



AUSCRIPT AUSTRALASIA PTY LIMITED

ACN 110 028 825

T: 1800 AUSCRIPT (1800 287 274)

E: clientservices@auscript.com.au

W: www.auscript.com.au

TRANSCRIPT OF PROCEEDINGS

O/N H-919888

THE HONOURABLE K. HAYNE AC QC, Commissioner

**IN THE MATTER OF A ROYAL COMMISSION
INTO MISCONDUCT IN THE BANKING, SUPERANNUATION
AND FINANCIAL SERVICES INDUSTRY**

MELBOURNE

9.30 AM, WEDNESDAY, 19 SEPTEMBER 2018

Continued from 18.9.18

DAY 57

**MS R. ORR QC appears with MR M. COSTELLO as Counsel Assisting with MR M.
HOSKING and MS S. ZELEZNIKOW
MR J. STOLJAR SC appears with MR D. MACKAY for IAG
MR P. O'HIGGINS appears for Youi**

<BENJAMIN JAMES BESSELL, ON FORMER AFFIRMATION [9.30 am]

<CROSS-EXAMINATION BY MR COSTELLO

5

THE COMMISSIONER: Yes, Mr Costello.

MR COSTELLO: Thank you, Commissioner. Mr Bessell, you will recall that when
10 we finished yesterday we had been having a discussion about remuneration of
dealers and dealer employees?---Yes.

And we had had some discussion about the ignition program?---Yes.

15 And about how dealers are remunerated under the authorised representative
agreements and a copy of one of those agreements I had taken you to?---Yes.

You're aware that under the National Credit Code there is a cap for commissions on
20 consumer credit insurance?---Yes, I am.

And that cap is 20 per cent of the amount of the premium?---Yes, that's right.

And you're also aware that IAG notified the Commission, on 29 June this year, that
25 Swann made payments to 34 authorised representatives which may have exceeded
the 20 per cent cap?---Yes, I'm aware of that.

Are you familiar with the letter - - -?---I - - -

- - - from IAG?---I have seen the letter.

30

Thank you. I will take you to it. It's RCD.0001.0015.0068. Do you see there in the
second paragraph:

35 *IAG informed the Commission by way of supplementary notification that it had
identified payments made by former AFSL holding entity –*

which was Swann –

40 *...to 34 of its authorised representatives which may have exceeded the cap.*

?---Yes.

At that point it specifically identified 153 payments totalling approximately \$6.792
45 million?---Yes.

Of which IAG believed at least \$5.985 million related to consumer credit insurance products?---Yes.

5 All right. How did this breach happen?---So my understanding was that as part of the incentive agreements that we discussed yesterday outside of the standard commission in the standard corporate authorisation agreements, where some incentive payments can be made there is a – an incentive type which is a product mix bonus. And we talked about that yesterday where there’s a mix of – or blend of products. My understanding in this case is that although on a transactional basis the
10 personal use consumer credit insurance was capped at 20 per cent, when an aggregate premium view was taken and effectively an additional commission was paid, some of the consumer credit insurance premium value may have been included in an overall number to which a further commission was applied.

15 So it related exclusively to the product mix bonus, did it?---That’s what – that’s my understanding, yes.

And it didn’t have any relationship to the ignition program?---No, I don’t believe so.

20 Thank you. That document can come down. Mr Bessell in your statement you outline – I should tender that document, Commissioner.

25 THE COMMISSIONER: Letter IAG to the Commission, 29 June ’18, RCD.0001.0015.0068 becomes exhibit 6.311.

EXHIBIT #6.311 LETTER IAG TO THE COMMISSION, 29 JUNE ’18 (RCD.0001.0015.0068)

30 MR COSTELLO: In your statement, Mr Bessell, you outline the systems that Swann had in place to oversee and monitor the conduct of authorised representatives?---Yes.

35 I’m going to take you to a reasonably recent report that IAG produced. Its document ID is IAG.503.002.3837. You might recall that yesterday I asked you some questions about oversight systems?---Yes.

40 And you pointed to the training program that IAG had?---Yes.

And the electronic questionnaire?---Yes.

45 And I had taken you to some provisions in the authorised representative agreement that gave Swann a suite of rights in respect of dealers?---Yes.

And you weren’t able to say whether those rights had ever actually been exercised?---I – I think – was this in relation to attendance at premise?

Yes?---I said that I believe that – I was aware that on many occasions staff of Swann attended dealerships but I – I couldn't recall if – I – I didn't know if particular provisions of that agreement had been invoked.

5 Yes, thank you. Have you seen this document before?---Yes, I have.

Thank you. This was prepared in – or it's dated 9 January 2017 but it relates to – it's a backward looking document - - -?---Yes.

10 - - - to Swann's processes?---Yes.

Could we please go to the second page of that document, .3838. This was – this document was prepared by the chief risk office. Is that right?---I believe so, yes. I think there were two representatives that prepared this report, yes.

15

Thank you. You can see there the background to the report is ASICs release of – this report is a background of – is ASICs release of report 470?---Yes.

20

On buying add-on insurance?---Yes.

And then a subsequent strategic review in July 2015?---Yes.

25

And then you can see under the heading Conclusion there's some comment about the decrease in the risk because of the sale?---Yes.

And then the second paragraph says:

30

Historically, Swann has maintained a light touch in the approach to the monitoring of authorised representatives, a considered decision in part due to the prioritisation of scarce resources.

35

Do you agree with that observation?---My observations are that – and this report was, as you say, this was compiled after we sold the motor vehicle dealership business in August of – of the previous year.

Yes?---And I think – I think the view here of light touch – I think that would be – based on what I have also seen, I think that would be an appropriate assessment.

40

Thank you. It goes on to say:

However, the risk profile associated with third party distribution continues to change, particularly in relation to conduct risk, and there is increasing scrutiny from the regulators. The oversight and assurance activity within Swann has not yet responded to this changing level of risk.

45

?---Yes.

Do you agree with that?---Yes, I think – yes, I do, yes.

Thank you. You can see there recommendations are made and the second one is:

5 *Introduce a program of face-to-face compliance reviews across the authorised representative pool using a risk-based sampling approach.*

?---Yes.

10 That's not something that was in place at the time this report was written?---No, it's not.

Thank you. If we could move to the next page, 3839. See under the heading Swann Compliance Guidelines?---Yes.

15

I wanted to specifically draw your attention to the second triangle which looks to be the third point?---Yes.

20 *There is an opportunity to include more detail in the guideline document around compliance breach reporting and a framework of a more robust monitoring model. The authorised representatives currently are not actively recording potential breaches and, therefore, Swann has no oversight on any issues that may be occurring. Promoting the importance of logging all potential breaches is required. This is a useful tool to identify trends, gaps and*
25 *weaknesses within the business.*

?---Yes.

30 Do you agree that Swann's authorised representatives did not actively record potential breaches?---This report is – is – is the only reference that I have seen in relation to that matter, and I – I did note when I saw this report, in preparation of – of attending yesterday, that – that management agreed, in principle, with the findings of this report at the time.

35 Yes?---So I would also agree with that.

Thank you?---If I could mention for context, at this stage we had – we had sold the motor vehicle dealership business in August of 2016. We were still managing the motorcycle dealership business. That business was quite different in its make-up and
40 of add on and so of but I accept the point and the observation made here. Yes.

For so long as Swann owned the motor vehicle distribution business - - -?---Yes.

45 - - - this report speaks to the compliance and risk processes that Swann had in place?---I'm not sure if that is a view for the entire period. I'm not sure if the document refers to the – to the scope of the review.

No. I don't think it does. And that's a fair point. It might not be for the entirety of Swann's ownership but at least in the latter years of - - -?---Yes.

- - - Swann's ownership of the motor vehicle distribution?---Yes. Yes.

5

Thank you. If that box could come down, please. There's then a heading Training and can you see the last point under that heading:

10 *No ongoing monitoring in place to ensure required refresher training is completed and up to date.*

?---Yes.

15 So one of the – we had agreed yesterday that one of the processes Swann had in place to try and ensure compliance was its training program?---Yes.

But it was the case that there wasn't any monitoring in place to ensure that refresher training was completed?---Yes.

20 Thank you. And then if we could go over the page, 3840, you see the heading there is Monitoring. And the triangle in the middle of the page is:

25 *No face-to-face audits are carried out in relation to compliance with the Swann AR guidelines.*

?---Yes.

30 And then there's reference to the questionnaire that you and I had spoken of yesterday?---Yes.

Continuing:

35 *The questionnaire is distributed to authorised representatives as a means of capturing their compliance knowledge levels.*

?---Yes.

Continuing:

40 *The questionnaire is limited in the level of detail it captures and completeness of responses cannot be evidenced.*

?---Yes.

45 Continuing:

5 *Follow-up actions in response to the questionnaire are minimal. The light touch approach to monitoring is reactive. Behavioural issues are only identified when a customer complaint is received. A more proactive face-to-face approach could pre-empt poor service, reduce the workload in complaints management and provide a better customer experience in line with IAG priorities.*

?---Yes, I see that.

10 Then it says in the bolded paragraph:

15 *It is appreciated that face-to-face reviews of all ARs is not cost effective. A risk-based sample approach would provide a greater level of assurance and complement the responses received through the questionnaire. A similar practice is used successfully within NAS Insurance Brokers, a subsidiary of CGU.*

?---I see that. Yes.

20 Given all that – I tender that, Commissioner.

THE COMMISSIONER: Oversight of Swann authorised representatives report, 9 January '17, IAG.503.002.3837, exhibit 6.312.

25

EXHIBIT #6.312 OVERSIGHT OF SWANN AUTHORISED REPRESENTATIVES REPORT, 9 JANUARY '17 (IAG.503.002.3837)

30 MR COSTELLO: Mr Bessell, given all that has been said in that report, as at January 2017 and for some period of time before that, Swann did not have adequate processes in place to ensure that its representatives were complying with relevant financial services law, did it?---No, I believe – I believe that it did.

35 You think that it did?---Yes.

40 What processes are you calling to your mind to draw that conclusion?---The processes that I outlined yesterday in relation to general – general training, and the follow-up processes that were used through the electronic questionnaire, and so on.

And you think those two things in combination were sufficient?---Yes.

45 Notwithstanding that there was no auditing going on? There was no proper reporting of breaches by authorised representatives?---My – my view – my view on this report and statements I've made previously is that I think that the summary here of light touch would be a fair – a fair assessment but I believe there's a distinction between light touch and – and noncompliance.

Well, my question to you is whether or not Swann had adequate processes in place and you think a light touch approach to authorised representatives is adequate?---I think we could have been more proactive but I think that would have been the minimum requirement.

5

Do you think that if you were more proactive, Swann might not be in the position it is now in, of having to remediate in excess of \$30 million?---I can't say. I can't say for sure but I think – and we've acknowledged that we could have been more proactive and I think we – what we've seen transpire in the last year or so through the remediation process, that would reflect on occasions where a more proactive approach could have – would have been more beneficial to the consumers.

10

Do you think – pardon me?---Sorry.

15 Do you think the chief risk office were being overzealous in what they recommended in this report?---No, I don't.

But you don't think what they recommended reflected what was required. Do you think it reflected something over and above what the law required?---No, I think – no, I – I think their observations are – are a fair assessment, from what I – from what I have also observed.

20

Do you think, though, you could have adequate processes in place to ensure that representatives are complying with financial services law where you don't do any auditing of them?---No, that would not be the case if there were no audits done.

25

And there were no audits done, were there?---I believe there were audits done.

How often were the audits done?---I don't know.

30

The last part of that document I took you to started:

No face-to-face audits are carried out.

35 ?---Yes.

So how were audits carried out?---My understanding was they were undertaken electronically.

40 Is this a reference to the questionnaire?---Yes.

But the questionnaire is not an audit?---No.

45 So no audits were carried out?---I – I don't know. I don't know but I accept - - -

Well, let me put it to you a different way, to your knowledge no audits were carried out?---That's right.

To your knowledge, the processes that Swann had in place to ensure that its authorised representatives were complying with financial services law was some initial training?---Yes.

5 And then an electronic questionnaire?---Yes.

And the electronic questionnaire was not actively monitored?---No, it was monitored.

10 The – there was no ongoing monitoring to ensure that training was refreshed?---Is that – is that in reference to the report here?

Do you want me to take you back to it?---If you could.

15 Could we go to 3839 of that document, please. Can you see under Training the last point:

No ongoing monitoring in place to ensure required refresher training is completed.

20

?---Yes.

And you appreciate that from time to time financial services law changes?---Yes.

25 And Swann had no ongoing monitoring in place to ensure that required refresher training is completed and updated?---Yes.

30 It didn't carry out any face-to-face audits?---No, I – I accept the – the points raised in this report. As – as I mentioned earlier, I'm not – I'm not aware of the scope and the time that this report was considered, so how far back the – the review may have – may have gone. So I accept - - -

At a minimum to – it picks up at least one document from March 2013?---Yes.

35 Well, it seems at a minimum to – it picks up at least one document from March 2013. So it seems to be considering at least back to that point in time. And for so far as we are concerned for the purposes of this case study, 2013 is probably about the start of the timeline?---Okay.

40 Do you agree with that?---Yes, that's when add-on insurance was also being – being discussed.

45 Quite. So if I can, perhaps, put my initial question to you again but for a more confined period, are you prepared to accept that between 2013 and January 2017 Swann did not have in place adequate arrangements to ensure that its authorised representatives complied with financial services law?---I'm – I don't – I don't think I'm in a position to agree with that, no.

And I just don't want to repeat this but I want to make sure that I understand the basis for your answer. The basis for your answer is that the initial training that was required of dealers - - -?---Yes.

5 - - - combined with the electronic questionnaire - - -?---Yes.

- - - were sufficient for Swann to discharge that obligation?---So there was an obligation also to have ongoing monitoring which I think we're referring to here. My - my - my view to your question - I think - my observation is that that could be a legal - more of a legal question and I'm not sure if I'm - I can answer that question with the full knowledge of the law.

Well, you certainly can't answer it definitively?---No.

15 But you can answer it from a management perspective at least?---Yes.

You were in charge of this business ultimately for a period of time?---Yes, I was.

20 And Swann had a legal obligation to ensure it had adequate arrangements in place?---Yes, I accept that.

Swann had how many authorised representatives?---At its peak, 3000.

25 3000 authorised representatives around the country?---Yes.

That were selling financial products?---Yes.

And the financial products had various complications to them?---Yes.

30 And they were sold in a sales environment where the person had already been sold a car?---Yes.

35 And probably a finance package and was now being offered one of - one or more of six different products?---Yes.

And the authorised representative had its own employees?---Yes.

The authorised representative was incentivised by commission?---Yes.

40 And the authorised representative's employees were personally incentivised by the ignition program?---Not all but - but many, yes.

But some?---Yes.

45 And some at various points in time were further incentivised by a super-charged ignition program?---Yes.

And there were all manner of obligations that those authorised representatives had to the consumers?---Yes.

5 And there were all manner of obligations that Swann was responsible for ensuring that its authorised representatives complied with?---Yes.

10 And Swann had no real understanding on a day-to-day basis what those authorised representatives were saying to consumers, did it?---I – I don't know if that's correct, no.

Well, how would you know?---The – the monitoring of – of the dealers, the compliance monitoring and training and so on.

15 Well, the training won't tell you what they're saying. The training will tell them what they're supposed to say. Do you accept that?---Yes, I do.

So if there was an authorised representative in a dealership in suburban Melbourne?---Yes.

20 That was making representations to a consumer about a product that was plain wrong?---Yes.

25 The only way Swann would ever know is if there was a complaint from the consumer?---That's right, yes.

And do you think that's adequate?---I – no, I don't. I think – I think we should have been more proactive in how we managed the AR networks.

30 I mean it's just not arguable, is it, that Swann had in place adequate arrangements in respect of its authorised representatives complying with financial services law. That's the whole tenor of this report?---I – I accept the report but to the – to the point I raised earlier, I'm not sure what the – where the standard may drop below the requirements. My view would be that that's perhaps more of a legal matter.

35 You said - - -?---My opinion - - -

Sorry, continue?---Sorry, I should say I accept, though, what the report says, so I'm not - - -

40 Well, in your capacity as the person that was running the business, did you feel comfortable with the arrangements that were in place in respect of authorised representatives? Did you feel you had sufficient visibility of what was going on out in the marketplace?---I hadn't seen this report before.

45 No?---So on reading this report in preparation, I was disappointed to see what – what this report said.

And it might not have occurred to you at the time, in fairness, but having now had the benefit of the chief risk office assessing the functions - - -?---Yes.

- - - does it strike you that if you were running a business today - - -?---Yes.

5

- - - that had that level of oversight of its authorised representatives that you would be comfortable with it?---No.

10 And do you think that that would be a sufficient arrangement to monitor authorised representatives in a business today?---No.

And do you think there's any reason why it would have been appropriate in 2013?---No.

15 Or 2014?---No.

Or 2015?---No.

20 Or 2016?---No.

Thank you. And it's also the case, isn't it, in particular because of the failure of authorised representatives to breach report that Swann didn't have in place at that period of time adequate risk management systems?---Yes. Yes.

25 Thank you. Now, as became apparent, serious issues emerged with the add-on insurance products and the add-on insurance market?---Yes.

30 Is it fair to say that those difficulties came in at least two forms, one was difficulties with the products themselves and how they had been designed?---Yes.

And the second was difficulties with the market and the way the products were sold?---Yes.

35 And since – I think I'm right to say late 2013, IAG was aware that ASIC was looking into this market generally starting, I think, with consumer credit insurance products?---Yes.

40 And then eventually broadening its gaze to all add-on products sold through motor dealers?---Yes, in – in 2013 ASIC issued a – a report into add-on insurance – or indicated they were going to look into that in more detail.

45 All right. In June 2015 IAG Group corporate affairs prepared a memorandum and they identified concerns with the design of some of the add-on products and the sales practices, the add-on products they were concerned with for the purpose of this report was the consumer credit insurance products?---Yes.

And that memorandum was summarised in an email and you've exhibited the email to your statement so I might just take you to it. It's exhibit 18 to your statement which is IAG.502.002.0717. If we could go to the second page of that document, 0718. This is an email from Jane Anderson to Andy Cornish. Jane Anderson's job description is set out there, group general manager corporate affairs. She's within IAG, not Swann?---Yes.

And what was Mr Cornish's role?---At the time, Mr Cornish was the chief executive officer of our consumer division. And for – for context, if I may, at – at that point in time, we effectively in Australia had two divisions, an intermediated division which effectively sold product through third parties, intermediaries such as insurance brokers. Swann was attached to that division and that was the division that I was the chief executive of. And Andy Cornish was the chief executive of the other division within Australia which was effectively the direct business division. That division, however, included the financial institutions distribution arm that sold consumer credit insurance.

Thank you. So both divisions were selling forms of consumer credit insurance?---Yes, that's right.

Thank you. And Ms Anderson says to Mr Cornish:

As discussed, here's the draft paper on consumer credit insurance. The paper is a work in progress and we continue to talk to people in our business that are responsible for CCI and we're also waiting to hear the outcome of ASICs review of add-on insurance.

?---Yes.

Continuing:

Essentially we're saying that we think an emerging risk to our business is the possible increase in regulation surrounding the sale of CCI.

?---Yes.

Continuing:

I also think from any regulatory response we need to think about the reputational impact of being associated with a product that might not always provide a great outcome for our customers. On the other hand, as the paper suggests CCI does on some occasions help customers out in a time of need.

?---Yes.

And do you recall the memorandum – the draft paper that she's referring to there?---I – I have seen it.

Would you like me to show it to you?---Yes, that would be good. Yes, thanks.

It's exhibit 19 to your statement, which is IAG.502.002.0719. You see it's prepared by Group Corporate Affairs, June 2015 at the top?---Yes.

5

And the purpose of the memo is:

10 *...to determine whether there's a need for support from the policy and government team through targeted government advocacy and persuasive policy positions to ensure outcomes favourable to IAGs business interests.*

?---Yes.

15 And it then goes on to talk about the background and, in particular, how there had been significant investigations into consumer credit insurance in Europe?---Yes.

And I think it's fair to say that those investigations were at least one of the triggers for ASIC investigating in Australia?---Yes.

20 And then there is quite a bit of discussion in this memo about different aspects of consumer credit insurance. And do you recall it notes some product design issues. I don't want to take you specifically to them?---Yes.

25 But it notes that there are some product design issues?---Yes.

It notes that there are conflicts in the remuneration practices for the sale of the products. And it suggests that what is required is an IAG-wide approach to the issue rather than a business by business approach?---IAG, yes, that's right.

30 Yes?---That's right.

Thank you. On 11 June 2015 you emailed Stuart Chapman. You've exhibited that to your statement as well. It's exhibit 1, which is IAG.500.100.5078?---Yes.

35 And in the email which you will see when it comes up, you are seeking to understand any dialogue Swann may have had with any regulators over the last 12 to 18 months?---That's right.

40 And I suspect you're taking that step because it was what May - - -?---May of - - -

May you came into the business?---May of 2015, yes.

So you've been in the business for a month or so?---Yes.

45 At this point in time. And you're seeking to understand the extent to which regulators have been interested in Swann?---Yes, I was aware generally of industry

discussion around this topic. And was seeking some more specific information about that – about the business.

5 And you may recall a couple of days after this you had a meeting with Paul – is it Ayton?---Yes.

10 You had a meeting with him on 15 June and you've said something about that in your statement. I don't need to take you to it. But then on the - - -?---Yes, so that – that was a follow-up meeting to my request for information, I think.

Yes, thank you?---And I think that's what the note was referring to.

15 Yes. On 17 June, you sent an email to the group – to Group Corporate Affairs which you've also exhibited to your statement as exhibit 21. I might take you to it. It's IAG.502.002.0730. And if we could go to 0733 on that page. Actually, I might go back a little bit further. If we could go to 0736. I will just show you the chain - - -?---Yes.

20 - - - Mr Bessell so you can orientate yourself with the discussion that was going on at the time. You can see there that there's an email from Denise Hang on 3 June to an email group which is called the ASIC working group?---Yes.

25 And also cc'ing people including John Anning. Now, you can't tell from the redacted email address but the ASIC working group is – was an email address for the Insurance Council?---Yes.

It's not an IAG or a Swann email group. It's an Insurance Council email group. I can tell you that because I can see it - - -?---Okay.

30 - - - and you can't?---Yes, okay.

And Mr – sorry, Denise Hang is an employee of The Insurance Council. You can see that from the signature block?---Yes.

35 So this was an email where there was being an update provided to presumably a range of people – a range of companies that were members of the Insurance Council updating the members on various ASIC projects and other things?---Yes.

40 But the first topic is updates on ASIC projects. And you will see the very first update is CCI?---Yes.

And then underneath that is insurance sold through car yards?---Yes.

45 So two topics of significant interest to Swann?---Yes.

And then if we go over the page to 0735, that email is then circulated – starts to be circulated within Swann or within IAG, perhaps, by Mr Singh, who’s the manager public policy and industry affairs?---Ms Singh, yes.

5 Sorry, Ms Singh. Pardon me. And Ms Singh emails it to Mr Ayton and to Jeffrey Harris?---Yes.

And you can see the last line of the first paragraph, Ms Singh says:

10 *ASIC indicated that while this review has concluded –*

That being the CCI review:

15 *... its interest in these products is not expected to diminish.*

?---I can’t quite see where you are on the page.

Sorry, it’s the last sentence of the paragraph that has just been exploded?---Yes.

20 And then the last paragraph of that email says:

Paul, can you please send through what we sent to ASIC for the car yards review? It would be good to understand what they are looking for in particular.

25 ?---Yes.

Thank you. Perhaps if that page could stay on the screen but the next page 0734 could be put next to it. Mr Ayton responds to Ms Singh. And you can see the
30 second paragraph, the bottom of the page:

35 *In respect to improving your understanding of what ASIC are looking for, in particular with the review of add-on insurance, the best way of achieving this would be for me to provide you with an overview of my initial discussions with ASIC and to take you through our response. With this being the case, don’t hesitate to let me know when you will be in Melbourne next and we will see if we can find time in our schedules to cover this off.*

40 ?---Yes.

And I might have misunderstood you before. Mr Ayton’s signature block says Swann Insurance?---That’s right.

45 So he was the general manager of Swann?---Yes, he was.

At this point in time?---At this point in time, yes, that’s right.

Thank you. And then if we move to 0733, can you see at the foot of the page there, Mr Ayton has emailed you?---Yes.

And you've said:

5

Thanks for your time this morning.

And that's the reference to the meeting that I said to you that - - -?---Yes.

10 - - - you had with Mr Ayton on 15 June?---Yes.

And the purpose of that meeting was, at least in part, to discuss ASICs CCI review and its add-on insurance review?---Yes. I think it was in reference to that earlier email where I asked for – for an overview of activity that's going on within Swann specific to those reviews.

15

Thank you. And the email above that, a couple of days later, you've emailed Jane Anderson?---Yes.

20 And the last paragraph is:

From my perspective the process of engagement with ASIC is working well and we support a review of add-on insurance in relation to motor dealers, the bulk of Swann's business, particularly when it comes to commission structures.

25

?---Yes.

When you speak there of the engagement with ASIC - - -?---Yes.

30 - - - at this point in time, at least, I think it's right to say the engagement with ASIC was principally through the Insurance Council?---That's right. And Swann was – was a party to a working group, effectively, with the Insurance Council, and the engagement – it increased in the months following June of that – of 2015, but an industry approach was one that was being supported by the industry participants in add-on, and commission capping, for example, was something that was being discussed as well as some other benefit changes.

35

Part of the problem here was I think that at least a significant number of the market participants acknowledged the fact that the commission structures were either inappropriate or not financially competitive for the product providers?---Yes.

40

But nobody was prepared to move first in reducing commission?---No. And the view that we also expressed was that unless there was either industry reform, using commission as one example, that if – if one particular insurer decided to reduce commission, for example, that wouldn't necessarily improve the consumer's experience because the same issue may arise in other – in other – in other

45

dealerships, for example, with other insurers. So the – the industry position was one that this – this matter needed to be dealt with holistically.

By the industry as a whole?---Yes.

5

Thank you. And then if we just move to finish off this email to the first page which is 0730, there's an email there from Mr Galanopoulos?---Yes.

10 And what was his role?---So he was – I think at the time he was head of compliance – risk and compliance within the Swann business.

Thank you. And he is emailing Zaheed Evans?---Yes.

And can you see there the third paragraph he says:

15

However, through its work on the distribution of add-on insurance through car yards ASIC was effectively looking at CCI sold through non-ADI intermediated channels. ASIC was concerned that insurers did not have adequate control over the issue of CCI (or CCI variants). ASIC assured Swann that it would contact participating insurers to discuss its findings and its proposed recommendations before moving forward. A quick look at the notes sent today indicates that this is still the case. John Anning's notes indicate that ASIC have developed a number of recommendations and would be discussing these with participating insurers over the next couple of months.

20

25

?---Yes.

And then the next paragraph:

My perspective is that we should all take a deep breath and look at the issues in a measured but proactive manner. Simply regurgitating the longest of bows, ie, the cash store and authorised intermediaries who are subject to a monitoring and surveillance regime doesn't assist. Involvement in the ICA conference called for 16 September is a good first step and I would suggest that IAG risk and compliance and corporate affairs be a party to that forum.

30

35

?---Yes

40 So still at this point in time very much directing attention to the issue through the ICA and looking for an industry-wide issue?---Yes.

45 And reflecting on the matter now or at least at the time that you were preparing your witness statement, you formed a view that Swann tethering itself in the way that it did to the ICA was one of the causes for the delay in Swann directly addressing the issues?---Yes. In – in hindsight, had – had Swann taken a view of its own, it may have dealt with some of the matters more proactively, and I've referenced that in my statement. I think at the time this industry approach was one that was – was

generally supported across – across the industry. Commission capping, for example, was something that was seen as a very important issue, and that – that ultimately led to a submission to the ACCC which – which ultimately was rejected. But I think that was another example of the industry approach, and – and as it turned out
5 commissions, as an example. As it turned out, that didn't – that didn't work.

Thank you. In September 2015, or at least by September 2015 IAG was aware that ASIC held serious concerns about add-on insurance products?---Yes.

10 It was aware that ASIC held concerns before that, but by September 2015 ASICs concerns were clearly serious and perhaps more precise than they had been before?---Yes. There was a meeting – and I think this – this email refers to a meeting or an upcoming meeting that the ICA had with its representatives, and ASIC at that meeting had expressed frustration that the industry wasn't moving quickly
15 enough, and that – that was in September of 2015.

It was. And there's – there's an email that I will just show you. It's IAG.502.002.0729. This confirms your recollection of September. You can see the email there. This is from you to Ms Singh?---Yes.

20 This is exhibit 20 to your witness statement?---Yes.

And you say:

25 *ASIC advised at the ICA-ASIC meeting on 8 September 2015 that the review has identified longstanding concerns with pricing, value of products and commissions. Following the ASIC working group meeting yesterday, John Anning advised that he was quite concerned as he has not seen a regulator give the industry such a "dressing down" in years.*

30 ?---Yes.

Certainly by this point in time it was plain as day that ASIC had very serious concerns about these products?---Yes.

35 And ASIC had been looking into these products for some time?---Yes.

Around the same time you might recall Ms Singh acknowledged in an email to ASIC that many of IAGs consumer credit insurance products had not kept pace with social change and technological developments. Do you remember that?---Yes.

40 It's in an email that you've annexed as exhibit 16 to your witness statement?---Yes.

45 And do you agree with that statement?---Yes.

Thank you. You have said in your statement that on 18 December 2015 – it was on 18 December 2015 that IAG was aware that the sale of Swann add-on insurance

products through motor vehicle dealers may have contravened regulatory requirements?---Yes.

