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Jeff Norris, Committee Secretary
Standing Committee on Economics
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By email:
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Dear Mr Norris

Flood insurance inquiry: Additional questions

The House of Representatives Standing Committee on Economics (**Standing Committee**) conducted a series of public hearings earlier this year in respect of its inquiry into insurers' responses to the 2022 major floods claims (**Inquiry**).

At those public hearings, the Standing Committee indicated it would send further questions to insurers that appeared in the Inquiry. On 19 March 2024, Hollard received correspondence enclosing those additional questions, including:

- further questions addressed to all insurers involved in the Inquiry; and
- specific questions addressed to Hollard Holdings Australia Pty Ltd (**Hollard**) arising out of the Inquiry.

The purpose of this correspondence is to respond to those questions (**Further Response**).

A claim of confidentiality is made in respect of sections B-3 of Part II and C-7, C-8 and C-9 of Part III of this Further Response under House of Representatives Standing Order 242 and the *Parliamentary Privileges Act 1987* (Cth) on the basis that those sections contain information pertaining to Hollard's business operations and practices being information that would not otherwise be in the public domain and is commercially sensitive.

Should the Standing Committee require any further information from Hollard, including in relation to the claim for confidentiality made above, please contact me.

Paul Fahey
Chief Executive Officer
Hollard Holdings Australia Pty Ltd



I. Preliminary matters

In providing this Further Response, Hollard refers to its initial response to the Inquiry dated 17 November 2023 and its subsequent letter dated 18 March 2024 which provided responses to additional questions taken on notice during Hollard's appearance before the Inquiry on 21 February 2024 (collectively the **Response**) and to the corporate structure of Hollard set out at page 3 of its Response. That structure remains in place at the time of writing, and any defined terms in that structure apply where referenced in this Further Response.

II. Flood insurance inquiry: Additional questions for all insurers

A-1 Cash settlements

A-1(a) What is the proportion of house and/or contents claims you have settled with cash settlements for each year in the past 10 years?

As agreed between the Standing Committee and the ICA, this question has been reframed as follows:

What is the proportion of home building claims you have settled with:

- **A cash settlement (min \$50,000) in each year in the past 10 years?**

For each of the last 10 years, the proportion of home building claims which have been resolved by way of full cash settlement are as follows:

Year	Percentage of claims (%)
2013	0.0
2014	0.1
2015	0.1
2016	0.0
2017	0.1
2018	0.1
2019	0.3
2020	0.3
2021	1.1
2022	1.7
2023	9.7

A-1(b) What is the proportion of house and/or contents claims you have settled with partial cash settlements for each year in the past 10 years?

As agreed between the Standing Committee and the ICA, this question has been reframed as follows:

What is the proportion of home building claims you have settled with:

- **A partial cash settlement (min \$50,000) in each year in the past 10 years?**

For the last 10 years, the proportion of partial cash settlements are as follows:

Year	Percentage of claims (%)
2013	0.4
2014	0.8



2015	1.5
2016	1.4
2017	2.8
2018	1.7
2019	3.3
2020	3.3
2021	2.4
2022	8.2
2023	5.9

A-2 In what percentage of your cash settlements, in relation to the 2022 flood-related claims, did customers return saying the amount of money was inadequate to cover the required work? In what percentage of these cases did you agree to increase the cash settlement?

Hollard does not collect data responsive to this question.

Hollard.

C. Third-party service providers

C-4(a) Describe, in detail, the nature of your arrangements with your third-party service providers. For example, if contracted, what is the nature of the contract?

Hollard enters into a Standard Services Agreement with its Service Providers. These agreements include standard form terms and conditions together with schedules that set out particulars of the services being provided by the individual Service Provider.

In accordance with the terms of these agreements, all Service Providers agree to provide services in compliance with directions given by Hollard including in compliance with all of Hollard's policies, codes of conduct, rules, standards and procedures.

The Standard Services Agreement is in place for all Service Providers.

C-4(b) Can they work for other insurers as well?

