

## Response ID ANON-DUXZ-42BV-9

Submitted to Northern Australia Insurance Inquiry  
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## About you

What is your name?

Name:

Franky O'Connor

What is your email address?

Email:

[REDACTED]

What is your suburb/town and postcode? (Only one is required.)

Suburb/town::

[REDACTED]

Postcode::

[REDACTED]

If you live in northern Australia, please tick all descriptions that apply to you.

[REDACTED]

What type of residence do you live in?

[REDACTED]

What insurance do you currently have? Please tick all descriptions that apply to you.

[REDACTED]

What is important in your decisions about insurance?

1. How important is the price ('premium') in your decision?

You could also tell us: Did you know about the price of insurance in your town before you moved there? Has price changed a lot? Have you tried to get a lower price? :

Price is the most important factor other than what is actually covered. I moved to Broome from Sydney and was blown away when I found out how much insurance costs here. I have landlords insurance for a 1 bedroom apartment in central Sydney. The monthly premium on my 3 bedroom home here is my yearly premium in Sydney! Different type of property and insurance, but still shocking.

When we first bought our home, we rented it out and had landlords insurance. I did a review of 6 insurers. The annual cost ranged from \$1,860 (AAMI) to \$10,034 (CommBank). This was in 2013.

AAMI (and others) don't include metal as a construction material at least in their online quotes (ours and many Broome houses being colorbond/corrugated iron). Also we weren't sure whether to trust a premium that was so much lower than others, so we took out insurance with one of the mid-range premiums.

This was ANZ and the annual premium was \$4,160 for landlords insurance. That was after a 10% discount due to our mortgage package for the first year's insurance with ANZ. We insured the buildings with full replacement value \$633,329 with \$10,000 of contents. The excess on each was \$250.

At the end of 2013, we moved into the house and changed to home/contents insurance. At that time, we changed the insurance level from "quality" to "standard" as we received advice from an ANZ insurance call centre agent that that was more appropriate. So our cover changed to buildings \$577,485 and contents \$160,000 (excess \$500 and \$250 respectively). As well as the mortgage package discount, we get an "over 50's discount". Our revised total premium was \$4,019. I only did a comparison with CommBank at that time (can't recall why) and stuck with ANZ.

Since then, despite no claims whatsoever, our premium has increased quite dramatically:

- 2014 4.8% increase
- 2015 9.2% increase
- 2016 12.3% increase
- 2017 11% increase

So over 30% increase in 3 years or .

In 2016 we made two changes to reduce our premium – first we reduced the sum insured by stopping the automatic annual increase of sum insured, and corrected some of the inclusions. Next we increased our excess to \$1,000 buildings and \$500 contents.

This year, our annual premium will be \$5,399. I have enquired about increasing our excess again but now this will make negligible difference to our premiums. Our only way of getting a lower premium with ANZ is to reduce the sum insured. We will be reviewing our contents insurance to see if we are over-insured.

I am about to do a full review and comparison of companies and will probably change to the cheapest insurer because I am so angry about having to pay such extortionate premiums.

AAMI is no longer the cheapest, or competitive – their annual premium quote increased from \$1,860 in 2013, to \$5,594 today, 2017 – a 33% increase in 4 years.

## 2. How much choice of insurers do you have?

You could also tell us: Where you live, how much choice is there between insurers? Do you think different insurers offer different policies (i.e. is coverage different)? :

There are some companies who don't insure above the 26th parallel. Several insurers don't insure for postcodes above 6699 (eg RAC, Allianz), and in 2013 RAC wouldn't allow our building sum insured either!

The question of who people insure with and insurer recommendations is frequently discussed on the Facebook community noticeboard.

Yes, there are differences in coverage and policies – from the sum insured vs total replacement, and many other differing factors. That aside, I'm at a loss to know why there are such huge differences in premiums (from approx. \$1,800 to \$10,000 between 6 insurers in 2013).

