



ASIC

Australian Securities & Investments Commission

REPORT 416

Insuring your home: Consumers' experiences buying home insurance

October 2014

About this report

This report was commissioned by ASIC and produced by Susan Bell Research.

It sets out the results of research into consumers' experiences buying home insurance, and how this experience might affect the adequacy of consumers' insurance cover.

Insuring your home: Consumers' experiences buying home insurance

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Executive summary, key findings and recommendations

Executive summary

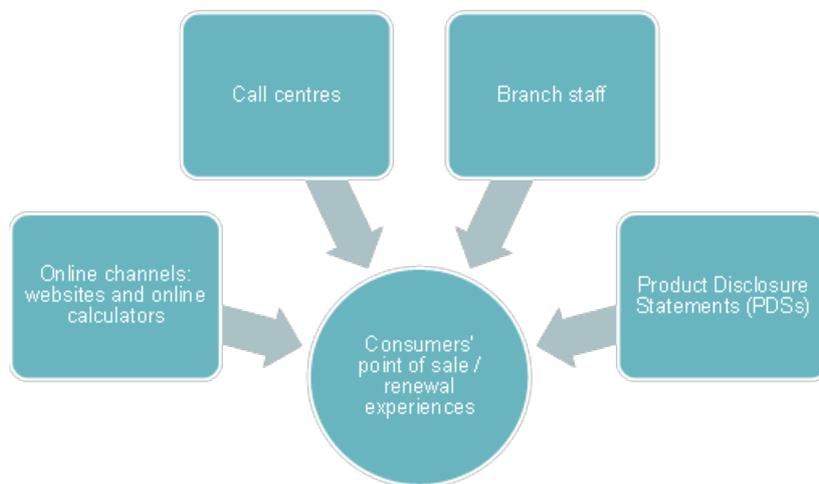
The purpose of this report

The purpose of this report is to describe how consumers' experiences with the home insurance enquiry and sales channels potentially affected the adequacy of their home building and contents cover.

The context for this research was a series of large-scale natural disasters which occurred in Australia, such as the serious bush fires in Victoria in 2009, and the Queensland floods in 2011. These disasters exposed a serious community problem: that some people whose homes were damaged or destroyed were not adequately insured. Some had not insured their building or contents sufficiently to cover their replacement, while some victims of the floods had policies which excluded or limited flood cover. This leads to larger questions: are Australian homes in general well-insured, and if not, why is that the case?

Questions about adequacy of cover then lead to further questions about how the enquiry and sales channels provided by the home insurance industry helped consumers make good decisions about their home insurance. The diagram below identifies the channels of interest.

Figure 1: The enquiry and sales channels used by consumers



The Australian Securities and Investments Commission (ASIC) has published several reports on the issue of underinsurance over several years.¹ These reports raised questions about the adequacy of disclosure for home insurance,² and made recommendations about the availability of products and the terminology used by the industry. Past recommendations covered such topics as product availability

¹ Report 54 *Getting home insurance right—A report on home building underinsurance*, September 2005 (REP 54); and Report 89 *Making home insurance better*, January 2007 (REP 89).

² 'Home insurance' means stand-alone home building insurance as well as combined home and contents insurance.

and access to reliable tools to calculate the sum insured. To date this analysis has not focussed on consumers' experiences when they chose their policy provider and their cover – for example, what factors during this process might have impacted how adequately consumers were insured?

ASIC therefore commissioned Susan Bell Research to conduct research into consumers' experiences when buying insurance for their home. The aim of the research was to explore the adequacy of the resources and information provided by insurers to consumers when buying or renewing home insurance.

The research objectives

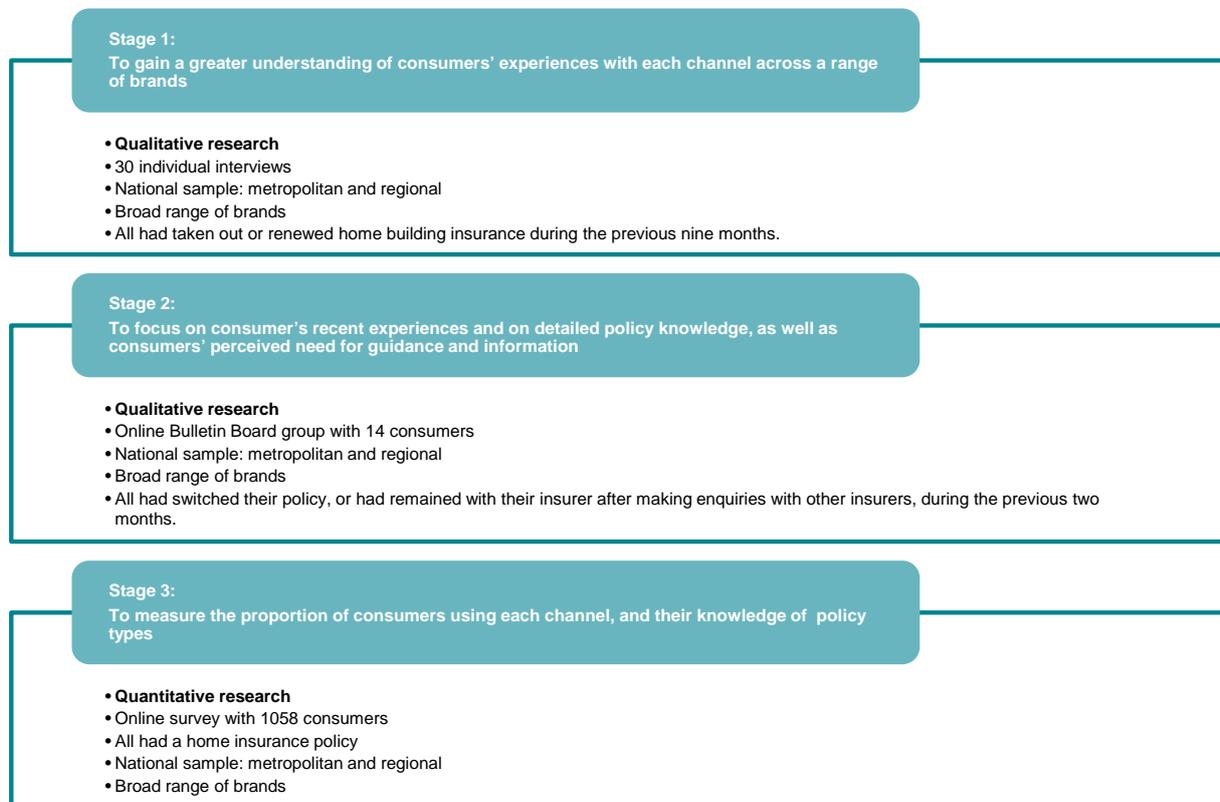
The specific issues covered in the research are shown below.

	<p>How much did consumers know about home insurance?</p>	<p>What did consumers know about their policy and how had they learned this?</p> <p>For example, Did did they know for example what the policy's limits and exclusions were?</p>
	<p>Why did consumers enquire about home insurance policies?</p>	<p>What triggered consumers to seek quotes or information about a home insurance policy?</p> <p>How did this initial trigger frame their search and evaluation behaviour?</p>
	<p>How did consumers select insurers to contact?</p>	<p>What strategies did consumers use for selecting insurers to seek quotes or information from?</p> <p>What information did they use when comparing insurers?</p>
	<p>Consumers' experiences with the enquiry and sales channels</p>	<p>Why did consumers use the online, phone or branch channels?</p> <p>How successful were consumers in gaining the information they needed in each case?</p>
	<p>Deciding the value of the building and contents</p>	<p>What factors did consumers take into account when choosing a sum insured, total replacement or extended cover policy?</p> <p>How did they estimate a sum insured for their building and/or contents?</p>
	<p>Beyond disclosure: what would help consumers?</p>	<p>What, if any, advice or guidance did consumers feel they needed? What level of advice did they want?</p> <p>Beyond disclosure, what else would assist consumers to make good decisions for the long term as well as the short term?</p>

How the research was conducted

Susan Bell Research conducted the research in three stages, as shown in the diagram below.

Figure 2: Three stages of research



The first two stages of qualitative research were conducted with consumers who had made enquiries with insurers in 2013 about home insurance; whether that was to take out a policy for the first time, or to renew or switch their policy. These enquiries were about a building insurance policy only, or a combined building and contents policy. Quantitative research was then conducted with consumers who had a home insurance policy. The full details of the research methodology and the sample are in Appendix A.

All the research was conducted in 2013 and 2014 in accordance with AS/NZS ISO 20252, the Standard for Market and Social Research.

Key insights from the research

Overview of the consumer experience

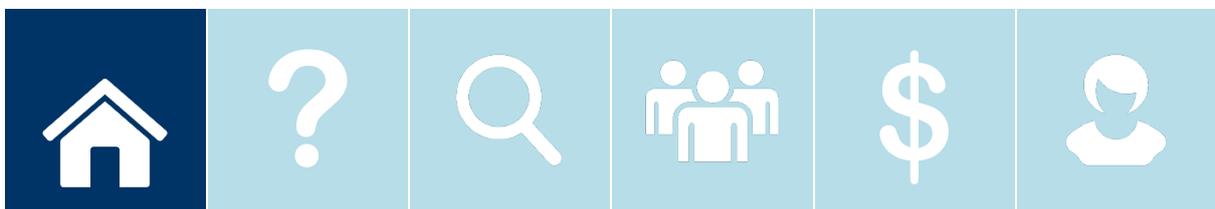
When the enquiry and sales processes for home insurance worked effectively, they required consumers to think both in 'micro' terms about home building policies – such as whether the policies covered very specific features of their building – and in 'macro' terms, such as the value of the building.

Consumers were challenged to consider tangible risks – such as the presence of trees near their house and intangible risks such as gauging their proximity to a future bush fire. They found that they needed to think both about the short-term implications of a premium increase or decrease on their household budget and the long-term implications if their house was destroyed. These potentially complex decisions required consumers to think intensively and accurately about the future.

The main trigger for making these enquiries, and in many cases the main evaluation criterion used, was the more immediate issue of the price of the premium. Increased premiums from some established insurers, and premium-focused marketing by new entrants prompted consumers to seek cheaper policies. At the same time, consumers also wanted their policy selection process to take as little time as possible.

Inevitably, then, consumers made trade-offs during the enquiry and sales process, some trading off accuracy for speed, and some trading off longer-term needs for short-term needs. The complexity of the process also encouraged some consumers to use shortcuts in their thinking. Some use of shortcuts had a potentially detrimental effect on the quality of the decision the consumers made.

Overall, the industry's enquiry and sales channels for home insurance helped some consumers gain information about and then purchase a home insurance policy. However, the channels did not help consumers accurately value their building and contents in order to choose an appropriate sum insured.



How much did consumers know about home insurance?

In general, consumers knew very little about the details of their home insurance policy

Ideally, a consumer would first identify all the home insurance policies which provide the right cover for the style and value of their building and contents and then choose the policy with the premium that suits them best. The research showed that this rarely happened,

One of the main reasons for this was that some consumers did not know that home insurance policies differed. Their assumption that policies were the same meant that they asked few questions about their policy. It also meant that they thought there was no need to read the PDS. Accordingly, these consumers knew very little about their policy. For example, unless their insurer specifically told them otherwise, these consumers did not find out that policies can have different payment caps and limits and definitions of key terms.

In contrast, other consumers did know that policies differed, but in most cases, this knowledge was restricted to the idea that some policies had different exclusions to others. Even among these more knowledgeable consumers, there was generally much lower awareness that policies differed in their cover, unless the consumer had made a relevant claim or knew someone who had. Knowledge of optional covers such as 'extended cover' and 'safety net' cover was generally low, and these were sometimes thought of as unnecessary features.

How did some consumers know more than others about their policy? In most cases, consumers had gained this knowledge because of events that had affected them. Some had heightened awareness because they lived in a zone which they knew to be designated a flood or fire risk. Some had previously made a claim or knew someone who had which motivated them to enquire about cover for specific features. A few had acquired the knowledge when call centre staff asked some questions about their property during the enquiry and sales process, for example about how close large trees were to their property. Some insurers' staff answered questions when asked. However, one insurer in particular did not answer questions, simply telling the consumers who asked questions to read the PDS.

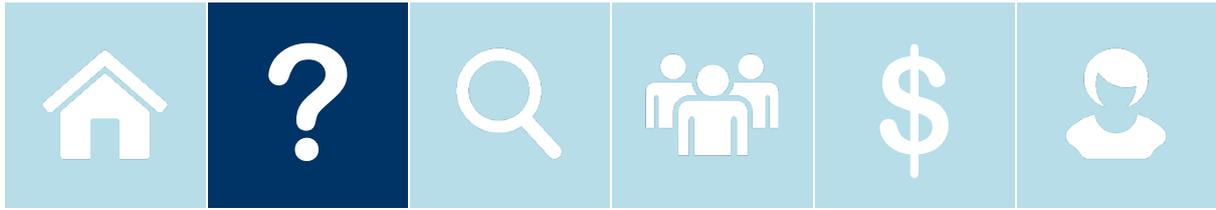
Most knew about the flood exclusion

Because of the widespread publicity about the Queensland floods, regardless of where they lived most consumers seemed to know whether or not their policy excluded flood. Many consumers wanted to have flood cover excluded to reduce the premium, based on the low risk at their location (for instance, living at the top of a hill). Some lived in flood-prone zones and checked to see whether they were covered. Similarly, some consumers who lived in fire-prone zones had checked exclusions about fire.

Consumers were more likely to think about their risk of flood (generally considered to be low), than they were to think about storm damage, even though the latter might be more prevalent. This suggests the influence of the 'availability heuristic',³ a mental short cut that some people use automatically as they focus on things which come more readily to mind because they occurred more recently or were encoded more vividly.

Knowledge of home insurance policies appeared uneven, with more knowledge about flood and fire exclusions, and previous claim experiences having a strong influence on how specific features were more closely reviewed.

³ Fiske, S. and Taylor, S.K., *Social cognition: From brains to culture*. Second edition. Sage Publications Ltd, 2013.



What triggered consumers to enquire about home insurance policies?

The price of premiums was the main reason for enquiring and this focus limited the information that consumers sought about policy terms

The main reason why consumers with an existing home insurance policy considered switching policies was the price of the premium. These consumers' premiums had increased, sometimes for the second or third year in a row. At the same time consumers had their attention drawn to price through advertising by new entrants to the market. Price was also a factor for consumers taking out their first policy.

When they used the industry's enquiry and sales channels, some consumers focussed only on price, expecting the information search and quote process to be little more than a quick and easy comparison of premiums offered by different insurers. Others evaluated different policies on other criteria in addition to price, although these weren't necessarily specific to the policy itself – for example, the perceived size and stability of the insurer, their reputation, or their own personal experiences with that insurer.

What impact did this focus on price have on the way that consumers made their decision? Lower premiums helped save consumers money in the short term. However, the focus on price can come at a cost. Psychologists use the concept of 'schema' or 'cognitive frame' to describe a person's persistent pattern of thinking which influences how they perceive an issue or a problem. This research showed that consumers use price as a cognitive frame which influences the way they conceptualise their search, in turn limiting the information they then seek from insurers and the criteria they use to evaluate their quotes.

Consumers' focus on price to the exclusion of other features could have led them to take a short-cut when choosing between complex products, discouraging them from discovering that the policies were not in fact comparable.

Price-motivated consumers chose the known over the unknown. They knew that a premium reduction was achievable; they did not know that choosing a policy based on a policy feature might be useful or even necessary to them in the future.



How did consumers select insurers to contact, and how did they compare them?

Consumers who knew the most about insurance selected their insurer based on a limited set of features of the policy; consumers with little or no product knowledge selected on price

Some consumers spent a considerable amount of time and effort choosing a policy. It was not unusual for such consumers to spend an hour or so online obtaining quotes from different insurers, and then phone a number of insurers, spending between 15 and 60 minutes talking to each insurer about specific features of their property or contents. Even without reading the PDSs (which some did), a consumer could spend an entire day on this task. Some said they did this every year.

In contrast, other consumers spent much less time. Some only compared two insurers – their existing insurer, using their renewal certificate, and one other. Some even faxed their renewal certificate to the other insurer to have a quote prepared using the same sum insured and excess as their existing policy.

One of the reasons why some consumers evaluated only two insurers was their focus on price. They had learnt about the other insurer through advertising, or because they had other policies with that insurer.

Another reason why some consumers only compared two insurers was because they believed that all policies were basically the same.

Some deliberately set out to avoid this comparison work, which they considered ‘arduous’. The selection task can be arduous because home insurance policies can differ in unpredictable ways. Psychologists who have studied cognition suggest that when a search process like this gets too hard – because of the number of options to compare for example – consumers will make the decision in a way that places the least load on their cognitive and time resources.⁴

Lack of context makes it difficult for consumers trying to understand the information provided by insurers. Consumers are effectively expected to understand the likely future implications of the presence or absence of listed policy features. These features really only become meaningful when the event has occurred. This is called the ‘context effect’ and is one of the cognitive biases referred to earlier.

The current disclosure system operates on the presumption that consumers with little or no knowledge will recognise the need to adopt a search and information gathering strategy, during which they compare detailed PDSs. The research has shown that this is a false assumption.

⁴ Ibid.



What were consumers' experiences with the enquiry and sales channels?

Consumers used the online channel for speed; they used the phone channel 'to talk to a human' because consumers wanted to consult the insurer or to have their online quote clarified or verified

Consumers contacted insurers for quotes or information online, by phone and face to face. Many consumers used more than one of these channels, with one particularly popular strategy being to go online first and then to phone selected insurers to have the quote validated or to have information clarified.

The online channel was the channel used by most consumers, but it was common practice for consumers to go online first and then phone the call centre to verify their quote or to ask for additional information. Online access was chosen for its speed and convenience, with each quote taking a few minutes to complete. At this point in the process, consumers were effectively collecting prices from each insurer, sometimes just submitting guessed information to the quote calculators. They were not yet inclined to find the PDS and read the details of every policy, though a small number did do this.

Using a comparison website would speed up this part of the process. Some consumers were able to find a comparison website to use, though many said that they were unable to find one.

Consumers used the phone 'to talk to a human' because they wanted to consult, clarify or verify. In some cases, the consumer was able to do this by asking the call centre operator questions about the policy. Some insurers did what consumers called 'tailoring', which was to ask a great many questions of the consumer, in one case asking them to obtain a tape measure to measure the length of the house. In another, the staff member looked at the property on the Google Maps website during the call, and emphasised to the consumer the proximity of trees to the property. Several consumers said that they found this process too lengthy, but also useful in that it made them think about their risk.

However, other insurers' staff simply went through the same quote the consumer had completed online, with little opportunity for the consumer to ask questions, before playing a recording of the 'terms and conditions'.

Some consumers used the phone as their only or second stage, simply to make sure that their payment went through successfully. It was effectively a transaction channel for them. Others however, used the phone channel as an enquiry channel. Consumers who used the phone as the final stage in their information-gathering process after obtaining quotes online would perhaps have made better decisions if they had access to policy feature information at this stage.

Did consumers use the PDS as part of this enquiry process? Consumers who only got quotes by phone had to wait for the PDS to be posted to them (which a few did) or go back to the website to download it, or make their decision without the PDS. Making a decision without the PDS was the option most defaulted to. Some consumers had only one question to ask, so did not want an entire PDS. Some consumers were by then emotionally committed to that product so did not want to 'waste

their time' reading about it. While the consumers interviewed knew of the cooling off period, they were reluctant to start their search process all over again.

Having downloadable PDSs available online is useful, but given their length, it is unrealistic to assume that most consumers would read them at an early stage in the process – though some might find a shorter version useful at this point. Providing a key facts sheet at this stage should assist.

The insurers varied in the design of their enquiry and sales channels, with some oriented more to a speedy process and others to a more consultative approach.



What factors did consumers take into account when selecting a sum insured, extended cover or total replacement policy? How did consumers estimate an insured value of their building and contents?

Most consumers preferred sum insured policies over total replacement policies.

As described throughout this report, consumers experienced some difficulties with sum insured policies. Despite this, consumers in this research generally stated a preference for sum insured policies over total replacement policies, about which they knew little.

The language of home insurance does not help consumers insure their buildings adequately. Those who did not have a total replacement policy assumed that their own sum insured policy would 'totally replace' their home if it was destroyed. Therefore, while 'total replacement' policies overcome the problem of having to select a sum insured amount, this research suggests that consumers need to know much more about such policies before they are likely to choose them.

Some consumers used the language of motor vehicle insurance and contents insurance when thinking about building insurance, talking about 'agreed value' and 'new for old' policies'. They struggled to understand a total replacement policy, which required them to pay a premium for their building without knowing what its 'agreed value' was. Consumers need to be reassured that the insurer will in fact 'totally replace' the home.

Motor vehicle insurance is not a good model for thinking about home insurance, because vehicles typically decrease in value, while home values increase as rebuilding costs increase. The 'agreed value' of a car is often based on its resale value, while a home needs to be insured based on what it will cost to rebuild. This may be one of the reasons why consumers in the research made some poor decisions about home insurance, because they had not understood that insuring a home requires a different type of thinking compared with insuring a motor vehicle.

Stated preference for sum insured policies may be a function of the 'status quo' bias, in which people resist change because they are emotionally reassured by the status quo. In practice, as time-poor

consumers made rapid decisions about policies, there was simply not enough time to consider the benefits.

Most ‘guessed’ the cost to rebuild

This research has shown that there is little shared understanding between consumers and the industry as to what rebuilding costs might be. Many consumers interviewed thought that they would not really know those costs until they made a claim, because that is the point at which these costs can be assessed. In the absence of accurate information, consumers therefore performed their sum insured calculations using an unreliable heuristic: some used market value as their guide to choosing a sum insured amount, some used the original value, while some estimated rebuilding costs based on their own family and friends doing the rebuilding. Some thought they would be able to cope easily with any shortfall.

Some consumers used online calculators to help them choose a sum insured but the criteria used by these calculators were not transparent. When they discovered that the calculator suggested an amount much higher than their usual sum insured, consumers experienced considerable dissonance,⁵ because accepting the suggested value meant increasing their premium. The tendency was to resolve this dissonance by distrusting the insurer, assuming that the higher amount was a deliberate sales ploy by the insurer to push up the premium, rather than an accurate reflection of current re-building costs. Consumers who tried more than one calculator discovered that the calculators varied in the value they calculated. These consumers therefore lacked confidence in the suggested amounts.

The consumers who paid the least attention when choosing a sum insured amount typically also believed that they were not at risk

Some consumers considered it as so unlikely that they would ever need to claim on their building insurance that they gave very little thought to deciding on the sum insured for their building. This perception can be explained in a number of different ways:

‘It won’t happen to me’: Consumers seemed to be in denial about the risk of their home being destroyed. If they thought about risk at all, they tended to think about the large-scale disasters that can happen to ‘other people’ who live in riskier locations and/or about specific possessions which could be stolen, or building features which could be damaged. These consumers were happy just to guess how much to insure their building for, not worrying that it would be inaccurate because they did not expect to have their whole home destroyed.

Some consumers had only insured their contents to the value of the items that they thought would most likely be stolen. That is, they calculated the value of contents as the total of the ‘likely to be stolen’ items, so included their phones and computers, but not their fridge or lounge chairs. In the event of a storm or fire, it may be these bulkier items which are at higher risk of being damaged. But some consumers disregarded this risk because they seemed to believe that a storm or fire was less likely to occur than a burglary.

