

After the floods – meeting the benchmark

A review of how the insurance industry is implementing the recommendations from the 2023 review into the industry's response to CAT221

January 2025

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Acknowledgements

Social, economic and environmental disruptions caused by catastrophes continue to significantly impact Australia. While Catastrophe 221 (CAT221) was a defining historical marker, severe weather events are still causing devastation across Australia.

In conducting this review, Deloitte consulted with various stakeholders to understand how the insurance industry has implemented the recommendations contained in *The new benchmark for catastrophe preparedness in Australia* following the review of the industry's response to CAT221. As such, Deloitte would like to acknowledge and thank these stakeholders for their time and valuable input and insights. They included insurers, the Insurance Council of Australia (ICA), regulators and consumer representative organisations.

Allianz Australia Insurance Limited

Australian Financial Complaints Authority

Australian Prudential Regulation Authority

Australian Securities and Investments Commission

Auto & General Insurance

Financial Counselling Australia

General Insurance Code Governance Committee

Hollard Insurance

Insurance Australia Group

Insurance Council of Australia

Legal Aid New South Wales

Legal Aid Queensland

Royal Automobile Club of Queensland

QBE Insurance

Suncorp Group

Youi Insurance

Glossary

Acronym	Full name
AFCA	Australian Financial Complaints Authority
ASIC	Australian Securities and Investments Commission
CAT	Catastrophe, means an event declared by the ICA to be a Catastrophe under the GICOP
CAT216	Catastrophe 216, storms across South Australia, Victoria and Tasmania in 2021
CAT221	Catastrophe 221, the Southeast Queensland and New South Wales floods in 2022
CAT221 Report	<i><u>The new benchmark for catastrophe preparedness in Australia</u></i>
CAT233	Catastrophe 233, severe storms in Queensland, New South Wales and Victoria in 2023-24
GICOP	General Insurance Code of Practice
GICGC	General Insurance Code Governance Committee
ICA	Insurance Council of Australia
IDR	Internal dispute resolution
NSW	New South Wales
QLD	Queensland
SE	Significant event, means an event declared by the ICA to be a Significant Event under the GICOP

The background is a dark, moody sky with heavy, grey clouds. In the upper left, a large, thin white circle is partially visible. To its right, a series of three concentric white circles are stacked, with the largest one overlapping the others. In the lower left, a curved line made of many short, parallel white dashes arcs upwards towards the center.

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Executive summary

About the review

In October 2023, Deloitte published a report titled *The new benchmark for catastrophe preparedness in Australia* (CAT221 Report). This report outlined Deloitte's findings of the general insurance industry's response to Catastrophe 221 (CAT221), the Southeast Queensland and New South Wales floods in 2022, which was the costliest insured event in Australian history. The CAT221 Report outlined seven recommendations for the general insurance industry to improve the response to future catastrophes, which were accepted in principle by the industry.

In July 2024, the Insurance Council of Australia (ICA) engaged Deloitte to complete a follow-up review of the industry's progress in implementing the recommendations (the Industry Progress Review).

The recommendations relate to:



Catastrophe preparedness



Customer experience



Resourcing capability



Operational response



Governance and transparency



Coordination with government in relation to events



The General Insurance Code of Practice review in the context of catastrophes

Consistent with the CAT221 Report, the scope of the review did not extend to:

- The impact of the level of insurance protection within the community (i.e. insurance availability and affordability)
- How products were designed, the policy terms and definitions, and insurers' interpretation and coverage, including exclusions and limitations
- How policies were sold or distributed and whether they were suitable for the customers who purchased them
- Any review or assessment of individual policyholder's claims or complaints, and the accuracy of any decisions made by insurers
- Assessment of the effectiveness of any third-party suppliers (e.g. builders and hydrologists)
- The provision of legal opinions or the development of new economic models or forecasts.

After the 2022 floods – the shifting external context for insurers

Since CAT221, there has continued to be complexity in the external environment within which general insurers operate – requiring them to adapt and transform. This includes continued extreme weather, macro-economic challenges and increasing regulatory scrutiny.

Extreme weather and associated costs

The ICA has declared nine catastrophes and significant events since CAT221, these events have culminated in 252,926 claims, which only just surpasses the 244,547 claims from CAT221 alone. These events were significantly smaller in terms of claims volumes and losses but have presented challenges for insurers due to the geographical spread of the events and the quick succession over Christmas and New Year. Average insured losses now regularly exceed \$2.2 billion and average claims lodged exceed 90,000.

Macro-economic challenges

The macro-economic environment during CAT221 was extremely complex, this context has now somewhat eased, with some of the challenges from 2022, including new car wait times and overall building material prices reducing. However, there are other emerging challenges like shortages of skilled workers and increasing prices for certain materials which continue to impact insurer operations.

Regulatory and external reviews and inquiries

Since CAT221, 15 related reviews and inquiries have been held by the ICA, ASIC, the General Insurance Code Governance Committee (GICGC) and peak consumer groups, as well as the Parliamentary Inquiry into insurers' responses to 2022 major floods claims. These reviews have resulted in 348 recommendations to date, with some of the reviews still to be finalised. Responding to these reviews has and will continue to demand substantial effort and resourcing from insurers.

The challenging external landscape that occurred during CAT221 has shifted and changed but continues to be complex. This ongoing complexity is a “new normal” for insurers to adapt to. The investment in associated transformation needs to be carefully planned by insurers to maximise improvements for consumers while managing their ability to provide affordable insurance.

Industry progress in implementing CAT221 Report recommendations

After our report was published in 2023, it is evident that substantial investment and resources have been made by insurers to improve how they respond to major CAT events. Insurers have set up dedicated programs of work or adapted existing transformation programs to implement the recommendations. Given the complexity and importance of this work there is opportunity for some insurers to enhance the governance mechanisms and associated artefacts related to these programs to improve organisational clarity around timeframes, accountability, and measures of success.

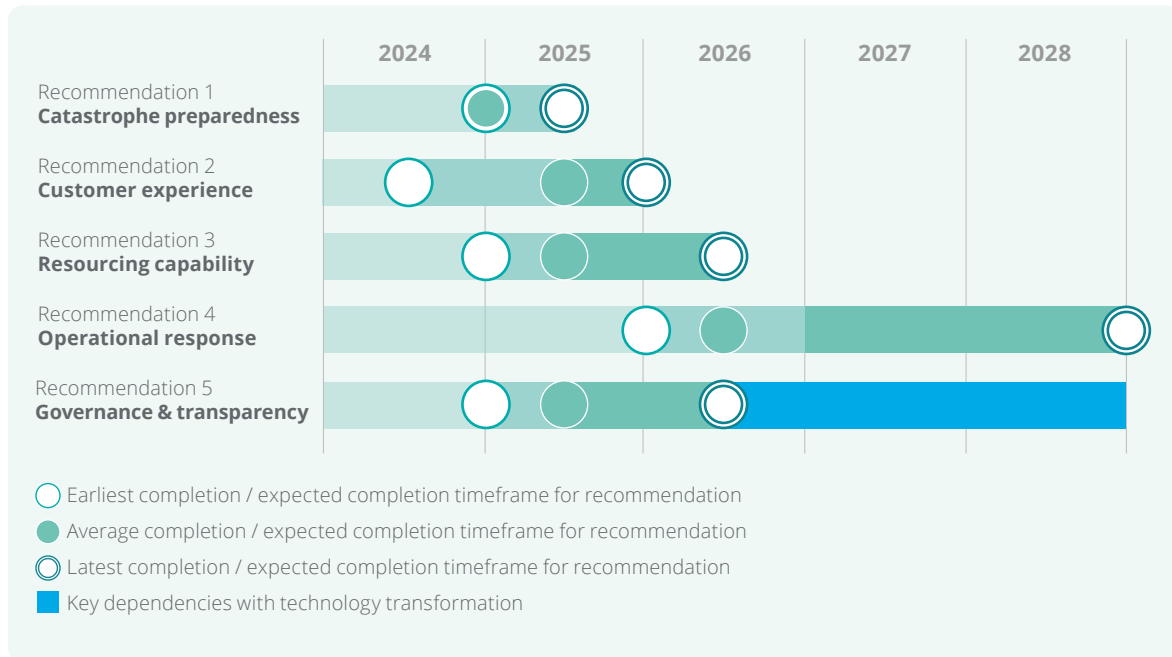
All insurers have demonstrated improvements across the recommendations, with significant progress made in uplift to catastrophe response (Recommendation 1) and resourcing capability (Recommendation 3). More work is needed before the recommendations will be met, particularly in the areas of communication (Recommendation 2), technology uplift (Recommendation 4) and data (Recommendation 5). For most insurers this is largely because more transformational changes take time and significant investment of resources to deliver, particularly as they relate to technology and infrastructure programs.

Insurers with longer timelines to implement the recommendations will still face challenges similar to those experienced during CAT221 if another large event were to occur in the near future.



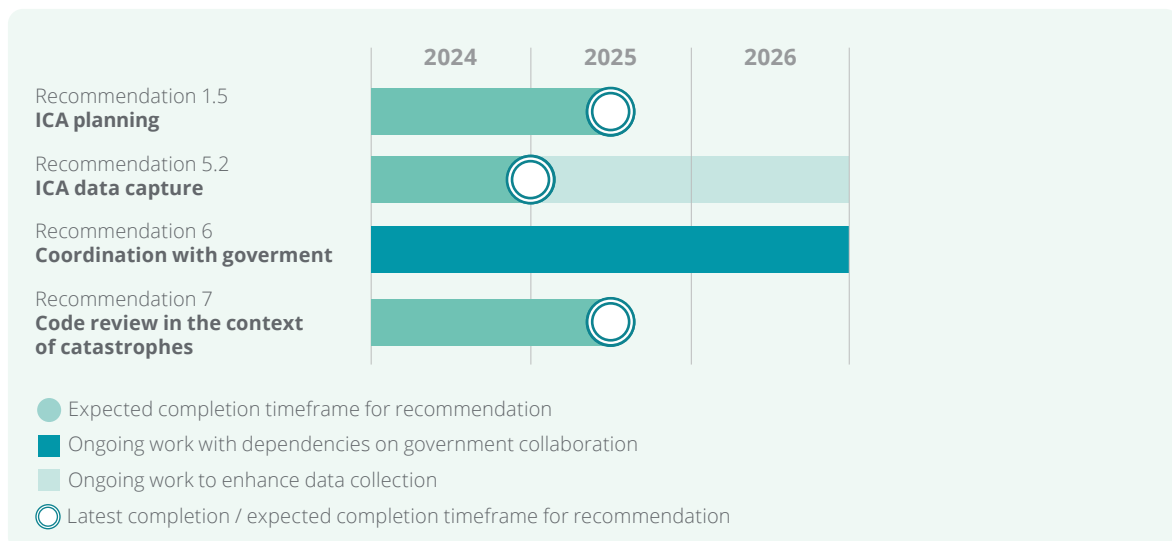
A small number of insurers have not started to upgrade their technology platforms and may continue to face challenges during large catastrophes with manual processes, lack of digital options for consumers and data quality issues.

Figure 0.1 Insurers' planned implementation timeframes for each recommendation



Similarly, the ICA has developed a set of action plans to address the recommendations from the CAT221 Report with the aim of completing this work by mid-2025. Some of the ICA's planned work to address the recommendations has been completed, but the work in relation to coordination with government and external stakeholders has an undefined completion timeline. This is partly because of complexities in engaging various stakeholder groups in government and partly because the government needs to respond to the recommendations from the Inquiry into insurers' responses to 2022 major floods claims before a formal action plan can be agreed on and implemented.