## 3. What are you covered for?

You could also tell us: Can you get the sort of insurance you want? Do you want flood insurance? How confident are you that you know what you are covered for and what limits you have? If you have made a claim, were you covered for what you thought you were?:

We are covered for total replacement. Floods are often mentioned as an inclusion in policies although that's not a factor for our area. Cyclone risk may be a factor in high premiums, although all properties have to be cyclone rated so I suspect the weighting on premiums for cyclone risk may be unrealistic (as well as the fact that it's 17 years since any significant cyclone damage in Broome).

Generally with insurance, I hope for the best if we ever have to claim! We are about to switch companies and switch to a building sum insured policy instead of total replacement purely to reduce premium.

## 4. How important is customer service and claims handling reputation?

You could also tell us: How much does an insurer's reputation matter? How much does customer service matter? Have you seen an insurer behaving in a way that you think is unfair or confusing?:

Both customer service and claims handling are important and are considerations when choosing our insurer. Fortunately we haven't had any claims.

## 5. Have you seen an insurer behaving in way that you think is unfair or confusing?

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## 6. Has an insurer told you that they won't insure you or renew your insurance policy? If they have, what were the reasons they gave you?

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No.

How you get information about insurance and how easy it is to understand?

## 7. What information does your insurer give you and how useful is it?

You could also tell us: Does your renewal notice say if price has changed and the reason? Does it say how premiums are calculated? What could insurers do to make it easier to understand their products? :

The renewal notice from ANZ does not:

- Draw attention to the premium increase
- Give any reasons for the premium increase
- Say how premiums are calculated (eg, the amount of automatic increase of sum insured)
- Differentiate between sums insured that are/are not automatically increased (in our case, we have stopped this on building but not contents – the premium notice still says that both are automatically increased)

Recently when I called ANZ to ask about a change of premium if we increased our excess (again), it took 50 minutes to get that information. The call centre agent had to refer several times to another team who took a long time to calculate the revised premiums. I was really surprised this seemed to be such a manual process, so I would be interested to now how they calculate premiums.

## 8. Where else do you see or look for information?

You could also tell us: How much effort is it to look for better or cheaper policies? What sort of advertising do you see? Have you used websites, tools or calculators? If you live in Queensland, have you heard about or used the North Queensland Home Insurance website? What did you think about it?:

I look at our Facebook community noticeboard for other people's recommendations on insurance as this is frequently discussed. Then I do an online quote for comparison, and try to compare the PDS for policies that I think are worth investigating. It takes a lot of time and effort, and is hard to compare policies accurately. I would not try comparison tools as I have heard some are not impartial.

It's hard to get quotes easily as quite a few companies don't have metal (colorbond) as a construction material so I can't always use the online quotes system and have to phone for quotes. Colorbond is very common in the Kimberley so this makes it harder to find an insurer easily.

#### 9. Have you used, or thought about using, a broker? Why or why not?

You could also tell us: Did it make it easier for you to get a policy that you were more confident suited your needs?:

I made enquiries with a broker last year. They only gave me a choice of one policy, so I have to assume they have reviewed many more and settled on just one to offer to clients. I would prefer more to choose from and more detail from a broker. I don't know if they only review/recommend products that they receive commissions for etc.

In the end, I compared the broker's policy with our existing policy and didn't switch – mainly because it was a similar cost but not total replacement (although now we are going to switch to building sum insured to reduce the cost).

I think a broker would be useful service in the event of a claim. I might ask a broker again for quotes but feel I still need to do my own due diligence and check out a range of insurers.

#### 10. Is there information to meet the needs of all consumers?

You could also tell us: Who can you ask if you need help understanding insurance? Is there information for people who are unable to read or write or use a language other than English? Do insurers have an office in your area or do they visit? Is mail, phone or internet access an issue in remote areas?:

#### 11. What special information do owners or managers of strata units need?

You could also tell us: How difficult is it to get clear and useful information about strata insurance? How transparent is the information provided to strata unit owners?:

#### 12. Have you seen examples of tools, technology or information in other industries that should be used to make insurance easier to understand?