Researchers in disaster management use the term ‘normalcy bias’⁶ to describe the thinking of people who refuse to plan for a disaster that has never happened before, because it hasn’t happened before. This is a form of cognitive dissonance⁷ which explains how consumers can disregard information from insurers and the media which is contrary to their belief that the event will not happen to them. A more powerful way to communicate this idea may be through the ‘real stories’ of people who unexpectedly lost their home.

⁵ Or mental stress or discomfort from being confronted by new information that conflicts with existing beliefs.

⁶ Gutteling, J. M. and Wiegman, O. *Exploring risk communication*. Springer Science & Business Media, 1996, page 114.

⁷ See footnote 5.

A similar form of optimism was seen in some consumers' assumptions that if a disaster did happen, their friends and family would rebuild their house 'at mates' rates'. Similarly, others took the view that they would 'cope' even if under-insured. To some degree, consumers received positive affirmation from the idea of coping, so they were emotionally satisfied with the amount they had chosen. Social cognition research asserts that it is normal for people to predict their future actions in this way.⁸

Assessing risk is difficult

Home insurance covers many risks, from flood and fire to storm or theft. The research showed that consumers found it difficult to assess their exposure to each of these risks.

Risks can be assessed in terms of their probability and their magnitude. Most consumers in this study focussed on the probability of events occurring rather than the magnitude. When thinking about probability, their language suggested that they were making simplistic assessments of a complex issue, as they said that they 'were' or 'were not' at risk based on whether they lived in a 'flood zone' or 'in a bushfire zone'.

The academic literature supports this, suggesting that the ability to predict such risks means that an individual must hold in short term memory: recollection of several previous insurable events, an imagined situation involving their own home for all such events, and some kind of causal reasoning in which the consumer would judge (for example) that if the river flooded their house, it would be inundated to a certain level.⁹ When attempting this, many focused on the risk that was more 'available'¹⁰ in memory because it was more recent, or the event was encoded more vividly. In this way, consumers were more likely to think about their risk of flood (generally considered low), than they were to think about storm damage, even though the latter might be more prevalent.

Some consumers lacked critical policy knowledge

Lack of policy knowledge was also a problem. Only a small number of consumers appeared to know that buildings can cost more to repair or replace after a major disaster. Only a few knew about the possibility of changes to building codes which may increase rebuilding costs. This may be linked to the timing and format of current disclosure and sales processes which do not focus on these matters.

⁸ 'Decisions about distant future events are more likely to be made on the basis of how desirable they are, whereas decisions about activities in the near future are more likely to be based on how feasible they are.' Fiske, S. and Taylor, S.K., *Social cognition: From brains to culture*. Second edition. Sage Publications Ltd, 2013. p 201.

⁹ Fiske, S. and Taylor, S.K., *Social cognition: From brains to culture*. Second edition. Sage Publications Ltd, 2013.

¹⁰ The 'availability heuristic' is a cognitive bias that some consumers seem to have used when considering the risk of an event for which they might need to claim. See also Fiske, S. and Taylor, S.K., *Social cognition: From brains to culture*. Second edition. Sage Publications Ltd, 2013.



Beyond disclosure: what would help consumers?

Consumers need help to make better decisions

Some consumers paid more attention to their premium than to the cost to rebuild their insured building. Some defaulted to the idea that all the policies were the same, so thought there was no need to compare policy features. Choosing a 'sum insured' was hard because to do so meant thinking in a tangible way, rather than in generalised abstract terms, about how the building might be damaged, when and why this might occur, and how much it would cost to rebuild. Some consumers took a shortcut through product complexity by making decisions only on price and brand familiarity.

All these occurred because thinking vividly and accurately about the future is hard. Instead, time-poor consumers automatically adopted some of the mental heuristics or shortcuts that are a natural part of human cognition and were therefore prone to innate biases when thinking about probability and risk.

The conclusion drawn from this research is that consumers need to be informed, motivated and guided about their policies so that they can make decisions tailored to their own needs. Rebuilding costs and the implications for valuing the building seem to be two areas where insurers have information they could share with consumers as general guidelines, not necessarily personal advice.

Consumers need help to inform themselves better, including at the right time. Helping consumers to ask questions about the particulars of their property is one way to do this, as is a staged form of disclosure, such as use of key facts sheets rather than the 'all or nothing' approach to disclosure.

Consumers also need to better understand key risks that may apply to them. The current disclosure system effectively prioritises product information over risk assessment. Consumers need more balanced and tangible information about risk and more guidance on how to assess their own risk. For example have they considered the effects of an electrical fire? Could a storm cause a tree to damage their home? 'Real stories' of consumers unprepared for, but affected by events like fires and storms might be useful.

If consumers have been lax with their sum insured calculation because they expected to rely on their friends or because they thought they would be able to 'cope' in the event of a loss, they will need motivation as well as information. One possible solution is to help consumers realise what impact any shortfall in their sum insured would have on their ability to achieve their other financial goals.

Wider availability of total replacement policies and extended cover policies may benefit consumers. However, consumers will need guidance in how and why to select these policy types to avoid further confusion. If consumers are to choose between a total replacement policy, a sum insured policy and an extended cover policy, they need to understand why the premiums differ. Otherwise, they may simply choose between them on price or brand reputation.

Given the nature of the findings, behavioural economics principles and research may be particularly useful in assessing the different tools and responses available to achieve better outcomes, and enabling some possible strategies to be tested.

Thinking vividly and accurately about the future is hard. Instead, time-poor consumers automatically adopted some of the mental shortcuts that are a natural part of human cognition and were prone to innate biases when thinking about probability and risk.

The conclusion that we draw from this research is that consumers need some form of assistance to help them make better decisions, beyond simply providing PDSs to consumers.

The next section identifies some specific recommendations arising from these findings.

Recommendations

Key information that should be provided to consumers

Consumers should be provided with these key messages:

- 1.** Recognise that home insurance policies vary in significant ways which can generally only be discovered by asking questions of the insurer and/or reading the PDS.
- 2.** Avoid assessing risk simply as a guess about how likely a disastrous event might be. Also assess the impact of the event, however unlikely its occurrence may seem
- 3.** Base the sum insured of the home building on how much it will cost professional tradespeople to rebuild, even if it seems unlikely that it could ever be damaged to that extent.
- 4.** Use home building insurance calculators to help calculate the likely cost to rebuild. If the value is higher than expected, discuss the reasons for this with the insurer.
- 5.** Depending on the policy, you may need to include in the sum insured the cost of debris removal and temporary accommodation costs, and take up to date building costs into account.
- 6.** Consider how any under-insurance shortfall will affect other long-term goals, even though they may be able to cope in the short term.
- 7.** Check the payment caps and limits on the policy, even for everyday items.
- 8.** Recognise that some homes are more likely to be affected by a storm than a fire or flood, regardless of location.
- 9.** Be aware that an insurer may deny a claim in full or in part, for a building that was in poor condition.
- 10.** Talk to friends and family about their home building claims. They may have discovered policy features (e.g. exclusions) that others should know about.
- 11.** Take photos of contents and any receipts and store them so they can be located if the home is damaged or destroyed.
- 12.** Use the resources and the information provided on ASIC's MoneySmart website and the Insurance Council of Australia's website [Understand Insurance](#).
- 13.** Check with the local Council about the zoning risks of natural disasters and how the building codes would impact on rebuild costs.

Sales process improvements

Industry could work with regulators and government with input from consumer groups and appropriate consumer testing to implement the following suggested proposals.

1. Consider a staged approach to disclosure, rather than the 'all or nothing' approach that currently exists. Some information could be provided as individual fact sheets to provide basic-level disclosure (for instance, a key facts sheet). Fact sheets should be tested with consumers to make sure that they understand them.
2. Provide balanced disclosure to ensure that consumers consider both the long term and the short term consequences of their decision.
3. Ensure adequate disclosure by call centre staff. It is risky to assume that consumers will have seen policy information before their call to the call centre, and unwise to assume that consumers are already well-informed about insurance.
4. Provide information to consumers to help them choose a policy tailored to their needs; for instance providing general guidelines about rebuilding costs and the implications of valuing a building, and helping consumers to ask questions about the details of their property.
5. Consider making available independent and trustworthy comparison websites.
6. Consider whether consumers need a more obvious warning when they select their sum insured that the insurer will only authorise rebuilding to the sum insured available. This might help overcome some consumers' scepticism that an insurer's suggestion to increase the sum insured is a sales ploy to increase the premium.
7. Consider making available a building sum insured calculator on an independent website that includes an explanation about how the value was calculated. Consider including educational material which would help consumers understand why two different calculators could result in different values.
8. Tell consumers that there are caps and limits on some quite common items like game software and DVDs.

Wider industry innovations

Use of terminology

1. Consider a standardised classification system for home building policies so that consumers know when they are evaluating similar policies. In such a system, 'A' level policies would have certain features and exclusions; 'B' level would have fewer features or more exclusions, and so on.
2. Consider whether some common features could have standard definitions as default. This would help to compare policy coverage.
3. Provide short summaries of the product features in a prominent location on insurers' websites and make readily accessible in the quote system (the key fact sheet could be used for this).
4. Consider using a new term to describe total replacement policies.

Other areas for innovation

1. Educate consumers about total replacement policies by explaining the pros and cons, compared to sum insured policies. Explain what happens when a claim is made for a destroyed

building and why the sum insured may be insufficient. Recommend or promote total or extended replacement policies.

- 2.** Share knowledge with consumers about rebuilding costs and the implications of building codes. If the suggested sum insured amount has taken into account materials required by new building codes, use this as an opportunity to educate the consumer about these codes.
- 3.** Inform consumers who have a low sum insured for their neighbourhood, or who have not increased their sum insured for many years that they have not kept up with changes in their area, and to reconsider their sum insured. Use rebuilding costs as an example to help allay a consumer's fears that this is just a sales ploy, as one danger the insurer faces is that a suggested premium increase could prompt the consumer to seek alternative quotes.

Background and methodology

Background to the report

About this report

In recent years, Australia has experienced several large-scale natural disasters, such as the Queensland floods in 2011, and serious bushfires across the country, which have damaged or destroyed many homes. The Insurance Council of Australia reported that the original cost of the 2011 floods in Queensland (Toowoomba and Lockyer Valley) was \$2.39 billion and the 2009 Victorian bushfires cost \$1.07 billion.¹¹

These natural disasters have placed the spotlight both on the insurance industry and on consumers' insurance arrangements, specifically, whether Australian consumers are sufficiently insured to cope with such disasters.

Several government reports have assessed the prevalence and potential causes of under-insurance. These reports have suggested that consumers may not understand how to value their building or perhaps did not increase the insured value each year, or that some consumers may have decided not to insure their building fully.

Concerns have also been expressed about whether consumers understood their cover, as some consumers whose homes were flooded were unaware that they did not have flood cover. Following government reviews, a standard definition of flood cover for home and contents insurance policies was introduced. A key fact sheet requirement was also introduced, and will take effect from November 9 2014. The intent of the key fact sheet is to allow consumers to quickly and easily check the basic terms of the insurance policy, including the nature of cover and key exclusions. The key fact sheet will also help consumers to compare the features of various insurance policies and select appropriate insurance products for their needs.¹²

Product Disclosure Statements (PDSs) contain the detailed policy terms. Information, guidance and disclosure provided during a phone, branch or online sale also play a very important role in consumers' understanding of their policy.

This report describes the results of consumer research conducted into consumers' experiences when purchasing or renewing home insurance, including access to and understanding these forms of disclosure.

¹¹ Insurance Council of Australia, *Historical Disaster Statistics*, <http://www.insurancecouncil.com.au/industry-statistics-data/disaster-statistics/historical-disaster-statistics>.

¹² Australian Government Treasury. *Key facts sheet for home building and home contents insurance policies*. Discussion paper. 29 February 2012.

About home insurance

Consumers who have home insurance policies

This research focusses on consumers who took out a new policy or renewed a policy during 2013. During the period, 1st July 2012 to 30 June 2013,¹³ the Financial Ombudsman Service reports that

- 10,678,908 home insurance policies¹⁴ were held
- home insurance resulted in 21% of all claims, and
- 42,341 (or 5.5%) of home insurance claims were declined.

The following percentage changes¹⁵ in home building insurance statistics also provide a useful context for this report:

- Average premiums have risen by 8.13% (for the year to June 2014), 27.55% (for the two years to June 2014) and 96.71% (for the five years to June 2014)
- The average claim size has risen by 7.53% (for the year to June 2014), 25% (for the two years to June 2014) and 0.73% (for the five years to June 2014), and
- The average claim frequency has decreased by 20.25% (for the year to June 2014), 28.87% (for the two years to June 2014) and 26.05% (for the five years to June 2014).

Types of home insurance policies available

Consumers wishing to insure their home can choose to insure their building only, or to take out a combined building and contents cover.

To insure their building, there are three main types of building insurance for consumers to choose from:

¹³ Financial Ombudsman Service Limited, *General Insurance Code of Practice: Overview of the Year 2012 to 2013*, April 2014 (most current figures as at date of publication).

¹⁴ Not including residential strata policies

¹⁵ Figures obtained from <http://www.insurancecouncil.com.au/industry-statistics-data/gi-statistics/building>, accessed on 13 October 2014

Table 1: Three different policy types

Total replacement policies	Sum insured policies	Extended cover policies
<p>The insurer agrees to repair or rebuild the home to the same size and standard as the current home on a 'new for old' basis, rather than paying up to an agreed amount.</p> <p><i>Depending on the actual policy, this does not always mean that consumers will not be out of pocket for certain decisions they may make (e.g. upgrading undamaged parts of the home to match the newly rebuilt parts or costs to comply with building regulations that should have been (but weren't) complied with at the time the original home was built or renovated).</i></p>	<p>The insurer agrees to pay only up to an agreed amount (the sum insured), nominated by the consumer, to repair or rebuild the damaged or destroyed home.</p>	<p>The insurer agrees to pay up to an agreed sum insured amount and only where necessary, an additional limited portion of the sum insured amount (buffer) to rebuild the home that's been damaged or destroyed.</p> <p><i>The buffer may not be necessary if the consumer's actual loss is not more than the sum insured. The buffer is intended to help consumers with some unforeseen rebuilding costs that would otherwise leave them out of pocket.</i></p>

Levels of cover

Some insurers offer different levels of home insurance cover. These levels reflect differences in insured events along with any caps or limits that may apply. The top of the range cover may include optional extras such as accidental damage as standard, but may also provide cover for events which are excluded or capped under standard cover.

Differences between policies

Apart from the different types and levels of cover offered, there are other differences between policies. For example:

- some policies vary in the events that they cover, and to some degree in their definition of events (other than flood),
- some policies have payment caps or limits on some home or contents items and these can vary from policy to policy, and
- the options and additional features vary from policy to policy. For example, some allow for the removal of debris, either covered on top of the sum insured, or as part of it.

How consumers buy home insurance

Consumers can buy their home insurance policy online, via phone (generally to a call centre), face to face (e.g. in an insurance company branch or at a bank), or a combination of these. Some consumers

may use a financial adviser or an insurance broker. These distribution channels are used for searching for information, obtaining a quote, buying a policy and for making a payment.

Legislation requires that insurers provide consumers with a PDS when they purchase an insurance policy. Downloadable versions are usually available online. Insurers are allowed to provide the PDS to consumers within five days after they have bought the policy, as it is often impractical to provide one beforehand.

The key facts sheet requirement means that, from 9 November 2014 a key facts sheet (KFS) must contain the information, and be completed in the way specified in the prescribed form set out in the *Insurance Contracts Amendment Regulation 2012 (No. 2)*.

The purpose of a KFS is to allow consumers to quickly and easily check the basic terms of the insurance policy, including the nature of cover and key exclusions. The KFS will also help consumers to compare the features of various insurance policies and select appropriate insurance products for their needs.¹⁶

The problem of under-insurance

According to the Insurance Council of Australia (ICA), 'more than four in five Australian homeowners and renters (83%) are underinsured for their home and contents' in that these consumers claim that they would be 'worse off' in their standard of living 'in a total loss scenario'.¹⁷

As described in ASIC's Report 54 *Getting home insurance right—A report on home building underinsurance* (REP 54),¹⁸ most Australian home building policies require the consumer to estimate rebuilding costs. Some insurers provide resources to consumers to help them calculate the costs, such as online calculators or phone scripts. Alternative sources of information about rebuilding costs are more difficult to access, for example, contracting a surveyor or builder to provide a quote.

REP 54 also suggested that 'total replacement' policies which do not require the consumer to agree to a sum insured should be made more widely available to consumers. ASIC found that there was a need for

- better communication between insurers and insureds, particularly on renewal, to improve consumer understanding of the need to be adequately insured, and to encourage them to assess whether their level of cover is adequate,
- working with third parties who are likely to have contact with consumers at a time when they need to either take out or increase insurance cover, to provide information about assessing whether their level of cover is adequate, and
- continued work by ASIC in promoting appropriate community education messages about underinsurance and non-insurance.¹⁹

In 2007, ASIC's Report 89 *Making home insurance better* (REP 89),²⁰ found that some insurers either had introduced or expected to introduce the changes suggested in the earlier report, although some insurers had not made any such changes. Nevertheless, the industry 'had started to use higher

¹⁶ Australian Government Treasury. *Key facts sheet for home building and home contents insurance policies*. Discussion paper. 29 February 2012.

¹⁷ Quantum Market Research, *The Understand Insurance Research Report*, Insurance Council of Australia, October 2013, <http://understandinsurance.com.au/assets/pdf/FINAL%20Understand%20Insurance%20Research%20Report.pdf>.

¹⁸ Report 54 *Getting home insurance right—A report on home building underinsurance*, September 2005.

¹⁹ Ibid.

²⁰ Report 89 *Making home insurance better* **Error! Hyperlink reference not valid.**

indexation rates to increase the sum insured on renewal of a home building policy', and 'most insurers have implemented education strategies to communicate with consumers about underinsurance and the need to be adequately insured.'²¹

Despite these improvements, some consumers whose homes were damaged and destroyed by the Queensland floods in 2011 were either under-insured or not covered for flood at all. Research also showed that some consumers were unaware of their lack of cover, or unaware that they were only eligible to claim for certain types of flood.²²

Research objectives, design and method

Research objectives

In 2013, ASIC commissioned Susan Bell Research to conduct research with consumers who had used insurers' phone, online or face to face enquiry and sales channels for quotes or information about home insurance. The research aimed to explore consumers' experiences with the enquiry and sales processes used by insurers who provide home insurance, and the extent to which these channels helped consumers understand their policy and to seek to be appropriately insured.

The research was also designed to identify the factors which could lead to some consumers being better informed, and more adequately protected than others.

Specific topics to be covered were:

- consumers' experience when taking out home insurance,
- the distribution channel(s) used by consumers for these policies, and the reasons for their choice,
- the factors that consumers took into account, and those they did not, when choosing a policy,
- consumers' satisfaction with this process,
- to what extent consumers read or looked at the PDS before, during and after they purchased the policy,
- whether consumers used online calculators to decide on their sum insured, and their satisfaction with the calculators. This includes whether consumers who used the phone channel to purchase the policy were made aware of the calculators by call centre staff,
- how consumers decided to insure their building (including the rebuild cost of the building and/or its contents),
- whether consumers understood that policies have exclusions and payment limits, and vary in what they exclude or limit,
- consumers' understanding of the policy they bought: its type, value, features, limits and excesses, and if consumers were made aware of these when talking to call centre staff, or if they were highlighted during the online sales process, and
- whether the consumers wanted financial product advice, and if so, whether they received that.

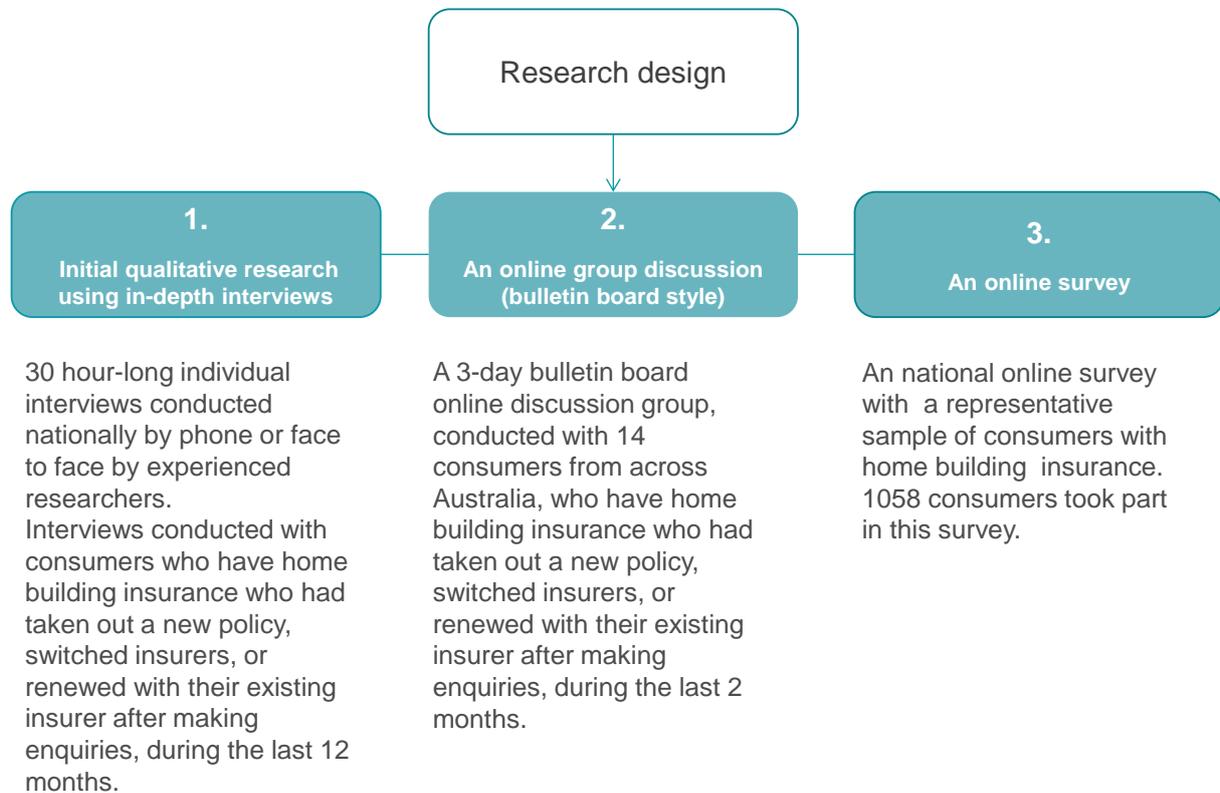
²¹ Ibid, page 5.

²² Insurance Council of Australia (Understand Insurance), Media Centre, <http://understandinsurance.com.au/media-centre>.

Research design and method

Susan Bell Research designed and conducted consumer research with consumers with home insurance policies. There were three stages of the research, as illustrated below.

Figure 3: Research design



More details about each of these stages are set out below:

Stage 1 Initial in-depth qualitative research

First the Susan Bell Research team of researchers conducted individual qualitative interviews with 30 consumers, exploring how they decided on their home insurance policy, including the distribution channels they used; their decisions about insuring using a 'sum insured' policy or taking out a 'total replacement' policy; decisions about choosing or modifying their excess; and their knowledge of caps and limits and exclusions on their policy.

These respondents had bought their first policy, had recently switched policies, or had considered switching. This sample was national and included consumers with policies from all the major insurers as well as many of the smaller insurers and newer entrants to the market. Interviews were by phone or face to face.

Stage 2 Online group discussion

The next stage was an online qualitative research forum using research bulletin board software. This stage of research was conducted with 14 consumers who had made their decision about their policy in the last two months.