Figure 0.2 ICA planned implementation timeframes for each recommendation



In addition to the response to the CAT221 Report recommendations, the ICA has a three-pillared strategic approach aimed at creating an enabling environment to support insurers. This includes:



Measuring impact and performance uplift

At this stage, it is difficult to measure the impact of the improvements made by insurers on consumer experience during catastrophes. This is partly because the improvements are not yet finalised and have not been stress tested through an event. It is also because there is limited objective and agreed measures to benchmark the industry against.

As a result, we sought to understand the impact of improvements through available data and qualitative feedback from insurers and consumer groups.

Emerging data insights

There is positive emerging data related to claims closures across comparable events. Insurers were able to close claims for CAT233¹ at a much faster rate than for CAT221 and CAT216². After 10 months, 91% of claims were closed for CAT233 compared to 78% for CAT221 and 89% for CAT216. There was also a more consistent experience with respect to claim timeframes between insurers. The gap in closure rate between the quickest and slowest insurers was much less after 10 months for CAT233 (6%) than for CAT221 (25%).

We were not able to reperform the analysis of complaints data due to quality and availability of data. Though we note that ASIC released two reports³ on complaint handling in December 2024 which show complaint reasons and trends similar to the CAT221 Report. Poor communication during complaint handling and system and data constraints were also cited as issues. However, timeframes for handling complaints has decreased overall for the industry since 2022.

Insurer perspectives on their performance

Insurers told us they would be in a better position to respond should another catastrophe similar size to CAT221 occur as a result of the changes that have been made. While they acknowledged they still have a way to go to fully implement the recommendations, many feel that changes to planning, communications, resourcing and technology enable them to provide more consistent experiences to their customers through events and that this is coming through in their reporting and customer experience scores. However, they recognise that a catastrophe of an unprecedented scale would put strain on an industry-wide response.

Consumer representative perspectives on insurer performance

Notwithstanding the industry's progress made to implement the recommendations, consumer representatives told us that in recent events they have not observed any material improvements in the way insurers handle claims and associated complaints, with many of the issues remaining consistent between event seasons. Recent reports and investigations completed by ASIC and the CGC in relation to claim and complaint handling also found issues with customer experience.

1 The Christmas and New Year Storms in 2024 – 105,397 claims and insured losses of \$1.53b

2 The South Australia, Victoria and Tasmanian Storms in 2021 – 110,428 claims and insured losses of \$976m

3 REP801 – Insights from internal dispute resolution data reporting: July 2023 to June 2024 and REP 802 – Cause for complaint: complaint handling in General Insurance

While the consumers that access support often do so because their situation or claim is complex, the consumer representatives' feedback highlights the areas where insurers' performance particularly impacts customers experiencing vulnerabilities.

Closing observations

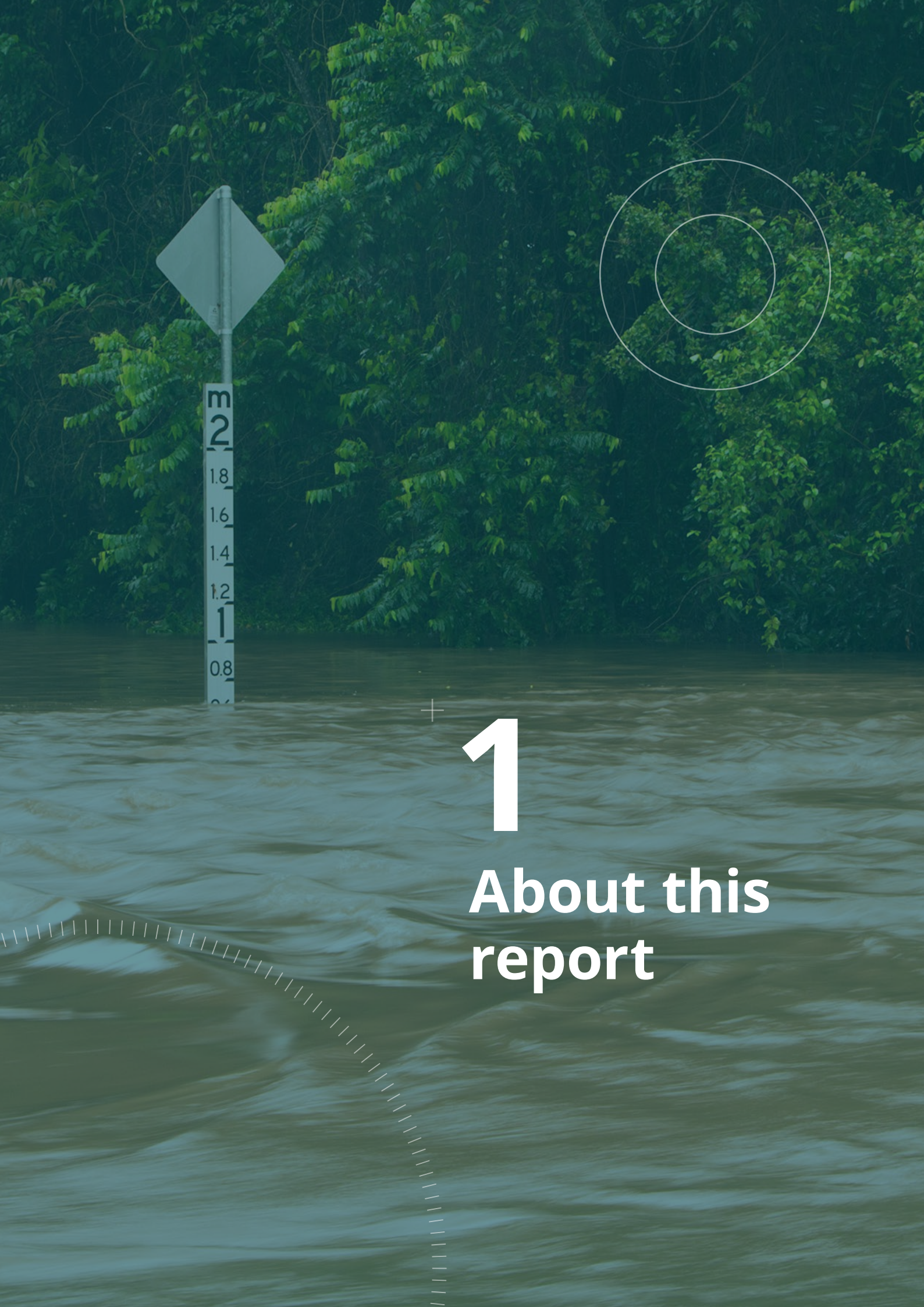
General insurers' systemic importance in providing customers and communities with protection against extreme weather is evident. Through our work we have observed insurers' and the ICA's understanding of this critical role, and this perspective being central to the industry's response to the CAT221 Recommendations.

This review has found substantial effort and investment has been made by insurers to respond to the recommendations and more broadly feedback from their customers, communities and government post CAT221. There are some early indications that these improvements are translating to tangible changes in claim experience. The decrease in claim resolution times between CAT233 and CAT216 is a positive step.

Further work is required to fully implement and embed the changes recommended in the CAT221 Report. Therefore, it will take some time before customers feel the full benefits of these improvements. Given the quantum of change impacting insurers over the next few years, focus should not be lost on ensuring these programs are completed as designed.

To demonstrate the impact of these improvements, insurers should continue to work with the ICA to identify and agree a set of measures that effectively represent insurer performance during catastrophes. Whilst we acknowledge that this is a complex task, it would assist insurers to show the improved experience of their customers and rebuild trust in the industry's ability to respond to catastrophes.





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**About this
report**

1.1 Background

In 2022, Australia was inundated by heavy rain, storms and widespread flooding, with the most severe effects felt in Southeast Queensland (QLD) and New South Wales (NSW) during February and March. This event, known in the insurance industry as 'Catastrophe 221 (CAT221)', was the costliest insured event in Australian history, with the insured losses estimated at over \$6 billion across close to 245,000 claims as at November 2024.¹ The scale of this catastrophe posed unprecedented operational challenges for Australia's insurance industry. In light of these challenges, the Insurance Council of Australia (ICA) engaged Deloitte to review the general insurance industry's response to CAT221.

In October 2023, Deloitte published a report titled *The new benchmark for catastrophe preparedness in Australia* (CAT221 Report). This report outlined Deloitte's findings and recommendations for the general insurance industry to improve its response to future catastrophes. The ICA accepted all seven recommendations in principle on behalf of the industry.

1.2 Scope

In July 2024, the ICA engaged Deloitte to complete a follow-up review of the industry's progress in implementing the seven recommendations (the Industry Progress Review).

The Industry Progress Review included the ICA and the same eight insurers from the CAT221 Review. They were originally selected as they accounted for ~99% of CAT221 claims.

A&G

ALLIANZ

HOLLARD

IAG

QBE

RACQ

SUNCORP GROUP

YOU1

The Industry Progress Review focused on the progress the industry has made in implementing the recommendations from the CAT221 Review. At a high level, these recommendations relate to:



Catastrophe preparedness



Resourcing capability



Governance & transparency



The General Insurance Code of Practice review in the context of catastrophes



Customer experience



Operational response



Coordination with government in relation to events

The review focused on property damage claims against the following three insurance products:



Personal building and contents



Personal motor



Small to medium-sized enterprises (SMEs)

Out of scope of this review

Consistent with the CAT221 Report, the scope of the review did not extend to:

- The impact of the level of insurance protection within the community (i.e. insurance availability and affordability)
- How products were designed, the policy terms and definitions, and insurers' interpretation and coverage, including exclusions and limitations
- How policies were sold or distributed and whether they were suitable for the customers who purchased them
- Any review or assessment of individual policyholder's claims or complaints, and the accuracy of any decisions made by insurers
- Assessment of the effectiveness of any third-party suppliers (e.g. builders and hydrologists)
- The provision of legal opinions or the development of new economic models or forecasts.

Deloitte did not specifically assess progress against recommendations from related inquiries and reports; for example, the Australian Securities and Investments Commission's (ASIC's) REP768, the Independent Review of GICOP, or the Inquiry into insurers' responses to 2022 major floods claims. However, we note that many of the recommendations overlap with the CAT221 Review.

1.3 Approach

This section outlines our approach to undertaking the Industry Progress Review.

Overview of review approach

We took the following steps to measure insurers progress towards implementing the recommendations.

- 1 **Held interviews with the ICA and insurers** to understand their approach to addressing their recommendations.
- 2 **Requested information, documents and data from the ICA and insurers** to gain a deeper understanding of the plans put in place to address the recommendations, and the ways that insurers' processes and practices have changed.
- 3 **Held interviews with regulators and community stakeholders** to obtain external perspectives on insurer outcomes and how performance has changed since CAT221.
- 4 **Completed desktop research** to understand the current context of the insurance industry in Australia.
- 5 **Analysed the information gathered from interviews and document/data requests against the recommendations to understand:**
 - If and how the recommendations are being addressed
 - The estimated timeline for implementing the recommendations
 - What further steps need to be taken to address the recommendations
 - How insurer performance has changed in more recent events
- 6 **Summarised the findings from the review for this report.**

Activities undertaken as part of the review



99 staff members

We interviewed 99 staff members across the eight insurers and the ICA, conducting 47 interviews. Interviewees included executives, heads of departments, managers and team leaders.