Yes. Hollard's Standard Services Agreement does not contain an exclusivity provision and third-party Service Providers are therefore able to work for other insurers.

C-4(c) Are they paid retainers?

No. Hollard's Standard Services Agreement does not make provision for the payment of retainers to Service Providers nor any commitment as to minimum usage or dollar spend with any Service Provider.

C-5 How many assessors (damage/building/cost) do you employ directly, i.e. full-time and part-time? Please provide these numbers for all years since 2019.

The number of assessors that Hollard has employed has varied from year to year. The following table sets out the number of full time equivalent (FTE) assessors employed by CBA (now HIP) and HIC for each year with the exception of 2019 where only HIC data is provided as Hollard does not have access to the relevant data in respect of CBA employees for 2019.



Calendar Year	Permanent FTE
2019	16*
2020	50
2021	48
2022	50
2023	56
2024 (through to March)	53

*2019 number of assessors employed for HIC only, data not available for HIP

C-6 Please provide the number of employed vs contracted assessors for each year since 2019.

Hollard does not engage individual contractor assessors in addition to its employed assessors. Hollard does engage third party Service Providers to provide loss adjustment services for home insurance and one third party loss adjustment Service Provider for motor insurance. Hollard is not aware of, or presently able to confirm, the number of assessors employed by each such Service Provider and utilised to provide services specifically for Hollard. The number of assessors employed directly by Hollard is provided in the table above in the response to question C.5.

D. Transparency

D-7 Do you always provide external experts' reports to customers when asked, as you are obliged to under the Insurance Council of Australia General Insurance Code of Practice (GI Code)?

Yes. It is Hollard's practice to provide customers with external experts' reports when requested by them, in accordance with the provisions of the GI Code.

D-8 Do you provide all information related to a claim decision if a customer requests it? If not, why not?

Hollard provides customers, on request, with access to information relied on in assessing a claim, or in handling a claim, or responding to a complaint in accordance with paragraphs 81, 82 and 161 to 163 of the GI Code. In accordance with paragraph 163(a) to (c) inclusive of the GI Code, Hollard may refuse to provide customers with access to information in the following limited circumstances:

- where a law — for example, the Privacy Act 1988 — says an insurer does not have to;
- in the case of a claim where the claim is being or has been investigated, and giving access would have an unreasonable impact on the privacy of other individuals or government agencies; or
- if doing so may be prejudicial to the insurer in relation to a complaint or a dispute about the customer's insurance cover or the customer's claim however, even in this circumstance the insurer must give the customer access to any External Experts' reports the insurer has relied on.

D-9 Consumer groups want insurance companies to CC the customer in on emails between their insurer and contracted third parties. Would you be prepared to do this? If not, why not?

On balance, Hollard does not consider CC'ing the customer on all correspondence or communications with contracted third parties would improve the claims process or contribute to better outcomes for customers.



Further, the amount of communication between Hollard and contracted third-parties throughout a claims process can be significant. Adding the customer to all communications is likely to reduce efficiency and may potentially overwhelm the customer.

In addition, Hollard communicates with its Service Providers through a business to business (BSB) Service Provider communication platform, not via email. It is not possible to 'CC' a customer via this platform.

Instead, Hollard considers an alternative approach to keeping customers informed as to the progress of and decisions about their claim, would be through the automation of appropriately tailored and relevant claims updates that could be provided by third-party contractors directly to the customer. This would ensure real time and accurate information is provided to the customer. These updates could be provided in addition to communications from the insurer currently required under the GI Code. Hollard is currently investigating options and ways in which updates of this type could be provided to customers.

D-10 Do you record all information relating to a claim, whether assessment reports, case notes, or details of communications with customers, on one site or platform? If not, why not?

Since 15 December 2023, all information in relation to new home and motor insurance claims are recorded on Hollard's claims platform, 'ClaimCenter'.

All information in relation to commercial claims are recorded on Hollard's claims platform, 'CFT'.

