



30 April 2024

Dr Daniel Mulino MP
Chair of Standing Committee of Economics
Standing committee on economics

Re: Inquiry into insurers' responses to 2022 major floods claims: Questions on notice

Dear Chair,

Youi appreciate the opportunity to provide more information to the Committee in response to the letter dated 19 March 2024 from the Standing Committee on Economics, which requested further answers from Youi about the 2022 Flood Inquiry (including questions specific to Youi and questions for all insurers). Youi hope that this additional information will help the Committee understand some of the challenges that both consumers and the industry face.

Additional Questions Specific to Youi

Mr Simpson told the inquiry (Hansard, p. 60) that: 'We aim to actually measure what is the customer experience under the different ways of settling a claim - insurer managed of cash settlement.

1. When and how will you 'measure' the customer experience under both models?

Youi measure the customer experience by sending a Net Promotor Score (NPS) survey to the customer via text message at the point of finalisation of the claim. This is done for both cash settled and insurer managed claims.

Cash settlements can be, and often are, the most appropriate way to settle a customer's claim and at times, the customers are the ones who drive the request for a cash settlement.

Instances where this is a common occurrence and a positive settlement option are when:

- The customer is wanting to upgrade their home or undertake renovations and wishes to obtain a cash settlement to self-manage the repairs alongside the renovations.
- The customer is an owner builder or knows a suitably qualified tradesperson who can complete the repairs for them at a reasonable price, which sometimes the customer obtains at a cheaper price than the cash settlement amount.
- Some customers wish to manage the claim and repair process themselves and have the means and capability to do so.
- Where there are maintenance issues and the customer wants to have these fixed before having the claimable repairs completed, they can utilise the cash settlement to fix the maintenance issues and save the funds which they may not have had readily available to then repair the other damages when they are able to do so.

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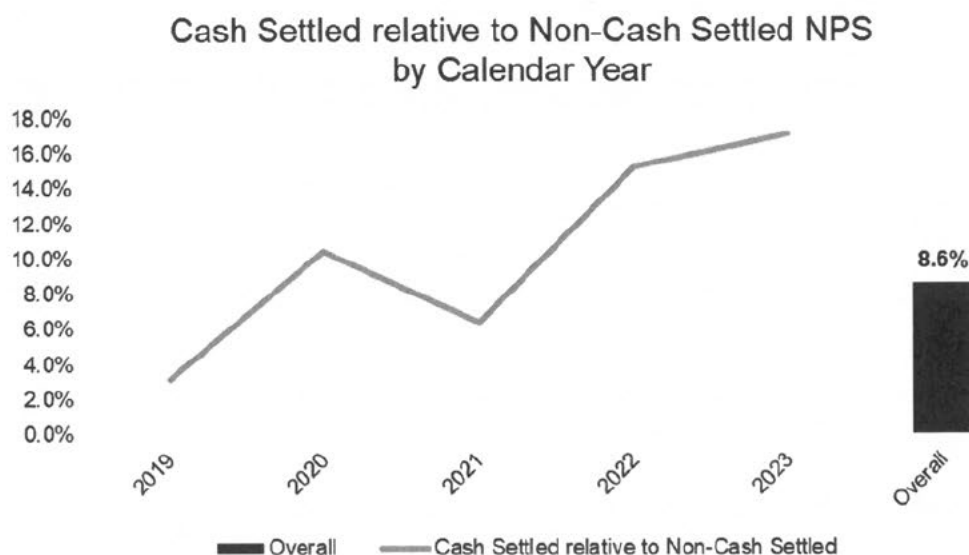
- A total loss claim, where the customer can choose a company that is best suited to them to rebuild their home to the standards they choose.
- When replacing contents items, the repairer or supplier that the insurer is referring the customer to replace the items may not be who the customer would like to use when replacing their goods, therefore a cash settlement is preferred by the customer.

2. Why will you conduct this 'measurement' given that you 'don't see a material difference in customer experience under the two models' (Hansard, p.60)?

One of Youi's values is "Awesome Service". We are passionate about providing great service to our customers, and the way to know if we're living up to our own values is to measure it. When comparing NPS for customers who are cash settled versus customers who have Youi managing their repairs with an authorised service provider, there isn't a significant variation between the two.

