



RACQ Insurance Limited ABN 50 009 704 152
Agent for the RACQ Group

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17 November 2023

Dr Daniel Mulino MP
Chair
House Standing Committee on Economics
Department of the House of Representatives
PO Box 6021
CANBERRA ACT 2600

By email: floodinsurance.reps@aph.gov.au & economics.reps@aph.gov.au

Dear Dr Mulino MP

We refer to your letter of 22 September 2023 requesting information relating to the 'Inquiry into insurers' responses to 2022 major floods claims'.

RACQ is proud of our long history helping Queenslanders protect their homes and families and is able to share insights and experience in responding to the CAT221 flood event that impacted South East Queensland (SEQ) and northern New South Wales (NSW).

RACQ acknowledges the Deloitte report commissioned by the Insurance Council of Australia (ICA), *The New Benchmark for Catastrophe Preparedness in Australia*, a comprehensive review of the insurance industry's response to this historic flood event. RACQ was one of eight insurers that contributed to the analysis of claims handling, complaint handling, resourcing, communications, factors impacting on event responses and future preparedness. We welcome the report's recommendations, ensuring the industry remains on a journey of continuous improvement when it comes to catastrophe response and recovery.

CAT221 – the largest insured event in Australian history

The CAT221 flood event has been reported as the largest insured event in Australian history and according to global reinsurer Swiss Re, the second largest insured event in the world in 2022, with losses estimated at over \$6 billion across more than 242,000 claims as of August 2023¹. Fifty-five percent of insurance claims were lodged in Queensland. RACQ received 2,740 motor claims and 13,306 home claims (including 7,948 building, 3,740 building and contents combined, and 1,618 contents only claims) and had finalised 96.6% of home claims and 99.9% of motor claims (as of 2 November 2023). A catastrophe of this scale demanded a proportionately large response from insurers and this submission outlines RACQ's responses to the key questions that were raised in your letter.

Any issues relating to hydrology reports did not relate to RACQ policyholders as flood insurance is automatically included in our policy coverage. Put simply, RACQ is not concerned with where the water comes from. It could be storm, riverine, creek, or flash flooding, either way our policies cover for all types of water-related damage and as a result, hydrology reports are not needed when assessing RACQ claims.

This is why RACQ joins with the rest of the industry in strongly arguing for greater investment in disaster mitigation, particularly flood mitigation, in Queensland to ensure home insurance remains accessible over the long term.

External factors impacting on the response

As reported in Deloitte's independent review of CAT221, external circumstances at the time of the event were unprecedented and made responding difficult for all insurers, including RACQ. The lasting impacts of the Covid pandemic created a challenging economic operating environment, with supply shortages, labour market

¹ Deloitte, CAT221-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, October 2023



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disruptions, unprecedented demand in the construction sector, rental housing shortages, and past impacts of border closures stretching resources across the economy and increasing the level of complexity of the event.

Global supply chain constraints increased delivery times of construction materials. These unprecedented volumes constrained the ability to rebuild homes in a timely manner.

The pandemic also impacted on the markets for new and used cars and rental accommodation, making it more difficult to replace vehicles and source temporary accommodation. The rental market was particularly tight in Queensland where vacancies had fallen to a historic low of 0.7 per cent in Greater Brisbane.

In addition, workforce shortages in the market, particularly insurance investigators, surveyors and contact centre staff were in short supply, however RACQ pivoted to meet resource demands.

These external factors required RACQ to be agile and creative in solving challenges as the event unfolded, doing our best to support our policyholders and honour our obligations to them.

RACQ's role in the flood event and the industry

RACQ is an insurer of home and motor as well as a provider of roadside assistance and traffic management support. As such, RACQ carried out the following activities during and after the floods.

- Repaired and re-built members' homes and repaired or replaced motor vehicles; our Mobile Member Centre was deployed to hard hit areas like the Gympie and Moreton regions to provide a safe space for members to lodge and progress their insurance claim.
- Partnered with the Queensland Government to design and implement the jointly funded Resilient Homes Fund to build back better and repair homes to a standard that reduces the impact of future flooding. RACQ had at least 20 of its policyholders' homes participate in this program.
- Provided roadside assistance, traffic management, and responded to incidents where roads had been cut off during the flood. For example, our Roadside Assistance business was a critical responder recording a 24% increase in roadside attendances (above 'business as usual activities') during the flood event through February and March, equating to 5,400 extra attendances in SEQ.
- Communicated updates of road closures through social media keeping communities informed and safe.
- We partnered with the Department of Transport and Main Roads, with our Traffic Response Unit supporting 28 full or partial road closures equating to 109 hours of additional labour committed to the flood response.
- Through the RACQ Foundation, we helped disaster affected community groups and clubs in Gympie, one of the most significantly impacted communities recover from the flood event by providing volunteers over one week to re-plant the Mary River catchment and repair community facilities that were flood-affected.
- We are a strong policy advocate for insurance in Queensland, providing input into decisions about where to invest funds to mitigate against disasters, as well as government reviews into disaster response and recovery.
- We are a member of the Federal Government's Hazard Insurance Partnership (HIP) that was recently established so insurers can help Government make informed decisions about the resilience spending that leads to lowering the risk and impact of future natural disasters.



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RACQ's responses to the Flood Insurance Inquiry Questions

1) Claims Management

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

Notwithstanding CAT221 being one of the biggest events RACQ has responded to, our seasonal weather event planning and preparation ensured we were ready and able to respond to this significant event.

The most valuable tool that allowed RACQ to effectively manage a surge in claims is a technology initiative known as 'Lodge on Behalf of' (LOBO). LOBO allows RACQ staff from across the group with pre-assigned access and training to support the initial claim lodgement phase by replicating the policyholder online lodgement process. In the lead up to storm season, staff support from across the group was sought so that in the event of a severe weather event they could be called upon to assist with claim lodgements, as a result of this process, over 100 staff outside of our claims operation volunteered and helped lodge claims for our policyholders during the 2022 floods.

Some 7,000 claims were lodged within the first few days of this event and while this initial lodgement phase was unfolding, RACQ employed over 175 additional staff to support with the ongoing claims management.

RACQ also activated its contingent repairer panels immediately and panel providers were able to accept the claim allocations at lodgement and commence their assessments and repair planning immediately given an automated claim triaging and allocation process through our assessing and repair systems.

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

RACQ's claims division operates with a substantive team of 320 claims officers across its motor and property portfolios. An additional 175 staff members were employed to support the flood response, including claims officers, assessors, leadership, and specialist support. Staffing requirements are driven by both claim volumes and customer enquiries. RACQ's Workforce Planning team monitors the performance of telephony service levels which, in turn, inform resourcing and rostering requirements. Claims officers are allocated claim portfolios, which are monitored to ensure staff hold appropriate caseloads and are able to adequately service their policyholders' claims.

Claims operations plan for and consider current portfolio sizes, lodgement trends, and weather predictions. During a natural disaster, analytical determination of loss date range, weather systems and location are used to inform forecasting of severity, which then informs staffing requirements.

RACQ also partners with external loss adjusters who provide additional capacity to manage claims and have the capability to scale up and support additional workload during times of natural disasters. This lessens the impact of sudden influxes of claims through scale and partnering.

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?

Claims Staff:

To alleviate the immediate demand on resources, RACQ activated its group support program, (LOBO as outlined above) to support with the initial influx of new claims. This allowed RACQ to respond quickly to its members. Our claims lodgement process also included an automated triaging of claims



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and allocation of claims to the appropriate assessor, builder / trade and / or restorer so the requisite assessing and / or repair resources could be secured quickly, and work commenced.

RACQ has a seasonal resource plan which allows the organisation to ramp up and down resources as required, i.e., additional permanent resources during event season. In addition, pre-planned arrangements with labour hire firms allow for recruitment of additional resources at very short notice. Early modelling and forecasting set expectations on likely recruitment numbers across these firms with a staggered onboarding approach to ensure adequate training resources are available. This recruitment was activated within days of the 2022 flood event unfolding and staff were employed within three days. At 2–3-week intervals, new staff were brought into the business in groups of 20-25. Typically, higher numbers were onboarded to allow for natural attrition of temporary staff, which was being driven by the market at the time.

