



Emergency
Services Levy
**INSURANCE
MONITOR**

Standard profile quotations: Mid-term review

Discussion paper

April 2018

Published by
Emergency Services Levy Insurance Monitor
One Margaret Street, Sydney NSW 2000
www.eslinsurancemonitor.nsw.gov.au

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Invitation for submissions

Since October 2016, the Emergency Services Levy (ESL) Insurance Monitor (“Insurance Monitor”) has collected and published data on the prices of insurance premiums, based on a standard property profile specification, from eleven specified consumer residential addresses in NSW metropolitan and regional locations. Data is collected from insurance companies in relation to 12 brands, pursuant to a statutory notice.¹

The Insurance Monitor’s analysis of this information has consistently revealed persistent and substantial differences in premiums quoted by different insurers, for a specified identical house in identical locations each month. The findings have prompted the Insurance Monitor to question whether there is effective competition in the market for home insurance. They also suggest that consumers should “shop around” before automatically accepting the price quoted from one insurer for their desired insurance cover.

At the Insurance Monitor’s Public Inquiry that was held in May 2017, insurers were asked to provide their views about why there were large variations in the quotes provided to the Insurance Monitor. Those who responded stated their belief in the counterfactual: that the data illustrated the competitiveness of the market. They also questioned the Monitor’s method of data collection and the implications that should be drawn from it, including that:

- the Insurance Monitor’s criteria did not sufficiently standardise the data it received; and
- differences in product features prevent direct comparison of insurance products from different insurers.

Insurers currently provide their monthly quotations under a statutory notice from the Insurance Monitor that extends to June 2018. The requirement to provide quotations will be extended beyond this time, but it is now timely to review the basis on which the quotations are obtained.

As part of this review, the Insurance Monitor has undertaken further analysis of the responses provided by insurers at the Public Inquiry and their implications for the standard profile quotations analysis. The review has not found sufficient evidence to indicate that the Insurance Monitor’s standard specification is materially flawed or deficient. On this basis, the Insurance Monitor’s preliminary view is that it should continue with the quotations process, largely in the existing format, but allowing for some refinements which are aimed at adding clarity in the requirements documented in the statutory notice. It is envisaged that this will enhance the reliability and consistency of the quotes provided to the Insurance Monitor.

This discussion paper explores the issues raised by insurance company representatives and the work undertaken by the Monitor to assess them. The Insurance Monitor invites interested parties to consider the contents of this paper and to provide their views on the findings documented herein. Comments from interested parties will be considered in the Insurance Monitor’s revisions to the statutory notice underpinning the monthly quotations process, to apply after June 2018.

Written submissions are due by 11 May 2018.

Please send any comments or queries concerning any matter raised in or by this discussion paper to: Standard Profile Quotations Project Team, ESL Insurance Monitor, consultation@eslinsurancemonitor.nsw.gov.au

¹ Data is also collected in relation to 3 commercial and small business properties, but that data is not published and is not the focus of this paper.

1 Introduction

1.1 The standard property monthly quotations process

The Insurance Monitor collects data on the prices of insurance premiums, based on standard property profiles, from eleven (11) specified addresses in Sydney and other NSW locations. The data is collected from insurance companies in respect of 12 insurance company brands. The request for data is documented in statutory notices issued on 19 September 2016, pursuant to section 57 of the *Emergency Services Levy Insurance Monitor Act 2016* (NSW) ('the Act').² The notice requires insurers to provide the information until June 2018.

Policy scenarios covered by the notice include Combined Building and Contents policies for:

- five Residential areas in the (greater) Sydney Metropolitan area
- six NSW Regional locales, as well as
- two Sydney Metropolitan commercial small business insurance policies and
- one NSW Regional Farm insurance policy.

The Insurance Monitor publishes this data and has suggested on the basis of it that:

- competition in the insurance market, particularly for home insurance, may not be as effective as commonly assumed; and
- residential property consumers should shop around for quotes when renewing insurance or taking out a property insurance policy.

The observed differences in quotations by different insurers, for essentially similar products covering an identical house in the same locations each month, which are substantial and have persisted over time, are unlikely to be consistent with an effectively competitive market.

1.2 Industry response

The Insurance Monitor sought further explanation from insurance companies presenting at its May 2017 Public Inquiry, about the reasons for the price variations. In his report on the outcomes of the Public Inquiry, the Insurance Monitor noted that.

"Price variations

Witnesses largely expressed disagreement with the Insurance Monitor's view that large variations in the quotes provided to the Insurance Monitor for standard residential property insurance cover suggested a lack of effective competition. Many questioned the method of data collection and the implications that could or should be drawn from the information.

Witnesses were of the view that:

- *insurance in NSW is not standardised across insurers. Product offerings can differ significantly. Large variations in the quotes can be because of a wide variety of factors*
- *the differences in price illustrate the competitiveness of the market, not a lack of competition*
- *the biggest driver of variability in premiums is claims cost, which is both volatile and uncertain.*

² Insurer provided data is, for validation purposes, supplemented with data sets sourced directly by the Insurance Monitor from online quote systems (in relation to 9 insurance company brands).

The ICA considered that the Insurance Monitor did not adequately take into account the different underwriting criteria and risk appetites of different insurers competing in the market.

Overall, witnesses considered that it was not possible for the standard property profile survey to accurately compare the same product / cover across insurers due to the many differences in product features, excess levels and other rating factors.”³

The statements expressly made by each witness to the inquiry as recorded in submissions and the Public Inquiry transcript, are reproduced at section 5.

1.3 Further review and findings

The Insurance Monitor has undertaken further analysis on his standard monthly quotations process as well as the key features of the property insurance product offerings which underpin the quotes provided by insurance companies. Based on this review, the Insurance Monitor does not consider that the property profile specification is materially flawed, nor that the conclusions he has previously drawn from the observed price variations are unfounded.

1.4 How this paper is structured

The remainder of this discussion paper provides more information about the review. In particular:

- section 2 considers key elements of the approach the Insurance Monitor has taken, to date, in his standard profile quotations process
- section 3 considers the treatment and standardisation of potential variation in product coverage and discounts offered by different insurer brands
- section 4 provides a comparison of product and cover options for the insurance coverage provided by the insurers that form the data sample
- section 5 and section 6, respectively provide reasons given by insurers for price differences observed in the standard quotations and the Insurance Monitor’s views on the same subject.

1.5 Invitation for submissions

Interested parties are invited to provide comment or feedback on this paper. Some specific matters comment could be provided on are:

1. the locations in the survey and whether they should be extended
2. potential refinements to the specifications for: type of cover, treatment of discounts, flood cover, excesses and certain minor idiosyncrasies
3. the relative materiality of the variables the Insurance Monitor has identified in relation to the relative consistency of cover, for the policies in the sample
4. how insurers should be required to treat or disclose the impact of discounts in the quotations they supply to the Insurance Monitor
5. premiums charged for new business and renewals
6. any material errors or omissions in the comparison of product and cover options in his sample, and the implications of that for the monthly quotations process.
7. having considered the matters raised in this discussion paper, comments or clarifications to the views expressed to the Insurance Monitor by witnesses to the May 2017 public inquiry.

³ Insurance Monitor, *Summary of the Public Inquiry held on 16 May 2017*, page 28.

2 Key elements of the approach to date

This section of the discussion paper provides more information on:

- the statutory notice that was issued, which defines how companies supply the data, including any improvement opportunities; and
- the data we have published and the major inferences that the Monitor has drawn from it.

2.1 Specifications issued to companies

Specifications used to gather the data from companies are set out in section 57 of the *Emergency Services Levy Insurance Monitor Act 2016* (the Act) notices to provide information issued on 19 September 2016. A notice with exactly the same information requirements was issued to each and every insurance company in the sample.

The notice specified the required:

1. information relating to prices – this essentially required prices to be shown in a disaggregated format, disclosing the base premium, the ESL, GST, stamp duty and any other charges included in the price.
2. due date of the quote (the 1st business day in each month)
3. due date for the information to be supplied (a business day between the 15th and 17th of each month, from October 2016 to June 2018)
4. property address and scenario for each property – the notice specified a number of scenarios which contain information about the property specifications:
 - Scenario A: Metro Commercial property
 - Scenario B: Country Commercial
 - Scenario C: Farm
 - Scenario D through N: Metropolitan residential building, at 11 address locations
5. form the data is to be supplied to the Insurance Monitor.

Extracts from the notice in relation to the specifications to be applied in Scenario D are provided in Table 1.

The Monitor's analysis of the data provided by the insurers in relation to Scenarios A to C is not published by the Monitor.

Table 1 – Section 57 notice, 19 September 2016: Scenario D (and repeats to N, with address variations)

Scenario D Metropolitan residential building	
Type of cover	Building and contents (classic/standard cover)
Home address	7 Arthur street Randwick 2031
Permanent residence or Rental/Holiday Home	Owner occupier Permanent residence live with immediate family , 2 Adults and 2 children under 13 Family home only no business activity/tenancy/boarding on premises
Is house currently being renovated, being demolished or for sale	No
Home details	
Year built	1990
Proximity to bushland	N.A
Description	Single story Free standing house built on slab/foundations Size 200 sq meters Average construction quality Well maintained and in good condition No outdoor structures or features or fittings (no pool or pool area, no deck no shed etc) Not heritage listed
Elevation	No – flat ground
Exterior walls	Double brick
Roof	Terracotta tiles
Part of Strata plan	No
Site exceeds 20,000 sq metres	No
Someone normally home during the day	No
Flood cover	No
Cover for damage caused by theft/fusion or power surges	No
Accidental damage or accidental glass breakage	No
Home security	Key operated locks and deadlocks on all external doors Key operated locks on all accessible windows No local/back to base smoke or burglar alarms No bars/grills on accessible windows
Building sum Insured	\$450,000
Contents sum insured	\$100,000
Date of birth of oldest policy holder	1 January 1975
Previously/continuously insured	No
Claims/loss history in last 5 years	Nil
Applicant back ground	No criminal charges/conviction/bankruptcy or refusal/cancellation of insurance policy

2.2 Basis for standard specifications

The standard specifications for each property scenario were developed on advice regarding the types of information that was typically required to be provided to an insurer when a customer sought an online insurance quotation. The Insurance Monitor notes that a similar process was previously

undertaken in the Victorian fire and services levy reform in 2013 and 2014, by the then Victorian Fire Services Levy Monitor.⁴

The Insurance Monitor's approach to premium comparisons normalises the data by requiring quotes to be generated by the insurers, for a basic product offering, on a set of standard criteria, including physical property attributes, address location, selected attributes of the insured, sum insured and excess levels, across a number of locations. The quotes that are requested from insurers are "normalised" in the sense that each insurer is providing a quote on the same basis. As such, to the extent that the standard specifications capture all necessary and relevant information for an insurer to provide a quote, variations in the quotations can only be attributed to factors other than those specified.

Similar data (based on actual policy data) has apparently been provided by the Insurance Council of Australia (ICA) to the ACCC in a submission to the ACCC's Northern Australian Insurance Inquiry, in order to improve the comparability of premiums in different locations.

"2.10. It is more expensive to insure in the north, reflective of the risk and claims costs. The owners of the 4.6 per cent of properties in northern Australia generally pay more for insurance than less-exposed regions that have access to more repair and rebuilding capacity. However, the ICA suggests anecdotes pressed by stakeholders regarding the size of premiums in the north should be set aside and data collected on the actual premiums in force in the region should be preferred. From industry data, the median normalised⁵ home building policy in northern Australia is estimated to be \$1,350, compared with \$575 in the south. While this is clearly more expensive than in the south, the median premium difference is reflective of the additional exposures and is considerably lower than the anecdotal claims made. Excess arrangements entered into by consumers in the north continue to be markedly lower than in the south, signalling that northern consumers are not seeking to lower premiums by retaining risk to the same extent, indicative of a higher propensity to lodge claims (see section 8).

