

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

INQUIRY INTO INSURERS' RESPONSES TO 2022 MAJOR FLOOD CLAIMS

QBE

QUESTION (Proof Committee Hansard, page 2)

CHAIR: About 480 [home and contents claims] are still open?

CHAIR: What's the distribution of those across the four events mentioned explicitly in our terms of reference? Are most of them CAT 221?

ANSWER

As at 31 January 2024, QBE had 482 open claims for home building and contents from the 2022 major flood events (as at 6 March 2024 this had reduced to 412 open claims).

The breakdown of these open claims for each of the flood events is:

- South-East Queensland and Northern NSW floods (Feb-March 2022) – 242 open claims (200 open claims as at 6 March 2024)
- Hunter and greater Sydney floods (July 2022) – 18 open claims (17 open claims as at 6 March 2024)
- Victorian, NSW and Tasmanian floods (Oct 2022) – 148 open claims (133 open claims as at 6 March 2024)
- Central west NSW floods (Nov-Dec 2022) – 74 open claims (62 open claims as at 6 March 2024).

Of the claims still open, approximately 20% remain open for administrative purposes only, such as outstanding fees and invoices to be paid).

QUESTION (Proof Committee Hansard, page 5)

CHAIR: As to the back-office side, it would be interesting to get some details around that—if there's any quantification of ways in which that has made things speedier or more effective for clients? That's going to be an important aspect of improving claims handling, I imagine, particularly for complex cases.

ANSWER

As outlined in QBE's submission to the Inquiry (November 2023), across QBE's international operations, prior to the 2022 major floods, QBE had already established a strategic priority to modernise our business.

In Australia, our program focuses on simplifying and digitising our customer facing and partner engagement technologies and our claims end-to-end processes to increase operational efficiency and uplift our people, customer and partner experience. As implementation is ongoing, quantification is not possible at this stage. Examples however, of system and process changes focusing on improving operational efficiency and uplift for our people, customer and partner experience, include:

- System and process changes to our electronic platform used by our panel suppliers that facilitate improved communications between suppliers and QBE (for example, reporting start and finish dates for repairs). This enables improved monitoring of suppliers and allows for more timely progress and customer contact activity updates to our claims officers. This also helps us provide more meaningful claims progress updates to customers.
- We have launched our first customer facing digital lodgement capability and are investigating further digitisation opportunities such as extending proactive customer communication and introducing virtual assistance (voice and chat bots).
- We are investigating and piloting opportunities to leverage investments made by QBE Ventures (venture investment and development arm of QBE) in emerging technologies. An example is Geosite – a geospatial platform that aggregates geospatial data such as visual imagery from satellites and space-based radar. This technology is assisting with our preparation and response to natural catastrophes. For example, we are piloting the use of satellite-based flood mapping to speed up claims decision-making. During the recent catastrophe events (Tropical Cyclone Jasper and Far North Qld flooding, and the Christmas and New Year storms), we were able to reduce reliance on hydrology reports utilising this technology.

QUESTION (Proof Committee Hansard, page 6)

CHAIR: Was that team [national claims response team] activated in the South-East Queensland event earlier this year?

CHAIR: It would be good to get a bit more detail as to how that operated then as compared to 2022.

ANSWER

As outlined in QBE's submission to the Inquiry (November 2023), considering our experiences with the 2022 major floods, QBE subsequently increased our resourcing by establishing a dedicated National Claims Response Team (**NCRT**) of 25 permanent people.

The NCRT is designed so we have sufficient and immediately available resources to support and stabilise short term service levels, while recruitment, onboarding and training of temporary resources occurs in parallel, when needed.

During the recent catastrophe events (Tropical Cyclone Jasper and Far North Qld flooding, and the Christmas and New Year storms), the NCRT was effective in enabling us to efficiently manage claim lodgements and assessments within our standard service level timeframes, despite the surge in claims numbers and the holiday period. This is an improvement in our performance as compared to 2022.

QUESTION (Proof Committee Hansard, page 12)

Ms TEMPLEMAN: If we're talking about a flood premium that might have been quoted at the \$20,000 mark, which is what some of my residents have had, if they loaded it with a \$10,000 premium [excess] does that bring it down enough to become affordable for an average income earner? Is there some data that could give some examples for us to understand the practical difference that makes? It would be really useful, again, if you could take that on notice and help us understand the practicalities of that.

ANSWER

An excess is the amount a customer may need to pay if they make a claim on their insurance policy. The amount of a basic excess in a home building or contents policy can generally be selected by a customer and is taken into account in a customer's premium. A higher excess can lower a customer's premium. Insurers provide a range of tools to assist customers in purchasing insurance suitable to their individual circumstances and risks, for instance online calculators and online/phone quoting tools, which enables customers to obtain quotes based on different excess levels.

As premiums can vary based on a range of factors (e.g. the nature of the insured risk, exposure to natural perils, and the insurance coverage), providing hypothetical examples of the impact of a change in excess on premium, however, is difficult. As part of QBE's customer research program, there have been positive indications for a co-insurance model (e.g. higher excess for reduced premium). This research is ongoing and we are continuing to investigate this type of model further. The underlying risk, however, remains key to insurance pricing, together with the need for insurers to price sustainably to cover that risk in their insurance offerings.

QUESTION (Proof Committee Hansard, page 14)

Ms TEMPLEMAN: What portion of your flood customers would you have considered to be underinsured? Ms Houghton: Do you mean from a total loss perspective?

Ms TEMPLEMAN: Yes, from a total loss perspective?

Ms Houghton: I don't know that number. Sorry. We'd have to take that on notice.

ANSWER

It has been recognised there is a lack of data that can measure underinsurance (and overinsurance)¹. Unfortunately, QBE does not have structured data about the extent of underinsurance. We note that APRA and ASIC propose to "collect data points that will help provide a greater understanding of underinsurance and overinsurance. This would align with the work on the general insurance climate vulnerability assessment, and Hazards Insurance Partnership where possible."²

¹ For instance, APRA and ASIC, *General Insurance Discussion Paper - Insurance Data Transformation*, October 2023, Chap 1, and Actuaries Institute, *Home Insurance Affordability Update*, August 2023, p8.

² APRA and ASIC, *General Insurance Discussion Paper - Insurance Data Transformation*, October 2023, Chap 1.