Due to the scale of the event, onboarded staff were trained based on the assistance required at that point in time i.e., claims lodgement, claims triaging and answering basic enquiries. As claims progressed, RACQ trained additional staff in more end-to-end case management and to support complex claims such as large loss claims, more challenging or technical rebuilds or locations.

Repairs/Materials:

RACQ recognises that speed to respond is critical to material and builder availability and the overall cost of claims, this is made possible through technology to lodge claims efficiently. This involves automated builder allocation at lodgement, make safe repairs and virtual assessment. Contingent supply panels are activated to support demand and early quality assurance checks are undertaken to inform adherence to repair models, processes, and coverage decisions. Further strategies to assist availability include:

- Urgent repairs and make safes are completed as soon as possible to minimise damage, and reduce potential of rework or rectification throughout a claim
- Building repairs commence under delegated authority where a builder can get to work before RACQ approves in certain circumstances or they require cost validation at a certain threshold by qualified assessors
- Speed to allocate and approve repair work meant losses could be assessed and scoped, and materials ordered much faster to avoid wait times for materials
- Homes requiring maintenance prior to works commencing are managed by exception and steps taken to complete the maintenance to avoid repair commencement delay
- Restorers are utilised through RACQ's builder panel to create capacity and capability to maximise restoration efficiency and success.

Strategies for ongoing cost management include:

- Dedicated Motor and Property Partnerships Team work closely with the supply and repair panel to manage contracts, performance, and communication
- Monthly meetings are held with all suppliers to discuss performance against service level agreements and operational expectations
- Performance conversations focus on drivers of performance for all loss types as well as progression against targets for specific event closures
- Allocation and contract decisions are based on the following three performance pillars:
 - supplier scorecard, ranking all suppliers on cost, timeliness, and scope quality
 - Quality Assurance scores and feedback from both desktop and on-site audits
 - customer and operational feedback through either NPS surveys and/or operational complaint/compliment capture.
- Cost of repairs is reportable and managed line-by-line via our repairer systems.



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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)

Protecting the performance of 'business as usual' is a priority and any staff redeployed to RACQ's dedicated event claims team last year were backfilled to maintain required resources. Upscaling of claims staff is completed through external recruitment and resources are strategically placed into phone support, triage or claims management roles. Enhanced lodgement capabilities during times of event response allows RACQ staff outside of insurance claims to support claims lodgement. As discussed above, LOBO enhanced the lodgement capability. This initiative allows RACQ to draw on all available resources in a staff volunteer capacity to assist with claims lodgement.

Resource modelling was completed prior to and immediately post event to determine required roles. These included specialist roles created to support with the event response, additional assessors, assurance staff, event advisors and claims leadership staff to support the influx of claims staff with training, coaching and oversight. While areas across the RACQ Group supported the initial lodgement phase, resourcing did not impact other services.

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?

In a tough labour market, recruitment was challenging and relied on temporary support, despite a ramp up of permanent staff up to event season. Dedicated trainers provided onboarding training for new staff and the content was tailored specifically to the function performed by those staff to minimise overload. RACQ has dedicated support teams who provide ongoing real-time assistance to staff with process questions as well as identify capability gaps for further coaching and training.

RACQ has a dedicated natural hazard and event team which manages only weather peril claims, limiting the broader skills required to manage all claim types. To ensure staff can confidently manage all perils, upskilling has and continues to be undertaken across the natural hazard teams in preparation for the current storm and bushfire season. This includes managing hail and bushfire claims given the increased likelihood as per weather forecasts.

All trades have suffered from a lack of supply and resources with fewer people taking up apprenticeships. Trades that most impact the insurance industry are those in traditionally lower paid sectors or requiring less time to qualify in the trade (for example bricklayers, carpenters, and tilers).

RACQ maintains a contingent (or back-up) repairer panel which was activated from the start of last year's floods to provide additional capacity to respond to make safes, conduct assessments, and complete repairs.

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

Two-week classroom-based training that focuses on natural hazard claims is conducted followed by a two-week intensive support environment. The support environment allows for newly onboarded staff to work through live claims and respond to enquiries with support staff readily available. After this four-week period, staff will then move into existing teams. One-on-one 'buddying' is provided until the employee satisfies the 'self-assessment' criteria.

Our criteria cover core functions of end-to-end claims case management and is signed off by both the claims officer and manager. Ongoing quality assurance continues to monitor process and quality adherence.



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

a) determine claims for each relevant category of insurance including, but not limited to, home and business.

In determining a home claim, RACQ progresses multiple streams of activity that run in parallel and include:

1. Prioritising emergency make safe repairs, temporary accommodation and water restoration activity. These actions are enacted immediately as required post-claims lodgement.
2. Appointing appropriate assessors or tradespeople so the damage can be considered against any applicable policy conditions, and limits or exclusions which then allows for formal claim acceptance.
3. Progressing the development of claim settlement options including scope of works, confirming any maintenance work required, and repair quotations or specialist reports. This then facilitates the acceptance of the claim.

RACQ measures claim determination from claims lodgement through to the completion of the process identified above, not just from lodgement to a claim acceptance stage. For CAT221, average days to work through this process was 84 days for home claims.

The average days to accept a motor claim was 3.6 days as the majority were total loss claims.

As it relates to the General Insurance Code of Practice (GICOP) requirement to make a claims decision, 93.2% of home claims and 99.5% of motor claims were completed within the required timeframe of four months.

RACQ triages its claims to identify those able to be resolved quickly and those requiring greater review and closer examination.

b) provide a payout to the policyholder

To support policyholders with urgent needs, RACQ prioritises and will issue emergency payments and/or arrange temporary accommodation at any point in a claim, including at the time of lodging a claim.

RACQ also employs a 'fast track' process to settle simple claims on the spot such as food spoilage or single item claims. For example, we paid and finalised nearly 450 claims in the first seven days of the event occurring on this basis.

Payments to policyholders will continue throughout the claim during the assessment phase and whilst the repairer is scoping the damage. Contents losses may be paid well before a policyholder's building damage is finalised. Where a policyholder opts to be settled with a cash payment for their building damage or the claim is a total loss, this is paid once the repairs have been fully scoped and quoted to ensure an accurate settlement is provided to the policyholder, and the policyholder has agreed and accepted the settlement figure using the Cash Settlement Fact Sheet. On average across all the claim payout scenarios identified above, our average payout timeframe for CAT221 was 23 days.

c) commence repair work

RACQ uses repair status and milestone reporting to track and drive claim progression for home claims with the repair panel. At the three-month milestone, RACQ had 35% of home claims either in the repair stage or had repairs completed. By six months, 52% of repairs were underway or completed. At 12 months, 80% of claims were completed and 91% by 18 months.

As the majority of motor claims were received in the early stages of the event, flood affected vehicles were towed directly to RACQ's salvage provider to conduct on-site assessments. This resulted in prompt claim decisions and settlement of total loss vehicles.