The intention is to measure the customer experience, generally, to then understand how different factors impact the customer experience and how that changes over time. The model we used to settle a claim is one such factor. As noted in Question 1 is that customers often can have a better experience with a cash settlement, and this is shown in the data provided below on settled claims. This is shown in table 1 below highlighting where the cash settlement NPS score is higher than a noncash settled claim.

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*Table 1: Cash settled relative to non-cash settled claims NPS between Jan 2019 and Nov 2023.
Cash settled defined as more than 50% of settlement in cash. Filtered to Settled Home claims.
Over the reporting period there are over 20,000 responses.*



Cash settled home claims have an 8.6% better NPS relative to non-cash settled claims over the reporting period.

Additional Questions for all Insurers

Cash settlements.

1. What is the proportion of house and/or contents claims you have settled with:
 - a. Cash settlements for each year in the past 10 years.

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
0.2%	0.6%	0.4%	1.1%	0.8%	1.7%	3.2%	3.0	2.5%	2.9%

- b. Partial cash settlements for each year in the past 10 years.

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
0.1%	0.2%	0.2%	0.3%	0.4%	0.2	0.5%	0.5%	0.3%	0.3%

Youi have taken the industry approach to respond to this question 1a. and 1b. Under this definition, a claim is considered cash settled where the main repair portion of the home building has a cash settlement to the customer over \$50,000. This excludes contents cash settlements, temporary accommodation, food spoilage and emergency payments and includes all causes. All claims (business as usual and catastrophe claims) are included. The above represents settled or finalised claims only and includes data up to 31 October 2023.

For additional context for the Committee, Youi's internal definition of cash settlement is where more than 50% of the settlement is paid in cash, regardless of the size of the cash settlement amount. The table below has been prepared based on this internal definition and represents how Youi answered the questions to the Committee during the Hearing on 5 February 2024.

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
43.9%	43.8%	47.2%	48.0%	50.0%	53.5%	57.3%	55.5%	57.6%	57.2%

This excludes costs for temporary accommodation, food spoilage, emergency payments, make safes. It includes all cause types and all claims (business as usual and catastrophe claims). The data is representative of all claims up to the effective date of 31 October 2023.

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?

There were six (6) claims with additional payments made to customer on the building portion of the claim after the original cash settlement, resulting in Youi increasing the cash settlement to the customer.

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Claim denials.

3. What are you doing and what have you done to improve the quality of the 'expert' reports on which you rely to deny or partially deny claims?

Where an expert has attended a customer's property and completed and issued Youi a report with a recommendation to deny or partially deny the customers claim, these reports are reviewed by our internal Assessor or building assessing team. These Youi staff members have the appropriate level of qualifications to review the reports (and Youi's product disclosure statement), ensuring that the denial or partial denial is appropriate. Where there are any concerns of the quality of the assessment, Youi re-engage the expert to elaborate on their findings and at times may request reattendance at the property to ensure their report is complete and accurate.

If this is something that is seen quite often from the same service provider, Youi's internal procurement team would be advised and complete a thorough assessment as to whether that service provider is appropriate to be in Youi's panel of providers.

Third-party service providers

4. Describe, in detail, the nature of your arrangements with your third-party service providers.

For example:

a. If contracted, what is the nature of the contract?

Youi has service level arrangements with third party service providers who are engaged to support and assist our customers when a claim has occurred. These service providers go through a comprehensive due diligence and onboarding process as a Youi service provider.

We have a vast range of monitoring over our service providers to ensure adherence to various SLAs (timeliness, quality, customer service etc) to help us ensure that our customers' repairs are done by professionals who meet our expectations.

Youi service provider contracts (Service Agreements) range in duration from 1 to 3 years. The Service Agreement sets out terms and conditions that govern the service providers provision of the services, including performance metrics. A Service Provider Code of Conduct is also incorporated into our Service Agreement, which sets out Youi's expectations of service providers.

Additionally, Youi provides a Home Claims Repair Addendum which:

- consists of written terms that document the specific actions and processes that the service provider is required to comply with when carrying out building repairs.
- forms part of the Services Agreement between Youi and the Service Providers
- documents the way in which daily activities are to be performed to facilitate consistency and alignment in the quality outcomes required of Youi when the service provider



provides the service.

Contracted service providers are also subject to certain performance management processes to ensure high standards of delivery. Regular (monthly or quarterly depending on the volume of work) performance meetings are held to discuss performance against the relevant performance metrics, as well as discussion of any feedback provided by staff or customers.

