

17 April 2020

**Submission to the NSW Independent Bushfires Inquiry**

Dear Sir/Madam

We are pleased to provide this submission to the NSW Independent Bushfires Inquiry (due 27 March 2020 – extended to 17 April 2020).

We currently hold the roles of Emergency Services Levy (“ESL”) Insurance Monitor and Deputy Monitor in NSW respectively.

The views expressed in this submission are:

- a) held by us as private citizens, and do not necessarily reflect those held by the NSW Government; and
- b) are based on our knowledge and observations of the practices of general insurance companies, gained principally through our roles in reforms to insurance-based levies, as well as knowledge and experiences of consumer protection, competition and policy and regulatory matters across a number of industries over our professional careers.

Any questions about our submission should be addressed to Dr David Cousins at

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Yours sincerely



Professor Allan Fels AO



Dr David Cousins AM

**SUBMISSION BY PROFESSOR ALLAN FELLS AO AND DR DAVID COUSINS AM TO NSW INDEPENDENT BUSHFIRES INQUIRY (Due 27 March 2020 – extended to 17 April 2020) – The Emergency Services Levy and the Funding of Fire and Emergency Services in NSW**

**Executive Summary**

- The current funding system for fire and emergency services in NSW is based largely on a levy on property insurance policies known as the Emergency Services Levy (ESL). Any increase in the fire services funding requirements is likely to lead to an increase in the rates of non-insurance and underinsurance for home and contents insurance in the State, as the individual policyholders respond to the higher price of insurance. This is confirmed by empirical studies commissioned by the Monitor, the Insurance Council of Australia and Centre of Policy Studies, Victoria University.
- Affordability of insurance is already a significant issue in parts of the State with an increase in the number of unaffordable “red zones” due to climate change and the greater prevalence of associated weather events such as bush fires, flood and cyclones. Continued increases in ESL rates are likely to compound affordability problems in these areas. According to the ABS Household Expenditure Surveys, percentage of total household income spent on home and contents insurance in NSW was 1.15% in 2015-16, up from 0.93% in 2009-10.
- The research commissioned by the Monitor indicates that consumers are more sensitive to price increases than decreases when it comes to insurance. Further increases in ESL rates are likely to see more policy holders reduce or eliminate their cover as consumers are more sensitive to price increases than price decreases. This means the burden of the ESL must be shared amongst a shrinking population base, further exacerbating the problem.
- Modelling commissioned by the Monitor shows that if NSW funding of fire services were to rise to the same per capita levels as Victoria, total premiums on home and contents insurance could increase by around 20%, resulting in the proportion of homeowners taking out home and contents insurance falling by between 4.5 and 6.1 percentage points.
- With demands on fire and emergency services expected to grow, the findings of the study commissioned by the Monitor are an important consideration for the ongoing funding of fire and emergency services in NSW.

## **The Insurance Monitor**

On 7 June 2016, Professor Allan Fels AO and Dr David Cousins AM, were appointed as the Emergency Services Levy Insurance (ESL) Monitor and Deputy Monitor, respectively. Their appointments were made as part of the NSW Government's reform of the funding of emergency services.

The Insurance Monitor's key functions are set out in the ESL Insurance Monitor Act 2016, and include:

- providing information, advice and guidance in relation to the ESL reform and prohibited conduct
- monitoring premiums of insurance policies subject to the ESL regime, and the impact of the ESL regime on the insurance industry and levels of insurance coverage
- considering whether individual insurers have engaged in prohibited conduct, being false or misleading conduct in relation to the ESL reform, and price exploitation.
- making sure insurers do not collect more ESL than is necessary to fund their contribution liabilities
- receiving complaints about prohibited conduct and dealing with them in accordance with the Act

The Monitor's role relates purely to administering the insurance consumer protection regime in the Act. The Monitor has no role on policy-making or implementation related to the proposed property-based fire and emergency services levy (FESL), which was to replace the Emergency Services Levy (ESL). The Act is explicit that the Monitor is not subject to the control or direction of any Minister in respect of the exercise of his functions under the Act.

The Monitor's functions have remained substantively unchanged since the Government's deferral of the FESL in 2017, with the exception of a greater focus on assessing over-collection of ESL.

The term of the Monitor's role was originally due to cease in December 2018, but was extended to 30 June 2020 following the deferral. This extension was to allow sufficient time for the Monitor to complete the assessment of over-collection of ESL for the 2018 and 2019 financial years.

### **Relevance of Submission to NSW Bushfires Inquiry**

The ESL accounts for a major component (over 73%) of funding for fire and emergency services in NSW. Funding increases may be needed as NSW changes how it tackles future bushfires in the State, especially emergency services preparation and responses to bushfires, including overall human and capital resourcing. Therefore, the robustness of the source of funding is a key consideration. If increasing funding requirements leads to more people being under- or non-insured, this can undermine the robustness of the funding. The issue of the ESL is therefore relevant to the following part of the Terms of Reference for the Inquiry:

"8. Emergency responses to bushfires, including overall human and capital resourcing."

Insurance is a mechanism that helps mitigate or indemnify the financial impact of property losses in the event of damage or destruction. The ESL affects the affordability of insurance and the take up of insurance in NSW and is therefore also relevant to the following part of the Terms of Reference for the Inquiry:

“5. Preparation and planning for future bushfire threats and risks.”

The Monitor also notes that others have commented on the ESL and that the Inquiry may also deem it appropriate to do so under:

“4. Any other matters that the inquiry deems appropriate in relation to bushfires”.

### **Background on ESL and its role in Funding Fire and Emergency Services in NSW**

The majority of funding for the NSW State Emergency Service, NSW Rural Fire Service and Fire and Rescue NSW currently comes from levies imposed on property insurance policy holders. The NSW Government determines the budgets for the emergency services’ authorities. The proportion of these budgets to be funded by insurers is set by legislation<sup>1</sup>. Insurance companies provide 73.7 per cent of the total contributions required to fund the emergency services organisations with the balance being provided by NSW Treasury (14.6 per cent) and local councils (11.7 per cent).

The exact contribution of individual insurers depends on their market share of premiums of specified insurance classes. Insurers make quarterly payments of their estimated contributions to Revenue NSW, and the Government passes the funding to the emergency services organisations.

Adjustments are made after the end of each financial year based on the actual market shares of each insurance company. Legislation does not specify how the insurance companies should fund their expected contributions, but companies generally collect funds from policyholders throughout the financial year by adding ESL to the base premium. GST and Stamp Duty are added on top of this to give the final premium. Companies are required by legislation to specify the ESL component of premiums on policy notices to customers for commercial and household insurance<sup>2</sup>. An order issued by the Monitor also requires that insurers provide on their price information to retail and small business customers last year’s premium as well as the current year’s premium.<sup>3</sup>

Numerous reports have suggested the current funding system is deficient, particularly around key issues such as fairness, affordability, and transparency. In December 2015, the NSW Government announced its intention to move away from the insurance-based levy to a property-based levy to fund fire and emergency services. However, apparently due to the potential for some unintended consequences of the proposed property levy, the move to a new funding system was deferred, and the insurance-based system continues.<sup>4</sup>

As a result, the ESL remains in place while the Government considers whether to introduce an alternative system.

### **Comparison with Victoria’s Fire Services Levy Reform**

In 2011, the Victorian Government began the implementation of a recommendation of the 2009 Victorian Bushfires Royal Commission (VBRC) to replace the insurance-based funding of the fire services with a property-based levy on all Victorian property owners. Major criticisms of the insurance-based levy in Victoria also included the non-contribution of uninsured property owners,

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<sup>1</sup> Originally, these were prescribed in the State Emergency Service Act 1989 Part 5A; Rural Fires Act 1997 Part 5; and Fire Brigades Act 1989 Part 5. However, since 1 July 2017 these provisions have been consolidated into the Emergency Services Levy Act 2017.

<sup>2</sup> . Emergency Services Levy Act 2017, Part 7

<sup>3</sup><https://www.eslinsurancemonitor.nsw.gov.au/sites/default/files/Final%20s30%20notice%2031%20October%202018.pdf>

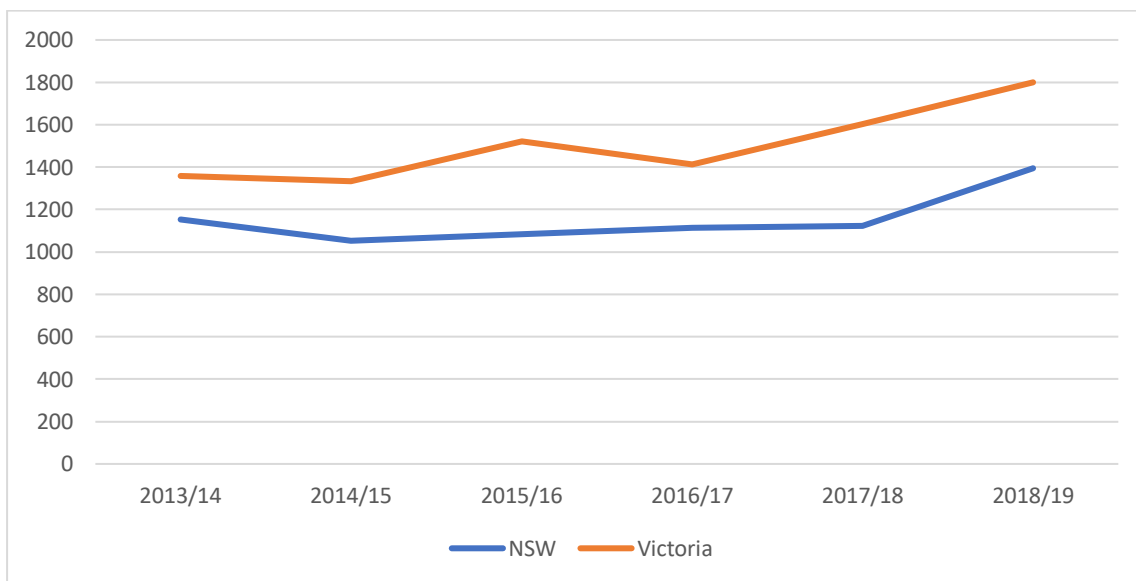
<sup>4</sup> <https://www.nsw.gov.au/media-releases/fire-and-emergency-services-levy-to-be-reviewed-to-ensure-fairness>

the partial contribution of underinsured property owners, and the lack of transparency of the funding arrangement due to the wide discretion available to insurers in recouping their contributions. In addition, double taxation also applied with the Goods & Services Tax (GST) and stamp duty being charged on top of the base premium and levy, further increasing costs.

Victoria introduced a new Fire Services Property Levy (FSPL), on 1 July 2013, which applied to all property in Victoria. The rate set by the Government varied according to the use of the property. The new funding model provides a more equitable funding of the fire services, being spread across all property owners rather than just those with insurance, and a more transparent source of revenue for the fire services.

It is noticeable that Victoria, which now has a more stable and efficient means of funding fire and emergency services, has consistently been able to maintain a higher level of funding for fire and emergency services than NSW over the last several years despite a smaller population. While Victoria has traditionally spent slightly more than NSW on fire services, the gap between the two States has widened since Victoria moved away from insurance-based funding, as shown in Figure 1 below. In 2013-14 Victoria spent \$206.1 million more than NSW, a difference which had doubled to \$405.4 million in 2018/19.

Figure 1: NSW and Victorian Government Expenditure on Fire Services



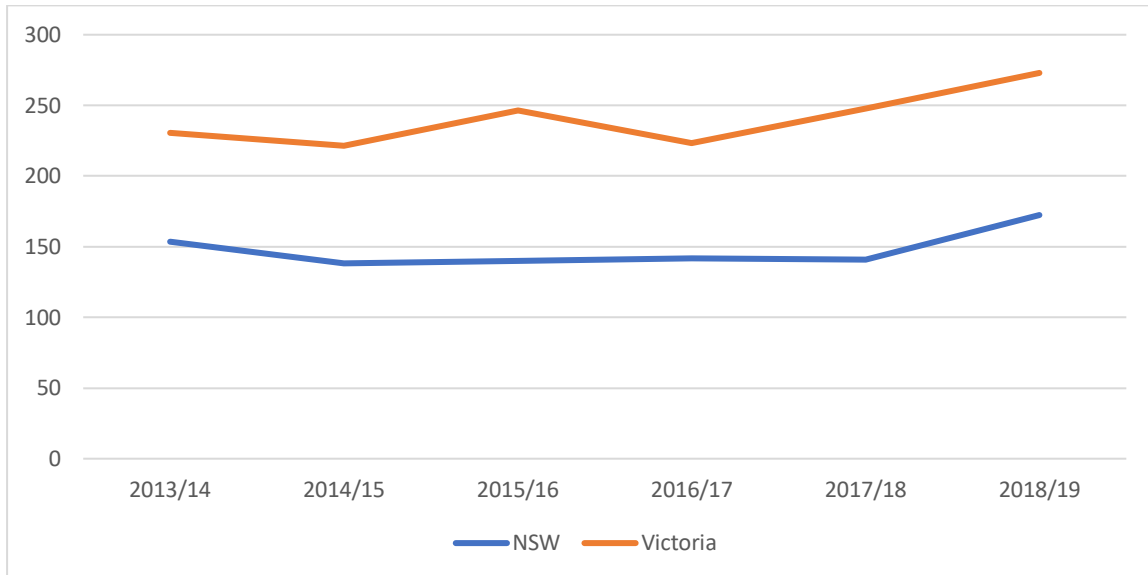
Source: Productivity Commission (2020)

If NSW were to raise its funding of fire services to Victorian levels it would require an increase of \$405.4 million in absolute terms based on 2018-19 data. Since 73.7% of the funding in NSW comes from the ESL, this equates to an increase of \$298.8 million from insurance companies that would be passed on to policy holders.

The difference is more stark in per capita terms, as shown in figure 2 below. In 2018/19 NSW government expenditure per capita on fire services was 63% of Victorian levels. Bringing NSW per capita expenditure up to Victorian per capita levels would require an additional once-off step up of \$813.4 million a year. Under the current formula, ESL collections would have to increase by \$599.5 million. If all of this was passed on to home and contents policies, these imply an average ESL rate across residential insurance of 36.6%, up 22.2 percentage points from the average ESL rate in 2018-19. Increases in ESL also result in increases in stamp duty and GST, implying an increase in total

premiums of 19%. Any increase in base premiums by insurers would further add to the cost. The ESL target for 2020-21 was recently raised by 21% to \$1.09 billion from \$898 million in 2019-20, partly reflecting increased workers compensation costs.

Figure 2: NSW and Victorian Government Per Capita Expenditure on Fire Services



Source: Productivity Commission (2020), ABS 3101.0, Monitor calculations

### Description of ESL Insurance Monitor's study

Findings from the Monitor's research touch on the ability of consumers to absorb significant budget increases passed on to them via insurers.

Colmar Brunton was commissioned by the Monitor in mid-2019 to undertake a research project to measure the impact of changes in insurance pricing and the ESL rate on consumers' decisions to purchase insurance.

A quantitative technique called choice modelling was used for eliciting individual preferences. It allows researchers to uncover how individuals value selected attributes of insurance by asking them to state their choice over different hypothetical alternatives based on price and features such as brand and inclusions. 1,000 consumers were surveyed online for each of the 3 types of insurance.

The survey covered: contents, combined home and contents; and comprehensive motor insurance. 95% of homeowners have combined home and contents insurance. 61% of renters and strata payers in NSW are covered by contents insurance. 90% of NSW drivers are covered by comprehensive car insurance.

A copy of the final report of Colmar Brunton is attached to this submission for the information of the Inquiry. The Monitor would be happy to provide further relevant information if required by the Inquiry.

## **Results of ESL Insurance Monitor's Study**

A 20% price increase has a far greater impact in the number of consumers taking out insurance than a corresponding fall. The proportion of homeowners living in low risk areas<sup>5</sup> taking out home and contents insurance would reduce by 6.1 percentage points to 89%. In comparison, the same increase in high risk areas would see a 4.5 percentage point reduction to 91.9%. As described in the previous section, a lift in NSW funding of fire services to Victorian levels in per capita terms could result in premium changes of around 20% and could be expected to result in similar falls in the proportion of homeowners taking out home and contents insurance.

Removing the ESL, on the other hand, would have a positive but modest effect on the level of non-insurance in NSW. A 20% price reduction (which would be similar to the impact of removing the ESL) would increase take up of home and contents insurance by 2.6 percentage points. Even with further price reductions, take up is unlikely to materially increase. The findings suggest there are some consumers who will not take up insurance regardless of the cost.

These results suggest demand for home and contents insurance is more sensitive to price increases than decreases. If correct, it follows that removal of the ESL, had it proceeded, may not have significantly reduced levels of non-insurance. More importantly in relation to funding increases, the results also suggest the higher insurance contribution passed on to policyholders over time is likely contribute to higher levels of non-insurance. Further increases in ESL are likely to see more policyholders reduce or eliminate their cover as consumers are more sensitive to price increases than price decreases. This means that over time, the burden of the ESL must be shared amongst a shrinking population base, further exacerbating the problem.

The research shows that take up rates for contents insurance are fairly static. Those who have insurance have it for a reason and as such are prepared to pay even at an increased cost. While those without contents insurance are unlikely to join even at a greatly reduced cost. A 10% price increase across the market would have almost no impact on the proportion with insurance (58.7% from 59%). A 20% increase across the market would have more impact, increasing the proportion without insurance to 44.2% from 41%. It should be noted that rates of non-insurance are much higher with contents than household insurance.