5 Why do you say that it was on 18 December 2015?---So – so that was – that was in specific reference to a meeting that took place with ASIC in December – on 18 December. Ms Singh was – attended that meeting. There were – there were some other IAG representatives as well. I wasn't at that meeting. But that was the first time that we had obtained – or been provided a view from ASIC that there may be some more particular issues to address within Swann specifically. Up until that point
10 the conversations were very much an industry focus but in that meeting there was specific reference to Swann. And – and that was the reference in my statement where we became – IAG became more aware that Swann was raised specifically as opposed to an industry issue in that – in that meeting.

15 Is it fair to say that notwithstanding from at least 2013 IAG was aware that there was interest by ASIC in consumer credit products?---Yes.

And over time, that interest became an interest more broadly in add-on insurance products?---Yes.

20 And although it knew by September that ASIC's concerns were very serious, what Swann did was engage through the Insurance Council and it didn't take any proactive steps to investigate the products or the sales techniques within its own business at that point in time?---My – my view now is that – yes, that's the case, that the industry approach was one that was preferred, and not a proactive approach specific to its own business practices.

30 There was nothing that would have stopped Swann adhering to an industry approach insofar as engagement with ASIC was concerned, but also doing a review of its own business to try and ascertain if there were problems and, if so, what those problems were?---No. I think – I think in hindsight there was a great deal of emphasis on this issue of capping of commission. And I think the concern was if someone was to reduce commission first, as we mentioned, that – that – that would lose business, and I think commission was seen as almost the – the first priority rather than some of
35 these other product issues we've discussed, and I think – I think that was why the industry approach was – was seen as preferable at the time.

40 And early on in your evidence yesterday you agreed with me that Swann was concerned to be maintaining its market share in the period 2013 to 2016?---Yes.

And maintaining market share was not possible with the unilateral action to decrease commissions?---That's right.

45 Yes?---And – and for context, we – we – I did mention that we sold the business, the motor vehicle business in August. We had signed the first contract in June of that year, and received the first non-binding offer in October of – of 2015. And I'm sure that – that also played a part in - - -

It wasn't going to be your issue in the long run?---Well, it was. It certainly was because – and we continued to work with ASIC on matters that we are continuing to work with ASIC on, but for context, at the time I think that may have also been another reason that the industry approach was one that was more preferable.

5

Thank you. I'm going to try and do something considered brave in this Commission, Mr Bessell, and take you to a spreadsheet. It's IAG.511.009.1458. You can't tell from the face of the document, Mr Bessell, but I can tell you that this is a document, at least in the version provided to the Commission, that's entitled IAG Risk Profile-Swann, 25 May 2016?---Yes.

10

Have you seen this type of document before?---No, but I – I have seen this document in preparation for attending here.

15 Thank you. And then we're in the right tab. If we could please move down to the ninth row using the numbering on the left-hand side – not – sorry, the ninth item. The first column on the left has item numbers. Yes, thank you. Can you see here item 9, insurance is the risk category level 1. Risk category level 2 is product design?---Yes.

20

And the risk identified is:

...risk of Swann products failing to deliver the profit expectations.

25 ?---Yes.

And the Business Context Risk Description is a:

30 *Risk of new Swann products failing to deliver the profit expectations (eg, gross written premium targets, benefit realisation, capital invested).*

?---Yes.

And then the risk causes are identified as being:

35

Unable to successfully promote and distribute in the marketplace.

?---Yes.

40 Continuing:

Economic environment, discretionary pressures, lack of diversification of products, customer shift – how people purchase cars in the future.

45 ?---Yes.

So I said to you that this is a document from May 2016. So even in May 2016, on a risk analysis of Swann, the product risk analysis that was identified – sorry, the product risk that was identified was one connected to the profitability of the product design?---Yes.

5

Not one connected to difficulties in the product design that adversely affected consumers?---No, that's right.

Thank you. I tender that document, Commissioner.

10

THE COMMISSIONER: IAG Risk Profile, Swann, 25 May '16, IAG.511.009.1458, exhibit 6.313.

15 **EXHIBIT #6.313 IAG RISK PROFILE, SWANN, 25 MAY '16
(IAG.511.009.1458)**

MR COSTELLO: And Mr Bessell, it's the case, isn't it, that the ignition program continued to run until at least 30 June 2016?---Yes, that's right.

20

Did it continue after June 2016?---I'm not sure.

No. Nor am I. But in any event, it continued until June 2016, notwithstanding ASICs concerns having been made clear in late 2015. There was no step taken to stop the ignition program?---ASICs concerns - - -

25

In regard to the add-on insurance market generally?---Right, yes. So the ignition program continued, yes.

30

And presumably one of the reasons it continued is because Swann was pushing for a market-wide resolution to commissions and the ignition program was, essentially, part of Swann's commission program?---I – I think – I think it was different to the commission program, but, yes, this – this position of an industry approach was still well and truly underway at that point in time.

35

Thank you. Can I take you now to IAG.503.006.1156. This is a report for the IAG risk committee. And you will see, when it comes up, it's headed Review of Consumer Credit Insurance and Add-On Insurance Products Distributed Through Swann Insurance. Now, it's dated 27 July 2015, but that is a dating error?---Yes.

40

This document is, in fact, from 27 July 2016?---I'm aware of that, yes.

You agree with that?---Yes.

45

Thank you. And if I could take you to the second page, 1157. You can see at the start:

The internal review of CCI and add-on insurance products distributed through Swann Insurance has been completed simultaneously with the ASIC review of Swann on the same products and distribution channel.

5 ?---Yes.

And then you can see:

10 *The nature of distribution through the motor dealer channel is inherently complex.*

That's the start of the second paragraph?---Yes.

15 Continuing:

Strong competition.

?---Yes.

20 Continuing:

High commission arrangements.

25 ?---Yes.

Continuing:

30 *...where unregulated, the non-CCI products, and additional financial partnership support arrangements.*

That includes the marketing payments that I took you to yesterday?---Yes.

Continuing:

35 *Notwithstanding ASICs focus on specific products that when viewed independently provide minimal function return to the consumer (using loss ratio as a proxy) the overall channel does not meeting IAGs target RORBC –*

40 What's that?---Return on risk-based capital.

Thank you –

...targets when the loss-making comprehensive motor portfolio is included.

45 ?---Yes.

And then if that box could come down, and then there is a heading ICA Working Party, the second last heading on that page?---Yes.

And it notes:

5

The ICA working party is due to submit to ASIC by the end of July. It is anticipated that the final initiatives detailed in this submission will address the issues identified in this review.

10 And then it says:

To avoid putting Swann out of step with the rest of the market which may result in them being at a competitive disadvantage for the remaining motorcycle channel, it has been agreed to defer the implementation of the recommendations from this review until the ICA submission is received and (hopefully) accepted by ASIC.

?---Yes.

20 Continuing:

Once ASICs response to the ICA submission is determined a detailed action plan (including delivery dates) will be agreed with Swann.

25 ?---Yes.

And that's a paragraph that bears out the strategies and concerns that you've been expressing that this needed to be a whole of market move or it was going to be to the detriment of the business?---Yes.

30

And even though Swann here was moving out of the motor vehicle side of the business - - -?---Yes.

35 - - - it still needed to preserve its motorcycle market share at this point in time?---Yes. At this point in time, that's right. I mentioned yesterday I think that the motorcycle channel was much more reliant on comprehensive insurance than add-on compared to the motor vehicle channel. And at this stage we still had that motorcycle – motorcycle business, yes.

40 Yes. Thank you. And then if we go over the page to 1158, can you see there observation 2:

Commission levels for non-regulated add-on insurance products are uncapped and as high as 50 per cent in some cases. It is acknowledged that Swann has been lobbying ASIC for some time to regulate commission for add-on insurance products.

?---Yes.

And then if we could go to 1162, please. Can you see observation 7 there:

5 *IAG has limited governance over the sales practices of add-on insurance products through car dealers.*

?---Yes.

10 I think you've now accepted that that is the case and was the case, at least from 2013?---Yes.

And then finally, if we could move to 1164 of that document. Observation 10 is that:

15 *A detailed review of each product's policy wording was not completed during this review.*

?---Yes.

20 Continuing:

The scope of this review did not include a deep technical review of all the products distributed by Swann through motor dealers. As a result it is not known if each of these products provide sufficient benefit to consumers aligning to IAGs customer-led, data-driven purpose of "we help make your world a safer place".

?---Yes.

30 So even at July 2017 Swann didn't yet – and IAG didn't yet have a handle on the extent of any product design issues but it was well aware of the sales channel issues?---Yes, that's right.

35 Thank you?---And that was at about the same time that we started to look at these things more broadly across the group, in the – in the context of product design.

Yes. Yes, well, I might come back to that a little later. It was a little after this that IAG then proposed a remediation program to ASIC?---Late – later that year, yes.

40 I think it was in August?---Yes.

45 Does that sound familiar to you? And then there was a fairly lengthy negotiation between Swann or IAG and ASIC about the extent of any remediation program?---Yes. Actually, the – I think in August the dialogue between IAG and ASIC was specific to two particular matters that they raised with two particular products, as opposed to the broader remediation discussions that took place later on. So in August it was specific to two areas and then that became a broader scope.

Thank you?---Later on that year.

Commissioner, I will tender that document.

5 THE COMMISSIONER: Report of IAG risk committee review CCI and add-on insurance, 27 July '16, IAG.503.006.1156, exhibit 6.314.

10 **EXHIBIT #6.314 REPORT OF IAG RISK COMMITTEE REVIEW CCI AND ADD-ON INSURANCE, 27 JULY '16 (IAG.503.006.1156)**

MR COSTELLO: It was 12 September when ASIC released report 492?---Yes.

15 Are you familiar with that report?---I am, yes.

And on the next day, 13 September, Mr Kell, the deputy chairman of ASIC, sent a copy of the report to Elizabeth Bryan who was IAGs chair?---Yes, that's right.

20 And you deal with that in paragraph 63 of your statement and you've exhibited that letter?---Yes.

And I might just briefly take you to that. It's exhibit 172, which is IAG.500.105.5077. So this is the email to IAGs chair?---Yes.

25

And it encloses a copy of ASICs report 492?---Yes.

Mr Kell says to Ms Bryan that the purpose of the letter is to:

30 *...ensure that you're aware of the need for systemic and substantial changes to the way these add-on products are designed, priced and sold to consumers and to seek your response - - -*

?---Yes.

35

Continuing:

40 *...to the findings of our review and to set out the consequences for insurers who seek to avoid or subvert the benefits intended to be delivered to consumers through the price-related initiatives developed through the Insurance Council of Australia and Gilbert + Tobin.*

?---Yes.

45 And then if we go over the page to 0578 there's the heading at the bottom "Insurers Have Been On Notice"?---Yes.

Mr Kell says:

Insurers have been on notice of ASICs concerns in relation to poor practices in the sale of add-on insurance for several years. The Cash Store case –

5

Are you familiar with what's being spoken of there?---Yes, I am.

Thank you:

10 *...highlighted that ASIC will take enforcement action where we see unacceptable practices in the sale of such products. As at February 2014 ICA Annual Regulatory Forum I have announced that ASIC was reviewing products in this market in my speech. Our concerns were also set out in detail in ASIC report 471, The Sale of Life Insurance Through Car Dealers: Taking*
15 *Consumers for a Ride as they relate to life insurance.*

?---Yes.

Continuing:

20

Moreover, insurers have been fully aware of the poor outcomes for consumers for many years through their own internal data in relation to premiums, claims and commissions.

25 ?---Yes.

Do you agree with that?---Yes.

Continuing:

30

We are concerned about the time taken by insurers to respond to these longstanding concerns about the sale of these products to consumers, given the identified detrimental outcomes.

35 ?---Yes.

And you've exhibited a letter in response from Ms Bryan to - - -?---Yes.

- - - that email?---Yes.

40

Sorry, to that letter?---Yes.

And in her response, which is exhibit 174 of your statement, Ms Bryan said that the IAG board had been kept informed of ASICs concerns?---Yes.

45

And that the IAG board was overseeing the steps to be taken in addressing unacceptable outcomes for Swann's customers?---Yes.

Thank you. And you also wrote to Mr Kell on the same day, I think?---Yes.

26 September?---Yes, I did.

5 And what caused you to write to Mr Kell?---So the – Mr Kell’s letter was – was quite lengthy, and our chair responded directly to him, which was the letter that you were referring to. And I provided a more detailed response on our chair’s behalf, which listed more specific activity that we were undertaking.

10 Thank you. ASIC wrote to Swann then – if I skip forward a little bit, to the – sorry, ASIC wrote to Swann on 12 May the following year, 2017?---Yes.

And it identified 32 issues across five products?---Yes.

15 It ultimately became the framework for the design of the resolution program?---That’s right.

This is the more detailed letter that I think you were referring to earlier?---Yes.

20 And you’ve exhibited that to your statement. It’s exhibit 187. How involved was IAG in Swann’s negotiations in respect of the resolution program?---Heavily involved in that.

And why was it that IAG was heavily involved in that?---So I took a view, as did the
25 – the broader group that towards the end of 2016 following this letter being sent by Mr Kell, that we needed more formal engagement with ASIC to bring these matters to resolution. So I engaged members of the corporate affairs and our group legal area and ultimately that group formed, effectively, a working group, working party that then worked with ASIC over the course of, effectively, the next 12 months until
30 such time as we finalised that resolution program.

Thank you. You’ve said in your witness statement that Swann operated under a devolved business model?---Yes.

35 What’s a devolved business model?---So in the – in the context of these discussions, Swann had its own AFSL. It had its own management structures, its own legal and risk and compliance functions. So it was effectively a standalone business. So that’s the reference to devolved. It didn’t have any shared services, if you like, with the group until very late in 2015, early 2016. It was effectively a standalone business. It
40 was still part of the division that ultimately I looked after for that period of time, but it was effectively self-sufficient.

The person with ultimate responsibility for the Swann business was the head of the division that it sat in within IAG?---Yes.
45

And at all times from 2013 members of Swann’s board included IAGs chair?---I – I would have to check that. I’m not sure.

All right. Are you aware that at all times since 2013 IAGs CEO was a member of the Swann board?---I believe so, yes.

5 Did the Swann board meet and have formal functions, or was that not the way - - -?---I - - -

- - - governance worked within the Swann unit?---I don't know exactly. I wasn't on that board, and – so I can't answer that question.

10 All right. I just want to turn briefly to the remediation program before coming to some questions on a different topic. On 19 December 2017 ASIC announced that IAG would remediate 67,960 customers?---Yes.

15 And the estimated cost of the remediation program at that stage was \$39 million?---Yes.

And you've said in your statement that the remediation program will, in fact, cost a little less than that. In your statement you said \$37.1 million?---Yes, that's right.

20 And part of the reason, no doubt, for that is that rather than 67,960 customers, there will in fact be, on your estimate, 64,187?---Yes, that's right.

That will be remediated?---Yes.

25 And in its media release which I might go to, RCD.0014.0051.0232, ASIC said that the program would include refunds for seven different types of issue?---Yes.

Do you remember that?---Yes.

30 And that document will come up in a moment, but the issues that are identified in that document are where it's unlikely the customer could claim as the insured value of the car was more than the amount borrowed?---Yes.

35 And you say in your statement that 1935 policyholders were affected by that issue?---Yes.

Thank you?---Sorry, that's listed in a table, I think, in – is it the table that's in my statement?

40 I think if you go to paragraph 40 of your statement, you will see some explanation of it?---I have – I have that, yes. Yes, I see that table.

45 Yes. So I think I'm correctly attributing the issue to the number but you can tell me if I'm wrong. The second category was that gap cover was unnecessary because it duplicated existing customer held by the policyholder under a comprehensive policy?---Yes.

And there were about 127 people that fell into that?---Yes.

The third category was customers who were sold a more expensive level of cover than they needed?---Yes.

5

And that's the largest single category by number?---Yes.

41,039 policyholders?---Yes.

10 The fourth category was customers who did not receive rebates under gap cover policies when they paid out their loan early, even though the policy had ended?---Yes.

And that's another large category, 13,527?---Yes.

15

The fifth category was customers who were sold MBI?---Yes.

For longer than they needed?---Yes.

20 Can you explain that issue?---This was to do with the mechanical breakdown insurance, I believe.

That's right?---Or the warranty insurance. So they may have purchased a policy that had an option which normally related to the number of kilometres travelled.

25

Yes?---So someone may have purchased a vehicle, for example, that had so many kilometres on it. And they purchased a policy that effectively expired when the kilometres were reached in a shorter period of time after the policy was purchased.

30 Yes?---That's my understanding of that matter.

Thank you. That's the fifth category, and just so you know, Mr Bessell, that document is now on the screen?---Yes.

35 I'm taking the description of the categories from the front page of this document?---Yes.

You can see the second list of bullet points:

40 *The program includes refunds where –*

?---Yes.

45 And I've just read to you, in effect, the third last bullet point?---Which I think I answered correctly.

Just explained?---Yes. Yes.

The sixth category was customers who paid twice for roadside assistance because they were sold that option under two different policies that were in force at the same time?---Yes.

5 And there were 31 people in that category?---Yes.

And there's a final category:

10 *Life insurance cover was sold to young people who were unlikely to need it.*
?---Yes.

And you haven't included that category in this table. You deal with that category in the paragraph below?---Under the table, yes.

15 That's right, in 41?---Yes.

And there were 6556 policyholders aged under 30 who were affected by that issue?---Yes.

20 And so Swann is in the process of remediating those identified customers?---Yes.

Why, to your mind, was it that customers were sold products that fell into one of the categories that I've just taken you to now? What were the causes?---I think it was a combination of product design and customers not fully understanding the products that were being purchased. And the environment in which those – those products were sold.

25 Thank you. IAG commenced paying refunds to the affected customers on 30 January this year?---Yes, that's right.

And it expects to have completed the remediation by 31 January next year?---Yes. We're – we seem to be about halfway through that. We've paid approximately \$20 million so far to about 30-odd thousand customers.

35 Thank you. Mr Bessell, do you agree that a significant number of the add-on insurance products sold by Swann were of questionable or little value to the consumer?---Yes, I agree that in many cases, consumers purchased products that were of little or no value to them. We – we – we do know that there are cases that consumers did obtain good and fair value but in many cases they did not.

40 Do you agree that the products were poorly designed from a consumer perspective?---I think – I think the products could have been better explained in product documentation. So, yes, I would answer that question.

45 Well, explanation is one factor?---Yes.

And it is true that even a well-designed product, if not properly explained, could be problematic to the consumer?---Yes.

5 But was there a more fundamental issue with the inherent design of the product?---I think many of the products in their own right were – were appropriate. How they were sold and perhaps the details and how they were communicated were more – more of the issue.

10 Do you think it's the case that for many people if they had a life insurance policy, perhaps through their superannuation fund - - -?---Yes.

15 - - - and if they had a comprehensive policy of motor vehicle insurance there was little need for them to have any of these policies?---In – in many cases, that's true. What we've seen through the resolution program so far, and those 60-odd thousand customers I referred to, the bulk of the refunds that we are providing relates to, effectively, over-insurance as opposed to duplicate insurance. So I think there are occasions where insurance was purchased that was not required but actually what we're seeing, over-insurance was the predominant issue so far.

20 And over-insurance, necessarily, means, doesn't it, if you're not capable of claiming, that the product is of low value to the consumer?---Yes, or – or the consumer purchased a level of cover that was not – that was not needed.

25 Yes?---They needed a level that was here and they purchased a higher level, yes.

30 Do you think that the principal reasons for the conduct occurring were some of these – I will put a variety of them to you and you can tell me which you accept and which you don't, that these policies were sold by authorised representatives with no effective supervision by Swann?---No, I don't. I don't agree with that.

That Swann was selling the products at a time when it was focused on profit and market share?---Yes, I agree.

35 That Swann viewed its motor vehicle dealers as its customers?---Yes.

Swann didn't develop products based on the needs of consumers?---Yes.

40 Developed the products based on, if anything, the needs of the motor vehicle dealers?---Yes.

And you've also said in your statement that IAGs devolved business model gave Swann operational autonomy and provided insufficient visibility within IAG of the risks of Swann?---Yes.

45 Do you think that overstates the degree of autonomy Swann had?---No, I think that's a fair reflection on – on what was occurring at the time.

But at any point in time it was capable of IAG finding out exactly what was going on in Swann, it just didn't do it?---Yes.

5 It didn't do it because of the devolved business model you say?---Yes. And – and I think – again, this is a hindsight view – at the time Swann represented less than 10 per cent of the overall revenue for the business, and, again, on reflection, I think the size of the business and the devolved model created an environment where – where proactive oversight was not undertaken.

10 Was it wrong for Swann to incentivise its authorised representatives in the way that it did?---So my view on that is that the – the incentives that were in place were in line with market. They were not out of step with market conditions. Having said that, they are – they are high.

15 And they're not just high, but they are incentives given to authorised representatives whose very business model means that they need to supplement their core income with additional income such as by the sale of insurance products?---Yes.

And Swann incentivised the authorised representative personally?---Yes.

20

And incentivised at least some of the authorised representatives' staff?---Yes.

And the authorised representatives were professional sales people?---Yes.

25 That managed to convince a person to buy a car already?---Yes.

And had then signed them up to a finance package and then presented them with six or so other add-on insurance products that they wanted to sell?---Yes.

30 And there was usually no direct financial consequence felt by the consumer as a result of taking the add-on insurance because it was wrapped into the finance package?---That's – on most occasions, that's right, yes.

35 Thank you. Now, is Swann still in the motorcycle add-on insurance market?---No, it's not. It exited in October of last year.

All right. Well - - ?---It does still sell comprehensive motorcycle insurance, though.

40 Thank you. That, Mr Bessell, puts you in a perhaps unique position, in that you have long insurance – sorry, long experience in the insurance industry, including in respect of add-on insurance, but you're no longer responsible for a business that is involved in these products or that issues them?---That's right.

45 And you're well aware of the many and varied issues in this market that ASIC has identified?---Yes.

And do you think that IAG formed the view that it was just too hard to fix these issues on its own, and once the ACCC had rejected the commission-capping proposal, it was too hard to fix these issues market-wide?---I – I think that combined with the fact that we were – as a group were taking a view around customer and –
5 and the way in which products are constructed and customer value. So I think the combination of an internal group view around the customer-centricity of products to use that term with, in this case, the external market environment led us to believe that leaving this market was – was in line with what was going to be our strategy.

10 IAG has got product design principles now in place for its products?---Yes, it has.

And these add-on products wouldn't meet those standards now?---No, they would not.

15 So now that you're no longer involved in the market, I'm going to ask you some questions to see if you can give assistance to the Commission in dealing with some of the more knotty problems that are faced in this market?---Yes.

20 One suggestion for reform in this area is that add-on insurance should be sold only on a deferred sale model?---I am familiar with that recommendation or suggestion.

The idea behind that recommendation is that consumers would have a period of time where they could consider if the product was appropriate and met their needs?---Yes.

25 And they would be able to take that time outside of what might be a high pressure sales environment where they've already agreed to sign on to a car and finance package?---Yes.

30 Do you think that that is a good proposal?---Yes, I do. The products that Swann used to sell did have a cooling-off period within them but I think a more formalised model that you're referring to would – would be appropriate.

35 An important aspect for a deferred sales model to work would be the quality and comprehensibility of the product information provided to the consumer?---Yes.

40 Has IAG in the course of its redesign of its products and its philosophy given any consideration as to how to best convey to consumers the key terms and exclusions of policies?---I would say that's an ongoing process. I don't believe we have reached the ideal model yet but I think a combination of plain and simple language in product disclosure statements, as well as appropriate follow-up and dialogue as a theme is important. I note recently there's some surveys being reported on that suggest lots of material that is available isn't really used by the consumer. So think that is still a work in progress. But I think simplified product disclosure statements and a more proactive approach would assist.

45 That deferred sales model coupled with more effective disclosure or information is one method. Another method might just be to accept the fact that there are inherent

problems in these add-on insurance products that are incapable of fixing because they are inherent in the product?---Yes.

And to stop the products being sold?---Yes.

5

Would that be something that would be of more utility to consumers, in your view?---I – I wouldn't like to speak on behalf of a consumer because I am sure that there are consumers that see these products are of value, but I think that's an example – and I – I would have to defer to consumer advocacy groups to that point and I know we're certainly engaging with them. So that one is a bit hard for me to comment on because it's a consumer view.

10

Well, do you think that there is, at the end of the day, on a proper analysis, are these products of sufficient value to a sufficient number of consumers to warrant them being in the market?---I think – I think if they're structured – structured differently – differently they could be of greater value, in terms of price and – for example. So I think – so if I reflect on the high level of commission, for example, that we've talked about, that ultimately is embedded in a – in a price point in some way or form. So I think if things like commissions are capped, product disclosure statements are more easily understood, some of the benefit periods are perhaps extended or even removed from a policy. I think there are a combination of factors there that would – would ensure there is greater value for a – for a consumer.

15

20

Thank you. You won't have read it but QBE who was one of Swann's competitors in this market - - -?---Yes.

25

- - - and is also in a remediation program - - -?---Yes.

- - - for add-on insurance has supplied a statement to the Royal Commission, which I will tender once you leave the witness box. QBE identifies one of the principal reasons for its conduct being that these products were sold under a general advice model?---Yes.

30

And QBE says that under that model, it was inappropriate to determine whether – for the authorised representative to determine whether the policy was suitable for the personal circumstances of the consumer. Is that something that there has been discussion of within Swann or IAG?---Not Swann, but that – that matter generally has been discussed, but – but not in the context of the – of the Swann operation.

35

Does the general insurance model present difficulties in ensuring that consumers are given – sorry, are sold products that are suitable to them?---The – the – the difference between general and personal advice is something that is discussed a lot in the industry, and that matter also goes to the channel through which the product is – is purchased whether it's directly or through an adviser, and obviously there's different implications for the consumer through those channels. I think it's an ongoing discussion within the industry, and will be an ongoing discussion for some time. I

40

45

think the – the general advice and personal advice model has its place. Is it perfect?
No, I don't think it is.

Thank you, Mr Bessell. Commissioner, I have no further questions.

5

THE COMMISSIONER: Yes, thank you. Yes, Mr Stoljar.

MR STOLJAR: There's no re-examination, thank you, Commissioner.

10 THE COMMISSIONER: Thank you. Thank you very much, Mr Bessell. You may step down.

<THE WITNESS WITHDREW

[10.54 am]

15

THE COMMISSIONER: Yes, Mr Costello.

20 MR COSTELLO: Commissioner, there is a further witness statement. It's a supplementary witness statement of Mark Miller of IAG in answer to Rubric 6-51 and 6-53, dated 14 September 2018, that I wish to tender. The document ID is WIT.0001.0167.0001.

25 THE COMMISSIONER: That statement becomes exhibit 6.315.

EXHIBIT #6.315 SUPPLEMENTARY WITNESS STATEMENT OF MARK MILLER OF IAG IN ANSWER TO RUBRIC 6-51 AND 6-53 DATED 14/09/2018 (WIT.0001.0167.0001)

30

35 MR COSTELLO: Commissioner, as I just mentioned to Mr Bessell, Mr Declan Moore of QBE has also provided the Commission with a witness statement in answer to Rubric 6-59 on the issue of add-on insurance. The statement is dated 30 August 2018. And its document ID is QBE.9999.0002.0001.

THE COMMISSIONER: Exhibit 6.316.

40 **EXHIBIT #6.316 STATEMENT OF DECLAN MOORE, QBE, IN ANSWER TO RUBRIC 6-59 DATED 30/08/2018 (QBE.9999.0002.0001)**

45 MR COSTELLO: Commissioner, if we could adjourn for five minutes so that the bar table could be reconstituted.

THE COMMISSIONER: So if I come back at 11?

MR COSTELLO: Thank you, Commissioner.

THE COMMISSIONER: Yes.

5

ADJOURNED

[10.55 am]

10

RESUMED

[11.00 am]

THE COMMISSIONER: Yes, Ms Orr.

15 MS ORR: Commissioner, the next case studies concern the conduct of two insurance companies, Youi and AAI, in handling claims under home insurance policies following natural disasters and severe weather events. Before we turn to those case studies we want to provide some context about the issues that arise in connection with the handling of claims following natural disasters and severe weather events. Natural disasters have devastating, long-lasting financial effects on the individuals and communities affected by them. The Insurance Council of Australia has estimated that over the past two decades, insurance losses arising from natural disasters and severe weather events that it has declared to be catastrophes totalled approximately \$25 billion.

25 In addition to their financial effects, natural disasters and severe weather events also have a significant social impact. This can include mental health issues, the breakdown of relationships, short and long-term unemployment, and community dislocation. It has been estimated that the social impacts of natural disasters may be equal to or greater than the financial impacts caused by these events. When a natural disaster occurs, individuals and communities rely on insurance companies to help them rebuild and recover. In the wake of each of Tropical Cyclones Yasi in 2011 and Debbie in 2017, the value of insurance claims exceeded \$1.5 billion.

35 The value of insurance claims following the widespread flooding in Queensland in 2010 and 2011 was approximately \$2.4 billion. There are several types of insurance policies under which a person might make a claim following a natural disaster or severe weather event. These include home and contents policies, business interruption policies, liability insurance policies, life insurance policies, and health insurance policies. The focus of these case studies will be on home insurance policies.

40 THE COMMISSIONER: Interesting to know who is printing what, Ms Orr, but there we are.

45 MS ORR: Not me, Commissioner. Before we turn to the case studies, we want to say something briefly about the issue of the definition of “flood” in home insurance policies which received considerable attention following a series of natural disasters

that occurred throughout Australia in 2010 and 2011. Between December 2010 and January 2011, large areas of Queensland experienced prolonged and extensive rainfall leading to historic flooding. In February 2011, Cyclone Yasi made landfall in northern Queensland as a category 5 cyclone causing further extensive damage.