Certain information may be duplicated and also stored on Hollard's Service Provider platforms (Endata, AutoIntegrity and Estimage, which "plug-in" or interact with Hollard's claims platforms). Information relating to claims investigations are recorded and stored separately on bespoke investigations systems.

D-11 If a case manager is away, can another staff member quickly and easily access all information relating to a customer's claim should the customer seek information?

Yes. All information on a customer's claim is recorded in Hollard's claims system which can be accessed by all case managers. The only exception where claims information access may be restricted are claims deemed highly sensitive involving vulnerable customers. These are handled by Hollard's Customers Experiencing Vulnerability Team but can be accessed by all members of this team.

D-12 Would it be a good idea for customers to be given, when they buy a policy or renew it, an abridged form of the GI Code, so they know what is expected of insurers with regard to claims handling and disputes?

Hollard is supportive of initiatives to increase awareness and education in respect of the GI Code of Practice, subject to consideration being given to information being provided at the most appropriate and relevant point of the customer's insurance journey and a consistent industry wide approach being agreed and adopted. In this regard, consideration should be given to the volume of documentation already supplied at policy inception and renewal, and whether the provision of additional information will help customers to make informed decisions or assist in the exercise of their consumer rights.

E. Identification of vulnerability

E-13 Given the significant under-identification of vulnerable claimants, should consumers be asked to nominate/identify any vulnerabilities when they buy or renew policies? (I.e., tick a category, or provide details.)

Vulnerabilities can be identified at various interactions between an insurer and a customer, so mandatory disclosure at renewal/new business may not be appropriate. Focusing or restricting the disclosure of

vulnerability to the time of policy purchase or renewal could have unintended consequences such as disclosure not occurring at the point of a vulnerability arising and where additional support or change in process is required to support the customer.

F. 'Stormchasers'

F-14 Regarding 'storm-chasers', those who approach people following a natural disaster offering to manage their insurance claim for a fee:

- a. **How prevalent are such storm-chasers?**
- b. **Do they encourage policyholders to opt for cash settlements?**
- c. **Should these people be regulated?**

As this is an industry-wide issue, Hollard agrees with and adopts the answer below provided by the Insurance Council of Australia:

Disaster chasers typically offer services to disaster affected property owners ranging from repair and assessment to end-to-end claims management.

Disaster chasers have been consistently present and highly active during the last five years, with the first organised examples appearing around five years before that. The ICA estimates the current number of claims under the management of disaster chasers to be in the several thousands based on market intelligence and outstanding claims portfolios.

ICA's members have reported instances of disaster chasers approaching consumers at their home, including elderly Australians or those from culturally and linguistically diverse backgrounds. The ICA has generally issued alerts to consumers and media about disaster chasers following declared Insurance Catastrophes and Significant Events.

Examples of the types of practices observed involving disaster chasers are outlined below. Representing they have been sent by an insurer (when they have not) to inspect the customer's home assess damage and provide a quote.

Taking advantage of the customer's vulnerability and belief they are dealing with a representative from an insurer, including by asking customers to sign a blank consent form or entering into a contract with the disaster chaser which is unlikely to include a cooling-off period, and on terms that might be unfavourable to the customer.

Examples of unfavourable terms include the customer having to pay the disaster chaser a percentage of the value of repairs if the customer receives a cash settlement payment from the general insurer or uses the disaster chaser's preferred repairer (also requiring a cash settlement). This percentage can be up to 20% or equivalent to \$20,000 and can leave the consumer with insufficient funds to undertake the necessary repairs or owing an amount to the disaster chaser.

Note that (as per part b of the question), either option above will involve the disaster chaser encouraging the customer to opt for a cash settlement.

Where a customer has given written authorisation to the disaster chaser, the actions taken by disaster chasers might prejudice a customer's rights under the policy terms and conditions in the general insurer's Product Disclosure Statement. For example, the ICA has been informed of instances where a disaster chaser prevents the general insurer's access to the customer's property, or the disaster chaser has authorised a replacement or rebuild to their associated repairer without the general insurer having an opportunity to assess and authorise the customer's claim.