For motor vehicles, a total market price shift of +/- 1% to 5% (ESL rates are 1-2%) has a fairly marginal impact on the market. Price increases have a greater impact than price reductions.

Due to measurement issues, the Monitor's analysis focused on non-insurance figures rather than under-insurance figures. Under-insurance may be a more significant issue for these insurance lines than take up rates alone might suggest. However, care is also needed in concluding that under-insurance is generally a significant problem. In some cases, households may over-insure by basing their insurance on excessive sum insured figures.

## **Summary of Previous Research on ESL**

A number of reports have been identified as supporting a move away from the current insurance-based levy, including:

- Royal Commission into the collapse of HIH (2003)
- Public Accounts Committee Report and Government response (2004)

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<sup>5</sup> The size of the premium was taken as being indicative of the amount of risk being insured.

- Independent Pricing and Regulatory Tribunal of NSW Review of state taxes (2008)
- Victorian Bushfires Royal Commission (2009)
- Henry Tax Review (2010)
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The Insurance Council has an obvious vested interest in the removal of the ESL. However, the Richard Tooth studies commissioned by the Insurance Council of Australia also showed demand for insurance is inelastic but that increases in ESL rates will also contribute to increasing levels of non-insurance and under insurance.<sup>6</sup> Even before the recent bush fires, significant increases to the ESL target were announced for 2019-20 and especially 2020-21 in response to the need for greater workers compensation requirements. The ESL Contribution Target increased from \$780 million in financial year (FY) 2018–19 to \$898m in FY2019-20 and is expected to increase further to \$1,131m in FY2020-21. In total, this is a 45 per cent increase from FY2018–19 to FY2020–21. Tooth (2019) estimated these changes would result in an \$88 million reduction in pre-tax expenditure on insurance, 8,000 more households without building insurance and 35,000 more households without contents insurance.

More recently, the Centre of Policy Studies at Victoria University in Melbourne has used a Computable General Equilibrium (CGE) model to estimate the economic costs of State taxes including the ESL. CGE models are a class of economic models which use actual economic data to estimate how an economy might react to changes in policy, technology or other external factors. The marginal excess burden of the NSW ESL is much larger than the marginal excess burden of the other NSW insurance taxes, duties and levies. This approach to funding emergency services therefore imposes far greater welfare losses on NSW households, compared to the systems in place across other jurisdictions, i.e., via a levy on council rates.<sup>7</sup>

### **Other Factors Affecting the Insurance Market in NSW**

Beyond the concerns of the ESL, affordability of insurance is likely to become a significant issue in parts of the State with an increase in the number of unaffordable “red zones” expected due to climate change and the greater prevalence of phenomena such as bush fires, flood and cyclones. Insurers have become increasingly sophisticated in their risk ratings and more granular in their pricing strategies. The ACCC has found evidence in its northern Australian inquiry that in some high risk areas, insurers are choosing not to compete by lowering prices as this may increase their risk exposures. This can lead to a shortage of affordable options in areas more prone to natural disasters.

This issue was also examined by the Monitor in NSW through the innovative use of data scraping of insurer website quotes. This covered a period of time (October 2017-August 2019) for home and contents insurance at 340 locations over 17 councils in NSW. The comparison also indicates affordability of insurance could be a concern for a number of locations. Whilst the average total per annum premium for NSW was \$2,056, 10 suburbs had averages of more than twice the State

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<sup>6</sup> Tooth, R (2019) “The impact of an increase in the Emergency Services Levy”, Note prepared for the Insurance Council of Australia

<sup>7</sup> Nassios, J, Madden, J, Giesecke, J, Dixon, J, Tran, N, Dixon, P, Rimmer, M and Adams, P, and Freebairn, J, (2019) “The Economic Impact and Efficiency of State and Federal Taxes in Australia”, Centre of Policy Studies Working Paper No. G-289, Victoria University, Melbourne



average and 4 suburbs had averages exceeding 4 times the State average. Continued increases in ESL rates are likely to compound affordability problems in these areas.<sup>8</sup>

## **Conclusions**

The current ESL base is unable to continue supporting increases in funding for fire and emergency services without eroding itself over time, and making property insurance increasingly less affordable.

Affordability of insurance is already a significant issue in parts of the State with an increase in the number of unaffordable “red zones” due to climate change and the greater prevalence of associated weather events such as bush fires, flood and cyclones. Continued increases in ESL are likely to compound affordability problems in these areas.

The research commissioned by the Monitor indicates consumers are more sensitive to price increases than decreases when it comes to insurance. Further increases in ESL is likely to see more policyholders reduce or eliminate their cover as consumers are more sensitive to price increases than price decreases. This means the burden of the ESL must be shared amongst a shrinking population base, further exacerbating the problem.

Modelling commissioned by the Monitor shows that if NSW funding of fire services were increased to the same per capita levels as Victoria, total premiums on home and contents insurance would need to increase by around 20%, resulting in the proportion of homeowners taking out home and contents insurance falling by between 4.5 and 6.1 percentage points.

With demands on fire and emergency services expected to grow, the findings of the study commissioned by the Monitor are an important consideration for the ongoing funding of fire and emergency services in NSW.

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<sup>8</sup> Emergency Services Levy Insurance Monitor Quarterly Report No.12



# Impact of Levy Reforms on Insurance Take-Up

Emergency Services Levy Insurance Monitor

Issued: 5 February 2020

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# 1. Executive Summary

In NSW, the Emergency Services Levy Insurance Monitor (ESLIM) oversees the impact of the Emergency Services Levy (ESL) reform on the insurance industry and levels of insurance cover. Insurance companies are required to contribute to the funding of the NSW fire and emergency services. Insurers generally reclaim this amount from their customers by charging an Emergency Services Levy, which is added to the cost of insurance policies, including:

- contents (15-20 percent)
- combined home and contents (15-20 percent)
- comprehensive motor (1-2 percent)

In 2017, the NSW Government announced its plan to reform this model by removing the funding requirement from the insurance industry and instead introduce a land-based levy, to be collected with council rates. The main reason for the reform was that by reducing the price of insurance and thereby increasing the demand, this would in turn increase the number of people adequately covered by insurance.

The ESLIM needs to better understand the behaviour of NSW consumers with respect to the price of insurance and therefore the level of ESL. In particular, ESLIM requires up to date information on the relative importance of price and non-price factors in determining NSW consumers' decision to insure and the level of cover they choose. This piece of choice modelling conducted by Colmar Brunton will help guide ESLIM's recommendations to the NSW Government regarding the future of the ESL.

This document provides the findings and recommendations for this choice modelling research.

## 1.1. Research objective

The overall objective of this research was to measure the impact changes in the price of insurance, and rate of ESL would have on consumers' choice to purchase the following types of insurance:

- Contents
- Combined home and contents
- Comprehensive motor

Key to this assessment was the relative importance of price and non-price factors in determining NSW consumers' decision to insure and the level of cover they chose.

## 1.2. Research methodology

The research was conducted via an online survey featuring a choice exercise where respondents completed a series of scenarios requiring them to select their preferred insurance bundle or opt to be uninsured. The sample was comprised of n=3000 NSW residents who have, or are eligible for one of the following types of insurance:

- Contents
- Combined home and contents
- Comprehensive motor

The sample was structured so that each type of insurance received a total n=1000 respondents.

## 1.3. Key findings

### 1.3.1. Combined home and contents insurance

#### Current policy

In NSW, nearly all homeowners (95%) have combined home and contents insurance.

- On average policy holders are paying \$1,618 annually.
  - Sydney residents pay an average of \$219 more per year than those in regional NSW (\$1,715 and \$1,496, respectively).
  - One in five (21%) don't know how much they are paying for their premium.
- One in five (21%) have been with their current provider for more than 10 years.
  - Brand is strongly associated with the length of time a policy has been held. Almost two thirds (63%) of NRMA customers have held their policy for six or more years.
  - While a similar proportion (66%) of Budget Direct customers have held their policy for less than three years.
- Almost half (46%) say they understand what is covered in their policy 'extremely' or 'very' well.
- When asked about their current insurer, the majority agreed:
  - Their insurer is trustworthy (73%), rising significantly to 85% among NRMA customers.
  - Their insurer has met their expectations (72%).

#### Choosing a provider

- Nearly one quarter (24%) are considering changing their home and contents insurer within the next 12 months.
  - Reasons are centred around price (37%) and perceived value (23%).
- When selecting a provider, homeowners base their decisions on price (77%), policy inclusions (67%) and transparency (63%).
  - NRMA customers are more likely to base their decisions on brand reputation (61%) and past experience with the insurer (40%), compared to the total 48% and 29%, respectively.
- Prior to purchasing a policy, the majority will:
  - Review the terms carefully (67%)
  - Shop around for the best deal (64%)
- Just over half (52%) say they automatically renew their policy with the same insurer.

#### Choice model outcomes

At the total market level, price increases have a much greater impact on the home and contents market than price reductions.

- A 10% price rise would see the proportion without insurance increase by 1.7%, from the current 4.6% to 6.3%. Though, it is a 20% price increase that would significantly impact the market, with 5.9% exiting the market and bringing the total without insurance from 4.6% to 10.5%.
- In contrast, a 10% price decrease would reduce the proportion without insurance from 4.6% to 2.7%. However, a 20% price reduction would have almost no additional impact (0.1%) as 2.6% would opt to remain uninsured.

Home and contents insurance has greater market penetration in high risk areas, 96.4% of homeowners in these areas are covered by insurance, compared with 95.1% in low risk areas.

- Given the lower risk of adverse events occurring, those in low risk areas are more sensitive to price increases.
  - A 20% price increase would reduce the proportion low risk homeowners covered by home and contents insurance by 6.1% to 89%. In comparison, the same increase in high risk areas would see a 4.5% reduction to 91.9%.

The home and contents market is largely driven by the actions of the specialist insurers. Consequently, as market leaders they have the greatest influence in converting the uninsured.

- If specialists were to decrease their price by 10% and all other provider types held their current prices, the proportion of uninsured would decrease from 4.6% to 3.1%.
  - When reversing this scenario, the same results are not reflected. Holding specialists at their current price, while reducing all other providers by 10% would only reduce the proportion without insurance to 3.7%.

### 1.3.2. Contents insurance

#### Current policy

Three in five (61%) renters and strata payers in NSW are covered by contents insurance.

- On average, policy holders are paying \$912 annually.
  - Although Sydney residents are paying an average of \$344 more per year than those in regional NSW (\$1047 and \$703, respectively).
- The main reasons for taking up contents insurance are to cover any loss or damage (79%), to protect against uncertainty (57%), and to have a financial safety net (45%).
- A relatively small proportion have made a claim on their policy in the last 12 months (7%).
  - However, among those who had the vast majority (83%) were satisfied with the outcome.
- When asked about their contents insurer, the majority agreed:
  - Their insurer is trustworthy (80%)
  - Their insurer has met their expectations (78%)

#### Choosing a provider

- Nearly two thirds (63%) say they automatically renew their policy with the same insurer.
- Just over one in five (22%) are considering changing provider in the next 12 months.
  - Reasons are centred around price (31%) and seeking better value (30%).
- When selecting a contents insurer, consumers are looking for a competitive premium or price (74%), policy inclusions (67%) and transparency (57%).
- Prior to purchase the majority will:
  - Review the terms carefully (68%)
  - Shop around for the best deal (59%)

## Choice model outcomes

The contents market is fairly static, those who have insurance have it for a reason and as such are prepared to pay even at an increased cost. While those without contents insurance are unlikely to join even at a greatly reduced cost.

- A 10% price increase across the market would have almost no impact on the proportion with insurance (58.7% from 59%). A 20% increase across the market would have more impact, increasing the proportion without insurance to 44.2% from 41%.
  - However, in the event of a 20% total market price increase, specialist insurers could expect to see a minor increase in market share (0.5%) suggesting they would be unaffected by increasing their prices.
- A premium reduction of 10% would have marginal impact on the market, increasing the proportion with insurance to 59.7% from 59%. A 20% reduction would bring a further 3.7% into the market, increasing the total covered by insurance to 62.7%.

Brand loyalty, particularly towards specialist providers is important in the contents market. Modelling showed that if specialists were to increase their price by 20% while all other providers remained at the current rate, specialists would only lose 1.5% of their market share (37.1% down from 38.6%).

- The proportion without insurance would actually increase by 1% to 42%. Highlighting that some consumers would rather go without insurance than switch to another type of provider.

### 1.3.3. Comprehensive car insurance

#### Current policy

Nine in ten (90%) NSW drivers are covered by comprehensive car insurance.

- On average, drivers are paying \$995 per year for their policy.
  - Although there are several groups paying significantly more; including, drivers aged under 25 (\$1262), drivers in Sydney (\$1106), and those with a car valued at \$30,000 or more (\$1310).
- Almost half (47%) say they understand what is covered in their policy 'extremely' or 'very' well.
- One in five (20%) have made a claim on their policy within the last two years.
  - Among those who made a claim, the vast majority (86%) were satisfied with the outcome.
- Over three quarters agree their insurer has met their expectations (78%) and that they are trustworthy (77%).

#### Choosing a provider

- One in five (20%) are considering changing provider in the next 12 months.
  - Reasons are centred around price (42%) and perceived value (27%).
- When selecting an insurer, drivers are looking for a competitive premium or price (79%), policy inclusion (60%) and transparency (59%)
  - Young drivers (under 25) are more reliant on recommendations from family and friends than other age groups (38%; compared 19% of those 25 and above).
- Prior to purchasing the majority will:
  - Shop around for the best deal (67%)
  - Review the terms carefully before purchasing (65%)

## Choice model outcomes

A total market price shift of +/- 1% to 5% has a fairly marginal impact on the market. In this range the market is relatively static with each +/- 1% adding or subtracting 0.3% from the total number insured.

It is only when price increases or decreases are at the 10-20% level that the market is significantly impacted.

- A 10% premium reduction would result in additional 3.1% taking up insurance, bringing the total with comprehensive coverage to 93.2%.
  - Nearly all would join a budget provider (15.6% up from 12.5%).
  - However, a 20% premium reduction across the market would provide minimal additional impact on the 10% reduction, as only a further 0.5% would take up insurance
- A 10% increase across the market would increase the proportion without insurance by 2.9% to 12.8% from 9.9%. A 20% increase would then more than double this to 6.3%, bringing the total without insurance to 16.2%.
  - A 20% increase would have the greatest impact on budget providers who would lose 2.7% of their market share 9.8% down from 12.5%.

Young drivers have the lowest rates of comprehensive coverage, just 76.8% of women under 25 and 81% of men under 25. As such, young drivers are sensitive to significant price changes.

- A 20% price increase would see a further 11.3% of young women and 9.7% of young men exit the market, reducing proportion with insurance down to 65.5% and 71.3%, respectively.
  - However, changing the mix of policy inclusions can offset the impact of a price increase. If providers were to offer more policies with a \$1000 excess to young drivers, it would not only offset the impact of the 20% price increase, but marginally reduce the proportions of young men and woman without insurance by 1.7% and 1.4%, respectively. If it means a reduction to the daunting lump sum of an excess, young drivers are prepared to pay slightly more towards their monthly premium.

## 1.4. Conclusions and recommendations

The removal of the ESL would have a positive, but fairly minor impact on insurance uptake in the home and contents market. A 20% price reduction would bring the total with insurance up by 2.6% to 97.4%. Even with further price reductions it is likely it would be difficult to increase market penetration any higher. There is a small proportion of homeowners who are unlikely to ever take-up home and contents insurance. There are several reasons behind this; including, perceptions it is not good value for money, they have simply never had insurance, or would just rather take the risk.

Simply put the removal of the ESL on the contents market would result in a small increase in the proportion with insurance cover. A 20% price reduction would bring the total with contents insurance up by 3.7% to 62.7%. Yet, there are other considerations and implications resulting from the removal of the ESL from contents insurance policies. The reform suggests replacing the ESL with a council-based levy that would be collected with rates. This is simplified in the combined home and contents market which is more or less owner-occupied. In contrast, the contents market primarily caters to renters and strata paying apartment or unit owners. If the ESL was removed from contents insurance policies this would mean those with contents policies are no longer contributing to the funding pool for emergency services. Although, this can be offset if the rates-based levy is passed on to renters or strata payers at a fair rate. Ultimately this change would mean more people are contributing to the

emergency services pool, given 41% of renters and strata payers are not covered by contents insurance and therefore are not currently contributing to the fund.

Removal of the 1-2% ESL on comprehensive motor insurance would make almost no difference to the proportion of drivers with comprehensive cover. A 1% price decrease in this market would result in a further 0.3% joining the market and bringing the total with insurance to 90.4%. However, larger price reductions of 10-20% in the comprehensive car market still result in fairly minor increases in insurance uptake. Regardless of price, at least 5% of drivers are likely to remain reliant on CTP. They simply believe this is all the cover they need, particularly if they own a lower value car. However, changing the ESL to land-based model would ensure these drivers are contributing to the emergency services fund whether it is through their own rates, strata increases, or rent increases passed on by their landlords.

While removal of the ESL would have small to marginal impacts on rates of insurance take up across the three types of insurance, results of the modelling show that if kept in its current form, the ESL should not be increased. All three markets are more sensitive to price increases than decreases, and ultimately increasing the ESL would see more people exit the market, leaving fewer to contribute.