5 More than 78 per cent of Queensland was declared a disaster zone with over 2.5 million people affected and 29,000 homes and businesses suffering inundation. Six months after Cyclone Yasi, approximately 64 per cent of insurance claims arising from the event remained open. 12 months later, approximately 24 per cent of claims still remained open.

10

In 2010 and 2011, parts of Western Australia, New South Wales and Victoria also experienced extreme weather events, including floods and hail storms. Several inquiries were commissioned to report on the 2010 and 2011 natural disasters, and on the perceived shortcomings of the insurance industry in responding to those events.

15

Among other things, those inquiries found that many insurance policies did not provide cover for damage caused by flood, definitions of flood in policies varied and were generally complicated, and many people did not realise that their policies excluded flood from cover.

20

The inquiries also identified areas of concern in relation to the timeliness of the resolution of insurance claims, and complaints about the handling of insurance claims, and the lack of effective communication about the progress of claims. Two of the entities that provided submissions to the Commission earlier this year addressed these issues in their submissions. CBA acknowledged that it had engaged in conduct that fell below community standards and expectations in relation to its handling of insurance claims arising from natural disasters.

25

CBA told the Commission that the product disclosure statement for its home and contents insurance policies from 2007 to 2013 excluded flood coverage but did have limited flash flooding coverage. CBA acknowledged that the complexity and difficulty in determining if damage was caused by a flood or by flash flooding, as defined in the PDS, gave rise to considerable customer confusion, ambiguity, and delay in the resolution of claims. At the time of the Queensland floods in 2010 and 2011, the PDS contained a general exclusion for flood coverage. In the case of flash flooding, the PDS covered up to 15 per cent of the total sum insured for the building, and 25 per cent of the sum insured for contents. A number of claims were ultimately denied.

30

35

Allianz said that before the 2011 Queensland floods, most residential home insurance policies in Australia excluded cover for riverine flood. As a result, Allianz denied many thousands of flood claims causing great dissatisfaction among impacted policyholders, and in the broader community. Allianz told the Commission that it introduced flood cover in 2012 but allows customers to opt out of flood cover. It said that flood risk can increase premiums on flood-exposed homes by up to 2000 per cent. Due to the high cost of cover, Allianz said that most homeowners with medium to high flood risks opt out of flood cover. As a result, flood is excluded and flood claims will generally be denied. Allianz noted that this was most recently

40

45

highlighted in the 2017 northern New South Wales flooding generated by Cyclone Debbie. Allianz said that any community expectations that homeowners suffering losses from flood damage will be covered by insurance will generally remain unmet.

5 In April 2012, following the inquiries into the events of 2010 and 2011, the
Insurance Contracts Amendment Act of 2012 was passed. It amended the Insurance
Contracts Act to provide a framework for making regulations for a standard
definition of flood in home building and home contents insurance contracts, and to
require the provision of a key facts sheet with home building and home contents
10 policies which outlines information about the policy in a concise form. The
Insurance Council of Australia told the Commission that the deployment of standard
flood cover in many policies facilitated quicker outcomes for many policyholders
following the New South Wales Hunter Valley floods in April 2015.

15 The Commission sought witness statements from representatives of Legal Aid New
South Wales and Legal Aid Queensland about the assistance that they provide to
people who have been affected by natural disasters and severe weather events and
common issues arising from the conduct of insurance companies in responding to
those events. The Commission received a statement from Mr Paul Holmes, a senior
20 lawyer with Legal Aid Queensland. Mr Holmes said that Legal Aid Queensland has
provided people with assistance following a number of natural disasters or severe
weather events, including the Queensland floods in 2010 and 2011, Cyclone Yasi in
February 2011, and associated flood events in western Queensland, floods affecting
Bundaberg and Maryborough in January 2013, major storm events throughout
25 Queensland, Cyclone Marsha in February 2015, and Cyclone Debbie in March and
April 2017.

Mr Holmes said that following Cyclone Yasi and the Queensland floods that
occurred in 2010 and '11, the key issues affecting people making insurance claims
30 were confusion about the scope of insurance coverage that they held, including the
different definitions of "flood" that existed between different insurers; a poor and
impersonal initial claims experience which did not build trust or rapport between the
claimant and the company; and insurance documents being complex and difficult to
comprehend, leading to people not understanding the extent of their coverage.

35 As we've mentioned, following those events a standard definition of flood was
introduced. While Mr Holmes believed that this had a positive effect for consumers,
he told the Commission that the downside for people in Queensland is that flood
insurance is now very expensive in many areas. Mr Holmes told the Commission
40 about four common issues that currently affect the insurance claims process for
people following natural disasters. First, he said that some claims assessors or claims
managers provide claimants with the wrong information about the chances of success
with their claim, their likely insurance payment, and the claims process. This can
cause great stress to people.

45 Second, Mr Holmes told the Commission that disputes about the scope of works to
be performed by repairers are common. These often involve disagreement about the

extent or cost of a scope of works, and the proposal to fix the damage. Mr Holmes said that disputing a scope of works can be expensive for customers who are often required to pay for their own building reports or assessments. Third, Mr Holmes referred to occasions where insurers offered inappropriate cash settlements that either
5 did not reflect the amount it would cost an insured person to repair the damage, or were made by the insurer in an attempt to get a dispute off their books when there had been ongoing problems regarding repairs.

Finally, Mr Holmes raised the issue of claims being denied on the basis that a
10 property had not been maintained to an appropriate standard. Mr Holmes told the Commission that problems arise because different definitions and interpretations of the word “maintenance” are used by different insurers in their policies.
Commissioner, I tender the witness statement of Paul Holmes, dated 11 June 2018.

15 THE COMMISSIONER: That statement becomes exhibit 6.317.

EXHIBIT #6.317 STATEMENT OF PAUL HOLMES DATED 11/06/2018

20 MS ORR: The Commission also received a statement from Ms Brenda Staggs, a senior solicitor at Legal Aid New South Wales. Ms Staggs is also the current consumer representative on the General Insurance Code Governance Committee. Ms Staggs told the Commission that Legal Aid New South Wales has been involved in
25 assisting clients with legal needs following natural disasters since 2008. Two of the main areas in which solicitors from Legal Aid New South Wales provide assistance following natural disasters are advising in relation to insurance claims and advising of rights in relation to financial hardship.

30 Ms Staggs told the Commission that the last four major disasters where Legal Aid New South Wales attended a disaster recovery centre were the 2013 bushfires in the Blue Mountains, the 2015 Hunter Dungog floods, the 2017 North Coast floods which occurred when tropical cyclone Debbie moved to the south and merged with a cold
35 front in northern New South Wales, and the 2018 bush fires near Tathra in which 69 houses were destroyed, 30 mobile homes were lost, and 39 houses were damaged. Following the Blue Mountains bushfires, Legal Aid New South Wales conducted a survey of 120 clients to whom they provided legal advice or assistance. Legal Aid identified the following main issues arising from the survey responses, and their
40 work following the fires.

First, Ms Staggs told the Commission that the issue of under-insurance where a
45 property is insured for less than it is worth arose generally in the case work of Legal Aid New South Wales. Ms Staggs gave an example of a client who was a long-term customer of her insurance company and who had spoken to the company numerous times about the sum of her building insurance cover and her premiums. Shortly after the Blue Mountains bushfires which destroyed her home and contents, an assessor told her that she was grossly under-insured. The client said that had she been told

that she was under-insured she would have immediately insured her home for the recommended amount. The client rebuilt her home from her life savings and remains more than \$220,000 out of pocket.

5 Second, Ms Staggs said that Legal Aid New South Wales witnessed several instances
of insurance companies not adopting a more trauma-informed approach to claims
management. Ms Staggs said that Legal Aid New South Wales had observed that
clients who had lost everything in the Blue Mountains were asked to make a detailed
list of all the contents they had lost, which was re-traumatising to them and was
10 likely to result in an under-estimation of their loss. Ms Staggs provided an example
of an eight year old boy whose family lost their home and all of its contents in the
bushfires. The boy was asked by the insurer to make a list of all the toys that he had
lost.

15 Ms Staggs told the Commission that Legal Aid New South Wales and other agencies
have designed a total loss protocol proposing that when a policyholder has lost
everything and they are insured for a reasonable amount, the contents claims should
be paid immediately and in full, without the need for the policyholder to make an
itemised list of contents. Most insurers agree to adhere to the principles of the
20 protocol during a natural disaster. Legal Aid New South Wales has made
submissions to the Insurance Council of Australia about the desirability of the total
loss protocol being included in the next version of the General Insurance Code of
Practice.

25 Commissioner, I tender the witness statement of Brenda Staggs, dated 11 September
2018.

THE COMMISSIONER: That statement becomes exhibit 6.318.

30

**EXHIBIT #6.318 WITNESS STATEMENT OF BRENDA STAGGS DATED
11/09/2018**

35 MS ORR: We turn now to the particular case studies through which we will
examine the conduct of insurers in the handling of insurance claims following natural
disasters. These case studies relate to four natural disasters, or severe weather
events, that have occurred in the last four years. The first of the case studies relates
to the conduct of Youi in connection with two insurance claims. One arising from
40 damage to a home caused by Tropical Cyclone Debbie and the other arising from
damage to a home caused by a hail storm in Broken Hill. We will say something
further about each of those events.

45 In March 2017, Tropical Cyclone Debbie, which was classified as a category 4
cyclone, made landfall at the Queensland north-east of Airlie Beach. The cyclone
travelled southwards causing damage and flooding in South East Queensland and
Northern Rivers. Approximately 2300 homes were damaged and there were 14

fatalities. The Insurance Council of Australia told the Commission that Cyclone Debbie is the second most expensive cyclone in Australia's history, after Cyclone Tracy which hit Darwin on Christmas Day in 1974. Tropical Cyclone Debbie saw more than 75,000 insurance claims lodged for an estimated insured value of \$1.77 billion.

We spoke with people who made a number of claims under home insurance policies following Tropical Cyclone Debbie. We sought statements from five insurance companies – AAI, Allianz, CommInsure, Westpac and Youi – about their handling of claims arising both from natural disasters since 1 January 2013 and specifically from Cyclone Debbie. AAI told the Commission that over this five-year period, it had received almost 90,000 claims under home or contents policies arising from natural disasters. It also told the Commission that as at 30 April this year, it had received 8719 claims under home or contents policies arising from Tropical Cyclone Debbie.

Allianz told the Commission that over this five-year period, it had received more than 30,000 claims under home or contents policies arising from natural disasters, and it had received more than 2900 claims arising from Tropical Cyclone Debbie. CommInsure told the Commission that over the five-year period, it had received almost 40,000 claims under home or contents policies arising from events that it classified as natural disasters. As at 17 May this year, it had received more than 3400 claims under home or contents policies arising from Tropical Cyclone Debbie.

Westpac told the Commission that as at June this year, it had received 2872 claims arising from Tropical Cyclone Debbie. Youi told the Commission that over the five-year period it had received more than 13,000 claims under home or contents policies arising from events that it classified as natural disasters. As at 20 June this year, it had received over 2000 claims under home or contents policies arising from Tropical Cyclone Debbie. The Insurance Council of Australia told the Commission that six months after Cyclone Debbie, approximately 42 per cent of claims remained open. 12 months later, approximately 17 per cent of claims still remained open. The Commission will hear evidence in connection with Tropical Cyclone Debbie from Mr Glen Sutton who made a claim with Youi following the cyclone.

In November 2016, a severe hail storm struck parts of South Australia, Victoria and New South Wales, including the town of Broken Hill. This event resulted in extensive property damage in the town, particularly to the roofs of the properties there. The Insurance Council told the Commission that the storm brought hail the size of golf balls, strong winds with gusts of almost 100 kilometres an hour and heavy rain. Approximately 52,000 insurance claims were lodged as a result of the storm for an insured loss estimated at \$597 million. Six months after the hail storm, approximately 53 per cent of claims remained open and 12 months later, approximately six per cent of claims remained open. The Commission will hear evidence from Ms Sacha Murphy who made a claim with Youi following the storm. In both these case studies, Mr Jason Storey of Youi will give evidence about the claims.

The second of the case studies relates to the conduct of AAI, which trades as Suncorp Insurance in advertising its home insurance policies and in handling claims under those policies. That conduct came to light as part of an investigation into Suncorp's handling of insurance claims arising from the bushfires near Wye River in Victoria in 2015. On Christmas Day in 2015, a bushfire in the Wye River region of Victoria broke containment lines and spread rapidly. Over 240 buildings in the area were affected, including 116 which were destroyed. The Insurance Council of Australia told the Commission that over 511 claims were lodged following this bushfire, for an estimated insured value of \$110 million.

Six months after the bush fire, approximately 64 per cent of claims remained open, and 12 months later, approximately 35 per cent of claims remained open. In this case study, the Commission will hear evidence from Mr Gary Dransfield, the chief executive officer, insurance for the Suncorp Group. The third of the case studies relates to the conduct of AAI in handling an insurance claim arising from damage to a home caused by flood. In April 2015, an intense east coast low pressure system caused storm and flood damage along the eastern seaboard including the Hunter Valley. This event resulted in extensive damage to homes, stock and infrastructure with approximately 4500 calls made to the SES. Power and water access was restricted for tens of thousands of homes across the wider Hunter region. At least four people died.

The Insurance Council of Australia told the Commission that more than 135,280 insurance claims were lodged as a result of the event for an insured value of approximately \$949 million. In this case study, the Commission will hear evidence from Ms Bernadette Heald who made a claim following the floods with AAI and Mr Gary Dransfield, again the chief executive officer, insurance for the Suncorp Group. Commissioner, I tender a number of statements received from the different insurers. In relation to Allianz I tender the witness statement of David Krawitz dated 13 June 2018.

THE COMMISSIONER: That becomes exhibit 6.319.

EXHIBIT #6.319 STATEMENT OF DAVID KRAWITZ DATED 13/06/2018

MS ORR: A further witness statement of David Krawitz dated 25 June 2018.

THE COMMISSIONER: Exhibit 6.320.

EXHIBIT #6.320 FURTHER WITNESS STATEMENT OF DAVID KRAWITZ DATED 25/06/2018

MS ORR: And the witness statement of Lori Callahan dated 13 June 2018.

THE COMMISSIONER: Exhibit 6.321.

EXHIBIT #6.321 STATEMENT OF LORI CALLAHAN DATED 13/06/2018

5

MS ORR: In relation to CBA, I tender the witness statement of Helen Troup dated 12 June 2018.

10 THE COMMISSIONER: Exhibit 6.322.

EXHIBIT #6.322 STATEMENT OF HELEN TROUP DATED 12/06/2018

15

MS ORR: A second statement from Helen Troup, also dated 12 June 2018.

THE COMMISSIONER: Exhibit 6.323.

20

EXHIBIT #6.323 SECOND STATEMENT FROM HELEN TROUP DATED 12/06/2018

25 MS ORR: And a supplementary witness statement from Ms Troup dated 22 June 2018.

THE COMMISSIONER: Exhibit 6.324.

30

EXHIBIT #6.324 SUPPLEMENTARY WITNESS STATEMENT FROM MS TROUP DATED 22/06/2018

35 MS ORR: In relation to Suncorp, I tender the witness statement of Gary Dransfield dated 13 June 2018.

THE COMMISSIONER: Exhibit 6.325.

40

EXHIBIT #6.325 STATEMENT OF GARY DRANSFIELD DATED 13/06/2018

45 MS ORR: In relation to Westpac I tender the witness statement of Susan Houghton dated 22 June 2018.

THE COMMISSIONER: Exhibit 6.326.

EXHIBIT #6.326 STATEMENT OF SUSAN HOUGHTON DATED 22/06/2018

5 MS ORR: In relation to Youi, I tender the witness statement of Bert Bakker dated 8 June 2018.

THE COMMISSIONER: Exhibit 6.327.

10 **EXHIBIT #6.327 STATEMENT OF BERT BAKKER DATED 08/06/2018**

MS ORR: And the supplementary witness statement of Bert Bakker dated 21 June 2018.

15

THE COMMISSIONER: Exhibit 6.328.

20 **EXHIBIT #6.328 SUPPLEMENTARY WITNESS STATEMENT OF BERT BAKKER DATED 21/06/2018**

MS ORR: Commissioner, I now call Ms Sacha Murphy.

25 THE COMMISSIONER: Yes.

<SACHA MICHELLE MURPHY, AFFIRMED

[11.27 am]

30

<EXAMINATION-IN-CHIEF BY MS ORR

35 THE COMMISSIONER: Thank you very much. Do sit down. Yes, Ms Orr.

MS ORR: Ms Murphy, could you please state your full name?---Sacha Michelle Murphy.

40 And you live at an address in Broken Hill that's known to the Commission?---Yes.

What is your occupation, Ms Murphy?---I'm an asset data administrator.

45 And did you receive a summons from the Commission to attend and give evidence today?---Yes.

Do you have that summons there?---Yes.

I tender that summons, Commissioner.

THE COMMISSIONER: The summons to Ms Murphy, exhibit 6.329.

5

EXHIBIT #6.329 SUMMONS TO MS MURPHY

10 MS ORR: And Ms Murphy, did you make a witness statement for the Commission dated 20 June 2018?---Yes, I did.

Are the contents of that statement true and correct?---Yes.

I tender that statement, Commissioner.

15

THE COMMISSIONER: Exhibit 6.330.

EXHIBIT #6.330 STATEMENT OF MS MURPHY DATED 20/06/2018

20

MS ORR: Now, Ms Murphy, you said that you live in Broken Hill. Can you explain how far Broken Hill is from the nearest city?---It's three hours away from the nearest city, which is Mildura.

25

And how long have you lived in Broken Hill, Ms Murphy?---I have lived in Broken Hill for 16 years.

And can you tell us a bit about the climate in Broken Hill?---It's hot and arid.

30

And you live in Broken Hill with your partner and your children?---Yes.

How many children do you have, Ms Murphy?---I have four children.

35

And how old are your children?---Eight, six, two and six months.

Thank you. Now, how long have you lived in your house in Broken Hill, Ms Murphy?---Since November 2009.

40

Do you know when your house was built?---A very long time ago, yes.

And can you tell us a bit about your house?---It's a small, three-bedroom home. Yes, it's tiny.

45

I'm sorry, it's - - -?---It's tiny.

Tiny, yes. Now, Ms Murphy, there are two mines in Broken Hill. Is that right?---Yes.

And are there issues with lead contamination in Broken Hill?---Yes, there are.

5

Can you tell us about those issues?---So the lead comes off the mine and the iron ore dump sites, and is blown around. It's the lead particles are in the air and they settle on any surface, be it a roof, the ground, playground equipment, whatever.

10 Are the lead levels of children in the Broken Hill community monitored?---Yes, they are, yes.

And how often are those lead levels monitored for children who live in the community?---Children under five are monitored every year. If they go over a certain level, they're monitored more frequently. That can be six months or three months.

15

And why is that done, Ms Murphy?---Lead is dangerous for children.

20 And what happens if a child's lead levels test higher than the prescribed level?---Well, they're tested more regularly, and in our case, they came out to our house and done lead testing with the soil.

25 So one or more of your children have tested above the prescribed lead levels?---Two have, yes.

And you said after that people came out to your house to do what?---They tested the levels of lead in our soil, in our backyard and front yard.

30 Now, I want to come back to when that happened with you a little later?---Yes.

35 But could you tell us first about the LeadSmart initiative in Broken Hill?---Yes. So they predominantly provide education to parents and even workers on the mine and different industries, how to – how to avoid lead in the home and – so it can't affect children, etcetera.

And the LeadSmart Initiative has a partnership with the EPA. Is that right?---Yes.

40 The Environment Protection Authority?---Yes.

And do people who represent that initiative come and test lead levels in the soil at people's homes when necessary?---Yes.

45 Now, do they then conduct remediation work when the lead levels in the soil are higher than prescribed levels?---Yes.

And what sort of remediation work do they do?---Well, they – they dig up the soil, about 10 centimetres of it, and replace it with loam.

5 Now, Ms Murphy, you have a home and contents insurance policy with Youi?---Yes.

And do you remember when you took that out?---Probably about 2012, I believe.

And in 2016, did you also have a car insurance policy with Youi?---Yes. Yes.

10 Now, I want to take you back to November 2016. In November 2016 there was a hail storm in Broken Hill?---Yes.

15 Can you tell us a bit about the hail storm?---It come in really fast, and it was quite ferocious, and I – I believe it came in from the west and, yes, there was hail coming down really fast. I – I stood in the kids bedroom with my children and we – we watched it pelt our car but we – we certainly weren't going to go outside because it was dangerous, so we just stood there and watched it.

20 And how long did it last?---It didn't last very long. Probably five minutes, tops.

Had you ever seen a hail storm like that in Broken Hill before then?---I have never seen hail in Broken Hill.

25 Have you seen anything like that since?---No. No.

Now, the hail you said was pelting on your car?---Yes.

Did it damage your car?---Yes, my car looked like a golf ball after it had finished.

30 And did the hail damage your house?---It wasn't evident at first but later on it became evident.

35 And how did it become evident?---We asked that Youi send some people out to have a look at it, and they said that there was hail damage.

And where was the damage? Was it to the roof?---Yes. It was to the roof of our house, our shed, and our cubbyhouse.

40 Okay. Now, after the storm did you contact Youi to make a claim under your car insurance policy?---Yes.

And in the course of making that claim under your car insurance policy, did you also tell them about your fear that there was damage to the house?---Yes. Yes.

45 And then you made a claim under your home insurance policy, you tell us in your statement, in late 2016 or early 2017?---Yes.

And after you made that claim, did an assessor from Youi come to your house to assess the damage?---Yes.

5 And did some builders come with the assessor?---They came separately to the assessor.

And did you have any discussions, firstly, with the assessor about the state of your roof?---Yes.

10 What did you say to him?---I discussed it with the assessor and the builders. I said I had concerns that there were some structural issues there that became evident earlier when some solar panels were erected on my roof.

15 Some pre-existing structural issues with the roof?---Yes.

And what did the assessor say to you in response to that?---He said that it would be brought to code.

20 Did you understand that to be a reference to the building code?---Yes.

And did you understand that you were going to need to pay any extra for that to occur?---No.

25 And did you have any discussions to similar effect with the builders?---Yes. They said that they generally allow extra for that sort of stuff.

30 They allow extra for that sort of stuff. So, again, did you understand that you were going to have to pay anything extra because of that?---Yes, I – I assumed that we weren't going to have to pay.

And did anyone tell you that you would need to pay any money other than the excess for the repairs to be done?---Yes, no one told me that.

35 Okay. Now, after the assessor and the builders came to your house, you were sent two scopes of work from two different builders. Is that right?---Yes, that's correct.

And did they include a price, a quote for the repair work?---No. There was no price on the scope of works.

40 And was the scope of the works to be done similar in each of the two documents?---Yes, they were pretty much identical.

45 And did Youi suggest to you that you should go with one of the scope of works over the other?---Yes, they suggested to my partner, Darren.

Now, I'm going to refer to the builder whose scope of works Youi suggested you go with as the builder from here on in, because the builder's name is the subject of a non-publication direction?---Yes.

5 Now, did you contact the builder to ask some questions about the scope of works?---Yes, I had done that several times.

And how did you go with that?---They – the lady I spoke to wouldn't answer my question. She said they would call me back and they never called me back.

10

And how many times do you think you contacted the builder to try and get your questions about the scope of works answered?---I – I called them several times before they came to our house.

15 And did you have particular concerns about the scope of works?---Yes.

What were those concerns?---I wanted to assure that the structural issues were included in the scope of works. There were some words in the scope of works that led me to believe that part of it was included.

20

And you wanted to confirm that the structural works were covered by the - - -?---Yes.

- - - scope of works?---Yes, that's what I wanted.

25

And were you able to do that?---No, they wouldn't discuss that with me.

Okay. Now, did you decide to proceed with the scope of works from the builder anyway?---Yes.

30

And why did you make that decision?---Darren thought that me calling them all the time was delaying our construction date.

Darren is your partner?---Yes.

35

Yes?---Yes.

So you were concerned about the delay that was being caused as a result of your attempts to get further information about the scope of works?---Yes, I thought that might have been a factor as to why it was being delayed.

40

Did you then need some time to get together the excess payment under your home insurance policy and under your car insurance policy?---Yes. It took us, yes, three or four months to save up that money. I had to work extra shifts at work to get that.

45

Now, around this time your children's lead levels were tested. Is that right?---Yes. My daughter was being tested because she was under five, yes.

And did your daughter test above the prescribed amount of lead?---Yes.

And as a result of that, did LeadSmart come out to your home to test the lead levels in your backyard?---Yes.

5

Now, you tell us in your statement that they had to test the levels on two occasions within a couple of weeks?---Yes.

10 And the lead levels in your backyard, you tell us, were found to be very high?---Yes, they were, yes.

And what did the EPA and the LeadSmart initiative tell you needed to be done as a result of those high lead levels?---They told me that the ground would have to be dug up and replaced with loam.

15

And could they do that right away?---No, they couldn't because they said that when the roof was taken off, the dust in the roof cavity would re-contaminate the site.

20 So the works to deal with the lead contamination in your backyard could not be done until the roof was fixed?---Yes.

Were you and your children able to spend time in the backyard after you were told that the soil was contaminated with lead?---No, it was advised that we didn't allow them to play out the back.

25

So did you want the repairs to your roof to be completed quickly?---Yes. As quick as possible, yes.

And did you tell the builder that?---Yes. Several times, yes.

30

And did you tell the builder why you wanted the works to be done quickly?---Yes. I thought telling them that would make them go faster, yes.

35 Now, at this point, although you had approved the scope of works and paid the excess, the repair works hadn't commenced?---Yes. Yes.

Is that right?---Yes, that's correct.

And did you call the builder and try and get a start date for the works?---Yes.

40

How many times did you call them to try and get a start date for the works?---Yes. At least three or four, yes, from that point, yes.

45 And when you told the builder that you wanted the repair works to be done quickly because they were delaying the lead remediation work, did that speed things up?---No, it didn't appear to, no.

You say in your statement that the builders pushed back the start date a number of times?---Yes, they did, yes.

And how did that affect you and your family?---It was very frustrating, yes.

5

So you had put in a claim either at the end of the previous year or the start of this year, and you had paid your excess within a few months after that. Is that right?---Yes. Yes.

10 Now, when did the builder come and start the work on your property?---I believe it was early October, or end of September.

And can you tell us what happened when the builder came out to your property to start the works in October?---So they came to our property and started pulling the roof off, and then they come in at the end of the day and said that they weren't going to do any more, that the structural issues were too much for them and they hadn't had enough money to deal with the structural issues.

15

So on that day, did they remove part of your roof?---Yes.

20

Did they remove the air-conditioner from the roof?---Yes, and the solar panels and the exhaust for the bathroom.

And did they leave the air-conditioning vent that went into the house open to the elements?---Yes.

25

Now, how did you try after that to keep the house cool without the air-conditioner?---We had to open our windows and doors which was not ideal because that meant that more lead dust was getting in the house.

30

Now, you tell us in your statement that you stood at the top of the cubbyhouse in the backyard to see what the state of the roof was after they left that day. What did you see?---Only one bedroom was covered, essentially all the other roofing iron had been taken off.

35

Now, after they took that part of the roof off and left that day, had they told you how much money they wanted before they could come back and complete the works?---They wanted approximately \$3000 and they wanted half of that in their bank account before they would come back.

40

And you told us before that it took you some months to pull the excess together?---Yes.

Doing extra shifts, Ms Murphy. The excess under your home insurance policy was \$775?---Yes.

45

And was it approximately the same for the car insurance policy?---Yes, a little bit more for the car, I believe, yes.

5 Okay. Now, you've exhibited to your statement copies of the documents that the builders sent to you and your partner after they were there at your house that day?---Yes.

If we go to exhibit 1 to your statement, which is RCD.0024.0020.0001?---Yes.

10 That will come up on the screen as well, Ms Murphy. And we see at the – we will just need to take that down, Commissioner. I see that redactions that ought to be in place are not in place. You have a copy of that document there in front of you, Ms Murphy. You can see that there is an email at the bottom of the page, dated 4 October 2017?---Yes.

15

Which is sent by the repair coordinator at the builder?---Yes.

Which says:

20 *Good afternoon. Please find attached all relevant documents in regards to your private works. Please sign and return the scope of works and pay your 50 per cent deposit. Once we have received these we will be able to commence repairs.*

25 Do you see that?---Yes.

And the – if we turn to the second exhibit to your statement, RCD - - -

30 THE COMMISSIONER: I don't think bring that up either.

MS ORR: We're not going to be able to bring up the second exhibit?

35 THE COMMISSIONER: I doubt it. At least not according at that what I have got loaded here, Ms Orr.

35

MS ORR: All right. In that case we won't bring it up and I will ask you some questions about it because you have it in front of you, Ms Murphy?---Yes.

40 The second exhibit to your statement is the letter from the builder that was attached to the email. Is that right?---Yes. Yes.

And the letter said that the builder required:

45 *... the following items to be actioned prior to starting repairs.*

?---Yes.

And under that:

We wish to advise if you wish to proceed with the proposed works a payment of 50 per cent of the quoted amount is required prior to works commencing.

5

Do you see that?---Yes. Yes.

And attached is a tax invoice for part payment?---Yes.

10 Exhibit 3 to your statement, which I'm nervous about asking to be brought up, is the invoice that was attached to the email as well?---Yes.

