Bushfire Resilience Inc. Webinar 3 2020. Panel Session

Getting Your Insurance Right

Chair: Malcolm Hackett OAM

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

Chair

Please note that in the webinars, the presenters are providing information not advice. Our intention is to provide general information about insurance related to bushfire-damage and rebuilding, but it's your responsibility to seek advice for your particular situation.

Chair

Before we begin, I'll make an observation about my experience in 2009 when we lost our home in Strathewen.

When I calculated our insurance, I used approximate building estimates based on a cost per square, which proved completely inadequate for the reasons which we'll discuss with the panel. The assessor said I was out by about $200,000. When I looked at farm equipment I thought in terms of theft, and I only ensured bigger items that might have an attractive resale value. I had to replace so much more. After the fire I discovered that our 90Ha farm had 26km of fencing. I'd never added it up before. I'd insured 2km, which ran through the bush. But we lost 22km, a shortfall of $280,000.

The lesson in this story is that I'd constructed my insurance cover thinking about individual items and their likely loss. I hadn't considered a total loss. Yet, this is the situation which has faced many property owners from Black Saturday, and thousands of people from last summer's fires are just coming to grips with it now.

In this webinar, we're going to hear from four professionals involved with the insurance industry. Dennis Nelthorpe is our consumer lawyer, Clare Cordingley is from the Insurance Council of Australia, Helda Sidaoui is from Suncorp Insurance, and Georgina Dircks is from Insurance Australia Group.

Denis Nelthorpe

We're going to discuss tonight how you calculate sum-insured, and what are some of the reasons why people may find that sum-insured is not sufficient. And, we'll also discuss some issues around replacement policies and added extras. But, I would say it is helpful if people can work out whether they have a sum-insured or replacement policy. So, for anyone who isn't sure if it's possible to find out, as we go along it probably will help you understand what we're talking about.

Chair

So let's break into our first panel question. First question is, what percentage of policy owners are under insured? What are the causes and what are the consequences? Dennis and Clare, I guess you can share this one.

Denis Nelthorpe

Well, I might leave Clare to talk about the percentages, but let me explain my background as a consumer lawyer, I was involved with the 2009 fires and I was one of the three people who worked for about nine months at Victoria Legal Aid. Underinsured is sometimes even a misunderstood term. People often find themselves underinsured because they didn't understand the process. So, I would say there are three reasons why you might find yourself underinsured. One is that you've just insured one year 20 years ago and simply gone with inflation ever since, and you haven't reviewed that amount for maybe 5, 6, 10 or 20 years. It’s necessary to review every four or five years because the type of materials that are being used, the costs may have gone up much more than inflation.

The second thing is that, after the 2009 fires and the other fires around that time around Australia, there were a lot of planning rules about what materials and processes were used, and if you haven't increased the amount of your sum-insured to allow for the changes that occurred about 10 years ago, then you will be underinsured.

And the third problem is you tend to insure your property on the basis that it is the only property that burns down, or is destroyed, when in fact it's not uncommon to have whole suburbs. And if there is something that significantly increases the costs, and I know in one of the areas out your way there is a bridge that is absolutely crucial. If that bridge was destroyed and it was much, much more difficult to get materials in, that in itself could increase the cost of rebuilding for everybody. So, it's important to understand the causes of underinsurance and that's why tonight we will talk a lot about how to work out what the sum-insured should be. I'll hand over to Clare.

Clare Cordingley

The Insurance Council of Australia estimate that either four out of five or 80% of policyholders are underinsured, to some extent, for their policy.

For the recent bushfires, that statistic did somewhat differ. But we do find that generally, there is, to some extent, and it may be from a really large amount to a really minute amount.

I would also agree with Dennis on the fact, especially around when there is a catastrophe in an area or if there is a large scale loss, it does cost to get these supplies in at a higher rate, sometimes due to the access to resources and also trades. So that does always impact. And that's something that people don't particularly think about.