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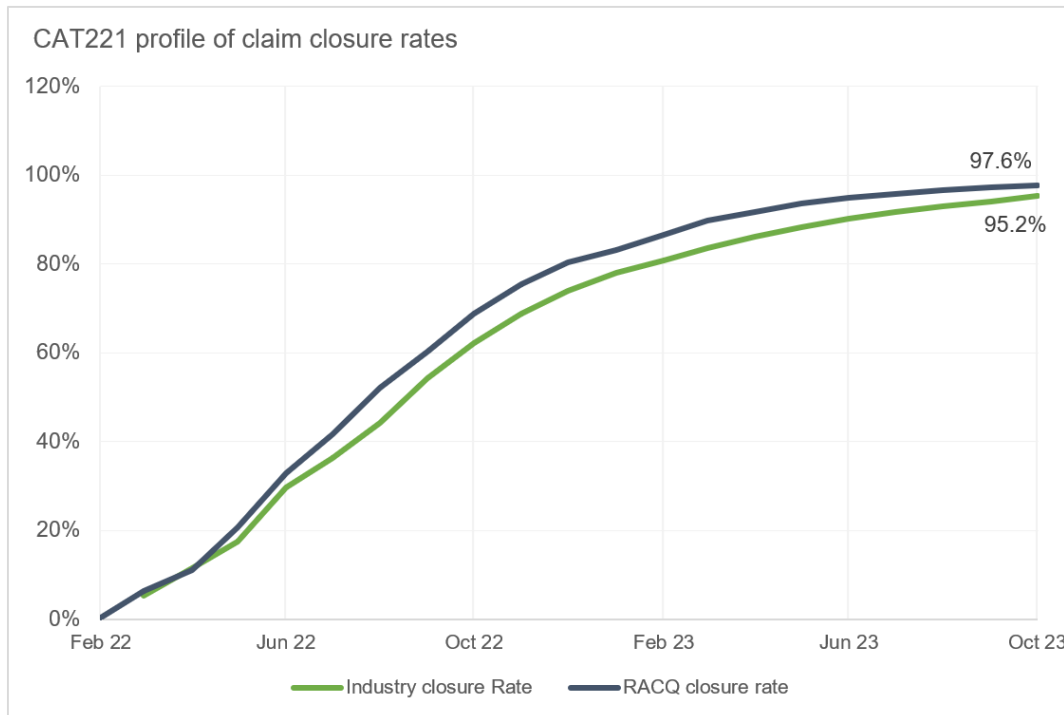
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In terms of claim progression and closure, RACQ has consistently performed ahead of the industry average in terms of closure rates for CAT221 claims, as reported by the Insurance Council of Australia and outlined in the graph below (showing RACQ's percentage of claims closed in the purple line compared to industry average in green).



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

a) Internal factors (staffing/resourcing/other)

With the Group support program and the lodgement efficiencies through LOBO as outlined above, nearly 7,000 claims were lodged with RACQ within the first three days of the event and there were minimal wait times through the phone channel. System integration also meant immediate allocations to our supply panel, meaning assessments could commence quickly. Although recruitment was acted on quickly, the sheer volume of additional staff led to a new and inexperienced workforce in claims handling and led to some delays in decision making and progress of claims in the early stages of the weather event, i.e., first three months.

Internal resourcing was a factor in claim delays but not as influential as the external factors, outlined below.

b) External factors (lack of access to tradespeople or to materials due to supply chain issues)

Economic impacts of COVID-19, the Ukraine/Russia War and the ongoing demand on the construction industry placed significant pressure on trade capacity at an industry level, including building labour rates, cost of materials and repair timeframes. Along with these factors, repair progression was slower than in past events due to the sheer scale of this disaster. The disruption of the supply chain also saw significant delays to policyholders awaiting replacement vehicles. In some cases, these delays were up to 12 months.



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RACQ maintains strong capacity within its motor repair panel and a contingent builder panel is ready to be activated for any event where required to provide additional capacity. However, the extended panel was still impacted by global supply of materials and availability of speciality trades.

Home maintenance work, which was required before claim-related repairs could commence, contributed to claim delays, exacerbated by availability of private trades to complete such work. To assist policyholders and reduce delays, RACQ where practical, made the decision to fund minor maintenance through its builder panel so the claim repairs could be undertaken faster. RACQ covered and completed maintenance work for approximately 200 policyholders, which not only minimised delays and inconvenience for homeowners, but also allowed our builders to press ahead with authorised work and book trades.

1.9 How did these delays impact policyholders? Was the impact measured?

Policy holders were impacted in different ways depending on their claim, for motor waiting for a replacement vehicle required members to make alternate arrangements after any hire car benefit finished.

For home, if the property was not able to be lived in, it required people to reside in temporary accommodation for long periods.

The best measure we have available is average claim closure length. This is the timeframe taken to completely finalise a claim, pay all invoices and attend to all the claims management actions required. Policyholders typically experience fulfillment of their claim prior to this as the claims management / administrative actions then continue in the background.

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

Circumstances where RACQ may reduce the quantum of payouts include:

- Pay By The Month policies where the policyholder has been late in making premium payments. Any outstanding premium is deducted from a total loss settlement figure
- General limits and insured amounts where the repair or replacement cost exceeds the sum insured or there are content limits on specific items
- If damage is not related to the flood event.

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

RACQ provides cover for flood and storm in all of our products as standard. Policyholders are unable to opt out of holding flood cover, therefore it is not necessary for our assessors to differentiate between storm and flood to determine cover.

No hydrologists were engaged by RACQ during the 2022 flood event to determine the cause of water damage and inform coverage. This means our assessors and/or builders could assess a loss and decide on the spot in terms of coverage.

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

Not applicable to RACQ as flood cover is provided as standard. Refer to question 1.11.

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

Not applicable to RACQ as flood cover is provided as standard. Refer to question 1.11.



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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?

Nil. RACQ provides flood cover as standard.

1.15 Where policyholders are asked to sign documents with legal implications including but not limited to:

- a) **waiver documents when homes and businesses are being 'stripped out' by building contractors engaged by insurers; and**
- b) **documents relating to the full or partial settlement of claims.**

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

RACQ does not issue waiver documents through its building contractors.

RACQ issues Cash Settlement Fact Sheets to policyholders when settling a claim in full or partially with a cash payment, where there is another legally available settlement option. A legally available settlement option is detailed in the PDS which provides the settlement options available to the member to settle their claim e.g., repair, replace, restore etc.

Fact sheets are issued to the policyholder in writing and the policyholder must be provided sufficient time to review prior to accepting the cash settlement offer. Once acceptance has been received, payment is then able to be made.

Before a document is issued to the policyholder, it is standard practice for the Claims Officer, builder, or repairer to run through the purpose of the document and potential outcomes. This conversation is then followed up with a standardised letter outlining the same. An example of these letters are Cash Settlement Fact Sheet and Scope of Works Information Sheet. Both documents outline why it is needed, its purpose and steps to undertake.

An additional process is undertaken to allow policyholders adequate time and cash settlements are not able to be accepted on the same call that the Cash Settlement Fact Sheet is issued.

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

A recommendation to seek legal advice is stated as standard on documents issued to policyholders as part of claims settlement.

RACQ does not refer a policyholder to a legal firm – this is at their discretion.

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

RACQ currently operates 60 automated processes to assist with claims management These range from email triaging and invoice payments to integration of our claims operating system with repairer platforms.

Across both property and motor claims there is automated integration between the claims handling system and repairer systems. This means repairer networks are notified of the claims lodgement in real-time and can respond promptly. During the initial stages of the flood event, policyholders requiring urgent make-safes on their properties were contacted by our builders in a matter of minutes post claim lodgement due to this integration.

For motor, flooded vehicles were able to be immediately towed to the salvage provider and assessed on site using virtual and remote technology and mass assessments, reducing claims handling times and resource



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demands. Further, once the claim is lodged and is being actively managed, any updates by our repairers across both products is noted in repairer systems which then informs the case manager in real time by way of a generated activity in ClaimCenter.

The LOBO initiative (as mentioned in point 1.1), was designed with automated integration in mind, meaning even claims lodged by our RACQ internal staff could use this technology simply and swiftly and claims were pathed directly to our builders and repairers in the same way.

Incoming correspondence from policyholders and providers is automatically triaged and uploaded to the claim, creating an activity for action with a classification description, allowing staff to prioritise correspondence by urgency.

Payment of invoices to service providers is automated between the claim system, ClaimCenter and our service provider systems, allowing for timely payments.

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

Ex-gratia payments were made on 391 claims across both motor and property, totalling \$656,128. Ex-gratia payments are made outside of the terms of RACQ policies and as a result, these decisions are not taken lightly and are only reserved for unusual or specific circumstances. These payments do not include the maintenance work paid by RACQ to minimise delays.