In addition, monthly quality audits are performed on a random sample of claims. The quality audits ensure that service providers are completing work to a sufficient standard, with any sub-standard work requiring rectification. Frequency of rectification requirements is then monitored in the performance meetings. Cost audits are included in the quality audits to ensure that scope of work items authorised by Youi have indeed been delivered and installed at the customer's premises.

b. Can they work for other insurers as well?

Youi approved service providers may work for other insurers.

c. Are they paid retainers?

Youi service providers are not on paid retainers and no volume of work is guaranteed. The volume of work a provider receives is a function of their performance across a range of measures, including customer service. The result is that an improved delivery of customer service will lead to a larger share of Youi's work being allocated to that provider, all other things being equal.

For home building repairs, Youi currently have 13 insurance builders, 7 restoration companies, 17 "single" trades (e.g. plumbers), 4 roofing companies and 10 specialists (e.g. engineers)

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.

Youi employs internal assessors to complete assessments on customers' homes. Youi also have a building self-assessment process for certain claims, where Youi assigns an authorised service provider to attend the home and assess the damaged to the customers property, and at the same time they can complete a scope of works and quote on the repairs. The building self-assessment team are not included in the data below. Over the years noted below, Youi have increased the usage of building self-assessments which results in an increased capacity to assess customers claims, despite the total number of internally employed Youi assessors reducing.

Team	2019	2020	2021	2022	2023	2024
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Assessors	24.1	21.7	22.2	20.8	19.5	19.6
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Data caveat: Total staff at work divided by total working days e.g. average staff at work per day.

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

All our assessors are employed by Youi, we do not have contracted assessors.

Transparency

7. Do you always provide external experts' reports to customers when asked, as you are obliged to under the General Insurance (GI) Code?

Yes, upon request Youi will provide to the customer any external expert report(s) that were relied upon to assist with decision-making on the claim. These are provided to the customer via email within timeframes in accordance with the General Insurance Code of Practice.

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

Yes, if the customer has requested all information pertaining to their flood claim Youi will provide this via email in accordance with the General Insurance Code of Practice¹.

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?

No, unless there is data that aligns with consumer groups requests there is not sufficient evidence to Youi that this would result in good consumer outcomes. Youi is concerned that a lot of consumers would not want this information as it would be overwhelming.

Other reasons for this include:

- Too much information that is often very technical, which can make the consumers more confused and overwhelmed.
- A lot of the communications issued to service providers are system-generated and changing this would be burdensome from a cost to perspective;
- Some updates happen via API integration between software packages. Without understanding the underlying software and context of the communication, a lot of correspondence exchanged would be incomprehensible to the customer; and
- If the customer requests documents relating to their claim, we would provide it to them within 10 business days in accordance with our Code obligations.

Youi is committed to improving consumer experiences with insurance and pursuing innovative product and

¹ The only exception here would be where the claim is being investigated for any fraudulent activities.

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service design and delivery models to engage consumers positively in insurance decision-making and claims experiences. We consider approaches that improve consumer understanding relevant to their decision-making on insurance will improve consumer led decisions on risk and cover appropriate for their individual circumstances. Youi considers there are measures available which will drive better consumer outcomes than current proposals on the table, such as standardisation of defined terms or cover. First, Youi believes a combination of:

- simplified disclosure and plain English drafting to promote comparability of products available to consumers in the market,
- education to uplift financial literacy to improve consumer understanding on general insurance products and cover options, and
- the introduction of a simple advice model to allow insurers to engage in open and genuine discussion with consumers about products and the consumer's needs and address any gaps in a consumer's understanding of the product

will significantly improve customer understanding of their insurable risks and have more impact. Facilitating an approach that promotes consumer engagement in relation to their circumstances, mitigations consumers can take to reduce risk, and levels of cover available are more likely to result in improvements in consumer led decision-making.

Second, increasing transparency on claims experience and claims outcomes across industry is more likely to promote better outcomes for consumers through improved competition on service - consumer outcomes². We consider the introduction of an independently operated transparent reporting of claimant service ratings for their claim's experiences will highlight to consumers, regulators, and customer advocacy groups which insurers are delivering better outcomes. We also consider such transparency measures will empower consumers to compare, and insurers to compete, on metrics other than price³.

² House of Representatives Standing Committee on Economics, March 2024, Better Competition, Better Prices: Report on the inquiry into promoting economic dynamism, competition and business formation, p.9.