Footnote

5 Industry has supplied ICA with almost 10 million active policy records (Policy-in-force) covering addresses in northern and southern Australia, showing, amongst other things what each individual policyholder spent on insurance premiums and what sum-insured was purchased. Insurance policies are highly competitive and configurable, in order to meet highly variable consumer needs. **Comparing the premiums of neighbours is entirely arbitrary unless both neighbours are insuring for the same amount (sum-insured) and the same retention of risk (Excess). To make comparisons between policies it is important to normalise to a consistent sum-insured and excess. In this paper normalised premiums refer to premiums that have been adjusted as if all policies have been purchased by all policyholders for a consistent \$350,000 sum-insured and \$500 excess.**" (emphasis added).

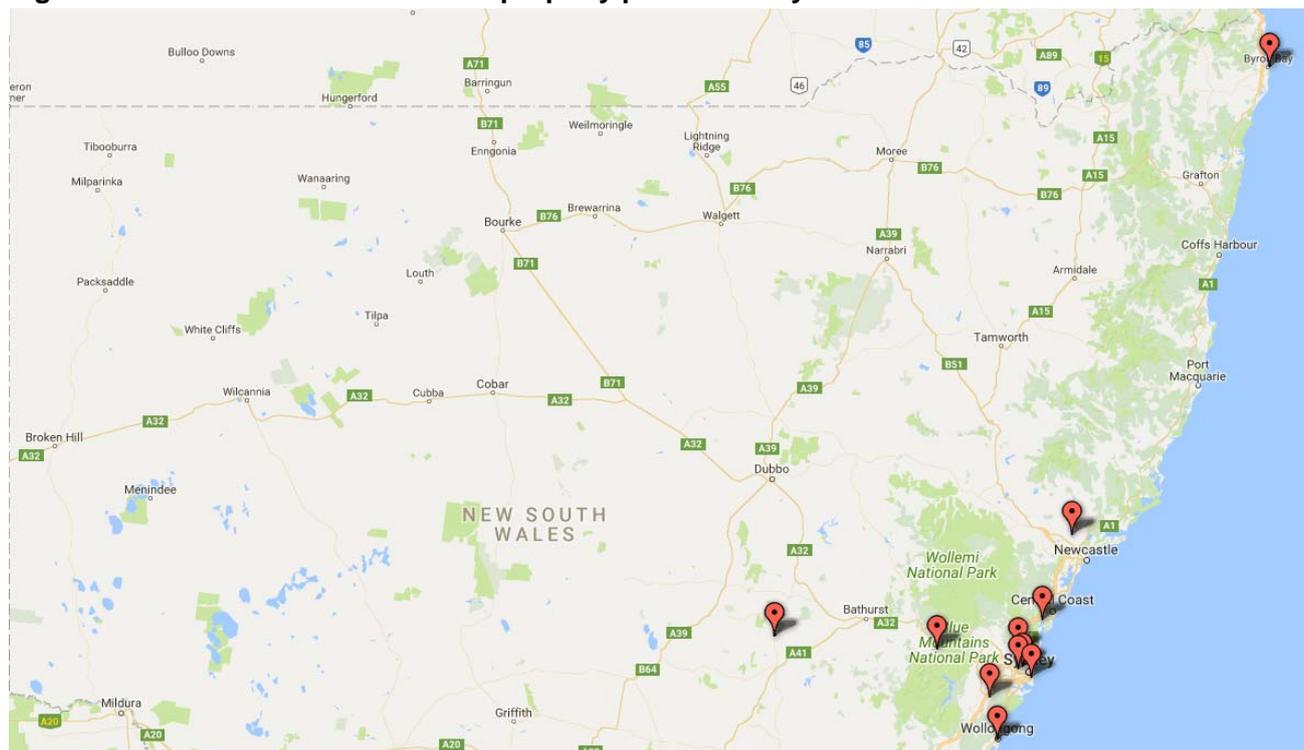
The data provided to the Insurance Monitor appears to be subject to a higher degree of normalisation than that provided by the ICA to the ACCC, given the controls in place for the location, property features and insured's attributes.

For the residential locations contained in Scenarios D through N, the Insurance Monitor chose locations and specified addresses in those locations in the notice.

The locations are: Bradbury, Byron Bay, Canowindra, Concord, East Gosford, Hinton, Hornsby, Medlow Bath, Randwick, Riverview, Wollongong, as shown by the highlighted locations in the NSW map in the figure overleaf.

⁴ Fire Services Levy Monitor, 2014. *Report to the Minister for Consumer Affairs, September quarter 2014*, pp.39-42.

Figure 1 – Locations in the standard property profile survey



The locations include inner and outer-Sydney; regional-metropolitan; Blue Mountains, regional inland, coastal and flood or storm-prone locations. The locations were chosen to cover a variety of risk and market situations likely to result in different premium levels. The purpose was not to obtain representative or average premiums for the State as a whole. However, collectively, movements in quotations over time at these locations have been closely aligned with the more aggregated data for premiums obtained from other sources by the Insurance Monitor. Individual locations have been affected by new risk assessments undertaken from time to time by the insurers.

The Insurance Monitor invites interested parties to provide comments on the locations in the survey and whether they should be extended.

2.3 Potential refinements

The Insurance Monitor's objective is to ensure that the quotations process remains simple but generates reliable and consistent information about premiums. Whilst the possibility is recognised that a more detailed specification might reduce the assumptions that may otherwise need to be made by an insurer providing the quote, there is a trade-off between accuracy and simplicity.

Nevertheless, the review identified four areas where greater clarity in the statutory notice might assist in enhancing consistency in the basis of the quotes provided by insurers:

- **Type of cover:** it was specified that the cover should be for building and contents, and be 'classic/standard' cover. There may be merit in a more comprehensive specification to ensure, for example, that quotes are for sum insured cover and listed events. Issues associated with the type of cover are examined in more detail in sections 3 and 4, given the degree of importance that insurers have indicated should be placed on coverage differences.
- **Treatment of discounts:** Insurers sometimes include discounts in their quotes, for example, as part of a special promotion. There may be merit in the notice being more explicit as to how such information should be treated and disclosed in the quotes.

- **Flood cover:** Two address locations (Hinton and Canowindra) have “Yes” for the flood cover option. All other locations select “No”. Flood cover is now widely offered on a standard cover, and some insurers do not allow an opt out, or only allow opting out on a limited basis. This suggests it may be appropriate to have Yes for flood cover for all locations.
- **Excesses:** the commercial and farm quotes (Scenarios A-C) include a specified excess, but none was specified for the residential property scenarios (Scenarios D-N). Nevertheless, verbal advice given to insurers has ensured that the majority have provided their quotations on the basis of an excess of \$500 for both building and contents claims. Some greater level of standardisation may be possible in relation to excesses.

In addition to the above, a number of minor idiosyncrasies in the specifications that might have some impact on quotations were identified. The original specification set was based on the factors listed in the online quotation systems for a small number of companies. Quote engines of other insurers may require more or less information. At a more fundamental level, such differences can arise because of the lack of standardisation of terms in use across the general insurance industry. Specifically, it has been observed that:

- the number and age of residents to the property is not universally used as an input or variable
- proximity to bushland is conditional on the physical location and changes to the geography. Some companies may be able to separately input this condition, other companies may have to override their own geographic modelling and ratings systems, others may not take it into account. To some extent this specification is irrelevant, as every insurer is pricing on the same addresses; it could or should be left to their models to determine if this is a factor.
- the roof material “terracotta tiles” is not separately distinguished by all companies in the sample. A small number identify ‘concrete tiles’ separately from ‘terracotta tiles’. The two types of tiles may be expected to possess different thermal or fire protection, or expense, implications; although the extent of any such differences is unknown.

We are considering different ways of dealing with these matters.

The Insurance Monitor invites interested parties to provide comments on potential refinements to the specifications for: type of cover, treatment of discounts, flood cover, excesses and certain minor idiosyncrasies.

2.4 Examples of published data

The following extract of analysis of the standard profile quotations data published is drawn from the Insurance Monitor's *Quarterly Report 6: September 2017*.

Figure 2 – Extracts from Quarterly Report 6: September 2017, page 26

4.2.3 Standard property profile data

Premiums based on standard property profiles at specified locations provide useful information about the variances in pricing between different insurers, as well as information about the ESL rates being charged at a point in time. The Insurance Monitor collects this data for 11 specified addresses in Sydney and other NSW locations, directly from insurers as well as through web-based quotes.

The data is collected on the first business day of each month. The table below summarises the average total premium for each insurer / insurance brand at each of the locations covered based on the data for 1 July, 1 August and 1 September 2017.

Table 5: Average total premiums for September 2017 quarter (\$)

	Rand-wick	Con-cord	River-view	Brad-bury	Hornsby	Hinton	East Gosford	Cano-windra	Medlow Bath	Byron Bay	Wollon-gong
AAMI	\$1,599	\$1,513	\$1,639	\$1,937	\$1,361	\$1,170	\$1,445	\$1,002	\$1,635	\$1,562	\$1,295
Allianz	\$1,171	\$1,132	\$1,155	\$1,272	\$1,068	\$2,022	\$1,327	\$1,107	\$1,241	\$1,295	\$1,269
CGU	\$1,331	\$1,348	\$1,313	\$1,222	\$1,103	\$2,529	\$1,440	\$1,224	\$1,195	\$1,929	\$1,312
Coles	\$1,000	\$949	\$1,047	\$1,149	\$546	\$1,554	\$1,002	\$1,792	\$1,031	\$1,658	\$1,531
CommInsure	\$1,567	\$1,534	\$1,546	\$1,439	\$1,319	\$2,222	\$1,637	\$1,777	\$1,399	\$1,525	\$1,357
GIO	\$1,979	\$1,501	\$2,090	\$2,865	\$1,752	\$1,819	\$1,980	\$1,883	\$2,268	\$2,018	\$1,741
NRMA	\$1,904	\$1,785	\$2,068	\$1,869	\$1,920	\$5,011	\$2,050	\$1,665	\$2,270	\$1,691	\$1,504
OnePath	\$1,767	\$1,715	\$1,756	\$1,695	\$1,729	\$2,404	\$2,013	\$2,179	\$1,983	\$2,108	\$1,795
QBE	\$1,562	\$1,469	\$1,590	\$1,584	\$1,502	\$3,281	\$1,915	\$2,751	\$1,564	\$1,846	\$1,831
Suncorp	\$1,726	\$1,283	\$1,716	\$2,639	\$1,420	\$1,543	\$1,634	\$1,455	\$1,882	\$1,626	\$1,649
Westpac	\$1,472	\$1,489	\$1,493	\$1,491	\$1,299	\$1,722	\$1,687	\$1,600	\$1,995	\$1,706	\$1,370
Woolworths	\$1,188	\$1,189	\$1,099	\$1,164	\$1,236	n/a	\$1,133	\$1,749	n/a	\$2,940	\$1,812
Quarter											
Average	\$1,522	\$1,409	\$1,543	\$1,694	\$1,355	\$2,298	\$1,605	\$1,682	\$1,678	\$1,825	\$1,539
Min	\$1,000	\$949	\$1,047	\$1,149	\$546	\$1,170	\$1,002	\$1,002	\$1,031	\$1,295	\$1,269
Max	\$1,979	\$1,785	\$2,090	\$2,865	\$1,920	\$5,011	\$2,050	\$2,751	\$2,270	\$2,940	\$1,831
Max. multiple of Min.	2.0	1.9	2.0	2.5	3.5	4.3	2.0	2.7	2.2	2.3	1.4

Table 5 reinforces the Insurance Monitor's earlier findings of significant differences in premium quotations offered by different insurers for a consistent standard profile. The average difference in the Monitor's survey between the maximum and minimum premium quoted all locations is \$1,457. In Hinton, the variation between the highest quote and lowest quote was 4.3 times (NRMA quoted \$5,010 compared with AAMI's \$1,170). The reasons for one company charging such a high premium, when others are not, are unclear to the Monitor, and would no doubt be unclear to policyholders. Insurance companies have previously stated that, at different times, they may adjust their pricing to reflect their preferred 'risk mix' across their portfolio. Rather than not offering cover in a particular region, insurers may raise their prices to reflect their reluctance to insure in that area. In previous versions of the Insurance Monitor's report, similar quotes were identified as 'outliers'. Considering the consistent pricing strategies reported over time in those areas, the Insurance Monitor no longer considers these to be outliers and has included all data in this example.