The averages are outlined in the table below the key reasons for ex-gratia payments include extension of hire car benefits, temporary accommodation, or loss of rent entitlements where repairs were taking longer than expected, or where RACQ felt we had not met our policyholders' expectations.

	Home	Motor
Claims Count	246	145
Total Ex-gratia payments \$	\$552,222	\$103,906
Average Ex-gratia payment \$	\$2,245	\$717

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

RACQ conducts post event reviews at least annually to reflect and capture learnings to continuously improve its event preparedness and response. Following the 'Halloween Hail' event in South-East Qld in 2020, RACQ conducted a rigorous assessment of our performance and took action to strengthen our operational response and preparedness to future weather events. This placed RACQ in a stronger position to respond to the 2022 flood event and reviews occurred throughout the event so that learnings could be acted upon quickly.

RACQ has six key streams that are critical to ensuring strong claims management that are continually enhanced.

- Resourcing & Capability
 - Faster and advanced recruitment of additional resources
 - Resourcing modelling to plan for all severity levels of an event
 - Improved training of staff ahead of events and for newly recruited staff
 - Renewed operating model and delegations to make quicker decisions.



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- **Process Improvement & simplification**
 - Pre-approved processes for greater clarity and speed to execute
 - Documented technical process guides and scripting
 - Priority identification and pathing of claims to appropriate claims handlers
 - Close management of vulnerable and high-risk claims.
- **Supply Chain**
 - Greater use of RACQ's internal assessing resources to support policyholders
 - Continue to evolve our motor repair models, salvage and tow providers
 - Home claims engaging with builder panel via direct allocation
 - New strategic relationships including temporary accommodation and make safe solutions
 - Supplier capacity and capability better understood and monitored
 - Internal assurance specialists ramped up.
- **Technology**
 - Claim pathing to direct claims to the appropriate team/claims handler
 - Online straight through process with risk-based thresholds for low-value claims.
- **Communication**
 - Early community engagement including industry stakeholders
 - Automated communication with policyholders from lodgement to finalisation, keeping policyholders updated on their claim progress and next steps.
- **Planning & Governance**
 - Event preparedness and planning based on design principles and learnings have been tested, documented and ready to respond
 - Greater clarity of roles and responsibilities, delegations, and pre-agreed expectations
 - Well defined risk management procedures, including identification, recording, and monitoring of key controls and actions.



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2) Internal Dispute Resolution

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

RACQ has developed a Group Complaints Management Framework that is based on best-practice principles contained within AS/NZS 10002:2014 Guidelines for Complaint Management in Organisations and requirements under ASIC's Regulatory Guide 271 Internal Dispute Resolution.

When declining a claim, the Customer Information Sheet is attached to the Decline Letter informing the consumer of their right to lodge a complaint. RACQ's complaint process can be broken down into the following steps:

Receive and Acknowledge:

In the first instance, all complaints are managed by frontline staff with referrals to the work area relevant to the decision made or service performed as required. A complaint received via a channel that does not enable a staff member to receive and acknowledge a complaint immediately is acknowledged within 24 hours or by the end of the next business day following receipt of a complaint. All complaints are managed using RACQ's core complaint management system – Connect.

Initial Assessment and Resolution:

Upon receiving a complaint, the frontline staff member will take reasonable steps to understand the nature of the complaint and the complainant's expected resolution. This understanding will assist in resolving the complaint as quickly as possible or identify whether the complaint needs to be escalated to a team leader/manager or Member Relations team. Contextual information will also be obtained from systems, if available, and other relevant persons to facilitate assessment and appropriate response.

Depending on the complexity and severity of a complaint, an initial response/resolution may not be available. Where detailed reviews are required, the complainant/s are kept informed about the review's progress at least every 10 business days until the matter has been resolved. If a complaint cannot be resolved to the complainant's satisfaction at the business level or a resolution has not been reached within 25 calendar days, a complaint will be escalated to the Member Relations team for an internal review.

Internal Review

RACQ's Member Relations team will internally review the claim when the business cannot achieve a resolution that satisfies the complainant, or the age of a complaint exceeds 25 calendar days. The internal review consists of an independent systematic way of assessing how a prior complaint management process or decision was conducted while testing and evaluating the decision against all relevant legislation, policies and procedures and should result in a final decision issued to the complainant.

Information which may be required to be reviewed for consideration during the internal review consists of:

- PDS version (applicable to Date of Loss) and any relevant SPDS
- Policy coverage and conditions (e.g., excluded drivers / items, etc)
- PDS coverage (insurable event or benefit)
- PDS Exclusions (Specific and General) and General Conditions
- PDS limits
- All policy documentation (where relevant)
- Information provided by policyholders and third parties (at lodgement and during the claim process)
- Reports (specialist reports – mechanical, loss assessors, builders and external experts, vet reports/history, etc)



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- Counter Fraud Investigations Unit (CFIU) reports (excluding fraud declines)
- Underwriting guidelines and recommendations.

External review

A complaint may go through an internal complaints process but remain unresolved or may not be resolved in the relevant maximum IDR timeframes. In this instance, RACQ informs the complainant that they have a right to pursue their complaint with the independent Australian Financial Complaints Authority (AFCA) and provides details about accessing AFCA.

Resolution and written responses

RACQ believes in timely, efficient, and effective management of complaints; however, it recognises that legitimate delays in the assessment, review or decision-making process may occur. Reasons for delays in the resolution of complaints will be promptly communicated to the complainant. Where a complaint has been closed within five business days of receipt, a written response will not be provided where the complaint has been resolved to the complainant's satisfaction or where RACQ has provided the complainant with an explanation and/or apology and no further action to reasonably address the complaint can occur.

This applies to all matters except where a complainant requests a written response, or the complaint relates to hardship, a declined insurance claim, or the value of an insurance claim. Where the complaint has been closed after the fifth (5th) business day of receipt, a written response will be provided in all the above circumstances, informing the complainant of the outcome of their complaint, the actions taken by RACQ to resolve the matter or reasons for the rejection/partial rejection of the complaint, and their right to take the complaint to AFCA including contact details.

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

No.

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

RACQ only had policyholders in the South East Queensland and northern New South Wales flooding event CAT 221. All these matters progressed through the same IDR process.

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

RACQ uses standard communication methods including phone, SMS, emails, and physical mail. RACQ will capture the policyholder's preferred method of contact and will communicate via this method.

RACQ's customer relationship management system (Connect) is used to record and manage all complaints and is the source of truth for our data source for complaints. Connect is fully integrated with the core claims system ClaimCenter, which generates activities and prompts for complaint handlers to comply with General Insurance Code of Practice timeframes and provides visibility to management on the progression and workflow of complaints.

Automated reporting is monitored daily by management to ensure complaints are managed within the required timeframes, the appropriate outcomes are reached, as well as identifying trends in causes of complaints. The reporting monitors individual complaint activity in real time as well as providing an overall compliance rate on complaint-related activities and historic trending views of volumes and timeframes.



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

RACQ received 3,914 complaints that occurred due to CAT221 from 25 February 2022 (the date the first complaint was received) until 16 November 2023. There were 16,046 claims lodged for this event. The percentage of complaints to claims received is 24% noting though that multiple complaints may be reported on one claim.

2.6 What were the main causes of disputes?

Service provider errors including repair delays, communication, quality of repairs, rectification, additional damage, and professionalism.

Claims declined or partially declined, and Claims Officer errors including communication and follow through were the main causes.

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?

On average complaints internally resolved were closed within 16 calendar days. The breakdown below excludes complaints escalated to AFCA (221 complaints).

- <1 month (<30 calendar days) – 3,057
- 1-6 months (31-182 calendar days) - 565
- 6-12 months (183-365 calendar days) - 41
- 12+ months (>365 calendar days) - 9

21 complaints remain open with an average of 30 calendar days as at 16 November 2023

- <1 month (<30 calendar days) - 13
- 1-6 months (31-182 calendar days) 8
- 6-12 months (183-365 calendar days) 0
- 12+ months (>365 calendar days) 0

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

Total complaints resolved in policyholder's favour was 2,977.