External stakeholders

We consulted with other critical stakeholders including regulators, ASIC, AFCA, GICGC and representatives of consumer groups, to gain a deeper understanding of the external factors impacting the industry.



600 documents

We reviewed more than 600 documents provided by the insurers and the ICA. These covered catastrophe response plans, claims and complaints handling documents, management reports and board reports.



Relevant inquiries

We reviewed key findings and recommendations from previous inquiries, including inquiries into recent extreme weather events in Australia.

1.4 Report structure

- Chapter 1** Background information about the purpose, scope, and approach to the review.
- Chapter 2** Overview of the complex external environment insurers have continued to operate in since CAT221, including subsequent severe weather events, the changing economic environment, and regulatory changes, reviews, and inquiries.
- Chapter 3** Recap of the recommendations from the CAT221 Report.
- Chapter 4** Assessment of the ICA and insurers' approach and progress in addressing the recommendations, including timeframes for when the insurers anticipate completing and embedding the recommendations.
- Chapter 5** Observations about the available reporting of insurance performance and comparative claims data insights in relation to CAT221 and the subsequent weather events.



2

**After the floods –
shifting external context**

2.1 Overview of the external environment since CAT221

The impact of significant weather events on the industry since CAT221 has been less severe but has presented challenges to insurers' operations



There have been

9

catastrophes or significant events since CAT221



The combined claims received for the 9 events only just surpassed the

244,547

claims received for CAT221 alone



The largest event since CAT221 was the storms related to CAT233 that occurred in December 2023. The industry received 105,397 claims, which resulted in

~\$1.53bn

in insured losses

Source: ICA, 2025

While the macroeconomic environment has eased, continued complexities affect insurers' ability to manage claims



Labour shortages

The overall tightness in the labour market has eased since 2022.

There is still a shortage of workers in key parts of insurer supply chains, including builders, repairers and panel beaters.²



Supply and cost of building construction materials

The 16 consecutive quarters of increase in overall construction material costs eased in late 2023, but price hikes continue for some key construction materials, including:

BRICKS³

DIESEL⁴

PLASTERBOARD⁵

COPPER PIPES⁶



Shorter wait times for new cars; longer wait times for car repairs

The supply of new cars has significantly improved compared to 2022 but long wait times for car repairs is now the 'new normal' due to a skills shortage in the motor trades and among repairers.

Average wait time for new cars⁷

JUNE 2022 155 DAYS

JUNE 2023 109 DAYS

JUNE 2024 65 DAYS

There has been significant government and regulatory scrutiny of the insurance industry

Since June 2023, there have been **15 related reviews** and inquiries into the insurance industry, resulting in **348 recommendations** to date.

While not all recommendations are for insurers to implement (i.e. some are for government) – **all the recommendations will impact insurers** in some way and need to be considered and assessed.

Insurers have been implementing related regulatory changes, including the **Financial Accountability Regime** and **Prudential Standard CPS 230 Operational Risk Management**.

2.2 After the floods came a cyclone and storms

Since CAT221, while the ICA has declared nine severe weather events, the industry has experienced more 'normal' occurrence of extreme weather. The volume of open claims across cumulative events was significantly less than in 2022 (see Chart A.1 in the Appendix), with the total number of claims lodged across the nine events just exceeding the total claims lodged for CAT221 alone (see Chart A.1 in the Appendix). The period between December 2023 and February 2024 posed the most challenges for the industry, due to the large geographical spread of the events and their occurrence in quick succession over Christmas and New Year, when parts of the supply chain were operating with skeleton staff.

Table 2.1 Key statistics related to severe weather events since CAT221

Financial year	Event code	Date	Name	Claims Volume	Losses
FY21-22	SE215	Sep 2021	Mansfield Earthquake	18,465	\$113m
	CAT216	Oct 2021	SA, Victoria and Tasmanian Storms	110,428	\$976m
	CAT221	Feb – Mar 2022	NSW and South East QLD Floods	244,547	\$6.36b
FY22-23	SE222	Jul 2022	NSW Severe Weather	23,761	\$301m
	CAT223	Oct 2022	Victorian, NSW and Tasmanian floods	23,033	\$865m
	SE224	Nov 2022	Central West NSW Floods	14,898	\$261m
	SE225	Dec 2022	SA River Murray Floods	2,617	\$441m
	SE231	May 2023	Newcastle Hailstorm	27,418	\$371m
FY23-24	CAT232	Dec 2023	Tropical Cyclone Jasper	10,398	\$401m
	CAT233	Dec 2023	Christmas and New Year Storms	105,397	\$1.53b
	SE241	Feb 2024	Valentine's Day Storms Victoria	27,740	\$229m
	SE242	Apr 2024	Severe Weather NSW & Qld	21,235	\$325m

Source: ICA, 2024

Consecutive catastrophes have a compounding effect on resilience on multiple levels and erodes communities' capacity to respond and recover. In the two years since CAT221, more than 100 postcodes in Australia have experienced at least three extreme weather events, with six postcodes, all in NSW, impacted by five extreme weather events (see Figure 2.1).

Figure 2.1 Geographies that have experienced one or more CATs or SEs since CAT221

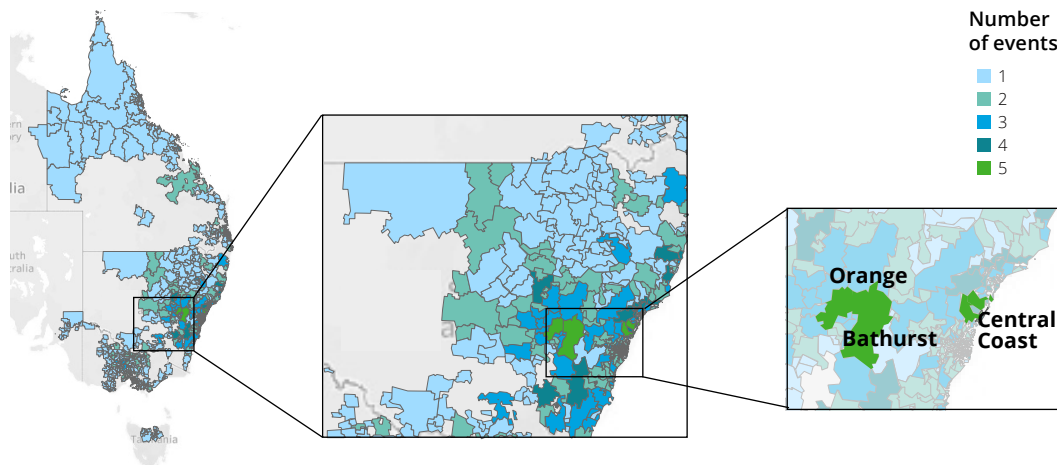


Figure A.1 shows the number of CAT or SE events each postcode in Australia has been impacted by in the past 24 months since CAT221. The postcodes that have experienced five events are all in NSW.

2.3 Increasing costs of extreme weather to insurers and Australian communities

While CAT221 was unprecedented in size, scale and impact, significant extreme weather and its associated impact will continue to be a feature of Australian life and a core feature of business-as-usual response for general insurers. *The State of the Climate 2024* report jointly released by the Bureau of Meteorology and the Commonwealth Scientific and Industrial Research Organisation has highlighted that Australia's weather and climate have continued to change at an increasing pace. The report showed an increase in extreme heat events, longer fire seasons, more intense heavy rainfall and sea level rise.⁸

Annual average insured losses now regularly exceed \$2.2 billion, and average claims lodged exceed 90,000. Deloitte projections show that by 2060, extreme weather events and disasters in Australia will cost between \$73 billion and \$94 billion annually, and floods alone will account for \$30.7 billion to \$40.2 billion.⁹ Analysis commissioned by the ICA and conducted by The Mckell Institute found that over the past 10 years, the average annual household cost of extreme weather was \$888, but this figure is expected to jump to more than \$2,500 year by 2050.¹⁰

2.4 Key shifts in external context since 2022

External context during CAT221

An important part of understanding how the industry responded to CAT221 was recognising the external context in which insurers were operating. This included a strained macro-economic environment that posed challenges on many fronts including a historically tight labour market, a lack of building materials and historically high prices, and a lack of new and used cars.

New regulations including the Claims Handling as a Financial Service regime and Regulatory Guide 271: Internal dispute resolution (IDR) had to be implemented, many of which were being stress tested for the first time during the costliest insurance event in Australian history. These factors did not explain all insurers' issues with managing claims but were important for considering the industry's performance.



Changes in macroeconomic complexity since CAT221

Overall, macroeconomic conditions have eased slightly but some challenges continue, and emerging issues have created new challenges for insurers. There is still a shortage of key labour, including builders and repairers, in the supply chain for home and motor claims.¹¹ The overall cost of building materials is stabilising after 16 consecutive quarters of upward trajectory in material prices between late 2019 and late 2023.¹² However, certain critical building materials, including bricks, diesel, plasterboards and copper pipes, continue to increase in price.¹³ This, in turn, escalates cost pressures on repairing and rebuilding homes.

The supply of new and used cars has not yet returned to pre-pandemic levels, but there has been a significant improvement since 2022.¹⁴ The average wait time has decreased from 155 days in June 2022 to 65 days in June 2024. However, due to a shortage of skilled workers, long wait times for car repairs have become the new normal in the industry.¹⁵

Increased regulation, reviews and inquiries

Regulatory changes have consistently shaped the financial services landscape since the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. Over the past year, insurers have continued to implement new and upcoming regulatory changes (see Table A.2 in the Appendix). Notably, the new Financial Accountability Regime (FAR) will take effect in March 2025¹⁶ and Prudential Standard CPS 230 Operational Risk Management will be in force from July 2025¹⁷ for insurers. These reforms are clearly aligned to increase operational resilience to the complex environment and strengthen oversight measures for insurers.

CAT221, and more broadly the floods in 2022, sparked significant scrutiny of the insurance industry's ability to manage consumer claims and complaints at scale. Since CAT221, 15 related reviews and inquiries have been held by the ICA, ASIC, the GICGC and peak consumer groups, as well as the Inquiry into insurers' responses to 2022 major floods claims. Some of these are ongoing and these reviews have resulted in 348 recommendations to date. These reviews and inquiries largely reached the same conclusions and have all made recommendations for insurers to better respond to extreme weather in the future. There have also been recommendations aimed at ensuring the affordability and availability of insurance for communities most impacted by severe weather.

Table 2.2 Related inquiries and reviews into general insurers

	Name of inquiry	Report date	Recommendations
1	CGC Thematic Inquiry into Information about Financial Hardship support on Insurers' websites	Jun 2023	8
2	CGC Thematic Inquiry into making better claims decisions (the CGC Inquiry)	Jul 2023	8
3	REP 768 – Navigating the storm : ASIC's review of home insurance claims (REP 768)	Aug 2023	5
4	Weathering the storm : Insurance climate crisis (the Choice Report)	Aug 2023	14
5	The new benchmark for catastrophe preparedness in Australia (the CAT221 Report)	Oct 2023	24
6	Catherine Fitzpatrick : Insurance is the latest weapon financial abusers use against their partners. Here's how we fix it (Insurance and Financial Abuse Article) (Respect and Protect Initiative)	Mar 2024	3
7	Financial Counselling Victoria – Unsettled: Climate Risk and Cash Settlements in Home Insurance	Aug 2024	23
8	CGC Thematic Inquiry into Oversight of External Experts	Aug 2024	7
9	Inquiry into insurers' response to 2022 major flood claims	Oct 2024	86
10	REP 798 - Beware the gap: Governance arrangements in the face of AI innovation (REP 798)	Oct 2024	0
11	Impact of Climate Risk on Insurance Premiums and Availability (the Climate Risk Parliamentary Inquiry)	Nov 2024	8
12	Financial Services Regulatory Framework in Relation to Financial Abuse (the Financial Abuse Parliamentary Inquiry)	Dec 2024	61
13	REP 801 – Insights from internal dispute resolution data reporting: July 2023 to June 2024	Dec 2024	N/A
14	REP 802 Cause for complaint: Complaints handling in general insurance	Dec 2024	N/A ⁴
15	Independent review of the 2020 General Insurance Code of Practice	Phase 1: Sep 2024 Phase 2: Dec 2024	101

⁴ There were no formal recommendations, though we note ASIC has asked Insurers to prepare action plans to address the issues identified and are considering further regulatory action.

It is clear that responding to these reviews has and will continue to demand substantial investment and resourcing from insurers. Insurers will also need to take time to consider any overlaps or interdependencies between the recommendations so that they can effectively plan and invest in transformation work to maximise improvements for consumers.

External complexities will remain and must form part of operational resilience considerations

The external context has changed since CAT221, with some of the challenges from 2022 now easing, whilst other external factors are becoming more complex. It is clear that insurers still face challenges that need to be planned for and monitored as part of ongoing operational resilience measures.





3

**Recap of
recommendations
from CAT221 Report**

Table 3.1 Recommendations from the CAT221 Report



Recommendation 1 | Catastrophe preparedness

RECOMMENDATION

Insurers should improve catastrophe planning to meet community expectations of operating in the Australian environment. Specifically, uplift is required on preparedness for, and stress testing against, extreme catastrophes.

FOR:

INSURERS

ICA

Five key areas that would make a significant improvement in catastrophe preparedness are:

1. Catastrophe response plans

Catastrophe plans should contain sufficient detail on: event declaration protocol, roles and responsibilities, resourcing strategy, communication strategy, logistical management, risk management, staff health and safety measures, reporting and governance to act as a reliable course of action and build confidence in the business response.

2. Scenario planning and stress testing

Insurers should conduct operational and economic stress testing to identify and understand vulnerabilities within their product portfolio, operations and dependencies on market conditions when responding to catastrophes. The stress testing will need sufficient allocated resources and should be conducted alongside normal business activity to simulate realistic catastrophe operating environments.

3. Post event reviews

Post event reviews should be completed within 12 months of the initial event and should have clear outcomes, actions and owners to drive areas of identified improvements. Insurers should consider getting an “outside-in” view of performance as part of any review.

4. Design of policies for catastrophes

Where policy terms are known, or expected, to create bottlenecks or claims handling delays during periods of high claim volumes, insurers should consider how or if the policy terms or associated claims processes can be changed.

5. ICA planning

The ICA should consider introducing a baseline category as part of the Insurance Event Management Plan to support industry and community preparedness for extreme weather events.



Recommendation 2 | Customer Experience

RECOMMENDATION

Insurers should uplift the customer experience during catastrophes by improving how they communicate with policyholders and by delivering a consistent experience through claim handling, decisioning and any associated complaints.

FOR:

INSURERS

Four areas that would make a significant improvement in customer experience are:

1. Communication

Communication should be improved through a holistic review and improvement of the customer journey before, during and after catastrophes. This should include consideration of purpose, important touchpoints, type of communication, channel, reasonable frequency and supporting tools, templates, and technology. Communication plans should address both the scale of demand and community expectations about customer service during a time of largescale trauma.

2. Claim handling

Insurers should improve the consistency of the customer experience through decision making, by enhancing governance and quality assurance standards. Where governance and quality standards are relaxed in the early aftermath of an event (due to processing constraints), insurers should undertake proactive reviews and remedial work to correct issues without customers needing to identify them.

3. Customer treatment strategy

Insurers should review the effectiveness of the definition, identification and support of vulnerable customers during catastrophes. Consideration should be given to other ways of categorising and supporting customers through events given that, after a large-scale catastrophe, most customers will be, in some way, vulnerable.

4. External voice of customer

Insurers should improve the ways they embed a “voice of customer” into their operations, through a customer advocate or alternate means, and take meaningful action to incorporate lessons learned.



Recommendation 3 | Resourcing capability

RECOMMENDATION

Insurers should re-design resourcing capability for catastrophe events, with particular focus on workforce planning, the catastrophe resourcing model, and catastrophe onboarding, training and competency management.

FOR:

INSURERS

Three areas that would make a significant improvement in resourcing are:

1. Workforce planning

Workforce planning functions should be reviewed or bolstered, where necessary, to support better management during catastrophes. Workforce planning should be used by insurers to understand the impact of resourcing levels on claims and complaints timelines, and drive decision making regarding resourcing needs. This should include any third-party workforces.

2. Catastrophe resourcing model

Resourcing models for catastrophes should be diversified to mitigate against risks and dependencies in the labour market and broader economic conditions. Resourcing models should consider more than one channel to increase skilled capacity (e.g., recruitment, redeployment, utilising global networks, modifying work hours, and using third-parties).

3. Catastrophe onboarding, training and competency management

Onboarding, training and competency frameworks to prepare new hires for claims and complaint handling roles during a catastrophe should be reviewed or established. Consideration should be given to the maximum number of resources the training and onboarding team can manage at any one time during a catastrophe to maintain a baseline level of skills and quality of handling. Insurers should also consider providing claims and complaints staff with industry recognised accreditation or certificate level training.

Insurers should take steps to minimise the required increase in resources during catastrophes through improvements in technology and process infrastructures (see Recommendation 4).



Recommendation 4 | Operational response

RECOMMENDATION

Insurers should assess the operational efficiencies delivered by investment in process, technology and infrastructure in the context of responding to a catastrophe.

FOR:

INSURERS

Five areas that would make a significant improvement in the operational response are:

1. Reduction in manual processes

Insurers should review the manual processes that result in bottlenecks during catastrophes, to consider how digitisation or re-engineering would improve claim processing.

2. Accelerated triage

Insurers should consider triaging to accelerate claims in a catastrophe, including batching, automating and bulk processing cohorts of claims. For triage to be successful, insurers need a level of consistency in policy definitions and terms across the portfolio, robust data capture, and pre-identification of processes that can be automated or handled in bulk.

3. A single claims (customer) view

Insurers would benefit from an integrated infrastructure that allows them to understand, track and monitor claims, including third-party supplier involvement, to enable improved decision making and better interaction and information provision to customers.

4. Customer application

To support customer communication, insurers could consider an app or portal for customers to self-serve information on claim process, status, time to next update, key contact details etc. Further advancements could include the ability to extract claim details for third-parties (e.g. government, banks).

5. Advanced technologies

Insurers should consider the commercial feasibility of technologies such as machine learning, automation and generative AI to improve handling times and customer experience, particularly in the context of responding to a catastrophe.



Recommendation 5 | Governance and transparency

RECOMMENDATION

Insurers should improve their ability to capture and leverage data and insights to understand the impact of internal and external factors on performance during catastrophes. These insights should be used to assist management and boards with making strategic decisions in response to an event and preparing for future catastrophes. The ICA should actively work with insurers to collate and communicate claims data in a way that meets community expectations on timeliness and quality. Insurers should assess the operational efficiencies delivered by investment in process, technology and infrastructure in the context of responding to a catastrophe.

FOR:

INSURERS

ICA

Two areas that would make a significant improvement in governance and transparency are:

1. Data capture, modelling and reporting

Insurers should improve data capture, modelling and reporting to assist with identifying and mitigating against factors that impact their ability to progress claims in response to a catastrophe, including bottlenecks (e.g. hydrology reports).

2. ICA data capture

To provide greater transparency on the industry's response to catastrophes, the ICA should develop a data dictionary to enhance industry-wide reporting and investigate the feasibility of extending data capture to other claim outcome measures such as closure rates, quality and complaints.



Recommendation 6 | Coordination with government

RECOMMENDATION

More effective coordination between government and the insurance industry is required to deliver improved customer outcomes. Specifically, this includes supporting more rapid access to government funding, a consistent approach to clean-up and debris removal, and co-incentivising investments in resilience and adaptation.

FOR:

ICA

Three areas for more effective coordination with government that would deliver significant improvements for policyholders and their communities are:

1. Clean-up and debris removal

Standardised guidance should be jointly developed by the insurance industry and government on clean-up processes after a severe weather event. This guidance should be consistent across all insurers and levels of government and communicated to policyholders and other stakeholders in the waste removal process.

3. Co-incentivise resilience investments

improvements should be made to encourage investments in resilience and adaptation when rebuilding following a catastrophe or severe weather event (where this is cost-beneficial). This should involve coordination between government and the insurance industry to co-incentivise these investments to create mutually beneficial outcomes for the government, insurance industry and more importantly, the customer and their community.



Recommendation 7 | Code review in the context of catastrophes

RECOMMENDATION

The Extraordinary Catastrophe definition in the General Insurance Code of Practice should be reworked as part of the upcoming independent review so that outcomes can be improved for policyholders and insurers.

FOR:

ICA

In reviewing the Code, consideration should be given to two key areas.

1. Objective definition

An objective definition of an Extraordinary Catastrophe should be developed. This definition should be based on factors such as the type and scale of a weather event, the size of the population impacted and the macroeconomic conditions.

2. Type of relief

The type and level of relief provided to insurers in an Extraordinary Catastrophe should be considered, as should the consequences for fair and efficient claims handling. This includes:

- The timing of the relief – before the event, in the immediate aftermath and up to 12 months following the event.
- Factors other than timeframes that could be subject to relief.

The minimum commitments insurers are expected to meet; for example, prioritising vulnerable customers, supporting policyholders with emergency situations, including temporary accommodation, and communication standards.



4

Assessment of industry progress

The purpose of this Industry Progress Review is to assess the industry's progress in implementing the seven recommendations from the CAT221 Report.

4.1 Industry approach to implementing the CAT221 Report recommendations

Insurers

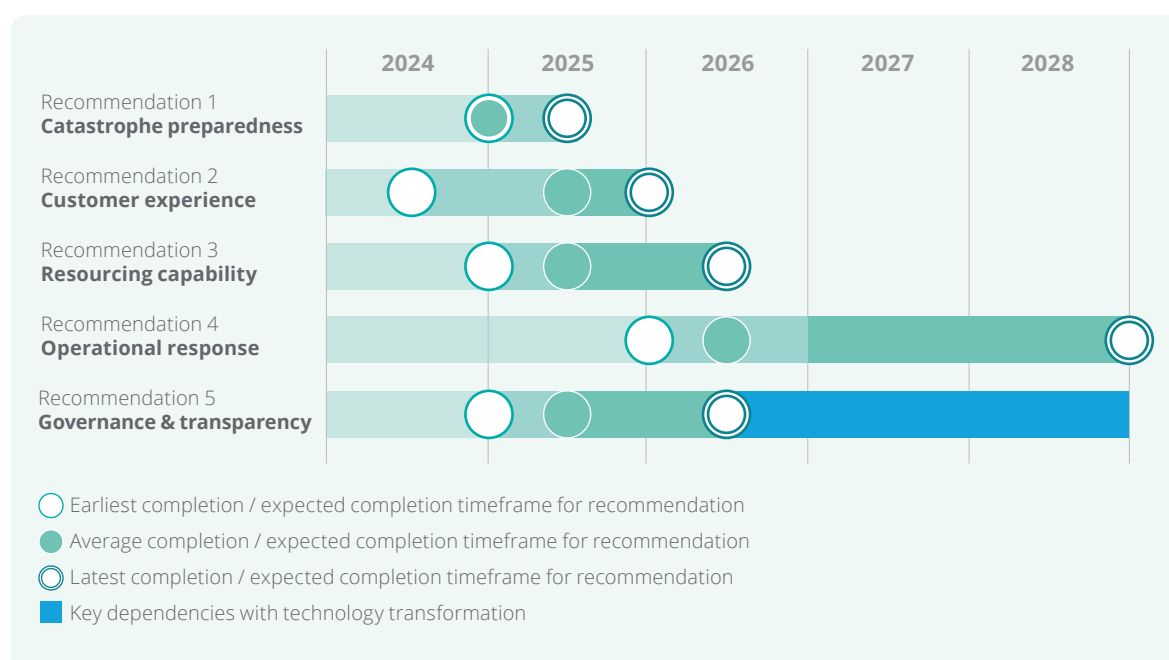
It is evident that substantial investment and resources have been invested to improve insurer operations across the industry, particularly in relation to catastrophe response.

After our report was published in 2023, all insurers in our review conducted a gap assessment to compare their current practices against the recommendations. The identified areas for improvement were largely included as part of a dedicated program of work, with associated governance and management oversight. A few insurers had existing transformation programs, and any additional efforts needed to meet the recommendations were incorporated into those programs.

Most insurers considered the related ASIC⁵ and GICGC⁶ recommendations, integrating them into their transformation programs so all fall under one governance structure.

While all insurers accepted all recommendations in principle, the extent of uplift has varied. Some of this uplift work has already been completed. Other more transformational changes (e.g. technology upgrades) will take some insurers until 2028 to implement, though the majority of insurers forecast they will complete their work by the end of 2026. Technology transformation takes time, and there are industry-agnostic barriers in Australia to adopting new technology (e.g. shortage of technology talent).¹⁸ Even so, most insurers understand the imperative of committing to technology transformation to make their operations more resilient to severe weather. Figure 4.1 shows the insurers' planned implementation timeframes for the uplift work for each recommendation.

Figure 4.1 Insurers' planned implementation timeframes for each recommendation



5 Australian Securities & Investments Commission (2023) REP768 Navigating the storm: ASIC's review of home insurance claims. Retrieved from <https://download.asic.gov.au/media/tgrozota/rep768-published-16-august-2023.pdf>

6 The General Insurance Code Governance Committee (2023) Making better claims decisions, A thematic inquiry. Retrieved from <https://insurancecode.org.au/app/uploads/2023/07/CGC-Thematic-Inquiry-into-Making-Better-Claims-Decisions.pdf>

Due to the complexity of the uplift work, some insurers have the opportunity to enhance the governance and associated artefacts related to these programs. This will improve organisational clarity around actions, implementation timeframes, accountability, and likely measures of success as well as the ability to measure improvements in customer outcomes as a result of the changes. A small number of insurers have third-party assurance of this work; for example, from internal audit teams.

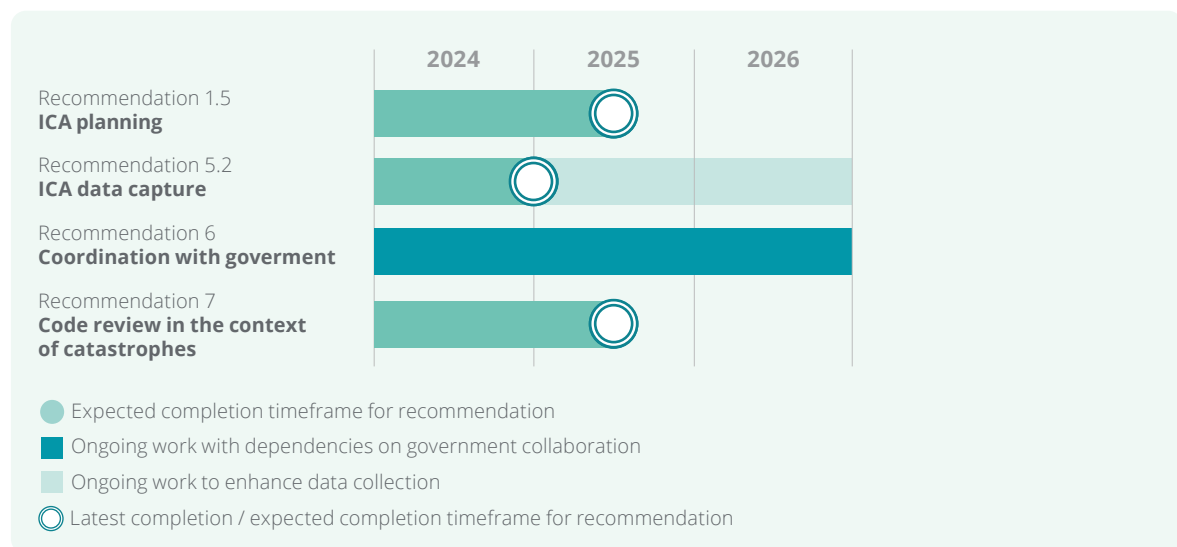
The Insurance Council of Australia

The ICA has developed a set of action plans to address the recommendations from the CAT221 Report, with executive oversight and sponsors on the ICA's Executive Leadership Team. The ICA's work is completed through its industry-wide committees and working groups, which have relevant subject matter experts from a range of insurers.

The ICA plans to complete the majority of its work by mid-2025, with some (e.g. the *Extreme Weather and Disaster Response Charter* (the Charter) in Recommendation 1.5) already published.

Recommendation 6, which seeks to enhance collaboration between the insurance industry and the government regarding events, has an undefined completion timeline. This is partly because of complexities in engaging various stakeholder groups in government and because the government needs to respond to the recommendations from the Inquiry into insurers' responses to 2022 major floods claims before a formal action plan can be agreed on and implemented. Figure 4.2 shows the ICA's planned implementation timeframes for the uplift work for each recommendation.

Figure 4.2 ICA planned implementation timeframes for each recommendation



4.2 Progress in implementing the recommendations

As a result of increased investment and focus, the industry has made good progress, but are yet to complete implementing the recommendations.

INSURERS



Recommendation 1 | Catastrophe preparedness

RECOMMENDATION

Insurers should improve catastrophe planning to meet community expectations of operating in the Australian environment. Specifically, uplift is required on preparedness for, and stress testing against, extreme catastrophes.

OVERVIEW OF WORK COMPLETED

Insurers have invested in uplifting their catastrophe risk frameworks and planning documents, as well as standardising and improving post-event reviews.

Most insurers are now conducting scenario planning and stress-testing exercises to understand how different events with different magnitudes may impact service levels and associated action plans.

All insurers have reviewed policy terms in the context of catastrophes and have taken varying levels of action in amending the terms to encourage streamlining of processes.



Recommendation 2 | Customer experience

RECOMMENDATION

Insurers should uplift the customer experience during catastrophes by improving how they communicate with policyholders and by delivering a consistent experience through claim handling, decisioning and any associated complaints.

OVERVIEW OF WORK COMPLETED

Insurers have approached a review of communications with varying degrees of depth. Some have embarked on an end-to-end review of communication through the customer life cycle, including integration of communication channels (part of Recommendation 4).

Uplift work has been done to improve the consistency of decision-making for customers. Examples include enhancing quality assurance frameworks for claims processes – including quality assurance in the supply chain, improving and standardising expert reports, and strengthening feedback mechanisms between complaints and claims teams to identify systemic issues early.

Some insurers have embarked on significant complaint handling transformation programs to improve the overall experience of customers who make complaints.



Recommendation 3 | Resourcing capability

RECOMMENDATION

Insurers should re-design resourcing capability for catastrophe events, with particular focus on workforce planning, the catastrophe resourcing model, and catastrophe onboarding, training and competency management.

OVERVIEW OF WORK COMPLETED

Most insurers have further enhanced the diversification of their resourcing models for catastrophes to increase their resilience against economic shifts and recruitment challenges, rather than relying solely on boosting capacity after a large-scale event. Workforce planning functions have been formalised and advanced, in some cases providing clear insights into the types of events that would trigger certain resourcing requirements.

All insurers now carry a 'buffer' of resourcing capacity, which means they can absorb at least small events with minimal disruption to service levels.

All insurers strengthened their training, with a few opting to train operational staff on industry-recognised qualifications. All insurers have invested in upskilling their staff in working with vulnerable customers.



Recommendation 4 | Operational response

RECOMMENDATION

Insurers should assess the operational efficiencies delivered by investment in process, technology and infrastructure in the context of responding to a catastrophe.

OVERVIEW OF WORK COMPLETED

Given the associated costs and complexity of technology transformation, this is the area with the largest difference in approach to the recommendations.

Most insurers are in the process of integrating claims systems with third-party supplier systems, thereby improving continuity through hand-offs in the claims process and increasing claims handlers' oversight of third parties' work.

Most insurers have either recently completed or are in the process of re-platforming their main claims-handling system. For some, this transformation work will take until the end of 2028.

Some insurers have invested in customer-facing applications to offer customers who prefer to interact digitally with an alternative communication channel.

Some have opted for tactical improvements to processes and technology, which will remove bottlenecks resulting from not having current plans to upgrade technology or because re-platforming will take many years to deliver.

Only a small number of insurers have taken up the development of a 'single customer or claim view', due to the complexity of integrating multiple systems to provide a single source.



Recommendation 5 | Governance and transparency

RECOMMENDATION

Insurers should improve their ability to capture and leverage data and insights to understand the impact of internal and external factors on performance during catastrophes. These insights should be used to assist management and boards with making strategic decisions in response to an event and preparing for future catastrophes.

OVERVIEW OF WORK COMPLETED

This recommendation relies on underlying technology capability and is therefore somewhat dependent on the progress made in Recommendation 4.

All insurers have improved their approach to understanding, measuring and monitoring the key performance metrics related to claims and complaints handling. This improved capability will make it easier to make strategic decisions during an event.

Some insurers still struggle to capture and report on data requests from regulators and other related bodies.

Only a small number of insurers have invested in measuring and tracking how external factors affect operational resilience in claims handling. These insurers can use this reporting to take proactive action before and during events.

Areas that require more work by the industry to meet the recommendations

While a lot of work has been done, there are still areas that require more work to meet the recommendations and improve overall customer outcomes. These continued areas of focus relate mostly to initiatives that are part of large-scale transformation; that is, enterprise-wide customer communication redesign, complaints transformation and technology re-platforming (with associated data and reporting uplift).

Additional areas where insurers should continue to uplift include:

- Increasing maturity around stress testing and simulation activity, particularly as the formal regulatory requirements of CPS230 come into force in July 2025 (Recommendation 1)
- Managing the vulnerability of customers at scale, particularly in the aftermath of events (Recommendation 2)
- Increasing the maturity of quality assurance functions for claims decisions (both internally and through the supply chain) (Recommendation 2)
- Improving approaches to resourcing complaint handling functions (Recommendation 3)
- Using data triaging to automate or accelerate certain claims after events (e.g. priority repairs or claims that can be largely automated) (Recommendation 4)
- Ensuring the comprehensiveness, quality and consistency of data for internal reporting and management oversight, as well as for relevant regulatory bodies (Recommendation 5).

Insurers with longer timelines to implement the recommendations will still face challenges similar to those experienced during CAT221 if another large event were to occur in the near future.

A small number of insurers have not started to upgrade their technology platforms and may continue to face challenges during large catastrophes with manual processes, lack of digital options for consumers and data quality issues.

The Insurance Council of Australia



Recommendation 1.5 | ICA Planning

RECOMMENDATION

The ICA should consider introducing a baseline category as part of the Insurance Event Management Plan to support industry and community preparedness for extreme weather events.

OVERVIEW OF WORK COMPLETED

To support industry preparedness for extreme weather events, the ICA has developed two documents – the Charter, and the Extreme Weather and Disaster Response Playbook (the Playbook).

The Charter was published in September 2024 and aims to establish the industry and community's understanding of the ICA and insurers' roles and responsibilities, principles and key activities that will be undertaken in response to extreme weather events.

The Playbook aims to provide a baseline guide for insurers to prepare for extreme weather events, including documenting a catastrophe plan.

These documents are the only guides of their kind globally.

The ICA has also established an annual industry-wide catastrophe planning and stress testing forum to enhance the industry's ability to collaborate to improve event preparedness.



Recommendation 5.2 | ICA Data capture

RECOMMENDATION

To provide greater transparency on the industry's response to catastrophes, the ICA should develop a data dictionary to enhance industry-wide reporting and investigate the feasibility of extending data capture to other claim outcome measures such as closure rates, quality and complaints.

OVERVIEW OF WORK COMPLETED

Changes to improve the quality and consistency of the catastrophe data collection from members and the production of insights were made in 2024. The monthly collection of data and reporting has continued for all CAT and Significant Events since CAT221, rather than for only 12 months. This provides greater transparency to relevant stakeholders.

The ICA has identified new data fields that provide early indications of challenges that can delay or detract from the successful closure of claims. Consultation on the ability to provide this information commences in 2025.



Recommendation 6 | Coordination with government

RECOMMENDATION

More effective coordination between government and the insurance industry is required to deliver improved customer outcomes. Specifically, this includes supporting more rapid access to government funding, consistency in approach to clean-up and debris removal, and co-incentivising investments in resilience and adaptation.

OVERVIEW OF WORK COMPLETED

Government funding eligibility and clean up and debris removal

The ICA is entering into a memorandum of understanding (MoU) with the Victorian Government to coordinate and collaborate to expedite relief and recovery efforts related to extreme weather events and disasters. It is also working with other state governments to do the same.

At the Australian Government level, the ICA is collaborating with the Minister for Emergency Management to facilitate and advocate for improved coordination across all levels of government.

The Inquiry into insurers' responses to 2022 major floods claims recommendations highlighted the need for the ICA to continue its advocacy and sharing of information and data. This will support the coordination of a consistent approach to assisting policyholders to access government funding and understand the clean-up and debris removal process in each state and territory.

Co-incentivise resilience investment

Following the positive and tangible outcomes of its ongoing advocacy in relation to resilience investment and policies, the ICA continues its work to improve coordination between insurers and government to co-incentivise resilience. This applies particularly to resilience program funding, buy-back schemes, and a framework for developing resilient buildings.

For example, the ICA has worked closely with the Australian Government's Insurance Affordability and Natural Hazards Risk Reduction Taskforce. It was established in May 2024 to develop an integrated, cross-government approach to minimising the impacts of disaster on the community and help address insurance costs driven by more frequent and intense weather events.¹⁹

The ICA has also led a delegation of insurance experts and government officials on a five-day study tour to the United States to foster dialogue on the global insurance market's challenges and solutions to mitigate against shared risks.

Since CAT221, the ICA has released a number of submissions to consultations and inquiries, and reports including *Advancing Resilient Nature Positive Insurance in Australia, A Stronger Queensland, and Insurance Catastrophe Resilience Report 2023-24*. The submissions and reports called for collaboration between the insurance industry and all levels of government and provided recommended actions for better housing planning, greater investment in public infrastructure and home buyback programs to build long-term resilience and reduce the risk of an insurance protection gap in Australia.

In June 2024, the Australian, state and territory building ministers agreed to include building resilience as an objective of the Australian Building Codes Board from 2025. This is the first step in ensuring the National Construction Code mandates that homes must be built to withstand increasingly severe weather events. This agreement follows ICA advocacy and the release of an ICA-commissioned report that found strengthening the National Construction Code to require that new homes are more resilient to extreme weather could save an estimated \$4 billion a year.

Additionally, the NSW Portfolio Committee No. 7 – Planning and Environment Committee’s recent inquiry into the planning system and the impacts of climate change on the environment and communities accepted many of the ICA’s recommendations as part of its submission to the inquiry.



Recommendation 7 | Code review in the context of catastrophes

RECOMMENDATION

The Extraordinary Catastrophe definition in the General Insurance Code of Practice should be reworked as part of the upcoming independent review so that outcomes can be improved for policyholders and insurers.

OVERVIEW OF WORK COMPLETED

The ICA has appointed a three-person Review Panel to conduct the Code Review, which includes consideration of the ‘extraordinary catastrophe’ relief mechanism in the Code.

In its initial report the Review Panel recommended that the ‘extraordinary catastrophe’ definition and associated relief mechanisms be removed in their entirety. The panel noted that it is hard to imagine how reducing insurer commitments during a catastrophe would ever meet community expectations.

The Final Report of the Code Review was published in December 2024, and included considerations of the overlapping recommendations from the Inquiry into insurers’ responses to 2022 major floods claims by the House of Representatives Standing Committee on Economics. Following this, the ICA will consult with all stakeholders in redrafting the Code. The ICA will then seek ASIC approval of the revised Code, which may lead to further consultation.

Additional work by the ICA

In addition to the work noted above, the ICA has a three-pillared strategic approach aimed at creating an enabling environment to support insurers. This includes:



Enhance transparency and trust through data exchange

Uplift the industry's data collation and sharing strategy to government and regulators, and establish an annual industry-wide scenario planning exercise to tackle shared challenges in identifying and mitigating risks.



Access to talent and global thought leadership

Launch an industry talent roadmap to attract and retain local and global talent, and connect Australian insurers and government representatives with leaders in the global insurance industry to share and leverage international best practice and insights.



Develop industry-wide understanding of vulnerability

Coordinate industry participation to support consumers experiencing common vulnerability challenges, including engaging in community townhalls to gain first-hand insights into emerging issues and vulnerabilities, and participating in a \$30 million co-funding agreement with other financial services sectors to address under-met demand for financial counsellors.

The background is a blurred photograph of two people's hands clasped together. One person is wearing a brown jacket and blue jeans, while the other is wearing a grey long-sleeved shirt. A large white circle highlights the clasped hands. In the lower right, there is a graphic of two concentric circles with a small crosshair in the center, and a dashed line with many small perpendicular ticks curves around it.

5

Measuring improvement during future events

The industry's improvements will take some time to embed before they can be properly stress tested in an event. However, there are still challenges across the industry with data quality, consistency and standardisation, which means measuring improvements will remain difficult until these issues are resolved. Insurers should, therefore, proactively engage with the ICA and regulatory bodies to navigate the challenges in a practical way for the industry.

5.1 Claims data insights

CAT221 claims still open

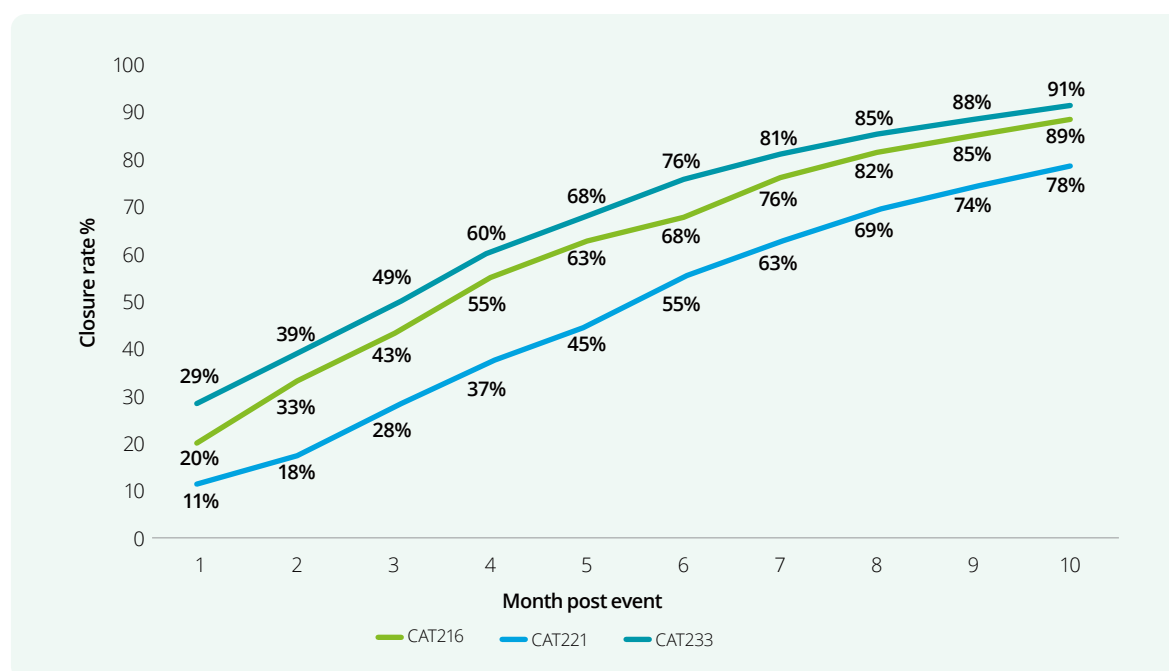
As at November 2024, over 99% of CAT221 claims had been closed (see Chart A.3 in the Appendix). However, 1,359 claims are still open more than two years after the event. Insurers have indicated that the main reasons for this include ongoing repairs and rebuilds, claims that are in dispute and before AFCA and a small number of customers who continue to lodge claims in relation to the event. Insurers are prioritising these claims, with all relevant staff reporting to executive teams on progress and activity to close.

Closure rates in similar recent events

While closure rates depend on many factors, insurers were able to close claims for CAT233 at a faster rate than previous similar events. The closest comparable events to CAT221 are CAT216 and CAT233. CAT216 involved a series of severe storms that impacted South Australia and Victoria in 2021. CAT233 involved Christmas Day and New Year storms that impacted QLD, NSW and small parts of Victoria in 2023-24.

As presented in Chart 4.1 below, in the first 10 months, 91% of customers had their claim resolved for CAT233, compared to 78% for CAT221 and 89% for CAT216.⁷

Chart 5.1 Profile of claims closure rates for CAT216, 221 and 233



Notes: This graph compares the monthly claim closure rates for events CAT216, CAT221 and CAT233.

The data for CAT216 spans December 2021 to September 2022, CAT221 spans April 2022 to January 2023, and CAT233 spans February to November 2024.