As the narrative above states, certain 'outliers' presented in previous quarterly reports, were identified as being persistent price variations of the insurers in that locale, and were previously excluded from the Insurance Monitor's published statistics. Insurers indicated that these prices may reflect instances where the insurer has reached its 'capacity limit' or 'risk appetite' for a particular locale.

The Insurance Monitor's view that a policy from the highest cost provider could cost from 2 to 2.5 times more than the lowest cost provider, appears to be a conservative estimate of the price variation that may exist in a market.

3 Treatment of product coverage and discounts

Product coverage has been identified as being a key variable that can materially influence the price of home and contents insurance. On this basis, the Insurance Monitor undertook a review of the various risks that are covered in the standard product offering of the insurers in our sample. The types of discounts typically offered by insurers was also considered.

3.1 Product coverage and discounts

Most insurers generally offer home and contents cover in more than one type or tier; usually either a two- or a three-tier basis. For example, basic and premium cover; or basic, intermediate, and premium cover. Each insurer may include or exclude various options as part of each type or tier. Depending on the type of coverage selected, there may be differences in the quoted premiums. The statutory notice issued to the insurer sample used the term 'classic/standard' to describe the level of cover. It also specified that a number of options or features be excluded, where the insurers' business model permits this.

Most insurers also offer a number of discounts from time to time. Typically, these may include:

- 'combined policy' (building AND contents cover, taken out together);
- 'multiple-policy' (different types of insurance policies from the same insurer, such as additional property insurances home, car, boat, or other classes such as life or health insurance);
- 'purchasing channel' discounts (usually for shopping online, rather than through call centres),
- 'loyalty' discounts (typically, the number of years with that insurer)
- 'no claim' discounts (typically, measured in the number of years without a claim), and
- various promotional or marketing campaign discounts.

The statutory notice issued to the insurers did not make specific reference to discounts and was largely silent about how they should be disclosed or treated.⁵ It was implicitly assumed these would be incorporated into the quote provided. The focus of the statutory notice was on the premium on a particular date for an insurer to supply a contract of insurance, and the components to that price (per Schedule A, Part 1 *Required information relating to prices*).

As part of this review, we obtained clarification from insurers as to what discounts have been incorporated into the quotes they have been providing to the Insurance Monitor. Responses from insurers indicate that various online and product discounts are incorporated into these quotes.

The table overleaf summarises the results of our checks. Column D in Table explains what discounts apply to the product and are applied in the Insurer-provided quotes they supply to the Insurance Monitor.

The Monitor has in the past not incorporated in its published data information on general discounts where there was uncertainty as to their application in specific cases.

⁵ It did, however, control for 'loyalty' and 'no claim' discounts, by specifying 'No' for 'previously / continuously insured' and 'nil' for 'claims/loss history'. Essentially, a new consumer.

Table 2 – Checks of the product, cover options and discounts

A Co.	B Brand	C Product & Cover Option	D Discount applied in Insurer provided quotes
AAI	AAMI	Home Building / Contents Insurance. Building PDS dated 1/10/2013. Contents PDS dated 1/10/2013.	\$50 online discount
Allianz		Surecover Home (listed events). Home Insurance. PDS dated 31/5/2017	10% for B+C combined and 'up to' 10% for online (19% total)
Onepath	ANZ	ANZ Home Insurance. PDS issued 6 November 2017.	12.5% B+C combined. (Dec17-Jan18, temp 14% to offset other model calculations, effectively still 12%). NO 'online'.
IAG	CGU	"Listed Events Home Insurance Product" (with flood cover) (BASIC). PDS dated 1/5/2017	No online discounts
IAG	Coles	Coles 'Home' (not 'Home Plus'). PDS dated 1 May 2017	10% online discount (on base premium)
Comm-Insure		Home Insurance. PDS dated 18/2/2013	15% online discount.
AAI	GIO	Classic Cover. <i>Home and Contents Insurance</i> PDS dated 24/5/2013	10% online discount
IAG	NRMA	NRMA Home Building and Contents. PDS Home Insurance (NSW, ACT & TAS) dated 3/3/2017	5% B+C combined. + campaign discounts.
QBE		Home Cover (not 'prestige'). PDS dated 1/6/2016	No discounts – call centre rates.
AAI	Suncorp	Classic Cover. Home and Contents Insurance PDS dated 19 October 2012.	\$100 for online
Westpac		Home & Contents "Essential" (not 'Quality'). PDS dated 11/8/2015	10% for B+C. 12% online discount in supplied quotes. Total 20.8%
Hollard	Woolworths	Home "Standard" (their 'classic' product). Home Insurance. PDS 1/10/2015 and 1/7/2017	20% total discount. [10% for online. 10% for B+C combined policies.]

3.2 Product coverage

Confirmation was sought from insurers on the Product and Cover Options they applied to generate their quotes and to confirm if it was the most basic level of cover offered by each brand. The Product and Cover Option name for the Insurance Monitor's published data is provided above in Table 2.

The analysis confirms that each insurance brand provided data in relation to their base level of cover, where they offered different levels of cover. The insurers also confirmed that all possible cover options were excluded from their data.

The data sourced and published is consistently provided using each brands' respective base level of cover and its most minimal set of product features.

3.3 Relative consistency of cover

A review of the Product Disclosure Statements (“PDS”) of the products underpinning the quotes supplied by insurers indicates that there is a range of variables that collectively define the level of cover that is offered by a particular policy.

The main differences are discussed below. These differences are not obvious without extensive and careful comparison. Further analysis to benchmark whether that level of cover is consistent between the different products is discussed at section 4.

Sum Insured or Total Replacement Cover

These are the first two variables that distinguish types of insurance policies. The ASIC Moneysmart website defines the difference as follows:

“Total replacement cover - will cover the cost to rebuild your home to the standard it was prior to an event, which reduces the chance of any shortfalls between what it costs to repair or rebuild your home and the amount you are insured for. Total replacement policies reduce the risk of underinsurance, but only a few insurers offer these policies.

Sum-insured cover - is more common and will cover you up to a set amount, selected by you, to repair or rebuild your home. This set amount is referred to as 'the sum insured'.”⁶

Insurance companies may offer ‘safety nets’, which provide some additional cover above the sum insured amount (usually expressed as a percentage of the sum insured), to prevent the risk of underinsurance.

ANZ is the only Total Replacement policy in our sample. All others are Sum Insured as a minimum.

CommInsure, QBE and Westpac’s policies automatically include a safety net. It is not an option that can be excluded.

All the policies explain how they determine a payout for a claim with reference to various definitions for their repair or replacement, i.e. ‘new for old’, which may subtly vary the way the calculations for a payout operate.

Listed event or accidental damage

The level of cover offered under a policy is also defined by reference to the types or range of events that cause damage or loss. ‘Compare the Market’ explains the difference as:

*“a **defined events** policy lists the events (that cause damage to your home or contents) that you’re insured for, and everything else is excluded. The things you are insured for are called the “defined” or “listed” events. ... Your defined events policy will generally exclude anything not listed under ‘listed events’, but in some cases you’ll be able to nominate extras (or ‘additional’) events you wish to be covered for.*

*On the other hand, **accidental damage** insurance generally covers you for any “accidental loss or damage”, and will list the things that you’re not insured for. Broadly speaking, these policies generally cover everything that ‘defined events’ policies cover, as well as any loss or damage that arises from an accident (unless that accident is specifically excluded).”⁷*

All policies in the Insurance Monitor’s sample are ‘listed events’ policies.

⁶ <https://www.moneysmart.gov.au/insurance/home-insurance>

⁷ <https://www.comparethemarket.com.au/home-contents-insurance/information/listed-and-defined-events/>

Events listed

How the listed events are framed, and the definitions underpinning each, are defined by each policies' PDS. There are subtle differences in the inclusions and exclusions, that may be more or less material in different consumers circumstances, when an event occurs.

The definitions of events listed in each insurer's PDS were reviewed and the findings are reported in section 4.

A small number of policies **did not offer** cover in relation to one or more of the following events:

- Accidental damage (non-glass);
- Accidental damage (glass plus ceramics)
- Flood
- Tsunami
- Rain (which had important inclusions and conditions)
- Animal damage (impacting the property; or through less narrowly defined circumstances).

Policy features that define the financial payout or other support

The different payout figures, types of financial benefit or operational support offered by each policy have not been comprehensively analysed but the focus was on some of the key features, including legal liability cover, whether the policy would replace 'new for old' in some fashion, the costs for accommodation, and inclusion of professional fees and debris removal. Due to the way in which such information is presented, it is challenging to compare policies based on any of these attributes. Legal liability cover was included because costs of a claim and for legal support can run to many thousands of dollars; this cover is important if there is a death or serious injury associated with an event.

'New for old' definitions and provisions are commonly included or intersect with the PDS's statements as to 'how we pay your claim'. As these may define how and when a claim is paid, they may result in material differences in insurer's decisions on claims that may be, or may be perceived by consumers to be, arbitrary. Further discussion is contained in section 4. Other points to note are as follows:

- Legal liability cover, was for a minimum of \$20 million across all policies. QBE provides \$30 million of cover. However, there were differences across the policies in how they treated legal costs and these differences could potentially result in material differences in insurers' decisions on claims that may be, or may be perceived by consumers to be, arbitrary. AAMI, Allianz, CommInsure all provided that the \$20 million in coverage was for the liability and made further allowances for legal costs. All other policies included legal costs within their cap.
- Cover for accommodation in the event of a home being uninhabitable varied across the policies. Most policies offered this as an additional product benefit, not included in their payout figure, but capped the amounts payable or calculated the amounts covered in subtly different ways. At an overarching level, most policies cover accommodation costs for up to 12 months and to a maximum of 10% of the sum insured value. Westpac had fixed dollar amount caps.
- Costs for professional fees and debris removal showed some variation and may materially affect a payout where there has been a major event. Most policies in the sample cap these costs at 10% of the sum insured, treated as two individual components and additional amounts, available on top of the sum insured. NRMA treats these as uncapped additional covered costs on top of the sum insured. CommInsure and QBE state they cover these costs, but they are counted within the sum insured (remembering that both these brands provide a 'safety net'). So, while there are differences in the way these features are expressed and calculated, that may or may not have a material impact to consumers in practice.

- There are other differences between the coverage of policies and how the benefits are calculated which were not comprehensively analysed but may be material in the event of a claim. Coverage for certain rebuilding or capital improvement costs associated with rebuilding (e.g. rebuilding to accommodate injuries or for environmental sustainability improvements) or other ancillary costs, for example, mortgage fees, pet accommodation) varied across the products. Per-item or per-type-of item limits in contents insurance are one area where there is a lot of detail and may be multiple key areas of differentiation. These include amounts for items such as own and employee belongings, frozen foods, funeral expenses, credit card misuse, contents away from the home or in transit, to name a few.

Most relative differences in the consistency of cover can only be identified through detailed analysis of subtleties in the wording of the inclusions and exclusions provided in the listed events along with examination of the definitions of key terms; and by comparison of payout figures.

The analysis in this paper only concerns a small sub-set of the most basic policies available, from a small number of insurance brands. Even an informed lay-person, who may spend significant time and effort reading the policies, with significant legal and financial services (insurance) industry expertise, is likely to remain uncertain about their level of cover, or the relative level of cover between policies, and will face major challenges making an informed decision about insurance cover

For ordinary consumers, with limited time and resources the task is nigh impossible, which again just serves to highlight the desirability of having greater industry-wide standardisation of definitions and coverage descriptors.

The Insurance Monitor invites interested parties to comment on the relative materiality of the variables he has identified in relation to the relative consistency of cover, for the policies in the sample.

3.4 Treatment of Price Discounts

The insurance Monitor did not specify the treatment of discounts or specify an obligation to notify the Insurance Monitor of any that may apply from month to month, in the statutory notice. Subsequent information requested from the insurers indicated that they apply a range of 'combined policy' and 'online' and/or 'promotional' discounts (from time to time) to data they supply.