### **Comparison with other research**

This piece of research is not directly comparable to previous econometric studies commissioned by the ESLIM due to differing methodologies and scope. This study used a discrete choice modelling approach, which is based on data that is experimental in nature. Whereas, econometric modelling is generally based on observational data. Despite these methodological differences, there are consistencies between the findings of this research and those of Dr Richard Tooth in his studies covering the *Analysis of demand for home and contents insurance* (2015) and *the impact of an increase in the Emergency Services Levy* (2019). These similarities include:

- An increase to the ESL would result in an increase in the proportion of households opting out of home and contents insurance.
- Consumers may attempt to offset premium increases by lowering their coverage or changing to budget providers. While Dr Tooth observed this within the home and contents market, we found this effect to be stronger within the comprehensive car and contents markets.

## 2. Introduction

### 2.1. Background

Insurance companies are required to contribute to the funding of the NSW fire and emergency services. Insurers generally reclaim this amount from their customers by charging an Emergency Services Levy (ESL), which is added to the cost of premiums.

The NSW Government planned to reform this funding model in 2017, remove the funding requirement from the insurance industry and introduce a land-based levy, to be collected with council rates. However, this legislation has been deferred, and in the meantime funding of these services continues via the insurance system ESL will continue to be collected with insurance policy premiums.

The Emergency Services Insurance Monitor (ESLIM) has a core function of monitoring the impact of the Emergency Services Levy reform on the insurance industry and levels of insurance cover. The imposition of the ESL has had a significant impact on the price of insurance. The ESL on home and/or contents insurance has averaged around 15-20 per cent of base premiums, on top of which GST and stamp duty is also imposed. Most empirical studies list price as a key determinant of the demand for insurance.

One of the original justifications for ESL reform is that it would reduce the level of underinsurance and non-insurance by reducing premiums. The NSW Government noted at the time of the introduction of the ESL reform that non-insurance in NSW, at 5% for building insurance and 36% for contents insurance, was higher than the other states and territories. Reducing non-insurance and under insurance are important for a number of reasons. The ACCC Northern Australian Insurance second interim report noted non-insurance leaves people unprotected and vulnerable, should they experience a loss. This is especially true for people on low incomes, as they are least able to absorb losses or readily replace or fix damaged property.

High rates of private insurance are socially beneficial, not only in terms of the efficiencies of risk pooling, but also in reducing the reliance on governments and charities to support the personal hardship arising when uninsured property is damaged or lost in disaster situations. The ongoing catastrophic fire season in eastern Australia, with over 1,800 houses destroyed has also raised concerns that many people losing their homes will find themselves unable to rebuild, due to non-insurance and under insurance.

In the past some econometric research has provided some indicators of the sensitivity of home and contents insurance demand to pricing but it was desirable that more recent work be available. In addition, the Monitor's Office wanted to explore these issues through a technique referred to as "choice modelling".

## 2.2. Research objectives

The overall objective of this research was to assess the extent to which changes in the price of insurance, and therefore the level of ESL, affects consumers' choice to purchase insurance and the level of cover. Key to this assessment is the relative importance of price and non-price factors in determining NSW consumers' decision on insurance and the level of cover.

The types of insurance covered in this research were:

- contents insurance
- combined home and contents insurance
- comprehensive motor insurance

The research also examined differences between:

- metropolitan and rural/ regional areas
- lower and higher risk areas (relating to natural perils and non-natural perils)
- ages of vehicle drivers

# 3. Methodology

## 3.1. Research design

This research was undertaken using an online survey featuring a choice exercise where respondents completed a series of scenarios requiring them to select their preferred insurance bundle or opt to be uninsured.

The research was conducted with the person who is solely or jointly responsible for making decisions about insurance (and for the non-policy holders, those who would be solely or jointly responsible). While there was overlap with people having more than one type of insurance, we ensured each respondent was only asked about one insurance type by allocating them to a quota stream based on filling the harder to reach, lower incidence quotas first.

### Questionnaire

The questionnaire was comprised of three distinct sections:

- Screening and demographics:
  - Age, gender, location (including. risk level of the area<sup>1</sup>)
  - Property type and ownership status
  - Car ownership
  - Insurance coverage
  - Household structure

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<sup>1</sup> The high and low risk areas were approximated based on the CRESTA locations provided by ESLIM. Please refer to Appendix A for more information.



- Attitudes and behaviours towards insurance:
  - Reasons for having or not having insurance
  - Provider and price paid
  - Understanding of policy
  - Likelihood of changing provider
  - Attitudes towards provider choice
  - Claim history and satisfaction
  - Factors important in choosing an insurer
- Choice exercise (respondents were assigned one of three streams):
  - Contents
  - Combined home and contents
  - Motor

The full quantitative questionnaire can be seen in Appendix B.

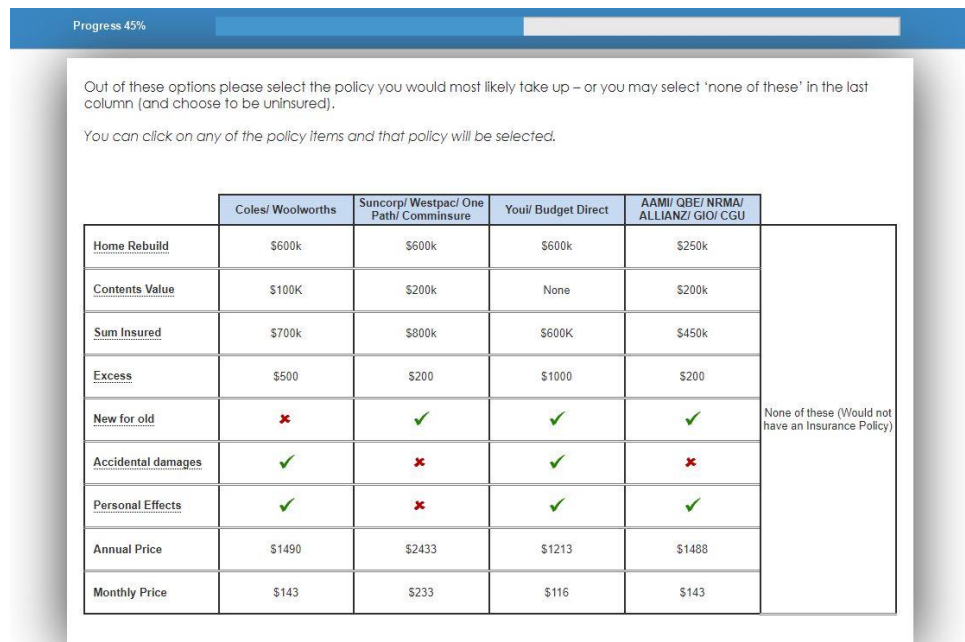
## The choice design and process

Discrete choice modelling analysis techniques were used to model the importance of price in the purchase decision hierarchy, and the impact of price changes, as well other factors in the decision-making process.

Discrete choice modelling gives consumers competing choices. It provides a decomposition of attributes but requires a complex adjustment process to give volumetric predictions. Choice modelling gives respondents scenarios which are as close to real life as possible, for example in this study:

- Several 'choices' or product offers were presented to the respondent in a grid format, which included elements of the purchase decision developed in consultation with ESLIM (including price, level of cover, excess, etc – see Tables 1-3).
- The respondent was asked to choose which option they would be most likely to take up if they were facing that choice in a real market situation (see Figure 1 for an example of what was presented to respondents).

**Figure 1: Choice model question example (home and contents shown)**



The insurance market is incredibly complex with a wide variety of conditions, options and levels. Given the scope of this study, the exercise was somewhat simplified to best represent the scope of the market. Policy options were rationalised to the main/ most common features as identified by previous ESLIM studies and by market reviews.

As this study was less concerned with the individual brands and more concerned with the overall choice of any policy, brands were grouped together by provider type. The options presented included examples of brands in the following insurance provider categories:

- **Supermarket providers:** Coles/ Woolworths
- **Financial providers:** Suncorp/ Westpac/ OnePath/ Comminsure
- **Budget providers:** Youi/ Budget Direct
- **Specialist providers:** AAMI / QBE/ NRMA / ALLIANZ / GIO / CGU

This grouping gave respondents both a variety of options to choose from, and also allowed for respondents to trade down or up according to various levels of tested pricing.

This approach most represents the real market in that consumers are often faced with a problem of choosing from an array of product offers, and it is the best design to use when the research is required to model a market simulation, thus understanding price sensitivity. This research aimed to test how each pricing option would perform in the market and hence it was important a market simulation approach was adopted.

Outputs of the model are direct aggregations of consumers' choices. The model provides a direct consumer driven prediction. In addition to the choice model outputs provided in this report, ESLIM also have access to a simulator for any additional analysis requirements.

Data collected by the exercise are modelled using Hierarchical Bayes conducted with Sawtooth software. Hierarchical modeling is employed when respondents have multiple responses within the same exercise. Bayesian Modelling gives some advantages over the traditional Frequentist estimation methods such as Least Squares or Maximum Likelihood. The first is its capacity to handle blocked designs, giving greater flexibility and range of modelled scenarios. Secondly, the reduction of the IIA

(Independence from Irrelevant Alternatives) or 'Red-Bus/Blue-Bus' problem<sup>2</sup> without the need of large complex Mother Logit models.

Detailed below is the design and attributes of each insurance model.

**Table 1: Home and Contents Design**

Attribute	Home Rebuild Cost	Contents Value	Excess	Sum Insured	New for Old	Accidental Damages	Personal Effects
1	\$250k	None	\$200	\$250k	No	No	No
2	\$450k	\$100K	\$500	\$350k	Yes	Yes	Yes
3	\$600k	\$200k	\$1000	\$450k			
4				\$550k			
5				\$600k			
6				\$650K			
7				\$700k			
8				\$800k			

**Table 2: Contents Design**

Attributes	Contents Value (Sum insured)	Excess	NFO	AD	PE
1	\$20k	\$200	None	None	None
2	\$75k	\$500	New for Old	Accidental Damages	Personal Effects
3	\$100k	\$1000			
4	\$200k				

**Table 3 Motor Design**

Attribute	Excess	Roadside assistance	New Car if write off	Windscreen	Hail/ Flood
1	\$500	None	None	None	None
2	\$1000	Roadside assistance	New Car if write off	Windscreen	Hail/ Flood
3	\$2000				

## 3.2. Sample Structure

The sampling approach, whereby respondents were only asked about one insurance type, essentially provided three standalone data sets. The tables below outline the sample profile of each sample subset.

<sup>2</sup> Imagine a transportation market with two products, cars and red buses, each having a market share of 50%. Suppose we add a second bus, coloured blue. An IIA simulator would predict that the blue bus would take share equally from the car and red bus, so that the total bus share would become 67%. But it's clearly more reasonable to expect that the blue bus would take share mostly from the red bus, and that total bus share would remain close to 50%.

**Table 4: Home and contents sample**

		Proportion (%)	Sample size (n=)
Policy holder	Yes	95%	953
	No	5%	47
Gender	Male	34%	336
	Female	66%	663
Age	18-24	5%	51
	25-34	23%	225
	35-44	26%	261
	45-54	24%	236
	55+	23%	227
Location	Greater Svdnev	56%	562
	Rest of NSW	44%	438
Risk level	High	31%	308
	Low	69%	692
Non-English-speaking background	Yes	17%	167
	No	83%	833

**Table 5: Contents sample**

		Proportion (%) (unweighted)	Sample size (n=)
Policy holder	Yes	63%	625
	No	38%	375
Gender	Male	28%	275
	Female	73%	725
Age	18-24	11%	110
	25-34	36%	358
	35-44	25%	253
	45-54	17%	168
	55+	11%	111
Location	Greater Sydney	68%	678
	Rest of NSW	32%	322
Risk level	High	22%	223
	Low	78%	777
Non-English-speaking background	Yes	28%	284
	No	72%	716
Dwelling type	Separate/stand-alone house	42%	422
	Semi-detached house/terrace/townhouse/villa	17%	168
	Flat or unit in a multi-storey apartment block less than 5 storeys	29%	289
	Flat or unit in a multi-storey apartment block 5 or more storeys	11%	110
	Other	1%	11

**Table 6: Car sample**

		Proportion (%) (unweighted)	Sample size (n=)
Policy holder	Yes	80%	798
	No	20%	202
Gender	Male	29%	292
	Female	71%	708
Age	18-24	10%	104
	25-34	28%	276
	35-44	25%	252
	45-54	20%	195
	55+	17%	173
Number of cars	1	59%	588
	2+	41%	412
Car value	Less than \$15,000	44%	438
	\$15,000-\$29,999	37%	374
	\$30,000 or more	19%	188
Location	Greater Sydney	66%	656
	Rest of NSW	34%	344
Non-English-speaking background	Yes	20%	197
	No	80%	803

## Weighting

With the study comprised of three subsets of data, a differing weighting approach was taken for each insurance type, as detailed below.

### Home and contents

The home and contents sample was not weighted. With a such small population incidence of non-policy holders (5%) it was decided weighting was not required for this group. In addition to this, sampling at the location level (Sydney vs Rest of NSW) reflected the population.

### Contents

The contents sample was weighted to ABS dwelling structure figures to account for an over-representation of multi-story apartment blocks. Additionally, the data was also weighted by policy and non-policy holders. Non-policy holders were slightly under-represented in the sample subset.

### Car insurance

The car sample was weighted to ABS age and gender population figures to account for an under-representation of young male drivers. In addition to age and gender, the data was also weighted by policy and non-policy holders. Non-policy holders were slightly over-represented in the sample subset.

## 3.3. Interpreting This Report

### Visualisation of results

To aid navigation all charts are sorted from most frequent response to least.

All charts display the proportion of the sample population who selected each response.

### Tests of Statistical Significance and their reliability

Tests for statistical significance have been conducted on particular subgroups of interest including:

- Age
- Gender
- Location (including risk level)
- Education
- Household type
- Dwelling type
- Car value
- Insurer

In cases where there were no statistically significant differences found this is outlined in the report with the following statement: “There were no significant differences in [subject e.g. *policy comprehension*] by demographic subgroups.”

Tests have been undertaken at a 95% confidence level. The margin of error associated with the sample per insurance type (n=1000), is  $\pm 3.1$  with a 95% confidence interval. If there is a statistically significant difference between the result for a particular group and the result for the wider population, we can be confident that this difference has not occurred by chance, rather that it reflects a genuine difference among that group compared to the wider population.

Please note results in figures may not sum to 100% due to rounding. Likewise, commentary referencing sums of figure proportions may differ by +/- 1% due to rounding.

# 4. Combined Home and Contents Insurance

## 4.1. Summary of home and contents findings

### Current policy

Nearly all (95%) NSW homeowners are covered by a combined home and contents insurance policy, with the majority (65%) covered by a specialist insurer, such as NRMA (29%), AAMI (12%) or Allianz (11%) etc.

On average, policy holders are paying \$1,618 for their home and contents premium annually, with those in Sydney paying an average of \$219 more per year than those in regional NSW (\$1,715 and \$1,496, respectively). However, one in five (21%) are not able to recall how much they pay for their insurance premium.

One in five (21%) have held their current policy for more than ten years, while fewer than one in ten (8%) have held theirs for less than 12 months. Among specialist insurers, brand loyalty is particularly strong. For example, nearly two thirds (63%) of NRMA customers have held their policy for six or more years and a similar proportion (62%) say they are unlikely to consider changing provider in the next 12 months.

Covering any loss or damage (40%), to protect against uncertainty (20%) and a financial safety net (13%) are the main reasons homeowners choose to take up insurance. Almost half (46%) say they understand what is covered in their policy 'extremely well' (12%) or 'very well' (34%).

Brand loyalty is not necessarily limited to specialist providers. Overall, less than one quarter (24%) of home and contents policy holders are likely to consider changing provider in the next 12 months. Among those considering a change, price (23%) and perceived value (23%) are the main reasons for this.

While it is only a relatively small proportion considering a change of provider in the next 12 months, just over half (52%) automatically renew their policy with the same insurer, a figure that is significantly lower among those with supermarket (19%) and budget (38%) providers. Instead, those with supermarket and budget providers are significantly more likely to shop around the best deal (92% and 76%, respectively).

### Choice model outcomes

Choice modelling showed that the home and contents market as a whole is sensitive to significant price increases. If all providers were to raise their prices by 20%, the proportion of those without home and contents insurance would increase from the current level of 4.6% to 10.5%. Price sensitivity is greatest among those in low risk and regional areas, where a 20% price increase would result in the proportion without insurance to rise to 11% and 10.7%, respectively (from 4.8% and 4.6%). Highlighting this price sensitivity, when those without home and contents were asked why they chose to remain uninsured, the main reason is cost, with 38% saying it is too expensive, and a further 9% stated it is not good value for money.



As the market leaders, a 20% price increase from specialist providers alone would have a considerable impact on the proportion without insurance. This scenario alone would result in a 2.8% increase in the proportion of those opting to be uninsured (7.4% up from 4.6%). This suggests there is a group of price sensitive specialist customers who would rather be uninsured than utilise another type of provider.