2.9 How many claims that went to IDR:

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

Total complaints resolved with no change in decision is 859.

Fifty-three complaints were withdrawn, and the remaining complaints are still open with 16 in IDR.

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

Since the 2011 and 2012 floods the complaint process across the industry, has changed. There has been a significant increase in the recording of complaints since GICOP 2020 and RG271 were implemented, the establishment of AFCA and increasing education/awareness of complaints process available to consumers.

The 2011 and 2012 flood events initially led to an increase in complaints due to claim delays (particularly claim acceptance) and PDS exclusions (claim declines) and flood/storm coverage on



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policies. Prior to these events flood and storm coverage were opt in products which may have increased premiums, and as such customers may not have opted in and were affected by the events.

Since these events, RACQ now has flood coverage as a standard inclusion. Complaints due to service providers increased once claims were accepted and repairs were commencing due to the volume of claims. In 2011, RACQ used external loss adjusting firms to assess and support the management of claims, which caused concern from impacted members. RACQ now assesses the majority of its claims with internal assessors and direct allocation and management of service providers.

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

RACQ has developed internal plans to flex-up resources to assist in complaint management, during surge events. Each season, the catastrophe event plan is reviewed to ensure sufficient resources are available at short notice.

Additional and regular Root Cause Analyses and Quality Assurance are conducted on event complaints during the management of claims to ensure that vulnerabilities are being recognised and addressed and any abnormal issues are quickly remediated.

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

Nil. RACQ provides automatic cover flood as standard.

2.13 What percentage of policyholders engage a legal representative during IDR?

RACQ is unable to determine this, however, considers it would be rare.

3) Identifying Vulnerable People

3.1 How does the firm define/identify vulnerable customers?

RACQ provides multi-tiered training to front-line staff and leaders to identify triggers and vulnerable consumers, this is further supported by a dedicated specialist team called the Hypercare team. A third-tier specialist support is also provided by specially trained personnel.

Customers are also encouraged to self-identify over the phone via Interactive Voice Response (IVR) messaging or by choosing the relevant options when lodging a claim online.

Customers may visit any RACQ store to let us know their circumstances or contact RACQ via the internet page "Supporting vulnerability and hardship" where customers are encouraged to tell us about any difficulties they may be experiencing.

A Supporting Vulnerabilities page is available on RACQ's intranet where staff can find up to date information to assist them with supporting vulnerabilities. RACQ staff and service providers receive tailored training to identify, discuss, manage, or refer vulnerable customers to appropriate support services. Staff are trained to actively listen and discuss their vulnerabilities and provide specific support and assistance where appropriate.

Reporting is utilised to proactively identify a vulnerable customer, inbuilt into this reporting are parameters that can help inform the business of a customer that may require further investigation for vulnerability.

RACQ has defined vulnerability as a person who *"due their personal circumstances, is especially susceptible to detriment, particularly when a business is not acting with appropriate levels of care"*.



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

RACQ has determined 12 overarching types of vulnerability, each with different sub-types. These are outlined below:

- **Age:** Elder, elderly abuse, or neglect
- **Cultural:** Including but not limited to religion, ethnicity, and background
- **Aboriginal and Torres Strait Islanders**
- **Disability:** Intellectual disability, hearing or vision impairment
- **Family Violence:** Physical, emotional, financial control, abuse, or property damage
- **Financial Distress:** Financial problems or financial pressure where money worries are causing stress
- **Financial Hardship:** Difficulty in meeting their financial obligation or paying debt owed to RACQ
- **Geographic:** Remote location or transport limited
- **Language:** Where English is spoken as a second language
- **Literacy:** Illiterate, limited ability to obtain and understand essential information
- **Mental Health Conditions:** Mental illness and drug, alcohol and/or, gambling addiction
- **Physical Health:** Physical injury or limitation
- **Situational:** Bereavement, redundancy, relationship breakdown.

Although the training and support around identifying and assisting a vulnerable customer is informed by these 12 types of vulnerabilities, customer-facing staff are encouraged to review each claim based on the specific needs of that customer. The standard definition of vulnerability is holistic, and we seek to always recognise and consider that individual circumstances for a customer may differ.

3.3 How are vulnerable customers supported?

RACQ is committed to taking all reasonable measures to ensure the risks of harm to the welfare of its customers experiencing vulnerability are minimised, and they are treated in accordance with our values and principles as a member-mutual organisation.

This will be achieved through adherence to this principles-based policy. The policy aims to:

- Provide guidance for staff on how to identify a customer experiencing vulnerability
- Outline the approach to assist and support customers experiencing vulnerability
- Outline roles and responsibilities in relation to supporting customers experiencing vulnerability and how we will oversee compliance in this area.

Further, RACQ's vulnerable customer program is broken down into four key areas: identify, assess, manage, and govern.

1. Identify

RACQ takes the management of customers experiencing vulnerabilities seriously and as such we are committed to training all customer facing staff to identify signs of potential vulnerability and how to support those experiencing vulnerability.

2. Assess

RACQ believes that the welfare of any person experiencing vulnerability is paramount and those who are vulnerable will be engaged in a sensitive, dignified, respectful and compassionate way.



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We will take appropriate steps to consider the circumstances of any person who tells us, or we identify is experiencing vulnerability and determine how best, and to what extent, RACQ can support that individual.

3. Manage

To the best of our ability, RACQ will support customers experiencing vulnerabilities in a way that is specific to their needs. We will empower staff to be flexible in their decisions in order to do the right thing for the customer. We will consider making adjustments to the way we communicate with members, and we will apply any special considerations in the delivery of our products and services to the customer.

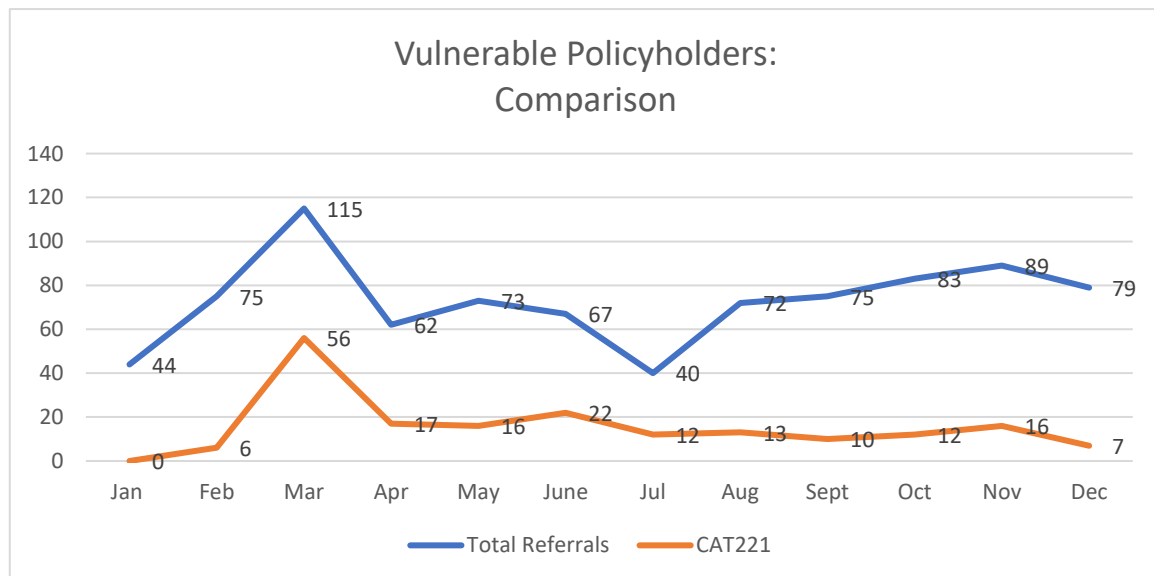
4. Govern

RACQ has developed a number of procedures, processes and tools to facilitate the effective handling and support of customers experiencing vulnerability. This includes partnerships with specialist support providers, specific business line processes, system updates and management capability, and the proactive capture and analysis of feedback.

