHYSICAL	PHYSIOLOGICAL	PSYCHOLOGICAL	SOCIAL	FINANCIAL
<ul style="list-style-type: none"> • Sensory impairment • Physical trauma • Physical disability • Physical illness 	<ul style="list-style-type: none"> • Minors (under 18) • Elderly • Gender • Gender Identity • Sexual Orientation 	<ul style="list-style-type: none"> • Mental ill-health • Emotional Disorder • Psychological trauma • Acquired brain injury • Intellectual, development & learning disabilities 	<ul style="list-style-type: none"> • Domestic & Family Violence • Low level of literacy or understanding of English • Ethnicity • Religion • Indigenous Culture • Geographical 	<ul style="list-style-type: none"> • Financial Hardship • Insurance accessibility issues • Sudden loss of income or capacity to earn income

All customer facing employees and partners are trained in a six-step process in assessing customer vulnerability which is to Recognise, Review, Refer, Respond, Record and Reflect.

In accordance with the General Insurance Code of Practice (GICOP), IAG has a publicly available Customer Family and Domestic Violence (FDV) Policy accessible on all our brand websites. When a customer contacts IAG by phone, a recorded message plays which includes information encouraging them to self-identify with their consultant if they are experiencing Family and Domestic Violence. This is so the consultant can enact the process to best support the customer's individual circumstances. Where a customer has either self-identified as experiencing family violence, or we have reason to suspect they might be experiencing family violence, we will make special considerations in the handling of their claim.

We recognise that not all customers see themselves as vulnerable or will identify themselves as a customer experiencing vulnerability. A vulnerability may also be permanent or temporary as a customer's needs or situation changes over time.

A customer may voluntarily self-identify a vulnerability at any stage throughout the claim process. There are also situations where a customer may not directly disclose, they are experiencing vulnerability during their interaction with us. Therefore, it is our role to pick up on certain triggers during our interaction with the customer to understand if they require an additional level of support and/or have an immediate need.

IAG also recognises that while certain factors may affect a person's individual circumstances, it does not necessarily make them vulnerable. It could be that a combination of factors is what makes them vulnerable. Our employees are trained to recognise signs or triggers through verbal or nonverbal cues, that a customer may be experiencing vulnerability and require extra assistance with their claim.

Having claims managed within a dedicated customer support team ensures they are receiving additional support. In times of disasters this is also extended to those customers who are suffering large losses. IAG deploys teams to regions most impacted to support customers with assistance they may need with their claim, it is through these deployments that employees can also help to understand a customer's level of vulnerability.

4. What additional resources to devote to complex cases

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

A complex claim is where the claim circumstance and/or claims outcome has the potential to adversely impact our customer. For instance, this can include large loss claims, claims that involve vulnerable customers, or when the circumstances of the claim are of a particularly sensitive nature, for example, claims involving a fatality.

Most claims that are complex are identified at the time of lodgement. Identification of complexity is through a series of questions answered as part of the claim lodgement process, including online lodgements through digital channels.

All claims are validated following lodgement to further assist with identification of complex claims that may not have initially been picked up at lodgement time. Complex claims can also be identified at any time of the lifecycle of claim including assessment. Following large scale events, we also deploy teams onto the ground where they can identify complex claims.

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

Complexity and customer vulnerability are managed by our claim teams in consistent ways.

4.3 How effective is that process?

We find the process of having these claims managed within a dedicated team to be most effective. This process has been adopted in past events and works well as claims are managed by our most highly experienced claims teams who can ensure that we provide the extra support needed.

All claims complex claims are flagged within our claims systems for easy identification to ensure referral and management of these claims is kept within this dedicated team.

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

All complex claims are managed within a dedicated customer support team. Please refer to our answer in question 4.3 on the effectiveness.

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

We do not report on this data.

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

We do not report on this data.

5. Communication

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

Communication takes many different forms. We may send proactive text messages to ensure quick lodgement through our digital channel. We deploy claims teams into areas most affected so customers can speak to someone face to face. We have several branches and agencies that customers can visit to get any claims assistance they may need. We will also deploy messaging via social media, television and radio advertising and websites on the quickest and easiest way to get in contact with us. Teams will triage claims and will prioritise those requiring immediate assistance such as urgent make safes, temporary accommodation, or emergency financial assistance.

5.2 What is the typical response time to incoming:

- 5.2.1 Phone calls
- 5.2.2 Emails
- 5.2.3 Written correspondence

This can vary at different stages of an event. We set targets to manage expected service levels across the differing response times for communication. In the initial phases of the event, we tend to see a deterioration in achieving set targets, we invoke our Major Event Plans to activate processes and activities to help gradually increase service levels back to normal.

We have targets in place to manage the different aspects of the lifecycle of the claims starting with a focus on lodgements and claims activities such as claim validations and triage, builder, and assessment reports. To support response times, we will deploy claims teams into affected regions for immediate customers support, activate our 'All Hands on Deck' program and scale for additional claims resources. During the 2022 flood events phone grade of service was set to a modified 60% with the average speed of answer set to 90 seconds. An automatic activity is flagged for actioning by claims employees.

Timeframes for emails and written correspondence is typically within 10 days.

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

Our priority is to scale resources to ensure both inbound and outbound communications can be managed within a reasonable time. At the start of an event, we may see a surge of calls and extended wait times, with the deployment of our 'All Hands-on Deck' program who can support with lodgements and additional scale and through our operational partners this enables claims teams to quickly attend to claims and calls. IAG deployed claims teams to various 2022 flood impacted communities. Teams attended over 67 recovery hubs and community forums and continue to visit communities so customers can speak to a claims consultant in person about their claim.

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?

IAG ensures all event claims are managed within a dedicated team by triaging and allocating claims to that claims team. This is in addition to the dedicated customer support team who manage and oversee vulnerable customer claims. Case managers keep a record of the claims progress and situation to ensure customers are not asked to repeat information.

Strengthening processes

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

Communication with customers

IAG acknowledges the importance of having clear, proactive, and transparent communications to prevent confusion and keep customers informed of their claim progress. IAG is continuously looking for ways to improve the quality of communication with customers and ensure that they are informed throughout the process. IAG has enabled a digital Claims Tracker for Property and Motor Claims which empowers customers to track their claim progress at a time that is most convenient to them. To date over 1 million customers have interacted with us through the Tracker.