While most companies identified promotional discounts that applied as notes to their monthly data submissions, without further detail the Monitor does not have full and accurate (month by month) data on the discounts specifically that applied at the time, for each company and brand. Adjustments made to normalise for discounts retrospectively, could be inaccurate without that information.

Following feedback from insurers, the Insurance Monitor has made some adjustments to the historically reported quotes to ensure greater consistency in the treatment of discounts going forward. This does not have a major impact on the level of base and total premiums and does not alter in any way the finding that there are significant variances between brands in these respects.

The aim is to ensure that stated discounts are genuinely available for the quote being sought.

The Insurance Monitor invites interested parties to comment on how insurers should be required to treat / disclose the impact of discounts in the quotations they supply to the Insurance Monitor.

3.5 Other refinements involving discounts

The standard profile quotation was not explicit on whether the quotations provided should be for a new customer or a renewal. It is expected that most insurers would have quoted on the basis of a new customer, but this has not been clear in all cases. The Insurance Monitor intends to expand the monitoring to include data covering premiums charged for new business versus renewals. This information will supplement the data on new business and renewal premiums that the Insurance Monitor's office already obtains via its baseline data request.

The Insurance Monitor invites interested parties to provide comments on premiums charged for new business and renewals.

4 Comparison of product and cover options

This section compares the product and cover options that form part of the published standard profile quotes sample to form a view on whether they offer a reasonably consistent *level of cover* between different insurers' products. To the extent that they do, then the observed dispersion in premiums quoted by insurers under the standard monthly quotation process must be attributed to factors other than differences in product and cover options.

Insurers have claimed that 'product offerings can differ significantly' or that 'it is not possible for the standard property profile survey to accurately compare the same product / cover across insurers due to the many differences in product features ... and other rating factors'.

The tables that follow present:

- a snapshot of the key policy features and main areas of variance in the policies in the sample
- policy type and coverage of material expenses and liabilities
- a diagram showing the listed events covered by each policy
- extracts from the PDS for each policy that were considered pertinent, of the inclusions and exclusions that apply to (most of) the listed events.

The Insurance Monitor invites interested parties to provide comments on any material errors or omissions in the following comparison of product and cover options in his sample.

The sequence of features listed in the table below, firstly concerns what the policy is and covers (what losses can be claimed), then the circumstances when it pays. It is intended to highlight the principal areas in which the policies in the Insurance Monitor's sample vary, which may in turn affect premiums quoted.

Table 3 – Key policy features and areas of variance in the policies in our sample

Brand	Product & Option	Key features	Safety net	New for old (PDS Ref)	Accom	Legal Liability	Debris / Prof Fee	Fusion*	Accidental (glass)	Flood	Tsunami	Animal damage
AAMI	Home Building / Contents Insurance	SI & LE	✘	p.45	10% SI / 12 mths	\$20m plus legal costs	✓[+<10% of SI]	✓[7yr]	✓	✓	✓	✓
Allianz	Surecover Home	SI & LE	✘	pp. 31-32	10% SI / 12 mths	\$20m plus legal costs	✓[+<10% of SI]	✘	✓	✘	✓	✓
ANZ	ANZ Home Insurance	TR & LE Contents: AD (qualified)	✓Full replacement cover.	pp. 7, 47	10% SI / 12 mths	\$20m inc. legal costs	✓[+<10% of SI]	✓[15yr]	✓	✓	✓	✓
CGU	Listed Events Home Insurance Product with flood cover	SI & LE	✘	p.46	10% SI / 12 mths	\$20m inc. legal costs (\$5k cap)	✓[+<10% of SI]	✓ [=<15yr]	✓	✓	✓	✓
Coles	Coles 'Home'	SI & LE	✘	p.15	10% SI / 12 mths	\$20m inc. legal costs.	✓[+<10% of SI]	✘	✓	✓	✘	✓
Comm-Insure	Home Insurance	SI & LE	✓25%	pp.82-83	12 mths	\$20m plus \$500k legal costs	✓ [must be w/in SI/Safety net]	✓[10yr]	✓	✓	✓	✓
GIO	Classic Cover	SI & LE	✘	pp.87-88	10% SI / 12 mths	\$20m inc. legal costs	✓[+<10% of SI]	✘	✓	✓	✓	✓
NRMA	Home Building & Contents	SI & LE	✘	pp.11, 58-59, 64-65	10% SI / 12 mths	\$20m inc. legal costs	✓ [no cap]	✘	✓	✓	✓	✓
QBE	Home Cover	SI & LE	✓30%	p.71	10% SI / 12 mths	\$30m inc. legal costs	✓[incl. in SI]	✓[15yr]	✓	✓	✓	✓
Suncorp	Classic Cover	SI & LE	✘	p.69	10% SI / 12 mths	\$20m inc. legal costs	✓[+<10% of SI]	✘	✓	✓	✓	✓
Westpac	Home & Contents "Essential"	SI & LE	✓B10%, C5%	p.50	B\$10kC\$5k	\$20m inc. legal costs	✓[+<10% of SI]	✘	✘	✓	✓	✓
Woolworths	Home "Standard"	SI & LE	✘	p.57-59	10% SI / 12 mths	\$20m inc. legal costs	✓[+<10% of SI]	✘	✓	✓	✓	✘

* Key features: can include whether the policy is a Sum Insured (SI), Sum insured plus some form of safety net, or Total Replacement (TR) policy (whatever it costs to repair, replace or rebuild, noting specified exclusions). The other dimension is whether it is a Listed Event (LE) or Accidental Damage (AD) policy. Most policies in the sample are Sum Insured and Listed Events policies.

* New for old: cites PDS references for this term, from the Building cover PDS (if Building and Contents have separate PDS's). See Table 4 for extracts from the PDS's which mention new for old or similar terms covering policies in relation to replacement. All PDS's, in their statements about how a claim will be settled, if not elsewhere, explain or define this term (or clearly do not use it). The term and its treatment may differ on a number of factors, including whether the claim is in relation to the Building or Contents aspect of the policy.

* Fusion or motor burnout cover is de-selected where possible. Shown above are the companies that include it mandatorily. The ages stated refer to the maximum age of the appliances eligible to be covered.

Table 4 – Policy type and coverage of material expenses and liabilities

Brand	Product & Option	Key features	Safety net	New for old [pertinent extracts from PDS]	Accommodation	Legal Liability	Debris / Prof Fee
AAMI	Home Building / Contents Insurance	SI & LE	✘ Optional Extra: 'Complete Replacements Cover'.	(Buildings) PDS (p.45) "If we rebuild (or pay you what it would cost us to rebuild), we will do so on a 'new for old' basis. If we repair (or pay you what it would cost us to repair), we will at our option do so on a 'new for old' basis or repair to a similar condition to what the building was in before the loss or damage occurred" "New for old" means: New materials, new items we rebuild or repair with new items or new materials that are available at the time of replacement or repair from Australian suppliers. New for old, regardless of age. We rebuild or repair regardless of age, with no allowance for depreciation. Same type, standard and specification as when new. We replace or repair to the same type, standard and specification (but not brand) as when new. If the same is not available, it means of a similar type, standard and specification (but not brand) when new. We can replace with a different brand. 'New for old' does not: include paying the extra cost of replacing or purchasing an extended warranty on any item; mean of a better standard, specification or quality than when new." Contents) PDS p.2 "AAMI Home contents insurance offers 'new or old' replacement. We replace with new items or new materials that are available at the time of replacement from Australian suppliers."	10% SI / 12 mths Lesser of 10% SI or 12 months. (with allowances: short stay hotel 4 weeks, 48 weeks in residential accom).	\$20m plus legal costs	✔ Debris <10% of SI Professionals <10% of SI In addition to SI.
Allianz	Allianz Home Insurance (Surecover Home)	SI & LE	✘	(Buildings) [p31 PDS "the reasonable cost of repairing or rebuilding the damaged part of your buildings to the same condition as when it was new." "at our discretion, we may: ... pay you the cost ... his is the cost of repairing or rebuilding, less any discounts that would be available to us if we were to repair or rebuild." (Contents) (PDS p.32) "At our discretion, we may: repair or replace...; reimburse you in cash equivalent, store credit or cash ... for the reasonable cost of repair or replacement ... or reimburse you up to the [SI]. ... We consider the reasonable cost of repair or replacement to be the retail price of the item as if it were new, less any discount that would be available to us if we were to repair or replace it on your behalf."	12mths - limited to 10% of SI (with allowances: at weekly rent equivalent to your home, \$500 for pet accommodation, to a maximum of 1 year).	\$20m plus your and their legal costs [your lawyer, with their consent]	✔ Debris: <10% of SI. Professional fees up to \$5,000. In addition to SI.
ANZ	ANZ Home Insurance	Listed events [not Sum Insured] Total Replacement Contents: AD (subject to an exemption)	✔ Full replacement cover.	(Building and contents) PDS p.7: "new for old replacement regardless of age". Full buildings replacement cover at today's prices. New for old replacement regardless of age. E.g. PDS p.47: "pay you the full building replacement cost of rebuilding your building(s) to a condition as close as possible to when new, but not better, in the event of a total loss". (Contents). Note the 'accidental damage or loss for your contents' coverage, which provides (PDS p.26) "Accidental damage: We will cover: Any accidental damage or loss. We won't cover: Loss or damage to sporting equipment while it is being used." However, this exception for damage to sporting goods while in use is not addressed per the Glossary "words with a special meaning" definition of 'Contents' which cross refers to "What contents we protect and how much will be paid on pages 20-24, specifically page 22 definition that "General contents include: Sporting equipment" (with no exemptions listed under "General contents do not include". It is also not mentioned in the unqualified statement about 'Why choose ANZ Home Insurance' (PDS p.7) "a unique range of benefits including: ... accidental damage and loss for your contents".	12mths - limited to 10% of SI (with allowances: at weekly rent equivalent to your home, 'reasonable costs' for pet accommodation, to a maximum of 1 year).	\$20m including legal fees.	✔ <10% of SI (debris) 'Reasonable costs' of professionals. In addition to SI.
CGU	Listed Event Home Insurance Pack	SI & LE	✘	P.46 PDS, if "your current schedule does not show 'including replacement benefit' we will repair your buildings to the condition they were in just before the loss or damage occurred; pay you the cost of repairing ...; or 'pay you the value of the land your buildings was just before the loss or damage occurred, after deducting the amount we estimate as the value of your land and buildings after the loss or damage occurred"	12 months capped at 10% of Buildings SI	\$20m inc. legal costs (and p.23, states \$5,000 cap on legal costs)	✔ Debris <10% of SI Professionals: <10% of SI In addition to SI.
Coles	Coles 'Home	SI & LE	✘	Buildings) p.15 PDS "If we choose to rebuild your buildings, we will: use new materials, and rebuild your buildings to the same size and standard". Also: "if we pay you, we will pay the lesser of: the costs you actually incur, or the amount it would have cost us to repair or rebuild your buildings". (Contents) p.21 PDS: Replacements of your contents is on a new for old basis except for computers which are more than 4 years old. New for old means materials or items of the same type, standard and specification as	12 months capped at 10% of Buildings SI or Contents SI. Expressly: in addition to the SI of the buildings.	\$20m including legal and defence costs we have agreed to pay	✔ Debris: <10% of SI. Debris <10% of SI Professionals: <10% of SI In addition to SI.