³ The success of this is evident in how the CTP South Australia scheme works. In 2019 the Claimant Service Ratings across insurers range [67;72], as at today that's [76;84] - Clear evidence that as you make claimant experience transparent that it improves across the industry.
<https://www.ctp.sa.gov.au/for-vehicle-owners/claimant-service-rating>

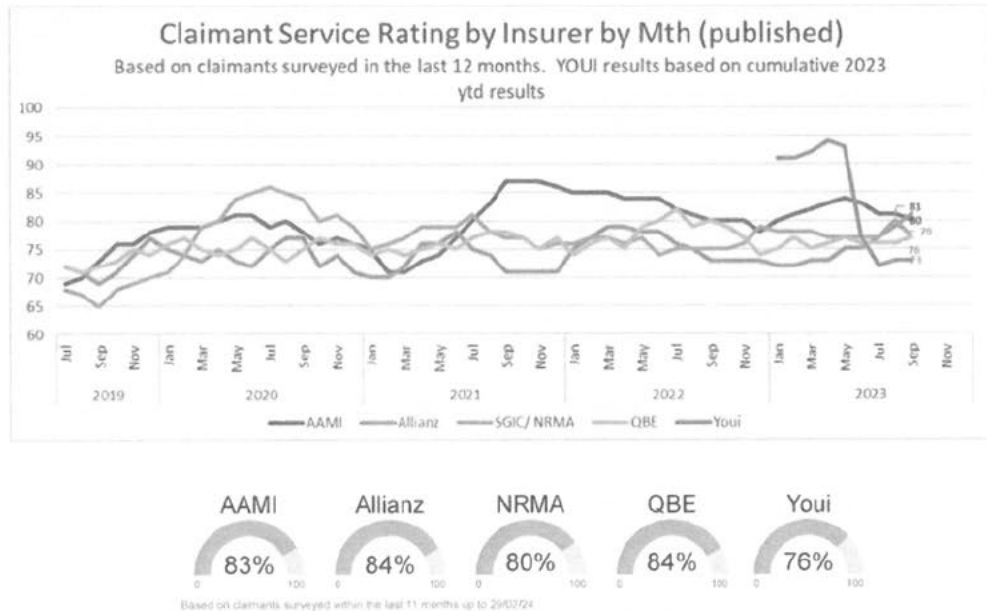
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The two graphs above are extracts from the CTP SA reporting scheme which provides consumers with the ability to decide on a policy based off the customer experience, not just price.

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?

Yes, Youi has comprehensive software for managing claim related information and can house all details, record communication notes, track claim progression and upload various attachments such as emails, assessment reports, photos, and invoices on its claims system. The system ensures everything related to the claim is organised and easily accessible. It also allows Youi to easily identify if the customer has been flagged as a vulnerable customer.

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, any claims staff member can access a customer's claim where required (customer calls in or a task is allocated to the claims advisor who is unexpectedly on leave etc.). When a customer calls Youi to seek information relating to their claim, Youi's process is that if the claims advisor handling that customer's claim is unavailable, the person who answers the call is to attempt to assist the customer and provide them information relating to their claim. However, highly complex claims with large volumes of technical information can create difficulties in providing a meaningful update. If the customer's advisor is away on an extended period of leave⁴, the claims management

⁴ Any leave period that extends past 5 business days unless during a catastrophe event.

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team will either allocate another advisor to the claims or reallocate claims to the wider claims teams to ensure that the claim can continue to progress.

The exception to this would be if the claim was restricted due to certain circumstances⁵, in which case they would only be reallocated within the focused claims team for continued support.

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 of Practice, so they know what is expected of insurers with regard to claims handling and disputes?

Youi acknowledges there is range of views on how understanding could be improved. Youi considers the most compelling opportunity to effectively target consumer misunderstanding is to enable general insurers to engage in meaningful discussions with consumers to close the gap in financial literacy and assist the consumer to understand the risks relevant to their circumstances and identify cover that is appropriate for those risks. Youi considers the proposed new class of advisor, proposed in *tranche 2 of the Better Financial Outcomes* (BFO) package, has significant potential for general insurers to more meaningfully engage with consumers to minimise the incidence of underinsurance and inappropriate insurance⁶.

Youi do not believe there would be any benefit in providing the customer with more information which is not relevant at the time of taking out a policy. The potential detriment is that customers become overwhelmed with the volume of information provided to them, and then don't read the documentation.

Identification of vulnerability

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.)