IAG believes that connecting the customer with the builder's schedule is a key advancement that will allow the customer to track and monitor the scheduling of trades and keep up to date with any delays in parts and materials. We are currently working on the implementation of a system that will enable this improved connection between customer and builder.

Communication before and after events

Consumers can also benefit from knowledge on the insurance and claim process before events. This would be most beneficial through social media mainstream media, forums, and government and/or councils. Information that is important to consumers would include checking coverage, additions, and removal of options, reviewing product disclosure statements (PDSs), making a claim and what supporting evidence should be provided. We have information on all these topics available on our websites.

This year, we are partnering with the Red Cross to expand their preparedness workshops across the country so we can support and improve community education and enable more people to know their risk and how to prepare for wild weather. We will also introduce more educational content to our website and into our outbound communications.

While the ICA holds community forums which assists in enhancing consumer knowledge, cross sector coordination before events can assist communities to better understand insurance and other support available.

Communicating risk information

IAG believes accurate flood data should be open and readily accessible to all, including households and businesses. This would allow everyone in the community to understand the flood risks they face. Unfortunately, the availability and accessibility of flood risk information varies widely across different local government areas. In some areas, detailed and actionable risk information is available to communities via user-friendly web portals. In other areas, information on flood risk is only available for a fee (e.g., s10.7 certificates in NSW) and/or limited to information on land planning controls (rather than the underlying risk).

IAG is working constructively with the Australian Climate Service (ACS) in the context of the Hazards Insurance Partnership (HIP) to empower households to understand their risk and the actions that they can take to reduce risk.

We strongly support previous recommendations from the ACCC 2020 Northern Australia Insurance Inquiry Final Report and the 2020 Royal Commission into National Natural Disasters Final Report which both highlight the need for improved availability of risk information. The ACCC noting:

“As a first step, we consider states and territories should implement measures to improve the information provided to potential homebuyers by prompting consumers to consider likely insurance costs before purchasing real estate. A requirement to include a statement advising potential homebuyers to obtain an insurance estimate as part of their due diligence will help ensure consumers are more aware of the potential cost of insurance prior to purchasing a property and can help reduce the instances of new homeowners experiencing insurance payment difficulties.”

The Royal Commission into National Natural Disasters noting:

“Clear risk information can help people make better-informed decisions about, for example, where to buy and live, how to design and build homes, and how to manage land. Governments should develop ways in which natural hazard risk information can be better communicated to the public – particularly to people who are making decisions that will affect their exposure to those risks. For example, those selling a home might be required to disclose this type of information to prospective purchasers.”

6. Hydrology reports

The use of hydrology analysis

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

At IAG, we determine whether the damage is covered under the policy wording and definitions applicable to the policy and engage independent hydrologists to investigate and report on the mechanism of damage. This then allows us to determine the coverage of the policy.

The coverage of policies with respect to flood damage varies with each policy depending on brand, location, product, and customer choices.

Customers with some IAG brands in some regions have the option to remove their flood cover, while some policies have an opt-in model for flood cover and other policies do not offer flood cover at all, details of flood cover at IAG are at confidential appendix 3.

For the cover provided by some brands it is important that we understand the mechanism of inundation before making decisions on coverage of a claim. IAG works hard to ensure we handle claims in a fair, considered, and transparent manner and it is why IAG has committed that we will not decline a claim for flood without a hydrologist attending and completing a site inspection where a claim relates to inundation (unless a customer has opted out of flood cover).

All claims are reviewed by a claims specialist where a hydrology report is required to determine the coverage. These claims are then submitted to a claims review panel made up of our in-house hydrologist, claims managers, legal, product and corporate affairs teams. Once a decision is made to decline or partially decline a claim this is referred to the relevant Executive General Manager for sign off before the customer is informed of the decision.

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

With such a small and resource-constrained industry servicing the demand, different insurers will engage the same hydrologists. This is particularly the case in large events when the capacity of the industry is stretched.

Floodplain management is a relatively small, specialised industry serviced by relatively few organisations across three general categories:

- Major engineering firms with embedded hydrology specialist teams supporting large infrastructure, flood risk management and water resources projects;
- Smaller flood risk management specialist consultancies, servicing both the local/state government and private developer sectors, where most or all staff would be skilled in flood risk management or adjacent services);
- Small engineering firms, where hydrology skills are not 'core business' but some level of familiarity is required to support local drainage designs, road designs and other civil works.

Insurance hydrology reporting is challenging for consultants to resource, given the surge nature of the work. The capacity of the industry to respond is limited by the provider's ability to reprioritise work for other clients at short notice. For example, a consultancy may need to negotiate pausing several ongoing flood studies for different clients to divert resources to insurance field work and reporting, while another consultancy may be unable to muster resources at short notice due to long-term commitments to large infrastructure projects.

IAG manages the resourcing risk by maintaining strong long-term relationships with a panel of up to five large well-resourced hydrology providers with proven track records of timely delivery and high quality.

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

Our hydrology providers manage their own workloads and do not share information with IAG about any other engagements they may take on, nor is it appropriate that this information be shared with other insurers. We are therefore unable to confirm whether our hydrology providers were also servicing other insurance clients during the 2022 flood events.

Since 2012, IAG has maintained agreements with a panel of up to five hydrology providers, with hydrology providers for a given event assigned based on the scale and geographical spread. For the 2022 flood events we utilised five hydrology providers.

For large events, multiple hydrology providers from our panel will be assigned to manage delivery timeframes. Where multiple providers are assigned for one event, division of labour aligns with catchment boundaries, with provider selections based on the geographical distribution of providers' staff and expertise. Our "one provider per catchment" approach is aimed at maintaining quality while decreasing reporting timeframes and costs, as shared elements such as data collection and processing, travel time, literature review, gauge analysis, some elements of quality assurance, and any modelling work required can be amortised over many reports on the same floodplain.

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?

We are not aware of any collaboration between our hydrology providers and other insurers hydrology firms in relation to their work for IAG (except for potentially engaging hydrology data teams at Bureau of Meteorology (BOM) and other water data providers in relation to data requests). Our providers' assignments are segregated by catchment – they therefore cannot collaborate meaningfully in relation to IAG's site-specific hydrology reports.

Our hydrology providers engaged in a weekly (later fortnightly) coordination teleconference attended by IAG employees and facilitated by the claim services company (ENData) which manages providers on our behalf. The coordination meetings aim to balance workload across the consultancies, encourage sharing of best practice processes for managing timeliness, allow our consultancies an opportunity to raise any issues or blockers, for example, data availability or access restrictions and allow our claims employees an opportunity to highlight any emerging issues such as timeliness or clarity of writing.