Brand	Product & Option	Key features	Safety net	New for old [pertinent extracts from PDS]	Accommodation	Legal Liability	Debris / Prof Fee
				when new. If the same is not available, it means materials or items of a similar type, standard and specification when new. It does not mean of a better standard, specification or quality as new, or of the same brand			
Comm-insure	Home Insurance	SI&LE	25% of SI	p.82 <i>Building</i> : does not mention 'new' or 'new for old'. Refers to repair, rebuild or replacement of the loss or damaged part of your building up to the SI. Provides that "If we determine your building to be in poor condition at the time of the claim, we will determine a reasonable allowance to be deducted from the claim settlement..." p.83. PDS <i>Contents</i> : "If we decide to replace the lost or damaged contents, or pay you're the amount we determine to be the reasonable cost of replacing ... we will do so on a new for old basis. This however, does not apply to contents that we determine: to have been in poor condition ... or are unique or irreplaceable" (we will only pay the reasonable Australian market value / as determined by an independent valuation)	=< 12mths we determine is reasonable and appropriate in your particular circumstances. Not linked to SI.	\$20m and \$500k legal costs we appoint acting on your behalf	✓ [must be w/in SI/Safety net] Page 102 (and throughout –Find:"debris" & "architect"). State that these costs are covered. But \$ not itemised. Appears from PDS p.20 (About your sum insured): "You should also include an amount for all associated rebuilding costs such as architectural, engineering, surveying, construction fees and legal expenses" (in your SI)
GIO	Home & Contents Insurance (Classic Cover)	SI & LE	✘	p.87-88 PDS (home) "we will decide if we will .. repair ... rebuild ... pay you what it would cost us to repair or rebuild ... pay you the sum insured ... If we rebuild (or pay you), we will do so on a 'new for old' basis. If we repair... will do so on a 'new for old' basis or to a similar condition to what your home was in before the loss or damage occurred" (contents) "we will decide if we will repair damage ... replace the contents 'new for old' ... if we replace (or pay you what it would cost us to replace), we will do so on a 'new for old' basis. If we repair (or pay you what it would cost us to repair) will at our option do so on a 'new for old' basis or to a similar condition to what the contents were in before the loss or damage occurred. ... We will not: pay more than the SI or policy limit; pay extra to replace your home or contents to a better standard, specification or quality than it was ... except as stated in meaning of 'new for old' 'New for old' means: ... new items or new materials that are available at the time .. from Australian suppliers. ... regardless of age, with no allowance for depreciation ... to the same type, standard and specification (but not brand) as when new. ... 'New for old' does not: include ... an extended warranty on any item; mean of a better standard, specification or quality than when new." "When items may be replaced to a better standard: includes provisions for whitegoods with less than 3 star energy rating, obsolete electrical appliances, CDs and DVDs, Also defines instances when items cannot be replaced new for old.	Lesser of 10% SI or 12 months	\$20m incl. legal costs	✓ Debris <10% of SI Professionals <10% of SI
IRMA	Home Building & Contents	SI & LE	✘	p.58-59 PDS (Building) does not mention 'new' in its discussion of What we pay for – Buildings Insurance; or How we settle your buildings claim. P.64-65 – How we pay claims – some examples, for Claim 3 Your home and contents are totally destroyed; the example only highlights the payout amounts as the PDS defines that 'We choose to pay you directly for the damage.' p.11. PDS Contents replacement value – new for old. If we replace an item that is part of your contents, we will replace it with a new one. This is known as 'new for old'.	12 months capped at 10% of Buildings SI For the reasonable time we agree it should take to repair or rebuild, for up to 12 months from when the listed event took place We pay this on top of the BI.	\$20m incl. legal costs	✓ Debris: p.37. Rebuilding fees p.38. Both – describe what these are covered, but no cap stated. Key Condition: we must agree to pay the costs before you make any arrangements.
DBE	Home Cover	SI & LE	30% [PDS p.44-5. Building only If a total loss	An assumption under the calculator for SI. PDS p.71 <i>Settling building claims</i> : "If we accept your claim, at our option we'll pay for reasonable costs of repairing, rebuilding or replacing your building to its condition when it was either new or last renovated, altered or restored."	12 months capped at 10% of Buildings SI	\$30m inc. legal costs	✓ [inc. in SI, and their calculator, not an extra provision or allowance]

Brand	Product & Option	Key features	Safety net	New for old [pertinent extracts from PDS]	Accommodation	Legal Liability	Debris / Prof Fee
				for a catastrophic event and correctly used the calculator and it provided an inadequate S PDS p.71: (Settling contents claims) "At our option we'll either repair or replace your contents if we accept your claim. The most we'll pay is the contents sum insured, and the individual item limit for certain items. ... Replace: The cost to replace your item with a new one that's substantially the same if it can't be economically repaired (up to the item sum insured). Cash settlement: Your Policy is designed to repair or replace stolen or damaged items. If we agree this isn't possible, we'll pay you either retail value or the limit for that item (whichever is less), depending on your cover. If we agree to pay for an item instead of repairing or replacing it, we'll only pay you the amount you would've received from a licensed second-hand dealer, up to the applicable limit.			
Suncorp	Home & Contents Insurance (Classic Cover)	SI & LE	*	Depending on the circumstances we will decide to repair, replace, rebuild or pay you what it would cost us to repair, replace or rebuild. PDS p69: (Building) "f we rebuild (or pay you what it would cost us to rebuild), we will do so on a 'new for old' basis. If we repair (or pay you what it would cost us to repair), we will at our option do so on a 'new for old' basis or to a similar condition to what your home was in before the loss or damage occurred. We may offer you a voucher, store credit or stored value card for the amount it would cost us to repair or rebuild an item." (Contents): If we replace (or pay you what it would cost us to replace), we will do so on a 'new for old' basis. If we repair (or pay you what it would cost us to repair), we will at our option do so on a 'new for old' basis or to a similar condition to what the contents were in before the loss or damage occurred. We may offer you a voucher, store credit or a stored value card for the amount it would cost us to repair or replace the contents. "New for old' means: we rebuild, replace or repair with new items or new materials that are available at the time of replacement or repair from Australian suppliers. We rebuild, replace or repair new for old regardless of age, with no allowance for depreciation. We replace or repair to the same type, standard and specification (but not brand) as when new. If the same is not available, it means of a similar type, standard and specification (but not brand) when new. We can replace with a different brand."	12 months capped at 10% of Buildings SI	\$20m [inc. legal fees]	✓ <10% of SI
Westpac	Home & Contents "Essential"	SI & LE	B10% C5%	[how to settle claim: 'reasonable costs of replacement to new condition'. PDS p.50: When we agree to pay a claim for loss or damage: We may choose to pay: • the reasonable cost of repair or • the reasonable costs of replacement to new condition with property of the same size and specification or with items as near to original as is currently possible, or • a cash amount. If we agree to pay cash, we'll pay the amount you would reasonably cost to repair or replace the property. Where a building is not being replaced, the amount we'll pay will be less a reasonable deduction for depreciation due to wear and tear and age of the property.	B: up to \$10k emergency accommodation. C: Up to \$5k	\$20m [inc. legal fees]	✓ <10% of SI
Woolworths	Home "Standard"	SI & LE	*	Building [PDS p.57-8] If your building is insured and we agree to settle a claim, we will settle up to the sum for which your building is insured, or any lesser limit that applies, less any applicable excess. If your building is destroyed or damaged as a result of an Insured event and we accept your claim which occurs during the period of insurance, we will rebuild or repair your building as new, or pay you the cost of rebuilding or replacing it, at our discretion up to the building sum insured shown on your Certificate of Insurance. However, if you decide not to proceed with the rebuild or repair of your building we will pay the lesser of: the rebuild or repair cost; or the difference in the value of your building and the land it is situated on before the damage occurred and the value of the building and land after the damage has been sustained. Contents [PDS p.59] Replacement is on a new for old basis but this does not apply to computers more than 4 years old, or to any clothing, shoes or household linen or items out of use, such as those stored away in cupboards. For these items we will pay the reasonable market value based on their age and condition at the time of loss.	12 months capped at 10% of Buildings SI	\$20m [inc. legal fees]	✓ [<\$10k]

The following table compares whether the policies included in our sample **each cover the same types of listed event**. The event types differ across each policy. This analysis captures some event types that are included in the detail, but not the headline representations, of some policies.

Table 5 – Listed events covered by the policies in our sample

Brand	Fusion*	Accidental damage (glass)	Liquid escape	Impact	Flood	Storm	Earthquake	Tsunami*	Lightning	Fire	Theft Burglary	/Malicious acts	Rain	Animal damage	Explosion	Riots etc
AAMI	✓[7yr]	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓[in storm]	✓	✓	✓
Allianz	✗	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓[in storm]	✓[in 'impact']	✓	✓
ANZ	✓[15yr]	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓[in 'impact']	✓	✓
CGU	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓[in 'impact']	✓	✓
Coles	✗	✓	✓	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	✓	✓
Comm-Insure	✓[15yr]	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
GIO	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓[in storm]	✓	✓	✓
NRMA	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
QBE	✓[15yr]	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓[in storm]	✓	✓	✓
Suncorp	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓[in storm]	✓	✓	✓
Westpac	✗	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓[in storm]	✓	✓	✓
Woolworths	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗	✓	✓

Some events, particularly 'rain' and 'animal damage' are identified in some PDS's as events separately; in other PDS's they are included in the definitions or inclusions and exclusions for other 'listed events'. The table qualifies instances where that is the case.

Table 6 provides pertinent information on the **inclusions and exclusions for most of the listed events** in each **Building** policy or **Combined** cover. We have not included 'Contents' cover on its own. It draws primarily from each products' PDS 'summary of insured events', where available, as these provide a reasonable but not exhaustive level of detail about the principal inclusions and exclusions to cover in relation to the event. Where relevant, the Key Fact Sheets or a summary and material information about inclusions and exclusions stated in PDS are directly quoted.

Table 6 – Inclusions and exclusions to certain listed events in the policies in our sample

Brand	Fusion*	Accidental (glass)	Liquid escape	Impact	Flood	Storm	Earthquake	Tsunami	Lightning	Fire	Theft/ burglary	By an animal	Other Listed Events
AAMI	✓ [7yr]	✓ But we do not cover any costs if the breakage does not extend through the entire thickness of the damaged item (e.g. chips or scratches).	✓ But we do not cover wear and tear, or loss or damage caused by the escape of liquid occurring as a result of a gradual process of bursting, leaking, splashing, dripping or overflowing over a period of time when you could reasonably be expected to be aware of this condition.	✓ But we do not cover the cost of removing or chopping fallen trees or branches that have not damaged the building.	✓ But we do not cover loss or damage to retaining walls, sea walls, garden borders and free standing outdoor walls We do not cover flood if you have asked to remove this insured event from your policy (and we have agreed).	✓ But we do not cover the cost of cleaning mud or clearing debris out of tanks, swimming pools or spas, including replacing or storing the water.	✓ But we do not cover loss or damage that occurs more than 72 hours after the earthquake.	✓ But we do not cover loss or damage that occurs more than 72 hours after the tsunami	✓ But we do not cover loss or damage caused by power failures or surges by your power provider	✓ But we do not cover loss or damage to the building from arcing, scorching or cigarette burns unless a fire spreads from the initial burn spot.	✓ But not loss or damage caused by someone who entered the insured address with your consent.	✓ But we do not cover loss or damage caused by insects, vermin or rodents (some limited exceptions apply).	Malicious acts and vandalism Explosion
Allianz	✗	✓ Includes fixed glass or ceramic items. Excludes shower tiles, cracks, scratches or chips, glass-houses	✓ Excludes: as a result of gradual escape ... where you or a reasonable person could be expected to have been aware; from a shower base, recess or walls surrounding, or caused by rust, corrosion, algae mould or mildew. Excludes repair or replacement of a defective part or parts of a broken main or pipe.	✓ Impact from motor vehicles, aerials or dishes, aircraft, space debris/rocket/satellite, any animal (excl. your pet), falling trees or parts of. Excludes (pet) and if caused by you or someone with your consent (e.g. gardener)	✗	✓ [Storm, cyclone, rainwater or run-off Excludes: flood, flood waters, storm surge, hydrostatic pressure, run off through an open door or window. Excludes damage to trees, retaining walls, pool covers or lines, paintwork where caused by rainwater.]	✓ (within 72 hours)	✓ (within 72 hours)	✓ No exclusions listed	✓ Inc Loss or damage caused by fire, bushfires or grassfires, or smoke. But not: which arises gradually out of repeated exposure; of an item that is designed ... during normal use; or as a result of scorching or melting e.g. cigarette burns.	✓ Excludes where committed by a resident, some you invite into your home, anyone acting with your express or implied consent, an employee	✓ [included under Impact damage (exc.) animals you keep as a pet]	Explosion Vandalism or malicious act Riot or civil commotion (excl. terrorism)
ANZ	✓	✓ Inc: fixed glass, shower bases, basins, sinks, spas baths and toilets	✓ Inc. caused by fixed pipe, gutter, tank or drain: bath, basin, sauna, spa, shower etc. with drainage holes, washing machines aor	✓ Impact from motor vehicles, aerials or dishes, aircraft, space debris/rocket/	✓ Excludes. water from openings made for building, renovations or repairs; because of	✓ As per flood (to the left).	✓ [not if >72 hours after]	✓ [not if >72 hours after]	✓ If caused by a lightning strike or thunderbolt. No exclusions listed.	✓ [48 hr wait after policy inception]	✓ Excludes. by you, a tenant, a resident, more than 1 unrelated	✓ Included any animal or bird that is not a pet. Excludes that caused by any	Landslide or subsidence (within 72 hours) of a (listed) event Power surge