I won't bring it up, Ms Murphy, but you have it in front of you. You can see that the invoice was for the sum of \$3675?---Yes.

15

With a 50 per cent deposit of \$1837.50 required before commencement of works?---Yes.

Now, could you afford to pay the builder that money, Ms Murphy?---No. No.

20

With the builder having told you that they wouldn't come back unless you paid, and with parts of your roof off, what did you do?---We rang the insurance company.

You rang Youi that night?---Yes.

25

And you told them what had happened?---Yes. Yes.

And your partner forwarded the email from the builder to Youi?---Yes.

30

And what did they say?---They said not to pay it, that they would deal with it.

Now, did the builders come back the next day?---No.

And your roof remained off?---Yes.

35

And how did the roof being off affect you and your family?---It was scary. We didn't know what would happen, what type of damage would be occurred, and my children were too scared to sleep in the house, essentially. They – they moved into the same bedroom and put their beds together.

40

And were you pregnant with your fourth child at this time - - -?---I was.

- - - Ms Murphy?---Yes.

45

How pregnant were you at this point?---At that point, I would have been three or four months' pregnant.

And was the dust from the lead that was in your roof now exposed to the elements?---Yes.

5 And were you concerned about that lead dust coming into the house through the open air-conditioning vent?---Yes, it was, yes.

It was coming - - -?---It was coming in, yes.

10 - - - into the house. And were you concerned about the impact of that on your family and on your unborn child?---Yes, definitely.

Did you also start to become worried about what would happen if it rained?---Yes, I certainly was, yes.

15 And did you call Youi and tell them that you held concerns about what would happen if there was rain?---Yes, I did.

20 And did you do that after you had been put on notice by a family member that rain looked to be coming - - -?---Yes.

- - - to Broken Hill?---Yes, I did, yes.

25 And what did Youi tell you to do when you called them about that incoming rain?---They told us to call the builder, which I did.

And what did the builder say to you?---The builder said to me that he was watching the weather radar and if it looked like there was going to be rain, then he would come whether it be at 2 am in the morning and put plastic over my roof.

30 Did the builder arrange for someone to come out and cover the roof and protect it from the rain?---No, they did not.

Did anyone put a tarp on the roof for you?---No.

35 Did it rain?---It sprinkled a little bit, but not heavy rain.

40 And in the call that you had with Youi about the need to protect the roof from the rain, or in another call to Youi around this time, did you complain to them about how long it was taking for the roof to be repaired?---Yes, I did.

Did you tell Youi that you were pregnant?---I did.

45 And did you tell Youi that you were worried about you and your family being exposed to high levels of lead?---Yes.

Had you planned to have one of your children's birthday parties in the house that month?---Yes, we had planned to have his party, yes, at our house.

Were you able to go ahead with the birthday party?---No, no, we weren't.

Now, about two weeks after the roof had been taken off, it was still off?---Yes.

5 And did you call Youi again?---Yes.

And did they tell you that the builder would be coming back to finish the job?---They did, yes.

10 And did the builder come back?---Yes, they did come back two weeks later, yes.

And what happened that day when the builder came back?---So I was at work, and they had arrived after I left for work. And when I got home, they brought Darren outside and they showed him some of the structural issues, and they said that they
15 were leaving and they weren't going to do it.

They were leaving and they weren't going to do it?---Yes.

And what was the state that they had left your house in?---It was a lot worse. They
20 had taken what wood was in there and put it out the back in the laneway.

They had put what in the laneway, sorry?---Some of the wood that was holding the roof up.

25 They had taken that out?---Yes.

And put it in the laneway?---Yes, but we – we didn't know that at that stage.

You say in your statement that they said that the construction issues were too big to
30 tackle for the money they had been given?---Yes.

Is that right?---Yes.

And what about the inside of the house. Were there any effects on the inside of the
35 house from the work that they did that day?---Yes, they had put a couple of holes in the ceiling where they had fell, I guess, and, yes, there was – there was dirt everywhere and leaves and all sorts.

And how did you feel about all of that, Ms Murphy?---I was very angry. I was very
40 angry and stressed at that point.

And did you telephone Youi again?---Yes. Yes. I called our assessor. I was very angry at him. And we – I just, yes, let him have it, basically.

45 Did you feel that your house was habitable at that point as a result of the further works that they had done that day?---No, no, I was not going to stay in that house one more night.

And can you tell us a bit more about what it was like inside your house. You said that there was dirt everywhere?---Yes. There was dirt and leaves in my hallway, in my kitchen, in my bathroom. There was no air-conditioner. It was in the mid to high 30s. I was pregnant. I had bad morning sickness and I just didn't want my kids in that house any more.

Did you ask Youi to arrange temporary accommodation for you and your family?---Yes.

10 And did you again tell them about the high lead levels in the backyard?---Yes, yes, that was discussed.

And about your concerns that your children were being exposed to lead?---Yes.

15 And did you again tell them that the lead remediation works couldn't be done to the backyard until the roof was fixed?---Yes.

Did you mention that you had no air-conditioning?---Yes, I did.

20 Did you mention that you were needing to keep the windows open because of that and that more lead was coming in as a result?---Yes, I did, yes.

What was Youi's response to all of that?---They said that they hadn't known about the lead, and they didn't know that the air-conditioner had been taken off and we had been left with no air-conditioner.

Did they agree to find you temporary accommodation?---They did.

Now, did you find the temporary accommodation or did they?---I found the temporary accommodation.

Now, you stayed in a cabin in a caravan park. Is that right?---Yes, that's right.

For how many nights?---Four nights.

And were you then contacted by Youi?---Yes, we were contacted and told that we could move back in because they had covered the roof and they had put the air-conditioner back on.

40 So they said they had covered the roof and put the air-conditioner back on?---Yes.

And did you then move back into your house?---Yes, we did.

And what did you observe about the roof after you moved back in?---The temporary job that they had done was woeful, they had – it looked like they had literally banged the sheets that they had taken off twice with a nail and they were flapping in the wind and our roof went from being flat to wavy.

You said it was flapping in the wind?---Yes.

5 What were the consequences of that for you and your family?---Well, it was scary. I wasn't sure if they were going to dislodge and hurt someone. And yes, I just – I was not very happy about the temporary roof that had been put back on.

10 And how did you and your family cope with that new roof?---Well, again, my – my children were scared, and my eldest son refused to go in the bathroom at that stage. I – when he did, when he had to go to the toilet, I had to be there and stand with him because he was too scared to be in there alone.

Around this time did you decide to contact the Financial Rights Legal Centre for some advice about what you could do?---Yes. Yes.

15 And did the Financial Rights Legal Centre give you some advice about lodging a complaint?---Yes, they did.

20 And did you then lodge a complaint through Youi's internal dispute resolution process?---Yes.

And you say in your statement that you sent the complaint on 30 October 2017?---Yes.

25 But you sent it to the wrong email address?---I did, yes.

And you sent it again to the correct email address on 2 November - - -?---Yes.

- - - 2017?---Yes.

30 Now, you've exhibited your complaint to your statement, which is exhibit 4, which is YOU.0002.0001.0072. Now, this is the complaint that you lodged with Youi - - -?---Yes, it is.

35 - - - Ms Murphy?---Yes.

And in your complaint you raised a number of concerns with both the conduct of the builder and Youi's handling of your claim?---Yes.

40 You told Youi, among other things, that you had been assured the repair works would be brought up to code?---Yes. Yes.

That the information you told the builder about lead levels didn't seem to have been passed on to Youi?---Yes.

45 That you had no air-conditioner and an exposed roof?---Yes.

And the holes – you had holes and cracks in your ceiling which had not been repaired. Is that right?---Yes. That’s right, yes.

5 Now, did you have any idea of how long it should take Youi to deal with your complaint?---I was told by the woman at the financial services centre that they would have to respond to me within 15 days.

10 Okay. Now, on 15 November after you lodged the complaint but before you had received a response, there was rain in Broken Hill?---Yes, there was. Yes.

15 And what do you recall of that rain and the impact of that rain?---We weren’t home when the rain event occurred, but when we did get home it was evident that rain had come in in four rooms of our house. The lounge room was particularly bad. Our – it had come through a skylight and had damaged our carpet and our lounge. In the hallway it had damaged the floor. In our bathroom it was pooling. And the kitchen – some had come through in the little holes near the back door and it wasn’t evident at that time that it was pooling but over time it did begin to pool in the kitchen as well.

20 You mentioned the skylight. Had the skylight been affected by the works that had been done by the builders?---Yes. Yes.

Now, did you and your partner call Youi that night?---Yes, we did.

25 Could you get on to the assessor that you had at Youi?---No, I – I don’t think so. I think we just spoke to a customer representative.

And did anyone come that night to help you with the water that was getting into the house?---No.

30 And what was the impact of this further damage to the inside of the house on you and your family?---It was very frustrating. We didn’t have enough buckets. We ended up using a baby bath to catch the water.

35 Now, a day or two after that rain did the builder come back and do some more work on the roof?---Some other builders did.

Another builder came?---Yes.

40 And did that other builder put some plastic sheeting over the roof?---One of the builders looked at putting plastic sheeting over the roof but he said that there was not enough. Like, the – the bit that was not done correctly was too big, and another company put some capping on which had never been put back on.

45 I see. And after this, did you call Youi to follow up on your complaint?---Yes. Yes, we did.

And what did they say to you?---They couldn't discuss it because it was in the complaints process.

5 Now, you've annexed a written response from Youi to your complaint, which is exhibit 5 to your statement, YOU.0002.0001.0210. We see that that letter from Youi in response to your complaint is dated 22 November 2017. When did you first see this, Ms Murphy?---I didn't see it for quite some time because it went in my junk email box. So, yes, it was quite later on that I seen it.

10 Now, in January or February of this year, did another building company come out to the house?---Yes.

And did Youi give you another scope of works from that builder?---They did, yes.

15 And did that scope of works include fixing the internal damage to your house?---No, it wasn't sufficient to fix all of the internal damage.

Did it include the damage to your bathroom?---No.

20 Now, after you got that scope of works from the other builder, did Darren send an email to Youi raising concerns with the coverage of the scope of works?---Yes, he did.

25 And you've annexed that email to your statement as exhibit 6, YOU.0002.0002.0557. So this is the email that your partner sent to Youi about the scope of works?---Yes.

30 And we see there that your partner listed a number of items of damage that were not dealt with in the scope of works?---Yes.

Did you or your partner get a response to that email?---Yes, my partner got a response to that email. They rang him and said that it would be fixed, but we had to sign that scope of works and they would fix the internal stuff later.

35 Did you then sign the scope of works?---Yes, we did.

And when was your roof finally repaired?---May this year.

40 Yes. I can assist you with your statement, if it helps. In paragraph 49 of your statement you say that the roof was permanently repaired on 9 May - - -?---Yes.

- - - this year?---That's right.

45 It was repaired by the new builder?---Yes.

And how did you feel about the repairs?---We were pretty happy with the repairs. A couple of issues came up and they're getting fixed soon.

They're still getting fixed?---Yes.

Was the internal damage to the house repaired at the same time?---No.

5 Has the internal damage now been repaired?---It has pretty much been repaired. A couple of issues came about with that repair job as well, which they're now fixing.

So the internal damage repairs are not complete either?---No.

10 When do you understand that the repairs to your house will be finished?---In about six weeks, I think.

Has the EPA and the LeadSmart Initiative been able to do the lead remediation work to your yard?---No, not as yet.

15 Why not?---They're still waiting for Youi to finish the repairs so they can come in and do their work.

20 So have the continuing repair works delayed the lead remediation works?---Yes, they have. Yes.

25 Now, having now made it to the point where the damage to your house caused by the hail storm in November 2016 has all but been repaired, and most but not all of the damage caused to your house during the events after the hail storm has been repaired, what would you say about the way Youi handled your insurance claim?---It wasn't done very well. I felt like we constantly had to check everything. We had to stay on their case. We had to really assert ourselves to get what we thought was the damage from the event.

30 How would you sum up the impact of all of this on you and your family?---It has been very stressful. We felt powerless at times. We really felt like we were butting our heads against a wall at times.

35 How do you feel about the way Youi treated you and your partner as Youi policyholders during this experience?---Not very well. They have come to the party recently and – and been a lot nicer and – but, yes, at – at the start we – we were having lots of issues with them.

40 And Ms Murphy, why have you decided to share this story with the Royal Commission?---Hopefully, something can come about from this and they can learn from our case, and hopefully it doesn't happen to another family.

Thank you, Ms Murphy. I have no further questions, Commissioner?---Thank you.

45 THE COMMISSIONER: Mr O'Higgins?

MR O'HIGGINS: No questions, Commissioner.

THE COMMISSIONER: Thank you very much, Ms Murphy. You may step down.

<THE WITNESS WITHDREW

[12.07 pm]

5

MS ORR: Now, Commissioner, because the same witness from Youi is responding both to Ms Murphy's case and Mr Sutton's case, I will now call Mr Glen Sutton.

10 THE COMMISSIONER: Yes.

<GLEN WAYNE SUTTON, AFFIRMED

[12.07 pm]

15

<EXAMINATION-IN-CHIEF BY MS ORR

20 THE COMMISSIONER: Thank you very much, Mr Sutton. Do sit down. Yes, Ms Orr.

MS ORR: Now, Mr Sutton, could you please state your full name?---Glen Wayne Sutton.

25 And you live at an address in Cannonvale in Queensland that's known to the Commission?---That's correct.

30 What is your occupation, Mr Sutton?---I'm a business owner and a part-time ferry deck hand.

35 Thank you. And have you been issued with a summons to attend and give evidence today?---I have.

Do you have that summons there? I tender that summons, Commissioner.

35

THE COMMISSIONER: The summons to Mr Sutton, exhibit 6.331.

EXHIBIT #6.331 SUMMONS TO MR SUTTON

40

MS ORR: And Mr Sutton, have you made a witness statement to the Commission dated 20 June 2018?---I have.

45 Do you have that statement there?---I do.

Are the contents of that statement true and correct?---They are.

I tender that statement.

THE COMMISSIONER: The statement of Mr Sutton of 20 June '18 and its exhibits, exhibit 6.332.

5

EXHIBIT #6.332 STATEMENT OF MR SUTTON DATED 20/06/2018 AND EXHIBITS

10

MS ORR: Now, Mr Sutton, you said that you live in Cannonvale. Can you explain to the Commission where Cannonvale is?---Cannonvale is an adjacent suburb to Airlie Beach.

15 And how long have you lived in the Airlie Beach area?---Almost 10 years.

And how long have you lived at your current address?---Since 2014, so about four years.

20 And can you describe your house in general terms for the Commission?---The house is a – a two-storey metal clad house with a metal roof.

You have home insurance with Youi, Mr Sutton?---I do.

25 And approximately when did you take that insurance out?---Shortly after we purchased the home.

30 Okay. Now, I want to ask you some questions about your experience with Tropical Cyclone Debbie. Tropical Cyclone Debbie came through Cannonvale in March 2017?---That's correct.

And how long did the cyclone last?---It was a long time, a very slow-moving cyclone. More than 30 hours. Probably 32 or 34 hours.

35 And where were you when the cyclone hit?---My wife and I were at home.

And did you stay at your home throughout the cyclone?---No, we had to leave.

40 Where did you go when you left your home?---We went to a neighbour's house.

Now, was there a break in the cyclone at some point?---Yes. Debbie is the second cyclone I've been through and I was familiar with the quiet time of the eye of the cyclone and we got out of the house shortly after the eye. We went out and assessed the house.

45

You went out and assessed the damage to your house?---Yes.

Okay. And what did you see when you looked at your house at that point in the eye of the cyclone?---We noticed that part of the front bedroom roof had been blown off. We knew something that happened because we could hear it going on from inside the house.

5

So part of the front bedroom roof had blown off?---That's correct.

You could see that. And did the cyclone then start up again?---Yes.

10 And did you go back to your neighbour's house at that time?---That's correct.

And after the cyclone cleared, did you go back to your house again?---Yes, we did.

15 And what did you observe about the condition of your house at that time?---When we went upstairs to look at the bedroom, the bedroom was completely inundated with water, the ceiling had collapsed, the water had flooded through the top part of the house and gone through into the kitchen and the living room in the bottom part of the house.

20 Now, following the cyclone, did your wife contact Youi to make a claim under your home insurance policy?---Yes, she did.

And you've been dealing with Youi about your insurance claim ever since?---Yes.

25 Now, I want to ask you about three aspects of your dealings with Youi over that period. Your dealings with Youi about make safe works at your house, your dealings with Youi about repair works to your house, and your dealings with Youi about temporary accommodation. Now, I want to deal with the topics in that order, but before I do, were you able to live in the house after the cyclone damage?---No, it was
30 evident that there was so much water inundation, the power had been cut off, we knew there was no possible chance of us living in the house.

And the cyclone was in March last year. We're now in September 2018. Have you
35 been able to move back into your house yet?---No.

Now, I want to start with your dealings with Youi about make safe works after the cyclone, Mr Sutton. A few days after the cyclone, did Youi organise for some men to come and do make safe work at the property?---That's correct. They sent two
40 men.

Two men. And did you meet them at the house?---I did.

And after they had looked at the damage, did they say anything to you about the nature of the damage?---Yes. Once they got into the house and they looked around,
45 they realised that the house was more damaged than they had been probably been informed. They had only been allocated eight hours for make safe and they said

there was no way they could do what was necessary in eight – in an eight-hour period.

5 So what did they do while they were at the house?---Just a general clean-up. They removed the ceiling that had collapsed from upstairs, moved it to a downstairs area and piled it in the living room.

10 Okay. Now, did they put a tarpaulin or any other covering over the hole in the roof?---No.

I'm sorry?---No.

15 And did they do any drying work to dry out the water that had come into the house?---No, the house was still very wet.

Did they deal with the carpets in the house in any way?---No, the carpets were untouched.

20 What did you think about the work that they did?---I think it was very inadequate and insufficient.

Now, more than a month later did some more workers go to the house to do further works?---Yes, more work was carried out. They removed some more plasterboard.

25 So on that occasion they removed plasterboard in which part of the house?---Further plasterboard in the upstairs living area and in the downstairs living – living and kitchen area, and general tidy up of what they had done but nothing substantial.

30 Did they do any drying work to dry out the water that was still in the house?---No, no, there was no drying done whatsoever.

35 Now, somewhere around this time did someone come and put a tarpaulin over the hole in the roof?---Yes, at some stage – because we couldn't live in the house I don't know exactly it was put up but it was some time within that first month.

And did the tarpaulin stop rain getting into the house?---When it was first installed, it was – it was sufficient. But the way it was installed wasn't done very well and it didn't last very long.

40 How long did it last, Mr Sutton?---I'm not sure but only weeks. Once we had a bit of wind, the tarpaulin was torn to shreds and water was pouring back into the building.

45 Did you tell Youi that the tarpaulin was not stopping further rain from getting into the house when - - -?---Yes.

- - - you were aware of that?---I told them several times in phone calls and emails.

Did you ask them to replace the tarpaulin?---I did.

Approximately how many times do you think you asked them to replace the tarpaulin?---It would have been more than five times.

5

Now, by November 2017, about eight months after the cyclone, had the tarpaulin been replaced?---No.

10 What was the state of the tarpaulin at that time?---It was actually tattered to ribbons. There was almost nothing left.

Now, did your wife visit the house in late November 2017?---Yes. We would attend it regularly to see whether anything was happening.

15 And do you recall receiving a telephone call from your wife while she was at the house in late November 2017?---I did receive a phone call from my wife. She was in tears and quite distraught. She was actually videoing the water pouring through what was the hole in the roof into the upstairs bedroom area through the floor and the ceiling below into the kitchen pouring all over the kitchen.

20

What was the impact that you observed of that on your wife?---She was very distressed, to the point I sent Youi an email asking them never to contact her again.

25 Now, the email that you sent to Youi is annexed to your witness statement. It's exhibit 1, YOU.0001.0005.2619?---Yes.

That will come up on the screen. So this is a copy of the email that you sent to Youi on 28 November last year?---That's correct, it is.

30 And we see towards the end of the first paragraph that you said:

My faith in Youi as an insurer has plummeted to zero.

?---That's correct.

35

You said:

I feel that we have been abandoned by Youi.

40 ?---Yes.

Continuing:

And that the situation was totally and absolutely unacceptable.

45

?---Correct.

This was your email to Youi on 28 November last year?---Yes, that's correct.

Now, when was the tarpaulin finally replaced, Mr Sutton?---I'm not sure of the exact date but it would have been after this email.

5

You tell us in paragraph 18 of your statement that Youi did not arrange for the tarpaulin to be replaced until January this year?---That's - - -

Is that correct?---Yes, that's correct.

10

And what was the effect of the tarpaulin not adequately covering the hole in your roof throughout that period?---Every time we had rain it would pour through and create more damage to the – to the building. It was just not acceptable.

15 Did you have problems with mould in the house as a result of this?---Yes. The minute you walked into the house you could smell the mould, you could see the black mould growing on the walls and in the ceiling.

20 Now, I want to now move to asking you some questions about your dealings with Youi, not about the – the works to make your home safe after the cyclone, but about the works that needed to be done to repair the damage to your house?---Okay.

25 Now, I want to take you back to the weeks following the cyclone. In those weeks, did some builders come to inspect the property and prepare reports?---Youi sent several builders to have a look at the work, and I assume prepare quotes.

Did you meet the builders at the house?---I met some of them, yes.

30 And did the builders say anything to you about the size of the job?---All of them had mentioned that the job was way too big for them. They were only looking for small quick in and out jobs and they said it was way too big.

35 Did any of the builders say anything to you about whether an engineer should be involved?---Yes. In fact, the last one that – that came said that we needed an engineer and possibly even a consultant to come and inspect the property.

Did you ever receive any quotes from those builders for the repair works?---No, nothing.

40 Then in May 2017 did you get an email from a building company attaching a building contract and a scope of works for the repairs to the house?---I did.

45 Now, the name of that building company is subject to a non-publication direction, so I'm just going to refer to that building company as the builder?---Okay.

You've exhibited the email from the builder and the attachments to that email to your statement as exhibit 2. RCD.0024.0017.0002. Now, this is the scope of works that you received. Is that correct?---That's correct.

5 Now, if we turn to the following page, 0003, we see the part of the scope of works that dealt with the roof. Do you see that?---I see that.

The scope of works said:

10 *Replace roofing batons, 60 lineal metres, refit flashing on side of house by damaged bedroom.*

?---Correct.

15 Did you have any observations about this aspect of the scope of works, Mr Sutton?---Yes. Well, that's totally insufficient. The entire roof needed to be replaced on that front section alone.

20 Did you have any background in dealing with roofs yourself?---Yes, many years ago I worked for a metal roofing manufacturer. I started off in a factory, manufacturing roofing and then worked into the sales team as a representative. So I – my background in roofing was – was quite knowledgeable.

25 And did you raise your concerns about the adequacy of the scope of works, insofar as it related to the roof, with Youi?---Yes, I phoned them and told them that that – that quote was insufficient.

30 And did Youi then arrange for a builder to inspect the roof and prepare a report?---They did.

And were you provided with a copy of that report?---I did get a report, yes.

Did you read the report?---I did.

35 And what were your views on that report?---I was actually disgusted. It was totally inadequate. I then voiced my concern with Youi about my concerns.

40 Now, if we deal with the inadequacies of that report first. In what way did you believe it was an inadequate report?---In my observation, from what I could see of the roof of the house, almost all of the roof was completely affected by the cyclone. I could see parts of it that were buckled and twisted and bent and screws removed that they didn't even mention in that report.

45 Okay. Now, you said you raised your concerns about that report with Youi?---I did.

And what did Youi say?---Youi told me if I had any concerns that I should phone the builder and talk to him myself.

And did you do that?---I did.

5 And what did the builder tell you about the work that he had done to prepare that report?---I asked him in his – in his compiling of the report, what did he find about the structural integrity of the roof or the internal roofing system, and he told me he couldn't – he hadn't done that. He didn't get into the roof and have a look, so he said he had no comment on that.

10 He hadn't got into the roof to have a look. Is that what you said?---That's correct.

Were you surprised by that?---I was totally shocked, because I would have thought that if someone is preparing a report on the structure of the roof, they would have needed to inspect it to make sure that it was – it was – whether it was safe.

15 After that, did you ask Youi to organise an engineer to have a look at your roof?---I did.

20 And why did you request that?---Because I was unhappy with the report from the builder. I asked for an engineer originally and they sent a builder which I thought was inadequate. Then when I rang them a second time, they – I had organised an engineer.

And did Youi this time arranged for an engineer to become involved?---They did.

25 Were there some delays in Youi providing you with a copy of the engineer's report?---Yes, there was some three or four weeks, maybe a little longer, before the engineer was able to come because I assume he was busy, which I understood. And then there was another three or four or five weeks again that took him to compile the report and send it into Youi. So there was a six or seven or eight week delay.

30 But you ultimately received the engineer's report?---Yes.

Did you read it?---I did.

35 And what was the engineer's conclusion about the roof?---The engineer agreed with me and said – and said that the entire roof was damaged and needed to be completely replaced.

40 Now, after that, did Youi send you an updated scope of works for the repairs?---They did.

And did that provide for the entire roof to be removed and replaced?---That's correct, it – it had been added in.

45 And did you and your wife then sign a contract with the builder for works to remove and replace the roof?---To do the work, yes, that's correct.

And you've exhibited to your statement as exhibit 3 a copy of the signed contract, the updated scope of works, and your email to the builder attaching the signed contract. Is that right?---That's correct.

5 Now, did the contract provide a commencement date for the works?---No, there was no date of commencement.

Did it contain a completion date for the works?---No.

10 Did Youi or the builder give you a start date for the repairs?---No.

You signed the contract in August 2017?---Correct.

15 By October 2017 had the repair work started?---No, nothing had happened.

How did you feel about that, Mr Sutton?---Again, totally disgusted. I understand that there was probably a lot of action going on, but all we needed to be was informed and they told us nothing. It was up to us to chase them every single time to get answers.

20 Did you email Youi to express your frustration?---Many times.

Now, you've annexed one of your emails as exhibit 4 to your statement. YOU.0001.0005.0334. You sent this email to Youi, we can see, on 9 October 25 2017?---That's correct.

And in the second paragraph you said:

30 *We are sorry to say that we have lost all faith in Youi Insurance and your appointed builder.*

And you then set out some reasons why?---That's correct.

35 And you said:

40 *First of all, it has been almost 200 days, six and a half months, since our home was destroyed by Cyclone Debbie. Our house was inundated by water. We have been displaced and we are trying to run several businesses without an office. We have tried to find alternate furnished accommodation without any luck.*

You then went on to say:

45 *Upstairs, the carpet was completely soaked, ruining the timber floors, and that carpet is still in place today. The mould-ridden carpet should have been removed by now. The house and garage stinks of mould and we are extremely concerned of the consequences of returning to the house in this state.*

?---That's correct.

And then over the page at 0335, you said in the second last paragraph:

5 *We both understand that we are not the only ones waiting for work to
commence, but we feel that there is a massive lack of communication. Just last
week I called the builder to find out where he was at with the commencement of
our house. When I called, the builder said he did not have his diary with him
and he agreed to call me in a day or two to arrange a site meeting. I am still
10 waiting for the phone call a week down the track.*

And then in the last paragraph you said:

15 *So, where to from here moving forward? As such a long period of time has
passed since the devastation, I think we need fresh eyes, a new approach, a
rethink on how we get this train wreck back on the rails. We still worry about
the repercussions of a complaint such as this one, however as business owners
and operators, both Julie and I embrace any complaints we receive as it helps
us understand our customers' needs and makes for a better business and makes
20 us better people. I'm sure that Youi understands this concept and would,
likewise, embrace this business culture. We await your reply.*

That was the email that you sent to Youi on 9 October 2017?---That's correct.

25 Now, you had a holiday planned to New Zealand in November. Is that
right?---That's right.

Had the work started by the time you left on that holiday?---No, it hadn't. We had
hoped that it would have started, or – on the precipice of starting but it hadn't started.

30 And coming up to that holiday, did Youi tell you that the roofing contractor was
doing another job in Airlie Beach that had turned into a big job?---Apparently, the
builder – the roofing contractor that was meant to do our roof had been channelled
off to do another job in Airlie Beach and that ours was put back again.

35 Did you think that the repairs would commence while you were away?---I was
hoping they would, yes.

40 And when you returned home from New Zealand, had the works commenced?---No,
nothing.

Had anyone from Youi contacted you about the repairs?---No.

45 And in November 2017, did you also get an email from the loss assessor at Youi
about some issues with termite damage to the house?---Yes, I did.

And you've annexed that email to your statement. It's exhibit 5, YOU.0001.0001.0273. Now, this is the email you got from Youi on 17 November last year?---Yes.

5 Now, Youi had previously mentioned the termite damage to you. Is that right?---Yes, we had discussed that.

But Youi told you in this email that you would need to fix the termite damage before they would commence the repairs?---They did.

10

And what did you think of that?---Well, I was quite taken aback. I mean, the delays for weeks and months had far outweighed and outstripped the cost of a few hundred dollars to replace some batons that were eaten by termites. It was – it was just crazy.

15 Did Youi also raise in this email the possibility of cash-settling your claim?---Yes. I didn't even ask for it. I just got that out of the blue and that shocked me.

And so what did you think of the proposal of cash settlement?---I was completely taken aback. They did not discuss that with me about taking a cash settlement on a part of the building. I was – I was totally shocked.

20

Now, at this point did you decide to hire someone to assist you with your dealings with Youi?---Yes, my wife had heard that there were other people in the area having trouble, and she had heard that a company called Solve My Claim, Mr David Keane, who she contacted and we engaged David to act on our behalf.