This stage was conducted to explore consumers' experiences with the channels used when their memory of the event was relatively fresh. All these respondents had switched policies or had considered doing so. Respondents were from regional and metropolitan areas in the ACT, NSW, Queensland and Victoria, and held policies from some of the major insurers and new entrants.

Stage 3 Online survey

The final stage was an online survey of 1058 consumers. This survey was conducted with consumers who had home insurance. This survey measured the proportion of policy owners who had bought their first policy, switched policies, or had considered switching or had renewed the policy automatically.

The survey included questions on the type of policy that new policy owners, switchers and 'considerers' held, how they had valued their building (where relevant) and whether or not they had used online calculators and comparison websites for insurance.

This sample was national and covered all the major insurers as well as many of the smaller insurers and newer entrants to the market.

More details about the methods used are set out in the Research Method section in Appendix A.

How to read this report

Each stage of research gave a different perspective on the enquiry and sales process that consumers experienced when buying home insurance. For ease of reading, the qualitative and quantitative findings have been combined into an integrated report. Data from the online survey is clearly identified as 'quantitative findings'. The findings from the in-depth interviews and online forum are merged and the term 'qualitative insights' is used to refer to these findings. The quotations in the report are verbatim quotes which have been edited for grammar and to mask brand names. The quotes identify the channels the consumer used.

This report follows the consumer journey through the process of choosing or reassessing their home insurance choices. It asks questions about their experiences, behaviour and motivations at the key stages. The key stages are as follows:

Figure 4: The structure of the Detailed Findings section of the report



Detailed findings



1. How informed consumers were about home insurance

Being well-informed about home insurance means understanding that policies differ, and that policies have exclusions, caps and limits. However, some consumers assumed that all policies were the same and so can be said to not understand home insurance well.

Those who knew more did so because they had:

- previously made a claim
- knew someone who had made a claim
- been educated about policy features through conversations with insurers about their possessions and property features, and/or
- through knowing about some risks that their property location was exposed to.

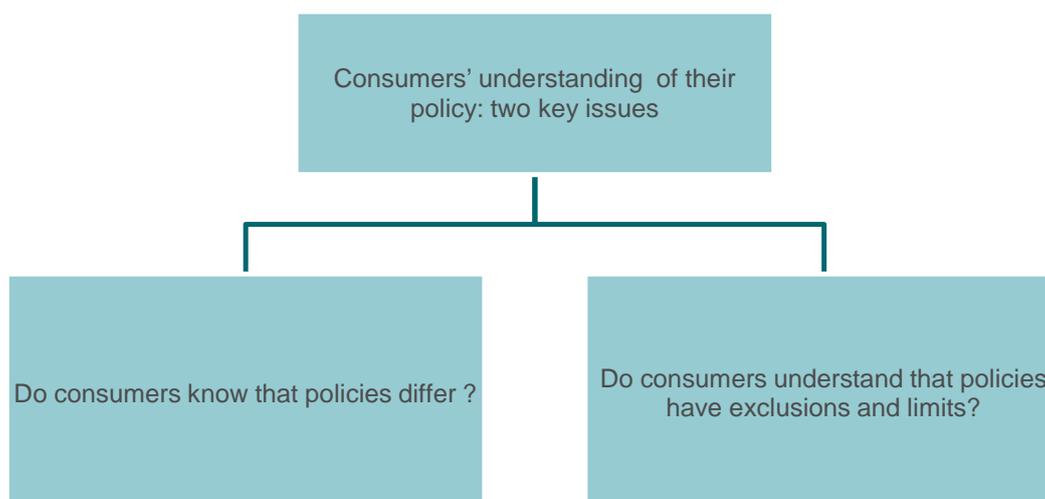
In general, these consumers knew something about their policy but very little about the details.

Qualitative insight

The first section of this report draws on the qualitative research to help understand how well informed consumers were about home insurance and if there were any gaps, what those gaps were likely to be. It provides a qualitative account of the varying patterns of knowledge that were identified.

To understand what consumers were likely to know about their policies, it is necessary to know: do consumers understand that home insurance policies differ and do they realise that policies vary in the kind of exclusions and limits they are subject to?

Figure 5: Consumers' understanding of their policy



1.1 Consumers' varied understanding that policies differ

'Home insurance is home insurance.'

It is important that consumers understand that home insurance policies differ in some significant ways. Without this understanding, consumers are unlikely to be motivated to seek information about the particular characteristics of the policy they are considering.

The qualitative interviews with consumers show that this knowledge varied enormously, with many believing that home insurance policies were all basically the same. One consumer used the similarity of the questions the insurers asked as evidence that their policies were all the same:

'They all ask you the same questions.' (Online and phone channels used)

One insurer's customer service representative reportedly described their policy as 'similar to others':

"Our policy is similar to all the others", is what they said.' (Online and phone channels used)

In fact, while this policy covered similar events to others, some of the caps and limits were different to other policies. Some consumers said that some insurers 'matched' quotes from the established brands, but staff did not mention the existence of different limits and exclusions. To do this, the consumer supplied the insurer with their renewal certificate from their current insurer which specified the building value and any excesses. The new insurer then provided a quote on the basis of the building value and its excess only.

None of the consumers who did this seem to have been told that the two policies varied:

'The company did not point out the exclusions.' (Online and phone channels used)

This perception that policies were the same influenced consumers' motivation to seek or process information. Consumers who did not ask questions or seek information from insurers did not believe they needed to. Some of these consumers also ignored information that was provided to them:

'There was something but I can't remember, thinking, it is not really relevant for me.' (Phone channel used only)

1.2 Consumers' varied understanding of their policy

This section of the report is a qualitative assessment of the kind of knowledge that consumers had about their policy. The individual in-depth interviews show that consumers:

- knew that some policies can exclude flood, but many were not aware of other exclusions,
- knew about some caps and limits but not all, and
- knew of some optional covers but not all.

General awareness of exclusions for flood

The consumers in the research understood that home insurance policies may have flood exclusions. This knowledge can be attributed in part to the media coverage of the issue after the Queensland floods. Many said that they had asked their insurer about the flood exclusion. Some had been told by their insurer that their policy did or did not cover flood.

Most considered that they understood this and considered their risk to be minimal, if not non-existent. In fact, one common reaction was that *'I am not in a flood zone'*, so several consumers had attempted to have their premiums reduced by having such cover removed.

Limited knowledge of other exclusions

For some people, understanding the exclusions in their policy was a proxy for understanding the policy. Speaking about using an insurer's website, one consumer said:

'I always ask them "any exclusions?" ... It is always good to verify that information. ... I did go on the Exclusions and they said download the PDS ... it is easy to look at the index and look at the contents page, and then read the exclusions.' (Online and phone channels used)

A few consumers said about other exclusions that they had checked or enquired about. For example, one consumer evaluated several policies for their outdoor furniture cover, discovering that they varied in their exclusions:

'They also tend to vary as to cover if for things like if trees fall on things, whether fences are covered, things outside, and it is an issue especially in our area.' (Online channel used only)

Several consumers explained that they had been so focussed on the exclusion that mattered to them, they *'didn't look at much else,'* (online channel used).

Other consumers did not appear to realise that policies varied in their exclusions:

'If there were things that weren't included then I probably did not know, as in not being experienced with insurance I may not actually know what I should be looking for in terms of exclusions and inclusions.' (Online channel used only)

Some knew that exclusions existed but were vague about what they were:

'They will cover you under this circumstance but not under another circumstance.' (Face to face channel used only)

Limited knowledge of caps and limits

The consumers who knew about payment caps and limits on home and contents items found out about policy exclusions when they made a claim. One consumer found this out when making a claim:

'They have limits on locating water leaks, they will only pay out to \$1,000, if there is any damage to garden beds or whatever, that will also be in the \$1,000.' (Online and phone channels used)

'We had a scenario last year where we had an extended power outage. We lost the contents of our fridge and freezer, so I wanted to find out was that part of the contents policy or was it a separate claim just for that, whether it was a capped amount or did we need to provide receipts to substantiate the contents of your fridge? And also the other one I was interested in was to find out about your general accidental damage around the house. If a kid knocked the TV or crashed through a window or something.' (Online and phone channels used)

Some knew that caps and limits existed, but said that they had an insufficient number of the nominated possessions to worry about them:

'We don't have anything worth money.' (Phone channel used only)

Some understanding that policies have 'levels'

While some consumers clearly knew that policies had 'options' and that some had 'caps', only a few of those described policies as having different levels of cover, and for those who did, the terminology varied. One used the word 'top' to describe the cover. This was contrasted to the cover they called 'basic'. Some had chosen the more basic policies, usually for affordability reasons.

One consumer who had noticed the existence of policy levels stated that these levels made comparisons easier:

'I have noticed that BRAND are now offering three different levels of cover. It makes it easier to compare when there are obvious different levels. Then it is up to the consumer to choose the level of cover that is right for them.' (Phone channel used only)

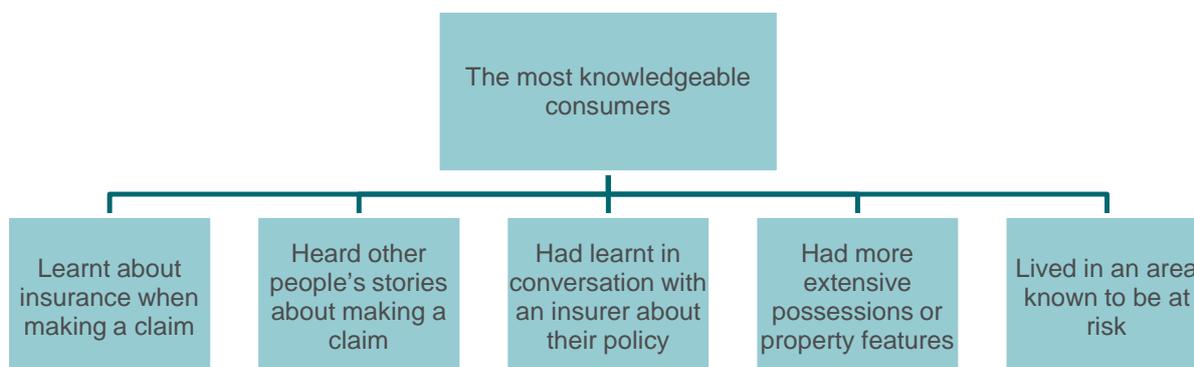
However, few consumers seemed to be aware that there were different levels of cover.

1.3 Consumers' understanding comes largely from experience

'I always think there are more trappings with home and contents insurance.'

Consumers who participated in this research varied in their understanding of their policy. An analysis of the qualitative data revealed five main reasons why some consumers knew more than others about home insurance policies. These five reasons are shown in the diagram below.

Figure 6: How consumers acquired their knowledge



One consumer met all these criteria. Their architect-designed home was located near bushland. There was one claim pending and they and their parents who lived locally had also previously made a claim. The relationship manager at their bank had also taken them through the details of their insurance policy. The consumer's conclusion was:

'I always think there are more trappings with home and contents insurance.' (Online and phone channels used)

Most of these experiences helped the consumer to know more about the features of the policy. Only a few helped them to understand the probability of an insured event happening. None of them helped consumers understand how to estimate a sum insured for their building accurately.

Learning through making a claim

'You really only know when you try to make a claim.' (Online and phone channels used)

Consumers who had made a claim said that they used the knowledge gained through making a claim when evaluating the features of other policies. One consumer had suffered flood damage and therefore considered the risk of flood when choosing a policy, as did another whose land had recently been designated a flood zone. Some participants had experienced storm damage and therefore had storm damage in mind when they searched for a policy.

One consumer learnt about storm cover through making a claim. A storm had split a tree in half:

'They chopped the rest of the tree down, said they didn't take the stump which I was spewing about. It was pretty poor. That was the only complaint I had about it. It was a big elm tree and it was a big storm and because of the drought, it split in half ... it split in half and bits were falling, all the whole half of the tree fell and then that night, a tree man came and he said 'if that falls it will fall on next door.' You could see where it was all lifted from the roots. He said 'if another wind comes, it won't fall on your house but it will fall on your next door neighbours.' (Phone channel used only)

One consumer who had a claim denied because awnings were not covered by the policy now checks that when switching policies:

'I asked because I had a claim denied, not denied, wasn't covered, if I have awnings and I have to replace them will you cover that? She had a look, 'yes we do cover that'. 'Do you cover if my fence falls down?' 'Yes we do cover that.' (Online and phone channels used)

Another learnt that a home in need of repair might not be covered by an insured event. This consumer claimed for damage to a slate roof after a storm. The claim assessor noticed that there was metal sheeting in a different (undamaged) part of the house because the home was being renovated. The claim for the roof was rejected on the basis that the house had not been kept in good condition. (Phone channel used)

Learning from other people's stories

'Because I have never had to make a claim, I am probably not the best person to ask, I can only go on what I have heard and experiences that have happened to other people that they have told me about.' (Online and phone channels used)

While some reported learning about problems from the media, for many the stories told to them by their friends and family seem to have resonated the most. Hearing that someone else has had a claim accepted or denied made some consumers think about their policy:

'Our friend had a retaining wall collapse after a storm. They mentioned to me that they were lucky that their insurance company covered retaining walls. This shocked me, I thought all insurance policies would cover retaining walls. I was wrong! Our house is built on retaining walls, in fact we have 6 separate retaining walls on our property. Given how much it cost to repair our friend's

retaining wall (excess of \$80,000) I thought I had better do some investigation. I contacted lots of insurance companies and asked if they covered retaining walls. I read their PDS documents to see if they covered retaining walls (sometimes people said they thought they did but their PDS statements said otherwise).' (Phone channel used only)

Learning from conversations with insurers

A few consumers reported that they had been educated about policy features and risks in their conversations with insurers. Some insurers spent time on the phone asking about the proximity of trees, which prompted consumers to consider storm damage.

These consumers seemed to have more complex or elaborate properties which may explain what triggered the conversation:

'They asked a few questions, our policy includes this, their's might be cheaper but does it include this, so they sort of asked a few clarifying questions. And I did let them know the calculator result that I had done online.' (Online and phone channels used)

One consumer was given details at a branch office:

'On paper, I got the details from my bank, almost a relationship manager I guess, and I actually went through and had a look at what the excesses were and what the cover for each item.' (Online and phone channels used)

Having more valuable possessions or more property features

There was an indication that the consumers with a greater understanding had the most to lose. For example, some consumers who were aware of caps on jewellery items said they had a lot of jewellery to insure, while some who were vague about caps said that they did not have anything of value:

'I have a Gucci bag that cost me a thousand dollars, I want that covered, then my jewellery.' (Online and phone channels used)

One consumer who 'did not have much stuff' admitted to paying little attention to what was said on the phone by the insurer:

'You listen but you go, yeah, yeah.' (Online and phone channels used)

Living in areas of known risk

One consumer who was interviewed lived next to a beach in North Queensland and was well aware of the risk he faced from cyclones. Another lived adjacent to the bush:

'I live in the bush, in summer, smell, everything is burn. That is what I am scared [of], so I always want the house insured.' (Face to face channel used only)

Consumers aware of such risks said that they checked potential policies to make sure they were covered.

Risks can be assessed in terms of their probability and their magnitude. Most consumers in this study focussed on the probability of events occurring. Consumers said that they 'were' or 'were not' at risk based on whether they lived in a 'flood zone' or 'in a bushfire zone'. Many people said they lived nowhere near rivers, or lived at the top of hills, making them think it unlikely, if not impossible, that they would need to claim for flood:

'It could rain for 40 days and 40 nights and no way it is going past this place ... I am on top of a hill.' (Online channel used only)

The amount of time consumers devoted to selecting home insurance and the resources they used were influenced by their perception of risks:

'They do cover off on things like glass breakage and there are things more realistically that I can see us making claims on hopefully more than catastrophic events like floods.' (Online and phone channels used)

This prejudgement about their perceived low risk was one reason some consumers lacked knowledge about their policy features – they had not been motivated to think about the policy, because they did not expect to be at risk for certain events. This was partly because they focused on flood risk and nothing else. A few thought about storm risk if they had a large tree in their garden, but many did not. Even though different parts of Australia have suffered from storms that have created a lot of damage to roofs and buildings, some consumers did not appear to be aware of or consider the risk of storm damage.

1.4 The language of insurance 'cover'

Consumers' awareness and knowledge of home insurance policies also appeared to be affected by the use of the word 'cover'. In the interviews and discussions with consumers they tended to talk about 'cover' in absolute terms. That is, consumers talked about 'what I am covered for' and 'not covered for', with no gradations of cover. Similarly, no one in this research used modifiers such as 'partially covered' or 'totally covered' when they talked about cover. The online group participants said that 'covered for flood' meant to them, 'covered for all flood' not 'covered for flood up to a certain \$ value', or 'only under certain circumstances' or 'only certain types of flood'.

1.5 How informed consumers were about their policy: implications

The main implication from the results presented in this section is that consumers **lacked knowledge of their policies despite the extensive amount of written disclosure material available**. With the exception of the now relatively well-known flood exclusion, generally only those who had previously made a related claim had knowledge of exclusions, caps and limits. Consumers who knew enough to consider exclusions did not necessarily know about payment caps and limits, because they were unaware that cover could be limited this way.

Consumers had limited motivation to seek information proactively, partly because of some incorrect assumptions about this insurance. These assumptions were that:

- all policies are the same
- 'cover' is absolute
- it is unnecessary to plan for an event which seems unlikely
- exclusions are the only aspect of cover that they should consider, and
- a consumer can judge the risk of a natural disaster affecting them, and the extent of the potential damage.

On the basis of these assumptions, some believed '*You are paying for something that may never happen.*' (Online and phone channels used)

Consumers seem to have been affected by the 'availability heuristic' when making decisions about policies, in that they focussed on those aspects of insurance and risk which most readily came to mind. Some focussed on the feature or exclusion which had been the topic of a previous claim, or on certain complex features of their property. Consumers without these experiences focussed on what had been in the media – in this case floods and bushfires. **It may be possible for the industry to do more to teach the community about risks by using case studies about other consumers' home insurance experiences.**

The next section describes why consumers made enquiries about home insurance policies and the extent to which these consumers sought information, or were simply seeking a quote.



2. Why consumers enquired about their home insurance policy

The price of premiums dominated consumers' reasons for making an enquiry about their insurance, and this focus limited the information they sought about policy differences.

Increased premiums of some established insurers and premium-focused marketing by new entrants prompted consumers to seek policies with cheaper premiums.

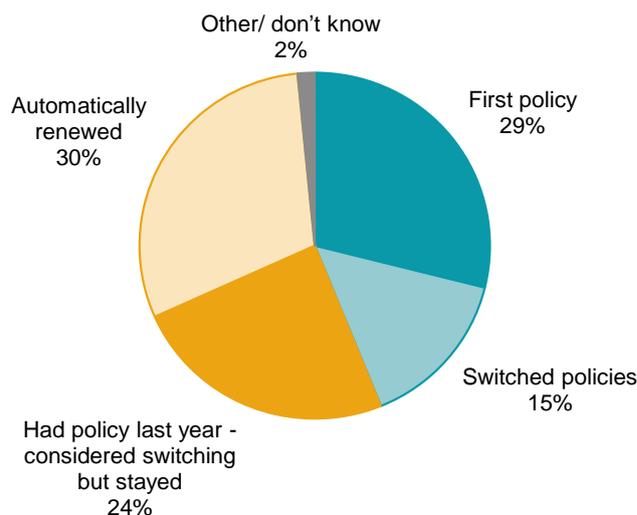
Other reasons for seeking quotes – because of dissatisfaction with their current insurer for example – were much less common.

Quantitative findings

2.1 How many consumers made enquiries

'In 2010 our premium went from \$1600 to \$3700.'

Figure 7: Consumers who switched or considered switching home building policies



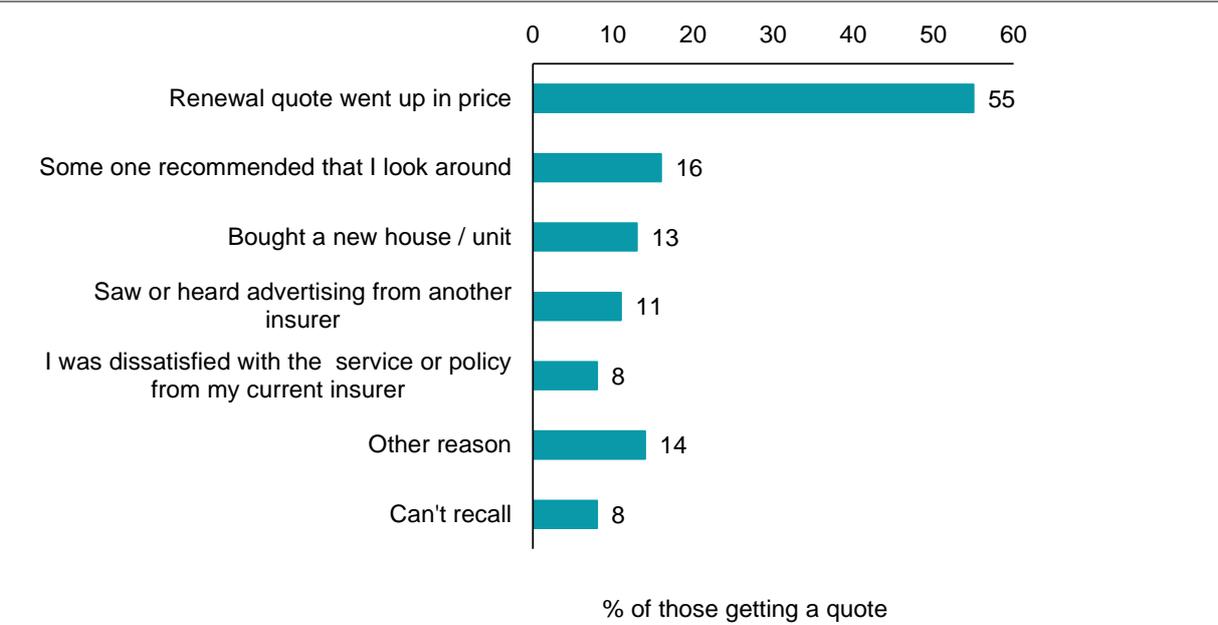
Q. Is this your first ever home building insurance policy? And, if no, which of these describes how you bought your current policy? Base: all policy holders (n=: 158)

One in six (15%) consumers switched home building insurance policies last year, according to the online survey. Another one in four (24%) did not switch but considered doing so. A further 29% stated that their current policy was their first policy, while a similar proportion (30%) renewed 'automatically'.

2.2 What consumers enquired about

The online survey asked consumers who had taken out their first policy, switched policies, or considered doing so, why they had done so.

Figure 8: Why consumers enquired about home building policies



Q. What prompted you to read the PDS, look at policy features or get quotes from other insurers? Please tick all that apply (multiple response). Base: All changing insurer/considering others who got quotes/read PDS/features (n=584)

Over half (55%) of those seeking a quote had done so to reduce their premium. Just over one in ten (13%) had done so for a new home, while a slightly higher proportion (16%) had been advised by someone else to look around. Overall, less than one in ten (8%) sought a quote because they were dissatisfied with their current provider. A slightly higher proportion (11%) stated that they had initiated their search because of advertising (note that this should not be taken as a measure of the actual proportion exposed to advertising.)