IAG's hydrology panel agreements allow us to initiate peer review processes on hydrology reports. The intention of this arrangement is for quality assurance purposes in any areas with complex or unusual flood behaviour or a high level of contention. Peer reviews have been commissioned in earlier events (e.g., Cyclone Debbie 2017) but were not necessary during the 2022 events.

Hydrology analysis by the insurer

6.5 For each 2022 flood event, how many hydrologists did your firm engage?

Please refer to appendix 2.

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?

Yes, hydrology reports are shared with policy holders once claims determination has been completed.

6.7 For each 2022 flood event, how many policy holders obtained their own hydrology report?

We do not report on this data.

6.8 Does your firm have procedures to assist policy holders obtain their own hydrology report?

We do not have formal procedures to assist customers to obtain their own hydrology report. When a hydrology report is obtained this will be shared with the customer. The hydrology industry has specific challenges when it comes to responding to insurance events, this is particularly so in large-scale events. We have described the composition of the industry and some of those capacity challenges in our answer to question 6.2.

Hydrology analysis for policy holders

6.9 What is the average cost of a hydrologist's report for home and business claims?

Please refer to appendix 2.

6.10 What is the timeframe for seeking/receiving hydrology reports?

Most reports were received within 90 days from date of lodgement, with the exception of locations where secondary flooding events impacted the ability for hydrologists to get into areas inundated by floodwaters, these include areas such as Woodburn, Coraki and Wardell.

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?

At IAG we will engage an independent hydrologist where it is necessary to determine the cause of damage caused by water inundation, we share the hydrologist's report with the customer. We don't have any examples of specific incidents to share with the Committee.

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

As previously outlined, there are capacity constraints on hydrologists, and this is even more pronounced in large flood events. We share independent hydrology reports with our customers. Increasing access would need to recognise a corresponding need for increased capacity.

Strengthening access to hydrology reports

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

IAG shares hydrology reports with customers upon claims determination.

One contributing factor to delays in accessing hydrology report relates to approval of grants for disaster impacted residents. In our view, grants should not be reliant on a claim declinature letter from an insurer as this causes unnecessary delays for impacted community members and a drain on resources especially when the technical expertise of a hydrologist is required. We have seen examples of claims where customers have had no intention to proceed with a claim but have lodged a claim for the sole purpose of receiving a rejection letter to access grants.

7. Resilience

7.1 What options are there for households or businesses to repair/rebuild properties in a more resilient way? (e.g., from elevated buildings through to more resilient flooring such as tiles vs carpet)

In order of most to least effective in reducing the damage causes by floods:

- Remove the asset from the floodplain;
- Raise the asset above the floodplain;
- Implement dry flood-proofing (i.e., prevent water from entering the asset through property-scale barriers if local topography allows);
- Implement wet flood-proofing (i.e., 'flood-resilient building approaches').

We describe the relationship of flood resilience measures and premiums in the 7.2 and 7.3 below.

Wet flood-proofing can be cost effective particularly in high-frequency flood zones and where a major renovation or rebuild is already underway. The economics of flood resilient retrofitting are explored in detail in *IAG Flood Mitigation Priorities* (Rhelm and IAG, 2021). Wet flood-proofing measures which can be implemented during a rebuild and are potentially effective in reducing tangible damage costs include:

Category	Item
Elevation of services	Raise electrical meter board, power points and datapoints
	Raise air conditioning condenser
	Raise hot water unit
Ventilation and drainage	Add additional air vents and weep holes
	Provide adequate drainage and ventilation to sub-floor area
	Remove stepped door thresholds
	Remove baths with cavity walls
	Eliminate any cavities under or within the structure of the stairs
Resilient materials	Replace cladding and wall linings with water-resistant products
	Use water-resistant framing and closed-cell insulation
	Use water-resistant flooring materials
	Remove hollow core doors and cavity sliders, replace with solid

Wet flood-proofing can be effective in minimising disruption/inconvenience and time out of the premises. Our experience is guided by insurance property restorations, which are completed to a high standard and may therefore include restoration work which may not be undertaken by uninsured property owners. Examples include sanitation to a high standard, replacement of tile floors where grout has been contaminated and cannot be adequately sanitised, extended periods of structural drying prior to re-sheeting.

Other options could include resilience funding grants, that is, funding that is made available for people to build back better is not set up to be accessed immediately after an event. There is often willingness of the customer and the insurer to build back better post event, but without the supplementary government funding readily available, people are unsure or have no choice but to start rebuilding with their insurer. Ideally it would be helpful to have any household resilience grants set up and in place to be readily accessed by communities before a disaster occurs, so it can be accessed immediately post event.

7.2 In a practical sense, what is your firm doing to reflect changes in household level resilience/mitigation in pricing?

Some of IAG's brands have implemented various resilience-based pricing measures to reflect risk reduction actions taken by our policyholders there are plans in place to increase the portfolios utilising this.

Current measures include:

- Adjustments to flood premiums to reflect house-raising or elevated floor levels.
- Adjustments to cyclone premiums to reflect retrofit measures in QLD, WA and NT, (e.g., roof tie-downs, roof replacements, window protection, etc).

The following further measures under consideration:

- Adjustments to flood premiums to reflect household retrofitting undertaken as part of a Federal or State Government supported scheme.
- Adjustments to bushfire premiums to reflect household bushfire resilience measures.

IAG is one of the major sponsors of the bushfire star rating methodology underpinning the Resilient Building Council's Disaster Resilience Rating standard and Bushfire Resilience Rating Home Assessment app which was launched in October 2023. We are reviewing the standards as they have the potential to be integrated with our centralised peril pricing engine and subsequently through to our customer pricing systems.

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

Currently, property resilience information is not systematically captured in any authoritative central database. It is typically the responsibility of the homeowner to capture property resilience information, which can often be lost when property ownership changes. This information is also not often available to tenants.

A national property resilience data asset should be created to capture asset level information on all resilient building features, supported by government-funded or subsidised programs or mandated as part of a building consent process. Only features supported by a centralised resilient building standard would be captured, for example features identified through the Hazard Insurance Partnership Mitigation Working Group as likely to result in reduced insurance claim costs (this could also include national restoration standards so we can restore rather than replace). Insurers need to be involved in the development of any risk reduction proposals to ensure that the impact on insurance risk can be quantified and understood if and how it can be passed through to consumers.