During the sales or renewal process, the customer may not identify as vulnerable, this can change at any time and can also be temporary rather than ongoing vulnerability. During Claims time, it would be appropriate for customers who are experiencing vulnerabilities to self-identify those to the insurer (in addition to claims staff being appropriately trained to look for indicators of vulnerability without being directly prompted by the customer). There also should be consideration of whether the customer is experiencing a claims-related vulnerability which will be temporary in nature versus long term vulnerabilities.

- Temporary vulnerability example: vulnerable because their home is unliveable, and the customer does not have funds to buy clothing or general items. This vulnerability is temporary and able to be

⁵ Some circumstances where this would be appropriate is where the claimant is a Youi employee, vulnerable customers (where domestic violence maybe occurring) or claims involving a storm or disaster chaser.

⁶ Subject to regulatory compliance requirements (including training and implementation costs) not being financially burdensome.

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mitigated due to the Insurer stepping in and putting the customer into temporary accommodation and providing an emergency payment.

- Long term vulnerabilities: would be any vulnerability currently captured under the General Insurance Code of Practice terms where a customer requires ongoing support suitable to their vulnerabilities. i.e. translator required.

'Storm chasers'

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, the below answer has been provided by the Insurance Council of Australia (ICA).

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 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.

Complaints process

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?

At Youi, every complaint falls within the definition of ASIC's Regulatory Guide RG271, as such we treat each complaint within the internal dispute resolution process. The complaint is initially handled by our frontline staff to attempt resolution, the frontline staff have up to 48 hours to attempt a resolution with the customer. If the complaint remains unresolved it is escalated to our Customer Support team, who will then seek to resolve the complaint. If the customer is unhappy with the outcome provided by the Customer Support team, it will then escalate to our Dispute Resolution team. Once an outcome has been provided to the customer, they may wish to engage with the Australian Financial Complaints Authority (AFCA) and Youi will work with the customer and AFCA to further resolve the complaint.

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

Once a complaint outcome has been delivered to a customer, they can take their complaint to AFCA. Youi follows the requirements in RG 271 to ensure we are compliant with the legislation, including ensuring all outcome letters have AFCA details attached. In addition to this, information on how to lodge a complaint with Youi and the contact details for AFCA are available on Youi's website as well as certain communications provided to customers (claim decline letters, customer remediation letters, maintenance letters, catastrophe letters, cash settlement fact sheets and all complaint letters.)

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Post-flood clean-ups

Consumer and legal-rights advocates have told the inquiry that many consumers were informed by their insurer that they could not begin a clean-up until an assessor inspected the damage. Yet people often waited weeks for an assessor to visit, which resulted in more damage and more stress. They say that this response is wrong and unfair.

17. What is your policy with regard to accepting photographic/video evidence of damage where there are delays in damage assessments?
18. If you don't accept such evidence, why not? In what circumstances would you accept it?

Youi does not apply a one size suits all claims methodology to our approach on assessing claims and validating the damages to the property. During our assessment process, if an assessor cannot attend in a timely manner or where disposal has occurred (i.e. mud army clean ups), Youi is happy to accept any photos or videos of the damage. Youi would request customers to take photographs of the damaged goods for insurance assessment purposes and dispose of any water and mud damaged possessions that may pose an immediate health hazard. Youi also request the customers to take as many detailed photos or a list of the damaged goods that have been disposed of to ensure that when replacements are arranged (through replacement providers or cash settlement) that the replacement is as close to what the customer had prior to the damage occurring.

If the damages are to the buildings, although we can accept photos and videos, we may still require an assessor or suitably qualified trade or builder to attend to assess the severity of the damage and the appropriate scope of works. There are some contents items where Youi may request proof of ownership that falls outside of a photo or video, these are high value such as jewellery, electrical goods, or sporting equipment. The proof of ownership that Youi accepts can vary (bank statements, receipts, valuations, etc).

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

Youi does not capture specific data when a photo or video has been used in a claim, therefore we are unable to provide a response to this question.

Additional data

20. As per attachment - (Flood insurance – additional data, March 2024.xlsx)

Please refer to Attachment A – Youi flood insurance additional questions March 2024.

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)

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As noted in our Submission to the Inquiry, Youi does not differentiate cover between Flood or Storm as it forms part of Youi's standard cover within the home product. Therefore, there is no need to engage with Hydrologists.

Sincerely,

Nathaniel Simpson
Chief Executive Officer

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