3.4 For each 2022 flood event, how many vulnerable policyholders were identified and supported?

When a claims officer finds that a customer requires more specialised support, they will liaise with RACQ's specialists known as our Hypercare team for guidance and where appropriate will refer the claim to this team for ongoing monitoring and liaison with the customer. This is in collaboration with the customer as consent is required before the Hypercare team will become involved in the claim. The timeframe of Hypercare support is at the discretion of the member but is often until the claim is finalised.

The number of vulnerable customers the Hypercare team supported for the flood event in 2022 is 187 and was spread out through 2022 as shown below. As the table also shows, RACQ handled a significant number of vulnerable members that were not flood-impacted (total referrals minus CAT221).





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3.5 How effective is that process?

RACQ is confident the identification and support of vulnerable customers is effective. The level of training provided to claims officers and specialised assistance provided by the dedicated Hypercare team help to identify and support vulnerability.

Referrals increased by 162% in the first month following the 2022 flood event and additional staff were deployed to the Hypercare team to ensure those members who required more specialised support had it readily available. There were no members the Hypercare team could not accept or assist.

4) What Additional Resources to Develop to Complex Cases

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

There are numerous elements to a claim that can make it complex in nature, they are:

- Quantum greater than \$100,000
- Cause of damage i.e., landslide or severe flood inundation
- Number of parties involved in managing the claim i.e., specialists, builders, restorers
- Asbestos and/or mould contamination
- Maintenance issues that attract a high cost or may significantly delay a repair.

Importantly, the policyholder's circumstances or vulnerability may also contribute to the claim complexity.

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

When a complex claim is identified, it is re-assigned into the Complex and Major Loss team to manage. This team is comprised of more experienced claims officers who hold reduced portfolios so they can more closely manage their claims, and who have higher financial delegations to help approve and progress higher quantum claims.

For property claims, internal Property and Quality and Technical Assessors are also assigned to complex claims to oversee the technical aspect of the claims. It is common practice for these assessors to undertake site visits and have face-to-face discussions with the builders and policyholders to ensure the best outcomes.

For motor claims assessments are typically undertaken on a desktop basis however for complex matters the assessor will sight the vehicle and provide their specialist input.

Weekly internal complex claim discussions are undertaken as a way for the claims officer to bring their claim/s to their peers for input, fostering consistency in process. Where a claim is considered 'high risk' (i.e., requiring far greater monitoring), these claims are added to a high-risk register which is monitored by senior management on a weekly basis.

4.3 How effective is that process?

By ensuring more experienced staff manage complex claims with the support of internal assessors and a close monitoring process, RACQ would deem this approach to be effective. Without ringfencing these complex claims, it is likely repair timeframes would have been impacted due to limitations in delegated financial authority and/or having to await responses from internal support channels for those difficult claim scenarios.

RACQ provides upskill and refresher training to staff to support capability and improved claims outcomes. Prioritising retention of staff and frequent upskilling has led to improved knowledge and experience to be better positioned to meeting complex demand should a similar-sized event occur in the future.



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

Complex claims are managed by dedicated case managers who work closely with the internal assessor and provide a level of continuity and close oversight. Complex home claims made up approximately 25% of all home claims in the 2022 floods.

RACQ's response to the event saw both assessors and claim staff deployed to Gympie, Sunshine Coast and across the greater Brisbane area to support with new lodgements and immediate enquiries, provide a face-to-face interaction for our policyholders. RACQ's Mobile Member Centre (a large truck capable of being quickly deployed to impacted areas for on-the-ground claim lodgement and advice) was deployed to house these staff and provide the community with assurance RACQ was there to provide support.

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)

With RACQ only providing automatic flood cover following the 2010-2013 flood events, the complexity involved in determining flood liability has been removed and provides policyholders with greater peace of mind and clarity of coverage. Although there was a higher proportion of high quantum claims during the 2022 event, the complexity was lower to assess and progress claims, despite managing the complexity of larger repairs. Claims officers are able to make decisions and progress repairs without the need for specialist input i.e., hydrologist, thereby removing an external factor that may have otherwise delayed or added complexity to the claim.

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

RACQ encourages our policyholders to seek legal advice where required through our communication messaging discussed in question 1.16. However, in considering a settlement of the claim, policyholders are not obligated to inform RACQ, and our systems do not capture this as a reportable data field.



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5) Communication

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

Each year, RACQ updates its Event Response Communications Plan which outlines the coordinated approach we follow across corporate communications, marketing, member communications and advocacy (government relations and other stakeholders) in response to a catastrophe event.

RACQ's communications strategy is comprehensive and reflects our continued commitment to helping members and communities affected by natural disasters. Our communications include marketing campaigns, digital channels (website and social media), direct member communications (eDM and SMS) and proactive media.

Within Corporate Communications there is a nominated Event Response Team that acts as a conduit between the insurance business, key stakeholders across the business and our customers. The team ensures information is distributed quickly with real-time updates and support to impacted communities, while managing any group-wide media/reputational impacts of each event. The team also works with the Marketing and Member and Community teams to ensure a consistent message across all communication channels and extend community awareness during the different phases of an event.

RACQ's pre-event messaging focusses to provide warnings and encourage members and the community to prepare for an event and to provide safety messages. During an event, focus shifts to helping impacted policyholders and communities by providing information about how to commence the claims process while delivering messages of assurance. When it is safe, RACQ mobilises teams on the ground in affected regions to capture content and engage with local stakeholders including members and the media.

While helping policyholders and communities rebuild, RACQ kept its stakeholders informed of the resolution progress on public forums and facilitated face-to-face forums for policyholders to discuss their claim with their claims officer. RACQ also proactively engages with local, state, and federal government stakeholders and the ICA in affected regions, providing regular updates on RACQ's response and confirming point of contact at RACQ enquiries.

Claim specific communication to policyholders is led by claims officers providing updates at key milestones, when progress action has been taken and to generally keep policyholders informed at least every 20 business days. These contact activities are generated by our claim system automatically and is reportable to management to ensure communication updates are completed on time.

Communication is acknowledged as an area for opportunity across the industry and given the scale of the event, RACQ fell short of policyholders' expectations in terms of communication early in the event and did not meet GICOP obligations at a point in time. To remedy this and support ongoing communication, we developed automated updates that were specific to each claim for the 2022 flood event, providing email and SMS updates directly to policyholders on the progress of their claim. This allowed the claims team to prioritise more timely verbal communication updates.

Progress updates may also be provided by RACQ's service providers, e.g., repair progress updates, and both RACQ and its providers communicate through integrated repair platforms so that communication updates are transparent, and both teams can work collaboratively for the policyholder. Further enhancements to this integration have occurred since the flood event to improve RACQ's communication strategy.



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5.2 What is the typical response time to incoming:

a) Phone calls

RACQ's service standard is to respond to 80% of incoming phone calls within 180 seconds. During non-event periods, typical call volumes received by our call centres is 9,500 per month for Home and 34,000 for Motor claims, with an average wait time of 100 seconds.

In the three months following the 2022 flood event, call volumes peaked at an average of 22,835 monthly for Home claims with an average wait time of 572 seconds, and up to 41,734 Motor claims with an average wait time of 1,503 seconds.

b) Emails

All incoming correspondence is received through a generic RACQ email address, automatically triaged and assigned to the intended claim. This correspondence then creates an activity in the claims system based on the date received, for the claims handler to review and respond. Completion of correspondence is supported by reporting that shows due dates aligned with the General Insurance Code of Practice (GICOP) timeframes.

Enhancements continue to be implemented to improve the classification of correspondence uploaded to claims to better allow the identification of customer specific emails resulting in more prompt replies.

c) Written correspondence

The claim activity is generated once the written correspondence is received and updated into Claim Centre. This then follows the same process mentioned in 5.2(b).