This data asset would allow insurers to automatically rate policies for property resilience features with confidence, without relying on manual data collection and verification from customers.

8. Land use and planning issues – links to risk and cost of premiums

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

We assess flood risk at every house individually, considering the likely frequency and depth of flooding to develop our risk assessments based on the best flood hazard information available to us at the time.

We consider local or State Government flood studies to be the most reliable source of flood risk information and base our assessments on these where possible. Where government-sourced flood maps are not available to us, we rely on other datasets to assess flood risk including flood risk mapping produced by hydrology consultants, insurance industry datasets and other flood mapping datasets.

There are two mechanisms for flood risk information to change our view of risk:

- Our risk assessments for a given location can change from time to time as new data comes available to us, typically when we replace our existing flood risk datasets with newer government-sourced data. For perspective, our risk assessments are based on over 650 datasets and our database is continually updated as new-information becomes available. In 2023 alone, our assessments of flood risk have been updated based on newly available hazard datasets covering around 925,000 addresses across Australia.
- Customers can dispute our assessment of their flood risk through our flood premium escalation process. Our flood escalation process is well documented with clear criteria to trigger premium recalculation. Customers who provide authoritative documentation such as a local government flood study which contrary to our view of risk will have premiums re-calculated based on that documentation. Due to challenges with licencing data from local government, it is not always possible for IAG to source and implement datasets identified through the customer dispute process. Most flood premium disputes relate to geocoding issues which are corrected without reliance on new flood risk information. These issues can include incorrect assumptions around the location of the property, typically due either to new addresses not yet in our address database, customer use of unofficial addresses which can be used in rural areas and don't always match the property location, or incorrect latitude/longitude associated with the asset for example on large land parcels where the primary asset is built on high ground.

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

One part of our advocacy to understand, reduce and remove risk, as well as to build resilience and preparedness in our communities is our research papers. These papers cover a wide range of topics impacting our customers and our business such as climate change, disaster response and resilience, small business, diversity, inclusion and belonging. The aim of each paper is to provide information, analysis and policy recommendations that will further public discussion and reduce risk for our customers. In the past 18 months IAG has commissioned three key research reports that seek to highlight the path forward for reducing natural disaster risk. Further detail on these reports is provided below. The reports are:

1. National Flood Hazard Mitigation Priorities – a technical report, providing economic assessment of community level flood mitigation measures and household mitigation measures.
2. Planned Relocation, protecting our communities – a technical report exploring why and when a community needs to plan for relocation and the enablers and barriers for doing so in Australia.
3. Resilience in Land Use Planning – a public policy research report exploring how we can incorporate disaster risk into planning decisions to ensure we're no longer building in harm's way.

Our experience tells us that modern land planning settings and development controls are typically adequate to prevent wholesale greenfield construction in high-risk areas. The exception largely lies with high-consequence floodplains, where events larger than the design flood event would result in unacceptable consequences (for example extreme depths or velocities) and impose an unacceptable residual risk burden on future communities.

Intensification of development in brownfield or infill areas is typically more challenging to prevent, as existing dwelling entitlements and land uses typically cannot be easily extinguished without a nationwide overhaul of planned relocation approaches.

One approach to limiting unacceptable risk is to define 'acceptable risk' across many dimensions. These dimensions may include risk to life, property, business interruption, emergency management, social impact, mental health impacts. Development proponents and consenting authorities would be required to show that proposed developments do not result in 'unacceptable risk' levels over the design lifetime of the asset and community.

An alternative approach would be to implement adaptation pathways for high-risk areas through planning and development controls, for example limiting the intensification of development or encouraging gradual rezoning to lower-intensity activities.

Research tells us that severe weather events are becoming more frequent and severe in a changing climate and will have a greater economic impact, so it's critical that building resilience across the nation is a priority. IAG has commissioned several research reports to assist decision makers in deciding when, how and where to invest in protecting communities against natural disaster risk.

AECOM Resilience in Land Planning (2023)

Recently, IAG engaged AECOM, a sustainable infrastructure consultant to complete research that explores enablers and barriers to natural disaster land planning reform from a developer, council and state and federal government perspective. The report outlines six key challenges for land use planning to incorporate natural disaster resilience with ten recommendations for change mapped to these challenges.

The aim of these recommendations is to ensure disaster resilience is a key consideration in the land planning system and that we are no longer building communities in harm's way. This has a flow on impact, ensuring future communities have access to affordable and available insurance products.

Overall, the research found that incorporating natural hazard risk into land use planning to mitigate future disaster losses is critically important to Australia's future.

Further, integrating climate and disaster resilience into land use planning is complex and so an adaptable approach is required that reshapes planning and development practices to accommodate rapid social, economic, environmental, and cultural changes. The barriers for planning regulatory frameworks to align with disaster resilience goals are interdependent and require confronting trade-offs, accounting for uncertainty and considering the flow on effects.

Six key challenges for incorporating natural disaster risk into land use planning are outlined in the report:

1. Land use planning lacks consistent integration of natural hazard information and disclosure of climate change scenarios.
2. Fractured cross-government coordination and limited directive frameworks to address disaster resilience.
3. Challenges in managing the risk exposure of established communities, infrastructure, and heritage in areas of high-risk.
4. Limited capacity and capability for local governments to consider climate risk and resilience in land use planning.
5. Building codes are not designed to ensure assets and infrastructure withstand current future natural hazard risk.
6. Investment decision-making at multiple scales does not adequately account for the projected future costs and there is a shortfall in funding.

The report, which will be finalised in the coming weeks, will include ten key recommendations for change. We will provide a copy of this report to the Committee when it is available.

Committee for Sydney Report (2023)

Committee for Sydney in partnership with IAG, AECOM and Resilient Sydney released the thought leadership paper "*Defending Sydney, Adaptive planning for today's flood and tomorrow's climate risks*" in October 2023. The report identified that NSW is currently facing both a housing crisis, and a climate crisis which must be solved together and lists the following 11 recommendations to drive adaptive capacity across the system.