25

And why did you do that?---We were totally fed up with Youi. We had had enough. I had sent, at this point, the emails were in the many hundreds of emails backwards and forwards, and we felt like we were getting nowhere. And with David's expertise we were hoping that we could get some – get some progress.

30

Now, did David suggest to you that you engage a microbiologist to provide an expert report on the mould in the house?---Yes. It was evident when he came for a site meeting that he said that there's mould in here. We knew that. And he – he had said that we needed to get somebody in to check the – the mould situation.

35

And did he also suggest to you engage an independent building consultant to provide a report on the repair works that were required?---Yes, that's correct.

40 Did you do both of those things?---Yes, we did.

And what was the cost to you of doing both those things?---The microbiologist report and the building consultant report, both of which were very comprehensive, were almost \$10,000.

45

Now, has the person you engaged, David, been engaging with Youi on your behalf since that time?---Yes, many times.

Now, I want to come back to the stage that things have now got to with the repairs to your house, but before I do that, I want to ask you some questions about the third topic I mentioned, which is your dealings with Youi about temporary accommodation?---Mmm.

5

Now, since the cyclone, have you and your wife been living in temporary accommodation?---We have, yes.

10

And how many times have you moved in that period?---We're in our fourth rental accommodation now.

15

And why has it been necessary for you to move so many times?---Several reasons, but the main one is Youi had given us an indication that we should only take short-term accommodation because if we took a long-term lease anywhere and the building was finished, that we would be responsible for that lease. And we would have to pay for it.

Did Youi assist you to find the temporary accommodation?---No, they didn't.

20

How difficult has it been to find temporary accommodation in the Airlie Beach area?---Well, as you can imagine, there are a lot of construction workers that have come from out of town. They've filled most of the rental accommodation that's available, if it wasn't already damaged by the cyclone. We needed a furnished house because we have had no furniture, it was completely destroyed. We also have two small dogs. So to find a furnished house that would accept animals was very difficult.

25

Has Youi reimbursed you for the costs of your temporary accommodation?---Yes, they have.

30

How – can you explain how the payment arrangements for the temporary accommodation work?---Yes, it was our responsibility to find the accommodation, pay the bond, pay the rent in advance, and make the weekly payments, and then we were to send an email every fortnight to Youi so that we could be reimbursed.

35

Now, how long after you provided your emails to Youi did it generally take for Youi to reimburse you for the rental payments?---In the beginning, it was – the first couple came reasonably quickly, within a couple of weeks, but then it started to string out and string out and there were periods of time there where we were months behind in our – sorry, they were months behind in reimbursing us.

40

You tell us in your statement that in September last year you were waiting to receive reimbursement of \$5200 for invoices that included one that was over 50 days old?---That's correct.

45

What has been the financial impact on you and your wife of being out of pocket while you were chasing Youi to reimburse those rental payments?---What we've had

to do is we're luckier than some. We could redirect some funds that we had in our offset mortgage account and our savings account to compensate that shortfall.

5 You've attached an example of one of your communications to Youi about reimbursement of your accommodation expenses. You've attached that as exhibit 6 to your witness statement. YOU.0001.0005.1355?---That's correct.

10 When that comes up we will see that that's an email from 2 February this year?---That's right.

Which you sent to David, the person you hired to deal with Youi on your behalf?---Correct.

15 As well as to Youi?---That's right.

And you attached a spreadsheet containing your accommodation expenses?---I did.

20 And we see from this email that you told Youi that you and your wife had to divert funds from your mortgage account and your savings account:

...to cover the reimbursement shortfall.

?---That's correct.

25 And you said that:

This had now affected the cash flow in your business to the point where you were behind in your BAS payments and had been on a payment plan for some time.

30 ?---Correct.

35 Has Youi reimbursed you for the costs of moving between accommodation?---No, they quite clearly said that was not in their disclosure statement.

So they don't cover those costs?---They don't.

40 Do they pay the bond for the accommodation, or do you?---No, that's my responsibility.

Now, the cyclone occurred in March 2017, and we're in September 2018. Have the repairs to your house been completed?---No, they haven't commenced.

45 You haven't been able to move back into your house?---No. All – all that has happened is demolition work. There has been no construction.

And when do you expect to be able to move back into your house?---I have no idea. There is no timeframe, nobody has told me how long it is going to take. I've really got no idea.

5 Has the tarpaulin on your house been replaced with a more permanent cover over the hole in the roof?---Yes. When we negotiated with Youi we were not going to use their builder. We were totally unhappy with the progress of their builder. They agreed to allow us to use a local builder. He came in straightaway and replaced the tarpaulin with a metal roof sheet which was sufficient to cover up the hole.

10 And when did that occur?---That happened – let me think – I think it was either the end of August – end of – let me just think for a minute. April, May, June, July – yes, it was – it was around – around August, early August.

15 Early August this year?---That's correct.

Now, since Youi became aware a number of months ago that you were going to give evidence in the Royal Commission, has there been a change in the way that Youi has interacted with you?---I must say there has been a change, yes.

20 What have you observed about that change, Mr Sutton?---I no longer have to chase the temporary accommodation payments. It's in fact in advance so they're in credit until mid-November. They have appointed somebody else who has been quite amicable, easy to talk to, forthcoming with information. I get regular updates and phone calls and emails. So there has been a remarkable change.

25 Now, looking back over the course of your experience with Youi since you made the insurance claim in March last year, how do you feel about the way your claim has been handled?---It has been mishandled from the beginning. It's an absolute shambles. You know, you take out insurance hoping that it never happens but if it does, you want them to have your back, you want them to know they're going to look after you and it just didn't happen.

30 Do you think that the make safe works that were done were sufficient to protect your property from further damage?---No, totally inadequate.

35 And do you think the way that Youi has handled the repairs to your house has been satisfactory?---It's terrible. No.

40 And do you think the way that Youi has handled the payments for your temporary accommodation has been satisfactory?---Up until now it has been atrocious.

45 How do you feel about the way that Youi treated you and your wife in the course of handling your insurance claim?---Well, to be honest, we felt very bullied and very intimidated. We were made to justify everything. It was almost our responsibility and at one stage they were – they were almost telling us that it was our fault for the

extra delays because we had the hide to question the integrity of the builder and the roofer and the engineers.

5 Now, you will have heard me ask this same question of Ms Murphy. Can I ask you why you've decided to tell your story to the Royal Commission?---Yes. There's a lot of people in the same situation. We are just the tip of the iceberg. There are a lot of people going through this same thing. And whatever happens out of this whole inquiry, the whole thing needs to be much more transparent, there needs to be some accountability so that people don't have to go through this. It's just not right.

10 Thank you, Mr Sutton. I have no further questions?---Thank you.

THE COMMISSIONER: Mr O'Higgins.

15 MR O'HIGGINS: No questions, Commissioner.

THE COMMISSIONER: Thank you very much, Mr Sutton. You may step down.

20 <THE WITNESS WITHDREW [12.40 pm]

THE COMMISSIONER: Yes, Ms Orr.

25 MS ORR: Commissioner, the next witness is Mr Storey from Youi.

THE COMMISSIONER: Yes, is Mr Storey in the hearing room?

30 MR O'HIGGINS: He's on his way in, Commissioner.

THE COMMISSIONER: Thank you.

35 <JASON LEONARD STOREY, SWORN [12.41 pm]

<EXAMINATION-IN-CHIEF BY MR O'HIGGINS

40 THE COMMISSIONER: Thank you very much, Mr Storey. Do sit down. Yes, Mr O'Higgins.

45 MR O'HIGGINS: Mr Storey, could you please tell the Commissioner your full name?---Jason Leonard Storey.

And your business address?---Is number 2 Smart Drive, Sippy Downs.

In Queensland?---In Queensland, yes.

And your current occupation, please?---I'm the chief operating officer of claim services for Youi.

5

And for how long have you held that position?---I was appointed on a temporary appointment from August and then made permanent in November last year.

10 And you're here today because you received a summons from the Commission to give evidence. Is that right?---That's correct.

And you have the original of that summons with you?---I do, yes.

15 I tender that summons, please, Commissioner.

THE COMMISSIONER: Exhibit 6.333 will be the summons to Mr Storey.

EXHIBIT #6.333 SUMMONS TO MR STOREY

20

MR O'HIGGINS: And Mr Storey, you've signed a witness statement concerning Rubric 4-15 dated 17 September 2018. Is that right?---That is correct.

25 And do you have the original of that statement with you?---4-15 original, yes, I do.

And are the contents of that statement true and correct to the best of your knowledge and belief?---Yes.

30 I tender that statement and the exhibits, please, Commissioner.

THE COMMISSIONER: The statement of Mr Storey concerning Rubric 4-15 – is it?

35 MR O'HIGGINS: Yes, Commissioner.

THE COMMISSIONER: And is dated – sorry, Mr O'Higgins, you've told me once, I think but can you tell - - -

40 MR O'HIGGINS: 17 September, Commissioner.

THE COMMISSIONER: 17 September becomes exhibit 6.334.

45 **EXHIBIT #6.334 STATEMENT OF MR STOREY CONCERNING RUBRIC 4-15 DATED 17/09/2018**

MR O'HIGGINS: Mr Storey, you also signed a witness statement also dated 17 September 2018 concerning Rubric 4-21. Is that right?---That's correct, yes.

And do you have the original of that statement with you?---I do.

5

And are the contents of that statement true and correct to the best of your knowledge and belief?---Yes.

I tender that statement too, please, Commissioner.

10

THE COMMISSIONER: Exhibit 6.335 is the statement of Mr Storey of 17 September concerning Rubric 4-21.

15 **EXHIBIT #6.335 STATEMENT OF MR STOREY CONCERNING RUBRIC 4-21 DATED 17/09/2018**

MR O'HIGGINS: Thank you, Commissioner.

20

THE COMMISSIONER: Thank you. Yes, Ms Orr.

<CROSS-EXAMINATION BY MS ORR

[12.44 pm]

25

MS ORR: Now, Mr Storey, you've been the chief operating officer of claims services at Youi since August last year?---Correct.

30 And you're responsible for Youi claims service operations, including claims contact centres, recoveries and settlements, and assessing and investigation of claims?---Yes.

Before that, you were the head of assessing and investigation?---That's correct.

35 And what did that role involve?---So that was a role that predominantly looked after the delivery of assessing and loss adjusting services and claims investigation services for Youi.

40 Now, Mr Storey, did you hear the evidence given by Ms Murphy and Mr Sutton?---Yes, I did.

Okay. Now, before I come to their cases, I want to ask you some general questions about Youi's obligations in handling insurance claims?---Certainly.

45 Now, does Youi subscribe to the General Insurance Code of Practice?---Yes, we do.

And how long have you been a subscriber to that code?---I couldn't exactly tell you when, Ms Orr, but I would assume it would have been from early days of our operation. So perhaps from 2009.

5 I might ask you to reflect on that over the luncheon adjournment and ask you that question again - - -?---Certainly.

- - - when we come back?---Thank you.

10 If you don't mind. Can I take you to the General Insurance Code of Practice which is RCD.0021.0010.0001. You are familiar with this document, Mr Storey, the General Insurance Code of Practice?---Yes, I am, yes.

Yes. It will come up on the screen?---Thank you.

15

Now, if we turn to 0011, we see section 7 of the code which deals with claims. And under clause 7.2 of the code we see that Youi is required to:

20

...conduct claims handling in an honest, fair and transparent and timely manner in accordance with this section.

?---Correct.

25

You're familiar with that obligation?---Yes, Ms Orr.

Now, if we look at clause 7.7 further down the page, we see that it says that:

30

Where you reasonably demonstrate to us that you are in urgent financial need of the benefits you are entitled to under your insurance policy as a result of the event causing the claim, we will fast-track the assessment and decision process of your claim; and/or make an advance payment to assist in alleviating your immediate hardship within five business days of you demonstrating your urgent financial need; and provide details of our complaints process, if you are not happy with our decision.

35

?---Yes.

Now, do you agree that the code emphasises the importance of not leaving a customer in financial hardship?---Yes.

40

Now, if we turn to 0012, we see that the code goes on to impose requirements in relation to the assessment and investigation of claims, and in relation to making decisions about claims. Do you see that?---Yes.

45

And then at 0013, we see that clause 7.20 deals with cases where an insurer selects a repairer:

Where we have selected and directly authorised a repairer, we will accept responsibility for the quality of the workmanship and materials; and handle any complaint about the quality or timeliness of the work or conduct of the repairer under our complaints process.

5

?---Correct.

You're familiar with that obligation as well?---Yes, Ms Orr.

10 And then if we turn to section 9 of the code at 0016, we see that section 9 of the code deals with catastrophes. And clause 9.2 requires Youi to:

... respond to catastrophes in an efficient, professional and practical way, and in a compassionate manner.

15

?---Yes.

What does Youi do to ensure that it complies with this obligation?---In terms of efficiency, Youi has had a catastrophe plan in place, a plan that gets reviewed bi-
20 annually. In that plan, we set out tasks for our response to catastrophes, including staff work planning – I suppose I'm speaking to the efficiency part of it here – so we can respond appropriately with the right resources to those catastrophes to meet efficiencies and the timeliness required for those events. In terms of professional and practical, Youi employs its own insurance assessors. We have a – a – quite a
25 substantial resource of assessing resources spread across Australia, and New Zealand that we can draw on so, therefore, we can – if a catastrophe is in a certain region we can draw on those resources and divert those resources, and using our own people, as opposed to having to outsource that aspect, you know, we believe that that certainly upholds the professional aspect there. By, you know, having our people that are
30 employed by us essentially to deliver that service. And – and certainly in terms of compassion, it is certainly my belief that staff employed by Youi are certainly best placed, you know, to deliver that – that direct compassionate service to the customers, and certainly in terms of making – to what you mentioned earlier there in the other section about making advance payments for customers, having our staff
35 mandated with those decisions to make those decisions certainly assists in that way.

Now, I'm going to come to the details of the cases of Ms Murphy - - -?---Yes.

- - - and Mr Sutton, but can I ask you now, before we get to that detail, whether you
40 feel that the evidence of those two Youi policyholders is consistent with your obligation imposed by clause 9.2 to respond to catastrophes in an efficient, professional and practical way and in a compassionate manner?---No, I don't believe we have met in that case.

45 Do you accept that those cases demonstrate Youi responding to a catastrophe in other than an efficient manner?---I think in – in – in initial response we were efficient, but certainly afterwards, we – we certainly have a lot of work to do there.

And - - -?---In those – in those instances, yes.

5 And do you accept those two cases demonstrate Youi responding to a catastrophe, two different catastrophes, in a way that is other than a professional way?---I think in certainly the management of the – of the builders, for instance, that were involved, you know, we certainly could have been more professional in that regard.

10 And do you say that Youi was responding in a practical way in the case of those two policyholders?---No, I – I couldn't support that statement, given what I've heard in the evidence this morning, yes.

And do you accept that Youi did not act in a compassionate manner towards these two policyholders?---I would accept that, yes.

15 All right. Thank you. Now, what do you understand to be the consequences of a failure to comply with a provision of the General Insurance Code of Practice?---Yes. Certainly we would have to record that as a – as an incident of noncompliance.

20 You would record it as an incident of noncompliance?---Yes.

Would you have to do anything else?---We would certainly have to table that in our information that we provide to the Code Administration Committee.

25 You would table it in an information that you provide - - -?---Yes, yes, in reporting to the Code Administration Committee, yes.

30 And what do you understand the Code Governance Committee can do in response to information that it receives that demonstrates a breach of the General Insurance Code of Practice?---I – I believe they can certainly if they believed the – the breach or, you know, certainly if breaches were numerous, they can certainly take – I'm just trying to – they could certainly investigate us for that, I would imagine.

35 So they could - - -?---And certainly, you know, request further information and clarification on those matters.

So if the breaches were numerous, you understand that they could investigate you - - -?---That's - - -

40 - - - and ask for further information?---That would be one example, yes.

45 And do you think there's anything else they could do, if having investigated you and received that further information they were satisfied that you had breached your obligation under the General Insurance Code of Practice?---I'm – I'm not aware, I'm sorry, no.

All right. I will tender the General Insurance Code of Practice, Commissioner.

THE COMMISSIONER: General Insurance Code of Practice,
RCD.0021.0010.0001, exhibit 6.336.

5 **EXHIBIT #6.336 GENERAL INSURANCE CODE OF PRACTICE
(RCD.0021.0010.0001)**

10 MS ORR: Now, in addition to the obligations imposed by the code, Youi also has
an overarching duty implied into all of its insurance contracts to act towards its
customers with the utmost good faith. Are you aware of that obligation?---Yes.

15 And in your view, did Youi discharge that obligation in connection with the cases of
the two policyholders who have given evidence?---Sorry, could I ask you to rephrase
that?

So I'm referring to the duty to act towards your customers - - -?---Yes.

20 - - - with the utmost good faith?---Yes.

I want to understand whether you think that Youi complied with that obligation, that
duty, in its handling of the insurance claims of Ms Murphy and Mr Sutton?---I don't
think we did.

25 You don't think you did?---Yes.

Now, Youi also has its own code of conduct, doesn't it?---Yes.

30 You've exhibited a copy of that to one of your statements. It's
YOU.0004.0001.0051. It's exhibit 7 to your statement about Ms Murphy's claim.
Now, this document we see is the global code of conduct policy for Youi, dated 12
September 2017?---Yes.

35 Does it remain Youi's current code of conduct?---Yes, I believe it does, yes.

Now, if we look at the introduction at 0052, we see that the introduction to the code
of conduct tells us that You:

40 *...conducts business with the highest standards of personal and corporate
integrity.*

You see that?---Yes, I do.

45 And if we look at Our Values at the bottom of that page – and perhaps we could have
the second page brought on the screen at the same time – we can see under Our
Values:

5 *The essence of a successful and visionary company is its ability to develop and maintain a unique culture. Youi has done this by having a clearly defined, measurable business vision and a set of distinct core values. Our values provide a framework for our thoughts, attitudes, actions and appropriate business conduct for all employees. As the insurer of choice, we're a fun, vibrant and unique general insurance company, consistently delivering both exceptional value and profitable results.*

10 So that's a description of the Youi values?---Yes.

 And the first value that is listed under there is "awesome service". Is that right?---That is correct.

15 Awesome service is described as:

We all own the moment every time we interact with our clients and colleagues. We go the extra mile for our clients and colleagues so they come back for more and tell others about it. We move fast to ensure we are there for people when they need us, and we get things right the first time.

20 So that is one of Youi's values in its existing code of conduct?---Yes.

 And over the page at 0054, we see a list of expected behaviours at Youi. The second of those is:

25 *Respect clients and treat them courteously and professionally.*

 The next is:

30 *Provide awesome standards of customer service.*

 And the last is:

35 *Select vendors and suppliers based on quality, service and cost only.*

 Now, can I ask you, Mr Storey, do you think that Ms Murphy and Mr Sutton received awesome service from Youi?---I definitely do not.

40 Do you think the way that Youi handled their claims was acceptable?---No, it was not.

 All right. I want to move to asking you some more detailed questions about Ms Murphy's claim first but I see the time, Commissioner.

45 THE COMMISSIONER: 2 o'clock.

 MS ORR: Yes, thank you, Commissioner.

THE COMMISSIONER: If you can be back in time to begin by 2 o'clock, I would be grateful. We will adjourn until 2 pm.

5 **ADJOURNED** [12.59 pm]

RESUMED [2.00 pm]

10 THE COMMISSIONER: Yes, Ms Orr.

MS ORR: Now, Mr Storey, I said I wanted to ask you some questions about Ms Murphy's claim next?---Yes.

15 Now, you've exhibited a copy of Ms Murphy's home insurance policy as it was in force at the time of her claim to your statement?---Correct.

20 Now, can I take you to that, exhibit 1 to your statement dealing with Ms Murphy. YOU.0004.0001.0030. Now, this is a letter from 14 October 2015 confirming renewal of the policy on 16 November 2015?---Yes.

25 And if we turn to 0031, we can see that the policy schedule shows us that the policy was a building and contents insurance policy?---Yes.

With a \$775 excess for building claims?---Yes.

And the building sum insured was \$166,400?---Yes.

30 Now, the details of the policy are set out in the PDS, which you've also exhibited to your statement. If we go to exhibit 2 to your statement, YOU.0004.0001.0001. This is the PDS for the insurance policy that Ms Murphy had?---Yes.

35 And if we turn to 0011, we see that there is a list of insured events?---Correct, yes.

And the sixth item in that list of insured events is over the page at 0012, the sixth item on the list is storm. We see what is covered:

40 *Loss or damage to the insured property caused by a storm, lightning, wind, hail, snow and stormwater overflow from roof gutters or their downpipes or from the area immediately around the premises.*

?---Yes.

45 Now, we can see that there's also a section in the PDS at 0014 headed Extra Cover. You see that?---Yes, I do, yes.

And if we turn to 0015, we see that the second item on the list of extra cover is emergency repairs?---Yes.

What is covered:

5

The reasonable cost of emergency repairs needed to prevent further loss or damage and make your building safe and secure when a claim is accepted under your buildings policy.

10 ?---Yes.

And the fourth item on the emergency – I’m sorry, on the extra cover list is temporary accommodation?---That’s right, yes.

15 And we see under the heading Temporary Accommodation: Insured Events, What is Covered?

20 *Buildings. The actual cost you incur for your reasonably priced temporary accommodation for a period of up to 12 months while your buildings are being repaired or rebuilt, if you cannot live at the premises after an insured event for which a claim is accepted under your buildings policy and we agree that temporary accommodation is required. The most we will pay for one month’s accommodation on each claim is 1 per cent of the buildings sum insured, plus up to \$250 for pet accommodation. The most we will pay in total for each claim is 12 per cent of the amount your buildings are insured for plus up to \$2500 for pet accommodation.*

25

?---Yes.

30 Now, in this case, the sum insured, we saw from the previous document, was \$166,400?---That’s correct, yes.

So the most that Youi would pay for one month’s temporary accommodation for Ms Murphy and her family was \$1664?---That’s correct, yes.

35

And the most Youi would pay in total for temporary accommodation under the policy was \$19,968 on our calculations?---I will accept that, yes.

40 Now, at 0023 within the PDS, we see a list of exclusions. And over the page at 0024, we see the Home Cover Exclusions. And the second item there – it says:

We will not pay for ... (2) additional costs resulting from your buildings or any part thereof not being compliant with the most recent building codes, laws and regulations.

45

?---Correct.

Now, I want to come back to that exclusion, but before we leave the PDS, we see at 0025 that it sets out some details in relation to making a claim. And over at 0026, it explains what Youi can do to settle a buildings claim. Do you see:

5 *If you claim under your policy we have the choice to settle your claim in many ways.*

?---Yes, I do, yes.

10 Continuing:

We will never pay more than the sum insured shown on your policy schedule, plus the extra amounts shown under the Extra Cover section. We can settle your buildings claim by paying for the reasonable cost of repair or rebuilding the damaged part of your buildings, paying you the reasonable cost of repair or rebuilding the damaged parts of your buildings –

15

Sorry, that's paying you. So paying for or paying you - - -?---Paying - - -

20 - - - the reasonable cost?---Correct, yes.

Continuing:

Rebuilding the building to its size and quality before the claim or any combination of the above.

25

?---That's correct.

30 Now, I want to come back to the built to code exclusion?---Yes.

Now, is that exclusion in all of Youi's home insurance policies?---It is, yes.

35 Is there a single building code in Australia?---There is the Building Code of Australia.

And roughly how many requirements are there in the building code, Mr Storey?---I certainly could not answer that, Ms Orr.

40 Can you estimate the number?---No. It would be wrong. I have no idea.

Do you know how often the building code is updated?---No, I do not.

45 Is there any requirement for a homeowner to keep their property up to date with the most recent version of the building code?---No, there isn't.

Is it practical for most homeowners to keep their property up to date with the building code?---No, it wouldn't be practical.

Why not, Mr Storey?---Well, I – I think, you know, homes are built at a certain period, codes change, as you’ve mentioned. And I think it would be unreasonable to expect, you know, the average person to consistently stay abreast of those code changes and – and upgrade their property accordingly. I don’t think that would be
5 economical for anyone, any homeowner.

So would you agree that the exclusion for costs resulting from a building or part of a building not being compliant with the most recent building code means that a large number of people who take out a home insurance policy with Youi are actually not
10 covered for damage to their home?---No, I – I wouldn’t say it would be a large number, and I couldn’t – I couldn’t say that, because – and I think the – the intent of these exclusions are for non-compliant works. So typically in what would be discovered in a claims circumstance is where people have built structures themselves without seeking any approvals, any structural approvals or engineering, and the likes,
15 and those works becoming damaged in a claim. So they were never built to any code, I suppose.

But that’s not what your exclusion is confined to. If we go back to 0024 in the document:
20

Youi will not pay for additional costs resulting from your buildings or any part thereof not being compliant with the most recent building codes, laws, and regulations.

?---Yes. Sorry.
25

So do you accept that that exclusion extends far beyond structures that are built by a homeowner - - -?---It may.

- - - that were never code compliant in the first place?---Yes, it may.
30

It extends to parts of a home that were code compliant when they were constructed, but because of changes to the building code are no longer code compliant at the time the claim is made, doesn’t it?---Yes.
35

Now, do you think that’s a fair term to have in your contracts with your customers, Mr Storey?---I – I think it’s – it’s a required and particularly with the circumstances I presented – or the example I gave earlier, I think it’s – it’s a – a term that insurers should have, you know. I think particularly if – if the structure that’s being assessed
40 at the time as part of a claim has actually contributed to damage, for instance.

But it’s not confined to that, is it, Mr Storey?---No, it’s not.

Your evidence, as I understood it, was that it’s not reasonable to expect homeowners to keep their homes compliant with the latest iteration of the building code?---That’s
45 correct.

5 So why is this not an unfair term. That's effectively what it requires?---Well, I think it depends on how it's applied in – in the claims process. And I can certainly say that, you know, our assessors – and we have guidelines in this regard – you know, would certainly take those circumstances into account when applying the claims process.

Well you have - - -?---Whether the customer would have been reasonably aware or – and the like, you know.

10 You have the ability at any time to rely on this term of your insurance contract with a policyholder - - -?---Yes, we do, yes.

15 - - - to deny a claim where payment of the claim involves costs that result from the building or a part of the building not being compliant with the most recent building code?---Yes, we – we do have that ability.

And I want to put to you that that is an unfair term to have in your contracts with your policyholders?---I – I don't accept that it is unfair.

20 Despite your evidence that you accept that it's unreasonable to expect a homeowner to keep their policy up to date?---I think it would be very difficult to operate an insurance policy without those exclusions in that were then essentially left, you know, open-ended in terms of building structures. It would become - - -

25 What about a narrower exclusion that covered the instances - - -?---That could be an opportunity - - -

30 - - - that you've explained, Mr Storey?---That could be an opportunity. And I think that narrower interpretation is what we put in, in the way that we apply our claims process.

You say in your statement that Youi doesn't always apply this exclusion. Is that right?---That's correct.

35 And you've exhibited a copy of the Youi home assessing guidelines to your statement, which set out some of the considerations - - -?---Yes.

- - - as to whether or not to apply this exclusion?---Yes.

40 If we could go to that document. It's YOU.0004.0001.0176. And it's exhibit 21 to your statement. We see at 0176 – so this is your internal guidance, is it, for your claims handlers - - -?---Correct.

45 - - - on when to apply - - -?---For our assessors predominantly, this would be.

For your assessors. As to whether or not to apply that exclusion?---Yes.

And we see at the top of the page that:

...built to code and betterment are a subjective area within the home assessing and repair process.

5

Do you agree with that statement, Mr Storey?---I do.

And underneath that, under the heading Youi Home Assessing Guidelines we see:

10 *Below you will find the general guidelines for when we would consider not applying the exclusion.*

Now, how long have these home assessing guidelines been in force, Mr Storey?---I'm not sure if that document has a version – a date on it.

15

It says that it's version 1.0. Do you see that down the bottom?---Yes. Yes, I do. So – yes. So there is a date next to it. So those guidelines may well have been updated in – in May. I see a date there 25 May.

20 You think that's the date on which these guidelines were - - -?---They may have been updated, yes.

So you're unable to tell us how long they've been in force?---No, I can't say exactly.

25 All right. Now, if we go to the Youi Home Assessing Guidelines and we look at the first heading, we see 1:

30 *The damaged section was built to code at the time of its original construction. We don't expect a homeowner to keep up to date with changes in the building code and upgrade their home with each change. As such, we would consider covering and bringing areas up to current code as part of the repairs.*

?---Correct.

35 And then number 2:

40 *The insured was unaware that the part of the home that has been damaged wasn't built to code. We don't expect an insured to be up to date with building codes and we base this decision on what a non-industry person would reasonably have been expected to be aware of.*

And over the page, heading number 3:

45 *We have commenced repairs and uncovered that an area wasn't built to code. Once we have started the repair process, then the onus is on Youi to ensure the repairs are completed and the client is placed back to pre-event state, eg, the roof on the home is storm damaged with tiles ripped off and a damaged*

internal roof structure. The roof has been installed without tie downs. We would repair the roof and install the tie downs to the whole roof, as we could not warrant the roof repairs without installing them.

5 ?---Correct. Yes.

And then if we go to examples of claims when we would apply the built to code exclusion. Do you see that heading there?---I do, yes.

10 The first example is:

15 *Our client has built a pergola themselves and it has been damaged in a storm. The pergola has not been built to code. We would cash settle the client for the materials and hours to rebuild their pergola as was and not pay for the extra work or materials to bring it up to code. The assessor would explain to the client this is based on the understanding that the inadequate construction of the pergola had not contributed to the incident occurring.*

20 ?---Yes.