Qualitative insight

2.3 Enquiries triggered by premium increases

Some existing policyholders said that they sought quotes every year at renewal time:

'I have found in many instances that renewal premiums tend to increase automatically each year. In staying with one provider – despite having no claims – and in checking with other insurance provider[s], that I usually tend to obtain a lower quote and then I switch providers.' (Online and phone channels used)

However, others said that they had only started to do this this year or the year before, because they had experienced substantial premium increases in the last few years, generally attributed to the recent natural disasters, and to government levies:

'In the past few years I found that the insurances have skyrocketed. Insurance companies tell me because the Brisbane floods and the Cyclone Yasi everyone must be insured for flood damage and that insurance risk has increased due to these issues.' (Online and phone channels used)

Some consumers contacted their existing insurer in an attempt to negotiate their premium. Sometimes this was successful:

'I called them up to request a discount (as seems to be my annual mission) and, as per usual, a discount was achieved however it was only \$50.' (Phone channel used only)

Sometimes, it was not successful.

'Upon receiving our 2012 renewal we noticed that the premium had jumped considerably (20+%). I called BRAND and the lady just told me that it was due to the flood/fire levy and didn't even seem interested in trying to keep my business.' (Phone channel used only)

Some said that they tried to negotiate out of the increase on the basis that their house was *'not in a flood zone'*. As this was unsuccessful, these consumers then sought quotes from other insurers.

Some were angry at what they saw as their insurer's *'disloyalty'*. Taking car insurance as their model, some consumers believed that they should only expect a premium increase if they had claimed on their policy. Consumers who had not made a claim could not understand why they should pay more for their insurance:

'This year I received my renewal from BRAND and there had been a 25% jump in my premium despite having never claimed.' (Online channel used only)

Most of the consumers who attempted to find a cheaper policy, or to reduce the premium charged by their existing insurer were successful in doing so. However, some consumers in designated flood or fire zones discovered that policies from alternative insurers were more expensive than their existing insurer.

2.4 Enquiries triggered for other reasons

Not all enquiries were prompted by the renewal notice. Some consumers were motivated by advertising:

'What prompted me was the massive promotion of BRAND, ... it was just everywhere, it was on TV, every time ... so I actually went to them first and thought I had better check around, not just look at one, but it was that massive promotion that got me going really.' (Online channel used only)

As in this example, some new entrants offered consumers significant savings on their premium.

'I ... compared with what I already had, BRAND A told me \$800, BRAND B might have come in at \$783 and I thought there was not that much of a difference and then BRAND C might have been a little bit dearer, and then BRAND D came in at \$573, there is a big difference there.' (Online channel used only)

Not all the influential advertising was for home insurance. Some consumers had already managed to reduce their car insurance premiums, and it was in a conversation with, or seeing marketing material from these insurers offering car insurance that prompted the consumer to consider them for home building insurance.

One consumer changed insurers because she was unhappy with how the insurer handled a claim on her policy.

'Eventually I did claim [and they said] 'that's not covered, that's not covered', so [I said] 'you have taken my thousands of dollars per year', he said, 'well you should have looked at the PDS.' (Online and phone channels used)

Consumers buying insurance for their new home varied in their reasons for making an enquiry. One consumer in the qualitative research was looking for his first policy and so sought quotes. This consumer had found all the brands he was considering to be similarly priced.

Others had bought a policy when they moved home, using a different insurer for their new home. These consumers made enquiries of different insurers to their current provider for the new home for a variety of reasons. In one case it was because the new home was very different, and more expensive, than the current property. In another case, the expense of the new home meant that the consumer needed to reduce the premium, for affordability reasons.

2.5 Some increased their excess for a more affordable premium

Many had considered increasing their excess to reduce their premium:

'When we renewed this year we changed our basic excess for building claims from \$100 to \$500, thus reducing the premium. We decided that building claims were generally larger claims and not many things would come in under \$100 so an excess of \$500 would be fine. Changing the excess was suggested by the company I got a quote from when shopping around.' (Online and phone channels used)

Most said that the insurer had suggested that they increase their excess, either online, face to face or on the phone. Increasing the excess helped to make their premium affordable for some people:

'So that was the other thing that is really, some will say 'OK first \$1k is on you' and some say 'first \$500' or you can take the other policies and '\$1200 on you' and then a number of different variables. You have a few companies that give you a few levels of 'yes you can choose your excess' and others 'this is what the excess is and starts at that point' and so I like comparing apples with apples and not oranges with lemons.' (Online and face to face channels used)

There were some instances when the consumer stayed with the existing insurer when the insurer increased the excess and decreased the premium:

'I have been with them a lot of years, just to give them a chance to come up with something better, but the only thing he did was up the excess to try and bring the premium down and at the end of the day, the excess was pretty much double what BRAND were offering and still way dearer.' (Online and phone channels used)

The concern with this practice is that it is not sustainable and may not be in the consumer's best interests if they cannot afford the excess when they make a claim. If premiums continue to rise, consumers cannot keep increasing their excess to unaffordable levels. One consumer had already done that:

'This one is ... \$400 on contents and \$1,000 on the building. OTHER BRAND quoted me \$5,000 and that seemed a lot to take out as an excess ... I have been increasing my excess as the years have gone by, a way to keep home insurance viable because I am on a low income.' (Online and phone channels used)

2.6 Why consumers enquired about their home insurance policy: implications

The concept of 'cognitive frame' in psychology describes a person's persistent pattern of thinking which influences how they perceive an issue or a problem. In this research, consumers were identified who used the **cognitive frame of 'price'** which influenced the way these consumers conceptualised their search, in turn shaping the information the consumers sought from insurers and the criteria they used to evaluate their quotes.

Consumers clearly said that they need premiums to be affordable which suggests that **price will continue to dominate consumers' decision criteria**. Some consumers negotiated the premium with their insurer, which is evidence of an empowered consumer, actively trying to manage the relationship with their insurer and to ensure that premiums are within their financial reach.

However, there are potential problems that could arise from this approach. While focussing on the short-term affordability of the premium had the advantage of simplifying the comparison between the policies, doing so ignored the potential impact of policy differences in the long term. One further social consequence of this approach was that, as some consumers increased their excess to make their premium affordable, this increases the risk that they cannot afford to pay the excess if they need to make a claim.

Price-motivated consumers chose the known over the unknown. They knew that a premium reduction was achievable; they did not know that choosing a policy based on a policy feature might be useful or even necessary to them in the future.

The next section describes how consumers selected their insurer.



3. How consumers selected insurers to contact

This section provides evidence of the tension between a consumer's desire for affordable premiums and their need to make an informed decision within a reasonable time frame.

Some consumers wanted to spend as little time as possible selecting an insurer. Consumers who wanted to spend little time typically made their choice based on price.

Other consumers who seemed more knowledgeable took longer to choose an insurer. They used a combination of brand familiarity, price and product features to create a shortlist.

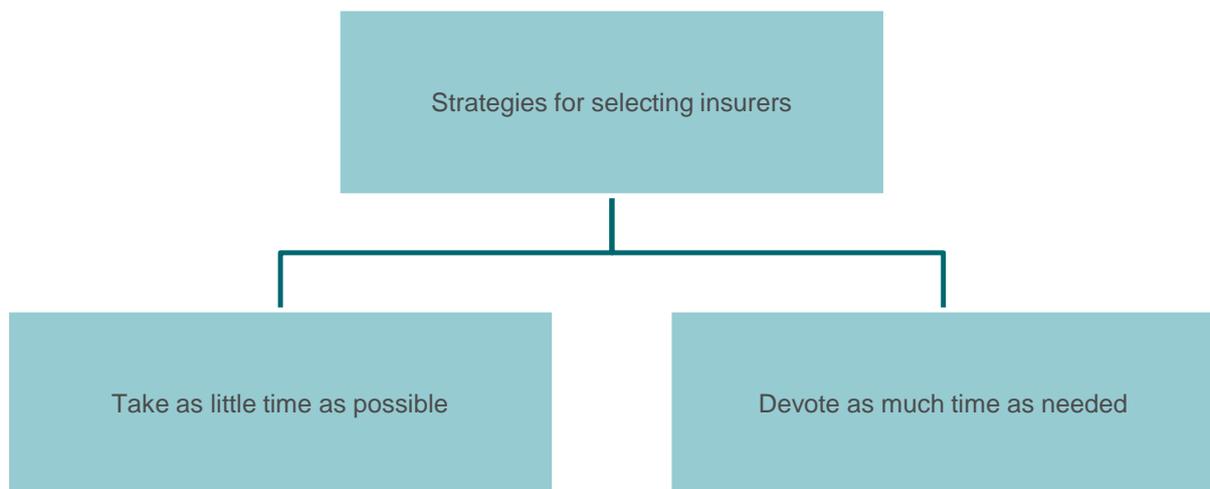
Qualitative insight

3.1 Two strategies for selecting insurers to contact

How did consumers decide which insurers to contact for quotes or information?

Two different strategies were identified as being used by consumers when selecting insurers: the 'as quickly as possible' strategy, and the 'you need to take your time' strategy.

Figure 9: Strategies consumers adopted for selecting an insurer



Take as little time as possible

Consumers who believed that all policies were basically the same tended to want their search process to be as quick as possible. They did not believe that there was much point in spending a lot of time on it:

'You want to just pay it and be done for the year and move on. Well I do. Move on to my next problem. You have other problems in life so you want to have your insurance just gone, and hope they do the right thing if something happens.' (Online and phone channels used)

For example, some consumers got a quote from just one other insurer to compare with their existing insurer and then chose the cheaper insurer:

I just want to get this done fast and make a decision.' (Online channel used only)

These consumers spent as little time as possible, and so tended to prefer insurers who used short quotation calculators rather than those with many questions. Similarly, they expected to ask only a few questions of the insurer:

'I am time poor so all I do is negotiate the excess on the phone.' (Phone channel used only)

One consumer said she spent more time thinking about health insurance than home insurance because she expected to use health insurance:

'I have private health insurance and have put a lot of time and effort into making sure I am with the right provider. It has surprised me that I put less time into finding a home insurer. I know that I am far more likely to use my health insurance so perhaps that's why I've spent the time on that. Perhaps I'm of the mindset that I'm far less likely to claim on my house/contents insurance so less time has been put into it.' (Phone channel used only)

Home building insurance is unusual in that it requires consumers to make long-term predictions in a way which many other forms of insurance such as health or car insurance do not. For home building insurance consumers may need more help thinking about the future than had previously been acknowledged.

Devote as much time as needed

More knowledgeable consumers expected to spend a lot more time, assessing not just price, but whether the policy met their particular needs about exclusions, caps and limits. It was common for these consumers to spend 15 or more minutes on the phone to each of several insurers, and to obtain quotes online as well. Some spent six hours or more on this task.

One consumer spent a lot of time researching, gaining ten quotes online, checking the websites of four insurers with the 'best price' and reading the relevant PDSs. One read four PDSs in full over several days.

3.2 How consumers created and reduced their shortlist

Creating a shortlist based on price

Some consumers created a short-list of insurers to seek quotes from based purely on price. Consumers had two reasons to do this, economic and emotional.

Some wanted to find a premium they could afford. For others, it just made economic sense not to pay any more than they needed to:

'They were cheaper and that is all you want in the end.' (Phone channel used only)

From an emotional perspective, some seemed to enjoy the 'power' this gave them over the insurer, as illustrated by the 'see ya!' in this comment:

'We keep seeing the ad on TV for [NEW ENTRANT BRAND], so we thought we would change our car insurance and see what they do, what the deal was. We didn't know they actually do home

insurance and then I rang up and said, 'oh we do home insurance as well', so I said 'alright, then give us a quote', so I went with it all, all the same one. I rang PREVIOUS INSURER up and said, 'can you match this?' and they said 'no', so we said, 'see ya!' (Phone channel used only)

Many of these consumers switched from one of the established brands to one of the newer entrants to the market, making the decision solely on price.

As discussed later, price is a feature that is easy to compare across policies. Consumers appear to compare on price because it is difficult to compare on other features.

Familiar brands made the shortlist

'We had comfort level with those two insurers personally, and there are that many other options out there, that I kind of felt that if we looked past who we knew originally, it would get too daunting and confusing and put it into the too hard basket.' (Online channel used only)

Some consumers chose based on a mix of price and perception of trust:

'You want a company who will promptly deal with your claim and you know will be there should you need them.' (Online and phone channels used)

Some consumers simply sought quotes from only the major established brands:

'I usually like to go with the major, big companies but could try others, if recommended.' (Online and phone channels used)

The reputation of the brand was more important to some consumers than others. Consumers wanted to feel confident that the insurer would pay a claim:

'Whether or not some of these firms can live up to their reputation so, they advertise but what do you get at the end of the day? How does that compare with all these companies, that ... are advertising all these good deals?' (Online channel used only)

As there are many well-known brands in this market, some consumers created a large consideration set of insurers – up to ten in one case – which they then needed to reduce.

One consumer described the home building insurance market as a market of two types of brands: 'extended' and 'basic', and deliberately included both types in her consideration set:

'Also looked at smaller players like BRAND ... to engage to see how they face up to the bigger brands and basically made a decision based on weighing up all the pros and cons.' (Online and phone channels used)

Consumers who expended more effort in selecting an insurer tended to be the ones who had previously made a claim on their policy (or knew someone who had) so were aware of particular product features, had particular possessions to insure, or were aware of local risks.

Some consumers had learnt from media articles:

'I would often check out Choice Magazine to see if they were a company with few complaints against them (i.e. not paying, making it difficult to claim etc.).' (Phone channel used only)

Loyalty discounts and reward points influenced the shortlist

Some insurers offered discounts to consumers who held other policies with them. Others also offered reward points. Both of these motivated some consumers:

'So BRAND is a new player on the market and if you do it online and go ahead you get 10% discount ...' (Online and phone channels used)

Some consumers reported that the potential discount was as high as 15%.

3.3 How many consumers read the PDS?

In the online survey consumers were asked if they read or looked at the PDS when buying home building insurance. Two in every ten (20%) consumers who took out a new policy or considered switching their policy said that they read the PDS. The qualitative research shows that 'reading' the PDS generally means reading selected pages of the PDS, not all of it. Some people 'flick through' the PDS, seeing what it contains rather than reading it or absorbing any specific information.

Some consumers read the PDS online

Some consumers read the PDS before choosing their policy, which they did by downloading it from the insurer's website. A few reported reading the PDS for more than one product before they made a decision:

'It basically referred you to their PDS so I have a vague recollection at the bottom, giving you a link to find out more information about what is included in this quote and it takes you to their PDS online to review the fine print of what was included I guess.' (Online and phone channels used)

Others saw the PDS online and checked particular policy features of interest to them.

Some consumers were advised to read the PDS by the insurer

A few consumers were assisted in their reading of the PDS by the insurer's sales staff when they asked about product features or exclusions:

'I wanted information about what exactly it covered with regards to fire and obviously fusion and any breakages and they explained, they went through the whole policy with me. Later on, I do have a policy booklet, PDS, and so they were very helpful and went through everything and got back to me pretty much straight away after, when I said I wanted to think about it, they gave me an hour and then rang me back.' (Phone channel used only)

However this was unusual. Most of the phone conversations did not appear to include any discussion about the PDS.

Other consumers read the PDS when they received it after they took out the policy.

Some consumers chose not read the PDS

Some consumers chose not to read the PDS because they assumed they did not need to. Some did not read it, or even look at it because they did not expect policies to differ, or because they trusted their insurer to meet what they believed to be its obligations.

Some consumers chose not to read the PDS because it was too long to read. PDSs vary in length and style, and some consumers reported that some PDSs were easier to read than others, while others were 'mumbo jumbo'.

Of those who did read them, most only wanted to check particular matters, not read the whole PDS. For this reason, some consumers explicitly stated that they preferred a 'more comprehensive' document especially if it had an index:

'I guess there were 2 or 3 main things that we wanted to make sure were included or find out what was included, and it's such a long document and we didn't want to read a 60 page document, so we

were more just wanting to know 3 or 4 specific examples of what was covered or not covered and how do we go about claiming scenarios.’ (Online and phone channels used)

Some did not to read the PDS because they received it too late, as the PDS a consumer most needs to read is the one for the policy they are actively considering buying. However, at the point of purchase consumers were emotionally committed to the policy they were taking out, grateful that the selection process was now over. For many, it was too late to read the PDS at this point.

3.4 Difficulties making comparisons between products

Once the consumer had created a shortlist of policies, they had to compare them. Many of the people surveyed thought the best point of comparison was the premium because it was a common feature.

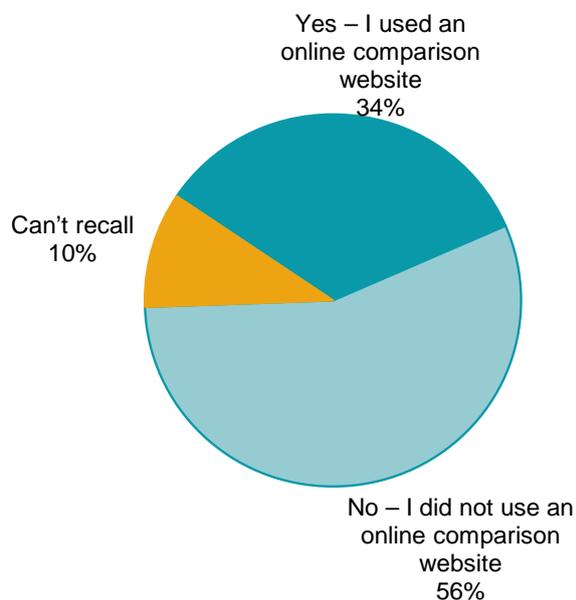
Consumers who wanted to compare policy features found this difficult. They thought that they were comparing ‘apples and oranges’:

‘Certain things like electrical breakdowns ... that was one of the areas where I did sort of struggle a bit to get to where I thought was a fair comparison. And other features, they also tend to vary as to cover if for things like if trees fall on things whether fences are covered, things outside.’ (Online and phone channels used)

3.5 Comparison websites

In the online survey consumers were asked if they had used ‘an online comparison website for home insurance’. A third (34%) of consumers who considered changing their policy or who took out a new policy said that they had used such a website.

Figure 10: Use of online comparison website



Q. When you purchased or renewed your current policy, did you use an online comparison website for home insurance? Base: All changing insurer/considering others or first policy holder (n=598)

It is possible, though, that the proportion who said they used a comparison website may be inflated. While such sites are relatively common for health insurance and car insurance, they are much less common for home building insurance.

The qualitative interviews revealed that consumers wanted to be able to use a comparison site to speed up the selection process. Several said that they could not locate one. Those who did find one for home insurance said they were not 'user-friendly'. One said that it took 30 minutes to use the comparison website but they still had to visit the individual insurer sites for more detailed information.

Some questioned the independence of their ownership, and whether this was transparent.

These sites also seemed to work best for consumers when there were no complicating factors about the home being insured. One consumer had a heritage-listed home, saying of comparison sites *'it was not easy to get a price online.'*

3.6 How consumers selected insurers to contact: implications

Consumers used different search strategies depending on how much they knew about insurance and/or how much they wanted to think about it (factors which tended to correlate).

Beyond those who opted for a quick search strategy based mainly on price, others chose to include policy features in their assessment. This process was not simple because the products vary so much. In situations of cognitive overload, consumers are likely to develop their own heuristics to simplify their choice – such as brand, the excess, or a particular policy feature, especially if they can imagine making a claim for such a feature in the near rather than distant future.

The difficulty that time-poor consumers face when comparing policies suggests that **the industry could benefit from some overall standardisation, for example in the levels of policy available. The complexity of potentially 'comparing apples and oranges' deterred some people from even trying to compare on criteria other than price.**

It would be useful if insurers could provide short, clear and balanced summaries of the product features in a prominent location on websites and readily accessible in the quote system, for instance, using the key facts sheet. Comparison sites would assist consumers who lack knowledge to adopt a more elaborate search strategy.



4. Consumers' experiences contacting insurers

Online quote systems for home insurance are convenient for consumers to use. Most consumers used an online resource of some kind during their search and enquiry phase.

The online channel was used for speed. The phone channel was used 'to talk to a human' because consumers wanted to consult the insurer or to have their quote clarified or verified.

All this added to the time the process took, so that some consumers simply sought price information about one or two insurers, making few, if any, enquiries about policy features.

Consumers who sought policy information by phone had varied experiences: some insurers provided the fast service the consumer was looking for; some were able to answer the consumer's questions (though some seemed to expect to finalise the quote rather than answer questions); and some used the phone call to quiz the consumer about the details of their property.

In summary, the various channels were able to provide some proactive consumers with further information about their policy. Overall though, the enquiry stage was more about the quote and the parameters that influenced the quote, such as the location and size of the property, rather than about the details of that particular policy or about the value of the building or contents.

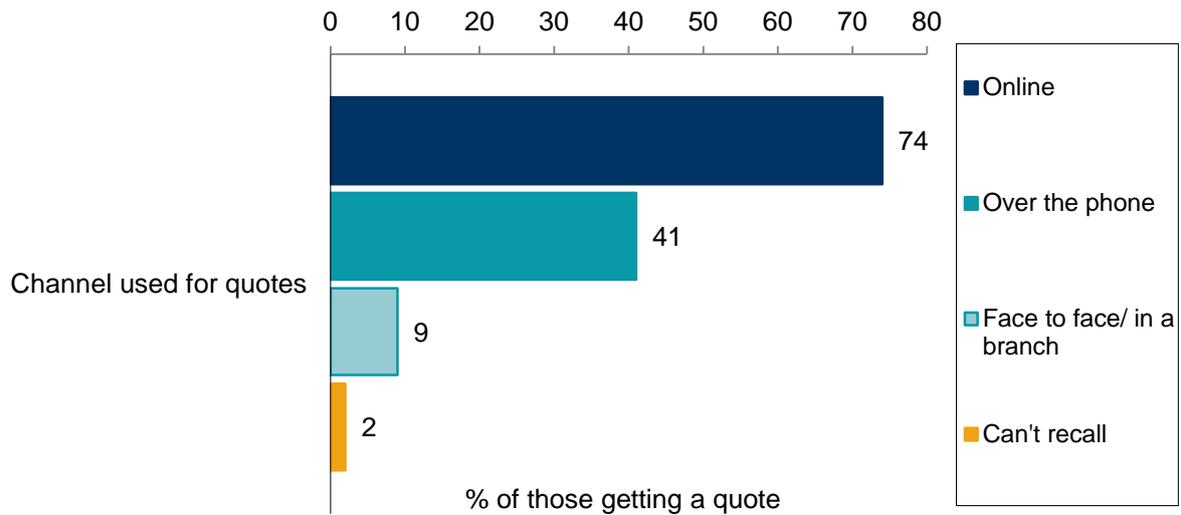
This next section of the report describes consumers' experiences with the resources or 'channels' they used. The analysis explores why some chose to go online, some chose to use the phone, and some to visit a branch. This research examines two questions: what were these experiences like and how did these experiences influence the final outcome for the consumer, if at all?

Quantitative findings

4.1 The enquiry and sales channels used

Consumers used one or more of the following enquiry/sales channels to contact insurers.