Brand	Fusion*	Accidental (glass)	Liquid escape	Impact	Flood	Storm	Earthquake	Tsunami	Lightning	Fire	Theft/ burglary	By an animal	Other Listed Events
			dishwasher, aquarium, waterbed, swimming pool, water tank. Will cover cost of finding the problem and repairing it. Excludes if opening made during building, renos or repairs, and cost of repair.	satellite, any animal (excl. your pet), falling trees or parts of. Includes if caused by you or someone with your consent (e.g. gardener) Excludes by any animal or bird eating, chewing, clawing or pecking.	a structural defect, faulty design or workmanship; action by the sea, high tide, storm surge unless at the same time as flood. Will cover free standing gates and fences made of timber < 15 yrs.					person not named under the policy	animal or bird eating, chewing, clawing or pecking..		
CGU	✓ If 15 years old or less	✓ Will cover your buildings or contents when an item is chipped or fractured through its entire thickness. [fixed glass, shower bases, basins, sinks, spas, baths, toilets; mirrors, glassware, crystal, crockery (unless damaged while being used, cleaned or carried); glass in furniture (unless part of a television, computer screen or monitor).	✓ By water or liquid. Cover cost of finding where (it) escaped from, including ... repairing any damage that occurs while looking for the cause. Will only cover ... escaping from a fixed pipe or an object attached to a pipe, fixed gutter, fixed tank or a drain; a bath, basin, sauna, spa, shower base or wall, sink, toilet or tiled floor that has drainage holes, a washing machine or dishwasher, aquarium, waterbed. Excludes: cost of repairing the item that caused the escape; or of fixing or finding leaks that have not caused loss or damage to your buildings or contents.	✓ Impact of: aircraft, spacecraft or satellite or anything dropped from them, falling television or radio antenna mast or dish, vehicles or watercraft, an animal or bird that is not kept at your home (unless ... caused by an animal or bird eating, chewing or pecking) a falling tree or part .. unless when you or someone else acting on your behalf, cuts down or removes branches	✓ Covers 'Storm, flood, rainwater or wind'. Not within 14 days (336 hours) of start date) or by a cyclone within 48 hours (exceptions apply). Excludes: swimming pool covers, water entering buildings through openings (for building, renovation or repair work; because of structural defect, faulty design or workmanship when ... constructed) free standing fences made of corrugated fibrous material that do not have a supporting frame; free standing gates fences or walls made of timber more than 15 years old; jetties, wharves, bridges or pontoons for damage by flood.		✓ [not if >72 hours after]	✓ [not if >72 hours after]	✓ Lightning or thunderbolt	✓	✓ Excludes. by a tenant. Only cover theft of money or documents when force is used to enter your buildings. Excl. theft from a part of the buildings you share with another person who is not insured under the policy, or by a tenant.	✓ Under Impact. Included any animal or bird that is kept at your home. Excludes that caused by any animal or bird eating, chewing, clawing or pecking..	Landslide or subsidence IF within 72 hours of earthquake, explosion, storm, flood, rainwater, wind, liquid escape.
Coles	✗ [Optional extra]	✓ Will cover your buildings where: any glass which is a fixed part, or a shower screen, base, sink, basins, bath or toilet; or (contents) any glass which forms part of your furniture or any hanging wall mirror. where: any glass which is a fixed part, or a shower screen, base, sink, basins, bath or toilet; or (contents) any	✓ Will cover bursting, leaking or overflowing. Caused by sudden and unexpected escape of liquid from: domestic appliance; aquarium (.60L), fixed heating or cooling systems; basins sinks, toilets, baths, spas; drainage or sewerage systems; taps, fixed pipes, water mains, gutters, water	✓ Will cover impact caused by: falling tree or branch, external flagpole, mast, aerial or satellite dish which breaks and collapses; aircraft, watercraft, motor vehicle or attached trailer; debris from	✓ We will cover you for loss or damage caused by flood. We will cover you for loss or damage caused by violent wind or thunderstorm (inc. tornado or cyclone), heavy rain, hail or snow. Excludes. water entering through an opening not created by the storm or flood; an opening resulting from poor maintenance or defect workmanship... building alterations, additions, renovations; gradual deterioration from	✓ We will cover you for loss or damage caused by an earthquake including subsidence and landslip that immediately follows the earthquake. Excludes. caused	✗ Excludes at p.11 <i>Earthquake</i> ; and <i>Flood</i> ; and p.28 <i>General exclusions</i> .	✓ Will cover ... caused by lightning or thunderbolt. No exclusions listed.	✓ Burning with flames. Excludes: scorching, burn marks, melting where no flame, or heat, soot, smoke or ash, unless .. have caught on fire. Excludes: a heat or heat resistant	✓ Caused by vandalism or a malicious act. Excludes. someone lives at your site with your consent; or entered your site with your consent; or that of a person who lives in your	✓ Covers: actions of animals or birds. Excludes: vermin rodents, insects (including termites), or any animal or bird kept in your home or at your site. Excl. by an animal or bird pecking, biting,	Riot, civil commotion, industrial unrest.	

Brand	Fusion*	Accidental (glass)	Liquid escape	Impact	Flood	Storm	Earthquake	Tsunami	Lightning	Fire	Theft/ burglary	By an animal	Other Listed Events
		glass which forms part of your furniture or any hanging wall mirror. Excludes: imperfect or already damaged; conservatory or glass house, light globes, tiled shower base, any ... ceramic or glass cooking surface,	tanks, fixed tanks. Excludes: seepage or slow escape of liquid over time; leaking or faulty shower recess or base; condensation: watering systems, hoses, from a stormwater pipe off the site, stormwater channel or canal, or inadequate drainage or sewerage system.	space, aircraft, rocket or satellite; falling towers, power or communication lines or poles. Excludes: tree felling, lopping or cutting.	rainwater or high tide, tidal wave, storm surge, tsunami or other actions of the sea.		by high tide, tidal wave, tsunami, or other actions of the sea; or >72 hours after the initial earthquake.			item inc. heater, dryer, cooking appliance, iron if it ignites or combusts.	home. Excl. if security devices or mechanisms were not installed, not in working order or not connected. .	chewing, clawing, tearing or soiling the exterior ... or the interior ... not completely enclosed.	
Comm- Insure	✓ [15yr]	✓ Includes: accidental glass breakage ... through the entire thickness of the item: windows, skylights, fixed ceramic toilets sinks, fixed glass panels incl. doors and cabinets, fixed mirrors, solar panels, shower screens, kitchen bathroom or laundry splashbacks, cooktops and oven doors, glass balcony or pool fences, fixed glass in light fittings, glass table tops, glass doors to a combustion fireplace. Excludes: scratching, chipping denting or if not through the entire thickness of the item.	✓ Includes: from any water main, fixed water pipe (not a garden hose); fire hydrant; pool or spa; fixed water feature: fixed tank; washing machine or dishwasher; sink, basin, bath or toilet; sealed portable heater; or fixed heating or cooling system. Excludes: caused by escape which you were aware and failed to notify us within a reasonable period; from a leaking or faulty shower recess or base; gradual escape of liquid.	✓ Includes: any rail or road vehicle, bicycle, watercraft, caravan, trailer; aircraft or spacecraft; aerials, masts, satellite dishes; trees or branches (unless lopping or felling by your or with consent). Excludes: driveways where caused by the weight of a vehicle, watercraft, trailer, caravan or aircraft.	✓ Includes: loss or damage caused by flood. Excludes: exterior blinds, shades, awnings unless <10 yrs and professionally installed; pools, spas or in ground tanks; synthetic turfs; retaining walls; pontoons, jetties, wharves.	✓ Includes: a violent wind including tornado or named cyclone; rain, hail or snow of unusual volume, force or duration. It is not persistent bad weather or heavy or persistent rain by itself. Excludes: as per those listed against Flood.	✓ Includes: earthquake; and tsunami, landslide, and/or subsidence which occurs within 72 hours of and as a result of, an earthquake. Excludes: anything in the general exclusions		✓ Includes: a direct lightning strike; power surge caused by a lightning strike. Excludes: Cost of replacing data or files. <i>Also see Burning out of electric motors and power surge</i>	✓ Includes: fire including bushfire; heat, smoke and/or soot as a result of fire. Excludes: if it was started with the intention of causing damage or reckless disregard by you / a resident/person with consent;	✓ Includes: caused by theft or attempted theft, if reported to Police; unauthorised use of credit cards. Excludes: if by you, a resident,, with consent.	✓ Includes: caused by an animal that enters any part of your building that is ordinarily enclosed. Excludes: caused by rats mice and vermin and insects ... by birds pecking, scratching, biting, nesting or soiling; by animals kept by you ; any part of your building or your contents that are outside or in the open.	Explosion; landslide or subsidence resulting from an explosion.
GIO	✗	✓ But we do not cover any costs if the breakage does not extend through the entire thickness of the damaged item (e.g. chips or scratches).	✓ But we do not cover wear and tear, or loss or damage caused by the escape of liquid occurring as a result of a gradual process of bursting, leaking, splashing, dripping or overflowing over a period of time when you could reasonably be expected to be aware of this condition.	✓ But we do not cover the cost of removing or lopping fallen trees or branches that have not damaged the building.	✓ But we do not cover loss or damage to retaining walls, sea walls, garden borders and free standing outdoor walls We do not cover flood if you have asked to remove this insured event from your policy (and we have agreed).	✓ But we do not cover the cost of cleaning mud or clearing debris out of tanks, swimming pools or spas, including replacing or storing the water.	✓ But we do not cover loss or damage that occurs more than 72 hours after the earthquake.	✓ But we do not cover loss or damage that occurs more than 72 hours after the tsunami	✓ But we do not cover loss or damage caused by power failures or surges by your power provider	✓ But we do not cover loss or damage to the building from arcing, scorching or cigarette burns unless a fire spreads from the initial burn spot.	✓ But not loss or damage caused by someone who entered the insured address with your consent.	✓ But we do not cover loss or damage caused by insects, vermin or rodents (some limited exceptions apply).	
NRMA	✗	✓ If unintentionally broken and has a fracture that extends	✓ Inc. water or oil leaking or escaping from an item	✓ Inc. loss or damage caused by	✓ If caused by flood. For example, when	✓ If caused by storm. For example, hail	✓ Earthquake: includes earthquake; tsunami that happens as a result of		✓ If caused by lightning; power	✓ If caused by a fire; bushfire.	✓ Inc. theft or attempted theft.	✓ If caused by an animal not kept at	