Yet these results are not to say significant price decreases would have the opposite effect. A 10% price decrease across the market would reduce the proportion of those without insurance from 4.6% to 2.7%. However, a 20% decrease would have no additional impact, with 2.6% opting to remain uninsured. This suggests there is a small contingent of homeowners who will always opt to be uninsured, even if prices were to be significantly reduced. This was highlighted in the survey data, where small proportions of those without home and contents insurance stated they would rather just take the risk (6%) and that they had just never had insurance (6%).

## 4.2. Choice model outcomes

### Total market price shift

As outlined in the methodology section, discrete choice modelling was used to model the importance of price in the purchase decision hierarchy, and the impact of price changes. Respondents were presented several 'choices' and asked to select which offer they would be most likely to take up if they were facing that choice in a real market situation.

The following figure shows the elasticity of the total market if premiums were to move between a 20% decrease and a 20% increase. The results indicate:

- A 10% premium reduction would have the same impact as a 20% reduction and penetration would not go above 97% (with 2.6% to 2.7% not insured). This suggests there is a small group of homeowners who will always opt to be uninsured, even if prices were to be significantly reduced.
- A 10% increase across the market would result in an additional 1.7% being uninsured (from 4.6% to 6.3%).
- A 20% increase across the market would result in an additional 5.9% being uninsured (from 4.6% to 10.5%) and they would mainly drop out from specialist providers (5.7% fewer). Suggesting the home and contents market is quite sensitive to considerable price hikes.

Figure 2: Impact of a total market price shift in combined home and contents insurance

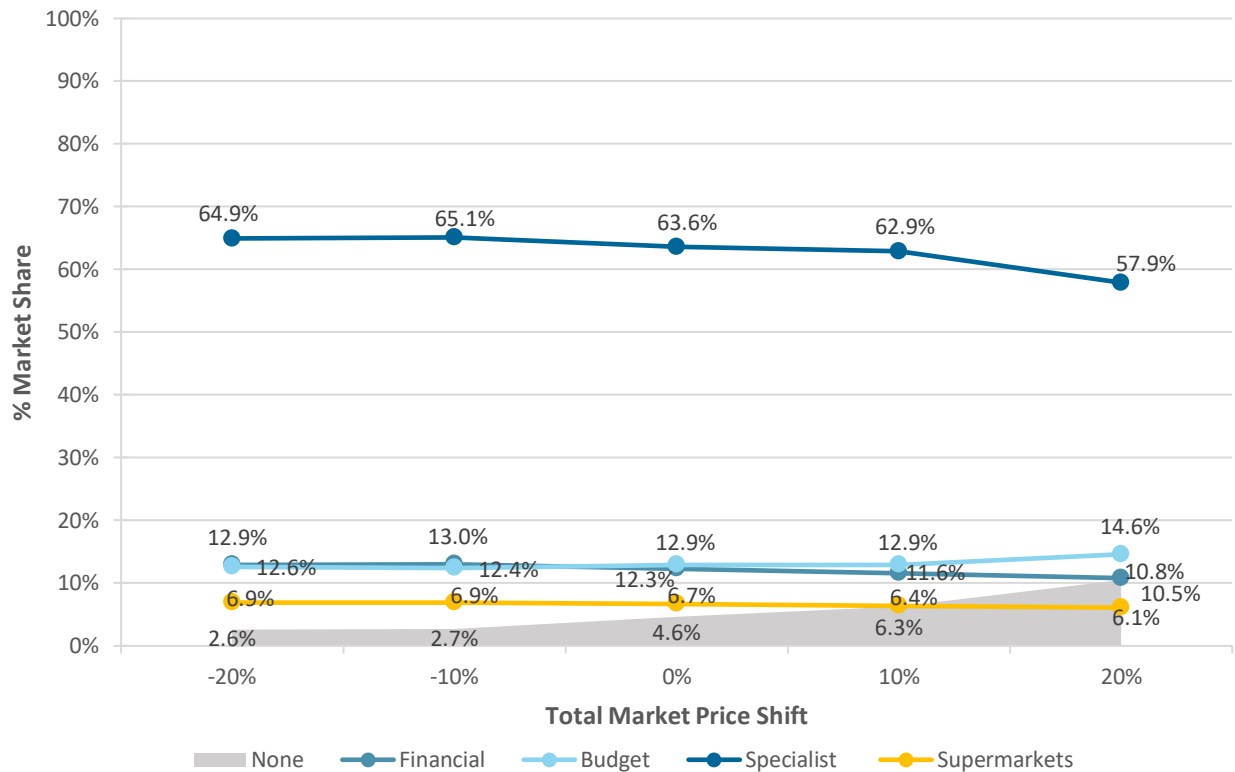


Table 7: Impact of a total market price shift in combined home and contents insurance

	-20%	-10%	0%	+10%	+20%
Financial	12.9%	13.0%	12.3%	11.6%	10.8%
Budget	12.6%	12.4%	12.9%	12.9%	14.6%
Specialist	64.9%	65.1%	63.6%	62.9%	57.9%
Supermarkets	6.9%	6.9%	6.7%	6.4%	6.1%
None	2.6%	2.7%	4.6%	6.3%	10.5%
<b>Total Insured</b>	<b>97.4%</b>	<b>97.3%</b>	<b>95.4%</b>	<b>93.7%</b>	<b>89.5%</b>

### Risk based price shift

This section shows the elasticity of those located in high and low risk areas, if premiums across all providers were to shift between a 20% decrease and a 20% increase.

#### High risk areas

Among those located in high risk areas results show:

- A 20% reduction would have the same impact as a 10% premium reduction, with an additional 1.4% taking up insurance. This suggests that despite living in high risk areas, there is a small contingent of homeowners who are unlikely to ever take up home and contents insurance.

- A 10% price increase across the market result in an additional 1.3% opting to be uninsured (4.9% up from 3.6%). However, a 20% increase would have a greater impact with an additional 4.5% of those in high risk areas opting out of the market (8.1% up from 3.6%).

**Table 8: Impact of total market price shift in high risk areas**

	-20%	-10%	0%	+10%	+20%
Financial	13.2%	13.3%	12.7%	11.9%	11.2%
Budget	13.4%	13.1%	13.7%	13.7%	15.6%
Specialist	62.5%	62.7%	61.4%	61.1%	56.8%
Supermarkets	8.7%	8.7%	8.6%	8.4%	8.3%
None	2.2%	2.2%	3.6%	4.9%	8.1%
<b>Total Insured</b>	<b>97.8%</b>	<b>97.8%</b>	<b>96.4%</b>	<b>95.1%</b>	<b>91.9%</b>

### Low risk areas

For those located in low risk areas, results indicate:

- Consistent with high risk areas, a 20% reduction would have the same impact as a 10% premium reduction. However, among those in low risk areas, slightly more would be inclined to take up insurance (an additional 2% compared to 1.4% in high areas).
- A 10% increase across the market would result in an additional 1.6% dropping out of the market (6.6% up from 4.8%). However, it is a 20% increase that would have a fairly significant impact among those in low risk areas. In this scenario we could expect 6.2% to exit the market, bringing the total uninsured up to 11%.
- The majority of consumers exiting the market or switching provider at a 20% price increase are specialist customers (5.7%). Given these homeowners are residing in lower risk areas they are likely to see little value in paying a specialist even more for a product they are not using.

**Table 9: Impact of total market price shift in low risk area**

	-20%	-10%	0%	+10%	+20%
Financial	12.9%	13.0%	12.3%	11.6%	10.8%
Budget	12.6%	12.4%	12.8%	12.9%	14.5%
Specialist	64.9%	65.1%	63.5%	62.8%	57.8%
Supermarkets	6.8%	6.8%	6.5%	6.2%	5.9%
None	2.8%	2.8%	4.8%	6.6%	11.0%
<b>Total Insured</b>	<b>97.2%</b>	<b>97.3%</b>	<b>95.1%</b>	<b>93.5%</b>	<b>89.0%</b>

### Location based price shift

Similar to the previous section, the following section shows the elasticity of those located in metropolitan and regional areas, if premiums across all providers were to shift between a 20% decrease and a 20% increase.

## Metro areas

For those located in metropolitan areas results show:

- A 10% premium reduction would result in an additional 1.6% entering the market (97.5% up from 95.9%). However, a 20% increase would have almost no further impact on the proportion opting to remain uninsured (0.1%).
- A 10% increase across the market would result in an additional 1.3% opting to become uninsured (from 4% to 5.3%). Comparatively, a 20% increase across the market would have a greater impact on the proportion without insurance (8.6% up from 4%).

**Table 10: Impact of total market price shift in metro areas**

	-20%	-10%	0%	+10%	+20%
Financial	11.5%	11.7%	10.8%	9.9%	9.2%
Budget	11.6%	11.4%	11.7%	11.4%	12.7%
Specialist	68.0%	67.9%	67.2%	67.5%	63.9%
Supermarkets	6.5%	6.5%	6.2%	5.8%	5.6%
None	2.4%	2.5%	4.0%	5.3%	8.6%
<b>Total Insured</b>	<b>97.6%</b>	<b>97.5%</b>	<b>95.9%</b>	<b>94.6%</b>	<b>91.4%</b>

## Regional areas

Among those in regional areas results indicate:

- A 10% price reduction would result in an additional 1.9% regional homeowners entering the market (97.3% up from 95.4%). Consistent with metropolitan areas, a 20% increase would have no further impact on the proportion opting to remain uninsured.
- A 10% price increase would result in an additional 1.7% opting to become uninsured (from 4.6% to 6.3%). However, a 20% increase would have a much greater impact on the proportion without insurance (10.7% up from 4.6%).

**Table 11: Impact of total market price shift in regional areas**

	-20%	-10%	0%	+10%	+20%
Financial	13.1%	13.2%	12.6%	11.9%	11.1%
Budget	12.9%	12.6%	13.1%	13.2%	15.0%
Specialist	64.3%	64.5%	62.9%	62.0%	56.9%
Supermarkets	7.0%	7.0%	6.8%	6.5%	6.3%
None	2.7%	2.7%	4.6%	6.3%	10.7%
<b>Total Insured</b>	<b>97.3%</b>	<b>97.3%</b>	<b>95.4%</b>	<b>93.6%</b>	<b>89.3%</b>

### 4.3. Price driven scenarios

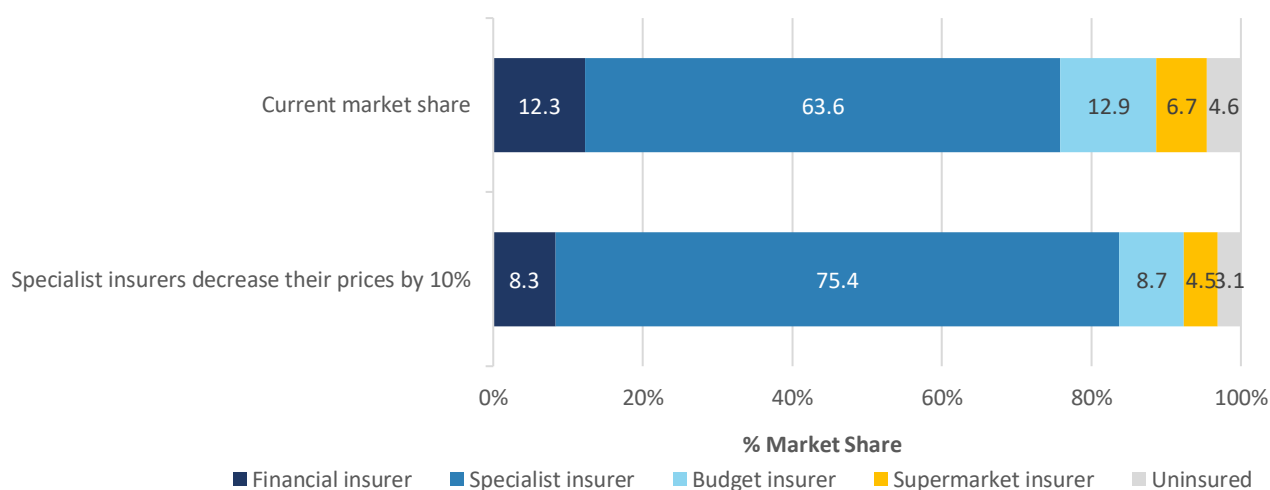
In addition to the total market price shift, modelling was also undertaken to show the impact of price changes by individual provider types across various scenarios. These are detailed as follows.

#### Scenario 1: Specialist insurers decrease their price by 10%, others stay the same

If specialists were to decrease their price by 10% and all other provider types stay the same, the proportion of uninsured would decrease by 1.5% (from 4.6% to 3.1%). However, the modelling also showed that if specialists were to then decrease their price by a further 10%, to 20%, it would have no additional impact and the proportion without insurance would hold at 3.1%.

This suggests specialist providers would have the greatest influence in converting those without insurance into the market. However, this is only up to a point, again highlighting there is a small proportion that will opt to remain uninsured regardless of price.

**Figure 3: Specialist insurers decrease price by 10%, while all others stay the same**

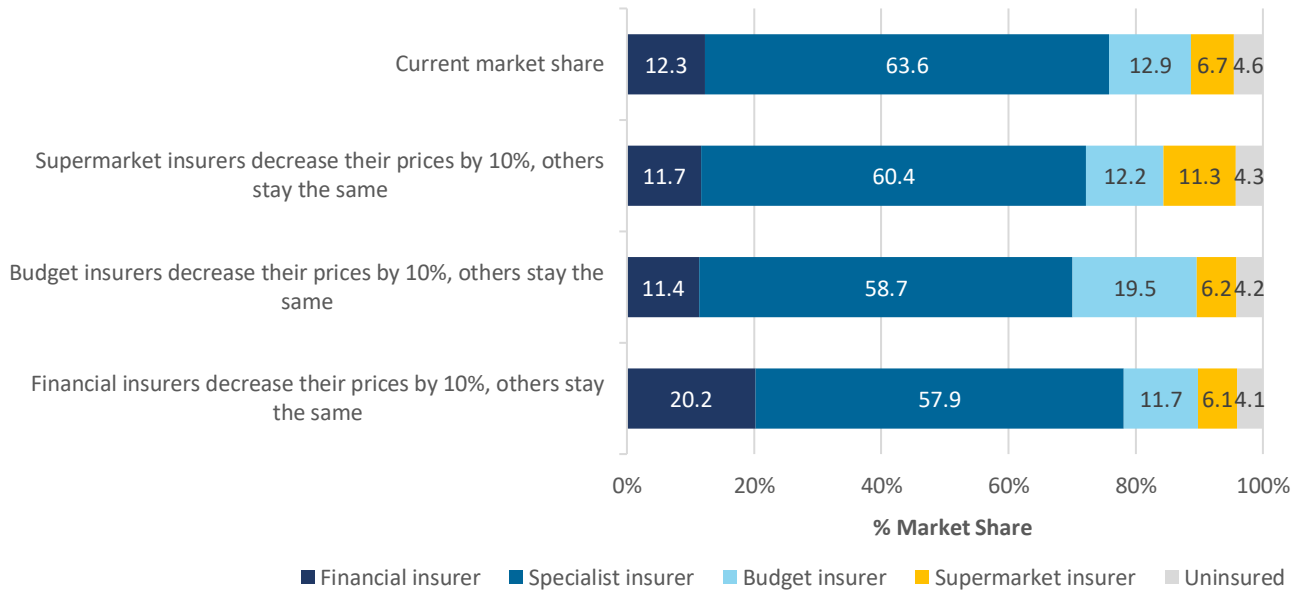


#### Scenario 2: Other providers decrease their price by 10%

The previous scenario showed that if specialists were to decrease their price by 10% it would have a considerable impact on the proportion of uninsured. However, the same impact is not achieved when this scenario is run on each of the other provider types; financial insurers -0.4%, budget insurers -0.3%, and supermarkets -0.2%.

Rather than converting the uninsured into the market, this scenario would result in significant cannibalisation within the existing market. For example, if financial insurers were to decrease by 10%, they would gain an additional 7.9% market share, with majority of this coming from specialist customers (5.7%). A similar effect is observed between budget and specialist insurers. If budget insurers were to decrease their price by 10%, they would gain 4.9% of the specialist market share.

**Figure 4: Impact of other providers decreasing their price by 10%**

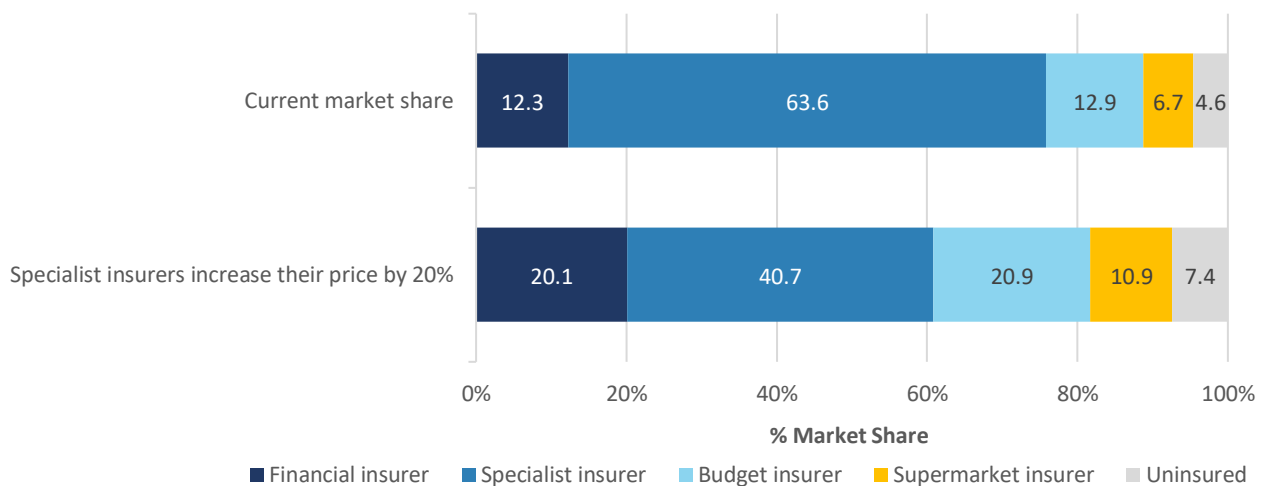


**Scenario 3: Specialist insurers increase their price by 20%, others stay the same**

The home and contents market is particularly sensitive to a price increase among specialist insurers. If specialist insurers were to increase their prices by 20%, we would expect to see a 2.8% increase in the proportion of those opting to be uninsured (7.4% up from 4.6%).