Figure 11: Channels used for quotes, simple

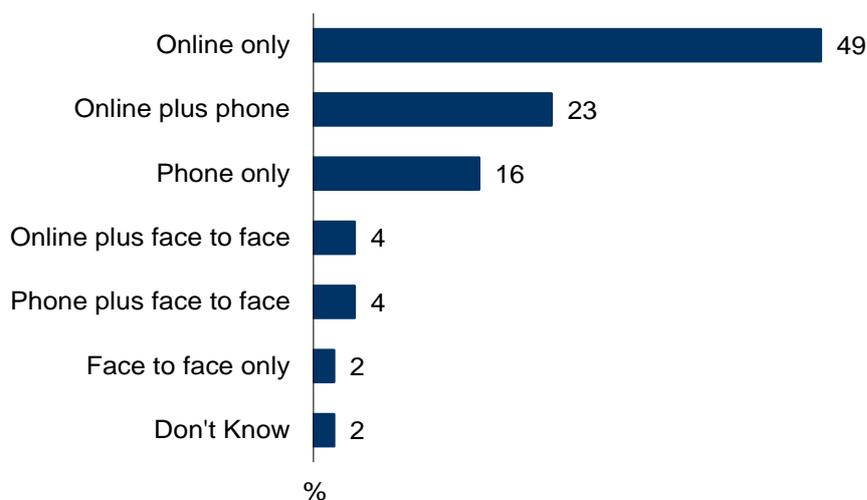


Q. How did you get your quotes? Please tick all that apply (multiple choice). Note – this is as well as any renewal that was sent to you for an existing policy). Base: All obtaining a quote on last renewal occasion (n=486)

It was clear from the quantitative survey results that most consumers used the online channel. More than seven in ten (74%) of all consumers seeking a quote went online. Four in ten (41%) used the phone, and one in ten (9%) face to face.

Some consumers used only one channel, while others used a combination, as shown in the chart below. Half of all these consumers (49%) only used the online channel without also using the phone or face to face. A much smaller proportion (16%) used only the phone.

Figure 12: Channel used for quotes, detailed



Q. How did you get your quotes? Please tick all that apply (multiple choice). Note – this is as well as any renewal that was sent to you for an existing policy). Base: All policy holders who sought a quote (n=486).

The three channels were used by all age groups, though there are some differences in behaviour by age. The 35 to 44 age group was the most likely to use the online channel by itself. Over half (55%) of this age group used the online channel only.

Table 2: Channels used by age

	18-34yrs (n=91) %	35-54yrs (n=211) %	55yrs + (n=184) %
I got a quote ...			
Online only	36	55	47
Online plus phone	36	18	21
Phone only	0	18	23
Online plus face to face	14	2	2
Phone plus face to face	10	2	2
Face to face only	0	3	4
Don't know	4	2	1

Q. How did you get your quotes? Please tick all that apply (multiple choice). Note – this is as well as any renewal that was sent to you for an existing policy). Base: All policy holders who sought a quote (n=486).

Among the 18 to 34 year olds, as many used the combination of online plus phone as went only online (36% in each case). Despite typically preferring to use technology, this age group may have required additional reassurance from speaking to someone on the phone, perhaps feeling that they knew little about insurance. This age group also used face-to-face.

Face-to-face enquiries were made in bank branches and insurer branches. In the qualitative research, some of these conversations occurred during discussions with bank staff about a home loan.

While the over 55 year olds were the most likely (23%) to use phone contact only, for this age group as for the others, online was the most commonly used channel.

Qualitative insight

4.2 How long consumers spent seeking quotes and information

'It's time consuming'

The in-depth interviews and online discussion revealed that the time consumers spent getting quotes and information varied widely. For one consumer, it simply involved phoning his car insurer to ask if they had a home insurance policy, and faxing them the renewal certificate from his existing insurer, to which they replied by phone and email with policy details, which he then agreed to.

As a generalisation, consumers who believed that all policies were basically the same simply wanted the cheapest premium they could find from the insurers they trusted, and they expected the process to be quick:

'If you don't know what is missing or what someone's features are you don't know what to look for.'
(Online and phone channels used)

In contrast, another consumer found it 'time consuming', especially as a fulltime worker wanting to evaluate the features of several policies:

'It took multiple phone calls over a number of days then getting stuff in the mail.' (Online and phone channels used)

While these were the extremes, it was certainly common for consumers to go online and use more than one insurer's website and then make several phone calls to selected insurers. If the consumer then chose to read any of the PDSs (see section 3.3), this added to the time they spent on the activity.

As shown in the next section, some online and phone processes for supplying quotes varied considerably in their length and complexity. One insurer's quote system took about an hour: some consumers took this attention to detail as evidence that the insurer was tailoring their policy to their circumstances; for others it was an hour they did not want to spend in this way.

The next section reviews the perceived advantages and disadvantages of each channel.

4.3 Consumers' online experiences

The advantages of the online channel

'It was so easy. It takes about 3 minutes to get a quote.'

Why was the online channel the most widely used channel? Overall, consumers who used the online channel expected it to be quicker than answering all the questions over the phone. Their aim was *'the least possible pain,'* (online and phone channels used).

The qualitative research clearly identified the benefits of online as:

- consumers could shop around, going from insurer to insurer relatively quickly
- it could be used for estimates at the enquiry stage, and
- it could be done in a consumer's own time, or location of choice.

For shopping around

Online, consumers could seek quotes from several insurers quickly and easily as some sites had quote forms that were relatively quick to complete:

'Just punching in the various details, whatever they were asking and every insurer asks different things, but there are basic stuff, home size, how many bedrooms, how many bathrooms, lounge rooms, other features like solar power, this house has solar power, solar hot water, water tanks, things like that, you punch in the information that they are asking, so if they are asking very little, you aren't punching very much but usually it is pretty comprehensive.' (Online channel used only)

Going online helped those consumers who were seeking the cheapest quote:

'They are actually all quite easy, I was surprised, you just put your information in and up comes a price, and they ask you if you want to do it now or later or to save the quote. I found it was quite easy, it was good. Instead of making 14 phone calls, you just sit in front of the unit, and get all your information.' (Online channel used only)

To get estimates

When some consumers gained quotes online, they guessed some of the features of their house, such as its size in square metres. They thought that they could get an indicated premium from each insurer based on their estimate, and then use precise information when they decided which policy to purchase.

Can be done anywhere, anytime

Some consumers, parents of young children for instance, said that the online channel was the easiest for them to fit into their busy lives. People who tried to get their quotes while at work could fit an online search into their working day.

The disadvantages of the online channel

It was difficult for some consumers to rely exclusively on online quotes. This was especially the case for more knowledgeable consumers, who had questions to ask, and it was also true of consumers who were looking for a quick quote without reviewing policy features.

The disadvantages of the online channel were:

- on many sites, consumers had no one to ask questions of
- the time taken to input information for each online quote
- some sites did not help to inform consumers about the policy
- detailed policy information was not easy to access online
- some sites were more complex than others

- some consumers worried about entering personal information, and
- discounts and deals were not available online.

No one to ask online

One of the main disadvantages of the online channel for consumers was that there was (usually) no one to ask if they had a query. Many people wanted to verify the quote on the phone after first going online. Some would like a chat function online – available with a few insurers – so they could check such details.

Some consumers lacked confidence that they had completed the process accurately and so wanted to talk to someone to make sure they had not made a mistake:

'Then looking at what it spits back out at you really, I am probably not as savvy on insurance as to see what is missing as such, just looking at what they are providing for that price and making decisions.' (Online channel used only)

Consumers had to input similar information on each site

Consumers who wanted to gain quotes from several insurers had to input their details at each site. This is a deterrent to consumers who are time-poor. Consumers said that they found going to several insurers' websites *'arduous'* especially when each one asks very similar questions. Comparison websites can help streamline this process as consumers only have to input their information once.

Most sites did not help to inform consumers

Consumers seem to have used only the 'quote' part of the insurer's website in many cases. They input their details and the site *'spits'* the quote at them. One consumer who was familiar with policy differences explained her disappointment with the sites currently available:

'I would like to see an explicit list of inclusions and exclusions written in very plain English that they might refer you to for more detail ...' (Online and phone channels used)

Detailed information hard to access

Some consumers' homes had unusual features, which did not seem to fit the template used for the quote. For example, one was heritage-listed; another was of an unusual design.

Consumers who wanted to know about policy features thought that it was hard to find information online. They typically only had access to the questions asked by the insurer, and then needed to locate and read the PDS:

'No, they didn't have a lot of other information on the website, well they probably do but more buried in the website.' (Online and phone channels used)

Some consumers who did not feel knowledgeable about insurance cover relied on the insurer to prompt them about policy features that they should consider. Some consumers stated that they had not encountered prompts like this online and therefore phoned the insurer to check. This indicated that online was not sufficient alone for information hungry consumers.

On some sites, the insurer's approach was to suggest that the consumer read the PDS, which did not suit consumers who wanted only one question answered. See section 3.3 for information about reading the PDS.

Wary about inputting personal information

A few consumers were concerned about the privacy implications of inputting their information online, especially on sites that asked for name and address. Some wanted to make sure that this would not lead to an unwanted sales call:

'Felt a little conscious of what information I gave out on websites like that ... what marketing material will I now be bombarded with.' (Online channel used only)

Difficult to negotiate price

Some consumers wanted to negotiate the premium or take advantage of multi-policy discounts, which could not be done online:

'You can't put loyalty into a calculator.' (Online and phone channels used)

Some consumers gained basic comparative information online and then phoned the insurer's call centre to try to negotiate a better rate, or to make sure discounts were included.

4.4 Consumers' phone experiences

The survey data showed that four in ten (41%) consumers who obtained a quote, did so over the phone. More consumers used a combination of phone and online (23%) than phone by itself (16%):

'I went on the phone because it is a human being and they have the product knowledge.' (Phone channel used only)

The advantages of the phone channel

Consumers often said that they used the phone to 'talk to a human'.

The benefits that consumers expected from speaking to a human on the phone were:

- to help reassure consumers that their online quote was correct
- to help consumers cover specific features of their home
- to allow the consumer to be questioned by the insurer, and
- to enable some consumers to negotiate the premium over the phone, and ask about discounts.

The phone channel provided reassurance

Some consumers primarily wanted reassurance during the final stages of the process. These consumers did not make the phone call for advice or guidance, but to prevent them from making a mistake:

'I just find that stuff like this, I would sooner ring up and you can ask questions if you need to and on the internet you don't know if you push the right buttons ... and you just don't know, because you are not actually speaking with a person. [On the phone] it is recorded [so] you are covered. On the internet you might do it wrong. For something like that, I do a lot of other stuff on the internet but not this.' (Phone channel used only)

For these consumers, buying home insurance cannot be easily automated. Some consumers have concerns about the unique features of their home or property which cannot be captured in a standardised quote system.

'I guess I have a list of what things we want included, in the policy and what types of policies, but at some point for me there always has to be that comfort level of talking and asking questions whether it is just confirming what the calculator or someone has said is included. I would much rather talk to a person than a computer.' (Online and phone channels used)

'I guess it was just a matter of comparing to make sure that although the policy was a lot cheaper, what we were actually getting, I wanted to make sure we weren't missing out on anything by swapping providers.' (Online and phone channels used)

The phone channel allowed consumers to ask about features

Some consumers wanted to do more than verify or finalise the process; they wanted to question the insurers. These questions could be about the premium or excess, or policy features. Some insurers responded well to these questions:

'I spent some time with them on the phone and asking a lot of questions, what was covered, and what would happen in this scenario, and how would we claim in this scenario and just sort of asking a lot of questions really.' (Online and phone channels used)

'We talked about the difference between floods and storm exception and water problems, I was quite honest with him because I do have a water problem with my house being on rock, underneath the ground, when it rains really hard, water does come under my house a bit, but it comes up through the floor, I explained all that and he didn't seem fazed. The main problem was flood that they were interested in.' (Phone channel used only)

In one case, the customer service representative read the PDS over the phone:

'I don't think the average person on the phone at the insurance company knows the answers to a lot of these questions. I know from experience that they certainly weren't aware if their policies covered retaining walls. Most times they had to ask a superior, get back to me or read the PDS with me while they are on the phone.' (Phone channel used only)

The phone channel helped the insurer to provide the right policy

In some cases, the insurer spent time determining whether the policy suited the consumer:

'BRAND ... sort of made sure that I was comfortable with the answers that they were giving. They asked many times through the various conversations, 'does that answer your query, is there anything else that we could help you with, do you understand it all, what do you want the policy to include, does it do everything you want it to do OTHER BRAND, they answered all the questions, but I guess they didn't sort of prompt for more of a discussion ... , they were just there to answer any questions I had. They had the answers, but I definitely didn't get the sense that they were trying to steer me towards any particular policy or make suggestions on what we should do with our policy.' (Online and phone channels used)

On the phone, the insurer could ask detailed questions about the property. One insurer spent about an hour on the phone requesting specific details from the consumer:

'BRAND took about an hour due to the myriad of questions they ask but was worth it due to the discount in price ... At the end of the process I was generally satisfied with the outcome.' (Phone channel used only)

'They wanted to know, what type of roof it had, whether it was a tiled roof or flat roof or a roof like a tin roof, Colorbond roof, they wanted to know if it was a brick house or a weatherboard house, whether it had locks on all the windows, an alarm system, air conditioning, ducted heating, whether we had dead locks on the external doors, security doors, the garage whether it was moulded or wood, a double garage, size of the house, how many bedrooms, carpets, curtains, that is covered by contents. Whether it had floor boards, I think that was it.' (Phone channel used only)

While one consumer regarded these questions as ‘invasive’ others were pleased by the insurer’s apparent intention to alter the insurance to suit the consumer. Several consumers regarded this as a positive approach to ‘tailoring’ their quote.

Using the phone channel to negotiate

Some consumers liked to use the phone to negotiate the premium down, or to ensure that discounts were incorporated into the quote:

‘I did speak to BRAND before I renewed just to talk about level of cover and how I can get the cost down basically so I always do that and usually they are pretty good.’ (Online and phone channels used)

The disadvantages of the phone channel

While consumers benefitted from phone conversations, the phone channel experience is far from ideal. Consumers had several complaints about their experiences, especially how long it took, one of the reasons why some consumers avoided using the phone channel altogether.

The problems were:

- getting quotes by phone took a long time, and
- some consumers who only used the phone did not have access to policy information, except by then going online.

Gaining quotes by phone took a long time

‘Generally I find speaking to insurance companies on the phone rather arduous if I can just get it cheaper I didn’t necessarily go back and have a great long phone call, I really can’t stand those phone calls.’ (Phone channel used only)

Some consumers who wanted to have their online quote verified found the process frustrating because they had to supply all their details again:

‘He repeated everything again, this is what you have done, did you agree or disagree etc., and it took about 10 minutes and I was in a hurry.’ (Online and phone channels used)

Consumers complained that they had to wait on hold when using the phone channel. For instance, two specifically mentioned times when the call centre staff put them on hold to check details of the policy.

Lack of policy information

While some consumers had useful conversations with the insurer’s staff on the phone about policy features, this was not always the case. Some consumers struggled to obtain detailed policy information from some insurers on the phone:

‘I had to put some effort into getting answers.’ (Online and phone channels used)

One consumer said staff were ‘vague’ and another said that he was put on hold several times while staff sought answers to questions from a supervisor. He thought the call centre staff lacked necessary product knowledge and training (online and phone channels used).

One consumer phoned an insurer after obtaining a quote online, to specifically ask about exclusions. She was directed to the appropriate page in the PDS, which she downloaded from the website.

Some consumers thought that listening to a recording of the terms and conditions was not as effective as being able to ask questions:

'You feel like they are rushing you and they just put you on that recording so you understand everything. They press that button and give you all the terms and conditions pre-recorded.' (Online and phone channels used)

As one said:

'You listen and you go yeah, yeah.' (Phone channel used only)

The consequence was that consumers who had just listened to a recording did not seem to have had the details of the policy disclosed to them except through the provision of a downloadable PDS:

'A few years ago, a company would ask if you want this, do you want that, we have this package, we have that, so you believed there was a big difference, ...you don't get to ask any more or do anything. You feel like they are rushing you and they just put you on that recording so you understand everything. They press that button and give you all the terms and conditions pre-recorded.' (Online and phone channels used)

Some consumers were disappointed that the insurers' staff were not proactive and did not help them select or tailor their cover.

4.5 Consumers' face to face experiences

Of the online survey respondents who obtained a quote, 10% did so face to face, usually by visiting a bank or insurer.

The advantages of the face to face channel

The advantages of the face to face channel were:

- it was convenient for some consumers, and
- some consumers were more comfortable talking to people they knew.

Convenience

The main reason for discussing home insurance face to face was that it was handy. It was convenient for consumers to visit the branch office in their local town or suburb. One man unsuccessfully visited every bank branch in his town trying to reduce the quote he had received from his existing insurer. Another was in a bank branch talking about a bank product matter, when she noticed that they also offered insurance.

Consumers mostly reported positive experiences when describing face to face encounters, saying that the customer service staff were *'helpful'*. These consumers also described the process as *'short'*. In some cases, it seemed to involve the staff member entering the customer's details into the online quote system for them.

More comfortable talking in person

Some consumers who lived in small towns knew the staff at the branch. Some spoke to relationship managers at the bank who knew them. They felt they benefitted from this acquaintance.

One consumer expressed another benefit:

'I have a tendency to like personal contact because you can often read other things in people's body language sometimes which gives you other information that is not forthcoming over the phone.'
(Face to face channel used only)

Disadvantages of the face to face channel

The face to face channel did not suit consumers who wanted to obtain a quote from home or work. A further disadvantage of this channel is that the branch staff seemed to have varied product knowledge. Most reported having little, if any, conversation about policy features when talking to branch staff in branches. One staff member however, did provide comparison tables to compare their policy against their competitors.

4.6 Experiences when contacting insurers: implications

The complexity of the selection process seems to have resulted in some consumers commonly using mental shortcuts in their decision making. These consumers focussed more on saving time and money than what the policies covered them for.

As one consumer said:

'It is a thorn in my side every time I shop around and as we are a time-poor society perhaps less and less people will review their policies.' (Online channel only)

The research suggests that online and phone channels have performed different functions for consumers. There does not seem to be an ideal channel, as it depends on what individual consumers prefer. There is no one-size-fits-all approach. It seems that speed-oriented people will tend to prefer to use online only, detail-oriented consumers want to check their initial online quote by phone, while bank branches and insurer branches provide some consumers with an opportunity to discuss home insurance in a convenient environment.

Insurers varied in the way they made information accessible. Some used long phone calls and quote systems which prompted detail-oriented consumers to think, while some used their phone channel as a verification process rather than an information channel. Perhaps shorter phone conversations met the short-term needs of time-poor consumers, who knew that they had cover for a house and contents of a certain value. However, some of these consumers **may only find out when making a claim that their policy has limits or exclusions, indicating the importance of more information at this stage.**

In theory, all consumers had equal access to information about policy features, as they could have requested a PDS be mailed to them, and many could look at the PDS online, or in some cases at a branch. However, consumers who only sought quotes by phone did not have access to the PDS before buying and therefore were only able to learn about policy features if they initiated the question (usually because they had previously made a claim), or the call-centre operator volunteered information, or they read it afterwards. The lack of interest in reading a PDS is exacerbated by some consumers' views that the insurance policies are 'all the same'. Some call centres did mention product features (other than the excess, and possibly flood cover) and/or encouraged consumers to engage in a lengthy conversation, while others did not.

The finding that some consumers were reluctant to study the PDS immediately after they had purchased the policy is consistent with theories from cognitive psychology that people will avoid activities that cause them to experience dissonance.



5. How consumers chose the sum insured amount for their building and contents

In theory, the decision about how to choose the sum insured amount for a building has two stages: first the consumer should decide whether to buy a sum insured, extended cover, or a total replacement policy, and then, if either of the first two is chosen, the exact value to insure.

In practice, the steps consumers took were less clear cut than this. Sum insured policies were the default option. Some consumers appeared confused about the difference between these three policy types. For instance, some consumers with sum insured policies assumed that an insurer would 'totally replace' their home if it was destroyed. Consumers described 'extended' or 'safety net' cover as an option for those who could afford it, rather than a necessity.

Estimating how much to insure the building for was 'guesswork'. Some consumers guessed the market value while others guessed the rebuilding costs. Some myths exist about rebuilding costs which need to be addressed – notably that the cost of using friends and family to help with the rebuilding should determine the sum insured.

The attention that consumers paid to the accuracy of their sum insured amount was influenced by their perception of their risk.

This section discusses how consumers estimate the cost to rebuild. It starts with an analysis of how much attention consumers paid to the estimation process, and why that was.

Qualitative insight

'When we renewed our policy last month, I didn't even think about how much we were insured for.'

5.1 How much attention consumers gave to the cost to rebuild the building, and why

It was clear that many consumers in the qualitative research paid little attention to what it would cost to rebuild. As discussed in Section 1.3, some consumers considered that there was a low risk they would need the insurance; this was based on their perception of the probability of a total loss rather than the magnitude of the risk, even though judging probability is notoriously difficult.²³ They therefore were not too concerned about the value of the building:

²³ Kahneman, D., Tversky, A. (1972), "Subjective probability: A judgment of representativeness", *Cognitive Psychology* 3: pp. 430–454.

'These weren't difficult decisions as I consider it unlikely I will need to claim, therefore the cheaper premium becomes worth it.' (Online channel used only)

Having their attention drawn to the potential rebuild cost created dissonance²⁴ for some consumers, as a higher amount meant a higher premium. As discussed earlier, one way to reduce the higher premium is a higher excess, but consumers generally considered their excess to be as high as it could be. One outcome of this tension was consumer distrust of the insurer's valuation, linking with other concerns about the industry's trustworthiness:

'I too am wary of falling into the trap of being ripped off when insurance companies prey on customers' fears about being left with inadequate funds to rebuild.' (Phone channel used only)

Some consumers believed that it would be impossible to know how accurate any estimate was until after an insured event occurred:

'I won't know until crunch time.' (Online and phone channels used)

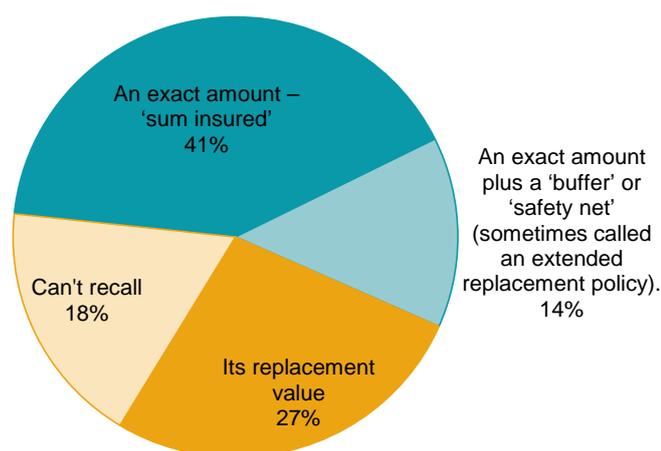
Quantitative findings

5.2 Sum insured policies dominate the market

There are generally three home building policy types available: a fixed 'sum insured' policy; 'total replacement' cover; and 'extended' cover which has a buffer or safety net built in. 'Total replacement' policies mean the consumer does not need to calculate an exact replacement value for the property. Both sum insured and extended cover policies require the consumer to select an insured value for their building.

Although a few insurers offer 'total replacement' policies, sum insured policies currently dominate the market.

Figure 13: Consumers' understanding of their policy type



Q. What type of policy do you have? Base: All policy holders (n=1058)

²⁴ See footnote 5.

The online survey found that 41% of consumers with home building insurance insured to an 'exact amount', that is, a sum insured policy, while 14% insured with a buffer, and 27% had insured the building for its replacement value.

As will be clear from the discussion below, it seems that the proportion who stated that they have a total replacement policy is significantly overstated, as only a few insurers currently offer this policy type, and some of the consumers who stated that they had a total replacement policy said they were insured with an insurer which does not offer total replacement policies.

The survey asked two related questions about:

- how they have insured their building – 'which type of policy do you have?', and
- their knowledge and experiences of total replacement policies.

The table below compares these variables. The first column shows the responses of consumers who said they had a total replacement policy. In all, 26% of these consumers said in answer to a separate question that they were insured for 'an exact amount'.