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

RACQ works hard to follow a multipronged communication approach following natural disasters. We will use our owned channels as well as news channels to convey key messages to impacted communities, usually regarding guidance and advice for lodging claims and handling damaged contents while ensuring safety-first. We will then focus our communications on customers impacted and those that have lodged a claim.

Through social media channels, the Corporate Communications team provides frequent and targeted updates to customers and the Queensland community based on what's timely and relevant during different points of the disaster event. The team monitors and addresses any issues raised by policyholders. The sentiment of conversations is tracked and reported back to other parts of the business to gauge pain points so they can be addressed in real-time and responded to in the best way possible.

Direct communication with policyholders specific to claims is administered through RACQ's claim system through automated activities. This is monitored through quality assurance auditing, both through file reviews and call quality audits conducted by managers and Quality Assurance. Reporting is used by management to monitor the timeliness and completion of communication updates to ensure these updates meet regulatory obligations and policyholders are being kept informed.

RACQ's service providers, such as builders, are required to maintain progress updates with policyholders and these updates are similarly stored in the repairer platform systems for transparency. Throughout the course of a long and detailed claim, it is typical for the member to have had many conversations with their RACQ claims officer as well as several tradespeople based on the tasks required.



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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?

RACQ's telephony and Interactive Voice Response (IVR) system directs callers to the claim owner and if not available, through to the claim owner's team. This ensures the policyholder speaks with the same claims officer or at least their team looking after their claims, where possible.

During the initial stages of an event, phone lines for a particular case manager are likely to be busy, however, to ensure the caller does not have to repeat information, detailed notes of past discussions and action, and clear next actions are listed on each claim in our system after every interaction. This is taught during training and monitored with Quality Assurance practices.

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

Education of policyholders is an industry opportunity to better prepare communities for natural disasters and inform policyholders of what they can expect should they unfortunately find themselves impacted. As outlined above, RACQ issues community messaging and leverages its website and social media channels to share information as well as news media.

Ensuring claims teams are adequately resourced and prioritising progress updates is critical to maintaining communication expected by policyholders. While RACQ onboarded 150 additional staff, implemented automated controls to issue communication updates, and worked closely with its supply chain, RACQ has since implemented additional system enhancements to improve communication with its policyholders.

Internally, RACQ convenes operational and strategic response meetings to communicate and coordinate its event response, ensuring all parties are aligned and collaborating. Post-event reviews during and post each event are facilitated and capturing learnings as they occur.

6) Hydrology Reports

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

RACQ does not use hydrologists as flood is automatically covered on policies.

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

Not applicable.

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

Not applicable as outlined in point 6.1.

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?

Not applicable as outlined in point 6.1.

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

Nil claims had a hydrologist engaged as RACQ provides automatic flood cover as standard.



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6.6 Did your firm provide policyholders with hydrology reports obtained by your firm and relevant to their claims during the 2022 flood events?

Not applicable.

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

Nil claims had a hydrologist engaged.

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

Nil claims had a hydrologist engaged.

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

Not applicable.

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

Not applicable.

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?

Not applicable.

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

Not applicable.

6.13 How could access to hydrology reports for policyholders be improved?

Not applicable.

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)

The successful Resilient Homes Fund in Queensland is a good example of coordinated resilience building in private homes with government and insurers working together. RACQ would like to see greater government investment in resilience building in homes located in high-risk areas before they are impacted by disasters. Pre-disaster mitigation is the best possible form of resilience building as it saves in the long run, on productivity, sustainability of insurance and, most importantly, the emotional and psychological toll disasters take on individuals and families. Retrofitting elements of this program should evolve into pre-disaster initiatives like the popular Household Resilience Program that assists with cyclone upgrades in north Queensland.

The range of options provided by the Resilient Homes Fund encompassed a large array of flood resilient repair methods. The most popular options are methods that are both simple and effective, such as raising electrical items and improving waterproofing beyond current building legislative standards. Other methods include the use of resilient products (paint, grout, cabinetry, wall and



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floor materials) and changes to improve the flow of water back outside. Consideration should be put into educating consumers and industry so that new household and business construction is built more resiliently.

RACQ provided a submission to the Inquiry into disaster funding arrangements that outlines recommendations for better investment in building resilient communities. Here is a link to the report [Independent Review of Commonwealth Disaster Funding | RACQ](#)

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

RACQ has enhanced its pricing capabilities, elevation is captured as part of the application, as is the number of stories in the home, and this information impacts the price that is generated for the property. Insurance pricing is a continual process of refinement for insurers. The greater insurers' capability grows in this area, right down to internal mitigating design features, the better we are able to reflect different forms of home-based mitigation into premiums that reflect this work.

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)

RACQ is committed to continually reviewing and refining its pricing approach, and considering mitigation such as flood levees, which have proven to reduce flood risk.

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?

RACQ uses a blend of different flood models including the National Flood Information Database (NFID). Models and pricing are regularly reviewed and updated.

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

Federal, state and local governments need to integrate their planning policies and plans to eliminate new developments in flood prone areas to reduce the risk of placing communities in harm's way. A good example is the recent announcement by the NSW Government where it has rezoned parts of the Sydney North-West Growth corridor to ensure new homes are not developed in high-risk areas².

The government released the Flood Evacuation Modelling report for the Hawkesbury-Nepean Valley, which informed the rezoning decisions and supported a risk-based approach to planning decisions on dangerous flood plains, preventing 12,700 new homes being built in flood prone areas, and only allowing up to 2,300 to proceed.

The ICA's report, *Building Australia's Resilience*, land-use planning is identified as a key policy setting where greater precision, transparency and consistency is needed to ensure extreme weather risk is assessed and addressed in planning for communities across Australia.

² Media Release by Deputy Premier, Minister for Planning and Public Spaces, New South Wales Government on 29 October 2023, "Focus on prevention to reduce risk to life during floods in the Hawkesbury-Nepean Valley."



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

Individuals and communities can be supported through education on the risks and mitigations that can be undertaken and offering insurance cover that matches their level of risk, such as understanding elevation of the property and pricing accordingly.

As discussed above, households and businesses could be provided with information and greater education about natural disaster risks to their property and how to ensure their property is more resilient in future.

An accessible national database for climate projections and modelling for the key extreme weather perils would benefit not only government and industry but also householders and businesses.

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

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

RACQ prices flood risk at an address level when the address detail is available, utilising industry standard flood modelling.

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

To the extent our flood modelling tools takes account of these changes RACQ considers flood mitigations / defences in our direct pricing.

c) Development approvals or risk assessments undertaken by local governments?

To the extent our flood modelling tools takes account of these approvals or assessments.

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

Post the 2022 event, our approach to the above three consideration has largely remained the same.

9) External dispute resolution (EDR)

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

221 claims were referred to EDR relating to the 2022 flood event.

9.2 What was the typical cause of this?

Claims referred to EDR (AFCA) included the following typical complaint types:

- Claims declined or partially declined.
- Service provider complaints (including repair delays, communication, quality of repairs, rectification, additional damage, and professionalism).
- Claim delays.
- Claim handling errors.



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

Internal (IDR):

- 16 are still open with an average of 15 calendar days as at 29/09/2023.
- <1 month (<30 calendar days) - 14
- 1-6 months (31-182 calendar days) - 2
- 6-12 months (183-365 calendar days) - 0
- 12+ months (>365 calendar days) - 0

External (EDR):

- 29 are still open with an average of 239 calendar days as at 29/09/2023.
- <1 month (<30 calendar days) - 0
- 1-6 months (31-182 calendar days) - 10
- 6-12 months (183-365 calendar days) - 13
- 12+ months (>365 calendar days) - 6

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

75 were resolved in full or partial favour of the member:

- Eleven of these were via AFCA Preliminary Assessment or Determination.
- The remaining 64 were negotiated internally prior to AFCA reviewing the complaint.