Recommendations

1. Reduce growing climate risk through the 2023 Six Cities Region Plan and City Plans
2. Embed community, infrastructure, and economy in the State Disaster Mitigation Plan
3. Establish regional lifeline infrastructure groups
4. Build collective governance and place-based adaptation pathways through Disaster Adaptation Plans
5. Support Local Governments to assess and communicate risk
6. Focus Federal funding on reducing the costs and impacts of disasters
7. Engage the financial services sector in Disaster Adaptation Planning
8. Enable IPART to accelerate climate adaptation
9. Undertake an Integrated Strategic Assessment for Greater Sydney
10. Develop a NSW policy and guideline for planned relocation
11. Evaluate progress towards a more climate adaptive Greater Sydney

Additional research that may be of assistance to the Committee includes:

Rhelm Planned Relocation – Protecting our Communities (2023)

IAG commissioned this report to explore the enablers and barriers for planned relocation in Australia, the role the community plays in decision making and the policy considerations for delivering a planned relocation scheme.

The timely analyses demonstrates that Australian communities must consider how to mitigate and adapt to natural disaster risk but also understand and plan for relocation when the risk to life and safety exceeds a safe threshold.

The report outlines seven recommendations, including:

- The development of national guidance on planned relocation.
- Prioritisation and funding for social support for residents as part of any planned relocation scheme.
- Establishment of a legislative framework for accelerated approvals for planned relocation, including re-zoning, subdivision, and development approvals.

Further information and the full report are found here: [Final report 0.pdf \(iag.com.au\)](#).

Rhelm National Flood Hazard Mitigation Priorities (April 2022)

To assist with decision making in where and how mitigation funding is best spent, IAG commissioned Rhelm to develop a set of National Flood Hazard Mitigation Priorities. The method for setting priorities involved identifying areas with high flood risk where there are potential flood mitigation measures that could be implemented to reduce the level of risk and then ranking the practicality and cost benefit of each area.

This report is a technical report that accompanies a series of flood summaries or “snapshots” that have been prepared for each of the short-listed areas identified to be affected by high flood risk.

There are two key components to the report:

- The identification of potential structural flood mitigation measures (also known as flood modification measures in some jurisdictions) in short-listed floodplains across the country, and an economic assessment of these measures.
- A review of potential property level mitigation measures.

Further information and the full report are found here: [Rhelm-Report-National-flood-hazard-mitigation-priorities.pdf \(iaq.com.au\)](https://iaq.com.au/priorities.pdf).

7SGS Economics & Planning Report – The backbone of regional and rural economies: small business and community resilience (2021)

IAG commissioned the report to explore the impact of natural disasters on small businesses, regional communities and the role insurance plays in economic recovery. The key findings from this report are:

1. For households and businesses to acquire an adequate level of insurance, they need to have a comprehensive understanding of the risks they face under their individual circumstances. For small businesses this is especially important as they often do not have the means to withstand periods of reduced customers or staff unavailability.
2. Small businesses are often un- or under-insured, and are not always aware of their risk exposure, particularly that the costs of business interruption may be as high or even higher than the direct damages.
3. There is a pressing need to increase investment in risk mitigation for small regional businesses to prevent damages and interruption, which has a flow on effect to the economic prosperity of regional and rural towns.
4. For the two case studies explored (Townsville floods and Black Summer bushfires) on average, between 65% and 72% of total economic impact from the floods and bushfires is attributed to small businesses.
5. Without insurance, it is possible that economies, and especially those in regional and remote areas, may never fully recover from a natural disaster, as damage leads in some cases to a permanently impaired productive capacity in the long term.
6. With a changing climate and growing population, more Australian communities are being exposed to more intense and more frequent extreme events. Insurance plays a vital role but investing in preparedness will be essential.

Further information and the full report are found here: [SGS -IAG report 2021.pdf](https://iaq.com.au/sgs-iaq-report-2021.pdf).

The Menzies Research Centre Report – Strengthening Resilience: Managing Natural Disasters (2020)

IAG commissioned the report to be part of our submission to the 2020 Royal Commission into National Natural Disaster Arrangements. We commissioned this paper to synthesise the existing information on how Australia can prevent and respond to bushfires and other natural perils. It summarises what has been learnt and what can be changed in the future. IAG supports the recommendations of this paper. The five key recommendations are:

1. Government funding should further prioritise risk reduction which will reduce the need to spend on disaster recovery.
2. Introduction of a National Bushfire Risk Rating (NBRR) system for all bushfire prone communities, properties, and structures.

3. Introduction of a national approach to land use and building codes.
4. Creation of an open access information platform comprising all data required for natural hazard management.
5. Tax reform to improve the affordability and increase uptake of insurance.

Further information and the full report are found here: [Research | IAG Limited](#)

SGS Economics & Planning report – At what cost? Mapping natural perils impact economic growth and communities (2016)

IAG commissioned the report to examine the impacts that floods, storms, tropical cyclones, bushfires, and earthquakes, have on economic activity. The report also highlights the link between the risk of natural disasters and the ability of communities to have the resources to recover and rebuild from devastating events. This work has identified areas of key economic importance which are at risk:

- Local Government Areas (LGA) with high, very high and extreme risk of bushfire generated \$175 billion (10.8%) worth of GDP and were home to 2.2 million people.
- \$326.6 billion worth of GDP (20.3 per cent of the economy) and 3.9 million people (17.3 per cent of the population) were in areas with a high to extreme risk of cyclone.
- Recent cyclones have already significantly impacted on mineral and agricultural production. 28.4 per cent of GDP and 24.9 per cent of the population live in LGAs at high to extreme risk of flood.
- Flood events in Queensland in 2011 were highly disruptive to economic activity and highlighted how a community's economic capacity impacts its ability to respond and rebuild following natural disasters.

Further information on these reports can be found at [Research | IAG Limited](#)

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

IAG businesses work proactively to educate the community on the risk of natural perils. Across the country, we have run joint campaigns with our community partners to encourage the public to prepare their homes to prevent the risk of property damage through weather events.

As highlighted in IAG's submission to the ACCC's Northern Australia Insurance Inquiry *Issues Paper*, disaster risk awareness and risk reduction education are effective when the public, private, education, and community sectors collaborate. To involve these many stakeholders, cross-sectoral platforms such as disaster risk reduction taskforces or networks can promote a collaborative process for the creation, implementation and dissemination of risk awareness and risk reduction education programs and strategies. Details are at: [Microsoft Word – IAGSubmissionDecember17FINAL](#).

When taking out a policy with our direct brands, we ask several questions to understand the risk and help customers determine an appropriate sum insured. Our websites also provide information to help customers prepare for the potential impacts of natural perils, including actions they can take to reduce risks to help protect their family and their home and property. These information resources include:

- **Storm Safe** – A proactive education campaign, the campaign helps people minimise risks in their home when storms hit, reducing loss and claims.