Table 3: How consumers valued their building X knowledge of total replacement policies

	I have a total replacement policy	I used to have a total replacement policy	I have looked at them but decided against them	I have heard of them but never looked at them	I have never heard of total replacement policies
	(n=450)	(n=56)	(n=68)	(n=195)	(n=288)
The building is insured for....					
An exact amount – 'sum insured'	26	51	62	52	52
An exact amount plus a 'buffer' or 'safety net' sometimes called an extended replacement policy).	12	29	22	13	11
Its replacement value	51	11	9	8	9
Can't recall	11	9	7	27	28
	100%	100%	100%	100%	100%

Q. What type of policy do you have? Base = all policy holders N = 1058

This table also shows that around one in ten of the consumers who did not have a total replacement policy stated that their house was insured to its replacement value. For example, 11% of consumers who 'used to have a total replacement policy' said that they had insured their building to its replacement value, as did 9% who said they had 'decided against' a total replacement policy. This is important because it demonstrates that some consumers may have believed that the sum they had insured their property for would be sufficient for its total replacement.

This highlights an important finding of the research: that some consumers do not fully understand the difference between 'sum insured' and 'total replacement' policies.

Qualitative insight

5.3 The terms ‘sum insured’ and ‘total replacement’ are ambiguous

‘I think it [sum insured] means you are not out of cost for anything. It is an agreed value.’

The research suggests that some consumers were confused about what their policy actually covered, and what the term ‘sum insured’ actually means.

A significant insight into consumers’ understanding of the meaning of sum insured came from consumers’ own language. Several of the consumers interviewed in individual in-depth interviews said that they had a ‘total replacement’ policy from an insurer, yet it was clear that the insurer in question did not issue total replacement policies. These same consumers cited the sum that they had insured their property for, making it clear that what they called a ‘total replacement policy’ was actually a ‘sum insured’ policy.

When one consumer was asked whether they had a sum insured or total replacement policy, they used all of the following three phrases to describe their policy: ‘sum insured’, ‘total value’, and ‘replacement cover’, without any suggestion that these are very different policy types. It is considered that they in fact had a sum insured policy.

This confusion comes from the word ‘replace’. Consumers used the word ‘replace’ in the context of sum insured policies. As an example, one consumer said of their sum insured policy:

‘It was how much to replace your home from new.’ (Online channel used only)

Another with a sum insured policy said:

‘From memory, it’s a replacement, I don’t think there is a sum insured, sum insured for the contents, but I don’t think there is with the building, it’s replacement ... I would assume that if the house was totally destroyed that the house or similar size and standard would be fully funded. That is what I have always understood replacement to be.’ (Online channel used only)

The word ‘total’ when used with ‘replacement’ does not help consumers to understand how the cover works; their responses suggest that they consider ‘total’ to be a given when a building is replaced.

Terminology used in policy names and wording has created a distinction between ‘total replacement’ policies and ‘sum insured’ policies. Consumers do not necessarily understand this distinction, and use different terminology. When describing how they insured the value of their building, the words that many consumers used were:

- agreed value, and
- new for old.

In this context, sum insured policies are ‘agreed value’ policies, while total replacement policies are ‘new for old’.

5.4 Total replacement policies: the perceived pros and cons

The benefit of ‘unlimited cover’

Only a small number of consumers interviewed in the qualitative stage understood the potential benefits of total replacement policies. One expressed their understanding of the policy as offering ‘unlimited cover’:

‘I would be of the opinion it would cover everything from demolition to designing and replacing the existing place but would most likely exclude landscaping the yard.’ (Online channel used only)

Some understood that their own policy would not necessarily cover the full rebuild cost and therefore saw the total replacement option as worthwhile.

The disadvantage: too unfamiliar an idea

Some consumers thought that the benefits of a replacement policy were untested. They would not know the benefit of the policy until they claimed.

Some consumers had never heard of this type of policy and many of these were puzzled when it was explained to them, expressing a lack of confidence in knowing what they were insured for:

‘I guess total replacement would be more expensive because no matter what, they probably do require an estimate, they would factor in like whatever amount I suppose, I don’t really know, I have only ever insured at a fixed amount of a property price. I don’t really understand the difference.’ (Phone channel used only)

The lack of a definite insured amount in the policy concerned them. The research suggests that consumers need the concept and its rationale explained, and they need reassurance. The following quote from someone with a total replacement policy shows the dilemma that consumers experience:

‘I think that having unlimited cover isn’t specific enough, but then again, how do you put a value on replacing the building.’ (Online and phone channels used)

5.5 Sum insured policies: perceived pros and cons

■ *‘It’s guesswork.’*

A familiar concept, under the consumer’s control

The consumers interviewed were much more familiar with the idea of ‘sum insured’ policies than ‘total replacement policies’. They equated this type of policy to the ‘agreed value’ of an insured motor vehicle.

Some consumers preferred to choose a sum insured because it affected the premium. Although most seemed to try to choose an amount that reflected what they believed to be the total value of their building, one consumer said she had insured her home for two thirds of what she thought was the replacement value, to reduce the premium (online channel used only).

The disadvantage: difficulty selecting the sum insured amount

If they chose a sum insured policy, consumers then had the option of choosing their own sum insured or having the insurer calculate it for them. Some consumers preferred to do it themselves because they distrusted the insurer's calculation:

'With an insurance company, you have to tell them what you want, you say, I want this, because they are slippery, you have to say no, I want you to insure for this much.' (Phone channel used only)

As it would seem impossible to arrive at an exact figure, consumers prefer to use a 'round figure', such as '\$400,000':

'I want to be insured just enough to rebuild an average size house.' (Phone channel used only)

One consumer's selection of their sum insured amount was based on what they had previously insured for, the initial purchase price of their property adjusted by using a guess about the market value of their land:

'I think I just got it off previous insurance policies that we had and based on our initial purchase price and taking a guess at what the land value was.' (Online and phone channels used)

Even consumers who were aware of the need to take into account additional costs such as debris removal or temporary accommodation costs could only estimate 'roughly' what they would be:

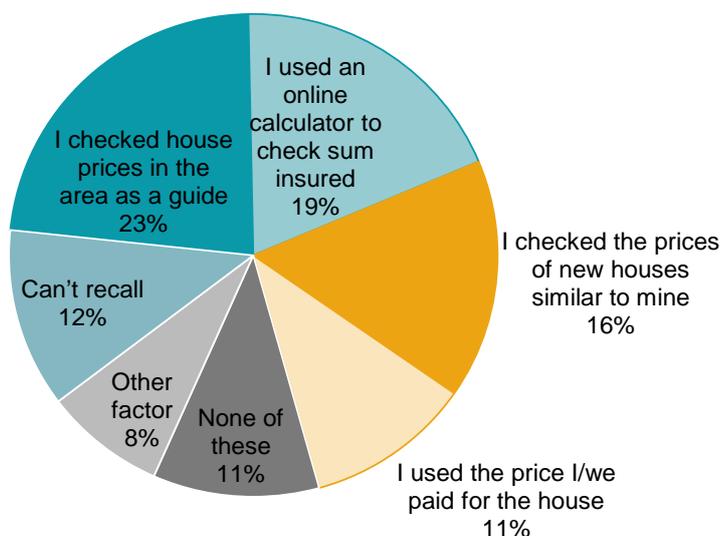
'I do a rough calculation, I take the home section from the Daily Telegraph and compare the house size relative to this one and the prices the house companies' advertisements say the building costs. Then I add roughly \$50,000 for site costs and \$20,000 for demolition costs.' (Online and phone channels used)

'I guess obviously the point about whether it is fully insured for replacement, what do they mean by replacement value? Is that what it says? I have never been really sure about that, because I have never had a house destroyed.' (Online channel used only)

How consumers calculated the sum insured

The online survey showed that the most common method, used by 23% of consumers who stated they had a sum insured policy, was to check 'house prices in the area as a guide'. The next most common method was to use an online calculator (19%).

Figure 14: The most important factor when consumers calculated their sum insured



Q. When you last decided on the sum insured, what was the most important factor when you made that decision? Base: All with 'sum insured' policy (n=581)

A summary of how consumers calculated the sum insured using these different methods follows.

Using market value (less land value)

Some consumers (23%) calculated market value by looking at the price that buildings similar to theirs in their local area had sold for:

'You can get something decent around here for that price.' (Online channel used only)

Some consumers assumed that they would replace their destroyed home with a more recent design, and used project homes as a guide:

'I live right near a display village, so I just go off their prices for a 3 bedroom and then added on extra for driveways, their basic 3 bedroom home is \$130,000 or \$150,000. ... I do know you have to cost the foundations and stuff.' (Online and phone channels used)

Some consumers insured their building for the amount they paid for it. Some had only just bought their property, so used the purchase price (less land value).

Using a home insurance calculator

Some consumers (19%) used an insurance calculator to select a sum insured for their building. The insurers' questions included details such as the number of bedrooms and the type of roof. Some insurers asked about the size of the building in square metres (which some people guessed). One insurer required the consumer to measure the building with a tape measure.

Calculators have the advantage of providing an objective assessment of the building based on its size. However, completing them was not straightforward:

'It was a bit more messy, there were areas where I just had to guess stuff and put stuff in and I wasn't totally confident [that] I was getting a fair sort of comparison.' (Online channel used only)

Consumers can either accept or reject the amount suggested by the calculator. Some accepted it:

'I put complete trust in the value it spat out as it is the amount I am now insured for.' (Phone channel used only)

The method used by the insurer to calculate the sum insured was not clear to consumers. They could not tell whether the calculator had taken into account the unique features of their house:

'It doesn't take into account the fact that, what is your house made of and what sort of quality finishes, it pitches it very low and I think what you could actually build is a project home and a lot of sites you can't build a project home on anyway, so I think there needs to be a bit more, is your house architecturally designed and that kind of thing, just a completely different scenario.' (Online and phone channels used)

It was not evident to consumers whether the calculators had taken current rebuilding costs into account. Because the calculators include questions about the size and construction of the building, consumers assumed that this formed the basis of the quote.

Overall, there is uncertainty about whether the calculator will yield the 'right' value. Some consumers found that two different calculators can result in two different values:

'I looked at two calculators ... They were very different to each other. I liked the calculator by BRAND as it is fairly comprehensive, but it came out with a much higher replacement cost. The BRAND calculator was very basic with not much scope for inputting information. The amount it suggested that I insure my home for was nearly half of the OTHER BRAND site. They were both easy sites to use but I must admit that I have concerns over the difference in the suggested sum insured price.' (Online and phone channels used)

Consumers' responses to insurers' suggested value

Through calculators, renewals, or when quoting the premium, insurers may suggest an insured value to the consumer. Some consumers rejected their insurer's suggestions and opted for a lower figure. Some did so because they distrusted the insurer, thinking that it was inflating the sum insured artificially, so as to increase the premium.

One consumer lived next to bushland in NSW, so the suggested value may have included the cost of materials to meet the new building codes. If this was the case, the insurer did not inform the consumer about this:

'I think for building this house \$350,000 ... I ask people around, they also ask me, if you go to BRAND, they question me, then they ask me to insure for \$500,000 – for half million to build this house! I said no way, I am not prepared to pay that much, my house doesn't need half million to build.' (Face to face channel used only)

These consumers did not realise (if this was the case) that the insurers had factored in more than the actual rebuilding costs. In the absence of any other explanation, consumers seem to have assumed that the insurer's suggested value was self-serving and overpriced.

Some consumers deliberately chose a lower insured value to achieve a lower premium. Consumers can justify this lower insured amount on the basis that they will 'cope' if their sum insured sum is too low:

'I think, yeah could we rebuild this house for \$500,000? I'm not sure if we could, we would probably get close but probably not quite ... They gave that to me as an option and I just chose that one in terms of the price point but then I thought, what am I comfortable with, what is not going to break us, if we did lose the house and given \$500,000, could we rebuild with that, yes we could, would it be enough, maybe short \$50,000 to \$100,000, but ... it wouldn't destroy us, we could get a loan,(it) wouldn't be ideal, but I could still cope with that extra on top of our existing loan.' (Online channel used only)

Self-calculating rebuilding costs

Some consumers took building costs into account rather than market value. However, this can also lead to an inappropriate sum insured. Some of the consumers who valued their house by the 'cost of rebuilding' based their calculation on the cost for them or their tradespeople friends and family to repair it:

'I am in the building trade and I think it would be enough to rebuild it.' (Phone channel used only)

After a major disaster, consumers are likely to have to pay higher rebuilding costs than friends and family may charge.

Some also expected that they would receive a cheque for the sum insured value rather than the insurer arranging the tradespeople for them:

'I wrote everything it costs to build a house ... If you have a single dwelling, you know it is \$250,000, \$280,000. Obviously you have to look at your land but that is all. I need cash for that much for the house.' (Online and phone channels used)

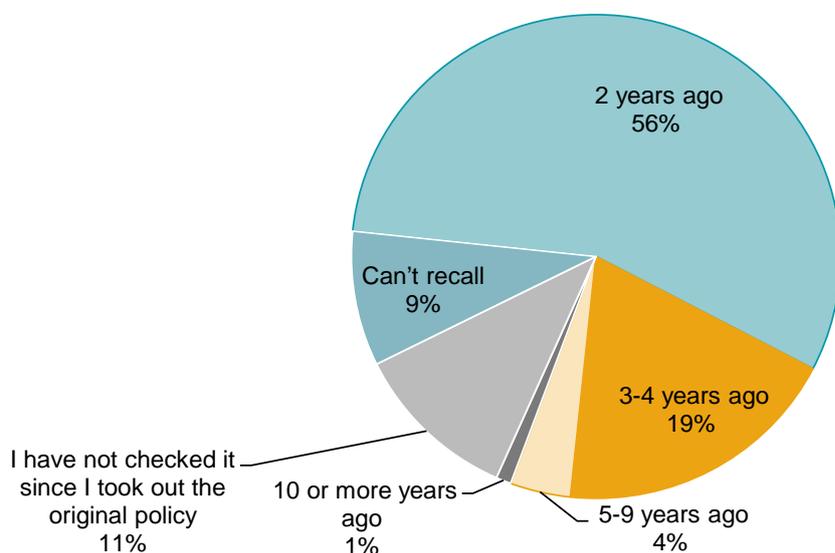
Increasing the sum insured each year

In some cases the property had been purchased many years ago, and the consumer had simply added on small increases to match CPI:

'Initially for me it was easy to calculate, as I did 'knock rebuild'. But as time goes by (more than 12 years since the completion of this house) it gets harder to calculate.' (Online and phone channels used)

The online survey showed that the proportion of consumers potentially using 'old' resale prices for their sum insured was small but significant. Over half (56%) checked over 2 years ago, while 19% checked 3 to 4 years ago.

Figure 15: The last time consumers checked their sum insured

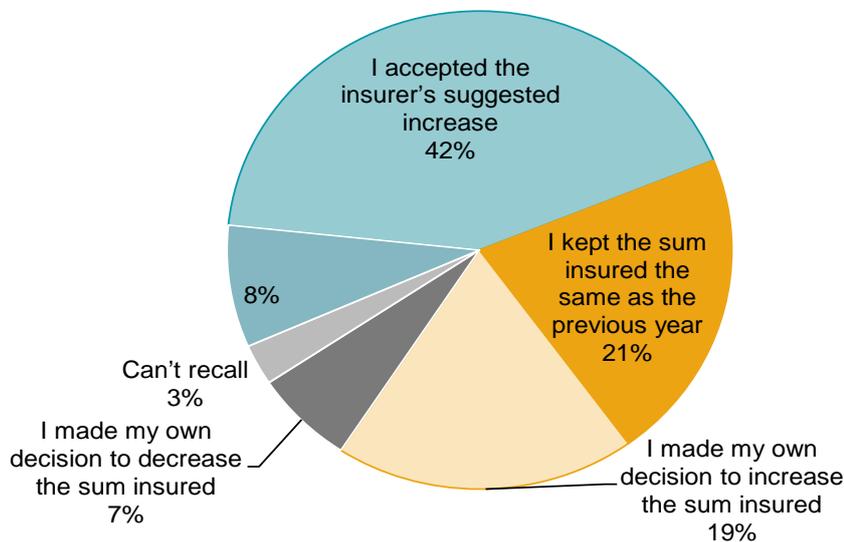


Q. If kept the sum insured the same as it was the year before in Q13. When was the last time you considered changing your sum insured? Base: All keeping sum insured the same on last renewal occasion (n=93)

How insurers calculated the replacement value of the building was opaque for consumers. Based on the tools available, it seems difficult for a consumer to value a building accurately.

Insurers may also increase the sum insured at renewal time, to cover inflation. When that occurred to respondents in the online survey, some 42% said the insurer had suggested an increase and they accepted it, while 19% said they made their own decision to increase it.

Figure 16: Reaction to insurers' suggested increase



Q. Did you keep the sum insured the same as it was the year before, accept the insurer's suggested increase, make your own decision to increase it, make your own decision to decrease it. Don't know/can't recall. Base: All renewing a sum insured policy (n=413)

Nevertheless, it is clear that just as consumers were sceptical about the sum insured suggested by some online calculators, they also may resist the insurer's suggestion to increase the value of the sum insured each year.

Insurers' responses to consumers' sum insured estimates

It seems that some insurers did not question consumers' estimate, though others had limits.

'BRAND A didn't offer anything or have a minimum, OTHER BRAND had the minimum to not insure for less than. They set the bars that won't go beyond a certain amount. BRAND A would have let you have anything, no minimum ... They let you assess it and I felt like \$180,000 covered it.'
(Online and phone channels used)

'They take it on face value.' (Phone channel used only)

5.6 Extended cover: the perceived pros and cons

Some policies offer an optional feature called 'extended cover' or a 'safety net' to cover some additional costs up to a set limit; for instance, after a total loss when prices rise in the aftermath of a natural disaster.

Helps deal with inaccurate sum insured calculations

A few consumers said that they were aware of the 'safety net' or extended cover option:

'One thing I do remember is 20% because I was concerned about estimating the value of your home and possibly under insuring, you can be out up to 20% and they will still cover you up to

20% excess for new for old, replacement cost, that was one thing I remember, because that was a concern.' (Online and phone channels used)

The disadvantage: adds to the premium

Some considered the 'safety net' benefit only to be relevant if they lived in a known flood or fire risk zone:

'I think the safety net that is raised more often where people have their house in particular places or areas where disasters can occur they're on a flood plain or in country areas surrounded by forest by definition bushfires.' (Face to face channel used and online)

This relates to the issue that consumers have pre-judged their risk, based on their property's location.

Other consumers were not aware of the possible additional costs that may not be covered by a claim. While some consumers wanted the additional cover, others resisted it because they thought it added unnecessarily to the premium. To some extent this optional cover was seen as top cover that would have to be paid for:

'It is a great service if people want that but nothing comes for nothing and you have to pay for that service and if the natural disaster happened, you have to pay for the ifs, and I just wanted the one amount.' (Online and phone channels used)

5.7 Removal of debris

Some policies include the cost of removal of debris if a building has to be replaced, though some policies place a dollar limit on this. To what extent were consumers aware of this feature?

As described earlier, one consumer understood that debris removal was covered, as she had included an amount in the sum insured amount. She seemed to have gained this knowledge from a detailed phone conversation with the insurer. One had discovered the cost of debris removal through a friend:

'In the event of a disaster, it is going to cost me about 30 or 20 thousand to get rid of all that rubbish.' (Online and phone channels used)

However, other consumers were unaware of this feature, because they had neither read the PDS nor been provided with a list of policy features, nor been told this by the insurer.

5.8 Temporary accommodation

Some policies cover the costs of temporary accommodation if the insured home cannot be lived in:

'If your house was not going to be liveable for some time, it would be quite expensive, \$10,000 it would be, you don't know how long, if you had to rebuild your house, it would take 12 months to rebuild it, at least.' (Phone channel only)

However, there are limits on this cover, which vary:

'I check that I have adequate rebuilding cover and all the additional costs involved of site clearing, design fees and temporary accommodation on various sites available for calculating. However, I do find this quite confusing as results do differ from site to site and obviously differ based upon where you live.' (Online and phone channels used)

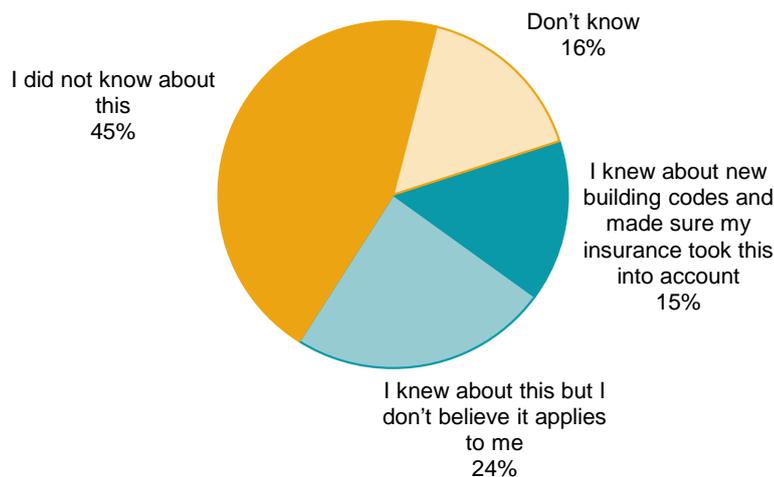
Most consumers did not appear to know of this option.

5.9 New building codes

In the online survey, consumers were asked about their knowledge of building code requirements that have been introduced that may mean it will be more expensive to rebuild. For example, some windows may need to have heat-resistant glass to safeguard against bushfire risk.

Fifteen percent (15%) stated that they 'knew about new building codes and made sure their insurance took that into account.'

Figure 17: Awareness of new building codes



Q. In many parts of Australia, new building codes have been introduced that may mean it will be more expensive to rebuild your home – for example, some windows may have to have heat-resistant glass in response to bushfire risk. What do you know about these codes? Base: All consumers with home building insurance (n=1058).

One in four (24%) said they knew about building codes, but believed they would not apply. The remainder did not know about them. Clearly, knowledge of building code requirements was low, though it may be higher in areas recently affected by natural disasters.

Qualitative insight

The online forum also discussed participants' concerns about how consumers can find out about costs to comply with new building codes. The general response was that this is specialist knowledge that those in the know need to share with consumers who are most likely to be affected, such as those living in designated bushfire or flood zones:

'I like the idea of a handout highlighting things you can do to specific to your situation be it fire, flood or anything else including higher building costs if you live in a hard to get to area.' (Phone channel used only)

'I assume that the calculator doesn't take into consideration the extra costs the bushfire victims need to pay ... so unless the insurance company told me about extra costs to rebuild I wouldn't know.' (Phone channel used only)

5.10 Valuing contents

Valuing contents appears to be a much simpler process than valuing a building. Consumers had various strategies to calculate the value. One created a spreadsheet; others simply went around the house adding up the likely value of their belongings.

Some valued all of their contents while others only valued specific items. For example, some consumers only included items they thought might be stolen, such as phones and computers, but did not insure furniture even though it could be destroyed in a flood or fire. This was another way in which consumers could be under-insured.

Consumers who valued all their contents made an estimate based on what they considered 'new for old' replacement costs would be.

The most significant issue to emerge was from consumers who had claimed on their contents cover. They had discovered that the insurer requested receipts for items, which they did not necessarily have. Some suggested scanning photos of receipts and saving them to an external database. One was told that if there was no receipt, some other proof of purchase was acceptable, such as the cover for a laptop.

