

Suncorp Submission Victorian Bushfires Royal Commission May 2009





- Suncorp – 26% of claims arising from Black Saturday (mainly from AAMI, GIO and Apia)
- Total no of claims – 3,200 (domestic and commercial)

Product	Total Claims
Home Building	1,580
Contents	687
Motor	513
Caravan	29
Commercial	391



Suncorp Response to Black Saturday

3 Sections

Section 1 – Event Management and Response Capability

Section 2 – Affordability of Insurance/Non Insurance/Under Insurance

Section 3 – Behavioural Economics relating to consumer purchasing behaviour and its relationship to key price drivers – e.g. levies

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Event Management and Response Capability

Interviewed staff and management in Personal Insurance, banking and SWM

Main issues highlighted:

- Lack of co-ordination – would like to see a permanent disaster relief taskforce which is made up of key stakeholders (including insurers) to co-ordinate relief efforts and ensure communication/information is consistent and accurate
- Standard warning signage for affected sites in disaster areas needs to be agreed and published
- Research into OH&S issues associated with extreme heat (e.g. asbestos)
- Insurers to work closely with government to make use of bulk public clean ups and to explore ways of dealing with asbestos efficiently and economically.
- Fast track building applications/approvals with local government



Under and Non Insurance

ICA – estimates non insurance from Black Saturday to be 23%.

Various studies since 2000 in relation to under and non insurance and key drivers

Non insurance - key drivers

- Affordability (this was key issue)
- Lack of knowledge
- Over confidence about risk of loss
- Mismatch between needs and products available

Suncorp Group's Response

- AAMI Renters Insurance
- Apia – motor, limited mileage policy
- All offer Pay by the Month to ease up cash flow
- All offer flexible excesses, can reduce premium by > 50%



Under Insurance

Under Insurance

All brands experienced under insurance resulting from Black Saturday, whether this was absorbed by the customer or the business (AAMI – CRC, GIO 30% buffer)

Key Drivers

- Main property insured, but outhouses, sheds, water tanks etc were not – insured self insuring part of the risk due to affordability
- Insureds not updating policies when changes were made
- Revision of building codes which is pushing up cost of rebuild
- Heavy demand on building industry which is pushing up cost of rebuild



Under Insurance

Suncorp Group's Response

- Complete Replacement Cover
- Brands increasing sum insureds automatically to try to ensure replacement costs are relevant
- GIO – Safety Net – 25%-30%
- Calculators on line to estimate rebuild costs (Reeds)
- Information sent to insureds in regards to under insurance and how to prevent it
- Ongoing social research into home fires and causes of (AAMI Fire Index) – also gives prevention tips



Behavioural Economics

Analysis using AAMI Data

Various options open to customers to reduce their premiums, which are being taken up at a greater rate over the last few years

- No insurance
- Under insurance
- Using excesses to share the risk therefore reducing premium
- Using pay by the month to spread payments over year
- Purchasing channel (accessing on line discounts – typically 10%)
- Selecting risk, Building –v- Contents

Therefore affordability is a real issue for customers who are using the mechanisms available to reduce their premiums



How to reduce Premiums – remove FSL

FSL

- metro – 13.47% of base premium
- Regional 15.92% of base premium

All taxes and charges on base premium

- Metro – 31.04%
- Regional – 35.15%

Issues

- Affordability of insurance – levies and duties exacerbate the issue
- Collection method inequitable as not everyone pays (23%)

Conclusion

- Use a more efficient equitable and broadly based method of raising \$s for the funding of the MFB/CFA e.g. rates