It should be noted that this result was not reflected when the same scenario was run on other provider types (financial +0.3%, budget +0.3%, and supermarket +0.1%), further highlighting the influence of specialist providers on the market.

**Figure 5: Specialist insurers increase price by 20%, while all others stay the same**



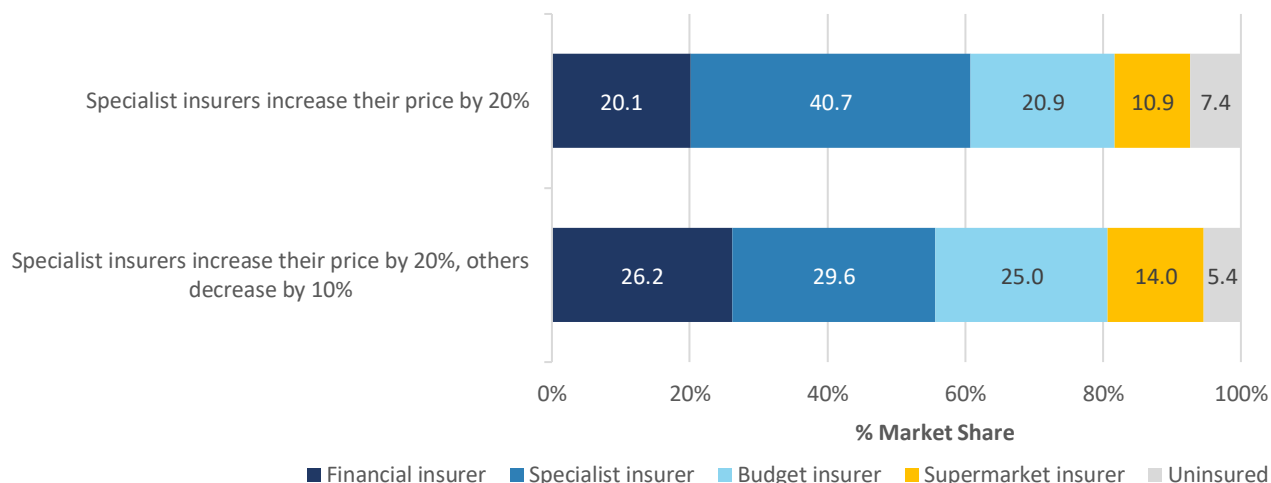
**Scenario 4: Specialist insurers increase their price by 20%, others decrease by 10%**

To offset the majority of the 2.8% increase in uninsured established in the previous scenario (Scenario 3: specialists increase price by 20%), all other providers would need to decrease their

prices by 10%. This would result in a 2% decrease in the proportion of uninsured (5.4%), but overall the number of uninsured would still remain higher than the current market share of 4.6%.

It should be noted, if other providers were to decrease their prices by 20% it would have minimal additional impact to the proportion of uninsured in this scenario (-0.1% to 5.3%). This suggests there is a small cohort of price sensitive consumers (0.7%) who would rather be uninsured than go with a non-specialist provider.

**Figure 6: Specialist insurers increase price by 20%, while all others decrease by 10%**



#### 4.4. Policy driven scenarios

Finally, modelling was undertaken to show the impact the adjustment of policy inclusions would have on the market. Outlined in the table below is the default mix of inclusions modelled in total market and price driven scenarios previously detailed. For example, 80% of specialist policies include new for old, and 20% do not. However, adjusting these inclusions can have a significant impact on the market share of each provider type and the overall proportion of those covered by insurance. This is explored in the scenarios that follow.

**Table 12: Policy inclusion**

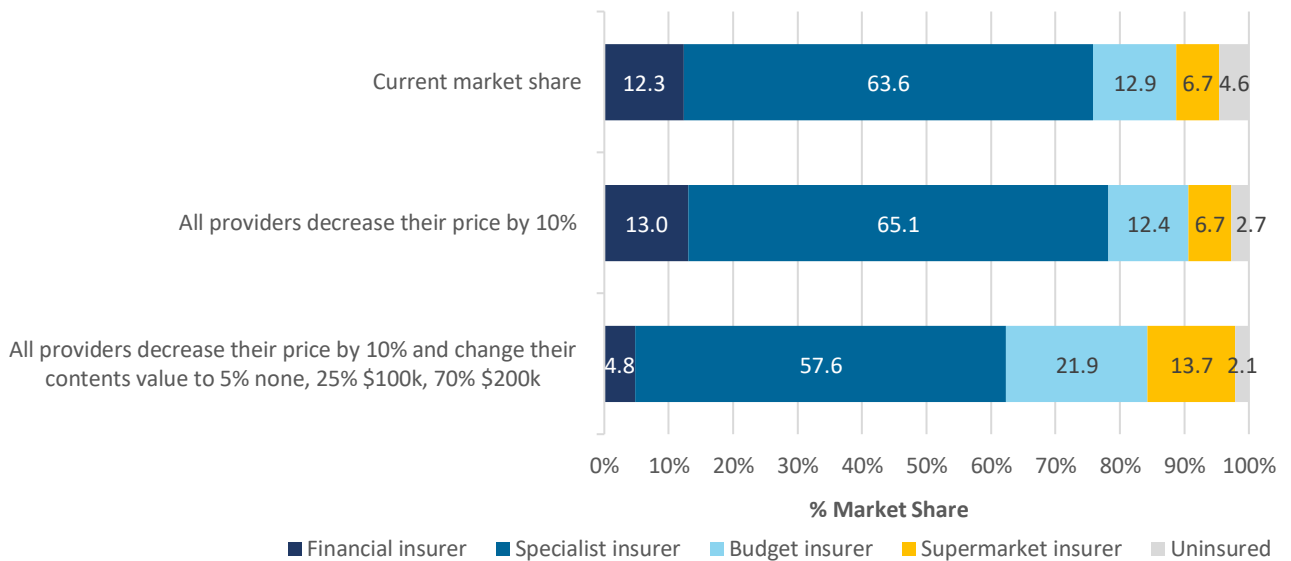
		Financial	Budget	Specialist	Supermarkets
<b>Home Rebuild</b>	250k	10%	30%	5%	40%
	450k	80%	60%	75%	50%
	600k	10%	10%	20%	10%
<b>Contents Value</b>	None	2%	10%	5%	20%
	100K	48%	20%	20%	30%
	200k	50%	70%	75%	50%
<b>Excess</b>	\$200	50%	10%	7%	10%
	\$500	45%	85%	80%	85%
	\$1,000	5%	5%	13%	5%
	No	50%	50%	20%	50%

<b>New for Old</b>	Yes	50%	50%	80%	50%
<b>Accidental Damages</b>	No	70%	50%	95%	45%
	Yes	30%	50%	5%	55%
<b>Personal Effects</b>	No	75%	90%	50%	100%
	Yes	25%	10%	50%	0%

**Scenario 1: Providers reduce the proportion of policies containing \$200k contents value**

With a relatively small proportion forgoing home and contents insurance, reducing price alone has a fairly marginal impact. Combining a price decrease with a change to policy inclusions can further encourage the small group without insurance to take it up. If all providers were to decrease their prices by 10% and reduce the proportion of policies with \$200K contents value from 75% to 70% it would result in a 2.5% increase to the overall proportion with insurance (97.9% up from 95.4%). This suggests there are consumers who do not see the value in having such a high amount of contents coverage.

**Figure 7: Impact of providers reducing the proportion of policies containing \$200k contents value**

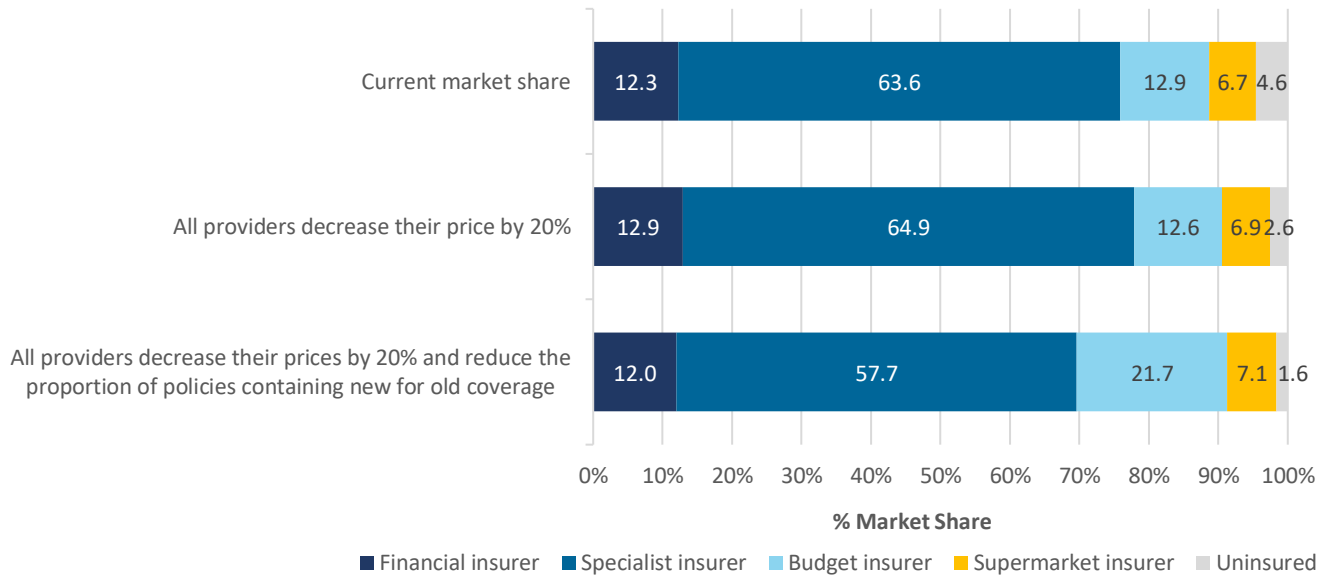


**Scenario 2: Providers reduce the proportion of policies containing new for old coverage**

If providers were to reduce their price by 20% and reduce the proportion of policies with new for old coverage (45% for all providers except specialists who reduce to 75%) this would have a considerable impact on insurance take up. The proportion without insurance would decrease by 3% to 1.6%. The majority of these homeowners would join a budget provider, along with price sensitive specialist consumers who would be inclined to switch (budget increases market share from 12.9% to 21.7%).



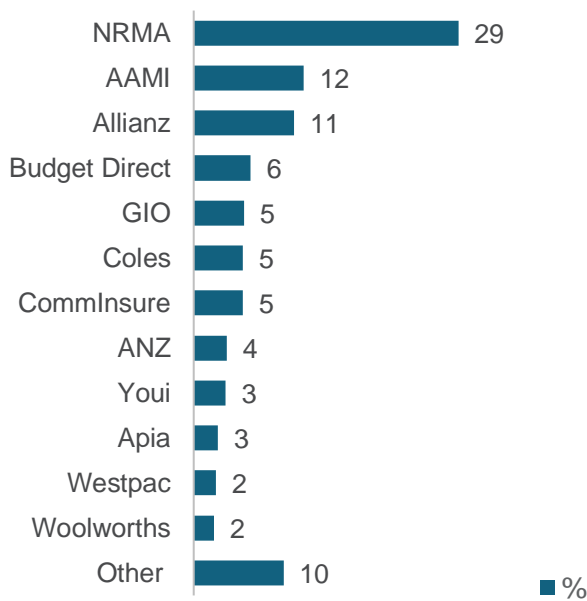
**Figure 8: Impact of providers reducing the proportion of policies with new for old coverage**



## 4.5. Current home and contents policy

Nearly all homeowners (95%) have combined home and contents insurance. Among home and contents policy holders, NRMA (29%), AAMI (12%) and Allianz (11%) account for just over half (52%) of the market. Supermarkets (8%) make up a relatively small proportion of home and contents policies.

**Figure 9: Home and contents insurance provider**



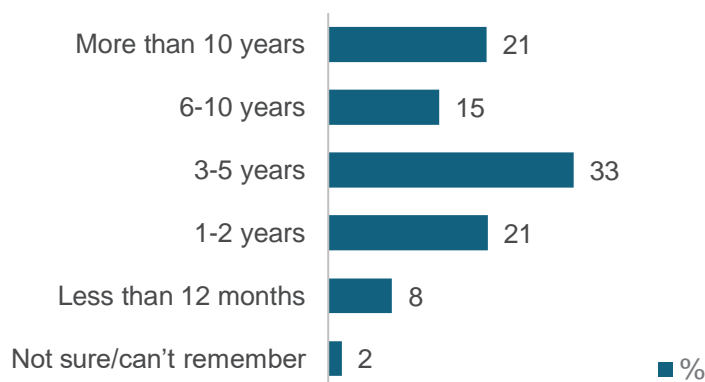
Q2. Who is the provider of your home and contents insurance policy? Base: Home and contents policy holders n=953

Provider brand is associated with the length of time the policy has been held. Almost two thirds (63%) of NRMA customers have held their policy for six or more years. Reflecting market change over time, half (51%) of supermarket policy holders have been with their provider for 3-5 years, while 66% of Budget Direct customers have held their policy for less than three years.

### Length of time policy has been held

One in five (21%) have been with their current policy provider for more than 10 years, with this rising significantly to 40% for those aged over 55. In contrast, 30% have held their policy for less than 3 years, increasing significantly to 44% among those aged between 18 and 34 years.

**Figure 10: Length of time home and contents policy has been held**



*Q5. How long have you held this home and contents insurance policy with your current insurer? Base: Home and contents policy holders n=953*

In addition to those aged 55+, the following groups are significantly more likely to have held their current policy for more than 10 years:

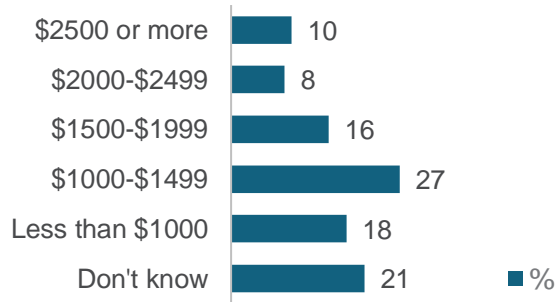
- Those with a high school level education (32%; compared with 13% of university and 25% of TAFE attendees); and
- Those from English speaking backgrounds (38%; compared with 26% of those from non-English speaking backgrounds).

## Cost of premium

On average, policy holders are paying \$1,618 for their home and contents premium annually. This varies significantly by location, with those in Sydney paying an average of \$219 more per year than those in regional NSW (\$1,715 and \$1,496, respectively).

One in five (21%) were not able to recall how much they are paying for their home and contents premium.

**Figure 11: Annual cost of home and contents premium**



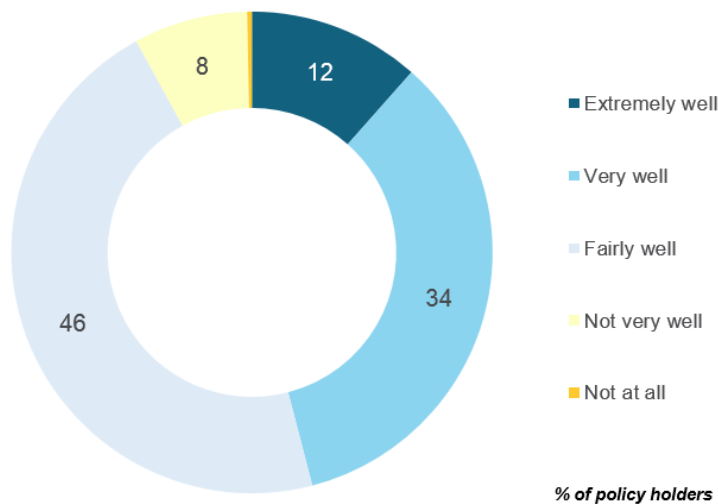
Q3. How much do you pay for your home and contents insurance policy? \*Note outlier responses removed from chart and analysis. Base: Home and contents policy holders who provided a value n=933

On average, policy holders aged over 55 are paying significantly less than younger policy holders (\$1403; compared to \$1854 for 18-34 years and \$1604 for 35-54 years).

## Policy comprehension

Fewer than one in ten (8%) say they have little to no understanding of what is covered under their home and contents insurance policy. However, for the majority, understanding is evenly split between 'fairly' well (46%) and 'extremely' or 'very' well (46%).