- **Support for resilience retrofit programs** – Including support for the Queensland Government's household resilience program that assists homeowners improve their resilience to cyclones.
- **The Hub** – online and mobile information hub from NRMA Insurance which provides informative articles every week on protecting property, cars, bikes, boats, lifestyle, travel, business and the NRMA community.
- **Flood fact sheet** – outlines the factors that put properties at-risk of flooding and highlights the local government areas in each state that are at highest risk. It also helps people understand the potential damage and clean-up or repair costs they may face if their home is damaged by flooding, including the cost of stripping out wall linings and floors to sanitise and disinfect after a flood.
- **First Saturdays** – the NRMA Insurance campaign encourages people to take on a simple safety task on the first Saturday of each month – such as clearing debris from the yard, trimming branches or getting safety equipment for the home – to help our first responders stay safe. While each task may be small, the impact of not carrying out these tasks could be significant in the event of a natural disaster.
- **Help Nation in partnership with the Red Cross** – this is an initiative created by NRMA Insurance to help Australians know their local risks and get prepared for extreme weather. As part of Help Nation, NRMA Insurance and Australian Red Cross are partnering to expand the delivery of Australian Red Cross EmergencyRedi™ Workshops, to deliver more than 2,000 workshops over the next three years. This will help tens of thousands of Australians get prepared for all types of emergencies, including extreme weather events. NRMA Insurance is also joining with Lifeline Australia to build a disaster resilience toolkit, to provide information and resources for people impacted by natural disasters. People can learn more about how to prepare for extreme weather at a dedicated website.

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

8.4.1 Detailed flood mapping of localised areas (vs just using postcodes)?

We aim to assess flood risk at every house individually, considering the likely frequency and depth of flooding to develop our risk assessments based on the best flood hazard information available to us at the time using the databases outlined in our answer to question 8.4.3 such as Local and State government flood studies.

8.4.2 Local government flood planning, including changes to mitigation in local areas post-flood?

Our pricing is updated to reflect the risk reduction benefits of any permanent community-scale flood mitigation measures (such as levees and creek diversions) as they are constructed or as we become aware of them. Changes to pricing following construction of mitigation infrastructure is rolled out to customers based on scheduled pricing update cadence.

Our risk assessments capture the impact of Local Government flood planning decisions taken over time, as reflected in asset locations, floor and fill levels, and flood hazard mapping.

For example, development undertaken in high-risk areas were permitted by relaxed flood planning standards would have relatively high flood frequency and depth and therefore high risk, while development undertaken in an area with strong flood planning controls would have lower flood frequency and depth and therefore be assessed as relatively lower risk.

8.4.3 Development approvals or risk assessments undertaken by local governments?

Our risk assessments capture the impact of Local Government flood planning decisions taken over time, as reflected in asset locations, floor and fill levels, and flood hazard mapping.

We consider Local or State Government flood studies to be the most reliable flood hazard maps and base our assessments on these where possible. Where government-sourced flood maps are not available to us, we rely on other datasets to assess flood risk including flood risk mapping produced by hydrology consultants, insurance industry datasets and other flood mapping datasets.

8.5 Has your approach to any of these (the 3 issues above) changed in any way since the 2022 flood events?

No.

9. External dispute resolution (EDR)

EDR frequency

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

Please refer to appendix 2.

9.2 What was the typical cause of this?

Please refer to appendix 2.

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

Please refer to appendix 2.

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

Please refer to appendix 2.

9.5 How many claims lodged with your firm that went to EDR:

9.5.1 led to no change to the original decision;

9.5.2 led to full acceptance of the claim; or

9.5.3 led to partial acceptance of the claim?

Please refer to appendix 2.

EDR processes

9.6 How is the policy holder supported during this process?

Customers who remain dissatisfied with our final decision are provided the contact details for the Australian Financial Complaints Authority (AFCA) during the IDR process. When IAG receives a new EDR complaint from AFCA, our team undertakes a further review to identify any additional opportunities to resolve the complaint with the customer.

9.7 How long does this EDR process typically take?

The timeframe on average to resolve a flood complaint at EDR (AFCA) is as follows:

Timeframe	Flood
Average Days at EDR	123

Split as follows:

Distribution	Flood
Under two months	27%
Two to Six Months	54%
Six Months to a Year	18%
Over a Year	1%

9.8 What is the expense to the company of the EDR process?

Please refer to appendix 2.

9.9 Does this cost disadvantage a policy holder?

There is no cost disadvantage for a customer to escalate a complaint to EDR such as AFCA, as the cost is borne by IAG.

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

We do not report on the number of customers that engaged legal representation.

Strengthening processes

9.11 How could EDR processes be improved?

EDR processes are determined by AFCA. IAG encourages more frequent engagement between industry and AFCA earlier on during a CAT event to understand needs and challenges, with the aim to optimise outcomes for customers. IAG also recommends more flexible timeframes during the registration referral period and case management stages to allow the parties to focus on resolution.

Post event, the sharing of best practice case studies from within and between industries would support ongoing improvements.

10. Future policies/renewals

10.1 What trends are you seeing in policy holders reducing coverage? (i.e., potential underinsurance issues)

Premium prices have increased across home portfolios due to several factors including higher reinsurance costs compared to previous years and increased natural peril costs due to major events resulting in large claim estimates. Recent trends indicate increasing volumes of policies with a reduced sum insured compared to previous years to manage increased premium payments. Policy trends have also shown an increase in the excess chosen by policyholders to further reduce the total premium cost. These trends are seen across NSW and QLD and to a lesser extent in Victoria.

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

Like others in our industry, we have had to raise premiums in response to inflationary cost pressures, supply chain issues, an increasingly volatile weather environment and a substantial change in the cost of global reinsurance capacity, driving up prices. We have remained mindful of the flow-on impacts to our customers, who are already experiencing tightening household budgets.

We indicated at our Investor Day in June 2023 and again at our FY23 Financial Results in August, that average premium increases in our Direct Insurance property portfolio are currently approximately 20%. The proportion of an average premium that relates to natural perils and reinsurance has increased materially over the last five years. Taxes and levies have also added significant costs to premiums and increase proportionally with premium increases. We recently welcomed the NSW Government's announcement to reform the Emergency Services Levy which currently adds up to 18 per cent to home insurance premiums and around 30 per cent to commercial premiums to fund emergency services.

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?

There are several proactive measures that have been implemented to ensure transparency in pricing for customers.

