



Getting Your Insurance Right

Chair: Malcolm Hackett OAM

Panel members Denis Nelthorpe, Consumer Lawyer
Clare Cordingley, Insurance Council of Australia
Helda Sidaoui, Suncorp
Georgina Dircks, IAG

The Q&A process

In this Webinar the first 51 minutes or so consisted of a panel discussion responding to set questions.

Members of the audience submit questions during the Q&A sessions. The Moderator passes a selected question to the Chair who asks for a response from the presenter. This transcript refers to the questions generated by the audience

Transcript of Q&A session

1. Online insurance estimation

Insurers offer an online estimation function for rebuilding that appears to have the same underlying engine. Is this reliable?

Georgina Dirks

I've actually been looking under the hood of some of these calculators, the last two years. Yeah, they are best practice. So, these calculators, I can't speak for every calculator that's out there, but the ones on most of the major insurance websites, they're based on Ground Up costing. So, if you say your home is certain square meterage, it has this many bedrooms, bathrooms, laundry or living areas, behind the scenes what they're doing is they're saying, "Well, in a typical bedroom there's one doorway, and a doorway is made of this many metres of wood and these many nails and they're constantly updating the price of those nails and wood, and how much it costs to install them multiply that by everything in your house. That's what they're doing.

So, there's a lot of detail in there, they're pretty good. That said, if, as Helda said earlier, there's anything special about your home, if you're in a high-risk area for bushfires, it's probably a good investment every so often to have somebody come and look at your home and give you an individual costing for it. The other thing I'd say is be very careful about what that calculators including, because if a typical home policy for the company that is supplying the calculator includes professional fees, for example, that brand's calculator will usually include that in the sum-insured. Another company might have a different policy and therefore different things included in the calculation. So, make sure you go to your own insurer's calculator to have a go, and do consider actually having a quantity surveyor look at your building, particularly if there's anything special about it.

Helda Sidaoui

Only that it's only as good as the information you input. So, again, make sure you're inputting it right. But most of those built-in calculators, they're pretty accurate. I think the ICA have one on their website. They're built by builders those built-in calculators, which is why they have that level of accuracy.

Georgina Dirks

And they're actually used at the other end, when you make a claim. They're often used by claims assessors. The same calculator they use to calculate what it will cost to rebuild or repair your home. So, that is the level of trust the insurer's have in those calculators. Ultimately, it is down to the policyholder to make sure you have the right sum-insured. But we try to provide you with the best tools that are out there.

Denis Nelthorpe

I just add that the calculators have now been around and subject to significant scrutiny by people like Choice and ASIC for well over the last ten years. And, whilst I heard some concerns in 2009, I think it's reasonable to assume that, given the number of fires we've had and the amount of scrutiny, I don't recall hearing any significant criticism in recent time. So, I think they probably are pretty accurate, subject to that warning that everyone else has given that if there's something unusual about your house, not only about what it's made of but where it is as I said if you're backing onto the side of a hill or a mountain, you're backing onto a lake or something but in normal circumstances, the evidence is, I think, that the calculators are pretty good.

2. Check and review policies

It would appear that the Information you've been providing has motivated quite a few people to check their policies and review their sums, which is, I think, a pretty good result. Anyone want to comment? Anything you see there?

Helda Sidaoui

I think that was exactly the outcome when we spoke about what we want people to take away from this webinar. I think what I wanted to happen was for people to walk away wanting to understand their insurance properly and actually review and make sure that they were properly insured. So, that to me is a massive win.

Denis Nelthorpe

Can I just add, don't worry about whether you can afford a higher premium. The first question is: how much will it cost to rebuild the house? The second question is: can you afford the premium? And if you can, there are solutions, but you're better to find out what the true cost of rebuilding and insuring your contents is, and then dealing with the question of affordability.

3. Pay out or pay bills

When Scott Pape, the Barefoot Investor, lost his house in a bushfire a few years ago, he got his insurance company to pay him out directly and not pay the bills for the rebuilding. Is this something you would recommend? And what's the process?

Denis Nelthorpe

I'll make a comment and then get Helda and Georgina to respond to this. I generally recommend, it's not. You don't want people getting cash in-hand. One reason, by the way, is that there is sometimes a 6 or 12 month delay in rebuilding. And if the cash goes into a bank account, the question is: what happens to it afterwards? But more importantly, my understanding is that, in many instances, the insurer will take care of the rebuilding and they're better rather than most insurers. I can tell you that I haven't got any technical skills at all, you know, I'm completely useless, I would rather have the rebuilding managed by the insurer than take the responsibility for myself.