Now, does Youi make this document available to its customers?---No, this is an internal guidelines for our assessors.

25 So how do your customers know whether or not they will be covered if their home does not comply with the building code?---That would be a discussion with – with our assessors after the – after the assessor has made that determination.

So they find out when they make a claim?---Sorry, could you re-state the question?

30 How do customers – how do your customers - - -?---Yes.

- - - know whether or not they will be covered if their home doesn't comply with the building code?---You're correct. That would only – given that would only occur at a claims – in the event of a claim.

35 They find out after their home is damaged and they're in the process of making a claim, and at that point the Youi assessor applies this internal guideline?---Correct.

40 And the customer finds out whether or not they're covered?---Correct.

Mr Storey, has Youi considered changing the exclusion in the PDS so that it actually reflects the circumstances in which a customer will be covered?---I don't believe that has been considered to date but perhaps that's something we should do.

45 Do you think that your customers are entitled to know before they're in the situation of making a claim what your position is on whether or not you will cover them when the building is not compliant with the code?---Yes. It's – as I said, the circumstances

within a claim can be so varied, it – it – you know, and the reality is in the majority of claims, you know, these issues do not occur, you know.

5 Well, when they do occur, the customer has no idea until the claims process proceeds - - -?---Correct.

- - - to the point where this document is applied whether or not their insurance policy covers them?---That is correct, yes.

10 Do you think that's a satisfactory situation, Mr Storey?---I think in the – in – it – it may not be.

It may not be?---May not be, yes.

15 Now, before I move to the next topic, Mr Storey, I said before lunch that I would give you an opportunity to consider and reflect - - -?---Yes.

- - - on the point at which Youi subscribed the General Insurance Code of Practice. Are you able now to answer that question?---Yes, I am. I am. I believe I said early
20 2009. Youi's – and I reflected on that – we're about to approach our 10th birthday in November. So I'm pretty sure we would have subscribed when we started our operations in November 2008.

November 2008?---Yes.
25

That's when you think you subscribed - - -?---I'm pretty sure. It was before my appointment with Youi but I'm – I'm pretty certain that would be the case.

All right. Now, coming back to Ms Murphy's claim, not long after the hail storm in
30 Broken Hill in November 2016, Ms Murphy contacted Youi about a claim firstly under her car insurance policy?---That's correct, yes.

And she mentioned damage to her house as well - - -?---Yes.

35 - - - in that conversation with Youi. And on 25 January last year she made a claim under her home insurance policy?---That's correct, yes.

Now, could I ask that you look at YOU.0002.0001.1331. What I'm going to have brought up, Mr Storey, is the claims notepad?---Yes.
40

That relates to Ms Murphy's claim. The claims notepad is an extract of all of the entries in Youi's claims management system - - -?---That's correct.

- - - relating to that claim?---Yes.
45

Is that right?---Yes.

YOU.0002.0001.1331. There we have it. Okay. So this is the claim – what’s referred to at Youi as the claims notepad?---That’s right, yes.

5 Is that right, Mr Storey? And if we look at the first entry, we see a record of a phone call on 25 January 2017 in which Ms Murphy made the claim. Is that right?---That’s correct, yes.

And we see the record is:

10 *There is hail damage over the whole roof. There are holes in the roof. The shed is full of hail dents and there are holes in the shed where it has gone through the alsynite . The verandah has holes in the alsynite . It has smashed the reverse cycle air-conditioner. The roof is a tin roof. The trampoline got smashed and we replaced it. The hail went through the roof and hit the surface*
15 *of the Mac Air. I have receipts for the repair of the Mac Air. The hail has broken through and leaked through the ceiling and on the hallway ceiling.*

So that was what Ms Murphy reported on 25 January 2017?---Yes.

20 And we see from this claims notepad that two days after Ms Murphy made that call, on 27 January Youi sent building requests to two builders, Australis Roofing and another company I will refer to as builder A?---No worries.

You understand that?---Yes.

25 Now, Australis Roofing, you tells us in your statement, inspected the property on 27 January?---Yes.

And they provided a report on 30 January?---Yes.

30 Builder A inspected the property on 2 February. Do you recall that from your statement - - -?---Yes.

- - - Mr Storey?---Yes.

35 And they provided their report on 10 February?---Yes.

Now, you’ve exhibited a copy of both the building reports to your statement. I will return to the claims notepad. If I could tender that document, Commissioner.

40 THE COMMISSIONER: Claims notepad concerning Murphy claims, YOU.0002.0001.1331, exhibit 6.337.

45 **EXHIBIT #6.337 CLAIMS NOTEPAD CONCERNING MURPHY CLAIMS, (YOU.0002.0001.1331)**

MS ORR: Now, the report from builder A is exhibit 37 to your statement. It's YOU.0002.0001.0375. And if we turn to 0376, we see that builder A reports:

While on site I observed that hail has caused damage to the following items.

5

Do you see that? Towards the top of the page?---Yes.

Continuing:

10

Damage to the main roof, to the front verandah, to the rear garage, to the cubbyhouse roof, to the internal hall ceiling and to a PVC pipe on the outdoor spa.

Do you see that?---I do, yes.

15

Now, if we could bring up the following page at the same time, 0376 to 0377, we see that the builder set out a scope of work and quoted \$25,778.28 for the work. Do you see that?---I do.

20

Now, there was no mention of the roof not complying with the building code in this report?---There doesn't appear to be, no.

And the claim was allocated around this time to a loss assessor within Youi. Is that right?---That's correct, yes.

25

And what does a loss assessor do, Mr Storey?---So they – so in this instance, or – we – home building assessor is the internal terminology that we use. So our home building assessors would attend the property, validate the loss had occurred as stated by the customer. They would prepare a – a scope of works to guide the quoting process, and then it would fall to a number of different processes after that internally, depending on the damage that has been seen. So for simple claims, the assessor may be able to appoint just one builder to attend and quote. And it's – as – as the quantum rise we may seek more than one quote, and so he would direct a number of builders to provide estimates on that damage. He would then assess those estimates for completeness and cost, and allocate that work to one of those builders.

30

35

So a few days after this building report was received on 13 February, the loss assessor, we see from your statement, attended at Ms Murphy's home and undertook a site inspection?---I believe – yes.

40

And he prepared an assessment report and decided to accept the claim?---Correct.

Now, the assessment report is exhibit 38 to your statement, YOU.0004.0001.0110. Now, at 0111, we see – I am just trying to find the part of this page that I want to take you to – I'm sorry, the next page, 0111. Under the heading Recommendations when that comes up, we see in capital letters under there:

45

Based on SP findings and discussion with the insured, recommend acceptance of resultant damages from a listed storm event.

And is SP a service provider?---Service provider, yes.

5

So that's the builder?---Correct.

Based on the builder's findings?---Yes.

10 Continuing:

Recommend acceptance of resultant damages from a listed storm event.

?---Yes.

15

And under the heading Make Safe, further down the page, we see:

Make safe details – nil.

20 Now, make safe is a term used within the insurance industry?---Yes.

Is that right? Can you tell us what a make safe is, Mr Storey?---So a make safe would be a temporary repair and securing of a property. Just – yes, to ensure further – no further loss and – and the property is secure, and safe for the customers.

25

And when is a make safe required?---Make safes are generally organised at claims lodgement based on information we receive from our insureds. We have a process in our claims lodgement process to ask a series of questions to determine the damage which is – also ensures we get a complete and accurate claims capture description.

30

And – and based on that we may then appoint one of our – our make safe providers to attend the property and – and conduct those works.

So when you appoint someone to attend a property and conduct make safe works, what do you do to check that the make safe has been performed?---There is no checking, essentially, within that claims process. We do have another function within Youi within our service quality department who have independent building auditors, and as part of our standard audit process, in – so their audits essentially concentrate on the quality of the work that's being conducted. The majority of these would take place after repairs. We would contact a customer post repair, organise a site inspection, inspect the quality of the work, and one of the aspects in those audits is to – to talk to the customer about the make safe works and that they were conducted and conducted to their satisfaction. That's probably the extent of our actual checking that that was done. Also, in – part of our service level agreements with our service providers there is a provision there in – I believe it's the appendix to our service level agreements for our service providers to conduct those make safes and also to guarantee those works for a minimum 12 week period.

45

But you don't, within the claims process, check that the make safe has happened?---No, no, not – not explicitly that I can recall.

5 And should you? Should you build into your claims process a step which ensures that the make safe that has been requested has taken place?---Well, certainly given the evidence provided by my customers today, that would be something that I will seriously consider.

10 Now, we see from this document in relation to Ms Murphy's claim that no make safe was performed at this time?---That's correct, yes.

Why not, Mr Storey?---I – I can't answer that, I'm sorry.

15 Should - - -?---It - - -

Should make safe works have happened at this time?---Not having taken that claims call personally or – or listened to that call, I'm sorry, I – I can't make a comment on that.

20 I see?---But based on that claims description, it – perhaps it should have been, yes.

25 Well, could we go back to 0110 within this document. We see that your loss assessor estimated that the necessary works would cost \$27,172. Do you see that towards the top of the page?---Yes.

And after this report was produced, Youi asked for quotes from two companies to repair Ms Murphy's roof?---Correct. Yes.

30 Now, if we go back to the claims notepad, YOU.0002.0001.1331. And we turn to 1336 within that document. We can see in the entry for the 26 February at the top of the page at 10.16 am, that two quotes were received. One from Australis for \$26,944.50 and one from builder A for \$25,778.28?---Yes.

35 Now, both those quotes were less than your loss assessor's estimate of the works. His estimate – you saw from the document before it was - - -?---Yes, it was about 27. - - - 27,172?---Yes.

40 And we can see from this entry here that builder A was selected for the job because their quote was the most competitive?---That's correct, yes.

45 And we see further down that the building job authorisation was sent to builder A later that day. We see that about halfway down the page. At - - -?---Yes, yes. - - - 5.30 on 26 February?---That's right, yes.

Now, Youi has a panel of approved builders. Is that right?---That's correct.

And what does it mean for a builder to be on that panel?---So a builder on our panel has been through a process of application with Youi, where they satisfy certain criteria in terms of their – their structure, their capability, the areas that they can service for us. They – once they are approved on our panel of builders, they are – we
5 make work available to them to receive that – that work directly from Youi, yes.

So at this time in February 2017, builder A was on your panel of approved builders?---In February – yes, they were. Yes.

10 And at the time of the Broken Hill hail storm, builder A had been on that panel since February 2013?---Yes.

In South Australia?---Correct, yes.

15 And for about a month in the rest of Australia?---Yes.

Is that right?---I believe – that’s what I recall as well, yes.

And following the hail storm, Youi arranged for builder A to assist in repairing
20 properties in Broken Hill?---Yes, they did, yes.

And that happened in November 2016, the same month as the hail storm?---I think I recall seeing emails to that effect, yes.

25 Okay. Now, builder A was selected, we’ve seen from this, to perform the works on Ms Murphy’s home?---Yes.

But by this time there were already a number of customers who had complained to Youi about builder A, weren’t there?---I think there were, yes.
30

Now, Ms Murphy explained that it took her and her partner a while to pay the excess on the policy?---Yes.

And to sign the scope of works?---Yes, yes, I recall that, yes.
35

But they returned the signed scope of works to Youi a few months after the claim was approved in late May 2017?---Correct.

And by that time, in addition to the broader complaints about builder A, issues had emerged specifically with their performance in relation to the Broken Hill
40 claims?---Yes.

Could I ask that you look at YOU.0011.0001.0016. We see that on 19 May, Mr De Sa, the manager for home assessing in New South Wales and the ACT, sent an email
45 to his team:

Afternoon team again. In relation to claims in Broken Hill, either be current or new claims, can we please not allocate –

That's another builder:

5

... or –

Builder A:

10

...building until further notice.

?---Yes.

You've seen an unredacted version of this?---Yes. Yes.

15

Yes. And you know that the next paragraph is about builder A?---The one that begins:

In regards to - - -

20

No?---Sorry.

The one that starts with a redaction and then the word - - -?---Yes, okay.

25

- - - "building"?---I will just quickly read that.

Yes?---Yes, yes.

This paragraph relates to builder A?---It does, yes.

30

Continuing:

Builder A have been placed on suspend in the region given we have had a number of complaints regarding works authorised which includes delays in repairs, contractors not being paid or just no planning on where the job is at. Procurement are managing the issues with builder A directly as result of not meeting our expectations as per our SLA

35

?---Service level agreement, yes.

40

Continuing:

As such many of the claims authorised where they have not started repair are being reallocated to [REDACTED] to complete regardless if it includes other internal repairs as they hold a builder licence.

45

?---Yes.

So this was the communication from Mr De Sa to his team about builder A and another builder on 19 May 2017?---That's correct.

I will tender that email, Commissioner.

5

THE COMMISSIONER: Email state manager home assessing concerning Broken Hill claims and builders, email of 19 May 2017, YOU.0011.0001.0016, exhibit 6.338.

10

EXHIBIT #6.338 EMAIL STATE MANAGER HOME ASSESSING CONCERNING BROKEN HILL CLAIMS AND BUILDERS DATED 19/05/2017 (YOU.0011.0001.0016)

15

MS ORR: Could I ask now that you look at YOU.0002.0001.8532. We see two emails on this page. Can I start with the email on the bottom half of the page on 25 May. Aaron Mortimer, a home procurement manager from You, sent an email to builder A. You see that?---Yes, I do.

20

Asking them to provide a copy of their warranty insurance on all claims in Broken Hill over \$20,000?---That's correct, yes.

25

And why do builders engaged by Youi need warranty insurance?---I think that's a standard insurance – homeowners building insurance that would be in place for – for all building works.

Is it a requirement of the law?---I believe it is, yes.

30

Yes. And then on 29 May in the email above, we see in an internal email, Mr Mortimer provided an update on builder As response:

35

Short version reading – the builder – are going to provide information today and admitted some job insurance is retrospective. I explained that is not acceptable and I want to see dates insurance taken out on jobs which have started. He struggled to answer questions on progress and process which left me with little confidence, to be honest. I will keep you updated on what I receive today from builder A. As previous, they are on suspend in all regions and we effectively are managing out works. I will be meeting with Rita mid-June to organise a special audit of their works prior to SLA end date.

40

?---Yes.

I will tender that email, Commissioner.

45

THE COMMISSIONER: Emails concerning the builder in relation to HOW insurance Broken Hill of 25 and 29 May '17, YOU.0002.0001.8532, exhibit 6.339.

**EXHIBIT #6.339 EMAILS CONCERNING THE BUILDER IN RELATION
TO HOW INSURANCE BROKEN HILL OF 25 AND 29 MAY '17
(YOU.0002.0001.8532)**

5

MS ORR: Can I take you now to YOU.0007.0001.0784. And if we could start with 0786. And we will need to enlarge the email in the bottom - - -?---Right now I wish I had my glasses with me.

10 I think we will make it easier for you, Mr Storey. If we could enlarge the email at 0786 in the bottom half of the page. We can see from this email, which is on 30 May 2017, that builder A provided the information that Youi had requested, which included information in relation to Ms Murphy and her partner's claim?---Right. Yes, I see that.

15

See that?---Yes.

And the information about that claim – perhaps if we could – we need to see the far right column of the table, which is off the screen at the moment:

20

Insurance will be forwarded prior to repairs commencing.

?---Yes, I see that.

25 Now, if we turn to 0785 within this document. Perhaps if we could have 0785 at the bottom of the page enlarged. We see that on 31 May, Mr Mortimer responded to the email from builder A. Do you see that?---Yes, I do. Yes.

And he said:

30

The information provided below again raises flags that correct process under state legislation is not being adhered to which places our clients and Youi at risk.

35 And if we then go to the continuation of that email at the top of the next page, we see that Mr Mortimer went on to say – I just need to go to the top of the page – I'm sorry, of 0786. You see there that he went on to say:

40

It is a requirement to take out insurance prior to commencing work on a project, which would include ordering materials. Insurance is required to be in place and should be taken out on receipt of insureds excess (if applicable) and receipt of signed contracts. From the list provided below it is obvious this is not occurring.

45 Do you see that?---I do.

And he says below that, a few lines down:

The gap in this insurance process is a serious breach of both the Youi SLA –

The service - - -?---Service level agreement, yes.

5 - - - level agreement –

... and also state governing body legislation.

?---Correct.

10

And if we turn to 0784 we see the response from builder A to that email on 31 May. Do you see the response at the bottom of the page there?---I do, yes.

15 And after receiving that response, Mr Mortimer wrote above that to Mr De Sa and asked whether there was an opportunity to cancel certain jobs that were with builder A and send them to another builder?---Yes, I see that.

And we see that above that, Mr De Sa told Mr Mortimer that they were following up with all of these jobs that were highlighted?---Yes, I see that, yes.

20

And in response, Mr Mortimer told Mr De Sa that he had just heard some more concerning information from another supervisor that had left builder A in Townsville. You see that?---Yes, I see that, yes.

25 To which Mr De Sa responded, up the top of the page, that he had just heard - - -?---I think that RACV is probably what it should have been.

30 Yes. Or is it “RAA in Victoria just gave them the boot”. Do you see that?---Yes so – I do, yes.

So by this time, which is late May and early June 2017, Youi was well and truly on notice about a range of serious issues with builder A?---Yes, that’s correct.

35 And does Youi often reallocate jobs from one builder to another because of concerns with the first builder?---Thankfully, it’s not often but it certainly can happen, yes.

So the concerns about builder A must have been quite serious to prompt Youi to take this step here?---Yes.

40 But Youi did not allocate Ms Murphy’s claim to another builder, did it?---No, they didn’t.

45 Why not, Mr Storey?---I honestly can’t answer that, but the – because I was not involved in that actual process but what I can say is – and having had experience with managing claims in Broken Hill some time back, is – and certainly in this instance – available trades were in short supply. Builders that certainly were our panel builders were – were quite full of work at the time, and – and it can be very

difficult and may have led to – and look in hindsight what we know now the delays were totally unacceptable, regardless, but I can only assume that they were considering the ability to actually find another builder to do that work in a timely manner.

5

Well, where do we see that recorded in any - - -?---No, no, as I said, I can't give you an answer of why because I wasn't involved. I'm giving you reasons - - -

That's your speculation?---Yes, correct, yes.

10

Yes. We know from these emails that Youi had formed the view that builder A had breached the law by not taking out insurance prior to commencing various building jobs in Broken Hill?---That's certainly what our determination was.

15 And Youi had decided to remove builder A from its panel and suspend any new jobs that were being allocated to builder A?---I'm not sure that – that the decision had been to remove them from our panel at that point but certainly I recall seeing the suspension would have been we would suspend further allocations of work.

20 And you did subsequently remove builder A - - -?---We did, yes.

- - - from your panel. Do you know when that occurred?---I believe it was – it may have been in March this year.

25 We will find the date for you - - -?---Yes, sorry.

- - - on that?---Yes.

But at this point - - -?---But they certainly were removed.

30

- - - you suspended builder A from the panel and no new jobs were being allocated - - -?---Correct.

35 - - - to builder A. And you had taken builder A off other Broken Hill jobs. So why not take builder A off Ms Murphy's claim?---I believe, from my – my review of the – of the claims file there was a discussion around the ordering of materials, materials had been ordered as being one of the criteria that the assessing department were – were using. So - - -

40 Builder A had not commenced work on the claim, had they?---No, they hadn't commenced work, no.

45 Did Youi tell Ms Murphy about the issues that it had identified with builder A and give her the chance to ask for a different builder to do the works at her house?---No, I don't believe that occurred.

Should it have occurred, Mr Storey?---Well, with the benefit of hindsight, it certainly should have.

5 Do you think that Youi's obligation under clause 7.2 of the code to handle claims in a fair and transparent manner required it to do so?---Yes.

Do you think that Youi's obligations under clause 9.2 of the code to act in an efficient, professional and practical manner required it to do so?---Yes.

10 Do you think that Youi's duty of utmost good faith required it to do so?---Yes.

Do you accept that Youi ought to have allocated another builder to Ms Murphy's claim after these issues with builder A emerged?---Yes, definitely.

15 Now, I tender that email chain, Commissioner.

THE COMMISSIONER: Emails concerning Youi Broken Hill update, 30 May '17 to 1 June '17, YOU.0007.0001.0784, exhibit 6.340.

20

EXHIBIT #6.340 EMAILS CONCERNING YOUI BROKEN HILL UPDATE, 30 MAY '17 TO 1 JUNE '17 (YOU.0007.0001.0784)

25 MS ORR: Now, Mr Mortimer said in one of the emails that I've taken you to that the failure of builder A to get insurance was a serious breach of the Youi service level agreement. Do you recall that?---Yes.

30 Now, you've annexed the service agreement to your statement. Do you recall that that agreement had been entered into with the builder in October 2016?---I can't recall that exact date but I - - -

I will bring it up for you?---Yes.

35 It's YOU.0004.0001.0134. And if we go to 0155, we see that it was entered into on 11 October 2016?---Mmm.

Do you see that date at the bottom of the page?---Yes, I do. Yes.

40 And by this agreement, builder A was appointed to the Youi panel for 12 months. Is that right? I could take you to 0139 so you can have a look at the relevant clause, Mr Storey?---Yes, sorry, different service providers - - -

Different terms?--- - - - have different terms.

45

Yes?---But I will accept it.

I will show it to you. If you have a look at clause 2.1 and 2.2. You see that this was an appointment to the panel for 12 months?---Yes, I do, yes.

5 And can I ask that you look at 0148 and clause 18.1, because we see there that Youi was entitled to terminate the service agreement at any time on giving 90 days' notice. Do you see that?---Yes, I do.

And under clause 18.2(a), Youi was entitled to:

10 *Terminate the agreement immediately if builder A breached the agreement and failed to remedy the breach within seven days.*

?---Yes, I see that.

15 Did Youi's conduct – I'm sorry, did builder As conduct breach the service agreement, Mr Storey?---In terms of the insurance?

20 Yes?---I believe – I saw an email trail in my review of the file where the builder – where it seemed to be some conjecture over the retrospective nature of the insurance that the builder had been working with a reputable insurance broker within that State, and – and that that had been common practice. So - - -

25 I just want to understand whether you think they had or hadn't breached the service agreement?---Certainly from the service agreement, yes.

They had breached it?---Yes.

30 So why didn't Youi terminate the service agreement in May 2017 when it became aware of those problems?---I can't answer why.

We see from your statement that builder A was told in August 2017 that the SLA would not be renewed?---That's correct, yes.

35 So it would have expired at the end of the 12 month period, in October 2017?---That's right, yes.

So does that mean that they remained on your panel until October 2017?---I believe that's the case, yes.

40 Should they have, Mr Storey?---Certainly not.

45 All right. Now, you tell us in your statement that Ms Murphy having paid the excess and signed the statement of works in May, builder A told Youi on 7 June that the repairs to Ms Murphy's home would start within the month?---Correct.

Did the repairs start within the month?---No, I don't believe they did.

And under Youi's contractual arrangements with builder A, when was builder A required to start the repairs?---I think it's within – you're testing me now – I believe it's within four or five working days.

5 Would it assist if I showed you - - -?---Yes, probably. That would be good, yes.

- - - the standard operating procedures. Is that the right document to take you to, Mr Storey?---Yes.

10 YOU.0004.0001.0156. These are the standard operating procedures for authorised service providers?---They are, yes.

15 And we see from the introduction that they're a set of written guidelines that document the service quality, timeliness and cost of the function defined by a service provider?---Yes.

20 Now, if we go to page 0164 within this document, we see at clause 2.18 that for repairs with a cost of more than \$10,000, builder A was required by this document to start the repairs within 10 working days - - -?---10 working days, yes.

- - - of the scope of works being signed and the excess being received?---That's correct, yes.

25 Now, when did builder A commence the repairs?---I don't believe it was until October.

About four months later, on 4 October 2017?---Correct, yes.

30 And do you know why it took builder A so long to start the repairs?---I believe I recall seeing some correspondence in – whether in the notepad or via email about difficulty in sourcing trades and – but regardless, it was – it was not acceptable.

You had a 10 day – 10 working day agreement - - -?---Yes.

35 - - - with builder A as to the commencement date?---Yes.

40 For the works. But they started about four months later. And under Youi's contractual arrangements with builder A, when was builder A to complete the repairs to Ms Murphy's home?---20 working days.

Within 20 working days of commencing the work?---That's correct, yes.

45 So builder A didn't start the repairs within the stipulated timeframe, nor did it complete the repairs within the stipulated timeframe?---That's correct, yes.

And under the standard operating procedures, builder A also had specific obligations in relation to catastrophe management. Is that right?---Yes.

And if we turn to 0172 in this document, we see in clause 2.38 headed Catastrophe Management, the third dot point:

5 *The service provider acknowledges the necessity to suitably resource following a catastrophic event, including but not limited to –*

There's a number of matters there. The last is:

10 *... resources to enable timely reinstatement of dwellings.,*

?---That is correct.

Is it fair to say builder A did not have sufficient resources in Broken Hill to repair houses in a timely way?---I think that would be fair.

15

Now, if we go back to the service agreement, YOU.0004.0001.0134. Could I ask that you look at 0139. We see at clause 2.5 Performance Requirements in your contract with builder A?---Yes.

20 And builder A acknowledged and agreed that under subparagraph (c) it will be:

25 *... required to assist Youi to ensure a seamless end to end claims service and the timely delivery of repairs by conducting services with due care and skill and in a professional, punctual and diligent manner and in accordance with the standard operating procedures and cost schedule and the level of service generally expected in a commercial agreement for the provision of services.*

?---Yes.

30 That was the contractual obligation of - - -?---It was.

- - - builder A under this document. And if we turn to 0140, and also bring up 0141, we see clause 4, service provider's obligations "The service provider will" – I will take you to (i):

35

...provide a high and consistent level of customer service without any limitation, including acting in an honest, efficient, fair and transparent manner. The service provider will be receptive to customer needs and demonstrate a high level of courtesy, professionalism and integrity at every point of contact.

40

?---Yes.

Do you see that?---Yes, I do.

45 And if I take you down to (t):

The service provider will complete all approved works as per submitted quotes, scopes of works or approved variations.

And cause (v):

5

Be responsible for the quality, technical accuracy and timely completion and delivery of all deliverables and other services to be furnished by the service provider under the agreement. If circumstances beyond the control of the service provider result in a late delivery, it is the responsibility and obligation of the service provider to make the details known immediately to Youi.

10

?---Correct.

Do you consider that builder A met these contractual obligations to Youi?---Certainly didn't.

15

Now, in the four months after Ms Murphy signed the statement of works and paid the excess but before the works commenced, what did Youi do about the fact that builder A had not commenced the works and was not complying with the timeframe set by Youi?---I don't think Youi did enough, Ms Orr.

20

Did Youi do anything, Mr Storey?---There was – you know, certainly from the claims adviser's perspective, I saw in the notepad and the assessor, you know, conducting follow-ups with the builders and trying to secure start dates and the like, but we should have done more.

25

Did Youi tell builder A that this was not acceptable?---Having not – no, I'm not – not aware of that.

30

You haven't seen that in the claims notepad?---No, I haven't seen that, no.

Did Youi allocate the job to another builder?---Yes, it – eventually, yes.

Much later?---Much later.

35

I'm talking about the four months after this signing of the scope of works and the - - -?---Certainly, no.

- - - excess being paid?---No.

40

Before the works commenced when these delays were apparent?---No, they didn't.

Did Youi tell builder A that unless it commenced the work, it would allocate the job to another builder?---I'm not aware of that happening, no.

45

Now, Youi chose this builder to complete this work at Ms Murphy's home, didn't it, Mr Storey?---They did, yes. We did.

And Youi was responsible for ensuring the works were done in a timely manner by the builder?---Yes. That is our responsibility.

5 Do you think Youi did enough to address the delays?---Not at all.

Now, under the code, Youi was required to handle the claim in a timely manner?---Yes.

10 And do you agree that by not taking steps to ensure that builder A complied with its obligations to commence repairs in the timeframe set by your contractual agreement with them, Youi failed to handle Ms Murphy's claim in a timely manner?---I do accept that.

15 Now, builder A commenced the repairs at the property on 4 October 2017, nearly a year after the damage occurred in November - - -?---Correct.

- - - 2016. And you heard Ms Murphy's evidence that on that day builder A opened up the roof?---Yes.

20 And then told Ms Murphy and her partner that they needed to pay a further amount of approximately \$3000 for works to strengthen the roof?---That's right, yes.

And Ms Murphy's partner telephoned Youi about that later that day?---Yes, that's what I heard, yes.

25 And Ms Murphy's partner sent emails to Youi that day about this?---Mmm.

Now, can I take you to YOU.0002.0001.0232. This is one of the emails that Ms Murphy's partner sent to Youi?---Yes.

30 And we see that he told Youi that he had been told he needed to pay the \$775. Do you see this partway down the page?---Yes, I do.

Continuing:

35 *...so that the works could start within four weeks. That was seven months ago.*

?---Yes.

40 Continuing:

Now we are in the predicament that our roof is halfway removed and there is no way to screw down the old roofing as it has been falling apart as they removed the roof.

45 Do you see that?---I do, yes.

Now, was it acceptable that Ms Murphy and her partner were put in this position?---No, it's not.

I tender the email, Commissioner.

5

THE COMMISSIONER: Email from insured to Youi, 4 October '17, YOU.0002.0001.0232, exhibit 6.341.

10 **EXHIBIT #6.341 EMAIL FROM INSURED TO YOUI, 4 OCTOBER '17 (YOU.0002.0001.0232)**

15 MS ORR: Now, we saw earlier in Ms Murphy's evidence, Mr Storey, the email correspondence that Ms Murphy's partner sent on to Youi that day, including the invoice for the amount that the builder said - - -?---Yes, yes.