If a customer commits to the repair work with the disaster chaser, the customer may not realise they will lose the general insurer's quality of repair guarantee and that any customer complaints about repair defects or issues would need to be progressed through court instead of accessing the free and independent Ombudsman, AFCA.

Disaster chasers are already covered under the auspices of standard consumer protection and financial services laws. The ICA understands some disaster chaser businesses became licensed and regulated by ASIC when claims handling became a financial service. The ICA and insurers continue to bring deleterious disaster chaser examples to the attention of regulators. We are not aware of any regulatory enforcement action being contemplated, however enforcement action under the current regulatory regime may be useful in discouraging this activity.

G. Complaints process

G-15 For how long are complaints dealt with by your customer service teams before they are moved (if unresolved) to internal dispute resolution (IDR) teams?

Hollard aims to have 75% of level one complaints resolved by frontline (customer service) teams within 5 business days of receiving the complaint. There is no set timeframe for complaints to be managed by the frontline teams prior to them being escalated to IDR as this depends on the complexity of the complaint and whether the case manager can resolve the complaint for the customer.

Empowering frontline teams to attempt initial resolution of all complaints improves timeframes for customers and avoids unnecessary escalations due to the imposition of arbitrary resolution timeframes. If frontline teams identify either immediately or soon after commencing the claims process that they will be unable to resolve the complaint for the customer, the frontline team member will escalate the claim in the manner described in Hollard's response to question B-2-i-a of its Initial Response and, where appropriate, the claim will be escalated to IDR.

G-16 For how long are complaints managed by IDR teams before customers are advised that they can take their case to AFCA?

Pursuant to ASIC Regulatory Guide 271, the total maximum number of days a complaint can be managed by Hollard (including frontline teams and IDR teams) before a customer is advised they can take their complaint to AFCA is 30 days.

H. Post-flood clean-ups

H-17 What is your policy with regard to accepting photographic/video evidence of damage where there are delays in damage assessments?

Hollard accepts photographic/video evidence of damage in resolving claims. Further, Hollard actively encourages customers to take photographic/video evidence of damaged items and submit this evidence to us. If safe to do so after taking this photographic/video evidence, Hollard encourages customers to dispose of the damaged items and rely on the evidence they have submitted as part of the claims process.



H-18 If you don't accept such evidence, why not? In what circumstances would you accept it?

Hollard does accept photographic and video evidence from customers. Please refer to the answer given at H-17 above.

H-19 In what percentage of your claims arising from the 2022 floods did you accept photographic/video evidence of damage?

Hollard does not capture this data in a way that can be easily extracted. However as per question H-17, Hollard does accept photos and videos taken by customers to document damage to property and proactively encourages customers to dispose of damaged items when safe to do so.

I. Additional data

I-20 Please complete the attached spreadsheet (Flood insurance – additional data, March 2024.xlsx) of additional data requests, covering:

- a. Flood-related claims categories
- b. Complaint numbers
- c. Number and percentage of claims initially denied or partially denied
- d. Complaints to IDR, and IDR decisions
- e. Referral to the Australian Financial Complaints Authority (AFCA)
- f. Decisions at AFCA
- g. Main sources of disputes referred to AFCA
- h. Claims-handling staff numbers
- i. IDR staff numbers

Please refer to the spreadsheet provided with this response. Hollard requests that if any data from the spreadsheet is published, that the associated data caveats are also included.

I-21 Please provide the average cost of a hydrology report for each of the 2022 flood events (i.e. for CAT 221, SE 222, CAT 223 and CAT 224 separately).

The table below sets out the average cost of a hydrology report for the 2022 flood events relevant to Hollard:

Flood event	Average Cost of Hydrology Report (\$AUD)
CAT 221	4,104
SE 222	5,500
CAT 223	4,839
SE 224	No hydrology reports obtained

III. Flood insurance inquiry: Additional questions for Hollard

A. Complaints

Hollard says it does not record whether complaints resulted in full acceptance of consumers' claims, or partial acceptance of consumers' claims.