I live in a bushfire zone area, and that area was impacted last year by the bushfires. It was probably the day that we got evacuated to my brother's house that I was talking to my brother about his insurance, and he hadn't reviewed his insurance since he’d moved into his home, and he had done a very large renovation.

He was underinsured by $300,000. So, it's really important that if you do any changes to your property, you review that. Because I think a lot of people just go, “Oh, that's nothing, I'll just think about that later.” Or, like, everyone's getting solar panels on the roof. You need to add that, you need to disclose that to your insurer to make sure that you are adequately covered. Because there are some things that you will put out a large sum of money on. You might even do it in your kitchen. They can cost $80,000. If you don't update your insurance, you will be underinsured and you will not get the kitchen that you had in your property before that.

So, there are so many factors, but my main message to people is if you review your insurance every year, you may realize that you do more around your house and do more little mini renovations and that may actually increase your sum-insured.

Now the rebuilding costs have increased significantly over the years, especially with the new building codes. And also the consequences in this as well, is just one thing that I really want to hammer home. With the bushfires recently, there were a lot of people that were underinsured significantly by over $500,000 especially up on the northern rivers, and the mid coast. Where these people were situated this was their ending home that they knew that they've lived in this house for years. They didn't think that it would cost that much to rebuild, and now they're going into rentals, or they're significantly out of pocket, and they may not be going back to work because of their age demographic as well. So, it's really important to remember you may not be able to rebuild your home or you may not be able to go back to work. So, if this is your situation, then you need to consider if you are financially prepared in the event of a disaster.

Chair

Thanks Clare. Let's move on to the next question, which I guess we've touched on there in a few ways. What are some of the differences between a sum-insured policy and a replacement value policy? And what is safety net?

Helda Sidaoui

I did notice, with the poll, that the majority of the people that answered that poll actually had a sum-insured policy, which is probably the most common policy that you can get. It's just where you estimate the replacement value of your house. Most insurers have their calculators, either online or you can call up and talk to somebody on the other end of the phone, and quite often it's recommended you actually ask a builder to help you with an estimate.

I can't highly recommend enough actually calling up your insurance company and talking through, exactly as Clare advised, talking through exactly what your home looks like whether it's being architecturally designed, whether there's granite kitchen tops. All of those things are built into what your sum-insured outcome shows.

So, the next thing after this is an optional extra that a lot of insurance companies offer, which is called a safety net safety net. Safety net is something that is often included in your policy, but you may need to pay extra for, which is where you can claim a percentage of your sum-insured, if your sum-insured isn't enough to rebuild. So, as Denis pointed out earlier, where there's been large scale bushfires and entire areas have been wiped out, the building costs will rise and we haven't often accounted for that. So, a safety net is something that you can usually draw on to help you cover those extra costs,

The final one is CRC, or Complete Replacement Cover or Total Replacement Cover. This is where instead of setting sum-insured, the insurer will cover you for the total amount to repair or rebuild your home. Now, some exclusions still apply, and quite often those policies can be pricier. So, that is something to really watch out for, but these are the questions that you need to get back to your insurer about to actually understand the type of policy you actually hold. Go back and make sure that you are insured for all the items you need to be insured for. And if you shop around and find out how much a Complete Replacement Cover would cost you compared to a sum-insured, and whether just something like a safety net might be enough just to cover you just in case.

Chair

So just so I'm clear, the safety net, Helda, that's an item that you would pay for in addition, as part of your sum-insured policy?

Helda Sidaoui

Some policies actually include a safety net. So, you can actually check your policy to if it has a safety net included, it usually varies between 10 and 30% of your sum-insured, that will cover you for any optional extras. And sometimes you pay extra to have it as a cover. So again, I can't stress how important a conversation is with your insurer. You can go online, you can read your PDS, nobody reads a PDS we know that. Nothing beats a conversation with your insurance specialist on the other end of that phone, and knowing the questions to ask, that's probably the most valuable tool you'll walk away with.

Chair

Denis, were you going to add something there?