Again, the most informed were those who had made a claim, or knew someone who had:

'I make sure now because I have been robbed 10 years ago, I take photos of everything in my house. ... I haven't done lately but a couple of years ago I did, just in case anything happens and they will say, you didn't have that, because I can't keep receipts.' (Online and phone channels used)

5.11 How consumers determined the value of their building and contents: implications

This section of the report has revealed some myths and misunderstandings about home insurance. It was apparent that for the consumers interviewed **the phrase ‘sum insured’ had two different meanings**. For this reason, consumers and industry need a shared language; it has to be clear to consumers that the sum insured refers to the cost to rebuild and not the resale value of the building. Additionally, it is important for consumers to understand that it can include debris removal, legal costs, temporary accommodation costs and the like.

As a further complication, some consumers assumed that ‘sum insured’ and ‘total replacement’ meant the same thing. **It would be very useful if the industry could explain to consumers that ‘sum insured’ means ‘the cost to rebuild, including associated costs such as legal costs and debris removal, and may also include the costs of temporary accommodation.’** While some insurers use similar wording, at present there does not seem to be industry-wide consistent approach. The current situation leads some to assume that:

‘It should all be covered.’ (Online and phone channels used)

Perhaps consumers need a more obvious warning when they select a sum insured that the insurer will only rebuild to the value of the sum insured amount after taking out other costs. This might help overcome some consumers’ scepticism that an insurer’s suggestion that they increase the sum insured is not a sales ploy to increase the premium.

The psychological literature posits that consumers cannot predict probability, and that when they think of the future they tend to think more in the abstract than in concrete terms. Added to this is the tendency for people to think about the future positively, such that consumers may find the idea of ‘coping’ with a shortfall as an example of positive self-image. It might be possible to encourage consumers to imagine how any of their longer-term goals (such as school fees or retirement) might be compromised, if they had to make up the shortfall.

Some consumers in the online discussion thought that calculators on an independent site, such as ASIC’s MoneySmart would be more trustworthy. As it stands, some consumers struggle to accept the legitimacy of their insurers’ suggested sum insured.



6. Beyond disclosure: what would help consumers?

'Anything to demystify it all can only help'

The final section of the report explores ways to help consumers make better decisions, beyond the current reliance on disclosure.

The industry and the regulator need to consider such potential improvements as: product and service redesign, product labelling changes, and/or informational campaigns to educate consumers. Without assistance, consumers are unlikely to be able to estimate the future cost of a building and their own risk accurately.

6.1 Consumers need help to make better decisions

As this research has shown, in what was effectively a 'self-service' environment some consumers paid more attention to the premium than to rebuilding costs, or to the suitability of the policy for the features or location of their property. Some deliberately traded off accuracy for speed. Some defaulted to the idea that all the policies were the same, so lacked the motivation to study policy features. All these patterns of behaviour are a predictable response to complex decision-making. Arguably, none of the flaws in this behaviour could be removed by more disclosure, although clear, short fact sheets could be useful. Indeed, the research suggests that the problem will not be solved by one solution on its own.

If consumers need some form of assistance to help them make better decisions, what kind of assistance should this be? In seeking to answer that question, the report identifies the following problems: how difficult it is to select an appropriate sum insured; how difficult it is to assess risk; and how consumers need to take their own home's particular circumstances into account when choosing a policy so that they understand what features are included, how they are defined and any caps and limits that apply.

Possible options to help consumers make better decisions

1. Make total replacement policies and extended cover policies more widely available either through regulation or voluntary industry support of the concept. Clearer labelling of the policy types is essential as some consumers currently misunderstand the sum insured concept.
2. If consumers choose a sum insured policy, the regulator and industry can help them make a better decision about rebuilding costs, which could be incorporated into a sum insured calculator. As shown in the research, consumers were cynical that insurers would inflate their sum insured suggestion in order to charge a higher premium, so calculators need to be independent and trustworthy, as well as accessible at the relevant stage in the decision process.
3. Help consumers realise what impact any shortfall would have on their other financial goals. Making consumers aware of building code requirements or debris removal would be useful but not

sufficient on its own, as consumers may choose to ignore the suggestion believing that they could cope.

4. Make comparison websites more available and useful. At present, some consumers take a shortcut through product complexity by making decisions on price and brand familiarity. While comparison sites could intensify consumers' price-driven behaviour (in that they will use them to find the cheapest quote), they also offer the opportunity to show consumers that policies differ in ways that they might not expect.
5. Provide 'real stories' of consumers unprepared for but affected by events like electrical fires and storms. Consumers seem to assess their risk based on the most salient risk at the time, for example, a recent flood or bushfire, or an insurer's question about the proximity of trees to the home.
6. Review how much advice, assistance or guidance the industry can give to consumers. This research has found that insurers varied in how much assistance they gave consumers. Some seem to have adopted a no-advice practice, and offered consumers no assistance in the features they should consider, beyond the premium and the excess. This led one consumer to wonder:

'Maybe there needs to be more regulation to take some of the guesswork out?' (Phone channel used only)

Insurer assistance to consumers

In the online forum, participants engaged in a discussion about how best to prevent consumers from under-insuring or from taking out policies that did not cover them adequately. Some of these participants thought that insurers should make site visits to assess their property:

'I would want to be assured on all points of concern to ensure I was covered for all eventualities and have my home rebuilt to its current standard – and cannot see how this can be assured unless a personal visit by an insurance assessor takes place who can then guarantee the result one wants. As I do not live in fire prone area I have not had the experience in requesting a visit from an insurance assessor and am not aware as to whether this is even possible.' (Online and phone channels used.)

Others thought it is up to consumers to get advice from builders and assessors:

'If people are really concerned about whether he/she is under insured/over-insured due to a fuzzy estimate or rebuilding costs, to help them sleep at night every few years it may be useful to get a building assessor in to give a better estimate of rebuilding/replacement costs. This certainly would be more beneficial than an estimate using an online calculator.' (Online and phone channels used)

However, it seems impractical and costly to suggest that every home should be individually assessed. This would also not help consumers become educated about their policy or motivated to find out about it. If the insurer can prompt, guide or advise the consumers, it may help to empower them.

What sort of prompting, guidance or advice do consumers want or need? Some options are explored below.

Prompting

'Prompting' means that the insurer asks questions such as 'do you have any large trees near the house?' These prompts help consumers think more about their specific insurance needs

Some consumers said that they were happy to be prompted by the insurer during the phone call to get a quote. Some learnt about debris removal this way, some about limits and other matters:

'I can't see why they don't ask more questions when you first sign up and then they would only need to tell you if there are going to be any changes to your policy and maybe remind you to contact

them if there are any changes they need to know about like removal of sheds or adding a carport.’
(Phone channel used only)

One consumer suggested that people in flood zones and bushfire zones would benefit from some prompting by mail:

‘It would also be nice for insurance companies to contact their customers (via email or mail out) at the beginning of the natural disaster season. It would be a timely reminder for customers to check over their policy and ensure they were covered for potential damages.’ (Online channel used)

Targeted guidance	‘Targeted guidance’ means some form of standardised response, for example a fact sheet given to all consumers who live in designated fire zones
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Consumers had some interest in the insurance industry sharing its knowledge based on the locations of the consumer’s home. Some consumers suggested that people living in bushfire zones and flood zones are most in need of guidance:

‘If I lived in a fire prone area I would want to be assured on all points of concern to ensure I was covered for all eventualities and have my home rebuilt to current standard.’ (Online and phone channels used)

One consumer suggested that consumers in certain locations could be warned by their insurer that rebuilding costs for that location are high:

‘So unless the insurance company told me about extra costs to rebuild I wouldn’t know. Perhaps insurance companies need to advise that rebuilds in these areas are 30% more expensive and that insured value needs to be increased to recognise that.’ (Online channel used)

One consumer suggested that this guidance could come in the form of product ratings:

‘Cars have a star safety rating. Five stars is the safest and it is easy to understand how safe your car is. Maybe you could have a similar rating [suggesting for example] three star insurance policy covers the basics (but not flood and demolition costs comes out of your insured amount), Four star is slightly better (no flood, but demolition and council costs are above the insured amount) and Five star is the best (covering flood and other premium items).’ (Online channel used)

Personal advice	‘advice’ means information that takes the consumer’s individual circumstances into account
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One consumer suggested that they would pay extra for personal advice:

‘Maybe insurance companies could contact clients when renewal is due to discuss the pros and cons in their situation rather than generalising in a PD Statement. Maybe they would ‘up sell’ policies with personal contact should they deem a particular area of the existing policy deficient. Informed and educated clients make better decisions as to what they need. I would be happy to pay a bit more for such a service.’ (Online and phone channels used)

Not everyone shared that view, wanting to keep their premiums as affordable as they could.

6.2 Consumers’ responsibility to make enquiries

‘I think that is what is needed: more questions and less assumptions on both sides.’

Rather than insurers bearing the full responsibility to proactively prompt, guide or advise, some believed that consumers should take responsibility for finding the information they need:

'Customers need to take some responsibility for their policies by taking the time to read the finer details and if renewing with the same insurer the following year they must check their new policy details as well as the revised product disclosure statement as certain items may have changed.'
(Phone channel used only)

There are some possible reasons why consumers would not find out more detailed information about their policy, as set out below:

Table 4: Reasons consumers did not find out more

1	Some consumers do not have the time to seek this kind of detailed information: <i>'I find that the insurance companies leave it very much to the consumer to find out what you are covered for. You really have to probe some of the claims consultants to get more information and they often just refer you back to the PDS. Obviously that is a lot of reading when you are shopping around. No wonder people stick with the same Insurer – it's very time consuming doing the research!'</i> (Phone channel used only)
2	Some consumers place their faith in the current system and are not motivated to find out. They do not question it because they do not think they need to: <i>What's the point of having insurance if you can't trust them?'</i> (Face to face channel used only)
3	Some consider their risk to be low, expecting never to have to claim.
4	Some consumers distrust insurers to the extent that they would not take their advice about any policy feature which had the potential to increase their premium.
5	Some do not know what to ask: <i>'I probably wouldn't ask any of the right questions. It shows how little I know about the whole insurance process.'</i> (Phone channel used only)

6.3 Beyond disclosure: what would help consumers?

It is clear from the research that some consumers do not know as much about their policy as they should and **would benefit from the best the insurance industry can provide in terms of information, guidance or advice**. Rebuilding costs and the implications for insurance seem to be one area where insurers have information they could share with consumers, perhaps as general guidelines rather than personal advice. Consumers may also benefit from information about the likely risks they face and suggestions that they should consider the longer-term consequences of suffering a shortfall when a building is destroyed.

The research has also shown that more and more disclosure is not the answer. The solution seems to lie in a combination of shorter, more accessible fact sheets, a broader product range, clearer product labelling, independent building calculators, and comparison websites that help consumers understand policy differences.

Appendices

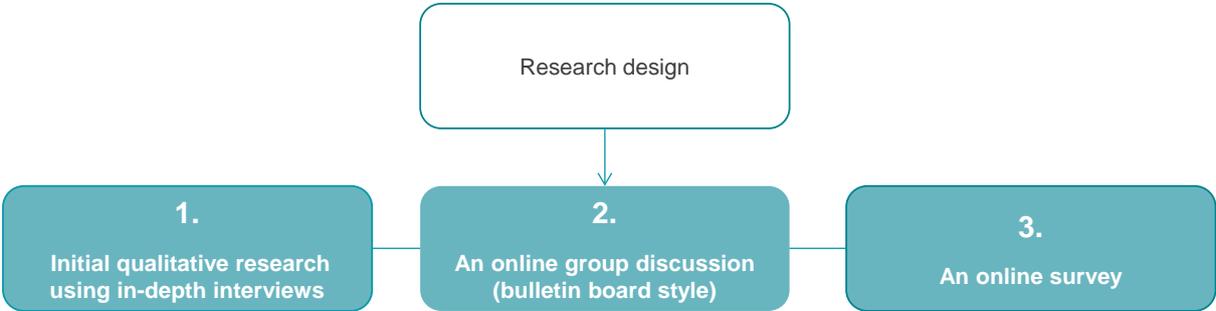
A. Research design and method

This report is about consumers with building insurance for their own home, including combined building and contents policies. The research on which it was based was conducted by Susan Bell Research. It was designed to be impartial, broad in coverage, while also providing ASIC with the necessary depth of understanding and insight.

The focus of the research was on consumers who had sought a quote and/or information about a home building or combined home building and contents policy during the previous year.

The research was conducted in three stages, two exploratory qualitative stages and one quantitative survey as shown in the diagram below.

Figure 18: Research design



The qualitative stages were conducted because the brief from ASIC was for greater understanding of consumers' experiences. At the early stage of the project, not enough was known to design the survey in a language that was relevant for the consumer. Qualitative research is also ideal for research of this kind because it allows consumers to tell their story in their own way.

However, it was also important to place these findings into context. It was necessary to know, for example, what proportion of consumers used each of the channels for quotes and what proportion used calculators and comparison sites, hence the use of a quantitative survey as the final stage.

All the research was conducted in accordance with AS/NZS ISO 20252 Standard for Market and Social Research.

Stage 1: Preliminary qualitative research

The research began with in-depth interviews with consumers.

Table 5: Stage 1 Research method

Stage	The Method	The sample	The interview
Stage 1	<p>The first stage involved in-depth qualitative research with 30 consumers.</p> <p>Interviews were conducted by experienced researchers, by phone or face to face.</p> <p>The interviews took about 45 minutes.</p> <p>The interview was with the person who did the information search for the home building insurance policy.</p> <p>A cash incentive was provided.</p>	<p>Respondents had taken out or renewed home building insurance during the previous 9 months.</p> <p>For some this was their first policy, some renewed a policy after considering alternatives, while others switched policies.</p> <p>The sample was national, with quotas per state and quotas per brand and channel used.</p> <p>There was sample of N=6 who had claimed (mix of reasons for claiming).</p>	<p>The interview explored each consumer's reasons for enquiring, the methods they used, and their experiences with each 'channel', i.e. online, phone and/or face to face.</p>

Susan Bell Research specialises in a form of research that we call 'high touch' because it involves extensive in-depth interviews with selected consumers. This method is ideal for researchers to use when they want to listen to people describe their experiences in the kind of detail required to meet the objectives for this study. Consumers are usually in their own home, so the interview takes place in a private and safe setting where they feel comfortable.

For this research, the interviews were conducted by highly experienced professional researchers by phone or in person, with each interview taking about 45–60 minutes. Phone interviews enabled the research team to interview people across Australia, including people who live in regional areas. We have found that a broad range of consumers are willing to take part in these phone and face to face interviews – there is no significant skew to particular personality types for example. These interviews were recorded and later transcribed when permission was given by the respondent. Otherwise detailed notes were taken.

Everyone interviewed had home building insurance for their own home and was the person responsible for the information search for the home building insurance policy that year. Participants in the in-depth interviews had bought a policy or renewed during the previous nine months. Six had claimed. The interviews were conducted between September and November 2013.

The sample was national both metropolitan and regional. We set quotas on brand, to ensure reasonable distribution across brand types and on the proportions that had used online, phone and face to face methods for information search and quotes.

There were also quotas on age and gender.

Table 6: The sample for the in-depth interviews

The sample for the in-depth interviews	All
	(n=30)
Age	%
18-34 years	7
35-64 years	76
65 years +	17
	100%
Gender	%
Male	43
Female	57
	100%
Location	
NSW	50
VIC	16
QLD	16
SA	7
WA	7
TAS	4
	100%

Excluded from the sample were employees of the Australian Securities and Investments Commission (ASIC), employees of any insurance company or bank or any relevant any industry association.

Stage 2: Online group discussion

Table 7: Stage 2 Research method

Stage	The Method	The sample	The online forum
Stage 2	The second stage was a qualitative online group discussion using the Susan Bell Research online portal in which participants took part for about 40 minutes per day for 3 days.	N=14 consumers took part who had switched policy, or had remained with their insurer after making enquiries with other insurers, during the previous 2 months. Quotas were set to ensure a mix of brands and channels used. Demographic quotas were also set.	This online discussion forum discussed consumers' recent experiences using the online, phone and face to face channels for their enquiry. We also used it to generate discussion on the advice and guidance needed by consumers for home building policies, and for detailed discussions on consumers' understanding of exclusions, and caps and limits.

Online forums allow participants to express themselves anonymously and in depth and to share views and experiences with each other, and thereby learn from each other. Note however, that the sample in the online forum may have been skewed to some extent to people who are happy with social media and those who are methodical and conscientious.

All participants met the same criteria as the in-depth interviews, but had renewed their policy in the previous two months. The forum was conducted in December 2013.

We included only people who had renewed recently to ensure that their recollections of their experience were fresh.

The sample for the online forum was eleven women and three men aged between 35 and 64 with one aged over 65. Again, the sample was national including regional.

Excluded from the sample were employees of the Australian Securities and Investments Commission (ASIC), employees of any insurance company or bank or any relevant any industry association.

Table 8: Stage 2 Sample

The sample for the online group discussion	All
	N=14
Age	
18-34 years	0
35-64 years	13
65 years +	1
Gender	
Male	3
Female	11
Location	
NSW	7
VIC	3
QLD	2
SA	1
WA	0
TAS	0
ACT	1
NT	0

Stage 3: Quantitative survey conducted online

Susan Bell Research conducted a quantitative survey online in order to provide context for the qualitative findings, for example it was important to know in broad terms the proportion of consumers in the population who considered replacing their policy last year, or started a new policy. The survey also provided the opportunity to quantify some of the findings that emerged in the qualitative research.

Table 9: Stage 3 Research method

Stage	The Method	The sample	The online survey
Stage 3	The third stage was a quantitative survey conducted online.	<p>N= 1058 consumers who had home building insurance. Respondents for this survey</p> <ul style="list-style-type: none"> • were aged 18 years or over • owned their own home, either outright or with a mortgage • had a home building insurance policy for that home, and • were the main or equal decision-maker for home building insurance decisions. 	Its purpose was to provide data from a representative sample of consumers on the proportion of consumers enquiring about insurance through the various channels and their knowledge of some of the key issues which had been raised in the qualitative research.

The survey was conducted using the My Opinions market research panel during January and February 2014.

Table 10: Stage 3 Sample

Online survey sample	All
	(n=1058)
Age	
18-34 years	16
35-54 years	43
55 years +	41
	100%
Gender	
Male	51
Female	49
	100%

Online survey sample continued	All
Work status	
Work full time	38
Work part time	17
Self-employed	9
Retired	22
Unemployed/student/home duties	14
	100%
Location	
NSW	32
VIC	27
QLD	19
SA	7
WA	11
TAS	2
ACT	1
NT	1
	100%

Limitations of the research method

Because of the data collection method used, Susan Bell Research cannot say whether or not the qualitative research samples were representative of the total population, though we can state that they represent a cross-section of views. All research methods have limitations, for example qualitative research is necessarily conducted with small samples that are not necessarily representative. The multi-method approach that was used for this study minimises these limitations to an extent.

The quantitative online survey was conducted with a representative sample of consumers, using an established market research panel. The samples of online surveys are of course skewed towards those who have an internet connection, though this is the majority of the population.

When using the research results, be mindful of the following:

- Sample size – The sample for the qualitative study was relatively small so caution should be exercised when attempting to generalise these findings to the overall population. It was, however, sufficient to meet the objectives of this study.
- Hindsight bias – People view the past subjectively when being interviewed after the fact, which may lead them to judge events differently now than they did in the past. Also, some people might think differently now because new information has come to light.

- Impression management – People may have attempted to present themselves in a favourable light to the researcher and may have been unwilling to admit to mistakes they may feel they have made.

B. The quantitative survey findings

This final section summarises the online survey findings.

Most policy holders use the same insurer for their home building and contents insurance. Very few have only home building insurance.

Table 11: Insurer for home building and/or home contents insurance policy

	All	First policy	Not first policy
	(n=1058)	(n=291)	(n=767)
Home building and contents insurance with same insurer	86	77	89
Home building and contents insurance with different insurer	6	9	5
Home building insurance only	8	14	6
	100%	100%	100%

Q. Which type of home building and/or contents insurance, if any, do you have for the home you live in? Base: All policy holders (n=1058)

For just over one in four policy holders this was their first home building insurance policy. This is true for the majority of those under 35 years of age.

Table 12: First home building insurance policy

	All	18-34yrs	35-54yrs	55yrs +
	(n=1058)	(n=169)	(n=457)	(n=432)
Yes – first ever home building insurance policy	28	67	26	14
No – I have had a policy before	72	33	74	86
	100%	100%	100%	100%

Q. Is this your first ever home building insurance policy? Base: All policy holders (n=1058)

The majority of policy holders with an existing home building insurance policy renewed with their previous insurer. Young policy holders were more likely than their older counterparts to switch insurers.

Table 13: Renewal behaviour – current policy

	All	18-34yrs	35-54yrs	55yrs +
	(n=767)	(n=56)	(n=339)	(n=372)
I renewed with same insurer as last year	78	57	78	80

	All	18-34yrs	35-54yrs	55yrs +
I purchased from a different insurer from last year	20	36	20	17
I have had policies before, but did not have one last year	1	5	1	1
Can't recall	1	2	1	2
	100%	100%	100%	100%

Q. Which of these describes how you bought your current policy? Base: All with a previous policy (n=767)

Every second policy holder who renewed with the same insurer considered other insurers when making the renewal decision.

Table 14: Consideration of other insurers when renewing current policy

	All
	(n=595)
Yes – I considered other insurers	48
No – I did not consider other insurers	52
	100%

Q. IF SAME INSURER AS LAST YEAR. When you renewed your current policy, did you look at or consider any other insurers? Base: All renewing with same insurer as last year (n=595)

Amongst new policy holders, those who switched insurer or considered switching, the most common behaviour was getting another quote or quotes. Fewer than half read about the features of other policies and two in ten read the PDS.

Table 15: Behaviour when changing/considering other insurers on last renewal occasion

	All	First policy	Not first policy
	(n=747)	(n=291)	(n=456)
	%	%	%
Got a quote for one or more policies (other than renewal notice for existing policy)	65	42	80
Read about features of one or more policies	40	39	41
Read the PDS of one or more policies	20	22	19
None of these	20	37	9

Q. When you purchased or renewed your current policy, which of these did you do? Please tick all that apply (multiple choice). Base: All changing insurer/considering other insurers last time or new policy holders (n=747)

Most policy holders got their quote(s) for alternative insurers online. Four in ten used the phone. Younger policy holders were more likely to get a quote face to face, perhaps because they were obtaining an insurance policy for the first time and asked their mortgage provider.

Table 16: Method of obtaining quote

	All	18-34yrs	35-54yrs	55yrs +
	(n=486)	(n=91)	(n=211)	(n=184)
	%	%	%	%
I got a quote ...				
Online	74	85	74	69
Over the phone	41	42	38	45
Face to face/in a branch	9	20	6	7
Can't recall	2	3	2	2

Q. How did you get your quotes? Please tick all that apply (multiple choice). Note – this is as well as any renewal that was sent to you for an existing policy) Base: All obtaining a quote on last renewal occasion (n=486)

An increase in the quote was the most common driver for considering other insurers. Recommendations from others were more common among younger policy holders, while advertising played a role for older policy holders.

Table 17: Reasons for changing insurer/considering other insurers

	All	18-34yrs	35-54yrs	55yrs +
	(n=584)	(n=117)	(n=248)	(n=219)
	%	%	%	%
Renewal quote went up in price	55	40	58	60
Someone recommended that I look around	16	24	13	15
I bought a new house/unit	13	38	12	2
I saw/heard advertising for another insurer	11	9	7	16
I was dissatisfied with service from my insurer	6	11	6	3
I was dissatisfied with the policy from my insurer	5	9	4	3
Other reason	14	9	13	16
Can't recall	8	6	8	8

Q. What prompted you to read the PDS, look at policy features or get quotes from other insurers? Please tick all that apply. (Multiple response) Base: All changing insurer/considering others who got quotes/read PDS/features (n=584)

One in three policy holders said they used an online comparison website when choosing an insurer or considering other insurers. As mentioned in the body of the report, there may be confusion over the terms used, with possible over-claiming. Younger policy holder claimed this more.