A-1 Why not? Wouldn't this information help you identify and fix problems within claims handling and with claims decisions?



Hollard did not always capture whether complaints resulted in full acceptance of customer's claims, or partial acceptance of customer's claims for the entire period in question due to the limitations inherent in certain legacy platforms. Hollard does now capture this information and has done so since the completion of the transition to the new Complaints Platform (Respond) in October 2022. Hollard has also established a Systemic Issues Team to review complaints data to identify, and address (as required), trends and or issues in respect of claims handling.

In your submission, you say Hollard 'increases resources in advance of anticipated increases in demand'.

A-2 On what basis do you anticipate increases in claims demand?

Hollard has interpreted this question as requesting the basis on which claims volumes impact the need for increases in complaints resources. Hollard monitors active claim volumes and the level 1 complaints (complexity and resolution) to determine whether there is likely to be a need for increased IDR or EDR resources. Due to the lag between new claim volumes and disputes moving to level 2 and 3, monitoring these early warning indicators allows sufficient time to resource appropriately.

B. Unresolved claims

Page 43 of your submission notes that 31 claims in IDR are unresolved; and 58 claims are unresolved at AFCA.

B-3 Which flood events do these unresolved claims relate to?

In respect of the 31 IDR claims that were unresolved as at 5 October 2023, please see the table below with the breakdown of the unresolved claims per flood event:

Flood event	Number of IDR claims arising from flood event
CAT 221	26
SE 222	1
CAT 223	4
SE 224	0

In respect of the 58 EDR claims that were unresolved as at 5 October 2023 please see the following table with the breakdown of the claims per flood event:

Flood event	Number of EDR claims arising from flood event
CAT 221	30
SE 222	10
CAT 223	18
SE 224	0

B-4 How many of the 31 claims in IDR are likely to go to AFCA?

Since providing Hollard's submission to the Inquiry, a further 2 IDR complaints have gone to AFCA, one of which AFCA has categorised as relating to CAT 222 and the other which AFCA has not categorised as a CAT complaint. Hollard expects a further 8 complaints may be referred to AFCA, as they relate to either a declined claim or a settlement that did not meet the customer's expectations.



Your submission states that 'Hollard does not track or compare complaint Issues/frequency over time' (p. 25).

B-5 Why not? Wouldn't that information be important to system improvement?

The statement on page 25 of Hollard's submission is "Hollard does not hold data to perform a quantitative comparison between complaint frequency and cause between as far back as 2011/2012 and the present." However, while Hollard cannot compare the current complaint issues/frequency against data from 2011/2012, systems are in place to track complaint issues/frequency over more recent years.

Hollard's submission says that complaints have been increasing since 2010-11, partly due to 'improved identification of customer dissatisfaction' (p. 25).

B-6 Are they increasing as a percentage of total claims?

As the regulatory definition of a complaint has changed over time, it is not possible to provide accurate data regarding complaints trends as a percentage of total claims since 2010-11. ASIC Regulatory Guide 165 was initially introduced in 1999, however relevant organisations were initially only required to capture complaints that were not resolved within 5 business days. Since 5 October 2021, with the introduction of ASIC Regulatory Guide 271 (RG271), all financial organisations are required to capture and record all complaints.

In October 2021, RG271 was introduced. This included the following revised definition of 'complaint':

'complaint': [An expression] of dissatisfaction made to or about an organisation, related to its products, services, staff or the handling of a complaint, where a response or resolution is explicitly or implicitly expected or legally required.

Hollard did see an increase in complaints relative to active claims during the first 12 months of implementation of RG271. However, despite peaks during high claim volume events, complaints in comparison to active claims is trending downwards.



Hollard.

D. Vulnerability

In relation to the Inquiry question of whether there is a longer-term trend in the proportion of complex cases (e.g. comparing the 2011/2012 floods with the 2022 floods), Hollard responded: 'As Hollard does not specifically define or identify complex/sensitive cases it is unable to provide this data' (submission, p. 30).