20 - - - needed to be paid before the works could be commenced. And can I ask you to look at an email chain that includes that email, YOU.0002.0001.0342. Now, the material that was emailed by Ms Murphy's partner to Youi is annexed to this email. Have you seen this email chain before, Mr Storey? It's the email at the bottom of the page, which was the email from the builder:

25 *Please find attached all relevant documents in regards to your private works.*

?---Yes, yes.

Do you recall that?---Yes, I do, yes.

30 We can see that was forwarded on by Ms Murphy's partner?---Yes.

And we see at the top of the page that the loss assessor, Mr Roberts at Youi, emailed builder A the following day asking for:

35 *... an urgent update on the attached issues that were raised with our insured yesterday.*

And attaching a scope of – I'm sorry, a copy of the original scope of works that had been done by builder A?---Yes.

40

I will tender this email chain, Commissioner.

THE COMMISSIONER: Emails of 4 and 5 October '17 concerning private works invoice YOU.0002.0001.0342, exhibit 6.342.

45

EXHIBIT #6.342 EMAILS OF 4 AND 5 OCTOBER '17 CONCERNING PRIVATE WORKS INVOICE (YOU.0002.0001.0342)

5 MS ORR: And if we go back to the claims notepad, YOU.0002.0001.1331. And we turn to 1341. We see at the bottom of the page on 5 October a note of the loss assessor's conversation with builder A that day, the following day after the builders had been at the property. Do you see that?---Yes, I do. Yes.

10 Continuing:

Spoke with the builder's on site rep and asked why has it taken so long for them to start and then now find out warranting issues.

15 Now, "warranting issues", is that a reference to the fact that the roof was not compliant with the building code?---I assume so, yes.

And then later that same day, if we turn to 1342, at 8.48 that night, do you see at the top of the page?---Yes, I do, yes.

20

Continuing:

Client phoned in. Part of the room is open and it's about to rain.

25 Do you see that?---I do, yes.

Continuing:

30 *Called a person from the builder and asked them to send someone out to tarp roof to keep any further damage from occurring.*

?---Yes, I see that.

35 And then on 6 October, the following day at 4.15 pm, the next entry, we see "Hi Brett" – that's the loss assessor:

40 *Client has called extremely unhappy with delays in works. Client has advised she is pregnant and is being exposed to high levels of lead. Advised that the builder has packed up and left, is going to escalate to ombudsman due to delays. I have advised we are awaiting a further report. Could you please contact client with update ASAP.*

45 So this is where we see Ms Murphy doing what she gave evidence that she had done, which is explaining to Youi at this point that she was pregnant and was being exposed to high levels of lead?---Yes.

And that was as a result of the roof being open and lead dust coming into the house?---Yes.

5 Now, in your statement you say that Ms Murphy and her partner informed Youi about the lead issues on 20 October. Do you recall that? If we could bring up your statement and paragraph 86(h) of your statement, which is YOU.9999.0006.0001 at 0039. We see no reference in this chronology – perhaps if we could pan back out – you may have been looking at the chronology in total – we see no reference to this communication on 6 October?---No, no, there isn't.

10 Was there a reason that part of the - - -?---No.

- - - chronology was left out?---No, that's – that's – I don't believe I've seen that notepad before.

15 You've not seen your - - -?---No – well, I don't recall seeing that one. I think in making this statement I was certainly referring to, yes, the conversation that Ms Murphy was having with Mr Roberts, where she certainly mentioned the – the lead contamination.

20 You refer to a conversation on 20 October, but do you accept, based on the claims notepad that I've just shown you, that Ms Murphy raised these matters on - - -?---I do accept that, yes, yes.

25 - - - 6 October?---Yes, I do, yes.

Okay. Now, after these issues were raised on 6 October, Youi didn't take further action to close up the roof until 9 October. Is that right?---Yes.

30 And on 9 October we see, if we go back to the claims notepad, YOU.0002.0001.1331, at 1342, we see there on 9 October at 2.30:

Called SP. Site contact to ensured property covered and tarped if unable to reattached roof sheeting removed during initial works period.

35 Do you see that?---Yes, I do. Yes.

Another line or two down:

40 *SP stated will re-attend to ensure coverage and have office supply cost breakdown.*

Is that right?---Yes.

45 So do we interpret from that that it was clear, and that conversation, that builder A hadn't sent out anyone to fit a tarp after they had been told to do so by Youi on 5 October?---Yes.

And that had left Ms Murphy and her family in a house with an open roof for several days, being exposed to lead dust?---Yes.

Was that acceptable, Mr Storey?---Not acceptable.

5

What did Youi do when it learnt that builder A had left the roof uncovered in circumstances where Ms Murphy was pregnant and she and her family were being exposed to lead dust as well as the heat?---Clearly not enough.

10 Well, did Youi get builder A to put up a tarpaulin on 9 October?---That was certainly our intention by the reading of that notepad.

Did it happen?---I can't recall whether it happened on the 9th.

15 Well, given that - - -?---Or a tarpaulin or reattach the roof sheets, yes.

Given that builder A had previously failed to do the work that Youi had told it to do, did Youi follow up with Ms Murphy to ensure that her house had been made safe?---I don't believe we did.

20

Should you have done?---Certainly.

Did Youi tell builder A at this point that its conduct was unacceptable?---I haven't seen a communication that I – well, I don't recall a communication to that effect.

25

Youi's response to the situation of Ms Murphy and her family was inadequate, wasn't it?---It was. Yes.

30 Now, in the same call, on 9 October, in which Youi checked whether a tarp had been put up, Youi also asked builder A to provide a quote for the new works to bring the roof up to code?---Correct.

And then over the following 10 days, Youi had a dispute with builder A about the quote for the variation to the repair works?---That's correct, yes.

35

And on 19 October, just over two weeks after builder A opened up the roof of Ms Murphy's home, Youi authorised builder As variation for the extra work to bring the roof up to code?---Correct.

40 And do you recall how much that work increased the costs by?---No, I'm sorry, I can't recall the exact figure.

Well, exhibit 47 to your statement tells us that it was just over \$2000?---That would – yes, yes, I do. Yes.

45

Then the following day, 20 October, builder A went back to the – to Ms Murphy's house to commence the repair works?---Yes.

And builder A then told Youi that it had identified further difficulties with the roof?---Correct.

And that the repair costs would be significant?---That's right, yes.

5

And Ms Murphy called Youi later that day. We heard her evidence?---Yes.

And if we go to 1344 in the claims notepad, we see a note of that conversation at the bottom of the page at 146 on 20 October:

10

Mrs IO –

What does IO stand for, Mr Storey?---Our insured.

15 Our insured?---Our insured.

IO stands for - - -?---Sorry, I think it's a typo. Back to front.

Okay:

20

Mrs Our Insured complaining about health risk and EPA involvement with poison and health risk to her and family. Advise if there is issue will address. Mrs IO stated she has mentioned to builder several times and concerns never addressed. Asked her to supply EPA report concerns and details. She is unable at this stage. Advised I will review and get information and call her back. Advised builder has found issues with roof structure over and above and we are awaiting report and photos to recommend something to move forward. Spoke to TM and agreed to offer temporary accommodation.

25

30 ?---Yes.

Is that right?---Yes, temporary accommodation.

Continuing:

35

For four days until EPA and roof issue sorted. Three kids and two adults. LLA to contact office to find something in town. Next action: awaiting response from Mrs IO and service provider.

40 ?---Correct, yes.

Now, after that call Youi arranged four days of temporary accommodation for Ms Murphy and her family?---Yes, we did.

45 And Youi again requested that builder A make the property safe for Ms Murphy - - -?---Yes.

- - - and her family?---I believe – to close up the roof, yes.

5 Yes. And after the make safe work was done, Ms Murphy, her partner and their children moved back into the property having spent four nights in a caravan park?---That's correct.

Did Youi take any steps to check that the roof had been put back on properly before Ms Murphy and her family went home?---I don't believe we did.

10 Should you have - - -?---Certainly.

- - - Mr Storey? Did Youi take any steps to check that lead dust could no longer enter the property before Ms Murphy and her family went home?---No, I – nor would we be qualified to do that but certainly we didn't.

15 You could arrange for someone to do that, couldn't you?---Perhaps we could have, yes.

20 And did you do that?---No, we did not.

Then on 30 October Ms Murphy told Youi that she wanted to make a formal complaint?---Sorry, what date?

25 30 October?---Yes.

And in the following days, she sent a written complaint, which you may have seen me take Ms Murphy - - -?---Yes, I did, yes.

30 - - - to in her evidence. You heard Ms Murphy's evidence about that complaint?---Yes.

Do you recall – have you read the complaint, Mr Storey?---I – I have read it. Yes, certainly. Not recently but I have read it, yes.

35 You know that it was six pages long and raised a lengthy list of concerns?---Yes.

Including about the fact that Ms Murphy had been assured that the roof would be brought up to code?---Yes. Yes.

40 Only for builder A to then refuse to do that work without a further payment?---Yes.

The fact that builder A had not conveyed to Youi at an earlier point in time that Ms Murphy's property was affected by lead contamination?---Yes.

45 Or that the lead remediation works couldn't be started until the building works were complete?---Yes, I recall seeing that, yes.

Do you recall her saying that she was living in a house with no air-conditioner and an exposed roof?---Yes, I do.

5 And that her partner was having to do work to make the property safe, such as tying down uncovered sheets of metal that had been left there by the builders?---Yes. Yes.

And she was concerned that the property was not in a habitable condition, and her family had only been provided with temporary accommodation for five days?---Yes.

10 Now, you tell us in your statement that on 7 November Mr De Sa from Youi called Ms Murphy's partner to understand the complaint. Is that right?---That's correct, yes.

15 And after that call, Youi authorised another company to provide a quote to complete the repair work?---That's right, yes.

Then on 22 November there was another call between Mr De Sa and Ms Murphy's partner?---Mmm.

20 If we go back to the claims notepad at 1349, we see towards the bottom of the page on 22 November – I'm sorry, the middle of the page at 3.20, an entry from Mr De Sa. Do you see that?---I do, yes.

Continuing:

25

We will authorise upgrade to frame.

?---Yes.

30 Continuing:

Please review quote and confirm if fair and reasonable. If not, negotiate cost.

?---Correct.

35

You see that?---Yes.

40 Now, Youi has told the Commission that this phone call was not recorded?---It may not have been, yes. It might have been – Rui might have made that on a mobile phone.

Ought it to have been recorded, Mr Storey?---If – I'm not sure if it was an outbound call or an inbound call, sorry, so - - -

45 Underneath the entry in the claims notepad we see a reference to a complaint feedback letter sent. Do you see that at 3.48?---Yes, yes.

Now, that complaint letter is YOU.0002.0001.0210. We saw that this was an exhibit to Ms Murphy's statement. The letter to Ms Murphy said:

5 *We refer to our recent contact about the complaint that was lodged. We're focused on resolving the complaint and confirm the following: an update has been provided –*

with a box next to it.

10 Continuing:

The reason for this decision include an explanation was provided to you over the phone.

15 With a box next to it?---Yes.

Continuing:

20 *We trust this resolves the matter. However, if you are not happy with the outcomes above your next course of action would be to refer the matter to our internal dispute resolution service.*

?---That's correct, yes.

25 Do you think this letter was an adequate response – adequate response to the six-page complaint letter sent by Ms Murphy?---Well, I think, just for some context on this letter, this is a system generated letter when Mr De Sa would have closed off that complaint feedback that would have prompted. So I think this is the written confirmation that the – of the complaint, but certainly it's our expectation that Mr De Sa would have had, you know, a comprehensive conversation with our customer - - -

30 Sa would have had, you know, a comprehensive conversation with our customer - - -

Do you think - - -?--- - - - that preceded this letter being sent.

35 THE COMMISSIONER: Well, how do we know that he did? There's nothing in the claims notepad, there's nothing in this letter?---No, there's nothing in this letter but there is more comprehensive notes, and it's – it's an area of our business that we've since addressed. There is two separate notepads. There is a complaints notepad and we have since found more comprehensive notes in that regard and it's something we have now worked to correct in our system where they automatically get copied over into - - -

40 get copied over into - - -

MS ORR: Are you saying you have, in preparation for giving evidence today, found some further documents in a separate - - -?---Sorry, just a - - -

45 - - - notepad?---There was a further note explaining that – that phone call.

And was that note produced to the Royal Commission?---I believe so.

Just so that we can confirm that - - -?---Yes.

- - - Mr Storey, can you explain what that note is that you're referring to?---The – well, the note would have been a - - -

5

THE COMMISSIONER: Well, not “would have been”. Tell us what the note is. I don't want you to speculate?---Sorry.

I want you to tell us what the note is?---Sorry. I – I can't recall it word for word, but
10 it is an explanation of Mr De Sa's addressing of that complaint.

MS ORR: So is it a file note of a telephone conversation between - - -?---It would be, yes.

15 - - - Mr De Sa and who?---And the complainant, so - - -

Ms Murphy or Ms Murphy's partner?---Sorry, I can't recall.

And do you know when the conversation took place?---No, I couldn't say with
20 accuracy.

And can you recall anything of the contents of that file note?---My – my best recollection is an explanation about the issues with the code upgrade and a reassurance that – that Youi would certainly take care of that works for the customer.
25

That Youi would take care of the works?---And reassigned – yes, that – that we would take care of those upgrades, yes.

And was this conversation a response to the matters raised in the six letter
30 complaint?---Yes, it was, yes.

Did you - - -?---So that would have been the first – the first level of complaints review.

35 And do you know how long that conversation went for?---No, I don't, sorry.

Now, we will try and confirm what you've told us, Mr Storey. Perhaps if I could – perhaps if I could bring up RCD.0014.0023.0001, which is a letter from Youi to the Commission on 22 June this year. Now, if we turn to the second page – I'm sorry,
40 you will need to read the bit at the bottom first:

(2) It would also assist the Commission if you would identify the document ID of the relevant audio recording or otherwise provide the recording of the following calls.
45

And if we then go to (b) over the page, we see that – I’m sorry, it’s (a). So I will take you back. Perhaps if we could have both pages on the screen to assist. We see that (a) is:

5 *Document YOU.0002.0001.0210 is a letter to Sacha Murphy responding to a complaint that she made. The letter states “an explanation was provided to you over the phone”. The letter refers to a call made by Rui De Sa on his mobile to one of the customers on 22 November 2017.*

10 That’s the response, the first part of the response from Youi to the Commission’s question?---Yes.

Continuing:

15 *From Youi’s searches in the limited time provided, it appears that Youi did not record this call.*

And over the page:

20 *It is not the usual practice for Youi to record calls made from a mobile, although its employees do make file notes of their calls in Youi’s SUMMIT system at or about the time of the call*

25 Now, the SUMMIT system is the system that we have the claims notepad for?---Yes.

And then, finally, Youi said:

30 *The file notes for this call and in relation to ancillary actions taken are on pages 1348 and 1349 of the document –*

with the particular ID which is the claims notepad I’ve been taking you to?---Correct.

35 So that was the information provided to the Commission by Youi on 22 June 2008. Is that information – ’18, I’m sorry. Is that information correct?---At the time it would have been correct.

And is it no longer correct, Mr Storey?---Well, I believe it has since been corrected.

40 Corrected - - -?---Well – well - - -

- - - to who?---Well, I would like to think that that other notepad has been provided.

45 Are you aware of the Commission being given any information about the existence of the other notepad?---I can’t say with certainty.

I will tender the letter dated 22 June, Commissioner.

THE COMMISSIONER: Letter from Youi to the Commission, 22 June 2018, RCD.0014.0023.0001, exhibit 6.343.

5 **EXHIBIT #6.343 LETTER FROM YOUI TO THE COMMISSION DATED
22/06/2018 (RCD.0014.0023.0001)**

10 MS ORR: Now, I can't take that matter any further, Mr Storey. If there is another communication that your lawyers believe you made to the Royal Commission after that letter, then I'm sure that will be raised in re-examination. Can I take you back to the letter about the complaint, Mr Storey - - -?---Yes.

--- which is ---

15

THE COMMISSIONER: Well, just to be quite plain about it, Ms Orr, at the moment what we have is a letter saying, "Here is the record of the conversation." And that is where the story ends. If there has been some further communication to the Commission, we will need to have that communication identified with some particularity.

20

MS ORR: Yes, Commissioner.

THE COMMISSIONER: Yes. Do go on.

25

MS ORR: Now, I want to stay with the handling of this complaint and take you back to the letter at YOU.0002.0001.0210. Now, let's leave to one side for now what might have been said by Mr De Sa in the conversation that you've referred to. Can I ask you whether you regard this letter as an appropriate formal response to a complaint of the nature that Ms Murphy made?---No, I don't regard it as adequate.

30

Do you think this is an appropriate way for Youi to deal with a customer who was clearly distressed by their experience with Youi?---Certainly not.

35 Can I take you back to the General Insurance Code of Practice, Mr Storey, which is RCD.0021.0010.0001. I took you to sections of the code earlier. I now want to take you to the section of the code that deals with complaints and disputes which starts at 0018. I'm sorry, it starts at 0017. Could we have both 0017 and 0018 on the screen. So we see that section 10 of the code deals with complaints and disputes. And the section sets out separate rules for an internal complaints process, which is the process administered by Youi, and external dispute resolution, which is administered by FOS?---Yes.

40

The external dispute resolution, we see at 0019. If we could bring that up briefly. Do you see that?---I do.

45

Now, if we go back to 0017, we see that clause 10.4, which deals with the internal complaints process, says:

5 *We will conduct complaints handling in a fair, transparent and timely manner in accordance with this section.*

Do you see that?---I do.

10 And the internal complaints process is divided into stage 1, which we see towards the bottom of this page, and stage 2 which we see over the page?---Yes.

And in relation to stage 1, clause 10.11 says:

15 *We will respond to your complaint within 15 business days of the date of receipt of your complaint, provided we have all necessary information and have completed any investigation required.*

?---Yes.

20 Now, clause 10.13 says:

25 *We will respond to your complaint in writing and tell you our decision in relation to your complaint, the reasons for our decision, your right to take your complaint to stage 2 if our decision at stage 1 does not resolve your complaint to your satisfaction, and if you are still not satisfied with our decision after stage 2, your right to take your complaint to FOS.*

Do you see that?---I do, yes.

30 Now, could I ask that we bring up two documents – I would like to keep clause 10.13 on the screen, and could we also bring up the letter, YOU.0002.0001.0210. Now, does the letter set out Youi’s decision in relation to the complaint in writing?---No, it does not.

35 Does the letter set out the reasons for the decision in writing?---No, it does not.

So the clauses within the General Insurance Code of Practice were not complied with by Youi in responding to Ms Murphy’s complaint?---In this instance it’s certainly not.

40

Do you think Youi handled Ms Murphy’s complaint effectively?---No.

45 What should Youi have done, Mr Storey?---I think, given Ms Murphy provided, you know, as you state, a – a significant and very detailed complaint letter, that – that that should have been escalated, you know, directly to our internal dispute resolution service rather than being de-escalated, as it was, back to a – back to an operations manager.

You told us in an earlier version of your statement, which you swore on – which you signed on 8 June, that Youi had initiated a review of its complaint handling processes?---Yes.

5 And has Youi now received the findings of that review?---The review has been handed to the management team in draft, currently, and I believe the latest information it has gone out for – for comment and validation to the management team, yes.

10 So could we look at YOU.002 - - -

THE COMMISSIONER: Just before this comes down, Ms Orr, these documents – are you continuing with these documents?

15 MS ORR: No, I'm not, Commissioner.

THE COMMISSIONER: Just – I just want to be quite clear about one aspect of this. Is a consequence of the fact that, first, the communication was made by mobile phone and not recorded, and second, the terms in which the reply was sent to the
20 insured, that if the insured took this matter to external dispute resolution, there would be no means of testing any subsequent account given by Youi of what was said in that conversation with its insured against any contemporaneous record within Youi's control. Is that right?---Yes.

25 That is, the consequence of the means of communication that were adopted is the consequence that at EDR, whether before FOS or otherwise, there would be no internal contemporaneous record against which subsequent assertions by Youi of what was said could be tested. Is that right?---That's correct.

30 Is that satisfactory?---No.

Yes. Do go on.

35 MS ORR: Now, Mr Storey, we've just discovered that in the versions of your two statements that you provided yesterday – so Youi – you made a decision or Youi made a decision to re-do your statements yesterday. Is that right. The statements that had been finalised in June of this year?---Yes.

40 And some further exhibits were attached to each of the statements, the new statements that you provided yesterday. We have now discovered that a document that you annex to your statement dealing with Mr Sutton's claim appears to relate to Ms Murphy, and may be the document that you are referring to. Can I bring that document up that was provided to the Commission yesterday. And you can tell me
45 whether this is the document that you're referring to. I'm sorry, because it was only provided yesterday, it's not on the system. I think what we will have to do is arrange for that document to be placed on the system and hopefully that can be done fairly quickly. But does this sound like the document that you were referring to, a

document that has been annexed to Mr Sutton's statement provided to the Commission yesterday? You don't know, Mr Storey?---No.

Well, once we have it on the system - - -?---Certainly, that would be great.

5

- - - we will show it to you and you can see if that's the document you are referring to?---Thank you.

10 Are you aware of any explanation being given to the Commission of that document when it was provided yesterday?---No.

No. All right. I want to come to the draft complaints and internal dispute resolution assurance review document, which is the draft findings of your review of your complaint handling processes?---Correct, yes.

15

YOU.0026.0003.0009. Now, if we turn to 0012, we see an executive summary of this document?---Yes.

20 And the document was, we see, prepared by Compliance – compliance or compliance assurance? What is the entity?---I think our compliance department. Yes.

Your compliance section?---Yes.

25 And at the bottom of that page, we see, towards the bottom of the page:

General observations have indicated awareness and understanding of the complaints handling process is limited.

30 Do you see that first sentence towards the top of the screen?---Yes.

Continuing:

The assurance review has demonstrated –

35

Do you see the next paragraph?---Yes.

Continuing:

40 *...Youi requires significant improvement to the training, recording, monitoring and reporting of complaints information. As a result, Youi's complaints and IDR process is considered "non-compliant".*

Do you see that?---I do.

45

And then the document sets out significant areas for concern, and lists a number of action items that run over about four pages?---That's right, yes.

These are all action items that need to be actioned for Youi's complaint processes to become compliant?---Yes, that's – that's certainly the opinion of our compliance department.

5 And will Youi implement those action items?---We certainly will, yes, and we've already - - -

And when will that occur, Mr Storey?---We've taken – so recently, we've appointed a new executive position at Youi, chief customer officer. And had some structural
10 changes within Youi where the compliance department – sorry, the IDRS function will report into – into that executive. And it is certainly his first, you know, priority is to review these findings and certainly take action.

All right?---Many of these findings are – are also already actually underway, just as
15 part of business as usual operations and review as well.

Do you accept that it's a matter of some concern that your complaints and IDR
process are considered by your compliance area to be non-compliant?---I – I take it
20 very seriously.

Yes. All right. Well, I tender this document, Commissioner.

THE COMMISSIONER: Draft complaints and IDR processes report,
25 YOU.0026.0003.0009, exhibit 6.344.

**EXHIBIT #6.344 DRAFT COMPLAINTS AND IDR PROCESSES REPORT
(YOU.0026.0003.0009)**

30 MS ORR: Now, I want to come back and ask you some – a final set of questions in relation to Ms Murphy's - - -?---Certainly.

- - - claim, Mr Storey. I want to come to when it rained in Broken Hill on 15
35 November last year. And can we go back to the claims notepad to see what happened within Youi at that time. YOU.0002.0001.1331. And if we turn to 1348, we see on 15 November – at the top of the page at 5.17:

40 *Our insured called in asking to speak to adviser. Offered to help. Our insured advised water is coming into the house through the roof all over his contents items, proving the repairs were not completed properly. Refer to Brett. Then spoke to Rui. Advised to arranged MSA tarping or loss prevention as far as possible. Our insured has since spoken to [REDACTED]. They will be doing report.*

45 ?---Yes.

Now, I've just referred – I'm sorry, Commissioner, to an entity that is the subject of a non-publication order.

THE COMMISSIONER: That's the name of the construction company.

5

MS ORR: Yes.

THE COMMISSIONER: The name should not be published, I regret to say.

10 MS ORR: Now, after receiving that phone call, Youi arranged for another builder to attend and conduct a make safe?---Yes. I can see that in the next - - -

If we go down to 16 November at 12.21 pm, we see that the claims notepad records for Brett:

15

Hi Brett. Malcolm Banks from Jacobs called to advise that the builder has walked off the site and had not covered the building. More than just a make safe needed here. Looking a –

20 I'm sorry?---I can't follow this

I'm sorry, I will wait till it's static on the screen. 1348?---Yes.

Continuing:

25

More than just a make safe needed here. Looking a could –

I don't know what that's meant to mean –

30 *... of thousand to tarp the building.*

A couple?---Yes, perhaps. Yes.

Continuing:

35

He is look for an okay to do. Please call him back when you're free. He has also been trying to call you.

40 So we see from that that once again builder A had not properly completed the work that Youi had asked it to do?---Yes.

And despite the history of that occurring, Youi had not checked that builder A had put the roof on correctly before Ms Murphy returned to the home with her family?---No, I don't believe we did.

45

Even though under the code Youi was responsible for the workmanship of the builder?---Yes.

And Ms Murphy and her family suffered as a result of that, didn't they, Mr Storey?---Yes, they did.

5 We heard from Ms Murphy that the water got into the house causing internal damage?---Yes, yes.

10 Now, did Youi apologise to Ms Murphy and her family for the additional damage that was caused to their home as a result of builder As failings?---I believe that has taken place in subsequent face-to-face meetings, yes.

And has Youi apologised to them for not changing builders sooner?---I would like to think that was also part of the conversation, yes.

15 You would like to think it was?---Yes.

Was it part of the conversation, Mr Storey?---I couldn't say specifically whether it went into that detail but certainly apologised for the total mishandling of the claim, yes.

20 On 22 November last year Youi told Ms Murphy and her partner that repairs to the roof would be done to bring it up to code?---That's correct.

And it took steps to get another company in to provide quotes - - -?---Yes.

25 - - - for the work. And did Youi keep Ms Murphy and her partner updated while that was going on?---Sorry, I'm just trying to recall my recollection of the notepad to answer that confidently for you, but certainly as part of our – certainly part of our claims process is to contact the customer every 20 days.

30 Every 20 days?---Every 20 days, yes.

So if we - - -?---As a minimum, so - - -

35 If we turn to 1352 in the claims notepad we see that on 23 January this year there's an entry that says:

Hi Brett. Could you please contact client to provide information on what is happening with the claim? Client has a baby due in March and wants issues resolved.

40 You see that?---Yes.

45 But it was only on 15 February that Youi authorised the new company to perform the work on the roof. Is that right?---Yes, I – yes, I believe there was – there was delays in getting the scope of works sorted, giving the – the non-compliant issues that they had to deal with were significant, from my recollection.

And when was the roof ultimately repaired?---Well, the repairs are actually still ongoing, as Ms Murphy – I couldn't give you the exact date that the actual roof was replaced. It was certainly the roof was done first and then the internal works were authorised afterwards.

5

Well, the primary works to the roof were done, according to Ms Murphy, in May this year?---May, yes.

About 18 months after the hail damage?---Yes, far too long.

10

By a company that wasn't builder A?---Correct.

And another company has almost completed the internal repairs?---Yes. That's right, yes.

15

Now, do you accept that because of the delays in the repair works, Mr Storey, Ms Murphy and her family were exposed to lead dust for longer than they otherwise would have been?---I'm not an expert, Ms Orr, on lead contamination, but – but certainly that may be the case.

20

Well, you heard the evidence - - -?---Yes.

- - - of Ms Murphy that the EPA said that they were not able to do the remediation works until the repairs were complete?---I did hear that, yes.

25

Because of the potential - - -?---Correct.

- - - for the repairs to result in recontamination - - -?---Yes.

30

- - - of the soil. So the delays in dealing with Ms Murphy's claim prevented the EPA from remediating Ms Murphy's backyard, didn't they?---They did, yes.

You accept in relation to Ms Murphy's claim that Youi failed to conduct its claims handling in an honest, fair, transparent and timely manner?---Yes.

35

And that Youi didn't respond to the catastrophe that was the Broken Hill storm in a way that was efficient, professional, practical and compassionate towards Ms Murphy?---Well, certainly not in the Murphy's instance, yes.

40

All right. Now, I want to turn to Mr Sutton, Mr Storey. And I want to start by putting a series of propositions to you about Mr Sutton's claim?---Yes.

We know that Mr and Mrs Sutton had home insurance with Youi?---Yes.

45

And their policy covered them for damage caused by a storm?---Certainly.

And it covered them for temporary accommodation if they had to move out of their home because of damage caused by a storm?---That's correct.

5 And you heard that Tropical Cyclone Debbie hit Queensland in late March last year?---Yes.

About 18 months ago?---Correct.

10 And it caused damage, extensive damage to Mr and Mrs Sutton's home?---Yes.

So much damage that Mr and Mrs Sutton couldn't live there any more and had to move into temporary accommodation?---Yes.

15 Mr and Mrs Sutton made a claim under their policy in March last year?---Yes.

But now, almost 18 months later, their house has not been repaired?---Yes.

The repair works are yet to commence?---They are, yes.

20 And there were long periods over those 18 months when the hole in the roof was not properly covered?---That's correct, yes.

So now the house is full of mould?---Yes, I – well, it certainly had some mould, yes.

25 And Mr and Mrs Sutton are still living in temporary accommodation?---They are, yes.

30 And they've repeatedly been put under financial pressure because Youi delayed in reimbursing them for their temporary accommodation?---Yes. Yes. It was – we did.