Now if you're actually a builder, then you may actually be better off seeking a cash payment. But I would argue, and it's the same, by the way, with a car, you know, the notion that I want to have control over who repairs my car, it's pretty ridiculous because all I know is it's got an engine. So, I think the question is: how happy are the insurers to be responsible for managing the rebuilding. Over to them.

Clare Cordingley

Yes, can I just add one thing into Denis's point? We've recently seen an increase in organizations that will try and help you manage your claim with the insurer, and they've been termed Disaster Chasers. This happened in the bushfire recently, with the 2019-2020 bushfires, and also with hailstorms. Generally speaking, they push a cash settlement and it does delay the process. And it's also not beneficial for the consumer. Also, if you only suffer a partial loss to your property and you get a cash settlement, it's then required for you to have that work fixed for the next year when your property then comes up for renewal. So, I don't think it puts you in a better situation, and I have seen it with Cyclone Debbie, specifically. We've never noticed how many brand new Toyota Hiluxes could be sold in Far North Queensland after Cyclone Debbie because of the amount of cash settlements.

This isn't going to help you get your home back, or put you back into a property. If you can do it and you have assessed it properly, then that might be the better option for you, but it's not, for the large group as a whole, a better option because you don't get someone managing your claim, you may not get a temporary accommodation extended. If the insurer's paying for your claim they may have other circumstances that will assist you if the bill does go over 12 months. So, when we get these calls we always say to people, "You need to really write down a list of pros and cons and really make an informed decision." Because now a lot of people with these Disaster Chasers are pushing for cash settlements. And it's not beneficial and it does leave the insured, or the policyholder, shorthanded. So, that's just my perspective from the Insurance Council. I'll let Helda and Georgina add to that.

Georgina Dirks

I definitely echo your comments on Disaster Chasers. They're doing that because they will take a portion of your cash settlement, and that is not covered by your insurance. So, that that comes out of the money that you would otherwise need to rebuild your home. And yeah, I just echo the other comments as well that: are you prepared to do what the insurer would otherwise do for you? Which is manage the process and walk you through it, potentially give you a little bit of extra temporary accommodation if there's delays from the insurer's end, are you prepared to do that? Are you confident that all of the money will still be there when it comes time to rebuild? If you are then, by all means. But, I'm not sure that I would feel competent to do it myself.

Denis Nelthorpe

Can I just add a comment on the Disaster Chasers. If there is a large-scale problem, Legal Aid runs Disaster Help, which is a free service. The community sector absolutely agrees with the insurers that these disaster claim people, I'm happy to say that they basically rip off merchants. If you need assistance, you will be able to get it, and you need to make sure you get it from a legitimate trusted source, that should be either legal aid or a community agency that's working with everybody on these issues.

4. Complete Replacement Cover

This person says they've got a Complete Replacement Cover, but it doesn't specify an amount. It says the insurance company will repair or rebuild the house as it was or pay out based on the insurance costs. Does that mean I need to document my house construction in detail? Will it cover rebuilding to current standards as the house was built over 15 years ago?

Helda Sidaoui

Complete Replacement Cover policies will not give you a figure, so it doesn't actually say that, you know, we will cover you for this amount. They generally don't do that. What would normally happen is that it will say, we will build your home to the standard. If your home was built 50 years ago obviously, they're not going to build a house that reminiscent of the 1970s

They will build it to today's current standards, absolutely. But there are, like I said, you know, you need to check, also CRC policies can be different, and you do need to check what is and isn't included, but generally, they don't include the amount, they will just build it to the standard.

5. Photographic records

Is it worth taking photos of it and so on to at least have some idea of what the house consisted of?

Helda Sidaoui

Yes, essentially, if you had a four-bedroom house, they'll build you a four-bedroom home. If you had a pool, then you'll get a pool. But they're not going to build you a 70s den with shag carpet no, that's not going to happen. So, I wouldn't worry too much about that.

6. Water bores and underground services

Wondering about bores and underground services and the replacement of those. How is that covered in insurance policy. Do they need to be itemized separately?

Denis Nelthorpe

They should be itemized, but there's a couple of issues to keep in mind here, and septic tanks come into this as well. First of all, there are items that are not known to a lot of us city people who don't have to deal with them, for instance, the water bore. I remember when I was dealing with some claims, it appeared to have disappeared, but somebody contacted us and said, "No, they can actually just drop down." So, you may actually need to understand how the items on your property work, and know who put them in there, so that if you need information, or the insurer wants information, you can get it. The other issue that was really important with the septic tanks is that in 2010 when the State Government paid Grollo to clear all the properties, they sent graders in and actually ran straight over the top of all the septic tank facilities, and kind of destroyed bits of it. So, if there's a septic tank it is important to let the insurer know that it's actually there. Now, in a replacement policy it would be replaced. But I think for things like septic tanks, if you've got a sum-

insured, then if you've got septic tanks or you've got water bores, really important to make sure they're noted by the insurer, and that you discuss them. Don't assume that the person in the call-centre knows very much about what a water bore is.