D-10 You say vulnerable customers are referred to specialist teams to be individually managed (p. 30)? How can they be referred if they are not identified as vulnerable?

A customer experiencing vulnerability does not automatically render their claim complex or sensitive. Since the introduction of the GI Code, vulnerability has been identified and recorded in line with regulatory obligations. Customers identified as being vulnerable and requiring additional support are referred to a specialist claims management team. The members of this team have received targeted, specialist training in respect of identifying and dealing with vulnerable customers. Also, as noted in Hollard's Initial Response, all claims' staff undertake training on Hollard's Customers Experiencing Vulnerability Process and how to identify and support vulnerable customers.

Hollard has a series of measures in place to ensure customer service teams are able to identify vulnerable customers, including the specific training referred to above and the use of Hollard's Customer Advocacy team to assist vulnerable customers.

Your submission says: 'Hollard reviewed customer vulnerability data to proactively identify customers requiring assistance when an event occurs. Hollard now has implemented regular reporting that identifies potentially vulnerable customers' (p. 35).

D-11 This statement suggests you weren't 'proactively' identifying customers before July 2023. Is this correct?

No. Hollard had policies and training in place to identify vulnerability prior to July 2023. As part of its response to industry changes under the GI Code in 2021 additional policies and processes to identify and support vulnerable customers were introduced. In April 2023, Hollard implemented an additional process in supporting identification of vulnerability through a 'detective report' using key search terms and wordscraping of claims files to provide an additional level of review in the event that a trigger or word indicating vulnerability was not identified and actioned by the case manager.

D-12 What has changed in the way you identify vulnerability?

Hollard continues to invest in vulnerability training, the identification of vulnerability by Hollard's staff members and technology assisted review, and appropriate strategies to support customers in need. Attending community forums and ICA response centres has also helped to provide better insight into potential vulnerability factors by event and location and to build relationships with third party and customer advocates to better respond to vulnerability when identified.



From an internal perspective, Hollard has redesigned its processes and training (with emphasis on the use of both explicit disclosure and implicit vulnerability indicators), improving the skills of Hollard's staff members in identifying customer vulnerability and providing support.

Hollard has also partnered with ACACIA to deliver ongoing training with specific focus areas such as vicarious trauma, de-escalating distressed customers, suicide awareness and prevention. These training modules are provided to Hollard's broader claims team, not just Hollard's Customers Experiencing Vulnerability Specialists.

Hollard has implemented additional system enhancements to its ClaimCenter platform to improve identification and support of vulnerable customers. Hollard has also implemented daily reporting from the word scraping process previously mentioned to enable identification of potential customer vulnerability that may not have otherwise been identified by a case manager.

E. Building improvements to mitigate flood damage?

Your submission states that Hollard doesn't ask or record if policyholders have made flood-risk improvements to their properties, and hasn't considered the effects such measures might have on premiums (p. 39).

E-13 Why aren't you considering the effects on future premiums given that you a) regard 'risk reduction activities' as essential, and b) support changes to building codes to make houses more flood-resilient, and the broadening of financial support to help people lift or retrofit their properties (p. 41)?

Hollard does not currently record efforts undertaken by customers to mitigate flood risk via reduced premiums on a large-scale, systemised basis due to the constraints of legacy systems. However, Hollard does provide reduced premiums on a 'case by case' basis via Hollard's contact centre when a customer outlines the building improvements they have undertaken and these improvements reduce the customer's risk profile. Hollard is planning to implement a system-driven approach via Hollard's new policy administration platform through 2025, which will capture and recognise the improvements made by customers to mitigate the risk of flood (and potentially other perils).

Importantly, if insurers had access to a national database that outlined the level of risk mitigation undertaken at a property level, Hollard, and all insurers, would be better positioned to reflect these efforts via reduced premiums. A database of this kind would require significant cross industry co-ordination and consultation between industry and government.