Was it acceptable, Mr Storey, that Mr and Mrs Sutton are still not back in their house?---No, it's not.

35 Is it acceptable that their house wasn't properly protected from the elements while their claim was being handled?---No, certainly not.

Is it acceptable that Youi repeatedly delayed in reimbursing Mr and Mrs Sutton for the temporary accommodation cost?---No, that was – that was very much not acceptable.

40 Do you think that Youi handled Mr and Mrs Sutton's complaints effectively?---No.

45 And does Youi accept responsibility for the extended delays in dealing with Mr and Mrs Sutton's claim?---Yes, we do.

And does it accept responsibility for failing to ensure that the property was covered and protected from the elements while the claim was being resolved?---It is our responsibility at the end of the day for that, yes.

5 Now, do you accept in relation to Mr Sutton's claim that Youi failed to conduct its claims handling process in an honest, fair, transparent and timely manner as required by the code?---Yes.

10 And that Youi failed to respond to Tropical Cyclone Debbie in an efficient, professional and practical way and in a compassionate manner?---No, I don't accept that but certainly in the Suttons instance, definitely.

15 Do you accept – and I think you did earlier – that Youi handled Mr Sutton's claim in a way that when considered as a whole, demonstrates a failure to comply with the duty of utmost good faith?---Yes.

20 Now, I want to take you to some of the documents about the steps that were taken to keep Mr Sutton – Mr and Mrs Sutton's property safe. You've told us about the circumstances in which Youi organises for a make safe?---Yes.

And we heard from Mr Sutton that when the cyclone hit, it took off part of the roof of his house. You recall that?---Yes, yes.

25 And that would be a time when a make safe would usually be required?---Yes, it would certainly meet that criteria.

And did Youi try to organise a make safe on that day?---Yes.

30 But because of the storm, none of the builders in the area could attend to perform a make safe - - -?---Yes.

- - - on the day. Is that right?---That's right. Yes, I believe there was access difficulties, as often happens in that case.

35 And then a few days later, on 31 March last year, a building company went to the house to perform a make safe?---30 – yes.

40 Now, can I ask you to look at YOU.0001.0001.5960. We can see that at 3.17 pm on the afternoon of 31 March, the builder sent an email to Katherine Ahern at Youi. Who is Ms Ahern?---Ms Ahern is the state home assessing manager for Queensland.

And the builder said:

45 *Please could you confirm approval for make safe? Our contractors have advised that the house is unliveable and insured has been put in temp accommodation for now. The gyprock ceiling is very badly damaged and will need to be removed and debris cleaned up as this is not safe to walk on. We*

have been advised that the roof is 13 metres from the ground in order to tarp the roof. Ross has confirmed an estimate of approximately \$2500.

?---Yes.

5

Now, can I ask that we look at the first of the attachments to this email, which is 5961 – YOU.0001.0001.5961. If there's difficulty in bringing that up, I will move on. I wanted to show you a photo of the roof?---I've seen that photo, Ms Orr.

10 Of the damage to the house?---Yes, I have seen that photo if that assists.

We will see if we can have that photo brought up. But in the meantime, could I tender the email.

15 THE COMMISSIONER: Email concerning make safe of Cannonvale house, 31 March '17, YOU.0001.0001.5960, exhibit 6.345.

20 **EXHIBIT #6.345 EMAIL CONCERNING MAKE SAFE OF CANNONVALE HOUSE, 31 MARCH '17 (YOU.0001.0001.5960)**

MS ORR: Could we go to the claims notepad for Mr Sutton's claim, YOU.0001.0004.4226. We can see at 4228 that on that day, 31 March at 3.28 pm – 25 do you see about a quarter of the way down the page?---Yes.

The builder called Youi and said that because of the height of the house, the \$1000 limit – I think we don't have it on the screen - - -?---No.

30 - - - at the moment. Perhaps if we could pan back, there are two entries at 3.28 and we have the first one on the screen now:

The builder called Youi and said that because of the height of the house, the \$1000 limit would be exceeded.

35

?---Yes.

Do you see that?---Yes, I do.

40 And we see that entry is made by KathEO1A. Is that Katherine Ahern?---It is, yes.

And what's the \$1000 limit that's referred to there?---So there is an automatic authority up to \$1000 for our – our builders or service providers to do make safes, after which if they estimate that's going to be exceeded they would contact Youi for 45 further approval.

So in his evidence, you may have heard Mr Sutton say that he was told by a builder who attended that day that they were only authorised to work for eight hours. And is it possible that the builder was referring to this \$1000 limit which equated to eight hours' work?---That may be a possibility but certainly Youi wouldn't stipulate any –
5 any hours to our make safe providers or any hour limit as such, yes.

Okay. But you stipulated a \$1000 limit - - -?---Yes.

- - - on what you would pay the builder for the works?---Correct.
10

And the builder - - -?---What we – what they were able to do without seeking any further authority from Youi, yes.

So you know that the builder did not perform make safe works on that day?---Given
15 that, yes.

Did not cover the roof?---Yes.

And Ms Ahern records in this entry that she advised:
20

Okay up to \$2500 due to the height of the home.

?---Yes.

So she increased the limit but there was still a limit on what the builder was
25 authorised to do?---Yes.

And do you know if this builder then put a tarpaulin on the roof?---Sorry, without –
with the redaction there I'm not sure that – I believe it was that builder that put the
30 tarpaulin on the roof eventually.

And when did that occur?---No, I can't recall the exact date, sorry.

Do you know if this builder conducted any drying work while they were at the
35 property that day?---No, I don't believe any drying work was conducted.

And do you agree that mould can be a significant problem when houses in tropical
areas like Airlie Beach get inundated with water?--- Yes, it could be, yes.

And does Youi have particular policies or procedures for dealing with properties that
40 are at risk of being affected by mould?---There wouldn't – I believe that is under
review currently.

It's under review. So you don't currently have any - - -?---I don't believe we have
45 currently any defined policies and procedures that I could refer to, yes.

And you're considering whether or not to create such policies?---Certainly – certainly there has been discussions in that regard, yes.

5 Did Youi take any steps to check that all appropriate steps had been taken to stop mould growing in Mr and Mrs Sutton's property?---Sorry, could you just ask that again, Ms Orr?

10 Did Youi take steps to check that all appropriate steps had been taken to stop mould growing in Mr and Mrs Sutton's property?---I – I couldn't say yes with confidence to that, no.

15 Can I now bring up the photograph that I wanted to show to you, which is YOU.0001.0001.5961, which was an attachment to the email I took you to earlier. Do we see there in that photo the section of the roof of the house?---Yes.

That had blown off in the cyclone?---Yes.

Could I tender that attachment to the email, Commissioner.

20 THE COMMISSIONER: Exhibit 6.346, photo attached to email, exhibit 6.345, YOU.0001.0001.5961 becomes exhibit 6.346.

25 **EXHIBIT #6.346 PHOTO ATTACHED TO EMAIL, EXHIBIT 6.345 (YOU.0001.0001.5961)**

30 MS ORR: Now, if we go back to the claims notepad at YOU.0001.0004.4226 and we turn to 4230, we see that on 21 April another company was instructed to perform a make safe at the property. Do you see that?---Yes.

35 And Mr Sutton told us in his evidence that around that time of the second company coming to his house, a tarp was fitted over the hole in the roof and that this was the first time that a tarp - - -?---Okay.

- - - was fitted to the roof. Do you accept that?---Yes.

So by that time it was almost a month after the cyclone?---Yes.

40 And why didn't Youi make sure that the roof on Mr and Mrs Sutton's home was covered before then?---Yes, I can't answer as to why but I can say we should have.

45 Okay. And then if we look further in the claims notepad on this page – if we go, I'm sorry, to 4232, we see that on 11 May, a third company was instructed to perform a make safe at the property?---Yes.

Can I take you to the make safe report provided by that company which is YOU.0001.0001.0235. And I don't think I have yet tendered the claims notepad for Mr Sutton.

5 THE COMMISSIONER: Claims notepad concerning Sutton,
YOU.0001.0004.4226, exhibit 6.347.

10 **EXHIBIT #6.347 CLAIMS NOTEPAD CONCERNING SUTTON**
(YOU.0001.0004.4226)

MS ORR: Now, we can see from this report that the purpose of the make safe was
15 to refit the tarp and add screws and ropes. Do you see that towards the bottom of the
page under outline - - -?---Yes.

- - - of emergency work?---Yes, I do.

20 And we can see from the photos over the page at 0236 that the tarp that had been
fitted had become loose exposing a gap?---Yes, there's a gap there, yes.

So by this time, if not before, Youi was on notice that any tarpaulin fitted to the roof
might come loose?---Yes.

25 And while the tarpaulin was loose, water would be able to enter the property?---It
may, yes.

30 And the likelihood that more mould would grow in the property was
increasing?---That could happen, yes.

Did Youi do anything at this time to make sure that Mr and Mrs Sutton's property
would remain watertight?---Further – further to instructing that additional make safe?

35 Yes. So this – this builder refitted the tarpaulin?---Yes.

Is that right?---Yes.

40 And what I'm asking you is whether Youi did anything to make sure that having
refitted the tarpaulin, the property would remain watertight?---No.

Should it have - - -?---Yes.

45 - - - Mr Storey. Did it arrange for anyone to check the tarpaulin on a regular
basis?---No, it did not.

Were any steps taken to expedite the repairs to the roof?---On and around that time –
I was just trying to recall when – because I believe also if we're talking around May

that was when the contract was – on or around then – signed to commence the repairs. So further than that, no.

5 Did Youi do anything to try and find a more permanent way to keep the property watertight?---No.

And as the months wore on, water kept getting into the property?---Yes, that was the case.

10 I will tender the make safe report, Commissioner.

THE COMMISSIONER: Make safe report of 11 May '17, YOU.0001.0001.0235, exhibit 6.348.

15

**EXHIBIT #6.348 MAKE SAFE REPORT OF 11 MAY '17
(YOU.0001.0001.0235)**

20 MS ORR: And could I ask that you look at exhibit 47 to your statement, YOU.0005.0001.0387. We see from this document that on 18 July a restoration company visited the property?---Yes.

And they sent this report to Youi?---Yes.

25

And further down this page we see the further works conducted on 18 July:

Technician has removed all affected ceilings downstairs as part of a make safe to prevent further gyprock falling.

30

?---Correct, yes.

And:

35 *Further recommended works. Works cannot be undertaken until roof has been fixed as tarp area still leaks.*

?---Yes.

40 Did Youi do anything at this time, having received this report, to stop the leaking?---I think at this point we were still in discussions with Mr Sutton about commencement of the roof works.

45 And did Youi do anything at this point to stop the leaks that were coming through the tarp?---No, I don't believe we did.

Then some months later, on 18 October, Mr Sutton told Youi that there was still water getting into the property because the tarp was now tattered - - -?---It was, yes.

- - - and torn?---Yes.

5

Did Youi replace the tarp after it received that email?---I – I believe we instructed another make safe or – but I should say my review of the claims notepad at that time revealed that the assessor went partway to actually authorising that make safe but actually didn't – you know, in the system I could see where essentially, for want of a better term, didn't hit the go button, so to speak. It was very unfortunate. And then another couple of months - - -

10

That's right?--- - - - went by before we were able to get that rectified, yes.

15

So when did he ultimately authorise the replacement of the tarp?---I think that was in January.

20

I see. Now, could I ask that you look at YOU.0001.0005.2619. This is an email from Mr and Mrs Sutton that I took Mr Sutton to in his evidence. He exhibited it to his statement. It was an email that he sent after Mrs Sutton had called him from the house in tears - - -?---Yes.

- - - on 28 November. You recall that?---I do, yes.

25

Now, I want to take you to an email from the following day, 29 November, YOU.0001.0005.2621. We see that the following day, the loss assessor organised for a new tarp to be placed on the roof in November?---Sorry, this is - - -

30

Do you understand that a new tarp was placed on the roof at this time, or do you believe - - -?---Sorry, I believe that's the one I was - - -

- - - that happened in January?---Yes - - -

35

You believe it was January?---Well, I – sorry, I might have given you the wrong month before but I believe that's what I was referring to when I said the assessor tried – well, didn't successfully - - -

I see?---Yes.

40

I see. This is - - -?---And it went on till January before a successful tarping was taking place.

45

Well, this – we see this email at the top of the page is from the assessor to the builders. He forwards the email from Mr and Mrs Sutton to the builder. And he says:

Hi all. Ignore the emotional notes in the email. Can you please have trade return to house to secure tarp to roof.

?---Yes.

5

Do you see that?---Yes, I do.

Was that an appropriate email for the loss assessor to send to the builder?---Absolutely not.

10

Youi had been aware since at least May that a tarp placed on the roof was only a temporary solution and could – and had blown off and become damaged?---Correct.

15 But it never took any proactive steps to check that the tarp was intact or find a more permanent solution prior to January, you said, this year?---January was when we successfully achieved that, yes.

When there was an attempt - - -?---Correct.

20

- - - that was unsuccessful - - -?---Yes.

- - - in November. Now, over that time you accept that the property continued to be inundated with water when it rained?---I would accept that, yes.

25

And mould continued to grow in the property?---Potentially, yes.

Could I tender this email, Commissioner.

30 THE COMMISSIONER: Email of 29 November '17 from loss assessor to builder concerning replacing tarpaulin, YOU.0001.0005.2621, exhibit 6.349.

EXHIBIT #6.349 EMAIL DATED 29/11/2017 FROM LOSS ASSESSOR TO BUILDER CONCERNING REPLACING TARPAULIN (YOU.0001.0005.2621)

35

MS ORR: Now, Mr Sutton also told us in his evidence that he made a complaint to Youi on 9 October last year?---Yes.

40

Do you remember that?---Yes.

And I brought up that complaint letter - - -?---Yes.

45 - - - on the screen. Can I take you to some emails within Youi after that complaint was received. Could we go to YOU.0007.0007.8892. And at 8893 we can see an email from Ms Lawson to the loss assessor and to Ms Ahern. Who was Ms Lawson, Mr Storey?---Ms Lawson was working in our client relations area.

I see?---Yes.

Now, Ms Lawson says to the loss assessor and to Ms Ahern, who you told us was the state manager?---State manager for home assessing, yes.

5

Thank you?---Yes.

She says:

10 *I have highlighted –*

She says that she has received an email from Mr Sutton and then further down she set out the text of that email and she said:

15 *I have highlighted the issues regarding the repairs that I wanted to bring to your attention. I can look after accommodation solutions for the client.*

Do you see that?---I do, yes.

20 And later that afternoon, the loss assessor responded to this email. If we turn to 8892, we see he says:

Hi, Sarah, I will deal with the facts.

25 Now, could we bring up the second page to see the continuation of this email at 8893. We see at the top of the page:

30 *The insured has a habit of over-dramatising everything and creating an environment where you feel obligated to just approve it so we can move forward. It's a common trait amongst people trying to get more than what their coverage allows.*

That was what the loss assessor said to the state manager at Youi?---Yes.

35 Do you think that's an appropriate way for a loss assessor to talk about a Youi policyholder?---Absolutely not.

Do you think it represents dealing with someone who has been affected by a catastrophe in a compassionate manner as required by the code?---Definitely not.

40

The loss assessor said that:

... not all of the delays have been from our end as he has challenged everything along the way.

45

But what Mr Sutton had done was to ask for an engineer to inspect the roof, hadn't he?---Yes.

And that was a sensible step on his part given that the engineer identified what Youi's builder had not, which was that the whole roof needed to be replaced?---But not due to the cyclone damage, though, just to be clear.

5 Well, irrespective of whether it was due to the cyclone damage or not, that was the step that needed to be taken to make good the claim, wasn't it?---Eventually, yes.

Yes. Now, in response to that email, Ms Lawson said at 8892:

10 *I'm organising the temporary accommodation for client. The only accommodation available is a six month contract. Would you have any estimated time of how long these repairs will take so that we can make a decision whether to go ahead with accommodation contract of six months. I*
15 *totally understand that it's hard to determine a timeframe. However, we're just after an estimate if possible.*

Do you see that?---I do, yes.

And the following day, on 13 October, the loss assessor responded:

20 *I would probably think 10 weeks for repairs to be completed.*

?---Yes.

25 So at this stage, on 13 October, it looked like the house was 10 weeks away from being fixed?---Yes. Well, that was the assessor's estimate, yes.

Now, did Youi – we see that in this email chain there's discussion of Mr Sutton's complaint. Did Youi respond to that complaint in writing as it was required to do
30 under the code?---I can't recall seeing that response, no.

You've seen no written response to that complaint?---I don't recall seeing that response, no.

35 Do you accept that Youi did not act in compliance with the code in its response to Mr and Mrs Sutton's complaint?---Yes.

I tender the email chain, Commissioner.

40 THE COMMISSIONER: Internal Youi emails of October 2017 concerning Sutton claim, YOU.0007.0007.8892, exhibit 6.350.

45 **EXHIBIT #6.350 INTERNAL YOUI EMAILS OF OCTOBER 2017 CONCERNING SUTTON CLAIM (YOU.0007.0007.8892)**

MS ORR: Could I ask that you look at YOU.0001.0003.9687, Mr Storey. And at 9689 we see that in February this year Mr Keane – we see this about halfway down the page – Mr Keane was the person who was hired by Mr and Mrs Sutton - - -?---Yes.

5

- - - to deal with Youi on his behalf. In February this year, Mr Keane made a submission about Mr and Mrs Sutton's case to the Royal Commission?---Yes.

And he sent Youi an email with a copy of the submission?

10

THE COMMISSIONER: You will see that at the foot of the blow-up, I think?---I see – I see the mention there but I just - - -

MS ORR: Is that correct, Mr Storey? Did Mr Keane send a copy of the submission that he had sent to the Royal Commission to Youi? Do you see down the bottom there's a forwarded message?---Sorry. Sorry.

15

Do you see that? Sent to FSRC inquiries?---Yes, I do.

And that's forwarded on to Youi. Now, we can see above that Mr Keane's email – we see above that email that Scott North, the chief risk officer at Youi asked for a summary of the case. Do you see that?---Yes.

20

And if we turn to 9688, we see down the bottom of the page that at 9.12 am on 8 February, Trevor Devitt nominated Katherine Ahern as the appropriate person to provide the summary?---Yes.

25

Now, you weren't copied on that email?---No.

You weren't involved in the handling of Mr Sutton's claim?---Not – not at that point.

30

And then at 9688 at 9.21 am, nine minutes after she was asked to provide a summary, Ms Ahern sent a reply?---Yes.

See that:

35

Good morning team.

?---Yes, I see that.

40

Continuing:

45

The usual story with this one. Customer believed our scope of works was too lean, our assessor attended site in December, met with Mr Sutton and his builder (who happens to be one of our customers as well) to discuss what they believed to be missing. We added additional items to the scope, sent to our builder for a quote and have proposed a cash settlement based on the agreed

5 *scope of works. Note our cash settlement based on our builder's quote is less than Mr Sutton's very expensive local builder's quote. We have been ready to settle on this one since June/July and Mr Sutton continues on the scope creep path. Mr Keane states the home has mould contamination as a result of delays (customer's not our delays) we wanted to do a full strip out, customer declined. I have since requested our restorers attend site and provide us with a report on the current status and provide a quote for any additional mould remediation. In short, all customer delays. We could have started strip out and mitigation as early as April/May 2017, but customer wasn't keen on allowing any of our trades on site until he agreed on the full scope of works. I have promised the report from the building company involved in the repairs by close of business tomorrow.*

15 Now, do you agree that Ms Ahern's email misrepresents the true position in relation to the handling of Mr Sutton's claim?---Yes.

20 Isn't that a serious matter in the context of providing information to the chief risk officer about a submission that has been made to the Royal Commission?---Yes. And just for – for some context, and I have spoken to Ms Ahern about this – this email, and I myself have been in Ms Ahern's shoes in managing catastrophes that do, you know, take place – well, you know, the – the run-off of those catastrophes take place over many, many months. And this being certainly a significant – or probably the most significant catastrophe event that Youi had ever responded to, I think in those situations you rely very heavily on the information that you receive from your loss assessors. With the benefit of hindsight Ms Ahern is very disappointed that, you know, essentially she was passing on information that she had received from her loss assessor, which as we've already discussed today, was certainly not ideal and not an accurate recollection, I believe, of what the customer's position was or the situation.

30 But you – you accept that she misrepresented the true situation - - -?---Yes, I do.

- - - about the handling of Mr Sutton's claim in her email to the chief risk officer about a submission that had been provided to the Royal Commission?---Yes.

35 I tender that email chain, Commissioner.

THE COMMISSIONER: Emails between Keane and Youi and within Youi of February '18, YOU.0001.0003.9687, exhibit 6.351.

40 **EXHIBIT #6.351 EMAILS BETWEEN KEANE AND YOUI AND WITHIN YOUI OF FEBRUARY '18 (YOU.0001.0003.9687)**

45 MS ORR: Commissioner, I see the time. I think I have about half an hour to go with Mr Storey, so it may be better to do that tomorrow morning.

THE COMMISSIONER: Yes. At what time?

MS ORR: 9.30, if we could, Commissioner.

5 THE COMMISSIONER: 9.30 it is.

MS ORR: Thank you, Commissioner.

10 THE COMMISSIONER: Yes. Can you be back in time - - -?---Certainly.
- - - to begin at 9.30.

MR O'HIGGINS: Commissioner, just one matter if I may.

15 THE COMMISSIONER: Yes.

MR O'HIGGINS: Just to assist, it may be of assistance to the Counsel Assisting and to the Commission to – my instructions in relation to the documents that were mentioned some time ago about production to the Commission were that those
20 documents were produced in response to the notice to produce number 380 and produced to the Commission on 29 June 2018. And they were added to Mr Storey's witness statements provided yesterday. In fact, both the claims notepad and what's I think called in his statement the complaints notepad were added to his statements that he signed yesterday. But the original – the – those documents had been provided to
25 the Commission previously.

THE COMMISSIONER: Yes.

30 MS ORR: Commissioner, could I just briefly respond to that to say that we have located the correspondence that came from Youi with that production under the notice to produce on 29 June 2018. It did not in any way refer to or qualify the answers given to the correspondence on 12 June, I think it was – 22 June. So it may be that the document was one of a number of documents produced under the notice to produce. We do not cavil with that. But we did not receive any communication
35 that qualified the answers given to the 22 June letter.

THE COMMISSIONER: Well, perhaps these are matters that if they're to be taken up should be taken up tomorrow morning before the witness resumes his evidence.
40 9.30 tomorrow.

<THE WITNESS WITHDREW

[4.23 pm]

45 **MATTER ADJOURNED at 4.23 pm UNTIL THURSDAY, 20 SEPTEMBER 2018**

Index of Witness Events

BENJAMIN JAMES BESSELL, ON FORMER AFFIRMATION CROSS-EXAMINATION BY MR COSTELLO THE WITNESS WITHDREW	P-6111 P-6111 P-6145
SACHA MICHELLE MURPHY, AFFIRMED EXAMINATION-IN-CHIEF BY MS ORR THE WITNESS WITHDREW	P-6154 P-6154 P-6171
GLEN WAYNE SUTTON, AFFIRMED EXAMINATION-IN-CHIEF BY MS ORR THE WITNESS WITHDREW	P-6171 P-6171 P-6185
JASON LEONARD STOREY, SWORN EXAMINATION-IN-CHIEF BY MR O’HIGGINS CROSS-EXAMINATION BY MS ORR THE WITNESS WITHDREW	P-6185 P-6185 P-6187 P-6248

Index of Exhibits and MFIs

EXHIBIT #6.311 LETTER IAG TO THE COMMISSION, 29 JUNE '18 (RCD.0001.0015.0068)	P-6112
EXHIBIT #6.312 OVERSIGHT OF SWANN AUTHORISED REPRESENTATIVES REPORT, 9 JANUARY '17 (IAG.503.002.3837)	P-6116
EXHIBIT #6.313 IAG RISK PROFILE, SWANN, 25 MAY '16 (IAG.511.009.1458)	P-6131
EXHIBIT #6.314 REPORT OF IAG RISK COMMITTEE REVIEW CCI AND ADD-ON INSURANCE, 27 JULY '16 (IAG.503.006.1156)	P-6135
EXHIBIT #6.315 SUPPLEMENTARY WITNESS STATEMENT OF MARK MILLER OF IAG IN ANSWER TO RUBRIC 6-51 AND 6-53 DATED 14/09/2018 (WIT.0001.0167.0001)	P-6145
EXHIBIT #6.316 STATEMENT OF DECLAN MOORE, QBE, IN ANSWER TO RUBRIC 6-59 DATED 30/08/2018 (QBE.9999.0002.0001)	P-6145
EXHIBIT #6.317 STATEMENT OF PAUL HOLMES DATED 11/06/2018	P-6149
EXHIBIT #6.318 WITNESS STATEMENT OF BRENDA STAGGS DATED 11/09/2018	P-6150

EXHIBIT #6.319 STATEMENT OF DAVID KRAWITZ DATED 13/06/2018	P-6152
EXHIBIT #6.320 FURTHER WITNESS STATEMENT OF DAVID KRAWITZ DATED 25/06/2018	P-6152
EXHIBIT #6.321 STATEMENT OF LORI CALLAHAN DATED 13/06/2018	P-6153
EXHIBIT #6.322 STATEMENT OF HELEN TROUP DATED 12/06/2018	P-6153
EXHIBIT #6.323 SECOND STATEMENT FROM HELEN TROUP DATED 12/06/2018	P-6153
EXHIBIT #6.324 SUPPLEMENTARY WITNESS STATEMENT FROM MS TROUP DATED 22/06/2018	P-6153
EXHIBIT #6.325 STATEMENT OF GARY DRANSFIELD DATED 13/06/2018	P-6153
EXHIBIT #6.326 STATEMENT OF SUSAN HOUGHTON DATED 22/06/2018	P-6154
EXHIBIT #6.327 STATEMENT OF BERT BAKKER DATED 08/06/2018	P-6154
EXHIBIT #6.328 SUPPLEMENTARY WITNESS STATEMENT OF BERT BAKKER DATED 21/06/2018	P-6154
EXHIBIT #6.329 SUMMONS TO MS MURPHY	P-6155
EXHIBIT #6.330 STATEMENT OF MS MURPHY DATED 20/06/2018	P-6155
EXHIBIT #6.331 SUMMONS TO MR SUTTON	P-6171
EXHIBIT #6.332 STATEMENT OF MR SUTTON DATED 20/06/2018 AND EXHIBITS	P-6172
EXHIBIT #6.333 SUMMONS TO MR STOREY	P-6186
EXHIBIT #6.334 STATEMENT OF MR STOREY CONCERNING RUBRIC 4-15 DATED 17/09/2018	P-6186
EXHIBIT #6.335 STATEMENT OF MR STOREY CONCERNING RUBRIC 4-21 DATED 17/09/2018	P-6187

EXHIBIT #6.336 GENERAL INSURANCE CODE OF PRACTICE (RCD.0021.0010.0001)	P-6191
EXHIBIT #6.337 CLAIMS NOTEPAD CONCERNING MURPHY CLAIMS, (YOU.0002.0001.1331)	P-6201
EXHIBIT #6.338 EMAIL STATE MANAGER HOME ASSESSING CONCERNING BROKEN HILL CLAIMS AND BUILDERS DATED 19/05/2017 (YOU.0011.0001.0016)	P-6207
EXHIBIT #6.339 EMAILS CONCERNING THE BUILDER IN RELATION TO HOW INSURANCE BROKEN HILL OF 25 AND 29 MAY '17 (YOU.0002.0001.8532)	P-6208
EXHIBIT #6.340 EMAILS CONCERNING YOUI BROKEN HILL UPDATE, 30 MAY '17 TO 1 JUNE '17 (YOU.0007.0001.0784)	P-6211
EXHIBIT #6.341 EMAIL FROM INSURED TO YOUI, 4 OCTOBER '17 (YOU.0002.0001.0232)	P-6217
EXHIBIT #6.342 EMAILS OF 4 AND 5 OCTOBER '17 CONCERNING PRIVATE WORKS INVOICE (YOU.0002.0001.0342)	P-6218
EXHIBIT #6.343 LETTER FROM YOUI TO THE COMMISSION DATED 22/06/2018 (RCD.0014.0023.0001)	P-6227
EXHIBIT #6.344 DRAFT COMPLAINTS AND IDR PROCESSES REPORT (YOU.0026.0003.0009)	P-6231
EXHIBIT #6.345 EMAIL CONCERNING MAKE SAFE OF CANNONVALE HOUSE, 31 MARCH '17 (YOU.0001.0001.5960)	P-6237
EXHIBIT #6.346 PHOTO ATTACHED TO EMAIL, EXHIBIT 6.345 (YOU.0001.0001.5961)	P-6239
EXHIBIT #6.347 CLAIMS NOTEPAD CONCERNING SUTTON (YOU.0001.0004.4226)	P-6240
EXHIBIT #6.348 MAKE SAFE REPORT OF 11 MAY '17 (YOU.0001.0001.0235)	P-6241
EXHIBIT #6.349 EMAIL DATED 29/11/2017 FROM LOSS ASSESSOR TO BUILDER CONCERNING REPLACING TARPAULIN (YOU.0001.0005.2621)	P-6243
EXHIBIT #6.350 INTERNAL YOUI EMAILS OF OCTOBER 2017 CONCERNING SUTTON CLAIM (YOU.0007.0007.8892)	P-6245

EXHIBIT #6.351 EMAILS BETWEEN KEANE AND YOUI AND
WITHIN YOUI OF FEBRUARY '18 (YOU.0001.0003.9687)

P-6247