Table 18: Use of an online comparison website

	All	18-34yrs	35-54yrs	55yrs +
	(n=598)	(n=120)	(n=252)	(n=226)
Yes – I used an online comparison website	34	43	30	35
No – I did not use an online comparison website	56	44	58	59
Can't recall	10	13	12	6
	100%	100%	100%	100%

Q. When you purchased or renewed your current policy, did you use an online comparison website for home insurance? Base: All changing insurer/considering others or first policy holder (n=598)

Four in ten policy holders claimed that theirs was a 'sum insured' policy. One in four, however, claimed that they had a replacement value policy. This was higher than expected given the number of such policies in the marketplace and may reflect confusion on the part of policy holders, as discussed in the body of the report.

Table 19: Type of home building and/or home contents insurance policy

	All	18-34yrs	35-54yrs	55yrs +
	(n=1058)	(n=169)	(n=457)	(n=432)
The building is insured for ...				
An exact amount – 'sum insured'	41	41	43	40
An exact amount plus a 'buffer' or 'safety net' (sometimes called an extended replacement policy).	14	20	11	14
Its replacement value	27	18	25	32
Can't recall	18	21	21	14
	100%	100%	100%	100%

Q. What type of policy do you have? Base: All policy holders (n=1058)

Policy holders with a 'sum insured' policy varied in the main method they used to choose the amount insured.

One in four used house prices in their area as a guide, while online calculators and checking the prices of similar new houses were a little less popular.

First time policy holders were more likely to use the price they paid for their house as the key factor in their choice.

Table 20: Most important factor when last deciding on 'sum insured' amount

	All	First policy	Not first policy
	(n=581)	(n=168)	(n=413)
I checked house prices in the area as a guide	23	24	22
I used an online calculator to check sum insured	19	20	19
I checked the prices of new houses similar to mine	16	12	18
I used the price I/we paid for the house	11	19	8
None of these	11	7	12
Other factor	8	6	9
Can't recall	12	12	12
	100%	100%	100%

Q. When you last decided on the sum insured, what was the most important factor when you made that decision? Base: All with 'sum insured' policy (n=581)

Just under half of policy holders with a 'sum insured' policy chose to accept their insurer's suggested increase on the last renewal occasion. Younger policy holders were more likely to keep the amount unchanged while older policy holders were slightly more likely to make their own independent decision about the amount.

Table 21: Behaviour when renewing 'sum insured' policy

	All	18-34yrs	35-54yrs	55yrs +
	(n=413)	(n=32)	(n=179)	(n=202)
I accepted the insurer's suggested increase	46	40	41	53
I kept the sum insured the same as the previous year	23	34	26	17
I made my own decision to increase the sum insured	21	13	23	21
I made my own decision to decrease the sum insured	7	0	6	8
Can't recall	3	13	4	1
	100%	100%	100%	100%

Q. Did you keep the sum insured the same as it was the year before, accept the insurer's suggested increase, make your own decision to increase it, make your own decision to decrease it. Don't know/can't recall. Base: All renewing 'sum insured' policy (n=413)

Half of those who did not change their 'sum insured' on the last occasion claimed to have considered changing it at the time of the previous renewal.

Only one in ten had not checked changing their sum insured since they took out the policy.

Table 22: Last consideration of changing ‘sum insured’ if unchanged on last occasion

	All
	(n=93)
I last considered changing the sum insured ...	
2 years ago	56
3-4 years ago	19
5-9 years ago	4
10 or more years ago	1
I have not checked it since I took out the original policy	11
Can't recall	9
	100%

Q. If kept the sum insured the same as it was the year before in Q13. When was the last time you considered changing your sum insured? Base: All keeping sum insured' the same on last renewal occasion (n=93)

Amongst all policy holders with a sum insured policy, seven in ten knew about online calculator websites and nearly one in two claimed to have used them.

Table 23: Awareness of online calculator websites

	All
	(n=581)
Used an online calculator to check sum insured	19
I know about online calculators and have used them	26
<u>Used</u> online calculators	45
I know about online calculators but have not used them	26
<u>Aware</u> of online calculators	71
I did not know about online calculators	29
	100%

Q. If did not use calculator. Some websites include a 'sum insured' calculator to help you work out how much to insure your building and contents for. Note that this is different from getting a quote which tells you what your premium will be. Which of these best describes you? Base: All with sum insured policy (n=581)

Three in four policy holders claimed to be aware of policies that offer ‘total replacement’ – described as ‘policies where you do not specify an exact sum to be insured’. Please refer to the discussion on the body of the report about the probable difference in consumers’ use of the term ‘total replacement’ versus insurers’ use.

Older policy holders in particular were more likely to claim that they currently had such a policy.

Table 24: Awareness of total replacement policies

	All	18-34yrs	35-54yrs	55yrs +
	(n=1058)	(n=169)	(n=457)	(n=432)
I have a total replacement policy	44	37	39	49
I have had a total replacement policy but do not have one now	5	8	6	3
I have looked at total replacement policies but decided against them	6	8	6	6
I have heard of total replacement policies but I have never looked at them	18	17	21	16
<u>Total</u> aware of total replacement policy	73	70	72	74
I have never heard of total replacement policies	27	30	28	26
	100%	100%	100%	100%

Q. Some home building policies are 'total replacement' policies where you do not specify an exact sum to be insured. Which of these statements describes you best? Base: All policy holders (n=1058)

Four in ten policy holders were aware of new building codes and their potential to affect their rebuilding costs. The majority of those aware of the new codes claimed that they would not be affected – a proportion that increased among older policy holders.

Table 25: Awareness of new building codes that could affect rebuilding costs

	All	18-34yrs	35-54yrs	55yrs +
	(n=1058)	(n=169)	(n=457)	(n=432)
I knew about new building codes and made sure my insurance took this into account	15	20	15	14
I knew about this but I don't believe it applies to me	24	21	21	30
<u>Total</u> awareness of new building codes	39	41	36	44
I did not know about this	45	44	47	43
Don't know	16	15	17	13
	100%	100%	100%	100%

Q. In many parts of Australia, new building codes have been introduced that may mean it will be more expensive to rebuild your home – for example, some windows may have to have heat-resistant glass in response to bushfire risk. What do you know about these codes? Base: All policy holders (n=1058)

C. Recruitment screeners and online survey questionnaire

Screener for the in-depth interviews

A1	Who do you work for?	Australian Securities and Investments Commission (ASIC) Any insurance company or bank in any capacity Any industry association involved in insurance or banking.	TERMINATE
A2	Resident status	Are you a temporary resident?	IF YES, TERMINATE
A3a	Do you have home building insurance? (... that is insurance which covers damage or loss to your home building). (can be home building insurance on its own or combined with home contents insurance but not home contents only)	Yes	CHECK A3b and c below, then GO TO A5
		No	CHECK A3b and c below, then GO TO A4
A3b	Do you have contents insurance on the same policy?	Yes	Record – Info only
		No	
A3c	Is this insurance for the home you live in or for an investment property?	Investment property	TERMINATE
		Own home	Go to A4
A4	IF NO. Are you considering taking out home building insurance in the next 3 months?	Yes	GO TO THE 'NEXT 3 MONTHS' SCREENING QUESTION (C1)
		No	TERMINATE
A5	IF HAS INSURANCE NOW (YES IN A3a) When did you last renew or purchase your policy (approximately)	In the last 9 months	CONTINUE FOR EXISTING POLICY (B1)
		10-12 months ago	GO TO THE 'NEXT 3 MONTHS' SCREENING QUESTION (C1)
		Don't Know	TERMINATE – OR ASK TO SPEAK TO DECISION MAKER

QUESTIONS FOR EXISTING POLICY (RENEWED LAST 9 MONTHS)			
B1	What is the brand name of your insurance policy? (unprompted unless struggling to recall).	Major Brands	CHECK QUOTAS 20 across all respondents
		Alternative Brand	10 across all respondents
		Smaller Brands	10 across all respondents
		Other? Please name.	Check with SBR re quota options
B2	Which of these apply to you? (NEED MIX: MONITOR THIS)	I purchased home building insurance for the first time this year	GO TO B3
		I have had home building insurance before, but this year I chose a different brand than I had last year	GO TO B4
		I have the same brand of home building insurance as I had last year	GO TO B3
B3	<p>SAME BRAND AS LAST YEAR <u>AND</u> NEW ENTRANTS</p> <p>This year, (or when you purchased for new entrants) did you consider the policy you ultimately purchased or any other brands before you renewed or purchased your policy. By considered, I mean go online or phone or visit a branch for information or a quote</p>	Yes. Considered 1 or more brands	CONTINUE (MIX: MONITOR WITH ABOVE)
		No did not consider	TERMINATE
		Renewed automatically	TERMINATE
B4	<p>ASK ALL</p> <p>How involved were you in choosing that policy? READ OUT / PICK ONE</p>	I did all or most of the work finding out about the policy or policies	CONTINUE
		I played a part but I wasn't really involved	TERMINATE (ASK TO SPEAK TO DECISION MAKER)
		I played no or very little part	TERMINATE (ASK TO SPEAK TO DECISION-MAKER)

B5	How did you search for information about your policy and any others that you considered? READ OUT / PICK ONE May be multiple response. Before allocating to a quota, check that they will be able to discuss that experience in the interview.	By phone (i.e. Phoned one or more insurers and discussed the policy with them and/or got a quote over the phone.)	CHECK QUOTAS
		Looked at different policies online / got quotes online.	CHECK QUOTAS
		Discussed it in the branch/office Used a mixed approach (e.g. researched policies online and phoned one or more insurers for quotes)	CHECK QUOTAS
		Used insurance agent/broker	TERMINATE
B6	Have you claimed on this or your previous home building policy in 2013, 2012 or 2011?	YES	Claimants quota – CHECK B7
		NO/DK	Non claimants quota
B7	What was the reason for the claim (NB it could be for building OR contents if they have a combined policy)	Flood	Need mix
		Bushfire	
		Other	
B8	Gender	Male	1
		Female	2
B9	Age	Under 35	1. MONITOR
		35 to 64	2. MONITOR
		65 plus	3. MONITOR

We are interested in conducting in-depth interviews about home building insurance. The interviews will be by phone or face to face. Each interview takes about 45 minutes.

The research is being conducted by Susan Bell Research for the Australian Securities and Investments Commission, because they want to gain a greater understanding about people's experiences when buying home building insurance. The interview is completely confidential. Only de-identified themes and statements will be provided to ASIC, so there would be no way to identify individuals who have taken part.

The researchers will want to audio tape the interview. This is only so that they can transcribe the interview later.

Incentive

When the researchers call you for the interview, please have your home building insurance certificate (or insurance schedule) with you.

Screeners for the online group

A1	Who do you work for?	Australian Securities and Investments Commission (ASIC) Any insurance company or bank in any capacity Any industry association involved in insurance or banking.	TERMINATE
A2	Resident status	Are you a temporary resident?	IF YES, TERMINATE
A3a	Have you recently taken out or renewed a home building or combined building and contents policy?	Yes	CONTINUE
		No	TERMINATE
A3b	Is this insurance for the home you live in or for an investment property?	Investment property	TERMINATE
		Own home	CONTINUE
B1	What is the brand name of your insurance policy? (unprompted unless struggling to recall).	Major Brands	CHECK QUOTAS
		Alternative/Smaller Brand	5 across all respondents
		Other? Please name.	Check with SBR re quota options
B2	Which of these apply to you? (NEED MIX: MONITOR THIS)	I purchased home building insurance for the first time this year	GO TO B3
		I have had home building insurance before, but this year I chose a different brand than I had last year	GO TO B4
		I have the same brand of home building insurance as I had last year	GO TO B3
B3	SAME BRAND AS LAST YEAR AND NEW ENTRANTS This year, (or when you purchased for new entrants) did you consider the policy you ultimately purchased or any other brands before you renewed or purchased your policy. By considered, I mean go online or phone or visit a branch for information or a quote	Yes. Considered 1 or more brands	CONTINUE (MIX: MONITOR WITH ABOVE) VERY IMPORTANT – PLEASE MAKE SURE THEY LOOKED AT OTHERS
		No did not consider	TERMINATE –
		Renewed automatically	TERMINATE

B4	ASK ALL How involved were you in choosing that policy? READ OUT / PICK ONE	I did all or most of the work finding out about the policy or policies	CONTINUE
		I played a part but I wasn't really involved	TERMINATE (ASK TO SPEAK TO DECISION MAKER)
		I played no or very little part	TERMINATE (ASK TO SPEAK TO DECISION-MAKER)
B5	How did you search for information about your policy and any others that you considered? READ OUT / PICK ONE May be multiple response. Before allocating to a quota, check that they will be able to discuss that experience in the interview.	PHONE ONLY By phone (i.e. Phoned one or more insurers and discussed the policy with them and/or got a quote over the phone.)	CHECK QUOTAS
		ONLINE ONLY Looked at different policies online / got quotes online.	CHECK QUOTAS
		USED BOTH Researched policies online and then phoned one or more insurers.	CHECK QUOTAS
		Went into branch office	TERMINATE IF THIS ALL THEY DID.
		Used insurance agent/broker	TERMINATE

B6	Have you claimed on this or your previous home building policy in 2013, 2012 or 2011?	YES	For info only
		NO/DK	For info only
B7	What was the reason for the claim	Flood	Need a mix
		Bushfire	
		Other	
B8	Gender	Male	1
		Female	2
B9	Age	Under 35	1. MONITOR
		35 to 64	2. MONITOR
		65 plus	3. MONITOR
IF RENEWING IN THE NEXT 3 MONTHS IF TAKING OUT FIRST POLICY ON THE NEXT 3 MONTHS			

We would like to interview you after you have renewed your policy / taken out your policy
 Arrange time to call.

THEN WHEN YOU CALL BACK TO RECRUIT WE WILL NEED TO SCREEN

REINTRODUCE YOURSELF, CHECK THEY RENEWED.

C1	What brand of building insurance did you choose?	Please name.	QUOTAS
C2	Which of these apply to you?	I purchased home building insurance for the first time this year?	GO TO C4 MIX: MONITOR
		I have had home building insurance before this year.	GO TO C3
C3	Is this the same brand you had last year or a different one	Same	MIX: MONITOR GO TO C4
		Different	MIX: MONITOR GO TO C5
C4	SAME BRAND AS LAST YEAR, NEW ENTRANTS Did you consider any other brands when you renewed or purchased this policy? By considered others, I mean go online or phone or visit a branch for information or a quote	Yes. considered	CONTINUE (MIX: MONITOR WITH ABOVE)
		No did not consider Renewed automatically	TERMINATE TERMINATE
C5	How involved were you in choosing the policy	I did all or most of the work finding out about the policy or policies	CONTINUE
		I played a part but I wasn't really involved	TERMINATE (ASK TO SPEAK TO DECISION MAKER)
		I played no or very little part	TERMINATE (ASK TO SPEAK TO DECISION-MAKER)

C6	How did you search for information about your policy and any others that you considered? May be multiple response. Before allocating to a quota, check that they will be able to discuss that experience in the interview.	By phone (i.e. Phoned one or more insurers and discussed the policy with them and/or got a quote over the phone.)	CHECK QUOTAS
		Looked at different policies online / got quotes online.	CHECK QUOTAS
		Discussed it in the branch/Office Used a mixed approach (e.g. researched policies online and phoned one or more insurers for quotes)	CHECK QUOTAS
		Used insurance agent/broker	TERMINATE
B6	Have you claimed on this or your previous home building policy in 2013, 2012 or 2011?	YES	Claimants quota
		NO/DK	Non claimants quota
C8	What was the claim for (NB it could be for building OR contents if they have a combined policy)	Flood	NEED MIX
		Bushfire	
		Other	
C9	Gender	Male	1
		Female	2
C9	Age	Under 35	1. MONITOR
		35 to 64	2. MONITOR
		65 plus	3. MONITOR
<p>We would like you to join an online discussion. This would require a commitment of 30 minutes per day over three days. The time can be spread across the day, for instance, 10 minutes in the morning and 20 minutes in the evening.</p> <p>The research is being conducted by Susan Bell Research for the Australian Securities and Investments Commission, because they want to gain a greater understanding about people's experiences when buying home building insurance.</p> <p>The discussion is completely confidential. There will be no way for ASIC to identify individuals who take part.</p>			

The online survey questionnaire

Who do you work for?

- Australian Securities and Investments Commission (ASIC) TERMINATE
- Any insurance company or bank in any capacity TERMINATE
- Any industry association involved in insurance or banking TERMINATE

This is a survey on home insurance conducted for Susan Bell Research. We are interested in the type of insurance that people have and how they made their decisions about their insurance. It will take about 5 minutes to complete and is completely confidential.

1	Which of these describes your living situation?	<input type="checkbox"/> I own the home I live in outright <input type="checkbox"/> I have a mortgage on the home I live in <input type="checkbox"/> I am renting CLOSE <input type="checkbox"/> None of these. CLOSE
2	Which type of home building and/or contents insurance, if any, do you have for the home you live in?	<input type="checkbox"/> Building insurance policy only <input type="checkbox"/> Contents insurance policy only – CLOSE <input type="checkbox"/> Home building and contents insurance policy with the same insurer <input type="checkbox"/> Home building and contents insurance policies with different insurers <input type="checkbox"/> No home building or contents insurance – CLOSE <input type="checkbox"/> Don't know – CLOSE
3	Are you the main or equal main decision-maker when purchasing or renewing your home insurance policy?	<input type="checkbox"/> Yes <input type="checkbox"/> No / Don't know CLOSE
The following questions are about your current <u>home building</u> insurance policy		
4	Which company is your current home <u>building</u> insurance with?	<input type="checkbox"/> [select insurer]
5	Is this your first ever home building insurance policy?	<input type="checkbox"/> Yes GO TO Q8 <input type="checkbox"/> No
6	IF NO IN 5. Which of these describes how you bought your current policy?	<input type="checkbox"/> I renewed with the same insurer as last year <input type="checkbox"/> I purchased from a different insurer than the one I had last year <input type="checkbox"/> I have had policies before, but I did not have one last year <input type="checkbox"/> Don't know/can't recall
IF SAME INSURER AS LAST YEAR.		
7	When you renewed your current policy, did you look at or consider any other insurers?	<input type="checkbox"/> Yes <input type="checkbox"/> No GO TO Q12

IF YES IN 7, OR IF DIFFERENT INSURER FROM LAST YEAR IN 6, OR TOOK BREAK IN 6, OR IF FIRST POLICY IN 5

8	When you purchased or renewed your current policy, which of these did you do? Please tick all that apply. (Multiple choice)	<input type="checkbox"/> Read the PDS of one or more policies <input type="checkbox"/> Read about the features of one or more policies (e.g. on a website or in a brochure) <input type="checkbox"/> Got a quote for one or more policies (other than a renewal that was sent to you for an existing policy) <input type="checkbox"/> None of these – GO TO Q12
---	---	--

IF GOT A QUOTE IN 8

9	How did you get your quotes? Please tick all that apply. (Multiple choice). Note – this is as well as any renewal that was sent to you for an existing policy)	<input type="checkbox"/> Online <input type="checkbox"/> Over the phone <input type="checkbox"/> Face to face / in a branch <input type="checkbox"/> Don't know/can't recall
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10	IF SWITCHED INSURERS OR STAYED WITH INSURER IN Q6 AND GOT QUOTES/LOOKED AT PDS/POLICY FEATURES IN Q8	<input type="checkbox"/> The renewal quote went up in price / my premium increased <input type="checkbox"/> I bought a new house/unit <input type="checkbox"/> I was dissatisfied with the service from my insurer <input type="checkbox"/> I was dissatisfied with the policy of my insurer <input type="checkbox"/> Someone recommended that I look around / look at a particular insurer <input type="checkbox"/> I saw or heard advertising for another insurer... <input type="checkbox"/> Other (WRITE IN ...) <input type="checkbox"/> Don't know/can't recall
----	--	--

IF GOT QUOTES OR LOOKED AT PDS/POLICY in Q8

11	When you purchased or renewed your current policy, did you use an online comparison website for home insurance?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Don't know/can't recall
----	---	---

12	ASK ALL. What type of policy do you have?	<input type="checkbox"/> The building is insured for an exact amount (called a 'sum insured' policy) <input type="checkbox"/> The building is insured for an exact amount plus a 'buffer' or 'safety net' (sometimes called an extended replacement policy). <input type="checkbox"/> The building is insured for its replacement value – there is no dollar amount specified. GO TO Q15 <input type="checkbox"/> Don't now/can't recall GO TO Q15
----	---	---

13	<p>IF SUM INSURED (EXCEPT IF FIRST POLICY/TOOK A BREAK – GO TO 14)</p> <p>Did you:</p>	<input type="checkbox"/> Keep the sum insured the same as it was the year before GO TO Q14 <input type="checkbox"/> Accept the insurer's suggested increase GO TO Q14 <input type="checkbox"/> Make your own decision to increase it GO TO Q14 <input type="checkbox"/> Make your own decision to decrease it GO TO Q14 <input type="checkbox"/> Don't know/can't recall GO TO Q14
SUM INSURED IN Q12		
14	<p>When you last decided on the sum insured, what was the most important factor when you made that decision? READ OUT</p>	<p>Single</p> <input type="checkbox"/> I used an online calculator to check the sum insured <input type="checkbox"/> I checked house prices in the area as a guide to the sum insured <input type="checkbox"/> I checked the prices of new houses similar to mine <input type="checkbox"/> I used the price that we paid for the house <input type="checkbox"/> Other (write in) <input type="checkbox"/> None of these <input type="checkbox"/> Don't know/can't recall
IF DID NOT USE ONLINE CALCULATOR IN Q14		
15	<p>Some websites include a 'sum insured' calculator to help you work out how much to insure your building and contents for. Note that this is different from getting a quote which tells you what your premium will be. Which of these best describes you?</p>	<input type="checkbox"/> I know that sum insured calculators exist and have tried them <input type="checkbox"/> I know sum insured calculators exist but have not tried them <input type="checkbox"/> I did not know about sum insured calculators
IF KEPT THE SUM INSURED THE SAME AS IT WAS THE YEAR BEFORE IN Q13		
16	<p>When was the last time you considered changing your sum insured?</p>	<input type="checkbox"/> 2 years ago <input type="checkbox"/> 3-4 years ago <input type="checkbox"/> 5-9 years ago <input type="checkbox"/> 10 or more years ago <input type="checkbox"/> I have not checked since I took out the original policy <input type="checkbox"/> Don't know/can't recall
17	<p>ASK ALL</p>	<input type="checkbox"/> I have a total replacement policy for my home building <input type="checkbox"/> I have had a total replacement policy for my home building, but do not have one now <input type="checkbox"/> I have looked at total replacement policies but decided against them <input type="checkbox"/> I have heard of total replacement policies but have never looked at them <input type="checkbox"/> I have never heard of total replacement policies.

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ASK ALL – In many parts of Australia, new building codes have been introduced that may mean it will be more expensive to rebuild your home – for example, some windows may have to have heat-resistant glass in response to bushfire risk. What do you know about these codes?

- I knew about this and made sure that my insurance took this into account
- I knew about this but I don't believe it applies to me
- I did not know about this
- Other (write in)
- Don't know/can't recall

DEMOGRAPHICS

Age

Gender

Location

Household income

Marital status

Work status