Brand	Fusion*	Accidental (glass)	Liquid escape	Impact	Flood	Storm	Earthquake	Tsunami	Lightning	Fire	Theft/ burglary	By an animal	Other Listed Events
		through its entire thickness. [Building] glass panels in fixtures; cooktop or oven door; vitreous china or acrylic or fibreglass fixed shower base, bath, spa bath, basin, sink, toilet, bidet or sanitary fixtures; the reasonable cost to reconnect any electrical components to the item. Excludes: item that broke because heat directly applied; greenhouse; water or sewerage pipes; damage caused by the broken item.	(listed): water leaking or escaping from: house gutters, drainpipes or pipes; sanitary fixtures – for example, baths or Toilets; appliances – for example, washing machines or dishwashers; waterbeds; aquariums; water tanks; swimming pools; oil leaking from a fixed heating system or sealed portable heater; costs to locate the cause of damage; (if we agree to pay these costs before you make any arrangements). Excludes: water leaking or escaping from a: shower recess or shower base; stormwater channel or canal; stormwater pipe off your site. Costs to repair the item; if caused by flood or storm.	the impact of: external aerials, masts, flagpoles or satellite dishes; aircrafts, vehicles or watercrafts; debris from space, aircrafts, rockets or satellites; trees or branches. Will pay for removal under building insurance. Excludes: loss or damage caused by tree cutting, lopping or felling on your site; costs to remove the stump; costs to cut down or remove a tree if it didn't cause any damage to your home or contents	heavy or sustained rainfall upriver causes a river or creek near you to overflow. Includes landslide or subsidence that happens immediately as a direct result of a flood 'flood' means the covering of normally dry land by water that has escaped or been released from the normal confines of (whether or not it has been altered or modified): (a) a lake (b) a river; c) a creek (d) another natural watercourse (e) a reservoir; (f) a canal; (g) a dam.	damages your roof. Includes violent wind, cyclone or tornado; rain, thunderstorm, hail or snow; sudden, excessive run-off of water as a direct result of a storm in your local area; landslide or subsidence that happens immediately as a direct result of a storm: Excludes: loss or damage to: retaining walls; gates, fences or free standing walls if they are not structurally sound or well maintained; pontoons, jetties or bridges; gravel driveways; swimming pool/ spa covers > 5 years old; caused by water ... through tarpaulins or fixings set up while you're renovating or altering your home	an earthquake; landslide or subsidence that happens immediately as a result of an earthquake. No exclusions listed.		surge only as a result of lightning. No exclusions listed.	Excludes: if the fire was started with the intention to cause damage by: you or someone who lives in your home – for example, a tenant, or someone who enters your home or site with your consent, or the consent of someone who lives there; damage which results from scorching or melting when your home or contents did not catch fire.	Excludes: you or someone who lives in your home; who enters your home with your consent or the consent of someone who lives there.	your site. Excludes: loss or damage caused by vermin and insects; birds pecking, scratching or biting.	
QBE	[15yr]	Includes: (Buildings) accidentally broken glass that forms part of: Windows or skylights Doors; Permanent lighting fixtures; Shower screens Balcony surrounds or pool fences; Oven doors, stove tops or cooking surfaces China bathroom or toilet fittings; Other glass that forms part of your building. (Contents): Furniture; Wall mirrors; Light fittings; Your contents; A building you're	Water or other liquid. Includes: Damage caused by water or other liquid which suddenly escapes from your or your neighbours: Plumbing system; Bath, fixed basin or sink; Fixed heating or cooling system; Roof gutter or downpipe; Shower recess; Tank; Toilet system; White goods; Above ground swimming pool or spa. The	Collision: An aircraft; A hovercraft; A spacecraft, a satellite or any space debris; A train. Excludes: Wheels or tyres to paths, driveways or underground services Collision with any other items or objects	Storm, rain or flood. Excludes: Water penetrating or entering your building if it's not properly maintained and/or existing damage hasn't been repaired; Water penetrating or entering your building because of a design fault, structural defect or defective workmanship Water entering your building through an opening in the wall or roof made for the purpose of alterations, additions, renovation or repair; Residue deposited by rain on your building The seas or high tides		[Includes: Damage caused by earthquake or tsunami. All damage occurring within a 48 hour period will be regarded as one incident. Excludes: Damage caused by a wave that arises from any event other than a tsunami		Includes: Damage caused by: A direct lightning strike or thunderbolt; A power surge caused by lightning.] Excludes: If there's no visible evidence of damage Where the Australian Bureau	Includes: damage caused by a fire. Excludes: Damage: Caused by charring, melting or scorching as a result of fire without the presence of flames; From ash, soot or smoke; To heat resistant items and any	Includes: Theft or attempted theft. Excludes: From a motor vehicle, caravan or trailer not at your site By you, your family, your tenants or someone at your site with your consent or the consent of	Includes: Damage caused by collision of animals not kept at your site. Excludes: Eating Chewing Clawing Pecking Scratching Soiling Fouling Polluting in any way]	Explosion Vandalism and malicious damage Riot

Brand	Fusion*	Accidental (glass)	Liquid escape	Impact	Flood	Storm	Earthquake	Tsunami	Lightning	Fire	Theft/ burglary	By an animal	Other Listed Events
		renting, but only if you're responsible for the glass under your lease. Excludes: Glass that's Crockery; A vase or ornament; Glassware; Part of a glass house or conservatory; Part of a clock, picture, television set, radio or computer monitor; Worn or carried by hand.	road gutter or curbing; A water main or pipe Excludes: Deliberately caused by you, your family or another person with consent; Due to failed grouting; To your swimming pool or spa due to hydrostatic pressure; Due to overflowing gutters or guttering if your building hasn't been properly maintained. If your building hasn't been properly maintained; Due to a gradual process, such as, condensation, rising damp or splashing. You must fix any faults immediately. Costs: Fix leaks; Replace lost water; Repair or replace defective parts or items that caused the damage, or the cost of lost water as a result of a leak	A vehicle, trailer or caravan Any watercraft. Falling tree, branch or aerial. Includes: the above and reasonable costs to remove, fell, prune or stump removal. Excludes: caused by tree lopping or felling by you / with your consent. Costs of repairing aerials, fittings or masts that caused the damage.	Erosion or earth movement Lightning or thunderbolt Power surges or an interruption to the power supply; Damage to gates and fences. Privacy screens or retaining walls Shade-cloth, shade-sails, PVC blinds or umbrellas Swimming pool or spa covers, solar covers or plastic liners (including vinyl) Swimming pools or spas as a result of hydrostatic pressure Electrical or mechanical equipment in the open air, unless the equipment is designed to be weatherproof External paintwork, treated surfaces or finishes caused by water as long as it's the only damage done to that part of your building.				of Meteorology has no record of lightning or thunder in your area at the time the damage occurred. For example, you're not covered unless there's visible damage to: A power line or pole near your building, and The appliance that isn't working. There must also be scorch or burn marks on your electrical circuitry consistent with a lightning strike near your building.	fittings or attachments on or in them if the fire only caused damage to that item. Examples of heat resistant items include cooking appliances, irons, toasters, microwave ovens, heaters, clothes dryers, electric kettles, chimneys, fireplaces, ovens and potbelly stoves.	someone who: Lives with you, or Was in temporary possession of your building with your permission. Of a bicycle left unattended in a public place without being chained with a bicycle chain or D-lock to a fixed object.		
Suncorp	*	Excludes But we do not cover any costs if the breakage does not extend through the entire thickness of the damaged item (e.g. chips or scratches).	Excludes But we do not cover wear and tear, or loss or damage caused by the escape of liquid occurring as a result of a gradual process of bursting, leaking, splashing, dripping or overflowing over a period of time when you could reasonably be expected to be aware of this condition.	Excludes But we do not cover the cost of removing or lopping fallen trees or branches that have not damaged the home or contents	Excludes But we do not cover loss or damage to retaining walls, sea walls, garden borders and free standing outdoor walls.	Excludes But we do not cover the cost of cleaning mud or clearing debris out of tanks, swimming pools or spas, including replacing or storing the water.	Excludes But we do not cover loss or damage that occurs more than 72 hours after the earthquake.	Excludes But we do not cover loss or damage that occurs more than 72 hours after the tsunami.	Excludes But we do not cover loss or damage caused by power failures or surges by your power provider.	Excludes But we do not cover loss or damage to your home or contents from arcing, scorching or cigarette burns unless a fire spreads from the initial burn spot.	Excludes But not loss or damage by someone who entered the insured address with your consent.	Excludes But we do not cover loss or damage caused by insects, vermin or rodents (some limited exceptions apply).	Malicious acts and vandalism
Westpac	[only avail in higher cover]	[only avail in higher cover.]	Includes from any fixed ny fixed pipe, fixed tank, waterbed, fish tank, or fixed item used to hold liquid. Will also pay reasonable exploratory costs. Excludes where resulting from liquid escaping from a shower recess. Where caused by gradual escape of liquid	Includes caused by collision by: falling trees and branches; any vehicle or its load; watercraft, aircraft, spacecraft, or parts or items falling from them, space debris, television or radio aerial or its mast, or any	Includes: caused by flood, including tsunami and storm surge. Excludes: actions of the sea (other than storm surge and tsunami) and loss or damage to retaining walls, paths, driveways,	Includes caused by storm, including cyclone, hail, wind, snow or rain. Excludes damage to gates, fences and freestanding walls. Also excl. awnings, blinds, shade sails unless prof. installed < 5yrs. External paint	Includes loss or damage caused by earthquake. Each event is measured over a 48 hour period. [Will have to pay another excess] Excludes None listed.	[Included under flood]. As per flood.	Includes loss or damage caused by lightning. Excludes nothing stated.	Includes damage caused by fire where there was a flame. Or caused by smoke from a bushfire, fire on your property or originating from your neighbours. Excludes damage caused by smoke where	Includes by theft or attempted theft. Excludes for Contents, only covered if the theft occurs from a fully enclosed and locked building on the site and where there is evidenced of forced entry. Generally	[Under impact] includes collision by any animal, except those kept at the site. Exclusions not listed.	Explosion Malicious acts Riot or civil commotion

Brand	Fusion*	Accidental (glass)	Liquid escape	Impact	Flood	Storm	Earthquake	Tsunami	Lightning	Fire	Theft/ burglary	By an animal	Other Listed Events
			which is evidence and which you fail to rectify.	animal, except those kept at the site. Excludes if tree lopping or felling is done by you or with your consent.	bridges, landscaping	or coatings caused by rain. Excl. gradual deterioration from rain, rain entering building due to poor maintenance or where openings were not closed, during construction work, or seeping through earth or fill against building.				there was no flame at the site. Scorching or melting where there was no flame. Or smoke damage as a result of controlled back burning.	excluded if caused by you or someone with your consent, from an unlocked MV, caravan or trailer except where kept in a locked garage on site.		
Woolworths *PDS 1 August 2017	*	Includes: replacing the following building-related items: . . . window glass and other fixed glass; and. shower screens, basins, baths and toilets. When your contents are insured, we will cover the cost of replacing contents-related items such as mirrors and fixed glass in furniture. We will also cover the cost of repairing or replacing the frame of the applicable window, door or shower screen if this is necessary to enable the glass to be replaced. Excludes Breakage of any glass unless the break extends through the entire thickness of the glass; the screen of a computer, television set or other type of visual display unit; glass vases, ornaments or hand-held mirrors; glass forming part of a stove top, cooking surface, heater or oven door; or. glass in a glasshouse, greenhouse or conservatory. . . . damage caused by the broken item (unless you have taken out Comprehensive cover	Bursting, leaking, discharge or overflow of water or liquids from pipes, taps, dishwashers, washing machines, baths, spas, sinks, toilets, basins, hot water systems, water tanks, refrigerators, air conditioners, roof gutters, rainwater downpipes, drainage and sewerage systems or aquariums at your home. Excludes The cost to repair the item from which the water leaked or escaped. Loss or damage caused by: the gradual seepage of water or other liquids; a leaking or faulty shower recess or base; and/or. an inadequate drainage system. We do not cover loss or damage to retaining and freestanding outdoor walls	Includes: caused by a falling tree, tree branch, power or communication pole, a motor vehicle or trailer, an aircraft or watercraft, debris falling from space, or a satellite dish, television or radio aerial which breaks or collapses. Excludes Loss or damage: caused by tree felling or tree lopping on the site; to driveways, paths, paving or underground services caused by a road vehicle, crane or earthmoving equipment. We do not cover the cost of: removing or lopping trees which have fallen but not damaged your home; or removing tree stumps.	Includes Storm rainwater and flood. Excludes Loss or damage: to plants, trees, artificial grass and lawns; to swimming pool covers, spa covers or plastic or vinyl swimming pool liners; to retaining and/or freestanding outdoor walls to fences and gates that are not structurally sound or well maintained; to loose surfaces of paths and driveways; involving cracking to paths, driveways or any outdoor surfaces; to a sporting surface or court; to external shade cloth and/or shade sails, unless professionally installed and less than 5 years old; caused by water entering your building due to building alterations, renovations or additions; caused by water that has seeped or percolated into your building; caused by gradual deterioration due to rainwater; or. caused to external paintwork if that is the only damage to that part of your building. We also do not pay for the cost of cleaning or removing mud or debris out of swimming pools and spas and replacing the water.		Earthquake, tsunami and volcanic eruption. Excludes Subsequent damage sustained after the first 72 hours of the initial earthquake.	Includes Lightning. Excludes none stated.	Includes Fire where there is a flame and explosion. Excludes Loss or damage: to a heat-resistant item such as a cooking appliance, dryer, heater or iron if it ignites; caused by any process involving the application of heat where there is no flame, including cigarette burn marks and scorch marks caused by an iron or radiator (unless you have taken out Comprehensive cover); caused by the ignition of any mineral spirit or dangerously flammable substance brought onto or quantities in breach of regulations	Includes theft. Excludes By someone who lives in your home, is at the site with your consent; that occurred when your home was not sufficiently furnished for normal living purposes; from multi-residency site where the theft occurred from common property, common or public area, or unenclosed car park or space.	*	Malicious damage. Riot, civil commotion or industrial unrest	