**Figure 12: Understanding of home and contents policy coverage**



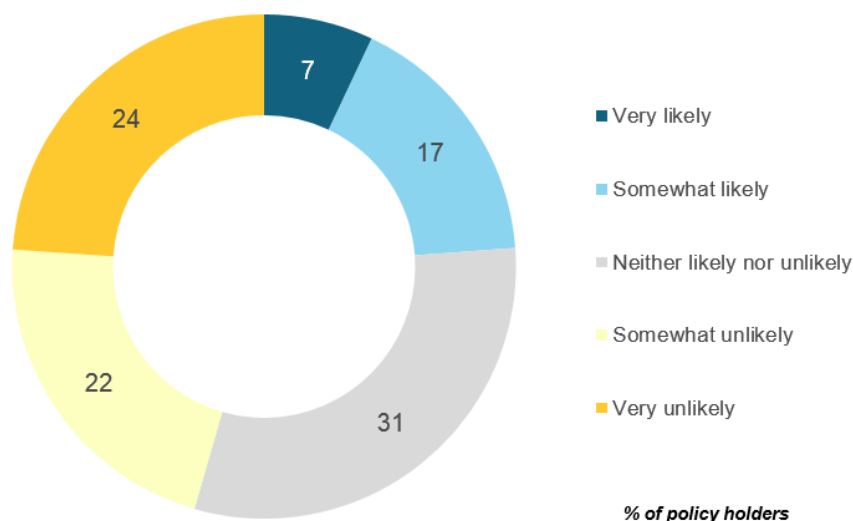
Q9. How well do you understand what you are covered for under your home and contents insurance policy? Base: Home and contents policy holders n=953

There were no significant differences in policy comprehension by demographic subgroups.

## Changing provider

Almost one quarter (24%) of policy holders are likely to change their insurance provider in the next 12 months, increasing significantly to 35% for those who have been with their current provider for less than two years. In contrast, relatively few (10%) of those who have been with their current provider for more than ten years are likely to change provider in the next 12 months.

Figure 13: Likelihood of changing home and contents provider in the next 12 months



Q6. And how likely are you to change your home and contents insurance provider in the next 12 months? Base: Home and contents policy holders n=953

Policy holders aged over 55 are significantly less likely to be considering a change of insurance provider in the next 12 months (14%; compared with 32% of those aged 18-34, and 24% of those aged 35-54).

## Reasons for likeliness to change

Among those who are likely to change provider in the next 12 months, the most common reasons are centred around perceived value (23%) and price (37%). Nearly one in ten (8%) said it is because they are not happy with their current provider.

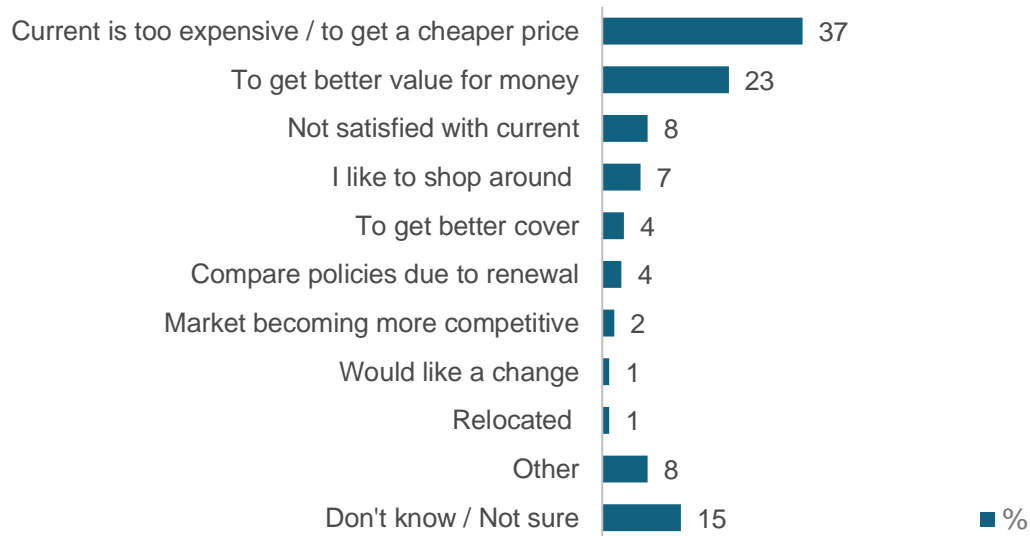
*“Since I have had it for such a long time, things have changed, times have changed, new companies have sprung up with different, better deals. I would like to investigate these in full to get the best deal.”*

*“The cost keeps increasing so I’ll be looking to see if somewhere else offers the same insurance at a better price.”*

*“I have realised that I have been getting ripped off by NRMA for years and have been moving all my policies away from them, saving about 50% on each.”*

*“About time I shopped around to see if there is better cover and if there is any cost savings as current policy just keeps increasing while some benefits have been removed.”*

**Figure 14: Reasons for considering changing home and contents provider**



Q7. You mentioned you are [very or somewhat likely] to change your home and contents insurance provider in the next 12 months, why is that? Base: Very or somewhat likely to change provider in the next 12 months n=227

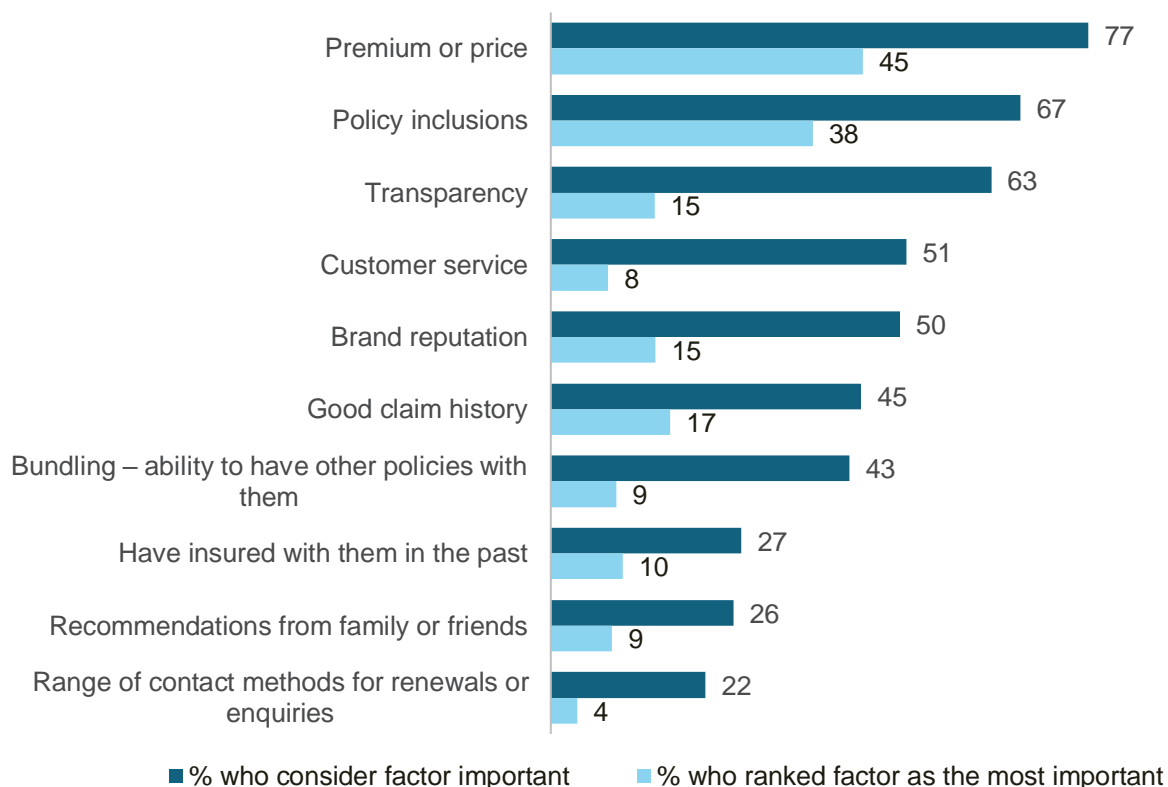
There were no significant differences in reasons for considering a provider change by demographic subgroups.

### Factors influencing provider choice

When asked what they consider when selecting a home and contents insurer, the majority of policy holders cited price or premium (77%), policy inclusions (67%) and transparency (63%). Only half consider customer service (51%) and reputation (50%) important to consider.

Previous experience is important for over one quarter who said having insured with them in the past (27%) and recommendations from family and friends (26%) are important considerations.

**Figure 15: Factors important to selecting a home and contents provider**



C1. When considering all factors that go into choosing a home and contents insurer, which of the following are important to you? Base: Home and contents policy holders n=953  
 C2. Please rank these in order of importance to you, where one is the most important and ten least important. Note: Only factors selected in C1 were ranked by policy holders. Where a policy holder selected only one factor in C1, this was allocated a ranking of 1 (most important) in C2.

The ability to bundle other policies together with the provider was significantly more likely to be viewed as important by the following groups:

- Policy holders aged 55 and over (53%; compared to 38% of policy holders aged 18-34 years, and 41% of 35-54 years); and
- Those living in regional NSW (51%; compared to 37% of those in Greater Sydney).

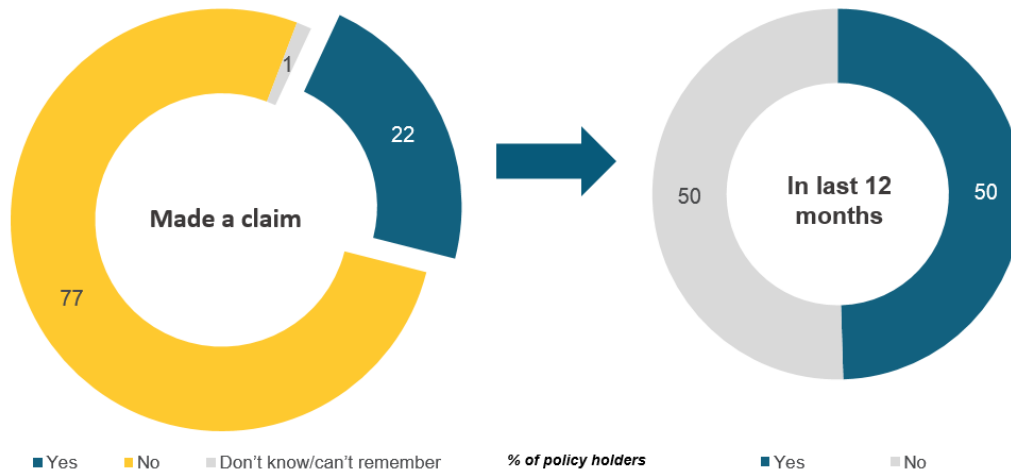
Policy inclusions were significantly more likely to be considered important by:

- Women (74%; compared with 56% of men); and
- Those in regional NSW (75%; compared to 62% of those in Greater Sydney).

## 4.6. Recent claim history

Just over one in five (22%) have made a claim on their home and contents policy in the last five years. Among those who had made a claim, half (50%) had done so in the last 12 months.

**Figure 16: Most recent home and contents insurance claim**



Q10. Have you made a claim on your home and contents policy in the last 5 years? Base: Home and contents policy holders n=953

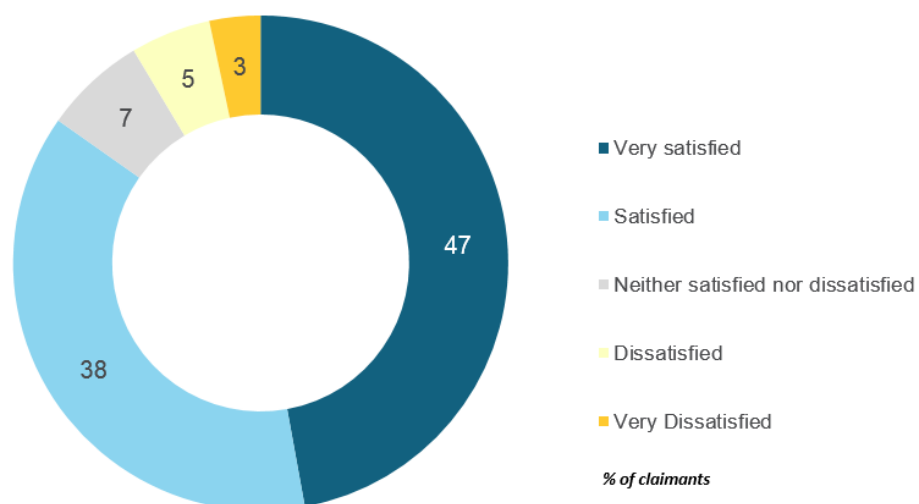
Q11. And was this claim made within the last 12 months? Base: Made a claim in the last 5 years

There were no statistically significant differences in claim lodgement by demographic subgroups.

### Satisfaction with most recent claim

The vast majority (85%) of those who had made a claim in the last 12 months were satisfied with the outcome. However, nearly one in ten (8%) home and contents claimants were dissatisfied with the outcome.

**Figure 17: Most recent home and contents insurance claim**



Q12. How satisfied or dissatisfied were you with the outcome of this claim? Base: Made a claim in the last 12 months n=210

38

There were no statistically significant differences in satisfaction with claim outcome by demographic subgroups.

### Reasons for satisfaction with claim outcome

Among those who were satisfied with the outcome of their most recent claim, timely resolution (36%) was the most commonly cited reason for the satisfaction.

*“The damage to my home after a house fire was assessed quickly and repairs/replacements were carried out in a timely manner.”*

*“They were prompt - kept us up to date and the work was completed to a high standard.”*

*“It was dealt with in a very timely matter with little interruption of our lives. The house was restored to its former standards and there was follow up from the builders and the provider.”*

Customer service (24%) and the ease of the process (23%) were also common contributors towards satisfaction.

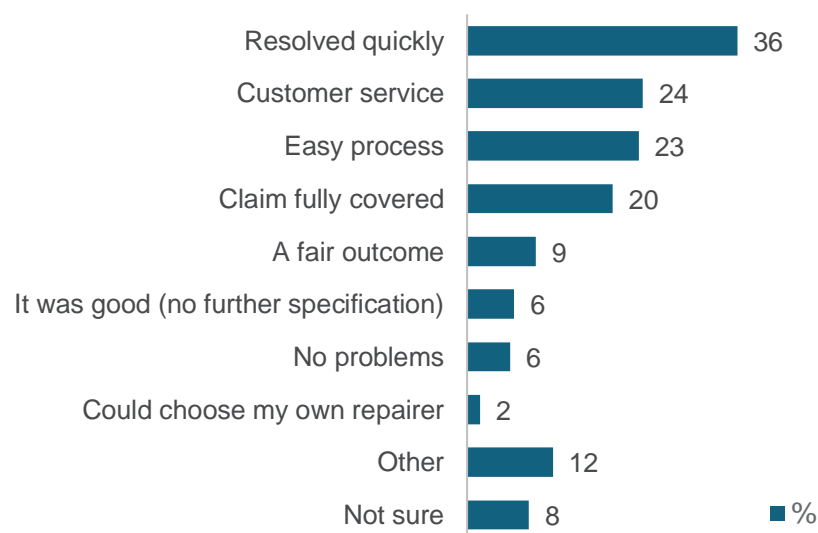
*“The whole process of claiming was quite simple and once my claim was accepted, I received the money in my account within a couple of days.”*

*“The process was fast and easy; all aspects were taken care of and they were very helpful.”*

*“Ease, professional help knowledge speed of claim and follow up.”*

*“It was easy to claim online. Extremely good service fast repairs and replacement of contents.”*

Figure 18: Reasons for satisfaction towards claim outcome



Q13. You said you were [Very satisfied or satisfied] with the outcome of your claim. Why was that? Base: Satisfied with claim outcome n=173



## Reasons for neutrality or dissatisfaction towards claim outcome

Among those who were neutral or dissatisfied towards their claim outcome, expectations were a key factor in this. Almost one third (29%) believe they were not fully compensated and a further 19% said the outcome did not meet their expectations – interestingly, almost half (45%) of these claimants indicated that they understand the terms of their policy ‘extremely’ or ‘very’ well.

*“A small portion of carpet was damaged, and they only replaced the damage part instead of the whole room.”*

*“They cash settled, and they didn’t give us enough money to fix the house, so our credit card balance rose dramatically.”*

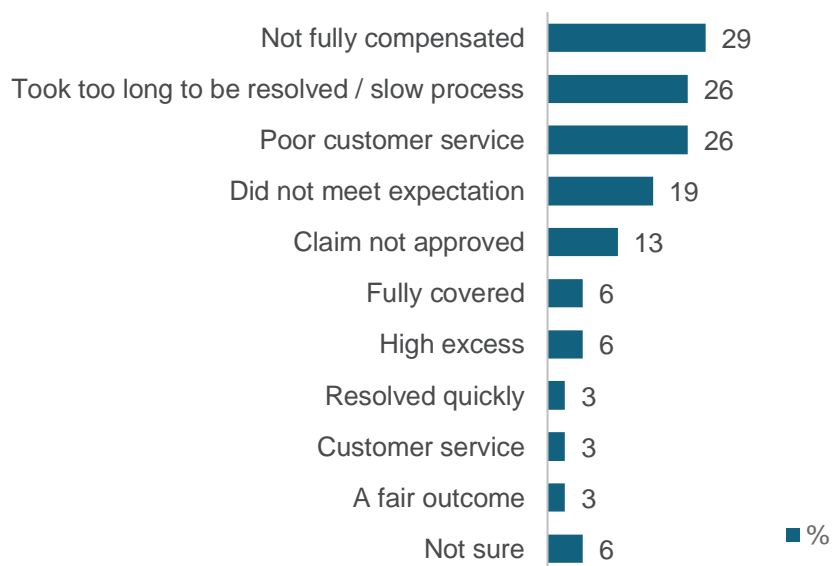
*“They were quick to respond and friendly, but they did not cover everything that was agreed upon in the contract.”*

While timeliness and customer service played a significant role in the satisfaction levels of the contented claimants, they were also contributing factors towards a lack of satisfaction for some.