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

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

- 110 had no change in the original decision (79 of these were negotiated internally and many of them included an ex-gratia or goodwill payment. The remaining 31 were upheld by AFCA).
- 30 were overturned and led to full acceptance of the claim, 26 of these were negotiated as full acceptance internally, prior to AFCA reviewing the complaint. Four of these were overturned by AFCA via Preliminary Assessment or Determination.
- 6 led to partial acceptance of the claim, 3 of these were negotiated internally prior to AFCA reviewing and 3 of them were due to AFCA Preliminary Assessment or Determination.
- The remaining 75 were either withdrawn by the claimant or are awaiting determination.

9.6 How is the policyholder supported during this process?

The Claims team continues to manage the policyholder's claim during the dispute process. EDR staff provide the policyholder with any information and answer any questions that the policyholder has. If the policyholder has a vulnerability, our Hypercare team provides resources and support. RACQ will continue to negotiate with and attempt to resolve the dispute with the member, during the process.

9.7 How long does this EDR process typically take?

The average time between a complaint being initially made, and being finalised in EDR is 155 days. These timeframes are subject to AFCA's capacity to progress their files.

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

Current cost is the AFCA user fee of approximately \$1.4 million for FY24 plus individual case management fees of an approximate average of \$1 million per year. We currently have three full-time equivalent staff and five seconded full-time equivalent staff managing the AFCA workload.

9.9 Does this cost disadvantage a policyholder?

No, the policyholders are not charged to use EDR.



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

Refer to response in 4.6.

9.11 How could EDR processes be improved?

Timeframes are not always conducive to providing a response that can explore the detail required to give AFCA an accurate picture of the complaint; and allowing an insurer an adequate timeframe to negotiate an outcome that is in line with the complainant's expectations. AFCA is reluctant to provide extensions and does not have clear guidelines as to when an extension is likely to be granted. This imposes blockers toward applying for extensions and may impede the ability of the insurer to work towards maintaining existing relationships with their policyholders.

In RACQ, EDR is a niche team of specialists due to the specific skillset required, and the lack of capability of other staff to quickly flex up into these roles requires training to enable the handling of more complex matters - a challenge which RACQ has experienced and has undertaken changes to ensure volumes can be responded to in a timely manner during surge times.

10) Future Policies/Renewals

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

Trends noticed relate to reduction in take up of contents insurance as economic pressures coincide with insurance premiums increasing. Policyholders will similarly increase their applicable excess to reduce the premium. However, RACQ has not observed a trend in reduction of building sums insured in an attempt to reduce premium.

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

Insurance premiums have remained under pressure with increased costs driven by inflation, global reinsurance premium increases following Australia's natural peril and disaster experience, and supply chain pressures relating to trade availability and cost of materials.

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?

RACQ provides information on its website and in targeted communications to policyholders to help educate them on why premium increases are occurring.

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

In certain circumstances when a policyholder's price increases in a material way (as a reflection of risk), we will outline the reasons to the policyholder and invite them to contact us to discuss options available that address the cost. In some cases, we may proactively contact the policyholder to discuss the changes.

10.5 How many policyholders 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?

RACQ does not deny coverage due to a claim, however if the policyholder received a cash settlement and has not repaired or made attempts to repair their property, RACQ's underwriting guidelines and acceptance criteria would guide whether an offer of renewal to a particular policyholder may be provided.



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11) Lessons Learned Since 2010 to 2013

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?

Below is the total number of home claims during the CAT events which occurred during 2010-2013:

Year of Loss Date	Product	No. of Claims
2010	Home	6,445
2011	Home	10,099
2012	Home	3,975
2013	Home	12,289
		32,808

Below is the total number of motor claims during the CAT events which occurred during 2010-2013:

Year of Loss Date	Product	No. of Claims
2010	Motor	3,131
2011	Motor	2,156
2012	Motor	2,285
2013	Motor	6,281
		13,853

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

The below tables show the policyholders that lodged the same or similar claims during the 2010-2013 period:

	Home	Motor
Policyholders who made a flood claim in 2010-2013	29,377	12,580
Same policyholders who made a flood claim in 2022	933	39



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

Year	Total Natural Hazard claims referred to dispute resolution	Total Natural Hazard claims received	Percentage against total Natural Hazard claims received
2011	385	12,255	3.14%
2012	399	6,620	6.03%
2013	512	18,570	2.76%

Due to reporting updates since 2010, we are not able to provide the figures for this year. Further, since 2010-2013, the complaints process across the industry has changed. There has been a significant increase in the recording of complaints since GICOP2020 and RG271 were implemented.

The 2011 and 2012 flood events initially led to an increase in complaints due to claim delays (particularly claim acceptance) and PDS exclusions (claim declines) and flood/ storm coverage on policies. Prior to these events flood and storm coverage were opt in products which increased premiums, many customers did not opt-in and were affected by the events. Since these events, RACQ now has flood/storm coverage as standard.

Complaints, due to service providers, increased once claims were accepted and repairs were commencing. At this time RACQ utilised a single external loss adjusting firm. RACQ now utilises internal loss adjusters and a panel of external loss adjusters in order to avoid further incidents.

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

RACQ's move to providing cover for flood as a standard inclusion was a significant learning and shift for its policyholders following the 2010-2013 event period. This standardised approach to coverage provides greater clarity leading to a more simplified claims experience for policyholders.

RACQ previously had a heavy reliance on external loss adjusting firms to assess and support the management of claims. This can introduce additional complexity for policyholders and RACQ now utilises internal assessors for vast majority of its assessments and on-site visits. Similarly, RACQ now works much closer with its repairer panels with dedicated partnership teams to manager performance and provide assurance over supply and repair outcomes.

The above changes also supported the learning of improved communication and ensuring direct communication by claims officers to policyholders. This has been supported by technology and automation improvements as further described below.

Additional resourcing and seasonal recruitment have led to improved resource capacity, and a dedicated insurance capability team was introduced to deliver improved training and capability.

During and continuing since the 2011 SE QLD flood event, RACQ has maintained a dedicated event claims team which specialises in and manages all weather event claims. Since its inception, the team has handled over 70,000 claims. The team has the ability to scale up and down as required to respond to claim demands.

11.5 What changes have been implemented in the intervening period?

RACQ continues to review and improve its catastrophe event planning and preparation through annual reviews and post event reviews to implement learnings and remain relevant with consumer and industry expectations.



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Significant investment in digital technology has been undertaken, for example further enhancements to online lodgement for policyholders and LOBO which has Group-wide support (outlined above), integration between RACQ's core systems and its service providers and enhanced compliance reporting and system triggers to ensure code and regulatory obligations are met.

RACQ has established strong partnerships to improve and streamline the claims journey, for example exclusive partnerships with motor salvage providers and hail paintless dent repairers, including automated allocations and booking at lodgement, and direct-to-builder allocations and delegated authorities to make decisions and progress repairs. These partnerships are managed by dedicated specialist teams who govern contracts, manage performance, and provide assurance and direction to RACQ's partners.

RACQ's claims operating models have been refined to leverage its internal and external strengths, triaging claims by complexity to appropriate teams (e.g., lodgement, working loss claims and natural hazard claims) and installing supporting teams such as complaint resolution teams, 'helpdesk' support teams and technical/niche claims teams who specialise in relevant claims. Assessing and repair models have similarly been enhanced with greater use of internal resources to assess claims, allowing staff to perform an increased level of assurance activity to drive greater quality outcomes.

RACQ recognises the importance of being adequately resourced to respond to weather events and uses a seasonal resource recruitment plan to increase resources and capability over the summer weather period. It also maintains partnerships with labour hire firms to quickly employ additional support when required - a delicate balance between retaining adequate resourcing and managing premiums by not being over resourced.

In conclusion, RACQ is committed to continuous improvements that reduce the risk and impact of natural disasters on individuals and communities and better support them should they experience personal vulnerability and property damage and loss.

Should you or the Committee members require any further information regarding the responses provided, please contact Vanessa Fabre, Head of Government Relations, and Policy

Yours sincerely

Trent Sayers

Chief Executive Insurance