5 Industry views on price differences

This section reports the views of insurance companies and the ICA expressed in written responses to questions raised by the Insurance Monitor in relation to the standard profile quotations process during the course of the Public Inquiry held on 16 May 2017. The Insurance Monitor's question specifically about the implications of the standard profile data was Question 13. In some instances, responses to other questions are included, where the responses cross referenced that material in their answer.

A1. Allianz

9. What are the key drivers of competition in commercial and residential property insurance in Australia?

In Allianz's view, the key drivers of competition in commercial and residential property insurance in Australia include:

- supply of capital (capacity);
- shareholder requirements for growth and return on equity;
- risk appetite including accumulation management;
- cost of reinsurance;
- prudential regulation and legislation;
- composition of investments and investment returns;
- individual company growth strategies;
- cost of production: claims costs, claims handling expenses, claims inflation (this can extend to include revising or modifying products in response to changes in common law), expenses and cost of acquisition;
- product benefits;
- pricing capabilities and strategies e.g. loyalty discounts; and
- evaluation of individual risk characteristics.

The single largest component of the premium is claims cost. This claims cost is both volatile and uncertain. Insurers employ modelling techniques and historic data to estimate these costs.

13. Why are there large variations in the quotes given by insurance companies for standardized commercial and residential property insurance in NSW?

A competitive market will drive differences in price and product.

Each of the factors mentioned above in Question 9 (competition drivers) will impact each individual insurer to varying degrees and as such this can result in very different premium outcomes.

However the varying prices driven by the competitive market in insurance may be magnified due to the fact that the single largest component of the premium is claims cost and this claims cost is both volatile and uncertain. Insurers employ varying modelling techniques and their own historic loss experience to estimate these future costs. As a result, the view of the underlying risk could vary significantly from underwriter to underwriter.

In addition, premiums are set with specific reference to reinsurance costs, expenses, investment income and target return on equity. These factors will differ by insurer, further driving premium differences within the market.

A2. Commlnsure

13. Why are there large variations in the quotes given by insurance companies for standardized commercial and residential property insurance in NSW?

There are a number of factors that will drive quote variation, such as:

- an active and competitive market that provides customers a wide range of choice; and
- variation of data inputs, model assumptions and product benefits between insurers all contribute to a different view and approach to rating risk and ultimately price.

The inputs are based on a growing body of research (internal and external) to improve the understanding of risk at each individual address.

With the healthy level of competition in New South Wales (and across Australia) product differentiation exists and as a result there is not one standard product. Customers have the choice of the type and level of cover they require. For example, Commlnsure provides up to 125 per cent of the customers' sum insured in the event of a total loss of their home (i.e. if the cost of replacing, repairing or rebuilding exceeds the insured value on their certificate of insurance). This comes as standard for our customers but not all insurers have this product feature.

A3. Insurance Australia Group

Issues with comparing insurance policies on price alone

The ESL Monitor has used the wide price range from quotes obtained from various insurers to suggest there is a lack of competition in the general insurance market. However, we believe the quotes obtained by the ESL Monitor are not for standardised insurance and that there exist many reasons to explain price differences.

Although the quotes obtained by the Monitor use the same sum insured and excess (for commercial properties only) there are many differences in product features, excess levels (for residential properties) and other rating factors which are not standardised. As discussed below, these factors will drive differences in premium quotes for the same property.

- **Excess levels:** The Monitor has not specified what excess levels should be used for the residential property scenarios. This means that different excess levels might be used by the different brands providing quotes to the ESL Monitor. If so, this would have a significant impact on the premiums quoted. Without like for like excess levels, a comparison of residential property quotes between brands would not be appropriate.

- **Different products:** Even when the same sum insured and excess levels are used, there remain other differences in the actual insurance product being sold which drive differences in the premium quoted. Examples of product differences include:

- Specific claim exclusions and limitations
- Sum insured 'safety nets'
- Whether the product provides total replacement cover
- Whether sub-coverages such as fusion cover, accidental damage or temporary accommodation are a standard feature or optional extra
- Different limits for sub-coverages such as fusion, identify theft, accidental damage, temporary accommodation etc.
- Differences in the underlying view of risk: For the same property, each insurer will use its own risk model to estimate the likelihood of a claim and the estimated cost of the claim. Risk

estimates vary as they are driven by the size and accuracy of the insurer's historical policy/claims data and the sophistication of the underlying risk model. A different view of the underlying risk can drive a different final premium.

- Different customer service models: Each insurer will have its own customer service model. For example, some brands will provide customers with the ability to visit a branch, while others will only have a call centre and others may be completely digital. These differences in service models will drive differences in operating expenses and premiums.
- Different commercial objectives: Each insurer will have its own commercial objectives which will drive pricing decisions/strategies. For example, some insurers may want to grow aggressively in a particular area or in a particular customer segment; this can drive lower prices to attract new business. In other circumstances, some insurers may find that they have a 'concentration risk' from strong growth in a particular area which they need to manage as it no longer fits with their risk profile.

A4. QBE Insurance Group Limited

13. Why are there large variations in the quotes given by insurance companies for standardized commercial and residential property insurance in NSW?

Commercial and residential property insurance in NSW is not standardised. Insurers compete on product offerings that can differ significantly to attract and support the insurance requirements of particular segments or individual policyholders.

As such, our view is that large variations in the quotes given by insurance companies can be attributed to a variety of factors, including

- Commercial and residential property insurance policies are not standard across the industry, and terms and conditions vary between policies. For example – a policy from one insurer for a particular property may include flood coverage while a policy from another insurer may not, or a policy may offer full building replacement cost while another offers indemnity up to an agreed sum insured.
- Data is not common to all insurers. Therefore, different insurers will form different conclusions as to the underlying risk premiums. Again – for example, as there is no centrally kept flood risk database, flood coverage and pricing based on different underlying data sets and experience will vary between insurers.
- Insurers have different operating cost and commission structures, reinsurance structures and costs, market strategies, and risk appetites.
- An insurer's experience and exposure will vary across the state (as well as the country) leading to different risk-based pricing.
- The high level of competition in the residential market has led to the development and utilisation of sophisticated and diverse multi-variate rating algorithms to price risk. The interplay of the large number of insurers in the Australian market, each at different stages of pricing technology development, combined with the large number of risk factors (which can be upwards of 20) means pricing between insurers will vary, including sometimes with some outliers in price.

Such variations in QIA's view indicates that there is healthy competition in the market and enables policyholders to obtain insurance coverage that addresses their specific requirements.

A5. Suncorp

Pricing insurance premiums

The price of insurance premium is calculated by adding together:

- our expected claims cost (both working perils and retained natural hazards);
- our expected claims handling costs;
- our expected expenses (both fixed and variable);
- our reinsurance costs; and,
- our target profit.

Expected claims costs are impacted by several external factors such as: general inflation, wage inflation, Australian dollar fluctuations, building costs and goods and services.

Our Premium, Excesses, Discounts and Claims Guides (PED) describe how we price our policies. The extract below is from a GIO residential property PED.5 [<https://www.gio.com.au/documents/home-and-contents/home/gio-home-contents-insurance-ped.pdf>]

For the same property, quotes often vary between insurers. There can be many reasons why this occurs, including:

- different product and feature offerings (e.g. in most of Suncorp's brands we underwrite flood, for AAMI we offer Complete Replacement Cover in residential property to help customers manage potential underinsurance issues);
- different excess structures;
- different sales channels (with different service offerings);
- different expense structures;
- different risk appetites & underwriting;
- different marketing promotions at different points in time;
- various claims services and handling processes/costs;
- unique reinsurance programs; and
- different ROE (return on equity) targets for the insurer.

Varying product features, service levels and views of risk drive a wide spread of premiums in [the] market. This suggests a very competitive and dynamic market providing customers with many options and choices.

A6. Insurance Council of Australia

Emergency Services Levy Insurance Monitor's Survey on Home Insurance Premiums

The Insurance Council notes that the Issues Paper canvasses a survey conducted by the Emergency Services Levy Insurance Monitor's Office to track differences in the price of home insurance for a number of homes in certain suburbs in New South Wales. Based on the differences in observed premiums, the Issues Paper suggests that competition in the home insurance market is not truly competitive, efficient and effective. We consider that this suggestion is potentially misleading as it does not adequately take into account the different underwriting criteria and risk appetites of different insurers competing in the market.

For instance, different insurers may not offer identical policies with identical levels of coverage for each and every insured risk. In some circumstances, an insurer may not provide cover in a policy for a certain risk (or number of risks), if it believes the risk exposure would be too high. Additionally, a

relatively higher premium for a certain policy may indicate that the insurer is approaching (or has reached) its capacity limit for the insured risks under that type of policy over a given period.

Indeed, the fact that so many insurers are prepared to offer products across those diverse areas of NSW indicates that there is a robust level of competition, not the opposite.

6 Monitors views on price differences

If adjustments could be made to standardise all product attributes discussed in this paper, it is likely that there will remain substantial differences in insurer quotations.

The costs of supplying insurance products will vary significantly between insurers. Calculations of risk and other per product costs will be influenced by many variables it is not possible, or appropriate, to standardise for.

If insurers were to set their prices just on the basis of their costs, this would suggest that there may be significant price variability in the market. However, in a competitive market where consumers were well informed about the products available and their suppliers, substantial price differences to the degree observed by the Insurance Monitor are unlikely to be sustainable over time, absent substantial differences in consumer valuation of the products.

An insurer with significant market power, the antithesis of effective competition, may however be able to sustain higher than average premiums. This might arise if the insurer had significant brand recognition and loyalty, for example.

Prices that are higher than competitive levels might also be sustainable if consumers are relatively uniformed about the characteristics of the products being supplied and other important aspects of supplier performance, such as claims pay out performance.

There are, however, a number of barriers to consumers switching readily between insurance products, for example:

- switching can take quite a bit of time and effort
- some insurers have a disincentive to help consumers switch and
- consumers may have a preference to stick with the status quo.

Limited consumer switching behaviour may be exacerbated by the effects of branding and insurer's product differentiation and market segmentation strategies that limit consumers' ability to meaningfully compare cover between brands or between product levels.

Branding can create the impression that there is much more competition than actually exists. In addition, the general insurance market lacks meaningful publicly available customer service metrics. Such metrics may enable customers to identify and differentiate between brands or cover options in relation to their respective customer service outcomes. Or, for example, to ascertain whether there are any differences that consumers experience between the cover they thought they had and the cover they actually had (in the event of a claim). This contributes to the information asymmetry between consumers and insurers.