Denis Nelthorpe

Just that if you're living in an inner city area, you may not need the safety net. You might be able to rely on the calculators that the insurers have. If you're in a Bushfire Prone Area, the chances that the whole suburb will go down will mean that you really do need that safety net. So I would encourage everybody to talk to their insurer about whether they've got the safety net increase in case there is a bigger problem.

Helda Sidaoui

The other time it's really useful is if you live in heritage homes as well. So, quite often we underestimate the cost of rebuilding a heritage home. You may have really specific details that are very difficult to cost out specifically, and that's where safety nets and CRC policies can be especially useful.

Chair

This would apply to a lot of people in our area, I think. Will I require additional cover for a farm or for a hobby farm property? Clare, would you have a crack at that one?

Clare Cordingley

A policy that may cover a home with stables, equipment, fencing and sheds is called a Farm Pack Policy. They do have some standard inclusions in that cover, but it's really important to check with your insurer to see what actually is included. In various cases, people aren’t insured for fencing. This is a massive issue in Regional New South Wales and Victoria with bushfires. So, Blaze Aid are usually deployed into the area and they're a group of volunteers that do this work which is wonderful. But, a lot of people, a lot of farmers, are left out of pocket or concerned about their cattle or their assets being exposed because the fencing has gone down and they aren't insured for that. There are some insurance policies that do have like a standard set of kilometres that are covered. But again, you need to check with your insurer.

The other option is a policyholder that does have various assets on the property because of their farming equipment, or their business, can always consult with an insurance broker to get a package of policies. But it's under one grouping, so that you might be insured by various different insurers but the broker will manage that claim or manage that policy for you. That is another option and some people do find that much more suitable or easier to manage, but that is basically my answer for the additional cover for a farm or a hobby farm. So, if you've got a standard policy with your insurer, just a home policy, and you've got other assets, you may need to review that to see if you either need a Farm Pack Policy, or if you need to get some additional advice from a broker.

If you are in the situation, and you do need to talk to someone, or get a list of some insurers, the Insurance Council does have a service called Find an Insurer. It's online, and I can also share the information with the panellists and we can send that out to the group as well: the people to go to if they are looking for an insurer.

Chair

Thanks Clare. There's many different benefits covered in home insurance policies. Can you tell us how these benefits are covered in a replacement value policy and a sum-insured policy, and how can I know what I'm actually covered for? Georgina, would you like to have a have a crack at that?

Georgina Dirks

If you stand in your home and have a look around, there are lots of different parts that make up your home. There's the inside of the walls, there's the bricks, the timber planks on the outside of your home, the roof tiles. They're all fairly easy to notice, but there's also a lot of other costs that come when you have to rebuild. Have a look out your back door. Do you have sheds? Do you have water tanks? Do you have other outbuildings, or solar panels? These are all things that you need to consider when you're setting a sum-insured. So, if you have a sum-insured policy, you need to consider every element of your home that would need to be brought in and rebuilt.

But there's also other costs. Anyone who has ever demolished and rebuilt a home knows the cost of demolishing and removing the debris from a home that's either been destroyed or, for whatever reason, needs to be raised. And that can that can cost tens of thousands of dollars. There's professional fees, what you're going to pay surveyors, architects, those types of fees that you might not think about when you're just thinking about bricks and mortar and basic labour costs. Where are you going to live while your home is rebuilt? So, we call that temporary accommodation. A lot of insurance policies will have coverage for you to rent a property elsewhere, but it's really important to know what you're covered for.

There's the cost of complying with building codes which, as Denis said, may have changed since your home was built. There's things that you might not normally think of as part of your home: septic tanks, concrete slabs. You really need to have a good read of your policy and you need to, as Helda said, call your insurer and have a conversation about what exactly you are and aren't covered for. As well as understanding what items you're covered for, how they are covered in your policy is really important. If you have a sum-insured policy, does the sum-insured include removal of debris? So, when you're calculating your sum-insured, do you need to add that on top or is it just covered? Is there a limit on how much you can be paid out for professional fees? These are all really important things to understand so you know what you're what you're covered for.