Have you seen examples of tools, technology or information in other industries that should be used to make insurance easier to understand?:

Have you switched insurers?

#### 13. Have you considered switching insurance in recent years? Did you go ahead and switch? Why or why not? Please tell us about your experience.

You could also tell us: Did you consider switching policies with the same insurer, to a different insurer, or both? How did you find and compare policies? How many quotes did you compare? Was it a lot of effort? How does the use of standard definitions, such as for 'flood', make it easier to compare? Was your focus on price or coverage or both? Did you use a broker to help you? :

Last year I did get an alternate quote from a broker, which was time I'd reviewed insurance companies since 2013/14. As mentioned above, I didn't switch because the premium was similar but overall (though hard to compare) I felt happier with the cover of our existing insurer.

This year, after getting our renewal notice and the shock of the increase, I planned to do a full review and am going to switch to whoever is offering a cheaper comparable insurance cover. My focus is on both cost and coverage. AAMI used to have a reputation locally for being the cheapest, but that is no longer the case.

I was going to review up to half a dozen quotes, and narrow that down to 3 policies to compare in detail. I found several insurers don't provide online quotes either at all, or for metal construction, so I would have to phone to get that information, which adds time and inconvenience. I submitted one online enquiry form, from which I am supposed to be called or contacted by them, but 4 days later I have not received any contact. I was also going to call the two local brokers again.

In the end it is so time consuming that we have decided to go with the first insurer I have been able to get a quote from that is significantly cheaper than my current insurer. To renew my current insurance with ANZ for the next year would cost \$5,399.60 (\$4,643.66 after a loyalty/multi-policy rebate). I got two quotes for the same sums insured (building and contents) and excesses – AAMI quoted \$5,594.90, so more expensive especially after the rebate. Commlnsure quoted \$4,026 which is significantly less for me to switch. At the same time, I will be adjusting the sum insured (upwards) after checking an online building calculator, and increasing the excess to help reduce the premium.

There is a high likelihood that I will need to do this on an annual basis, even if we end up sticking with the same insurer for a while.

What can households and insurers do to make insurance more affordable?

14. Have you considered renovating or altering your home, or building a new home to, to reduce the risk of storm or cyclone damage? Did you go ahead?

You could also tell us: How did you find out about building for your local conditions? How did you decide that it was a 'worthwhile' investment? If you made any alterations, did this have any impact on your insurance premium? Has it already, or will it, save you money in the long run?:

No. Our house is already cyclone rated. There's nothing else that we could do in that respect.

This year we have spoken to a local builder to get an idea whether we are insured for an appropriate amount (i.e., to get a ball-park cost of a rebuild). I also used an online building calculator provided by Commlnsure, using Cordell Information Pty Ltd. The amounts differed significantly (by approx. \$100,000) so it is hard to know how much to insure and whether we will be under or over insured.

15. What are insurers doing to make it easier and could they do more?

You could also tell us: Would your premium be lower if you made your house or belongings safer? Can you pay fortnightly or monthly and how much extra does it cost to do so? Does your insurer offer Centrepay to eligible customers? Have you seen new or different policies to target particular consumers, such as tenants, households on a low income, or people with only a small amount to insure? :

16. What are you doing to manage the cost of insurance?

You could also tell us: Have rising premiums motivated you to spend more effort looking for better policy options? Have you, or would you, reduce your level of coverage to save? Who else can you get help from?:

Certainly not sitting back and renewing automatically. We definitely need to reduce the cost of our insurance. As well as switching companies (hopefully), we will probably take a calculated risk and insure for a lower amount, either building or contents value or both, on the assumption that we would hope never to need a total loss claim. We are also going to go for a fixed sum insurance with gap cover, rather than full replacement (which we'd prefer) to help reduce the cost. Shopping around for affordable insurance seems to be an annual exercise that we have to do.

#### Other issues

17. If you have a view or experience to share that you haven't already covered in another question, please tell us about it. (Optional)

If you have a view or experience to share that you haven't already covered in another question, please tell us about it.:

Answer for question 18:

