



Submission to the Royal Commission into National Natural Disaster Arrangements

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Table of contents

Executive Summary.....	3
The role of insurance in natural disaster recovery.....	7
Increasing natural hazard resilience.....	11
Affordable and accessible insurance.....	17
Response and recovery after disasters.....	28
Appendix A: <i>Protecting the North</i> policy paper	
Appendix B: GIO Customer Information Sheet	
Appendix C: AAMI Customer Information Sheet	
Appendix D: Summary of Rebuild Process	



Executive Summary

When it comes to natural disasters, Australia is currently stuck in a cycle of disaster, rebuild, recover, repeat. This is despite scientists, insurers and reinsurers agreeing that Australia is one of the most vulnerable countries in the world.

With the risk of physical impact increasing alongside the economic and social impacts of natural disasters, Australia urgently needs to change our focus towards risk reduction and resilience building, in addition to limiting the extent of climate change.

The economic impact of the COVID-19 pandemic will be felt for many years. While nations and the global economy will recover, the risks presented by our changing climate will continue during this period of economic decline and recovery. The combination of a depressed economy and natural hazard events of increasing severity will exacerbate the resulting disruption to communities and local economies, especially those communities that have the least ability to absorb significant social and economic shocks. Improving our communities' resilience is crucial to reducing the risk of concurrent disruption.

The solution requires actions from all levels of government, individual homeowners, the construction industry, financial services providers, as well as other industry and community sectors.

Disaster funding arrangements and resilience activities

Suncorp has long called for the chronic shortfall in government funding for disaster resilience to be addressed. Successive governments have wrongly ignored the imbalance of spending 97 per cent of our disaster funding on recovery, and only three per cent on prevention and mitigation. Addressing this long-standing imbalance will help to strengthen regional economies, protect vulnerable communities, and put downward pressure on the cost of living via lower insurance premiums.

Activities can occur at a community level (e.g. construction of flood levees), as well as encouraging individuals to strengthen their homes (e.g. upgrading roofs to protect against cyclone damage). These measures should be viewed as economic infrastructure that helps to ensure regional communities, as well as their economies, are better protected against the impacts of natural disasters, and that insurance remains affordable and accessible.

Recommendations

- Implement the Productivity Commission’s 2014 recommendation for a five-fold (\$200 million per annum) increase in the level of Federal Government funding for disaster mitigation, to be matched by the states and territories.
- Undertake a national resilience-building program to implement initiatives that would improve community-level resilience and have a flow-on effect of placing downwards pressure on insurance premiums.
- Expedite the review of disaster funding arrangements agreed to by COAG.
- Reform Commonwealth-State Disaster Funding arrangements to provide for an increased focus on improving the resilience of community infrastructure and assets.
- Use the Northern Australia Infrastructure Facility to help fund natural hazard resilience, including risk mitigation for communities and major infrastructure assets as well as household-specific programs.

Building resilience via planning, building codes and retrofits

Australian building codes and planning schemes must better reflect the potential for physical damage from natural disasters and ensure communities are not put in harm’s way.

As an insurer, following a natural disaster Suncorp often sees the consequences of poor planning and poorly constructed homes. Stronger building codes will assist to improve the resilience of new and renovated building stock, however there is also a need to improve the resilience of existing buildings through retrofitting improvements that strengthen homes against natural hazards. Customers whose properties have been constructed under previous building standards may not realise that their homes do not comply with current standards, and may be at risk of damage caused by disaster events of increasing severity. This is particularly the case as our changing climate exposes parts of Australia to natural perils that have not traditionally occurred in those areas (for example, cyclones impacting further south along the Queensland and NSW coasts, or the recent bushfires that impacted areas of Queensland’s rainforest for the first time on record).

Recommendations

- Update flood mapping across Australia, including assessment of floor heights and other relevant data and with consideration of at least a 1 in 100-year flood event.
- Undertake a national assessment, with scheduled reviews every five years, of:
 - Resilience to bushfire, cyclone, flood and other major national perils, in collaboration with CSIRO, Standards Australia, insurers and other stakeholders.
 - Planning processes and controls to ensure that they consider natural disaster impacts, and how they can be minimised.
 - The National Construction Code, regarding the testing and approval of materials that can be used in areas at increased risk of bushfire.
 - Communities at risk of extreme weather and natural perils, with a focus on improved resilience of communities, protective infrastructure, increased resilience of homes, and viability of extremely high-risk assets.
- Ensure that natural disaster impacts and how they can be minimised are included in planning controls (e.g. ensuring that the floor height is at least above the 1 in 100 year flood or overland flow level).
- To provide insurers’ input into the development and updating of building standards, the Insurance Council of Australia should be provided with a permanent membership of the Australian Building Codes Board.
- To improve the role of resilience in construction, expand the purpose of the National Construction Code to include consideration of increasing resilience of buildings (e.g. floor heights in flood prone areas), and reducing displacement rather than only loss of life.
- Increase regulatory oversight of construction by state and territory building industry authorities, increasing understanding of existing and future standards and providing homeowners and insurers with confidence that homes have been constructed to required standards.

Affordable and accessible insurance

Many factors affect the affordability and accessibility of insurance. These include the underlying risks that the insurance provides cover for, the costs incurred in repairing homes, cars and paying claims, and other price components added to insurance premiums through taxes and other government charges.

Economic conditions, including employment and average weekly disposable income, also play a crucial role in individuals' and businesses' ability to insure their car, home, contents, business or health.

Taxes on insurance premiums are inefficient and counter the public interest of a fully-insured community. These taxes result in the perverse scenario that sees vulnerable Australians paying more in tax if they face greater risk. Reform of insurance taxes is urgent.

Recommendations

- Taxes and charges should be removed from insurance policies; alternatively, the method of calculation should be revised so that customers in higher risk areas are not paying more in taxes as well as higher base premiums, with funds raised directed to risk mitigation initiatives.
 - At federal level, GST should not be charged on insurance premiums. As an alternative, customers should receive a rebate of the GST incurred, either as a cash payment or tax offset, with encouragement to spend this amount on resilience measures to reduce risk in the long term.
 - At state and territory level, stamp duty should be removed from insurance premiums. As an alternative to complete removal, the calculation method should be reformed, with funds raised through stamp duty directed to programs that mitigate and reduce the risk and impact of natural disasters.
 - The Emergency Services Levy should be removed from insurance in NSW, and the Insurance Fire Levy removed from commercial insurance in Tasmania.
- Government to initiate a review of the financial advice regime, with a view to enabling insurers to provide increased targeted information to customers regarding their risk and appropriate levels of insurance.
- Review Bushfire Attack Level ratings (nationally) at least every five years, rather than locally and only following bushfire events. Reviews should be accompanied by a community information campaign to inform residents of changes and suggest they update insurance details to reflect building costs, as well as inclusion of BAL ratings on rates notices.
- Government to consult on measures to increase the number of low income-earners who have insurance protection, such as tax relief to assist with the purchase of insurance.

Response and recovery after disasters

Insurers play a lead role in assisting residents, businesses and communities to recover from natural disasters. This disaster season Suncorp's on the ground claims response teams have been supporting our customers since September 2019, and we will continue to deliver on the promise we make to our customers throughout the rebuild phase of recovery and beyond.

While the fire-fighting capabilities of Australia's volunteer and professional fire services are world-class, inefficient and poorly-coordinated decision-making in key areas of recovery (such as removal of debris and planning approvals) often impairs the assistance that insurers provide to individuals and communities during response to and recovery from natural disasters.

The Commission should identify and make recommendations regarding areas where greater co-ordination by government, clearer processes, and greater co-operation with the insurance industry will result in faster and more effective recovery for Australian residents and businesses following future disasters.

Recommendations

- To avoid the need for negotiations between government and insurers following disaster events and resulting delays in recovery, governments and insurers should develop standing arrangements for removal of debris following natural disasters.
- State-led streamlined processes for any post-event BAL rating reviews and co-ordination of planning approvals, speeding up these crucial steps in the rebuild and recovery process.
- Development of a standardised approach for local governments to process planning approvals following disaster events, with priority given to approvals for homeowners who want to rebuild their homes.



The role of insurance in natural disaster recovery

Insurance provides customers with the security that they are protected when disaster strikes. Whether it be a motor accident, bushfire or business interruption, insurance provides security to individuals and businesses that repairs or funds will be provided to get them back on their feet.

As a leading insurer, we see first-hand the economic, social and other costs that a disaster has in a community. Risk Frontiers has previously estimated that the social costs of disasters can be up to 200 times the insured property damage.¹ With the Insurance Council of Australia having estimated insured losses from the 2019-20 bushfires alone at \$2.2 billion (nationally), insurance is crucial in preventing and off-setting some of these broader costs and enabling those impacted by this summer's natural disasters to recover as soon as possible.

Insurance doesn't only help our customers, it benefits the wider community as well. In early 2019 Suncorp released research demonstrating how insurance payments and repair activity supports the economy of a region affected by a natural disaster. The report, *Economic Recovery after Disaster Strikes* (prepared with SGS Economics and Planning)², found that insurance payments not only benefit individual policyholders, but have a flow on effect that stabilises the local economy after a disaster, with the economic stimulus promoting a more rapid return to normal economic activity.

Further, the report demonstrated that regional cities and towns are particularly vulnerable, as they face the dual threat of increasingly volatile and severe weather, as well as a narrower economic base that magnifies the impacts of the disaster and delays recovery.

Responding to claims

Suncorp understands that our customers count on us to get them back in their homes, back on the road, and back in business as quickly as possible following a claim, so they can get on with their lives. This is why we have invested significant resources in maintaining a leading insurance claims capability, and quickly establish hardship packages to assist our bank customers affected by a natural disaster. Figure 1 provides a summary of the more than 72,000 claims that we have received regarding natural hazard events since the start of September 2019.

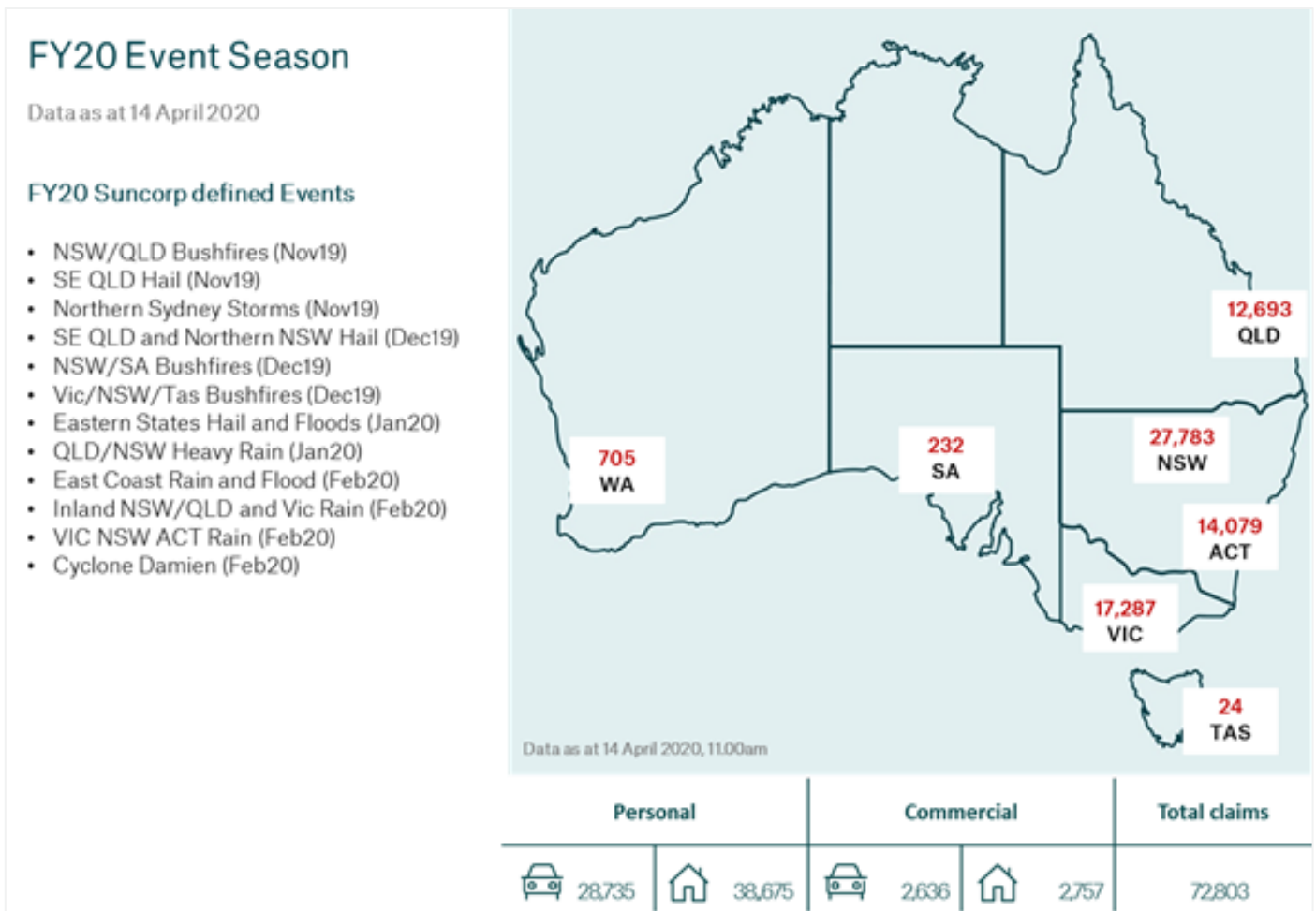
¹ Risk Frontiers (Walker, G. R., Mason, M. S., Crompton, R. P., Musulin, R. T.), "Application of insurance modelling tools to climate change adaptation decision-making relating to the built environment", *Structure and Infrastructure Engineering*, 12:4 (2016), 450-462. Available online at <https://riskfrontiers.com/insights/publications/>

² The report is available online at <https://www.suncorpgroup.com.au/news/features/regional-australia-at-risk-of-economic-ruin-following-natural-disasters>

At claims lodgement, Suncorp’s focus is to assess the loss or damage for validity, identify if emergency make safe repairs or temporary accommodation are required (for home policies), and advise customers about the next steps in the claims process. This reflects the fact many of our customers at this time are focused on the immediate steps of ensuring the property is safe and secure, obtaining immediate financial assistance, and the reassurance that their claim is likely to be accepted.

Information on how we will assess the claim, our customer’s right to obtain independent quotes from other suppliers, as well as how the claim will be settled are typically discussed with our customers at the appropriate stage as the claim progresses.

Figure 1: Overview of claims received for natural disasters in 2019-20



Suncorp’s response to the 2019-20 bushfires

Suncorp implemented a whole-of-business approach to assisting our insurance and banking customers impacted by the 2019-20 bushfires. This included the following on the ground activities in affected areas:

- **Customer Support Teams:** Our Customer Support Teams (CSTs) deployed to fire-affected communities around Australia as soon as it was safe to do so. Since September 2019, our CSTs have assisted customers in locations including Bowraville, Bellbrook, Picton, Lithgow, Melbourne, Bega, Ulladulla, Nowra, Batemans Bay, Bairnsdale, Cobargo and Mallacoota. We have also had claims staff assisting customers at ICA and Government-led recovery sites in Stanthorpe, Peregian Bach, Casino and Rappville, and at community meetings in Moorral Creek, Caffreys Flat and Rainbow Flat.

- **Assessment Hubs:** We opened Assessment Hubs in Bairnsdale, Ulladulla and Batemans Bay early in the claims management process, enabling customers to meet with claims staff before access to their property was possible. Paper-based assessments were conducted to provide customers with an indication of the status of their claim.
- **Customer forums:** We held forums in Taree, Cobargo and Batemans Bay, with customers making appointments to meet with our claims staff and discuss specific details of their claims. These forums provide an opportunity to progress claims faster than may otherwise occur.

To help our customers to understand the rebuild process, we also provided them with a summary of the phases of the rebuild process. A copy of this overview is included as Appendix D.

Suncorp also announced a Banking Assistance Package to assist our banking customers affected by the fires.³

Example: Temporary club house for the Malua Bay Bowling Club

Club Malua, a Vero insurance customer, found itself in the middle of the devastating South Coast fire on 31 December 2019, after it ripped through the town and destroyed its clubhouse – an important community institution with a membership of more than 4000 people.

Vero worked with the club to ensure a temporary clubhouse facility could be erected within two weeks of their claim being lodged, to give members a place to gather and reignite their community spirit.

Christine Horwath, Club Manager said: *“We’re all just getting back to normal, and trying to move on, put the past behind us and focus on the future now. Most members have been here for years,” she said. “It’s not just a club that we’re running, it’s a home for people. Without them we wouldn’t be a club.”*



Suncorp’s response to the 2019 Townsville floods

The devastating floods that occurred in early 2019 were a reminder of the significant flood risk faced by those living in Townsville and surrounding parts of north Queensland. It was officially the worst flood event on record in Townsville, with a year’s worth of rain falling in just nine days.

Suncorp’s response was rapid. Our CST was on the ground as soon as the roads and airport were open, helping our customers lodge claims and sourcing emergency accommodation, making emergency cash payments, identifying customers experiencing vulnerabilities and making referrals for further assistance. Within a week of the flood, 60 assessors from around Australia and New Zealand had been deployed to the affected area to commence the assessment process and get repairs underway.

³ Details of the package are available online at <https://www.suncorpgroup.com.au/news/news/suncorp-bushfire-financial-assistance-package>

Within the first two months after the flooding, Suncorp was able to:

- Arrange over 2,000 make safe repairs;
- Provide temporary accommodation for more than 1,000 customers and their families;
- Complete 96 per cent of home and contents claims assessments, 99 per cent of motor claims assessments, and 99 per cent of commercial claims assessments;
- Make \$56 million of payments to customers for contents claims;
- Source more than 500 local trades, companies and suppliers to complement our panel builders and suppliers; and
- Finalise 29 per cent of all home and contents claims.

Suncorp also opened our first dedicated claim Customer Support Centre, staffed by client managers, assessors and builders, providing a place for customers to discuss their claim with Suncorp staff in person.

12 months after the flooding (January 2020), we had made significant progress in assisting our customers:

- 95 per cent of flood affected home insurance customers had repairs completed, or were back in their homes with only minor work to be done.
- We had made payments of more than \$325 million for home and contents claims, either directly to customers or for services rendered as part of the rebuilding and repairing process.
- We had finalised 83 per cent of commercial property claims received.
- We had finalised over 99 per cent of motor claims.





Increasing natural hazard resilience

Suncorp has long argued that Australia needs nation-building investment to create resilient communities, and that we need sustainable natural disaster response funding arrangements.

Over the past 10 years, in Australia cyclones alone have caused approximately \$5 billion in insured losses, including Tropical Cyclone Debbie in 2017 (\$1.78 billion) and Tropical Cyclone Marcia in 2015 (\$1.48 billion). The broader economic impact of these events cannot be understated – for example, the economic decline in areas affected by Tropical Cyclone Debbie has been estimated at \$7.1 billion, equal to 2.2 per cent of local GDP.⁴

As a major insurer, we are concerned that Australian communities are becoming more vulnerable due to the physical impacts of a changing climate. For example, Australia is expected to experience harsher fire weather as the climate continues to warm, particularly across southern and eastern regions.⁵

With climate change increasing the risk of extreme physical and economic impacts of natural disasters, including the costs of recovery for governments and communities, bringing forward investment into mitigation of climate change and prevention of damage from future disasters is now urgent.

Reducing the risk of damage caused by bushfires, cyclones, floods and storms will not only result in lower insurance premiums for homeowners in high risk areas – increasing resilience will also help to minimise the impact of natural disasters and ensure affected communities can recover faster with lower impacts on the built environment, economy and jobs, and lives.

Insurance and natural hazard resilience

Suncorp believes the insurance industry has a key role to play in advocating for public risk mitigation measures. As a result, we continually look to work with government and the community to further promote the importance of mitigation against disaster risk.

At a community level we have supported efforts to secure funding for flood levees in Roma and St George, and are currently supporting the following government initiatives:

- Planning and business cases for Rockhampton Regional Council’s South Rockhampton Flood Levee Project, as well as Bundaberg Regional Council’s East Bundaberg Flood Levee; and

⁴ SGS Economics and Planning 2019, *Economic Recovery After Disaster Strikes: A Report for Suncorp*, pages i and 14.

⁵ CSIRO and BoM, 2019. State of the Climate 2018. CSIRO and BoM, Melbourne. Available for download at <http://www.bom.gov.au/state-of-the-climate/>

- Brisbane City Council’s Flood Resilient Homes Program, which allows residents in selected areas to obtain a free assessment of their property’s flood resilience, and recommendations for improvements that will increase flood resilience. In eligible cases financial assistance is provided for property modifications, with Suncorp also evaluating improvements and adjusting premiums accordingly.

At a household level, Suncorp has applied research around cyclone resilience in a very tangible way for our customers and developed the Cyclone Resilience Benefit (see example below).

We are also working with specialists in flood and bushfire resilience to design programs that can assist our customers to improve their resilience to those hazards.

Suncorp’s *Protecting the North*

Suncorp’s *Protecting the North* is a major insurance safety package for northern Australia which promotes cyclone resilience by rewarding stronger homes. The program is the strongest example of industry acting to tackle the real problems confronting the region, including the extreme risk of cyclones.

Suncorp’s *Protecting the North* Policy Paper, a policy proposal for governments and industry to achieve a greater impact by working more closely together, is included as Appendix A.

As part of our *Protecting the North* activities, in November 2019 Suncorp ran a state-wide campaign called ‘Storm Ready Streets’ to reward Queensland households, community groups, and businesses who actively prepared for extreme weather. Supported by the Queensland Reconstruction Authority (QRA), this initiative included community engagement activities, grants to assist community organisations with preparation for storm season, as well as assisting recent migrants to understand how to prepare for severe weather events. The example on the following page summarises the 2019 Storm Ready Streets campaign.

Example: Suncorp’s Cyclone Resilience Benefit

Suncorp Insurance’s Cyclone Resilience Benefit (CRB) was introduced in 2016, rewarding both customer behaviour as well as investment in structural improvements that strengthen homes against cyclones. More than 40,000 customers are currently receiving premium reductions for strengthening their homes.

The CRB recognises five categories of risk mitigation measures against cyclones – cyclone preparation, roof improvements, window protection, roller door bracing, and sheds. Customers in high-risk areas answer questions relating to each of these risk mitigation measures as part of obtaining a quote (for new customers) or by contacting us to update their details (for existing customers).

Suncorp’s CRB provides premium reductions based on work undertaken and the property’s risk. Customers who report that they only carry out cyclone preparation activities around the home (such as trimming trees) and/or minor non-structural improvements qualify for the lower levels of the CRB and as a result receive only a small premium reduction.

In order to qualify for the highest levels of the CRB, a customers’ house must be built before 1980, have an upgraded roof and potentially upgrades to building openings such as windows and doors.

Currently 18% of the Suncorp Insurance customers who receive the CRB have undertaken these structural upgrades and are able to access the higher levels of premium reduction. These customers are receiving an average reduction of \$315, equivalent to 13% of the average home insurance premium.⁶

⁶ Suncorp internal analysis of Suncorp Cyclone Resilience Benefit premium reductions, November 2019.

Example: Suncorp's Storm Ready Streets campaign (November 2019)

Suncorp's 2019 Storm Ready Streets initiative was supported by the Queensland Reconstruction Authority (QRA).

The program included community engagement activities, such as on the ground activations and clean-ups with community partners and registrants. Participants were asked to team up with their families, neighbours and local community organisations to clean gutters and trim trees, tie down loose items and prepare an emergency kit.

Overall, the campaign attracted more than 300 registrations. Community organisations who participated received a \$1,000 grant. 68 community organisations were rewarded with grants to help them further prepare for storm season.

To ensure vulnerable community members were engaged in the conversation, Suncorp Insurance partnered with Multicultural Australia to provide practical advice to new Queenslanders on how to prepare for summer in Queensland.

Multicultural Australia Executive Manager Vanessa Fabre said its important members of our community know what to expect from the weather during summer in Queensland. *"Initiatives such as Storm Ready Streets help integrate new Queenslanders into the community and ensure they have the information to prepare themselves for our unique weather events"*.

Community members in Stanthorpe said the campaign reminded them how important it is for everyone to act and prepare for natural hazards. *"Unfortunately, here in Stanthorpe, we're in the midst of drought and recovering from bushfires, so storm season is quite daunting. We took the time to talk about how important it is to be prepared together, before following the steps provided to get ready. It's great to see initiatives like this that encourage community groups to have this conversation."*

The economic benefit of natural disaster mitigation

There is a growing risk of Australia's economic performance being undermined by the impacts of natural disasters. The research we undertook with SGS Economics and Planning shows that disaster events can wreck a local economy, causing a significant and permanent reduction in the community's ability to generate income.⁷

Small communities are the backbone of regional Australia and are especially vulnerable when disaster strikes. This is particularly the case in regional areas which have a high reliance on capital intensive sectors like resources, agriculture and tourism. For example, the economic impact of the 2018 Hobart floods was estimated to be a \$908 million, a 7.5 per cent reduction in local GDP, whereas the 2018 Tathra bushfires hurt the local economy by \$207 million, a 33.7 per cent decline in local GDP. This demonstrates the significantly greater impact that a disaster can have on a regional community's economy, compared to larger and more diversified economies in capital cities and larger regional centres.⁸

Improving the quality of our infrastructure, building levees around flood prone communities, as well as strengthening homes against cyclones, bushfires and floods, have all been proven to significantly prevent the short and long-term impacts of weather events while protecting local economies. These steps must be undertaken in addition to steps to reduce the underlying risk of natural hazards being exacerbated by climate change.

Despite this, Australia has traditionally spent 97 per cent of disaster funding on clean-up and recovery, with only three per cent spent on prevention and reducing the risk of natural disasters.⁹

Research by the Cyclone Testing Station at James Cook University undertaken for Suncorp shows that increasing the resilience of homes is a practical way of addressing the risk of cyclones. Based on this research, Urbis found that cyclone resilience retrofits can save homeowners and the economy up to \$13 for every dollar invested. The research found that

⁷ SGS Economics and Planning 2019, *Economic Recovery After Disaster Strikes: A Report for Suncorp*.

⁸ SGS Economics and Planning 2019, *Economic Recovery After Disaster Strikes: A Report for Suncorp*, page 22-23.

⁹ Productivity Commission 2014, *Natural Disaster Funding Arrangements, Inquiry report no. 74*, Canberra (Volume 2), page 300.

some options would even pay for themselves after one Tropical Cyclone Yasi-like weather event.¹⁰ Suncorp is currently working with James Cook University and other insurers on a further project to assess the cyclone resilience of homes built since 2000, and to identify factors that drive vulnerability of building stock. Findings from this project may be useful for future updates to building codes and standards.

Further, investing in projects that increase resilience to natural disasters can provide an economic stimulus into local economies, supporting local jobs and communities. A national resilience-building program may be an appropriate measure to assist with economic recovery following restrictions on economic activity related to the ongoing COVID-19 pandemic.

Increasing government funding for disaster resilience

In 2014 the Productivity Commission made several recommendations to improve Australia's preparedness for natural disasters, including for a five-fold increase in the level of Federal Government funding for disaster mitigation, to be matched by the states and territories.¹¹

Despite this recommendation being made more than five years ago, government funding for natural hazard mitigation is still well short of reaching the level recommended by the Productivity Commission.

Suncorp was pleased that an additional \$50 million per year for resilience projects was provided by the Federal Government in the *Emergency Response Fund Act 2019*.¹² While a positive step, this amount is still short of the \$200 million called for by the Productivity Commission and has not yet been matched by the states and territories.

Community-level resilience

Physical mitigation measures can be an effective way of increasing the resilience of communities which face a significant risk of natural disasters – especially in terms of flood.

The construction of the flood levee in Roma occurred after significant flooding events in 2010 and 2011. The 5.2km levee not only resulted in a significant reduction in flood risk for hundreds of properties in the town, it has significantly reduced the cost of insurance. For example, Suncorp customers received premium reductions of up to 90 per cent following construction of the levee.

The Launceston flood levee is another example of the benefits of community-level mitigation. In 2014, the old Launceston flood levee was upgraded and raised. Subsequent analysis revealed the levee upgrade paid for itself four times over after just one flood event.¹³

Communities located in regional areas, as well as the urban fringe, may benefit from increased use of lower-risk strategies for fuel reduction burns, such as cool fire techniques practiced as part of indigenous cultural burning. Alternative methods of managing fire risk should be explored, in addition to reviewing and making necessary changes to existing approaches.

The Commission should consider the merit of a national resilience-building program to implement initiatives that would improve community-level resilience, and have a flow-on effect of placing downwards pressure on insurance premiums. Such a program should involve government, the insurance industry and communities, with an initial focus on high-risk areas and implementing existing proposals.¹⁴

¹⁰ Urbis 2015, *Protecting the North: the benefits of cyclone mitigation*. See: <https://www.suncorpgroup.com.au/uploads/suncorp-attachment-4-urbis-cyclone-mitigation-report.pdf>

¹¹ Productivity Commission 2014, *Natural Disaster Funding Arrangements: Inquiry Report, Volume 1*, page 2.

¹² Government of Australia 2019, *Media release: Emergency Response Fund to help Australians recover from natural disasters*. See: <https://www.financeminister.gov.au/media-release/2019/09/11/emergency-response-fund-help-australians-recover-natural-disasters>

¹³ Bushfire and Natural Hazards CRC 2017, *Launceston flood risk mitigation – June 2016 floods*.

¹⁴ For example, the Insurance Council of Australia has published a list of initiatives that would improve resilience in high-risk areas, mostly in NSW and QLD. See <https://www.icadataglobe.com/mitigation-priorities>. Suncorp would also be willing to share our views on priorities for community resilience and mitigation initiatives.

Asset and Household-level resilience

While community-level mitigation projects such as flood levees are important, owners of infrastructure assets and individuals must also take steps to reduce their exposure to natural hazards.

Suncorp supports efforts to increase our customers' understanding of the risks relevant to their property and potential mitigation solutions available to them. We have led ongoing investment and innovation in this area, particularly in relation to the key drivers of damage (and claims) during a cyclone. As mentioned above, we are also working with specialists in flood and bushfire resilience to design programs that can assist our customers to improve their resilience to those hazards.

Suncorp understands that in north Queensland alone there could be approximately 100,000 homes that may not meet current wind load requirements for roofs and other building features.¹⁵ These homes remain vulnerable to suffering major damage in the next cyclone, and as an insurer we must price for this risk.

Our CRB recognises works undertaken to strengthen these older homes against cyclone impacts with a reduction in the cyclone component of the total premium.

The Queensland Government's Household Resilience Program is based on our CRB research, demonstrating how governments can partner with industry to assist homeowners improve the resilience of their properties. Through this Program more than 1,000 homes received roof upgrades or other structural improvements. The Program was fully subscribed within nine months, demonstrating homeowners' interest in upgrading their homes to reduce the risk of future damage.

Recommendations

- Governments to implement the Productivity Commission's 2014 recommendation for a five-fold (\$200m per annum) increase in funding for disaster mitigation and resilience, to be matched by the states and territories. This should be considered as the minimum investment required by government.
- Undertake a national resilience-building program to implement initiatives that would improve community-level resilience and have a flow-on effect of placing downwards pressure on insurance premiums. Such a program should involve government, the insurance industry and communities, with an initial focus on high-risk areas and assets, and implementing existing proposals.

Disaster recovery funding arrangements

Suncorp welcomes the recent agreement by the Council of Australian Governments to review disaster recovery funding arrangements with a view to streamlining processes and providing for assets to be built back better.¹⁶ This review should be expedited so that communities affected by this season's disasters do not miss opportunities for local infrastructure and facilities to be rebuilt to be more resilient.

Traditionally, disaster recovery arrangements have focused on rebuilding assets to their pre-disaster conditions. While states and territories are able to use Category D funding towards improving the resilience of public assets, and there have been some examples of joint federal-state betterment funds following large-scale disasters (especially in Queensland), a change in focus towards facilitating betterment will allow states and territories to restore damaged assets to a more resilient standard. Further, the arrangements that provide funding to individuals and businesses should also enable betterment works, rather than just recovery.

For example, following the floods in north Queensland at the beginning of 2019, up to \$100 million was allocated through the joint Commonwealth-State Disaster Recovery Funding Arrangements for betterment works to be conducted by state agencies and local governments. While such an approach is welcomed, the increasing risk of natural disasters means

¹⁵ Suncorp 2015, *Built to Last*, page 4. See: [https://www.suncorpgroup.com.au/uploads/build-to-last-report%20\(AMR\).pdf](https://www.suncorpgroup.com.au/uploads/build-to-last-report%20(AMR).pdf)

¹⁶ Australian Government 2020, Council of Australian Governments Meeting Communique, 13 March 2020

that a more proactive approach is warranted and should include investment in building resilience and reducing risk for individual homeowners and businesses.

Understanding which communities are most at risk, including the drivers of that risk, is an important first step. Suncorp is currently undertaking a climate change scenario analysis, including analysis of the impact of potential changes to building standards and communities vulnerable to economic change and extreme weather. We would be happy to share the outcomes of this analysis with the Government and relevant agencies once it has been finalised.

Recommendations

- Expedite the review of disaster funding arrangements agreed to by COAG.
- Reform Commonwealth-State Disaster Funding arrangements to provide for an increased focus on improving the resilience of community infrastructure and assets.

Using the NAIF to fund risk mitigation

Northern Australia is Australia's most at risk region, relative to population. In addition to reformed disaster funding arrangements, the Federal Government's Northern Australia Investment Facility (*NAIF*) could support community-level risk mitigation such as flood levees and infrastructure upgrades, as well as concessional loans to fund resilience upgrades for household and businesses across Northern Australia. These initiatives will help build resilient communities, prevent major damage caused by disasters, place downward pressure on insurance premiums, and make better use of existing infrastructure.

These outcomes are in line with the NAIF's purpose of generating public benefit, facilitating long term economic and population growth, and ensuring greater private sector participation in investment.

The Queensland Government's Household Resilience Program demonstrates how governments can assist homeowners improve the resilience of their own properties by helping to overcome the financial barriers to widespread investment in risk mitigation measures, such as roof upgrades.

Government sponsored risk mitigation solutions have also been highly successful internationally, and a similar model to the Queensland Government's program should be considered, either through the provision of grants (through reformed disaster funding arrangements) or a loan scheme via the NAIF.

Recommendation

- Use the NAIF to help fund natural hazard resilience – including community-level risk mitigation as well as household-specific programs.



Affordable and accessible insurance

Suncorp wants to ensure that no matter where they live, Australians can access affordable insurance.

Insurance premiums are impacted by several factors including the underlying risks that the insurance provides cover for, the insurer's claims and business costs, and other price components added to insurance premiums through taxes and other third-party charges. From a customer's perspective, factors that can affect their ability to access insurance include employment status, weekly disposable income and capacity to pay annual or monthly premiums.

Suncorp continues to advocate for measures that will improve the affordability and accessibility of insurance. These include:

- Removal of taxes and duties from property insurance policies;
- Greater investment in programs that will improve resilience of building stock and communities; and
- Revisions to planning and development schemes that reduce construction in high-risk areas, as well as requiring improved resilience of new construction.

Natural hazard risk and climate change

Suncorp has long argued that we need nation-building investment to create more resilient communities, as well as sustainable natural disaster response funding arrangements.

As a major insurer, we are concerned that Australian communities are becoming more vulnerable due to the physical impacts of a changing climate.

Climate change is increasing the risk of extreme physical and economic impacts of natural disasters, including the costs of recovery for governments and communities. Bringing forward investment into mitigation of climate change and the prevention of damage to communities is now urgent.

Suncorp is currently undertaking a scenario analysis on the physical risks of climate change to residential properties and investment assets, and in turn, the implications for our insurance and banking portfolios and customers.

This work indicates Australia will see an increase in the average annual loss caused by weather-related perils. A preliminary finding is that improvements made to the resilience of the built environment will reduce the projected losses caused by natural perils under a range of different emissions scenarios, especially in the long term (2030-2060).

For example, tropical cyclones are likely to occur at sustained strength south of the southern limit of Wind Region C (near Bundaberg), creating new vulnerabilities for building stock that has not traditionally been prepared to have resilience to

cyclones.¹⁷ This will require review and updates of building codes and planning approaches in those areas to address resilience of new construction, and should be accompanied by a program to retrofit existing buildings up to standards required to withstand the increased risk.

Further, the recent summer bushfires demonstrated that the impacts of natural disasters on people's health, lives and livelihoods are far-reaching. Dry, hot and smoky conditions impacted many Australians in cities far from the areas directly affected by the bushfires. It is crucial that we invest in prevention and reduction of risk, as well as continued improvements in firefighting tactics and response, to minimise the impact of future natural disasters across our nation.

Planning and construction codes

As an insurer, Suncorp often sees the consequences of building in high risk locations and poorly constructed buildings.

We believe the impact of natural disasters on property needs to be given more prominence when determining where, what and how we build, as well as the materials used. This is especially pertinent with the impact of climate change challenging the boundaries of existing Building Code Regions (e.g. the projections for increased tropical cyclone activity of sustained strength impacting areas south of Wind Region C).

Planning

Since 2012, Suncorp has seen an improvement in how information on natural hazard risks is shared between governments and insurers, although unfortunately this is not universal.

While planning decisions ultimately rest with local and state governments, insurers must appropriately price the risk faced by communities.

Approvals for developments in high-risk areas should incorporate controls that help to manage or reduce these risks as much as possible. Suncorp believes there is an opportunity for insights from the insurance industry on natural hazard risks and potential resilience measures to be considered as part of approval processes for future developments.

Insurers are expected to provide customers with financial security in the event of any natural peril at the 1 in 200 year level. The same standard should apply to planning for new developments, and when approving construction work in existing developed areas. Current practices of high building concentration on the boundary of a 1 in 100 year flood area can become a problem of the future as the risk level changes with sea level rise. Improved understanding of the current 1 in 100 year flood level (and beyond) will support development of planning regimes and building requirements that provide improved resilience over the coming decades.

As an example of a practical consideration which could be incorporated into planning and development considerations, dwellings in new developments could be required to have a floor height which is at least above the 1 in 100-year flood level. This would ensure that the risk of damage being incurred in a flood is reduced, and information on floor heights could be used by insurers to more accurately set technical premiums.

Recommendations

- Update flood mapping across Australia, including assessment of floor heights and other relevant data and with consideration of at least a 1 in 100 year flood event.
- Undertake a national assessment, with scheduled reviews every five years, of:
 - Resilience to bushfire, cyclone, flood and other major national perils, in collaboration with CSIRO, Standards Australia, insurers and other stakeholders.
 - Planning processes and controls to ensure that they consider natural disaster impacts, and how they can be minimised.

¹⁷ For discussion on poleward expansion of tropical cyclones, see Lucas, C. Timbal, B. Nguyen, H., 2014, *The expanding tropics: a critical assessment of the observational and modelling studies*, WIREs Climate Change 2013, doi: 10.1002/wcc.251. Available online at <https://onlinelibrary.wiley.com/doi/abs/10.1002/wcc.251>.

- Communities at risk of extreme weather and natural perils, with a focus on improved resilience of communities, protective infrastructure, increased resilience of homes, and viability of extremely high-risk assets.
- Ensure that natural disaster impacts and how they can be minimised are included in planning controls (e.g. ensuring that floor heights are at least above the 1 in 100 year flood or overland flow level).

National Construction Code

Suncorp supports a review of the National Construction Code (NCC) to ensure homes are properly protected from the impacts of natural disasters.

Despite the impact that the NCC has on the resilience of buildings to damage from natural hazard events, insurers are not represented on the Australian Building Codes Board. It would be appropriate for insurers (e.g. through the Insurance Council of Australia) to be represented on the Board, in order to provide insurers' experience and perspectives on improvements that will assist with the resilience of the built environment, better preparing communities to recover from natural hazard events.

Further, the objectives of the Code currently refer to prevention of loss of life, but do not include improving the resilience of the built environment to natural hazards. For example, the Code should specify floor heights for flood prone areas and measures that are targeted to reduce displacement of residents from their homes, rather than just preventing loss of life.

Regarding bushfire, the NCC should be reviewed regarding the testing and approval of materials which are able to be used in areas that are at increased risk of bushfire. This could be aligned with ongoing work being undertaken in relation to non-compliant building materials, including combustible cladding.

Our research in relation to cyclone resilience has already identified the key drivers of damage from wind and wind-driven rain during cyclones, and appropriate upgrades to strengthen homes accordingly. This work has also highlighted limitations with current Codes, especially in relation to performance standards for doors and windows compared to structural elements such as walls and the roof. Many homeowners whose properties have been constructed under previous building standards may not realise that their homes do not comply with current standards, and may be at risk of damage caused by disaster events of increasing severity.

In addition to these limitations of existing Codes, compliance with Codes and standards also needs to be improved to ensure that buildings are satisfying the existing standards. Research following Tropical Cyclone Debbie showed that damage to newer buildings indicated that greater oversight of construction is required to ensure that existing requirements are satisfied. Improved understanding of Code requirements within the construction industry, as well as improved resourcing of building industry regulators to assist with improved compliance and enforcement, will assist to increase compliance with existing and improved standards.

Suncorp's research into cyclone damage has already triggered improvements to strengthen requirements for roof fixings and flashings to reduce water entry into home during storms. While this is a positive first step, more needs to be done.

Currently there is a significant gap between the performance standard mandated for these elements, and the real-life conditions experienced during a cyclone. We believe that the Australian Standards must recognise the importance of all the elements of the building envelope in mitigating losses. As mentioned above, improved oversight and enforcement must then accompany improvements in those standards, ensuring that communities see the benefit of those improvements and have increased resilience.

The ACCC's Northern Australia Insurance Inquiry has also recommended a review of the NCC to recognise the importance of interiors and contents.¹⁸

Suncorp supports the ACCC's recommendation but believes that a review of the NCC should have an even greater focus on resilience of the built environment. With our changing climate leading to more severe and frequent natural disasters,

¹⁸ ACCC 2018, Northern Australia Insurance Inquiry first interim report, Recommendation 15

the NCC should be reviewed to include upgraded requirements necessary to build resilience to the forecast perils, future-proofing new construction against damage from future events.

Recommendations:

- To provide insurers' input into development and updates of building standards, the Insurance Council of Australia be provided with a permanent membership of the Australian Building Codes Board.
- To improve the role of resilience in construction, expand the purpose of the National Construction Code to include consideration of increasing resilience of buildings (e.g. floor heights in flood prone areas), and reducing displacement rather than only loss of life.
- Undertake a review of the National Construction Code regarding the testing and approval of materials that can be used in areas at increased risk of bushfire.
- Increase regulatory oversight of construction by state and territory building industry authorities, increasing understanding of existing and future standards and providing homeowners and insurers with confidence that homes have been constructed to required standards.

Government taxes and duties

For many years Suncorp has highlighted the impact of insurance taxes, duties and levies as a significant barrier to Australians being able to afford insurance cover. Depending on the State or Territory, removing the Goods and Services Tax (GST) and Stamp Duty from an insurance premium would result in an overnight saving for customers of between 19 and 21 per cent.

GST is calculated on the dollar value of the base premium, meaning that the more risk a homeowner has, the more GST they pay. In relevant states, stamp duty is then calculated on the total after GST has been added, exacerbating the effect of the higher risk and the GST. The example below demonstrates how this exacerbates affordability pressures.

Example: Impact of GST and Stamp Duty on insurance premiums in Queensland

In Queensland the stamp duty payable for class one and class two general insurance products is nine per cent of the premium paid (including GST).

The Queensland Government charges nine per cent duty on 110 per cent of the base premium, because stamp duty is applied after GST has been added.

As a result, a \$2,500 base premium becomes a retail premium of \$2,997.50 once these charges are applied (including \$497.50 in taxes and duties).

The ACCC, as part of its Northern Australia Insurance Inquiry, has recommended that stamp duty on home insurance products be abolished.¹⁹ Suncorp supports the ACCC's recommendation and sees no reason why this should not be extended to other jurisdictions.

As an alternative to removing stamp duty on home insurance products, Suncorp would support investment of the revenue generated by stamp duty into natural hazard mitigation initiatives that will, in turn, improve insurance affordability for those who live in high-risk areas. This was also recommended by the ACCC as part of its Northern Australia Insurance Inquiry.²⁰ For 2018-19, this approach would have seen stamp duty paid on premiums in Northern Australia alone providing \$79.6 million for mitigation initiatives.²¹

Regardless of where any funds raised from insurance taxes are directed, the method of calculating taxes on insurance policies should be reformed so that customers in higher risk areas are not penalised by being required to pay greater

¹⁹ ACCC (2018), Northern Australia Insurance Affordability Inquiry: First Interim report, Recommendation 1.

²⁰ ACCC (2018), Northern Australia Insurance Affordability Inquiry: First Interim report, Recommendation 2.

²¹ ACCC (2018), Northern Australia Insurance Affordability Inquiry: Second Interim Report, Table 6.2.

amounts of tax than customers in lower risk areas. For example, stamp duty could be charged according to a pre-determined rate for different classes of products.

Recommendations

- Taxes and charges should be removed from insurance policies; alternatively, the method of calculation should be revised so that customers in higher risk areas are not paying more in taxes as well as higher base premiums, with the funds raised directed to risk mitigation initiatives.
 - At federal level, GST should not be charged on insurance premiums. As an alternative, customers should receive a rebate of the GST incurred, either as a cash payment or tax offset, with encouragement to spend this amount on resilience measures to reduce risk in the long term.
 - At state and territory level, stamp duty should be removed from insurance premiums. As an alternative to complete removal, the calculation method should be reformed, with funds raised through stamp duty directed to programs that mitigate and reduce the risk and impact of natural disasters.

State levies to fund emergency services

Insurance affordability for homeowners in NSW is further affected by the Emergency Services Levy (ESL). The NSW Government requires insurers to pay a nominated amount of ESL, with insurers raising the funds required through levies applied to insurance premiums. Through the ESL, insurers and their customers provide almost three-quarters of the annual funding for the NSW emergency services. The example below illustrates how the ESL significantly increases the amount of tax paid as art of overall insurance premiums in NSW.

Example: Impact of ESL, GST and Stamp Duty on insurance premiums in NSW

The following examples relate to two houses of similar types. One is in the Hawkesbury region and has high bushfire risk, the other is in the inner suburbs of Sydney and has low bushfire risk. Both properties have the same features – the buildings have the same year of construction, foundation type, walls and roof materials, number of bedrooms and bathrooms, and the same sum insured.

Premium component	Inner city	Hawkesbury
Base premium	\$649.94	\$1,208.57
ESL	\$94.24	\$175.24
GST	\$74.42	\$138.38
Stamp Duty	\$73.67	\$137.00
Total paid by customer	\$892.27	\$1,659.19
Tax component (% of base premium)	\$242.33 (37.3%)	\$451.12 (37.3%)

In this example, both customers are paying about the same per centage in taxes, but the taxes component is \$210 more for the property in the Hawksbury. The key driver of that difference is the higher base premium for the Hawkesbury property due the underlying bushfire risk.

This example demonstrates that in addition to higher base premiums that reflect their greater risk, customers in higher risk areas are then subject to higher levels of taxes as well, exacerbating any concerns about insurance affordability.

In Tasmania an equivalent state tax, the Insurance Fire Levy (IFL), applies to commercial insurance premiums. The IFL provides just under 20 per cent of the State Fire Commission's annual funding.²² The IFL adds 28 per cent to the cost of most commercial insurance premiums, and this rate has not been changed since October 1990.²³ Like the ESL, the IFL is applied before stamp duty and GST, further affecting the overall premium paid by customers.

While Suncorp recognises the importance of the services that the ESL and IFL fund, the presence of alternative methods to obtain that funding and the adverse impact on insurance affordability do not support these taxes continuing to apply to insurance policies. Accordingly, Suncorp reiterates its long-standing position that ESL and IFL should be repealed.

Like GST and Stamp Duty, the ESL and IFL are calculated as a percentage of the base premium, before GST and then Stamp Duty are added. For some customers in NSW, the government taxes, duties and charges have historically represented around 45 per cent of the base premium paid.²⁴

We note that NSW ESL contribution rates requirements will likely increase between 2019 – 22, which will increase the amount of ESL that insurers will need to collect from home and commercial insurance customers. Suncorp continues to call on the NSW Government to deliver the removal of ESL from insurance policies, as was originally planned for 2017.

Recommendation

- The Emergency Services Levy should be removed from insurance in NSW, and the Insurance Fire Levy removed from commercial insurance in Tasmania.

Appropriate insurance cover – sums insured and complete replacement

Suncorp believes an appropriate sum insured is important to help prevent under-insurance. Due to the variations between individual properties and the requirements of the financial advice regime, Suncorp provides home insurance to our mass-market brands through a no advice model. Rather than providing advice, we provide customers with an online calculator that they can use to assist them determine a suitable sum insured when taking out a new policy and when considering renewals.

Information provided or validated by our customers through the quote process is used to calculate a default sum insured. Customers are also provided with the ability to adjust the sum insured within a permitted range, should they wish to do so. This approach helps to prevent under-insurance by providing a minimum sum insured, while allowing customers to choose a suitable sum insured (within the permitted range).

At renewal, Suncorp reviews the sum insured for each policy and applies indexation to the sum insured to cover inflation, as well as making pricing adjustments to reflect any changes advised to us by the customer (i.e. improvements to the property). This revised sum insured is included in the renewal notice. Customers are asked to review the sum insured, level of cover and policy details on each renewal and contact us to advise if anything has changed or is incorrect. Suncorp also conducts campaigns that encourage customers to perform a 'health check' of their insurance coverage, and make any adjustments required. For example, in late November 2019 GIO wrote to NSW customers in areas with high bushfire risk (excluding those already affected by fires) to promote measures that could be taken at their homes to reduce bushfire risk (see Figure 2). These measures were aligned with public information campaigns published by the NSW Rural Fire Service.

The exception to the approach outlined above regarding choosing a sum insured is for where our customer selects AAMI's AAMI Complete Replacement Cover ('CRC') home and contents option. Customers who select the CRC option are not required to nominate a sum insured, instead cover is provided for insured damage or loss to the building for the

²² Tasmanian Government, *Review of the Fire Service Act 1979*, June 2018, p28. Available online at http://www.fire.tas.gov.au/userfiles/felicityn/file/Issues_Paper_Fire_Service_Act_Review_June_2018.pdf

²³ Different rates apply to marine cargo insurance and aviation hull insurance. IFL rates for those insurance classes have not changed since November 1986.

²⁴ Insurance Council of Australia, *The Impact of Government Duties on Household Insurance* (November 2019), p5.

total amount it would cost AAMI to repair or rebuild it. In settling a claim, AAMI will choose to repair, rebuild the house as it was, or pay what it would cost us to do so.

Additional benefits provided in Suncorp's policies

All of Suncorp's home (building and/or contents) and motor insurance brands provide coverage for damage caused by fire. Our commercial insurance products provide coverage for damage caused by fire, as well as business interruption.

All of our sum insured home insurance policies provide additional allowances (of up to 10 per cent of the sum insured) for removal of debris and temporary accommodation, in addition to the sum insured. Where the AAMI CRC option has been taken, allowances for reasonable and necessary costs for each of removal of debris and temporary accommodation are provided as part of the cost of complete replacement of the home.

Some of our other building insurance policies also include additional allowances for 'other building costs' above the sum insured. For example, some of our GIO building policies include a 'safety net' feature that provides an additional allowance of up to 25 per cent of the sum insured, to be used for building costs that exceed the sum insured.


Our analysis shows that customers in areas that are high-risk for bushfire are more likely to take out insurance coverage with these features than in other areas, reflecting an appreciation of the increased risk to their properties. For example, customers in the postcodes affected by this summer's bushfires are 11 per cent more likely to hold AAMI's CRC option than customers in other postcodes. Across Australia, our customers in the fire-affected areas are 10 per cent more likely to hold a policy that provides them with additional coverage for building costs, rather than just the sum insured.

The following table summarises some of the additional benefits that are provided under GIO policies (full details of additional benefits are set out in the PDS):


Additional Policy Benefits		Classic	Classic Extras	Platinum
Temporary Accommodation	When your home is damaged to the extent you cannot live there, we will pay reasonable costs for temporary accommodation for the time it will take to repair or rebuild your home to a liveable condition	Up to 10% of your home sum insured / limited up to 12 months	Up to 10% of your home sum insured / limited up to 12 months	Up to 10% of your home sum insured / limited up to 24 months
Removal of Debris*	We cover the reasonable and necessary cost of demolishing and removing the damaged parts of your home, and removing debris when required in order to repair your home	Up to 10% of your home sum insured	Up to 15% of your home sum insured	Up to 20% of your home sum insured
Other Repair / Rebuild costs	When we are rebuilding or repairing damaged parts of your home, we will pay the reasonable and necessary costs of any temporary work required, services of professionals and to make damaged parts of your home comply with current building regulations and law.	Up to 10% of your home sum insured	Up to 15% of your home sum insured	Up to 20% of your home sum insured
Environmental improvements	In certain circumstances, we may provide cover for the cost associated with the purchase & installation of environmental improvements. Read the PDS for full T&Cs.	Up to \$2,500 of your net costs	Up to \$3,500 of your net costs	Up to \$5,000 of your net costs
Mortgage Discharge	When you have home cover and we pay a claim for your home to a credit provider that fully repays your home loan, we will pay the administrative & legal cost of discharging the mortgage and deleting the mortgagee from the land title on your home	Up to \$1,000	Up to \$1,500	Up to \$2,000
Damage to gardens & plants	We cover the cost of replacing trees, shrubs, plants, hedges or garden beds that are damaged due to the bushfires	No cover provided	Up to \$1,000	Up to \$2,000
Supplementary living expenses	If your home is unliveable, we will cover the reasonable increase in your normal living expenses until your home is liveable again or until you are permanently relocated.	No cover provided	Up to \$1,500	Up to \$2,000
Safety net	Where the cost to repair or replace your home exceeds the sum insured, we will pay a further percentage of your sum insured	If you have purchased the optional cover; up to a further 25% of your home sum insured	Automatically included; up to a further 25% of your home sum insured	Automatically included; up to a further 30% of your home sum insured

Following the recent bushfires, information sheets outlining these additional allowances and options for arranging removal of debris works were provided to home building insurance customers making claims. Examples of these information sheets are included as Appendix B (GIO) and Appendix C (AAMI). Similar documents were prepared for our Apia, Suncorp Insurance and Shannons customers.

Figure 2: Example of GIO communication to NSW customers in high risk bushfire areas.



Get your home ready for bush fire season.






Hi [REDACTED]

It has been an early start to bush fire season here in New South Wales and our thoughts are with those affected.

These tips could help you keep your home safe or assist firefighters to defend it from a bush fire or ember attack.

Get Bush Fire Ready

 <h4>In the yard</h4> <p>Cut back any overhanging trees or shrubs.</p> <p>Keep your lawn short and yard tidy.</p> <p>Keep woodpiles and other flammable materials well away from your home.</p>	 <h4>Around the house</h4> <p>Check the condition of your roof regularly, replace any damaged or missing tiles.</p> <p>Remove leaves from the roof, gutters and downpipes.</p> <p>Enclose all under-floor areas.</p>	 <h4>Be prepared</h4> <p>Make sure you have a hose that can reach every part of your home.</p> <p>Consider purchasing a portable pump to use with your swimming pool or water tank.</p>
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[BUSH FIRE SAFETY FACT SHEET](#)

Bushfire Plan

You may wish to have a bush fire plan in place, so you know what to do in a bush fire emergency. You can also sign up to the Rural Fire Service's app Fires Near Me to be alerted to fires in your area, or monitor their [website](#).

Prepare. Act. Survive.

The GIO Team

CALL US
13 10 10

Consumer behaviour

Despite these measures, our customers ultimately choose their products and the amounts they insure for. We can provide guidance regarding an appropriate sum insured and policy options that a customer may be interested in, however a customer has the choice to increase or reduce the sum insured (within a range), not take optional coverage or increase excesses – often reducing the sum insured and increasing excesses with the objective of reducing their overall premium.

Suncorp is aware of circumstances where customers have reduced their sum insured several times over a number of years – presumably to maintain affordability of their premium. In one case related to the recent bushfires, the overall amount by which a customer reduced their sum insured over a number of years was the same amount as the shortfall between their sum insured and an assessment of the necessary costs to rebuild – in other words, not reducing the sum insured would have enabled them to rebuild, whereas they were left with a significant shortfall. This demonstrates the importance of measures that will enable insurers to provide more specific information to customers about their risks and insurance coverage, as well as measures to improve insurance affordability (such as tax reform and investing in programs to reduce and mitigate risk).

Our ability to provide greater assistance to customers to identify an appropriate sum insured may be increased through relaxing the financial advice regime's restriction on providing information specific to our customers' properties, or the level of risk they face for natural hazard events. Suncorp supports the Insurance Council of Australia's submission to the Financial Services Royal Commission that the advice regime should be reviewed, with changes made *"to enable insurers to provide more tailored product information to consumers without triggering the personal advice rules."*²⁵

Recommendation

- The Federal Government initiate a review of the financial advice regime, with a view to enabling insurers to provide increased targeted information to customers regarding their risk and appropriate levels of insurance.

Bushfire Attack Level ratings

An increase in the Bushfire Attack Level (*BAL*) rating for a property can significantly increase the cost required to rebuild. Where the nominated sum insured (including any additional allowances) does not cover these increased costs, the customer is under-insured and we have no choice but to provide a cash settlement of the claim. Examples from this summer's bushfires are included on the following page.

To address this, a national program informing homeowners of their BAL rating should be conducted, with a particular focus on areas at high risk of bushfire events. The campaign should include information about potential increases in rebuild costs and encourage homeowners to review their sums insured. In addition to this campaign, inclusion of BAL ratings on rates notices or other regular correspondence may assist to improve community awareness of BAL ratings.

Further, homeowners are disadvantaged by government-arranged reviews of BAL rating generally only occurring after bushfire events have occurred. Regular reviews of BAL ratings, accompanied by community information campaigns to inform residents of any changes and to remind them to update insurance details to factor in increased rebuild costs, would assist to improve knowledge of BAL ratings and enable customers to make necessary changes to their insurance coverage. Knowledge of updated BAL ratings for an area at the time of a bushfire would also assist insurers with handling customers' claims, as we would have a more informed view of potential rebuild costs earlier in the claims process.

²⁵ Insurance Council of Australia, *Response to Policy Questions arising from Round 6 hearings*, October 2018, available at <https://www.insurancecouncil.com.au/submissions#2018Oct>. See response to question 11 on p13.

Example: – Impact of BAL ratings on rebuild costs

The following are real examples of how BAL rating reviews have affected our ability to rebuild customers' homes following the 2019-20 bushfires.

1. An Apia customer in NSW had a sum insured of \$224,300. The estimated rebuild cost was \$400,000, which included \$75,000 of additional works related to improvements required to meet the new BAL rating. Given the rebuild cost was significantly over the sum insured, this customer accepted a cash settlement. (The settlement included payment of allowances for the additional benefits for temporary accommodation and rebuilding costs provided by under their policy, therefore the settlement was for an amount well over the sum insured).
2. Also in NSW, an AAMI customer had a sum insured of \$349,892. The estimated rebuild cost was \$613,000, including upgrades required to meet a new BAL 29 rating. Given the rebuild cost far exceeded the sum insured, the customer accepted a cash settlement. (Again, the settlement included payment of additional allowances, provided by their policy, and was for an amount well over the sum insured.)
3. In Victoria, an Apia customer had a building sum insured of \$680,500. Their estimated rebuild cost was \$911,684, with upgrades required to meet an increased BAL rating estimated at \$128,251. Given the rebuild cost was significantly greater than the sum insured, the customer accepted a cash settlement. (Again, the settlement included payment of additional allowances, and was for an amount well over the sum insured.)
4. In NSW, a GIO customer had a building sum insured for \$366,200. The estimated rebuild cost was \$437,000, which included \$106,000 of estimated costs relating to a revised BAL rating. If it were not for the costs related to the revised BAL rating, the sum insured would have been adequate to perform a full rebuild of the property. Because of the BAL rating change, the customer was underinsured and accepted a cash settlement.

AAMI's website includes information on the potential increased costs for rebuilding a home following a BAL rating increase (see Figure 3). As mentioned above, the no-advice approach necessitated by the financial advice regime means that we can only provide generic, factual information and cannot provide advice on the potential increased rebuilding cost for a specific customer's home.

Recommendation:

- Review BAL ratings (nationally) at least every five years, rather than locally and only following bushfire events. Reviews should be accompanied by a community information campaign to inform residents of changes and suggest they update insurance details to reflect building costs, as well as inclusion of BAL ratings on rates notices.

Figure 3: Chart from AAMI website illustrating potential BAL-related increased rebuild costs²⁶

Bushfire Attack Level (BAL)	Bushfire Loading*
BAL FZ (Flame zone)	\$65,000 - \$277,000 +
BAL 40	\$19,000 - \$73,000 +
BAL 12.5 to 40	\$16,000 - \$56,000 +
BAL LOW	NIL

²⁶ Accessible online at <https://www.aami.com.au/home-insurance/bushfire-prevention.html>.

Insurance for low-income earners – *Essentials by AAI*

Suncorp was one of the first organisations in Australia to develop a Financial Inclusion Action Plan (*FIAP*). As part of our *FIAP*, in 2015 Suncorp partnered with Good Shephard Microfinance to develop and launch the award-winning *Essentials by AAI*, which provides low-income earners with access to affordable, easy-to-understand motor and/or contents insurance.

Essentials was co-designed with an external advisory group consisting of financial counsellors, Legal Aid, the Financial Ombudsman Service, financial inclusion researchers, and consumer representatives.

Essentials is distributed through Good Shepherd's Good Money Stores as well as directly by Suncorp over the phone. The products are available across Australia, and currently we have more than 3,000 policies in force. Policyholders can 'mix and match' cover for contents and/or cars under the one simplified low-cost product, with cover options of up to \$20,000 for contents and up to \$5,000 for cars.

Essentials customers benefit from payment options that include flexible premium payment options, including payment through the Centrepay platform operated by Centrelink, as well as no excess on their first two claims. These product features provide customers who have low cashflow and who would struggle to pay a large excess with increased access to insurance.

In its Second Interim Report into insurance in Northern Australia, the ACCC identified that *Essentials* was the only product in the market that provided fortnightly payments and integration with Centrepay, and noted that the reasons for other insurers not offering these options would be an issue of focus for its further inquiries.

Essentials provides valuable protection for those who otherwise would go without insurance, or who would go without in other aspects of their lives in order to pay for more expensive insurance coverage.

Expanding the coverage of products such as *Essentials*, and therefore the number of low income-earners who have insurance protection, should be an outcome of the various inquiries being conducted following the 2019-20 bushfires. Measures that could assist with this should be the subject of consultation, but could include tax relief for low-income earners to assist them to purchase insurance, either through direct subsidies or off-sets.

Recommendation:

- Government consult on measures to increase the number of low income-earners who have insurance protection, such as tax relief to assist with the purchase of insurance.



Response and recovery after disasters

As one of the largest insurers in Australia, we see first-hand the devastating impacts that natural disasters have on communities. The process of rebuilding and recovering is often challenging, with damaged community infrastructure, loss of treasured possessions, disruption to lives, as well as long-lasting trauma from experiencing the hazard event itself.

Suncorp's claims process is designed to get our customers back into their homes, back on the road, and back in business as quickly as possible. This is why we have invested significant resources in maintaining a leading insurance claims capability, and quickly establish hardship packages for banking customers affected by natural disasters.

Throughout the rebuild and repair process, our claims team and panel repairers interact with regulation and other government processes, particularly where repair and rebuilding of homes is required following bushfires, floods and cyclones. On many occasions the progress of our customers' claims, and therefore their recovery, have been adversely impacted by poorly-coordinated and inefficient decision-making at various levels of government.

The Commission should identify and make recommendations regarding areas where greater co-ordination by government, clearer processes, and greater co-operation with the insurance industry will result in faster and more effective recovery for communities following future disasters.

Role of government in recovery

Removal of Debris

Removal of debris (*RoD*) from properties affected by disasters is the first step in assisting our customers to rebuild their homes. RoD is a particular issue following bushfires, where there can be exposure to asbestos and other hazardous materials.

RoD is not as significant an issue following flood events, where houses generally remain structurally sound and works are focused on removing or preventing mould. Following floods, local governments usually play a lead role in removing damaged contents and there is generally not a significant need for removal of structures.

State and local governments have also traditionally taken a lead role in funding RoD following cyclones, where damage is often localised and it is easier for local authorities to co-ordinate response.

Suncorp's approach to RoD is to focus on safety, speed and certainty for our customers. Minimising community risk from extended exposure to hazardous sites and materials, moving fast to reduce individual and community mental and emotional anguish, and enabling customers to take control of their recovery and settlement timelines are key aspects of our event response.

Over the past decade, governments have played an increasing role in co-ordinating RoD following large-scale bushfire events. For example, following the 2009 Black Saturday bushfires the Victorian Government arranged and paid for RoD works, and it also subsidised RoD works following the Wye River fire in 2015. The NSW Government has managed RoD schemes following the 2013 fires in the Blue Mountains, and more recently following the Tathra fire in March 2018.

Following the 2019-20 bushfires, the Federal Government is contributing to the state-administered RoD schemes in NSW, Victoria, and South Australia. While the scale of these fires requires a well-coordinated and efficient response, we understand that negotiations between the Federal Government and the states over funding arrangements contributed towards delays in RoD schemes being announced, and therefore in works commencing.

Further, much of the discussion between government and the insurance industry regarding debris removal for the 2019-20 fires focused on a desire to not reduce the amount available to an insured homeowner for the rebuild of their property. Again, these discussions resulted in delay of RoD works through the government schemes.

As mentioned earlier, Suncorp's policies include an additional allowance for RoD, meaning that RoD works will not erode the sum insured and therefore will not impact our customers' ability to rebuild their home (see the explanation and example below).

Removal of Debris allowances in Suncorp policies

All of Suncorp's home building insurance policies provide for an allowance of up to 10 per cent of the sum insured, in addition to the sum insured, for the actual incurred costs of RoD. Where the AAMI CRC option has been taken, an allowance for the reasonable and necessary costs of RoD is provided as part of the cost of complete replacement of the home. We are aware of several other insurers that also provide for RoD works through an allowance that is additional to the sum insured.

In our experience, a home that has a sum insured that is reasonably appropriate for its re-build cost will be adequately covered for RoD cost within the 10 per cent additional allowance.

Throughout the summer, our bushfire affected customers were understandably anxious to commence rebuilding their lives. Despite this, resolution of governments' RoD arrangements did not keep pace with our customers' and the community's expectations. Despite ongoing discussions between the insurance industry and state governments, by mid-February 2020 we were still unable to provide our customers with certainty around how the government schemes would work, when RoD works would take place at their properties, or how the financial arrangements for the scheme would affect them.

Given this uncertainty, by mid-February 2020, Suncorp decided to move ahead and individually undertake RoD works for our customers. This decision took into account our customers' circumstances, including but not limited to safety, vulnerability, customer demands and expectations. Where our customer's preference is to wait for the government scheme to commence, we have worked with those customers to ensure they are informed of the government scheme arrangements and know how to contact the government to commence that process.

By early April 2020 we were undertaking, or had completed, RoD works at 138 properties. Anecdotally, works arranged by Suncorp have been occurring much earlier than works arranged through the Government schemes (for example, some areas affected by fires in October 2019 have been told that RoD works through the government scheme will not take place until June or July 2020).

Example: Removal of Debris works arranged by Suncorp

An AAMI customer in Malua Bay (NSW) had a sum insured of \$1.404m. The estimated rebuild cost for their totally destroyed home was \$1.5m.

The customer accepted a cash settlement for \$1.684m (which included allowances for the additional benefits for temporary accommodation and rebuilding costs available under their policy). Their intention is to purchase an established home in the area to ensure continuity for their family.

Although the customer accepted a cash settlement, due to safety risks at the property and concerns for adjoining properties, we arranged for removal of debris works to be performed and paid the contractor directly, under the additional policy benefit for removal of debris works. Arranging and paying for these works did not impact on the assessment of the sum to be paid to the customer as part of their cash settlement.

Standing Removal of Debris Arrangements

To avoid similar delays following future natural disaster events, there should be discussions between the insurance industry and government with a view to developing a standing arrangement for RoD works that can be implemented quickly, avoiding unnecessary delays for affected communities. While these arrangements would most frequently be required at state level, the Federal Government should be included in these discussions to provide consistency for any future scenarios where Federal Government involvement may be required.

One option may be for insurers to manage RoD works for insured properties, with government arranging works for uninsured properties, public and community infrastructure and other properties. Government focus on infrastructure may also improve the speed of access to areas affected by disasters, enabling communities to commence their recovery faster.

Governments can also assist insurers by improving co-ordination of access to sites for disposal of debris, particularly where hazardous materials may be involved.

Regardless of whether government or insurer-arranged contractors have responsibility for removal of general debris and hazardous materials, greater collaboration between industry and government between disaster events will result in more efficient processes and better outcomes for customers and their communities.

Recommendation:

- To avoid the need for negotiations between government and insurers following disaster events and resulting delays in recovery, Government and insurers should develop standing arrangements for removal of debris following natural disasters.

Claims process

For bushfires, information on changes to BAL ratings is critical to ensure the claim can progress and provide certainty to customers on whether they will be able to rebuild their home. Delays in providing BAL rating changes (or other planning conditions) can cause significant delays to the claims process, delaying conversations with customers about whether they are able to rebuild their homes through insurers or whether they may need to explore other options. This is illustrated in the example on the following page.

Further, as discussed above in relation to under-insurance, BAL rating reviews can have a significant impact on whether a customer's insurance coverage is adequate to enable a rebuild of their property. Delays in BAL rating reviews prolong determination of this issue, creating uncertainty for customers and delaying their recovery. Increased co-ordination and efficiency of BAL rating reviews would assist to reduce these delays, particularly where catastrophic fires impact a wide-spread area across multiple local government areas (and possibly multiple states or territories, such as the 2019-20 fires), and where local authorities have limited resources and capacity to arrange timely BAL rating reviews.

The impact of BAL rating reviews on customers' ability to rebuild their homes from their insurance coverage is discussed earlier in this submission. With BAL rating reviews currently being imposed on customers' properties after bushfire events, even property owners who have purchased insurance with an appropriate sum insured for their property may be unable to rebuild, or have their rebuild delayed (as described in the example below). Measures that improve knowledge of BAL ratings and encourage appropriate sums insured to facilitate rebuilds would assist members of communities to remain in those areas rather than moving to other locations, provide increased work to local tradespeople and other businesses, and assist communities to recover faster and stronger than is currently the case.

Example: Discussing settlement options with customers

A customer's house is severely damaged in a bushfire. They have an AAMI Home and Contents policy with the CRC option.

The customer contacts us to lodge their claim. At this time, in addition to processing the claim to determine if it will be covered, AAMI also arranges for temporary accommodation and makes a payment of emergency funds to the customer's account.

AAMI will then arrange for an assessor, client manager, and panel builder to attend the property in person to confirm and assess the damage. This meeting is generally organised as soon as possible after access is granted to the property by local authorities and emergency services agencies.

During this visit the client manager will take the time to discuss with the customer in person their entitlements, the next steps involved in the claims process, their options around settlement and what may be appropriate, as well as answer any questions they may have around the claim.

The assessor and the client manager remain in contact with our customer while they obtain advice from the local council in relation to a revised BAL rating for the property, copies of approved plans for the house to be rebuilt, and other information. The initial estimate for receiving this information was four to six weeks, however there were delays in receiving this information from the council. In particular, the lack of qualified experts who could perform BAL rating assessments (exacerbated by many of those experts being on duty with volunteer fire services at the time) created a delay in finalising the scope of works and an estimate of rebuilding costs.

These delays result in the customer's claim being delayed, frustration at the time taken before building works can commence, and prolonged disruption to the customer's and their family's lives. These delays may also have flow-on effects regarding their well-being, employment, and their ability to contribute to the (recovering) local economy.

Planning approvals

Once BAL ratings have been reviewed, rebuilds require planning approval. Following bushfires we often experience delays arising from local governments having inconsistent approaches to planning applications.

As we move into the rebuild phase following this summer's bushfires, we are encountering difficulties obtaining details from local governments regarding what the approved structures on properties were, so that we can estimate and undertake rebuilding works. Easier access to approved plans and other information held by local councils, including through online methods if possible, would assist to reduce delays and assist rebuilding works to commence faster than is often the case.

Victoria has recently announced planning exemptions for fire-affected areas, as well as a centrally co-ordinated planning process that is to be overseen by Bushfire Recovery Victoria. Suncorp welcomes this approach, as it will result in increased efficiencies in planning approvals for our customers who want to rebuild their homes. Given the significant

number of NSW local government areas affected by the recent bushfires, a similar process in NSW would assist insurers in navigating development approvals and would speed up the rebuild process for our customers.

Procedures should also be put in place to allow insurers to submit documents and apply for planning and building permits on behalf of our customers, rather than requiring them to complete or sign applications in person. This is particularly important where some of our customers are so traumatised by their experience of the fires that they are unable to significantly engage with the rebuild process for an extended period of time – they should not have them rebuild delayed.

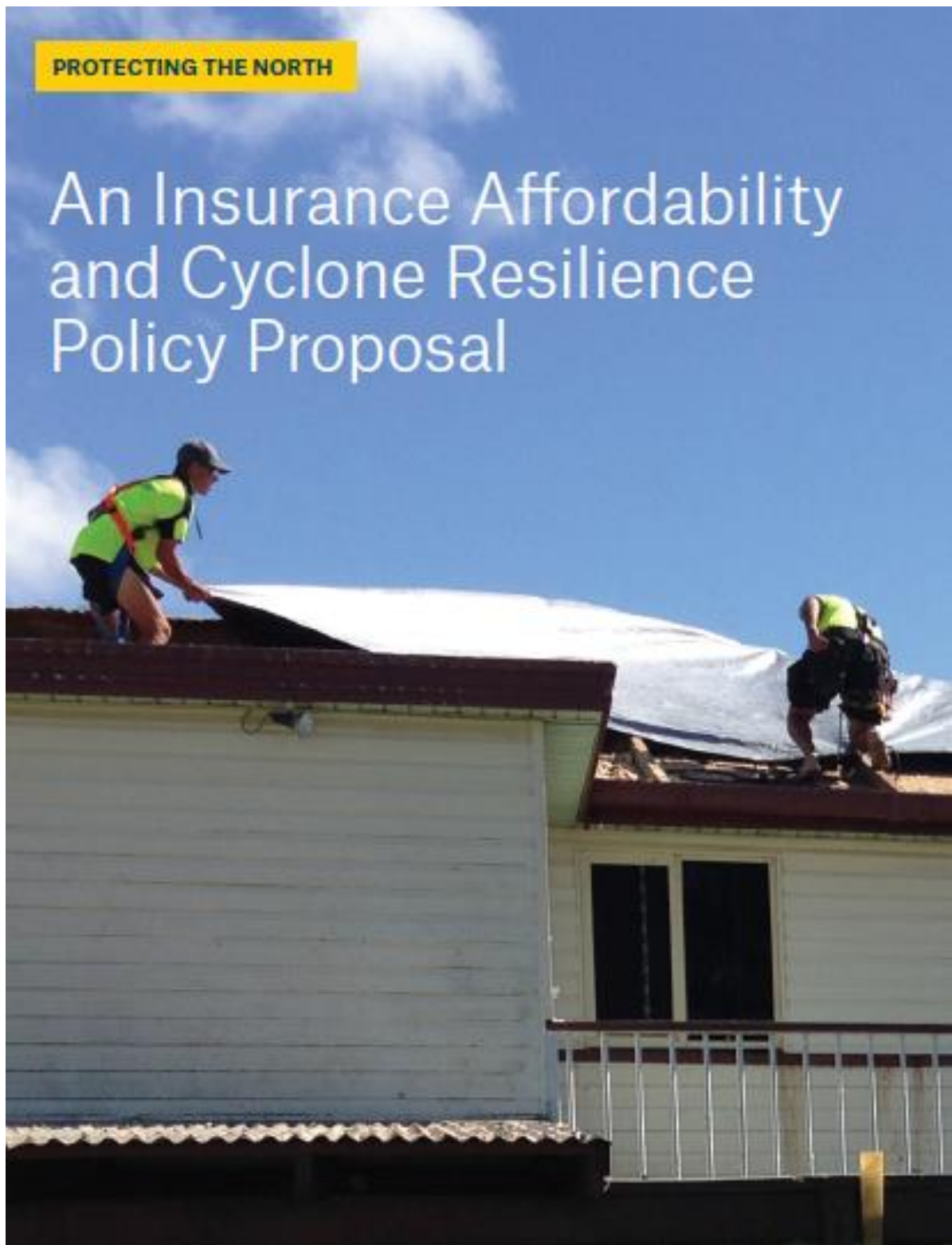
At the least, planning applications for bushfire affected homeowners should receive priority.

Recommendations:

- State-led streamlined processes for any post-event BAL rating reviews and co-ordination of planning approvals, speeding up these crucial steps in the rebuild and recovery process.
- Development of a standardised approach for local governments to process planning approvals following disaster events, with priority given to approvals for homeowners who want to rebuild their homes.

Appendix A - Protecting the North Policy Proposal

Available at <https://www.suncorpgroup.com.au/uploads/Suncorp-Protecting-the-North-Feb-2019.pdf>



Appendix B - GIO Customer Information Sheet



Benefits of Home Building Insurance when you have a bushfire claim

Please refer to the relevant PDS for a full list of Additional Policy Benefits and more detail about your Benefits. Exclusions and limits may apply.

We are here to help

Repairing or Rebuilding your Home

If your home has been lost or damaged by the bushfires, you may be able to make a claim under your GIO Home Building Insurance policy. If we decide to pay your claim, we will decide to repair or rebuild your home (up to the "sum insured"), or pay you what it would cost us to repair or rebuild your home, up to the sum insured.

Your "home" includes any sheds, fixed swimming pools, outdoor structures, and water and septic tanks that are fixed on the property.

Sum Insured

What is the Sum Insured?

When you chose us, you will have elected to insure your home for a specific amount, being the home "sum insured" amount shown on your certificate of insurance. The maximum you will be entitled to claim for loss or damage to your home is the sum insured amount.

Additional Policy Benefits

If we accept your claim to repair or rebuild your home, we may also provide the Additional Policy Benefits listed in the table to the right. These benefits and their limits are paid in addition to the sum insured for your home.

Additional Policy Benefits		Classic	Classic Extras	Platinum
Temporary Accommodation	When your home is damaged to the extent you cannot live there, we will pay reasonable costs for temporary accommodation for the time it will take to repair or rebuild your home to a liveable condition	Up to 10% of your home sum insured / limited up to 12 months	Up to 10% of your home sum insured / limited up to 12 months	Up to 10% of your home sum insured / limited up to 24 months
Removal of Debris*	We cover the reasonable and necessary cost of demolishing and removing the damaged parts of your home, and removing debris when required in order to repair your home	Up to 10% of your home sum insured	Up to 15% of your home sum insured	Up to 20% of your home sum insured
Other Repair / Rebuild costs	When we are rebuilding or repairing damaged parts of your home, we will pay the reasonable and necessary costs of any temporary work required, services of professionals and to make damaged parts of your home comply with current building regulations and law.	Up to 10% of your home sum insured	Up to 15% of your home sum insured	Up to 20% of your home sum insured
Environmental Improvements	In certain circumstances, we may provide cover for the cost associated with the purchase & installation of environmental improvements. Read the PDS for full T&Cs.	Up to \$2,500 of your net costs	Up to \$3,500 of your net costs	Up to \$5,000 of your net costs
Mortgage Discharge	When you have home cover and we pay a claim for your home to a credit provider that fully repays your home loan, we will pay the administrative & legal cost of discharging the mortgage and deleting the mortgagee from the land title on your home	Up to \$1,000	Up to \$1,500	Up to \$2,000
Damage to gardens & plants	We cover the cost of replacing trees, shrubs, plants, hedges or garden beds that are damaged due to the bushfires	No cover provided	Up to \$1,000	Up to \$2,000
Supplementary living expenses	If your home is unliveable, we will cover the reasonable increase in your normal living expenses until your home is liveable again or until you are permanently relocated.	No cover provided	Up to \$1,500	Up to \$2,000
Safety net	Where the cost to repair or replace your home exceeds the sum insured, we will pay a further percentage of your sum insured	If you have purchased the optional cover, up to a further 25% of your home sum insured	Automatically included; up to a further 25% of your home sum insured	Automatically included; up to a further 30% of your home sum insured

*Please turn over for more information on the removal of debris benefit and how it works in conjunction with State Government funded programs to fund the removal of debris for bushfire affected properties

Your dedicated Client Manager is available to help answer your questions

Our clean up approach

Our Approach for Removal of Debris

We are working closely with Victorian & NSW State Governments to support bushfire clean up efforts.

The Victorian and NSW Government have recently announced a Government funded removal of debris program for all residential and commercial properties destroyed or damaged beyond repair by the bushfires.

The Government funding is designed to ensure that the cost of clearing properties is not deducted from the maximum cover available under any insurance policies.

As removal of debris is covered as an additional benefit under our policies, we are able to proceed with cleaning up of sites ahead of the centrally coordinated program if you wish.

Government Approach for Removal of Debris

State Government Program.

You may choose to opt-in to the State Government program.

If you opt-in, you will not be entitled to claim for the 'removal of debris' benefit under your policy - that is, we will need to wait, until the State's coordinated program providers clean up your property before progressing to repair or rebuild your property.

You can opt-into your State Government program by registering via the relevant clean-up website or by calling the relevant authority.

Victoria
Call Bushfire Recovery Victoria 1800 560 760
Visit:
<https://www.vic.gov.au/bushfire-clean-up-program>

NSW
Call the Service NSW Centre 13 77 88.
Visit:
<https://www.service.nsw.gov.au/transaction/nsw-bushfire-clean-register-now>



Your dedicated Client Manager is available to help answer your questions

January 2020

Information for GIO Home Building Insurance policyholders affected by bushfires

AAI Limited ABN 48 005 297 807 trading as GIO.

Appendix C - AAMI Customer Information Sheet



Benefits of Home Building Insurance when you have a bushfire claim

We are here to help

We care about protecting you and your family.

If your home has been lost or damaged by the bushfires, you may be able to make a claim under your AAMI Home Building Insurance policy. If we decide to pay your claim, we will decide to repair or rebuild your home (up to the building "sum insured"), or pay you what it would cost us to repair or rebuild your home, up to the sum insured.

Your "home" includes any sheds, fixed swimming pools, outdoor structures, and water and septic tanks that are fixed on the property.

Sum Insured or Complete Replacement Cover

When you chose us, you may have elected to insure your home for either a specific amount, being the building "sum insured" amount shown on your certificate of insurance or selected the optional Complete Replacement Cover. The maximum you will be entitled to claim for loss or damage to your home is the sum insured amount unless you have Optional Complete Replacement Cover, under this cover we will choose to repair or rebuild your house as it was, or pay you what it would cost us to do so.

Additional Policy Benefits

If we accept your claim to repair or rebuild your home, we may also provide the Additional Policy Benefits listed in the table to the right. These benefits and their limits are paid in addition to the sum insured for your home

Please refer to the relevant PDS for a full list of Additional Policy Benefits and more detail about your Benefits. Exclusions and limits may apply.

Additional Policy Benefits		Standard Cover	Complete Replacement Cover
Temporary Accommodation	When your home is damaged to the extent you cannot live there, we will pay reasonable costs for temporary accommodation for the time it will take to repair or rebuild your home to a liveable condition	Up to 10% of your building sum insured / limited up to 52 weeks	Reasonable and necessary costs for covered items, limited up to 52 weeks
Removal of Debris*	We cover the reasonable and necessary cost of demolishing and removing the damaged parts of your home, and removing debris when required in order to repair your home	Up to 10% of your building sum insured	Reasonable and necessary costs of covered items
Other Repair / Rebuild costs	When we are rebuilding or repairing damaged parts of your home, we will pay the reasonable and necessary costs of any temporary work required, services of professionals and to make damaged parts of your home comply with current building regulations and law.	Up to 10% of your building sum insured	Reasonable and necessary costs of covered items

*Please turn over for more information on the removal of debris benefit and how it works in conjunction with State Government funded programs to fund the removal of debris for bushfire affected properties

Your dedicated Client Manager is available to help answer your questions

Our clean up approach

Our Approach for Removal of Debris

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The Government funding is designed to ensure that the cost of clearing properties is not deducted from the maximum cover available under any insurance policies.

As removal of debris is covered as an additional benefit under our policies, we are able to proceed with cleaning up of sites ahead of the centrally coordinated program if you wish.

Government Approach for Removal of Debris

State Government Program.

You may choose to opt-in to the State Government program.

If you opt-in, you will not be entitled to claim for the 'removal of debris' benefit under your policy - that is, we will need to wait, until the State's coordinated program providers clean up your property before progressing to repair or rebuild your property.

You can opt-into your State Government program by registering via the relevant clean-up website or by calling the relevant authority.

Victoria
Call Bushfire Recovery Victoria 1800 560 760
Visit:
<https://www.vic.gov.au/bushfire-clean-up-program>

NSW
Call the Service NSW Centre 13 77 88.
Visit:
<https://www.service.nsw.gov.au/transaction/nsw-bushfire-clean-register-now>



AAMI

Your dedicated Client Manager is available to help answer your questions

January 2020

Information for AAMI Home Building Insurance policyholders affected by bushfires

AAI Limited ABN 48 005 297 807 trading as AAMI.

Appendix D - Summary of Rebuild Process

Our home claims process for Australia's bushfire response

January 2020

Suncorp and our building partners are working together to help you get back into your home. The following stages help explain what you can expect to see throughout this process.

1 Lodging your claim

First response

Once you have lodged your claim, you will be given a dedicated Client Manager. Your Client Manager will keep you informed every step of the way, and will be able to respond to any questions you may have until you are able to return home.

2 Preparing your home

Making it safe

If it's safe for you to return to your home, we'll ensure any temporary repairs are carried out to ensure your home is safe to live in. If your home is not safe to live in, we've got you covered. We can arrange temporary accommodation in an area close by, whilst we progress your claim.

3 Assessing the damage

Scoping repairs

Where access permits, and depending on the complexity of the repairs needed, you will meet members of our Assessing, Building and Engineering teams on site. Together, we will walk through your property to assess the extent of damage to your home and your contents. At the end of the process we will provide you with a scope of work and building repair or rebuild value for your consideration.

4 Preparing for repair

Work underway

If your home has suffered significant damage, we will arrange for the removal of damaged building materials, and engage with local authorities such as your Council to ensure that we comply with current building regulations, including the Bushfire Attack Level (BAL) applied to your property. This process can take considerable time, however ensuring we repair or rebuild your home to safety and building code standards is important to us.

5 Returning home

Moving back in

Our dedicated builder will conduct repairs and you will be able to move back into your home once repairs have been completed. We will keep you up to date on progress. When we repair or rebuild your home, we guarantee the quality of the materials and workmanship of that work for the lifetime of the home.

Helping you, your family and the community recover is our number one priority. Your dedicated Client Manager is available to help answer your questions.

AAMI



CIO



SUNCORP

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