When it comes to replacement value policy, while you don't need to estimate in the same way what the cost will be, you still need to know what is covered in your policy. Will these additional costs be covered if you have a total loss? So, really the best way is to have a read and look for some of these terms. And then when you know roughly what you might want, call your insurer and have a chat with them about what is in and what is out, so you can make sure you understand what you are signing up for.

Helda Sidaoui

I just wanted to add to that. Just that it's not really a question about understanding the differences between CRC and sum-insured and safety nets, because all insurers have varying degrees of what is and isn't covered. What's really important here, and I keep harping on about this and you might be sick of saying it is call your insurer, ask the questions, talk to a specialist. Looking up things online can be really confusing. Before I started working in insurance, I had no idea what my insurance covered. And even I found the PDS baffling in parts, and I've been working in insurance for quite a long time. So if you're just picking up the PDS and trying to understand it, you're going to get confused. But we train people to answer these questions on your behalf. And if you want to know if your solar panels are covered, or if your out-buildings are covered, and you've looked around, and you're unsure about whether the swimming pool is going to be replaced, pick up the phone, talk to your insurer, and make sure that you ask those specific questions.

Chair

Thanks, Helda. And you mentioned in there, well we touched on it a couple of times, that there could be additional costs. What planning scheme compliance expenses might people expect to come up against? Denis, can you give us an idea?

Denis Nelthorpe

I think we need to go back to the fires that occurred pretty well, all around the country, culminating in 2009. Prior to that time, there weren't a lot of rules about what materials you needed to build a house with, or where you could build that house. After that period and after those fires, they brought in pretty well, around the country planning rules for fire affected areas, and they have affected everything from what doors and windows you might have to have, what style of roofing you might have, through to whether or not you might have to relocate the house on the property.

Now, if you're on a suburban block, that's not a significant issue. But if you've been living in your property for a long time, and you’re back onto the side of the mountain, you might actually find a requirement that you are to build the property in a different spot, which means that all the water pipes and everything have to move.

So, the planning rules can make a really significant difference. A simple way of understanding this is that if you had been in your property from 2005 to 2020, after 2009 you should have increased your sum-insured quite significantly to take into account the changes for those planning rules. And if all you've done over that period is increased for inflation, then you are almost certainly in for terrible shock if you ever need to rebuild.

I also think it's worth noting that, increasingly, if you have to rebuild there will be very significant changes in the materials, and the way in which the house is built. So, I suppose I would say to everyone listening, have a think about whether you've significantly increased the sum-insured by something like 25% in a single lump sometime since 2009. We know that there are many, many people who haven't. I know in the recent fires in Eastern Victoria, there were many, many people who were living in little rural towns, who had simply increased every year by the inflation factor. And when they found out what was involved in rebuilding their home, some of them were probably more likely to end up in a caravan than a home.

So, you can tell first of all by whether you've increased at least once since 2009. Now if you've moved in post 2009, then it should have been taken into account the first time around. But I think it's probably worth understanding from either the local council, and I think you've got a session coming up at the end or later on this but you need to talk to someone about whether the property you're in would be really significantly impacted by the change to the planning rules, BAL and so on, in the event that your property had to be rebuilt.

Chair

Thanks Denis. Yes, in fact, our next webinar will deal with those issues. So, anyone concerned about that should definitely come to the next one. We've touched on this question a fair bit, I think, but it would be good to get a really succinct focus to it: if I have a sum-insured policy, what are some of the things that I need to check? Helda, do you want to crack into that one for us?

Helda Sidaoui

I think the first thing is very obvious. Go and check to see what you've actually got the sum-insured to insure for [laughs]. It may have gone up incrementally over the years, that if you started the policy 25 years ago, like Denis mentioned, you may have no idea what you’re actually insured for. You actually have to check your policy, and have a look to see what your sum-insured is.

Then, if you have a complicated home, if you live in a semi-rural area or in a bushfire area ask the help of the builder. It's a very minimal cost to actually make sure that you are as Georgina mentioned, we don't know what's behind those walls. I wouldn't have a clue what it takes to build a home. Yeah, I look at it and think, “This is what we pay for the house”. People do equations, like they subtract the cost of the land. I can't tell you how many phone calls I’ve heard over the years where somebody will tell me that they want to insure their home for X amount because the land is worth more than the home. And you try to explain to them that that's not how that's not how you work out how much it costs to rebuild a home. There's so many other elements that go into it, so, if you're unsure ask a builder, get an estimate, there’s built in calculators online, talk to somebody over the phone and just confirm that you've looked around your home and, as Georgina suggested, you walk outside and look at your pool area, your garage, or any sheds, any outbuildings. All of that needs to be included in your sum-insured. And then you can speak to your insurer about it and they can let you know if there's limits, because quite often there'll be limitations on the amount that they'll actually pay for certain things. So, that's the other thing that you need to confirm, that you understand what those limits are as well.

Chair

Thanks, Helda. Georgina, anything to add?

Georgina Dirks

The other thing I'd add is just don't forget about your contents. It is obviously a much lower cost than rebuild cost, but it all adds up. And if you find yourself in the unfortunate situation of having had a total loss, what are you going to wear? What are your children going to take to school? What are you going to read? Have a look around your home. I always say to people, “Open your tee shirt drawer”. Yeah, it's just a bunch of old tee shirts, no big deal, right? But what would it cost you if you had to go to Myer and replace those?

And that's just one drawer in your house. Think about every drawer in your bedroom, in your children's bedrooms, in your kitchen, in your cupboard, on your shelves, it all adds up to a huge amount. So, don't forget about your contents either. And a lot of insurers have contents calculators on their website, or you can just go around and have an honest assessment of what it would cost you to replace those. And similar, to building, there are sometimes limits on certain types of contents as well. So, sometimes expensive electrical items, valuable jewellery; you need to take out extra cover if you want to be able to be fully covered for those.

Chair

Thanks, Georgina. Denis, here’s a question for you. We know that it's often a balancing act between getting the right cover and being able to afford it. If people aren’t able to pay the insurance premium, what are their options?

Denis Nelthorpe

Well, I think this is a really important issue because although there seemed to be a lot of people uninsured for their home in 2009, I didn't actually see a lot of the evidence. Whereas in recent years, and particularly after last year's fires, there does seem to be very significant evidence of people who felt they couldn't afford the premiums and simply stopped paying for the policy. It's a kind of crazy way of dealing with the problem, because if you fall behind in your mortgage, and I can say this because I worked in the area of helping people who are in trouble with a mortgages, you have 6 to 12 months to find solutions to the problem. If you don't pay for the insurance and the house burns down, it's gone and it means that by the time you sell the land, you'll almost certainly still be left with a significant debt.

There are a number of things you can do. One is that you can decrease the cost of the premium, or first of all, you can shop around to see what else you can get. And I might add, unfortunately, there's a particular phrase which escapes my mind, but insurers don't reward loyalty. Insurers actually punish loyalty, so they actually charge you more for not shopping around. Not the best part of the industry practice, probably. So one thing to do is shop around. The second thing is you can ask to increase the excess and that will decrease the premium as well.

There are though some other options which aren't to do even with the insurer. One is if you've got a mortgage and you talk to your bank and tell them you're having trouble paying the insurance premium, it's quite probable that the bank will allow you to put the premium on to the mortgage, because it's in the bank's interest to have it insured. You can also, if you're having real financial difficulty, which is not uncommon, and maybe even more common, given the last 12 months you can go and see a community based financial counsellor who won't charge and who can negotiate with both the insurer and with the bank to try and assist with making sure you can pay for it.

Now, I've dealt with debt throughout my working life, and I guess I would say, of all the things that you want to try and come to an arrangement on paying, you put insurance first because you can find solutions for most of the other debts. Now, I will also say that some insurers also have a pay-by-the-month, which means that you only have to pay a monthly, but I should warn it's got a very high dropout rate. I'm not absolutely convinced it's the best solution. My view is a better solution is to find a way to pay the premium all in one hit.

I do want to add one other thing. It's not only a question of what you're doing. There seems to be some evidence that some of the people who are not ensuring are much older people who have come to the conclusion that they'll take the risk, and it's not a very good decision. So, if you have neighbours who are in their 80s or 90s, or something, without wanting to appear too nosy, it may well be a good idea to just ask them "Oh look, it's fire season coming up. Are you all covered for insurance?" And as well as making sure that they got rid of all the leaves and the overhanging branches, actually checking that they are insured. Because the last thing we would want is for someone who's in their mid-80s to suddenly find out that they've got a block of land and no house and no way of putting one back up.

Finally, the last thing I'll say is it may also be, and I think the insurance industry will have to come to terms with this a bit, but you might have a four bedroom house, the kids have all left home and you don't need four bedrooms anymore, and it may be that you can discuss saying that you want to insure for a two bedroom home. Can they work through the calculator so that you can ensure for a cheaper home, so that in the event that something happens, if you can't afford the full amount, then you can at least make sure that you're ensuring for an amount that will give you a replacement home. So, it's a fair bit to take in, but I do urge everyone, whatever solution you choose, not insuring a property is a really bad choice.

Chair

Thanks Denis. There are options there that I must admit I hadn't realized existed. And, in the unfortunate event that you have to make a claim, Clare what proof would need to be provided?

Clare Cordingley

If you had to suffer a total loss with your property, you would need to provide proof of ownership. But if those documents are lost, which in most cases they are, we do have our industry hotline we can do policy searches for people that are affected with bushfires or floods or any other natural disaster. So, proof of ownership is quite apparent. You would need to really start writing out about your version of what happened in the events, but generally speaking, if it's a large scale catastrophe the insurers are already aware of that.

The biggest issue that comes with this, and this is changing, hasn't yet changed, but it will be something that will come through the code of practice, the 2020 code of practice, which I have right in front of me. Previously with those large scale claims, proof of ownership for contents or receipts or inventory lists were required for contents claims. Now, this is like a really big thing that we've actually reviewed, and in the new code of practice as being implemented and all insurers will be required to comply from 2021. I can't confirm if it's July 2021 or January, it slipped my mind. But Helda might be able to clarify for me. There will be a change to that, where insurers will not ask for that if it is abundantly clear that you had proof of ownership for those contents.

But when you're reviewing your policy and that means like when you're reviewing your home property policy, building policy, also review your rooms. I did a speech last year in Victoria, and I told people to go around into each room and take pictures. Pictures are evidence. We've all got smart phones these days. If you're still working on a Nokia 3310, I salute you, but I don't know anyone that can still have one of them. So, we've all got smart phones and we’ve all got devices now. So, therefore, you can put those pictures on a computer that goes into a cloud service. So, if that happens, then you can still access if your house was to perish.

Because when you're in a state of shock, you're not going to remember everything that may have been in your property. And this is something that I’ve seen in Tathra, in the north coast and also in Mallacoota; people don't remember. And this is, it's one thing that you just don't want to have to try and trigger your memory about what was in the room that day, or what if there was something that you had and you didn't record it because, like, let's be honest, the south coast of Mallacoota was straight after Christmas, so how many presents in there that could have been high value weren't considered in the contents policy.

So, it's really important that you think about that when you're going through. The Insurance Council of Australia have a website called Understand Insurance, and they do have an inventory checklist. I’m more than happy to send that through. That can be sent out to all the attendees on these lists so you don't have to go through the website to look at it. But that might just start triggering what you need to think about.

So that's basically what I suggest. I think the easiest way to do it is to take photographs, because then it will be easier to trigger maybe what was in that room and the contents that you may need to claim for.

Chair

Denis or Helda or Georgina, do you have anything to add on that?