7. Sheds and tools

I'm not on a farm, but I have a detached shed with most of my tools, etc, in. Does one need to specifically identify my shed and my contents in order to be covered?

Clare Cordingley

Yes, you probably would, because their standard insurance policy will cover for your home. And sometimes there does have other inclusions for sheds as well. But, it's really important to specify that on the fact that it's not actually included. My parents have a shed on their property and thought that it was covered, and it's not. And it's like a two-bedroom-- we call it a shed, actually it's a granny flat. But, they didn't have that covered. So that's a two-bedroom little granny flat that they could have been out of pocket for.

And then also if you've got tools in there, tools are expensive. They're not cheap. And I know of a few tradies that have had their tools stolen or perish in the fire, and it's really difficult to-- if they haven't been specifically specified. So, if you do have expensive tools like that, I would definitely call up your insurer and make sure that it is covered, and also specified on the policy. But I'll also let Helda and Georgina add if they think of anything else.

Georgina Dirks

Yeah, I mean, it's the same refrain isn't it? just give them a call and see. Sometimes it's covered under a standard home policy as an outbuilding. One thing to watch out for is tools of trade, they often have sub-limits in policies. So, just give them a call, you know, just make a note in your diary tomorrow: ring insurer and check that I'm covered. It doesn't matter if you don't have your questions ready tomorrow. Ask them about the ones you've got now and call them again the next day when you've got it sorted out. This is one that does vary a lot from policy to policy.

8. Paying for assistance to sort out insurance policy

This is already too complex, who can I pay to work this out for me?

Denis Nelthorpe

I think this is a really interesting question. I think a lot of people will feel that way. And I think part of this is the way we deal with insurance, we kind of expect people to have knowledge that many people just don't have. So, I think there's two things you can do. One is: pick out some of the key phrases you've heard tonight, and actually ring your insurer and say, "Can you actually explain what these things mean and how my policy covers them?" And I actually think that, as consumers, we actually haven't asked enough of the insurance industry. They can only answer the question if you ask it.

The second thing is, depending on what the issues that you're struggling with is, it may be worth going to a community organization in the local area and saying, you know, is it possible to get anyone from a financial counsellor through to a builder to give you some assistance in working out both what the sum-insured should be for your property, but also, and it will be a really interesting experience to see a community organization have a day where they say, let's get in a group of people to see if we can help people work out what are sum-insured would be.

But I think it is a matter, not an easy question to answer. I think part of it is to ask a lot more questions of your insurer, but I also think it may be a matter of going to a community organization and, depending on how much difficulty you're having, saying: is it possible for them to get

someone to help you work that out? because it could be that there's a, you know, a retired accountant or someone who is, you know, working in a local community organization who can offer that assistance. But I do think, if you genuinely are concerned about whether you know what you're doing, it is, I think, important to go and ask around both from the insurer and the local community to see if you can get assistance.

Helda Sidaoui

I still say that there's nobody able to help you more than the person on the other end of that phone at the insurance company that you're insuring with. If you have any questions, you pick up the phone and talk to those specialists, the people are so good at what they do. They trained to a really hard degree. Though, if there's any questions that you want to answered that they can't answer, they'll refer you to the insurance council, they know all the right people to refer you to. I still think that this is their job. This is what they do day in, day out. Pick up the phone and speak to an insurance specialist, and it's free. So, you don't need to pay anyone to do that. And I think that's your best port of call. That's my personal opinion.

9. Alterations to planning rules

How do you find out the areas in your municipality that the planning rules have been altered?

Clare Cordingley

That would be with the council, your local council and also the state body, if there's anything from a state code that then gets filtered down, but the council should have all of that information.

10. Safety net or 'extra costs of reinstatement'

You mentioned early on about the safety net. Is that what's also known as "extra costs of reinstatement"?

Georgina Dirks

Yeah, it usually means something slightly different. Yeah, I would call your insurer. Sorry to say that again

Denis Nelthorpe

That is one where I would really encourage the person to ring the insurer and ask for an explanation of that term.

11. Assessment of building costs

How should people accurately assess that their building costs are covered to meet those fire standards. Denis, you spoke about that before. You gave a range of what it might be. How would you accurately do it?