*“The claim was covered but is still ongoing due to the incompetence of the staff at the insurance company. They are unable to read and respond to simple correspondence and are highly inefficient and ineffectual”.*

*“It took too long and there was a lack of communication between AAMI and myself.”*

**Figure 19: Reasons for neutrality or dissatisfaction towards claim outcome**



Q13. You said you were [Very dissatisfied, dissatisfied or neither satisfied nor dissatisfied] with the outcome of your claim. Why was that? Base: Satisfied with claim outcome n=31

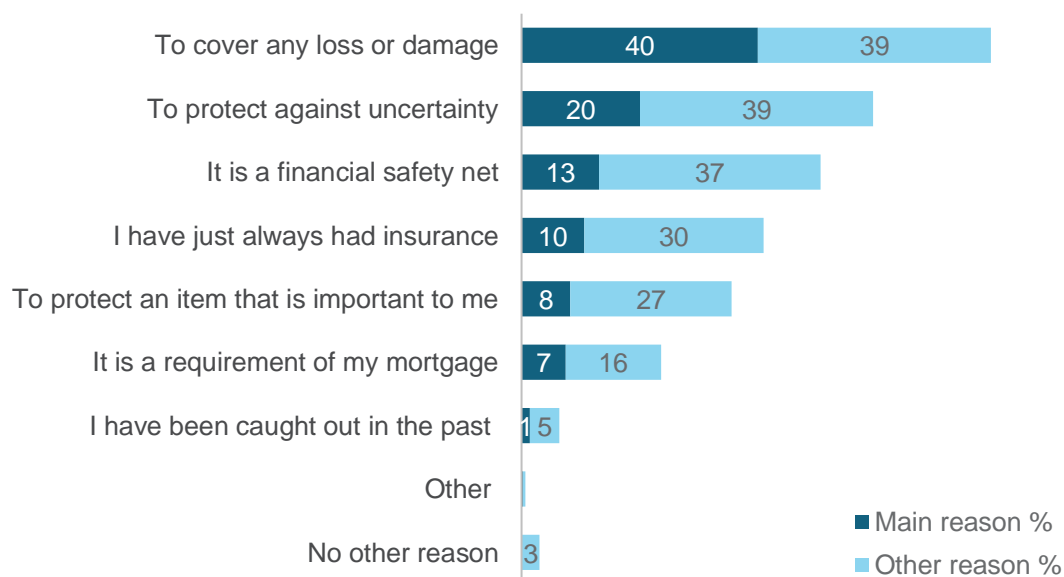
There were no statistically significant differences in reasons for neutrality or dissatisfaction within demographic subgroups.

## 4.7. Attitudes towards combined home and contents insurance

### Reasons for insuring home and contents

Among those with a combined home and contents policy, the chief motivator for insuring is to cover any loss or damage (40%), followed by protection against uncertainty (20%). A relatively small proportion (7%) indicated their main reason for being insured is that it is a requirement of their mortgage.

**Figure 20: Reasons for insuring home and contents**



Q1. What is the main reason you have chosen to insure your home and contents? Base: Home and contents policy holders n=953

Q1A. And are there any other reasons you have chosen to insure your home and contents? Base: Home and contents policy holders n=953

\*Note: 'Don't know' (<1%) not displayed on chart

Those with a high school level education were significantly more likely to say the **main reason** they have home and contents insurance is that they have just always had it (19%; compared with 10% TAFE and 6% of university attendees).

Men were significantly more likely to say the **main reason** for their insurance coverage is to protect an item that is important to them (12%; compared with 6% of women).

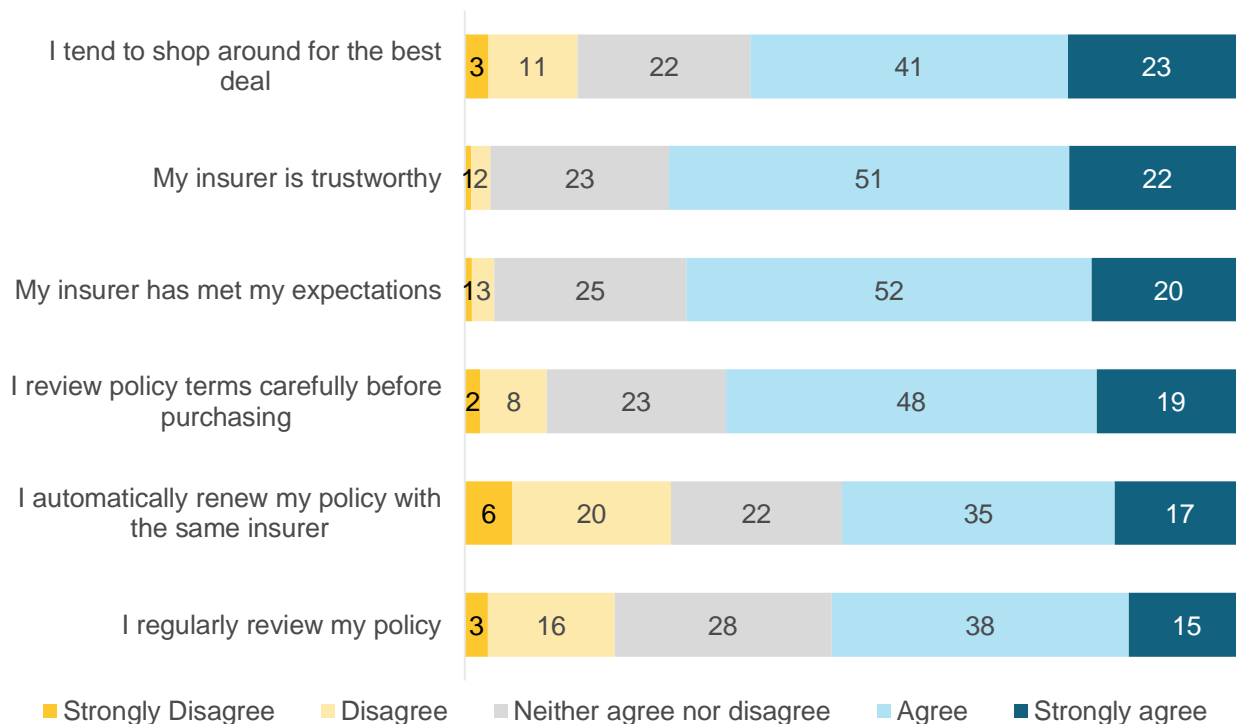
### Sentiment towards insurance and providers

The majority of policy holders agree their insurer is trustworthy (74%), and they have met their expectations (72%). Trust is influenced significantly by provider, 85% of NRMA customers trust their provider, while considerably fewer supermarket customers (53%) trust these providers.

Just over half (53%) automatically renew their policy with the same insurer. Renewal is also influenced significantly by insurer, 71% of CommInsure and 64% of NRMA agree they automatically renew with the same provider. In contrast only 31% of Budget Direct and 19% of supermarket policy holders automatically renew.

Nearly two thirds (63%) say they tend to shop around for the best deal, rising significantly among supermarket policy holders to 92%. In comparison, significantly fewer NRMA customers will shop around for the best deal (46%), reflecting their loyalty and trust towards the provider.

**Figure 21: Sentiment towards home and contents insurance**



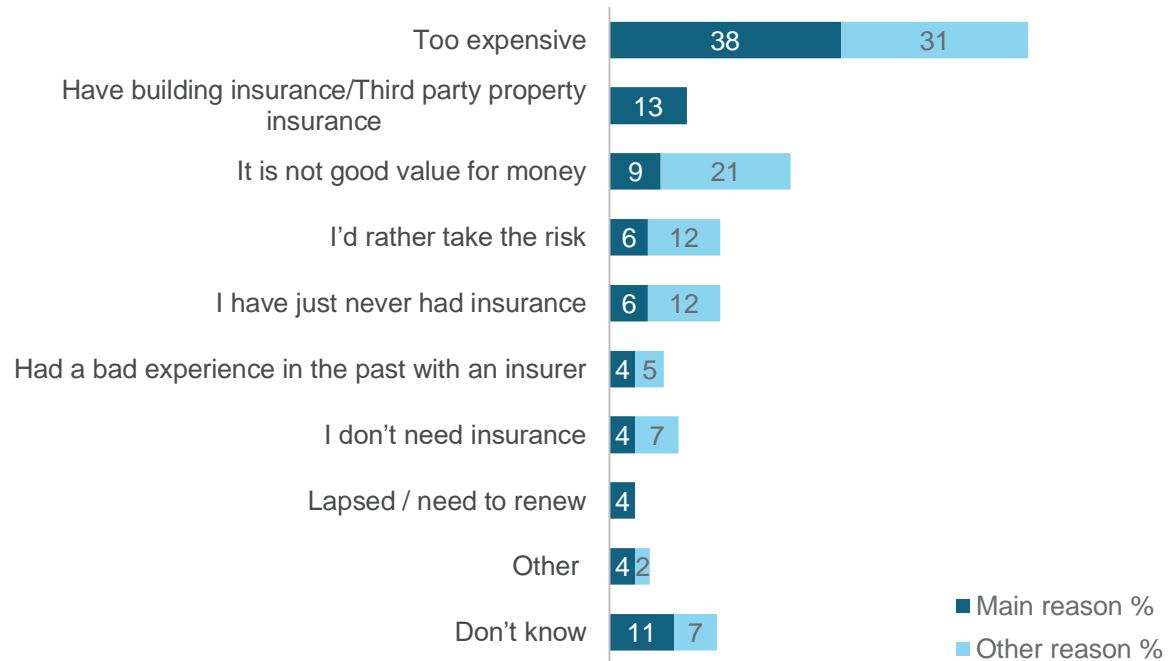
Q8. To what extent do you agree or disagree with each of the following statements about home and contents insurance? Base: Home and contents policy holders n=953

Young policy holders aged 18-34 were significantly more likely to agree they tend to shop around for the best deal (73%; compared to 61% of policy holders aged 35-54, and 56% of 55+).

## Reasons for not insuring home and contents

Among homeowners without a home and contents insurance policy, the predominant reason was cost with 38% saying it is too expensive and a further 9% indicating it is not good value for money. However, there are a small proportion that are relying on building insurance (13%), or who would just rather take the risk (6%).

**Figure 22: Reasons for not insuring home and contents**



A1. What is the main reason you have chosen not to insure your home and contents? Base: Home and contents non-policy holders n=47

A1A. And are there any other reasons you have chosen not to insure your home and contents? Base: Home and contents non-policy holders n=47

There were no statistically significant differences in other reasons for not insuring by demographic subgroups.

# 5. Contents Insurance

## 5.1. Summary of contents insurance findings

### Current policy

In NSW, 61% of renters and strata payers hold a contents insurance policy. Similar to the home and contents market three of the main specialist providers, NRMA (30%), AAMI (11%) and Allianz (10%) account for just over half (52%) of the market.

On average, contents policy holders pay an average of \$912 per year for their premium. However, younger policy holders (18-34) are significantly more likely to be paying \$1000 or more annually for their premium. This coincides with the fact they were more likely to identify their main reason for taking up contents insurance as being to protect a specific item that is important to them (17%; compared to 11% total).

Over two in five (44%) have held their contents policy for less than three years, comparatively shorter than those with combined home and contents (29%). Despite the relatively short length of time many have held their policy, only one in five (22%) are likely to consider changing their provider in the next 12 months. Among those likely to change, 30% are seeking better value in their policy and 22% would just like to pay a cheaper price. However, value in this case is not just price related, where comments were centred around things like additional coverage and loyalty program points.

### Choice model outcomes

Results of the modelling suggest the contents market is not overly price sensitive. If all providers were to increase their prices by 20%, we could expect 3.2% to drop out of the contents market, increasing the proportion without insurance from 41% to 44.2%. This is comparatively less than the result of a 20% increase the home and contents (5.9%), and motor (6.3%) markets. This result suggests many of those with a contents insurance policy will continue to take out this insurance regardless of price (to an extent, not determined in this research).

To further highlight the stickiness of the contents insurance market, it is worth noting that if in this scenario only specialists were to increase their prices by 20%, the overall proportion of those without insurance would only increase by 1% to 42%. Specialists could also expect to only lose 1.5% of their current market share in this scenario. There is a strong level of brand loyalty among customers of specialist providers. For example, NRMA customers are more likely to have held their policy for more than six years (43%; compared to 27% total) and are more likely to let their policy automatically renew (76%; compared to 63% total).

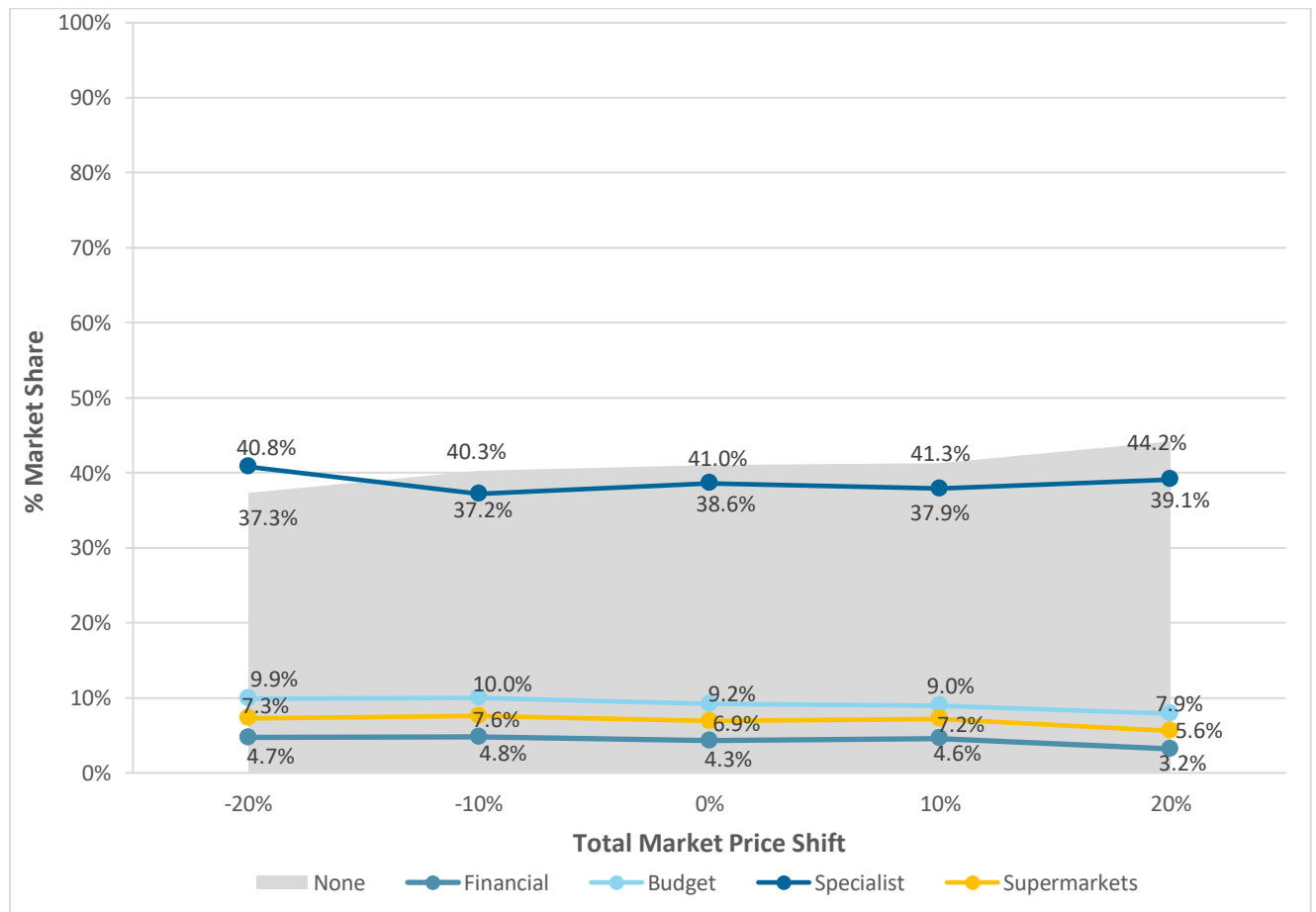
Conversely, significant price reduction of 20% across the market would result in a similar proportion taking up insurance (3.7%), reducing the total without insurance to 37.3%, down from 41%. This means that while there is a group who will always have contents insurance, equally there is a relatively large group who will not. Many of those who do not have contents insurance say it is too expensive (38%) or that they have just never had it (19%).