Helda Sidaoui

I just want to add one more thing about claiming, and it's not specifically around how to prove your claim, but just to understand that going through the code of practice, by January 2021, there’s a whole piece around financial hardship when you're making a payment. So, when you have suffered a total loss you've got no way of paying your excess, you've got no way of paying back any debt, so, if owe the bank all the rest of it then insurers now need to help you source financial assistance and assisting with payment those excesses. So, we are trying to meet, I guess the consumers, listening to what the hardship is and trying to assist where we can, so at claim time, you may be in a scenario where you believe you can’t make a claim, because you cannot pay your excess, that you now have the resources to do that. So that's just really, really important. If you ever get that push back it's part of the new code of practice that all insurers who subscribe to it will have to adhere to.

Denis Nelthorpe

And I just want to reiterate something Clare said. In 2009, we dealt with about 10 to 12 cases where homeowners, in the immediate aftermath of the fires, completely mis-described their home to a loss assessor, had replacement policies, and were funded to rebuild on the basis of the information they gave the loss assessor. If you leave out a room, a balcony, a veranda, all of those things make an enormous difference. And we had, as I said, 10 to 12 cases where there was $100,000 to $200,000 difference between what it was going to cost to rebuild the home they had and the amount they were offered. And the reason the problem occurred was that the people had mis-described their home, which in the immediate aftermath of the fires was probably not surprising, but I think it does mean that having photographs of both inside and outside your home is absolutely crucial.

Chair

Thanks Denis. One of the things that people have talked about a bit in this area certainly is, and you touched on it before, is the issue of geographical location. Do insurers factor in where your property is located and, you mentioned before, issues with planning. Is it likely that insurers might refuse to issue a new policy following the bushfire? Or even refuse to issue an existing policy because of the location?

Denis Nelthorpe

Because I’m not an insurer, it’s probably better that I go first and then leave everyone else to have a comment.

First of all, in North Queensland, which is subject to cyclones, there are very significant issues about the lack of insurance up there. There has been problems with flood areas, and, I think, there have been areas, there was one near Kinglake were there was real doubts about whether people should have been allowed to rebuild on a road that was on the top of a mountain. So, if you're in a particularly high risk area, it is possible that either in the future you may find difficulty getting insurance, or you may find that you’re quoted a premium that’s unaffordable.

One solution to all of this, which has been significant for both flood, or particularly for floods, is to make sure that the local council and the State Government, where necessary, are doing the appropriate mitigation works, so that that the area is as safe as it can possibly be. But, I'll actually leave it to the insurers to talk about how soon or how likely it is that that problem might arise.

Chair

Clare, do want to have a go?

Clare Cordingley

Geographically, insurers do factor in Natural Peril Risk for properties. The difference with bush fire and flood is that for bushfire that is already included in a policy, where your risk is heightened, there may be a little bit extra premium. But it's not as significant as it would be, for example, if you're in a flood zone because that wasn't a typical standard inclusion of a home property policy.

Now, with some areas that have the two perils, flood and fire, you may find that you are priced higher. But it's really important to shop around because insurer A, and I’m not referring to the insurers on the call here, I’m just going to say very differently, insurer A may consider you high-risk and insurer B may not consider this a risk at all. So, it's really important to understand that insurers price risk and evaluate risk differently, according to what their underwriting criteria may consider.

With areas like Far North Queensland, this is an issue with, for example, strata properties and areas that haven't had proper mitigation methods. We also take into consideration pop-up perils data that comes from councils or government authorities to evaluate the risk. So, where mitigation has actually taken place and this is permanent mitigation, so like levies or permanent fixtures to mitigate the property and insure can actually take that into consideration and use that to decrease premiums. That generally happens with flood. I haven't seen it happen with Bushfire Prone Areas, but I have seen it happen with flood.

With cyclones, Queensland Government did a household resilience program where members of the public that had a property were to apply for a grant that gave them up to 75% to replace their roofs. So, in replacing their roofs, this will be further mitigation for properties on the cyclone belt. If an insurer does refuse to insure you, they do have obligations set out in the code where they have to give you their reasons. They have to give you their assessment as to why they weren't able to provide you with insurance, and they have to refer you to either the Insurance Council, another insurer or a broker. So generally, you will be referred to Find An Insurer, where you will speak to one of the ladies in that department who will be able to assist you in finding another insurer. But generally, that's how it works from the Insurance Council perspective.