Denis Nelthorpe

Well, I think the first thing is: if you ring your insurer and you tell them where you are, I'm assuming that their calculator will base the costs on the planning rules that apply to that area. So, you would hope that a fair bit of that is picked up in the calculations. I think the other thing to check is: if you look back over your insurance over a 10-year period, depending on how long you been in the home, have you had a significant increase since 2009? Because if all you've been paying is incremental increases for inflation, then the answer is you probably are not meeting that. The other thing you could do is ring the Council and say, "Can you tell me whether my address has

been impacted by changes to planning rules over the last decade?" But I would like to think that the calculators should have taken that into account.

Helda Sidaoui

The only danger there, Denis, is if the changes have happened since you had originally insured the home. So that's where you would need to make sure that, if the legal costs have increased, it's actually up to you to call your insurer to make sure that your sum-insured is adequate. The sum-insured won't increase on its own. So, you've built the house 20 years ago, there's increased building costs now to meet the standards, that's not going to be taken into account unless you actually call up the insurer and increase your sum-insured. It will for new policies.

12. Premium discounts for property owner risk reduction actions

Is there any way that insurance companies are likely to offer discounts because someone's prepared their buildings and their property for bushfires and made them safer?

Clare Cordingley

Yeah, we get this question a lot. I'll give you an example of one where someone gave me-- at a community forum last year when the fires were happening. They had built this apparatus, it was a home apparatus. The water came from their pool, and they had all these little pipes that went around their house. So, when the fire got close, it was triggered by a generator, and then the water would then protect the home. In theory, it's a really great idea. But, unfortunately, it's not something that an insurer can factor in as a permanent mitigation method. For bushfires, if your property is cleared, that does assist. But generally speaking, unless your property is built to code and built to the BAL-rating code as well then it may not be as cheap as you would like it to be. You're not going to get a huge premium increase because you're in a Bushfire Prone Area. You will maybe pay a bit more than someone that lives in the suburbs, rather than where you're living out in the rural area, but you're not going to be paying significantly more. But you need a permanent mitigation method, and unless your house can probably, and without being so crass about, unless your house can go under the ground, and there's a level and the fire just goes across, you're probably not going to get something that can stop a fire from coming to you.

So, it's easy to put flood mitigation methods in. Bushfire: build to code. And that means all the compliant materials, the certain paints, the windows, the doors and even the roof, like, the materials that will actually weather fire, that are supposed to weather a firestorm. So, that's my method. Denis, do you have any comments on that?

13. Insuring before the fire comes or wait periods

Denis Nelthorpe

No. I wanted to mention something else, I always mentioned these and I realized it hasn't come up. And that's: if you haven't got insurance and you're waiting until a fire starts, it's really important to know that nearly every insurer now has a 24- to 48-hour wait period. And there were people in 2009, and even in the Wye River more recently, who, when they saw the fires, rang up and insured. Now, some of them actually were able to get away with that.

But, it's really important for people to know that you have to insure 48 hours before the fire comes through and burns your house down. You can't ring up two hours before or ten minutes before and actually get cover. So that again means that if you're having trouble covering the premium, find a solution now. Don't wait until you think there's an event.

Helda Sidaoui

I think the standard is 72 hours. That's three days. It's been that for ten years with us.

Clare Cordingley

Sorry, and also some insurers with, like natural disasters, if they know that some areas are getting closer to that, there is an imminent risk to that location, they also might set an embargo. Not all insurers do this, but it is really important to factor that in as well. Because any changes to your policy or any new policies will not be taken into consideration until that risk has minimized. So, some insurers put an embargo in that says if something happens in the next 14 days, you'll not be insured. So there's certain rules or guidelines depending on different insurers, but we did find with the fires last year that certain postcodes were embargoed by some insurers a week or two weeks before the fires even got there, but it was just because they knew that the risk was coming in moving down the east coast.

14. Asbestos

A home that's 50% asbestos, and they want to know what are the likely additional costs. And the other question is, even though they know it can vary, for a 3-4 bedroom home, what's the typical cost of debris removal particularly asbestos.

Denis Nelthorpe

I won't answer the asbestos other than to say it is part of clean-up. But I think this raises the question which we need to deal with, which is that: policies will include demolition and debris clean up. Some will do it as included in the sum-insured. Some will include it as an extra. And then there is the fact that in large events, the government, state and federal, but usually state, will offer to cover the cost, and the question then is how will the insurer deal with that cost in the policy when the government's actually paid for the demolition and clean up.

So, it's probably, if we give our insurers a chance to say: A: how then they see it being dealt with within the policy, and B: how do their companies deal with this if the government actually covers the cost of a cleanup.