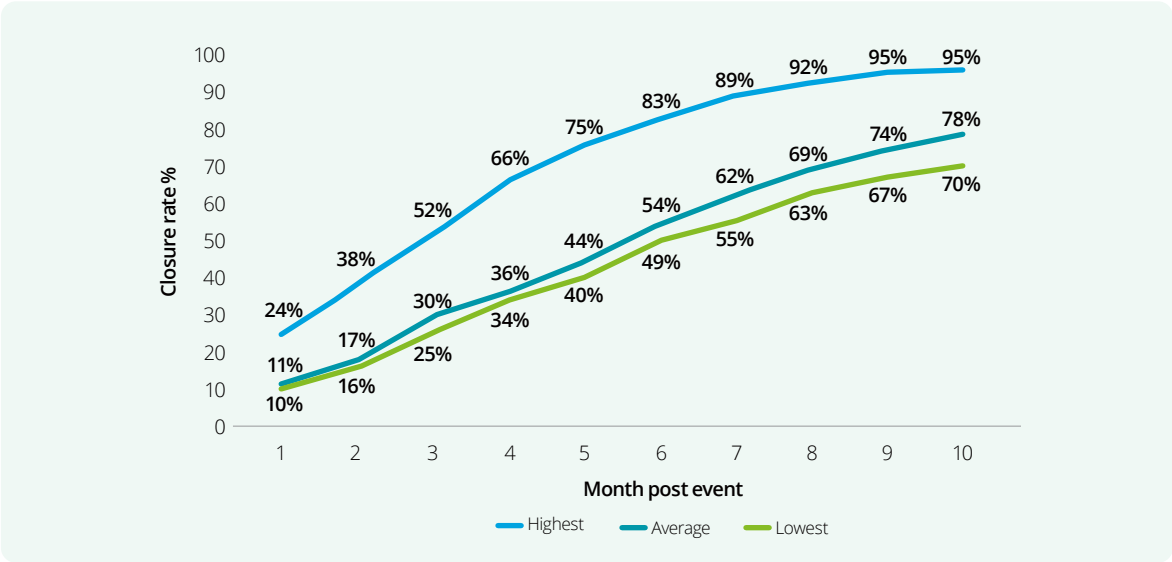
The Month 1 closure rate was unavailable for CAT216, the value for this period was derived linearly to estimate the curve where the value was missing.

Source: ICA, 2023-24

⁷ The South Australia, Victoria and Tasmanian storms in October 2021 (110,428 claims, \$976m losses).

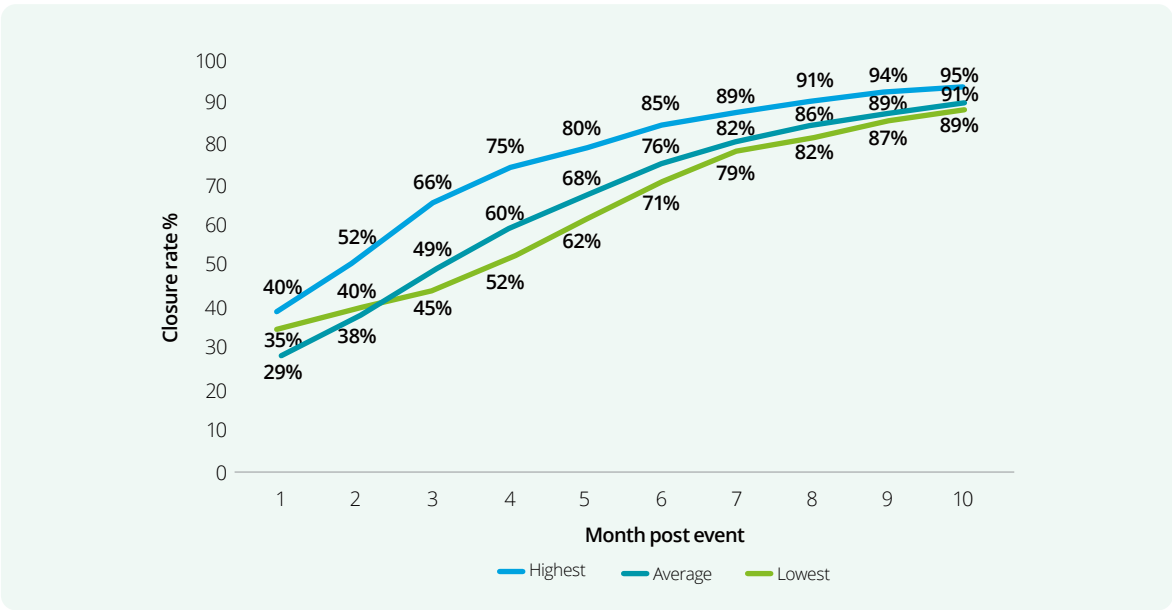
The gap in the closure rate between the quickest and slowest insurers was much less after 10 months for CAT233 (6%) than for CAT221 (25%). This indicates that customers were more likely to have a more consistent experience with respect to claim timeframes.

Chart 5.2 CAT221 claims closure rate by insurer over time



Notes: This graph compares the highest, average and lowest monthly claim closure rate by insurer for the CAT221 event from April 2022 to January 2023.
Source: ICA, 2023

Chart 5.3 CAT233 claims closure rate by insurer over time



Notes: This graph compares the highest, average and lowest monthly claim closure rate by insurer for the CAT233 event from February to November 2024.
Source: ICA, 2024

Complaints data

Due to issues with data quality and availability, we could not reperform our complaints analysis from the last report on the recent CAT events. Based on broader research and publications, the trends in complaint handling reasons remain similar to those in our last report, including delays in claim handling, poor communications and declined claims.

In December 2024, ASIC released *REP 801 – Insights from internal dispute resolution reporting*, which is ASIC's inaugural publication of industry-wide data to provide additional insights and transparency into general insurers' complaint handling processes. ASIC then released a follow up publication specific to General Insurers *REP 802 Cause for complaint: Complaints handling in general insurance*. This report outlined that there are areas for improvement in complaint handling including poor identification of complaints, delays and quality issues with communications and system and data issues. These themes are similar to our findings and the issues raised to us by consumer representatives in both the CAT221 Review and the Industry Progress Review.

5.2 Consumer representative perspectives on performance

Consumer representative groups told us they have not observed any material improvements in claim and complaint handling during recent events. Given that insurers' changes will take a while to embed, this feedback reinforces the need for continued evolution and change.

The identified areas of improvement included:

- Communication timeliness and decision making
- Consistency of decision making, particularly related to expert reports
- Delays in debris removal and strip-outs of homes in the early aftermath of events
- Complaint handling effectiveness
- Policy renewals being issued while customer claims are on foot, with no consideration of the claim in progress (see Table A.2 in Appendix for further details).

5.3 Increasing pressure on insurers to publish data related to event performance

Regulators and government (via the parliamentary flood inquiry⁸) are increasing the pressure on insurers to publish data related to their performance after events. More broadly, regulators are also calling for insurers to publish data to provide transparency to consumers so they can better understand the insurers' businesses, and the products and services they are purchasing.

As part of our work, we have observed that identifying and agreeing a set of measures that effectively represent performance after catastrophes and significant events is a challenging topic. If it is to be resolved, insurers will need to lean in to help design this approach or be forced into a regulatory structure they may not agree with.

5.4 Closing observations

It is clear from this review that insurers have made substantial investments to respond to the recommendations and more broadly to the feedback from their customers, communities, regulators and government post CAT221. There are some early indications that these improvements in claims handling are translating into tangible changes to the claim experience. The decrease in claim resolution times between CAT216 and CAT233 is a positive step, though this is only one measure of the customer claims handling experience.

Further work is required to fully implement and embed changes recommended in the CAT221 Report. Therefore, it will take time for customers to feel the benefits of these recommendations during severe weather events. Given the quantum of change impacting the industry in upcoming years, there is a risk that work may be delayed or reprioritised, and Boards and management should be attuned to this.

Insurers should continue to understand how the changes they are making will translate into an improved customer experience and outcomes that can be measured and clearly shared with stakeholder groups. This will allow them to keep sight of their goals, hold themselves accountable and demonstrate that they are more consistently delivering a better experience and appropriate outcomes to customers who make claims as a result of severe weather events.

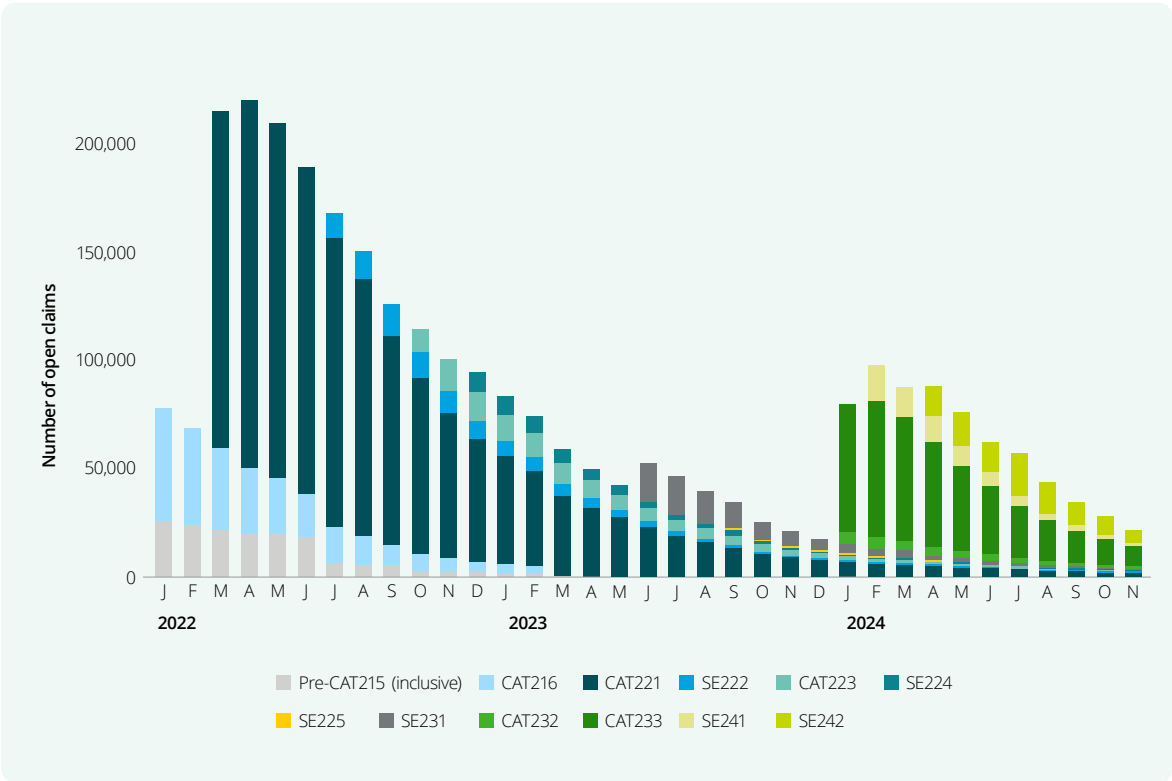
8 Recommendations 51-54

The background is a dark teal image with a complex, textured pattern resembling a woven fabric or a microscopic view of a material. Overlaid on this are several white geometric elements: a large circle in the upper right, a smaller circle within it, a dashed line curving from the left towards the bottom left, and two concentric circles in the bottom left with a small crosshair (+) at their center.

