

QBE supplementary submission

House of Representatives Standing Committee on Economics: inquiry into insurers' responses to 2022 major floods

November 2023

Ex gratia payments

Committee information request (Attachment B, section 1):

- 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?

Please note, the data provided in Table 1 is based on the following definitions:

- Ex-gratia payment (claims):** a payment, which in the opinion of the claims handler (or dispute handler in the case of a complaint matter), is clearly excluded from the cover which existed under the policy at the time of the loss (loss is outside of the policy cover). Such payments are sometimes referred to as an "act of grace or goodwill" and are distinguished from a commercial decision.
- Commercial decision (claims):** to be distinguished from an ex-gratia payment. Made when in the opinion of the claims handler the claim is included by the policy however the ultimate quantum or scope of settlement of the claim is dependent on additional elements or components of the claim that are ambiguous.
- Commercial settlement (disputes):** made when a claim is accepted as being within scope of policy coverage, but the ultimate quantum or scope of settlement is unclear. Is negotiated with the customer.

Consistent with QBE's submission to the Inquiry, our response relates to the same products considered in the Deloitte Review (domestic property, private motor and small business insurance policies).

As outlined in QBE's submission, QBE provides flood cover as a standard inclusion in our household insurance policies so we did not encounter issues with hydrology reports and associated delays. This may be a differentiator for comparative purposes with other insurers.

It is also important to note that for matters such as temporary accommodation or additional payments beyond policy entitlements or limits, we did not treat these as ex-gratia during the Floods (i.e. where the customer's policy had coverage and we extended the amount of the entitlement, we treated this as a commercial decision, not ex-gratia). Unfortunately, we are not able to quantify these in our systems. This may be another differentiator for comparative purposes with other insurers. We have however, included the commercial settlements made as part of the dispute resolution process.

Table 1

Event	Ex- gratia payments*	Commercial settlements**
South-east Queensland and northern New South Wales (NSW) floods of February and March 2022	\$110,538	\$225,638
Hunter and greater Sydney floods of July 2022	\$2,792	\$6,116
Victorian, NSW and Tasmanian floods of October 2022	\$4,548	0
Central west NSW floods of November and December 2022	\$2393	\$4,100
TOTAL	\$120,271	\$235,854

* These payments were made as part of the claims process.

** These payments were made as part of the disputes process.

Insurance pricing and flood risk

Committee information request (Attachment B, section 8):

- *Are there instances of flood mapping or hydrological analysis that has materially changed the firm's assessment of a region's risk?*
- *In determining premiums, does your firm take into consideration:*
 - o *Detailed flood mapping of localised areas (vs just using postcodes)?*
 - o *Local government flood planning, including changes to mitigation in local areas post-flood?*
 - o *Development approvals or risk assessments undertaken by local governments?*
 - o *Has your approach to any of these (the 3 issues above) changed in any way since the 2022 flood events?*

Committee information request (Attachment B, section 11):

- *How do you convey information on the changing risk profile of policy holders*
- *How many policy holders that were covered for storm and/or flood damage during the 2022 flood events have been denied full or partial coverage when seeking to renew their policies after these events?*

Insurers generally use sophisticated catastrophe risk-modelling techniques that provide insights into the potential extreme losses from a natural catastrophe event (e.g. flood, cyclone) based on historical events (including the frequency and severity of past events).

QBE accesses a range of industry and specialist models for all of our catastrophe pricing, and validates outputs using a range of techniques, including consideration of our own claims experience.

Specific to flood risk, we utilise flood risk assessments provided by third party vendors including the National Flood Information Database (**NFID**). NFID, developed by the ICA in partnership with state and territory governments, is a property address based database overlaid with the known flood risk according to government flood mapping (consistency of this information and timing of updates may vary across local governments). Commercial licensing arrangements between many governments and the specialist flood risk experts who prepare the flood maps means it is not a public database. Further information relating to NFID is included in the ICA submission.

QBE supplements this with other address-level flood risk assessments provided by Australian and international vendors together with aggregated information derived from catastrophe modelling results, which are in turn based on other third-party natural peril models. Updates to assessments and models would ultimately flow through to QBE's pricing.

As noted, QBE provides flood coverage as a standard inclusion in our householder policies. For most of our residential home insurance products, actual property addresses are used in calculating the flood-related premium components.

Non-renewal of our residential home insurance policies can occur for a multitude of reasons however, QBE does not generally refuse to renew a policy in direct response to a specific flood.