IAG's Product PEDs (Premium, excess and discount guides) provide detailed general information on premium determination to assist customers in understanding how their premium is calculated. The information provided in the PEDs outline that several internal and external factors are critical in determining the premium for a policy. These factors may change over time and may be combined to affect the total premium quoted to the customer. The PEDs educate customers in understanding that premium determination is based on several internal and external factors and therefore, their premium is likely to change each year even in the event a customer's personal circumstances remain the same.

In addition to PEDs, NRMA Insurance and RACV Insurance home customers are provided further information on premium price increases at renewal time. Customers receive home renewal communications containing a QR code that directs the customer to a website with detailed information explaining price increases.

Any customers that have further concerns or questions about pricing are encouraged to contact a customer service representative directly. Customer service staff have access to internal knowledge articles that provide training and guidance in managing specific situations on pricing and related customer queries. This ensures a consistent approach in managing customers and complex situations such as flood premium queries, flood escalations procedures, and pricing queries by customers. The articles provide guidance on how to listen to the customer's concerns or queries and respond with empathy and factual answers only. In relation to pricing queries, there is a specific knowledge article to assist staff in addressing price queries and to uplift knowledge around insurance education and pricing determination practices.

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

Existing policyholders receive a renewal letter prior to policy expiry which includes important information for customers to consider including any changes to their premium. For example, NRMA Insurance home policyholders receive a renewal letter containing a year-on-year premium comparison highlighting whether their premium has increased or decreased. An explanation that the premium charged is based on the possibility of a claim against the policy and any changes to the general cost of protecting policyholders is provided.

In addition to the premium comparison provided on renewal letters, important information about flood, rainwater run-off and storm surge cover is also provided to the customers in New South Wales, Australian Capital Territory, Queensland, Tasmania, and Victoria if relevant. This is known as a flood risk letter. For instance, RACV Insurance and NRMA Insurance home renewal letters may contain a section noting that each year, NRMA Insurance and RACV Insurance review various sources of information so that the premium calculated is based on the property's individual risk of experiencing events such as flood, rainwater run-off and storm surge. The renewal letter may then state that the property has been identified at risk of flood and rainwater run-off (if applicable) and therefore, cover for such loss has been automatically included. A breakdown of this amount for flood, rainwater run-off and storm surge cover are provided on NRMA Insurance renewal letters. A breakdown of flood cover is not specifically provided on RACV Insurance renewal letters.

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?

Please refer to appendix 2.

11. Lessons learned since the 2010-2013 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?
- 11.2 How many clients had the same or similar claims in 2010-2013 for natural disasters?
- 11.3 Of the total claims made in 2010-2013, how many ended up in dispute resolution?
- 11.4 What was the percentage (of disputes) from claims made during this period?

Please refer to appendix 2.

11.5 What have you learnt from claims management from the 2010-13 period?

We continue to learn and test our response following every large event. Advances in technology and our continued investment in these have allowed us to significantly speed up our responses following disasters. The key learning that has driven our investment in technology and capability has been our capability to provide speed of response. Please also refer to the "Key Lessons for IAG" section on pages 3 and 4 of this submission.

Investment in a single IAG claims platform has also allowed us to speed up our response when events occur and leverage digital capability to scale support and resources across the organisation, including New Zealand. It has also substantially improved our data capability.

11.6 What changes have been implemented in the intervening period?

IAG is committed to continuous improvement for our customers. This includes incorporating feedback from our customers into our daily decisions. Customer complaints are a key element of the feedback loop. They complement customer surveys and provide real time insights into how we are supporting our customers and the extent to which our services measure up. They provide us with the ability to identify customer irritants and fix them. In the broader context, analysis of complaints and disputes allow us to review and understand any significant trends in our service and act on them. Stronger inputs and actions are being implemented from complaints learnings.

We also continue to engage with consumer advocate groups through our long running Consumer Advisory Board and are prioritising customers as part of our newly created Australian Customer Council (ACC). The ACC was established in September 2023 to proactively manage current and emerging risks to our brands, customers and organisation, with the primary objective to elevate the customer voice across a number of dimensions including risk, systemic issues, emerging trends, policies and frameworks.

The ACC is a cross functional executive forum, chaired by the Chief Customer & Marketing Officer, and includes representation across Claims, Distribution, Product & Pricing, Risk & Compliance, Technology, Digital, Legal, Corporate Affairs functions of IAG Australian businesses.

Our natural perils team provide short-, medium- and long-term forecasts for severe seasonal weather outlooks so that we can ensure our teams are trained and ready to support for the perils forecasted. Our in-house hydrologist can clearly articulate the impact to IAG customers of a significant flood event which also enables the claims team's rapid response.

Large scale proactive communication encouraging customers to lodge claims online has meant that claims are lodged faster, and customers are rapidly provided with the support they need. The sooner we know about claims the faster we can provide support.

The advances in aerial imagery have meant that we can assess properties more quickly, again leading to faster customer support and claims settlement.

We have learnt that customised responses to different types of peril events lead to better outcomes. An example is development of the specialist hail repair model for motor claims, investment in specialist make safe tarpaulins which makes a home watertight and secure and prevent further damage. These tarpaulins are ready to deploy nationally via our partner repair network when an event occurs. This new approach was adopted following the Sydney hail event of December 2018 where we saw inadequacies in the traditional make safe solution at that time.

We use mapping to see areas impacted by disasters which allows assessors to proactively assess properties which speeds up our response times. Depending on the extent of damage and access to the area, sometimes we can do this before customers even lodge a claim.

Our major event response has continually evolved since the 2010-2013 period. Examples of other changes in that response that have been implemented since the 2010-11 Brisbane Floods include:

- **People plan** - Developed, documented, and implemented a staff support plan that manages and protects the emotional and physical wellbeing of our people through the full and extended lifecycle of claims events. This ensures that IAG can deliver an optimal and importantly sustained level of performance for our customers and business outcomes, whilst protecting our primary resource being our colleagues.
- **Major event customer experience defined** - One of our competitive advantages and strengths is our responsiveness during a major event, including our ability to allocate national resources towards a particular event. The continued effectiveness and efficiency of what we do while responding to an event is driven in part by our ability to target efforts and tailor our approaches to provide maximum customer satisfaction while optimising effort expended. This is defined in our Major Event Plan that identifies desirable and accepted customer experience standards at different stages in the claim. The plan identifies triggers for when these standards may alter, guide resource allocation and other system/policy changes. Post a large-scale event the Major Event Response Team completes a post implementation review (PIR) where any opportunities for improvement are then included in the worked into the event plan and response.
- **Standardised Reporting** - Regardless of the major event situation, reporting is critical to the success of the response. By standardising reporting, it is easier to have operational oversight of the event and claims performance. The Major Event Response Team has immediate access to data to understand IAG's impact to help support a proactive customer response.
- **IAG's Hydrology Panel** - We have maintained a panel of up to 5 hydrology firms since 2012 to provide guaranteed capacity for major events (which can potentially result in hundreds of report requests). Our hydrology panel adhere to our stringent hydrology report process, which includes agreed report templates, IAG's site visit protocols, using suitably qualified staff to attend each site and format for how analysis should be displayed. Our panel prioritises quality of service and reporting, and we have over time removed panel members who do not meet this standard. IAG acquires the services of our hydrology panel through our supplier management provider ENData, who facilitate report requests, track time frames and service levels, manage invoicing and provide a portal for managing requests and uploading of final reports.
- **Scenario Testing** - To assist in demonstrating the expectation that the IAG Major Event Response Team can respond to concurrent major events ensuring our customers are well supported during and after a significant weather event. Our Business Continuity and Crisis Management team facilitate simulation exercises where issues and opportunities pertaining to the operation of the major event response and its systems and processes.
- **Resourcing** - IAG implemented an 'All Hands on Deck' program allowing employees from non-claims teams to support with the lodgement of claims leveraging from our digital capability. In addition to this IAG has a two-partner strategy in place to support rapid scale reserved for severe weather events these claims partners can support us to process end to end claims by providing mass rapid recruitment, training, and workforce management capabilities. In addition to this IAG onboard 12 additional builders during these events who remain on IAG's preferred partner repairer model to support un future large-scale events.

- **Dedicated Major Event Response team** – IAG has invested in a dedicated Major Event Response Team that is responsible for coordinating IAG's response to any major events, this is across all brands and products Australia wide. They support our customer response to major events anytime of the day or night with many events occurring on a weekend or on a public holiday, it's important that our response to any event is swift. They have well established plans and processes in place that are designed in such a way to ensure we are ready to support our customers at any given time. IAG has invested in a number of systems, assets and specialised capability to enable a rapid response, this includes but is not limited to, a fleet of Major Event Rapid Response Vehicles (MERRVs) that can be deployed to impacted regions for immediate claims support, natural perils teams who provide expert weather advice on the impacts if events to IAG and its customers, mapping that allows IAG to understand the impacts of certain events to its customers. In the case of the 2022 floods CAT221 event this team started planning IAG response to the flood events on the Thursday prior to floods.
- **Technology** - IAG has invested in technology to support our response to events, this includes a large investment in our digital capability to provide online claims tracking and self-settlement options, automation, aerial imagery, and virtual assessing tools. IAG was the first Australian insurer to use aerial imagery to support rapid assessments after the Wye River fires of 2015, it's during these events that we have the agility to be able to make changes to support a customised response.
- **Community Education**: Investing in communities to better educate customers to know their risk in preparation for wild weather. This will be in partnership with the Red Cross, scaling its EmergencyRedi™ Workshops to more LGAs across the country and through more educational content on our websites.

12. Hydrology Reports

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

Please refer to appendix 2.

12.2 In how many instances (separately for each category incident) were hydrology reports required to resolve disputes?

We do not report on this data.

12.3 What types of issues did hydrologists typically deal with (e.g., determining whether flooding was storm water vs riverine flooding)

The coverage of policies with respect to flood damage varies with each policy depending on brand, location, product, and customer choices. Customers with some IAG brands in some regions have the option to opt out of flood cover, while some policies have an opt-in model for flood cover and other policies do not offer flood cover at all. We introduced flood opt-out for some of our brands to minimise confusion about the type of water inundation covered under a policy, and eliminate delays experienced in making decisions on claims where expert hydrologists reports were needed. Details of our flood cover options across products and brands is included at confidential appendix 3.

Policies that do not provide cover for flood damage may include cover for damage from rainwater runoff or storm surge. It is therefore important that we fully understand the mechanism of inundation before making decisions on coverage of a claim.

When a customer's property is damaged by water inundation, it is necessary for IAG to determine whether the damage is covered under the policy wording and definitions applicable to the policy. We engage independent hydrologists to investigate and report on the mechanism which caused the damage to allow us to determine the coverage of the policy.

12.4 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?

As noted in our answer to question 6.10, most reports were received within 90 days from date of lodgements except for locations where secondary flooding events impacted the ability for hydrologists to get into areas inundated by floodwaters, these include areas such as Woodburn, Coraki & Wardell.

13. Case Management

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

Most major event claims are case managed, and this includes claims for vulnerable customers and large loss claims. Fast track claims that can be quickly settled at lodgement or on first review of the claim with minimal involvement from a claims experts will not have a case manager appointed. In some instances, customers can lodge and settle online low value claims. There may be instances for complex claims a Technical Assessor maybe appointed who will work with our customers to progress their claim.

13.2 Are there timelines in relation to this appointment?

Claims are triaged at lodgement and then validated by a claims expert to identify if immediate settlement can be achieved or if a case manager would need to be appointed. This includes confirming if a partner builder, expert specialist (e.g., hydrologist or internal/ external assessor needs to be appointed). There may be times where upon further information of the claim and or review of the claim it's identified that a case manager should be appointed then this can occur at any time through the claim lifecycle.

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

Claims Consultants are required to oversee and manage claims with Claims Managers having operational oversight over claims progress. Executive Managers hold weekly claims review meetings whereby individual claims are tabled with Claims Managers to provide progress updates and seek any additional guidance on progression of the claims, particularly for aged claims. Claims are escalated to the Claims Executive General Manager and the CEO depending on the circumstances. Examples of these include fatality claims, claims that require sign off according to delegation of authority, claims presenting brand and reputational risks.

13.4 What are the protocols in terms of a case manager interacting with a policyholder (e.g., mode of communication, frequency of communication)?

Customers can choose their preferred method of contact with their Claims Consultant. This can be over the phone or via email with regular communication in place. In some instances, the customer may have a technical assessor appointed to help oversee the repairs for the claim. The technical assessor is usually on the ground providing face to face support for the customer and guiding them through the claims experience.

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

Please refer to appendix 2.

13.6 How is the progress of claims that are being case managed reported to the Board?

IAG's Board is provided with reports on aged claims and complaints tri-annually.