Appendix

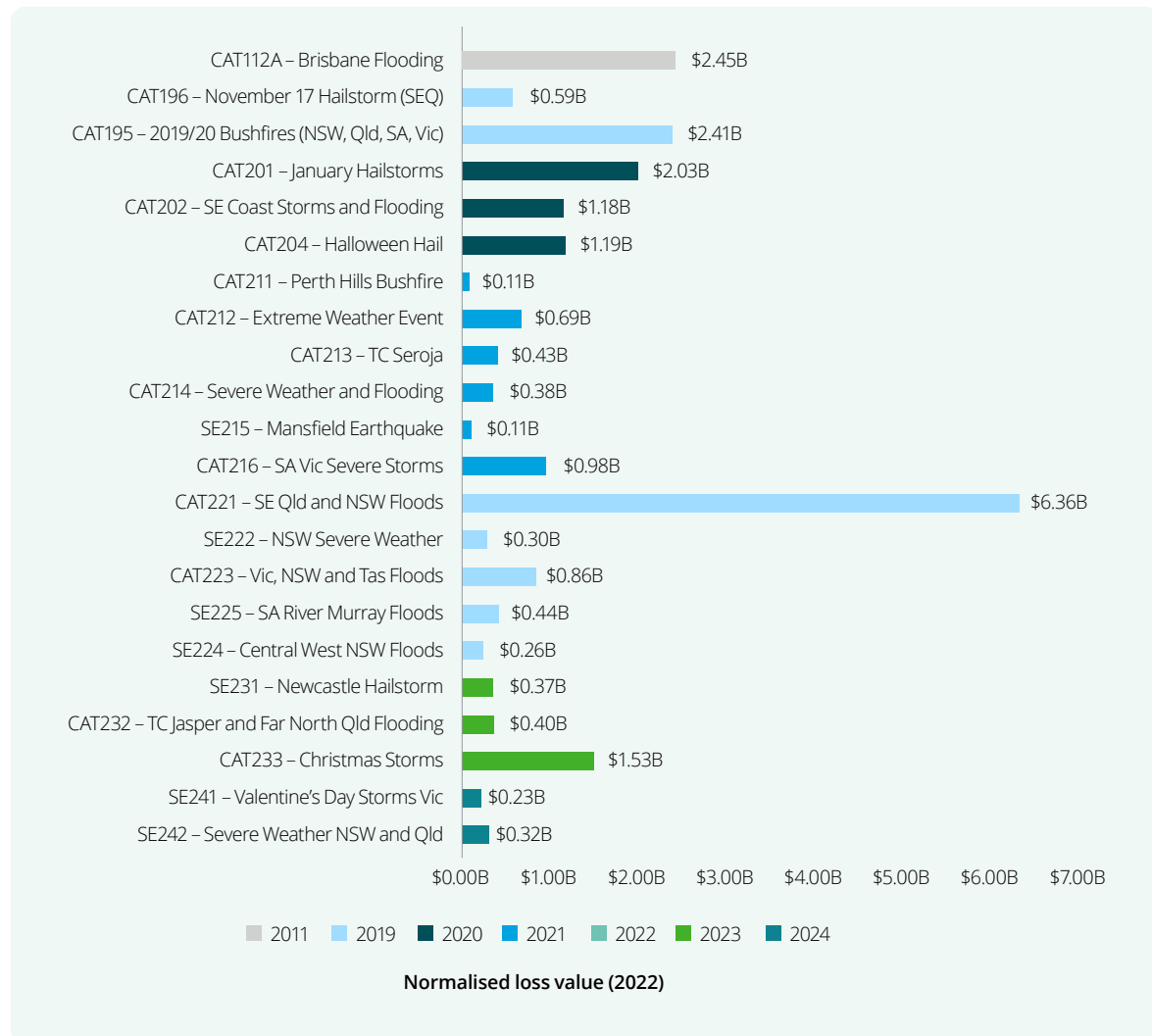
Supporting graphs and
analysis for our work

Chart A.1 Catastrophe-related open claims by month, by catastrophe



Notes: The pre-215 (inclusive) series includes open claim data for the following events: CAT204, CAT211, CAT212, CAT213, CAT214, SE215.
Data is not available for CAT216 beyond February 2023.
Source: ICA, 2024

Chart A.2 2011 – 2024 Insurance loss by event

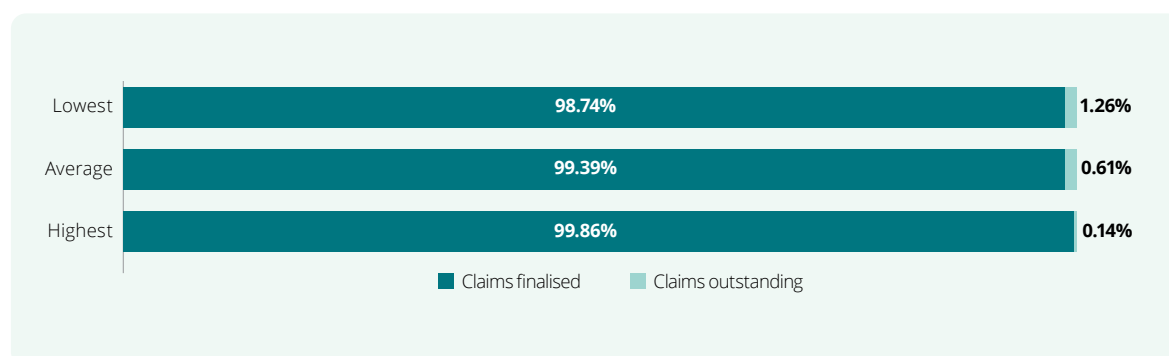


Notes: This graph charts selected significant insurance loss events for each year from 2011 to 2024, based on the normalised dollar amount of insurance claims paid by insurers as at November 2024.

Source: ICA, 2024

Table A.1 Related regulatory changes for general insurers

#	Regulatory Change	Anticipated Timeline
1	Updates to <u>ASIC IDR Reporting Handbook</u>	Updated and re-issued in April 2023
2	<u>ASIC Regulatory Guide (RG) 78</u> Breach Reporting by AFS licensees and credit licensees	Released on 27 April 2023
3	<u>Prudential Standard CPS 900</u> Resolution Planning	Came into force from 1 January 2024
4	Review of the 2020 General Insurance Code of Practice (the Code Review)	Phase 1 concluded in September 2024 and the Phase 2 report was released in December 2024 . Work is underway with stakeholder consultations on recommendation implementation prior to redrafting and further consultation on the Code. The ICA will then seek ASIC approval for the revised Code, which may lead to further consultation.
5	<u>ASIC Regulatory Guide 274</u> Product design and distribution obligations	Minor updates released on 10 September 2024
6	<u>Australian Sustainability Reporting Standard</u> AASB S2 Climate-Related Disclosures	To come into effect on 1 January 2025
7	<u>ASIC Regulatory Guide 279</u> Financial Accountability Regime: Information for accountable entities	To come into effect for general insurers on 15 March 2025
8	<u>Prudential Standard CPS 230</u> Operational Risk Management	The new standard will apply from 1 July 2025

Chart A.3 Percentage of finalised and outstanding CAT221 claims across insurers

Notes: This graph compares the eight participating insurers' highest, average, and lowest finalised claims rate for the CAT221 event. The data is accurate as at November 2024.

Source: ICA, 2024

Table A.2 Themes and trends observed in consumer representatives interviews in 2024

Similar themes raised by consumer representatives in the CAT221 Review	
Policy coverage and exclusions	<ul style="list-style-type: none"> • Maintenance and wear and tear exclusions continued to be an area where concerns were raised. Particularly, justification of reasonable maintenance in expert reports were given as a reason to decline claims.
Timeframes	<ul style="list-style-type: none"> • Timeframes for the resolution of claims remain unjustifiably long, while phone wait times have been noted anecdotally to have worsened.
Communication	<ul style="list-style-type: none"> • Insurer updates on temporary accommodation and claims processes are still not clear or timely. • Customer communication preferences are not being respected.
Consistency of decision making and clarity of explanations	<ul style="list-style-type: none"> • Limited improvements in the consistency of decision making. • Claims staff denying claims based on misinterpretations of expert reports has been observed as an area of concern.
Cash settlements	<ul style="list-style-type: none"> • Inadequate cash settlements remain a problem, with consumer groups noting that higher settlements are often reached once customer representatives are involved.
Debris removal and strip-outs of homes after water damage	<ul style="list-style-type: none"> • Policyholders are still experiencing preventable damage to their property due to delays in the debris removal and clean-up processes.
Third-party authority	<ul style="list-style-type: none"> • In the past 12 months, improvement has been noted in insurers accepting authority forms; however, consumer representatives now face challenges obtaining claim and/or policy details from insurers despite sufficient evidence of authority being provided.
Trauma informed approach	<ul style="list-style-type: none"> • Insurers have demonstrated improvements in identifying vulnerabilities at in-person forums. • There is still room for improvement in identifying vulnerability over the phone.
Complaints handling	<ul style="list-style-type: none"> • Complaint handling remains a key area of concern for consumers. • Consumer representatives have noted that IDR processes is becoming less effective.
Emerging themes from recent events raised by consumer representatives	
Access to right information during community forums	<ul style="list-style-type: none"> • Policyholder engagement with insurers through community forums and recovery centres has been positive. • However, consumer representatives have urged insurers to make sure staff have access to the right information when they are at forums.
Policy renewals while claims are on foot	<ul style="list-style-type: none"> • Some consumers are being offered policy renewals for properties that are extremely damaged or no longer exist after a natural disaster. • In these circumstances, it is very difficult for consumers to understand how the renewal has been calculated, which highlights a disconnect between claims and underwriting processes.
Understanding communities	<ul style="list-style-type: none"> • Consumer representatives have suggested that insurers need to take time to understand the communities they visit and must consider the local context and needs when formulating their response to an event.

Limitations of our work

General use restriction

This Report is prepared solely for the Insurance Council of Australia (ICA) for the purpose of reviewing the insurers' implementation progress of the CAT221 Report Recommendations (the Industry Progress Review). This Report is not intended to and should not be used or relied upon by anyone else and we accept no duty of care to any other person or entity. To the maximum extent permitted by law, we accept no duty, responsibility, or liability to any party, other than the ICA, in connection with the Report.

Assumptions and limitations

The Industry Progress Review is limited to the Insurers from the CAT221 Review (which represented the insurers responsible for approximately 99% of CAT221 claims of the time of the CAT221 Review). While this sample size represents a substantial portion of the insurance industry, Deloitte cannot guarantee the Industry Progress Review will represent the full spectrum of the industry.

Our work is advisory in nature and does not constitute a reasonable assurance (audit) or limited assurance (review) engagement in accordance with the Auditing and Assurance Standards Board (AUASB) standards and, consequently, no assurance is provided in accordance with the Auditing and Assurance Standards.

No legal opinions or financial advice are provided or can be assumed. No new economic models or forecasts have been developed.

This report does not include any review or assessment of individual policyholders' claims or complaints cases or outcomes.

This report does not consider the impact of the level of insurance protection within the community (i.e. insurance availability, affordability and suitability), land use planning, building codes and requirements and preventive resilience and mitigation measures on the insurance industry.

Our assessment is based on the documents provided to us, and the information provided during the interviews conducted as part of our approach. Deloitte assumes that any information provided by the ICA, the general insurers, policyholders and additional stakeholders that participated in The Industry Progress Review, in relation to enquiries for this Report is true, complete and not misleading, and confirms that if the information is untrue, incorrect or misleading then the Report may be incorrect or inappropriate for its purpose.

The decision-making responsibility in response to the contents of this Report resides solely with the ICA or the general insurers. We believe the statements made in this Report are accurate, but no warranty of completeness, accuracy, or reliability is given in relation to the statements and representations made by, and the information and documentation provided by the ICA or others. We have not attempted to verify these sources independently unless otherwise noted within the Report.

Statistical modelling ('generalised linear modelling') has been used to support some of the data analysis included in this Report. Please note, that such modelling has limitations, particularly when significant risk factors are missing from the data, and including these missing risk factors can change the model outcomes.

Endnotes

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