Georgina Dirks

Does that say, if your home is 50% asbestos, debris removal is going to be more expensive for you because if there's even a small amount of asbestos in a house that has been destroyed, most of the time we have to treat all of debris as if it could have asbestos in it. So specialist removal, specialist disposal. That can cost a bit more. In terms of Denis's query about how insurers will deal with removal of debris if it is paid for by the government, if the government comes in and does it, what does that mean for your policy? It's a bit difficult and probably depends on individual circumstances, I'll say you're not covered twice. So, you're not covered for the cost of removal of debris twice. If the debris is gone, you're probably not covered for the cost of that if you didn't incur any cost of it. And in reality, often what happens is insurers pitch in with the government and cover that. Where it gets complex is if you're underinsured and if removal debris is included in your sum-insured. The best thing to do is just make sure that you're covered adequately. That your sum-insured is adequate. That you understand whether removal of debris is in that sum-insured or not so that you can factor it in. I can't tell you what it costs to remove asbestos in particular. It depends again on circumstances. I have heard figures like an additional \$50,000 for a property that has asbestos in it, but I don't know, you'd be much better off talking to a builder to get a more reliable estimate of that.

Clare Cordingley

I might just jump in there. With the removal of debris as well, it's really important, even though the government do typically help cover the cost of removal of debris, it's really important to not factor that in because it may not always happen with every event. And then, even with the previous fires that have happened in 2019 and 2020, different circumstances.

You're working with different state governments too. So, there were three different state governments that we worked with as an industry on the removal of debris, which is South Australia, Victoria and New South Wales. All were quite similar, but the process was very different. So, it would be great for the government to cover this, but it doesn't always work out that way.

We've estimated removal of debris can cost from anything from \$50,000 to \$80,000. For some homes, and also if it was a large-scale event like we had last year, that disposal of this debris was actually more difficult and more expensive because of the lack of landfill areas or lack of adequate disposal sites. So, this was another issue, especially in, I think it was northern New South Wales, they had to go two hours into Queensland to dispose of the asbestos. So, there are other factors that can actually be considered in this removal of debris.

So, yes, I think what Georgina said is great, but don't factor the government coming in and cleaning up the cost because we can't rely on them for this, it's not something that is a standard procedure and we don't have a standard understanding with it. So, we prefer people to be completely prepared, in the event that it does happen, that they've got enough insurance for their removal of debris.

Denis Nelthorpe

Can I just mention before we leave? It's worth mentioning that some people will have a sum-insured policy where the cost of debris and removal is included in the sum-insured and they don't know that. So, they may think that they got enough to rebuild a property, but if you take out \$50,000 for removal of asbestos and everything else. Now, some policies will include it as an additional amount. So, the really important thing is to understand and be really clear with your insurer how the question of demolition and debris removal is dealt within the policy, otherwise you might get a terrible shock and it has been the cause of a lot of disputes in the fires that occurred late last year and early this year.

15. Being paid out if not rebuilding

If my house is destroyed and I decide not to rebuild, do I get paid the sum-insured?

Clare Cordingley

Not necessarily. You get paid, so if you insure for a certain amount, what you get paid out is what the insurer estimates. So, quotes, "it will cost to rebuild that property". We've had situations where people have said, "I've insured my home for a million dollars, so if my house burns down, I'll get a million-dollar payout. No, it doesn't happen that way. You definitely need to speak with your insurer and if you do think that your insurer isn't offering you the amount that you would consider it to be rebuilt, you can definitely negotiate that with your insurer and have discussions in that claims process. But it's not something that you'll just get cash settled in amount that's been agreed to, because that's not how it particularly works. So, if you've got a \$500,000 home that you know will cost \$500,000 to rebuild, and you insure for an amount significantly over, you might be getting cash settled that amount. Otherwise, I think a lot more people would take up insurance and over-insure.

Denis Nelthorpe

There can also be a problem with replacement policies that, if you've got an old property that you inherited or something, and you know that that building it would cost X, but you don't actually intend to rebuild, then there's going to be a question about how much you're paid out. So, the cash settlement is a more complicated issue.

16. What can I rebuild

Do I have to rebuild the same size and configuration or can I choose to rebuild differently?

Georgina Dirks

It depends on the insurer.

Denis Nelthorpe

But can I say, this is an issue that needs to be taken up by individual consumers with their insurer. Because I suspect that as time goes on, there will be a significant number of people who would be happy to insure on the basis of rebuilding a smaller property. And they shouldn't necessarily be locked into insuring to rebuild what they have now because they simply might not need a four-bedroom huge house. But I think that's something that's got to be taken up with the industry and it's a matter of consumers asking to be able to do that. I've had insurers tell me they think it should be possible to do it.