## 5.2. Choice model outcomes

The following figure shows the elasticity of the total contents insurance market if premiums were to move between a 20% decrease and a 20% increase. The results indicate the contents market is not overly price sensitive:

- A 10% premium reduction would have little impact (0.7%) on the proportion of uninsured (from 41% to 40.3%). While a 20% reduction would result in a 3.7% decrease in the proportion of uninsured.
- A 10% increase across the market would have almost no impact on the rate of insured (58.7% from 59.0%).
- A 20% increase across the market would result in 3.2% dropping out of the market (44.2% from 41%). However, Specialist insurers could expect to see a minor increase in market share (0.5%) suggesting they would be unaffected by increasing their prices.

**Figure 23: Impact of a total market price shift in contents insurance**



**Table 13: Impact of a total market price shift in contents insurance**

	-20%	-10%	0%	+10%	+20%
Financial	4.7%	4.8%	4.3%	4.6%	3.2%
Budget	9.9%	10.0%	9.2%	9.0%	7.9%
Specialist	40.8%	37.2%	38.6%	37.9%	39.1%
Supermarkets	7.3%	7.6%	6.9%	7.2%	5.6%
None	37.3%	40.3%	41.0%	41.3%	44.2%
<b>Total Insured</b>	<b>62.7%</b>	<b>59.7%</b>	<b>59.0%</b>	<b>58.7%</b>	<b>55.8%</b>

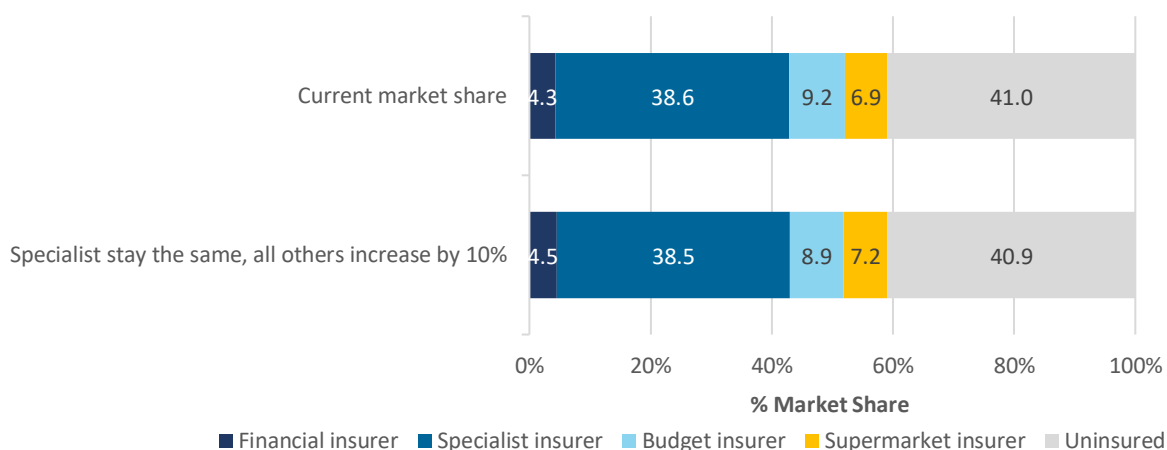
### 5.3. Price driven scenarios

#### Scenario 1: Specialists stay the same, all other providers increase their price by 10%

Provided specialists hold their price at the current market level, an increase of 10% across all other provider types would have almost no impact on the proportion opting to be uninsured (40.9% down from 41.0%).

This scenario would also result in a negligible change in market share for each provider. For example, budget insurers would lose 0.3% market share, while supermarkets could expect to gain 0.3%.

**Figure 24: Specialists stay the same, all other providers increase their price by 10%**

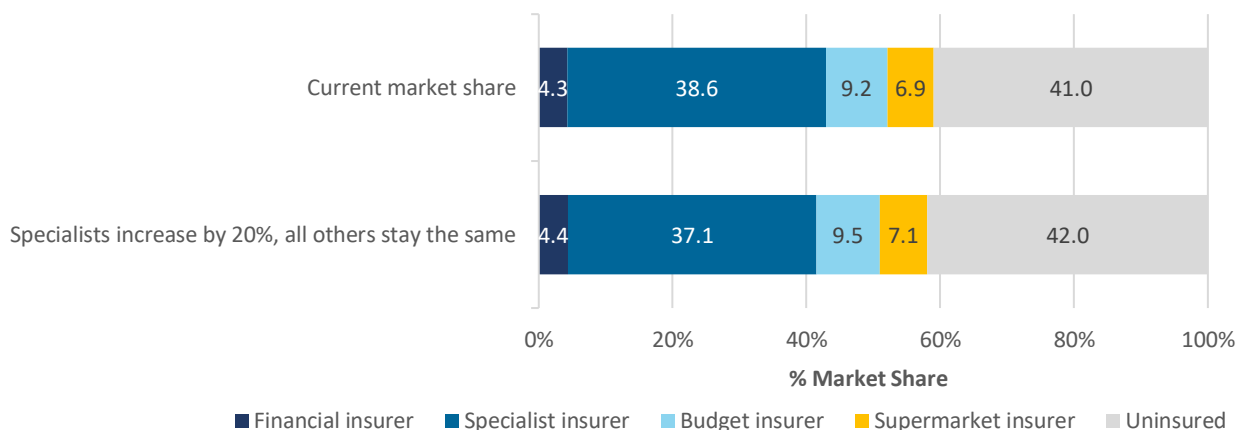


#### Scenario 2: Specialists increase by 20%, all others stay the same

The previous scenario detailed the static nature of the contents market, providing specialists hold their current price. However, if specialists were to increase their prices by 20% while others stay at the current market rate, it would also have a fairly marginal impact on the market. The overall proportion of those without contents insurance would increase by 1%.

Despite a 20% price increase while others stay at the current rate, specialist providers would only lose 1.5% of their market share. This suggests there is a strong level of brand loyalty among customers of specialist providers.

**Figure 25: Specialists increase by 20%, all others stay the same**

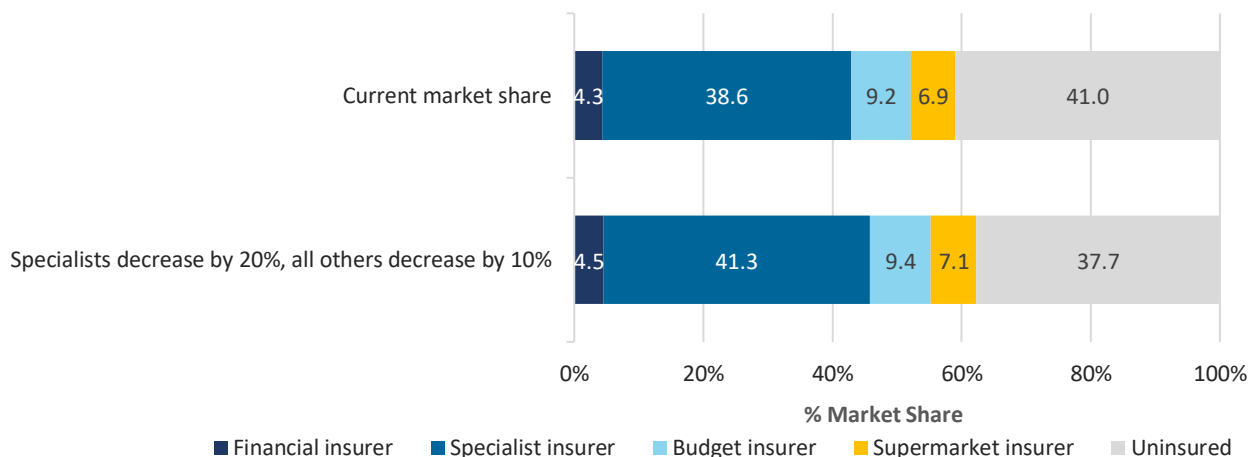


**Scenario 3: Specialists decrease by 20%, all other providers decrease by 10%**

In a scenario where specialists decrease their prices by 20% and all other providers by 10%, we could expect to see a 3.3% decrease in the proportion without insurance (37.7% down from 41.0%).

However, what is interesting about this scenario is that no single provider type experiences a decrease in market share, despite the significantly larger price reduction among specialists. The previous scenario highlighted the loyalty of specialist customers in the event of a 20% price increase. While this scenario highlights that brand-loyalty is present to some extent across the entire contents market.

**Figure 26: Specialists decrease by 20%, all other providers decrease by 10%**



**5.4. Policy driven scenarios**

Modelling was also undertaken to show the impact the adjustment of policy inclusions would have on the contents insurance market. Outlined in the table below is the default mix of inclusions modelled in total market and price driven scenarios previously detailed. Adjusting these inclusions can have a



significant impact on the market share of each provider type and the overall proportion of those covered by insurance. This is explored in the scenarios that follow.

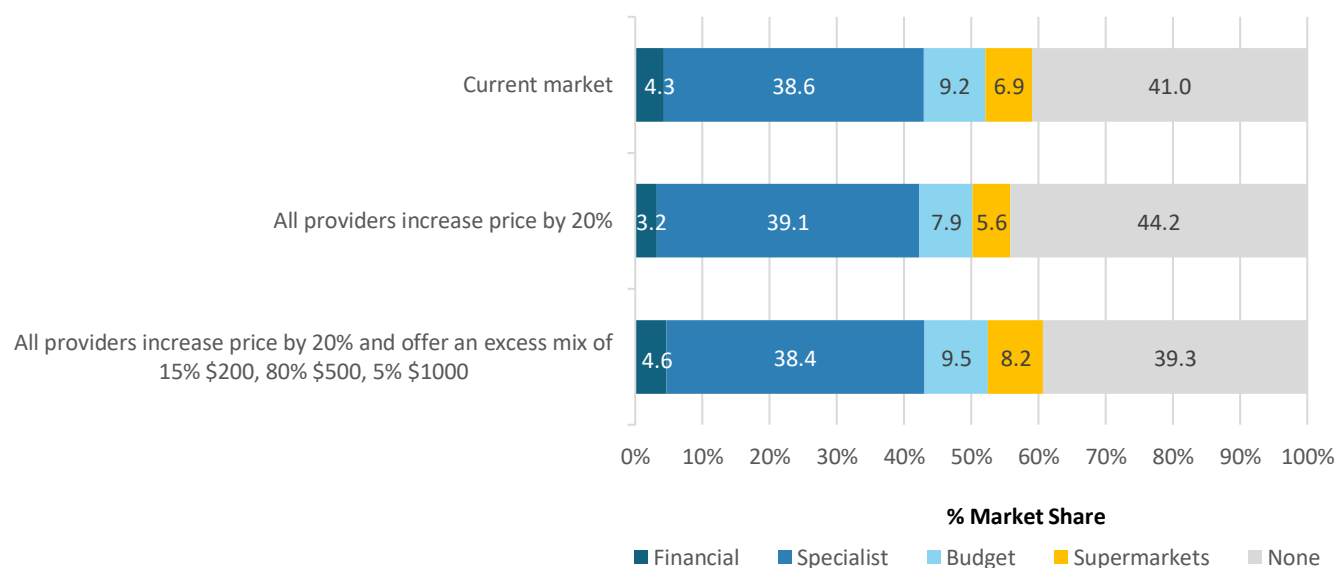
**Table 14: Contents policy inclusions**

		Financial	Budget	Specialist	Supermarkets
<b>Sum insurance</b>	20K	10%	10%	10%	10%
	75K	30%	30%	30%	30%
	100K	30%	30%	30%	30%
	200K	30%	30%	30%	30%
<b>Excess</b>	\$200	10%	10%	10%	10%
	\$500	80%	80%	80%	80%
	\$1,000	10%	10%	10%	10%
<b>New for Old</b>	No	50%	50%	50%	50%
	Yes	50%	50%	50%	50%
<b>Accidental Damages</b>	No	70%	70%	70%	70%
	Yes	30%	30%	30%	30%
<b>Personal Effects</b>	No	80%	90%	70%	90%
	Yes	20%	10%	30%	10%

**Scenario 1: Higher proportion of low value excess**

As previously explored in the choice model outcomes, a 20% price increase across the market would result in a 3.2% increase in those opting to be uninsured (44.2% up from the current 41%). However, if all provider types were to offer an increased proportion of lower excess policies by offering 15% at \$200, rather than 10%, this would not only offset the 3.2% increase, but actually reduce the current proportion without insurance by 1.7% (39.3% down from 41%).

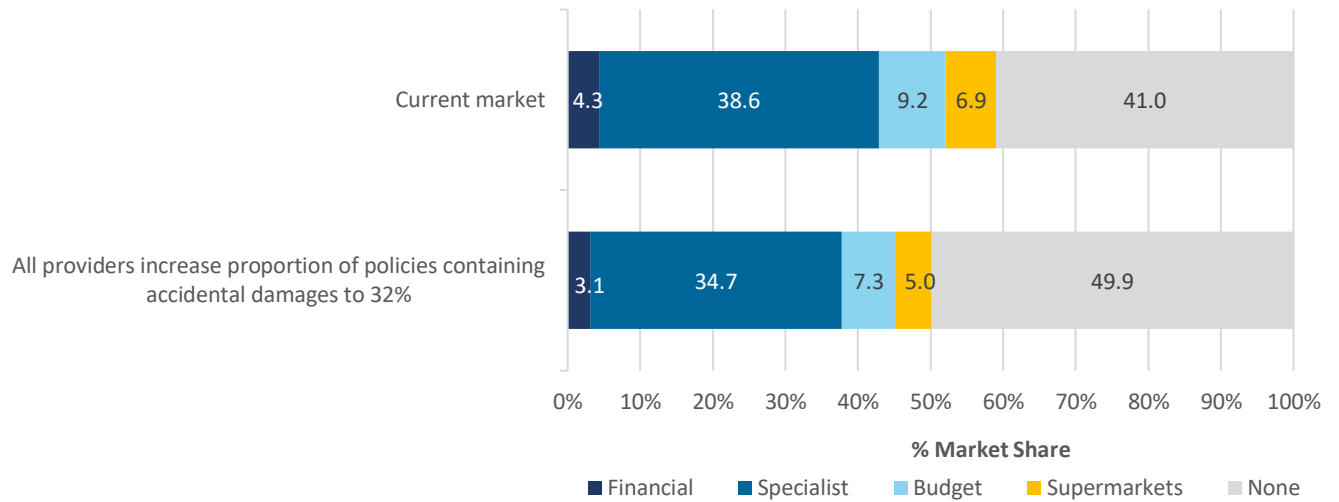
**Figure 27: Impact of all providers increasing their price 20%, but offering more low value excess policies**



### Scenario 2: All providers offer more policies containing accidental damages

Not all changes to policy inclusions result in more consumers taking up contents insurance. If all providers were to increase the proportion of policies that include accidental damages from 30% to 32% it would result in a further 8.9% exiting the market (49.9% up from 41%). Given inclusions are linked to price, when selecting a policy, consumers will perceive a greater number of inclusions to be associated with a higher price.

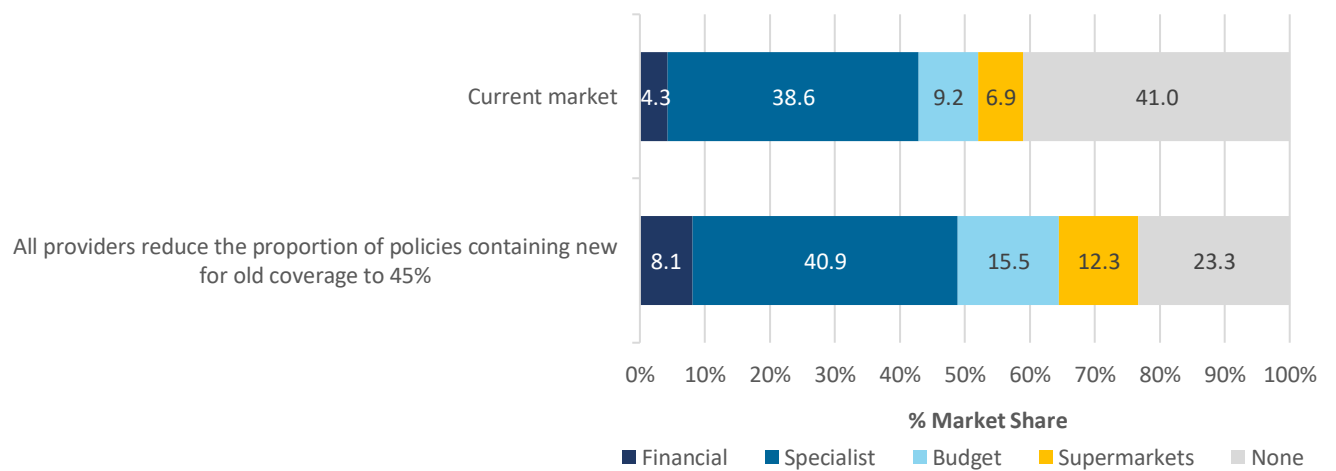
Figure 28: Impact of providers offering more policies containing accidental damages



### Scenario 3: All providers offer fewer policies containing new for old

Converse to the previous scenario, reducing some inclusions can have a bigger impact on insurance take up. If all providers reduced the proportion of policies containing new for old coverage from 50% to 45% it would have a significant impact on insurance take up with 17.7% joining the market. This suggests a relatively large group view new for old coverage as expensive and unnecessary.

Figure 29: Impact of all providers offering fewer policies containing new for old coverage

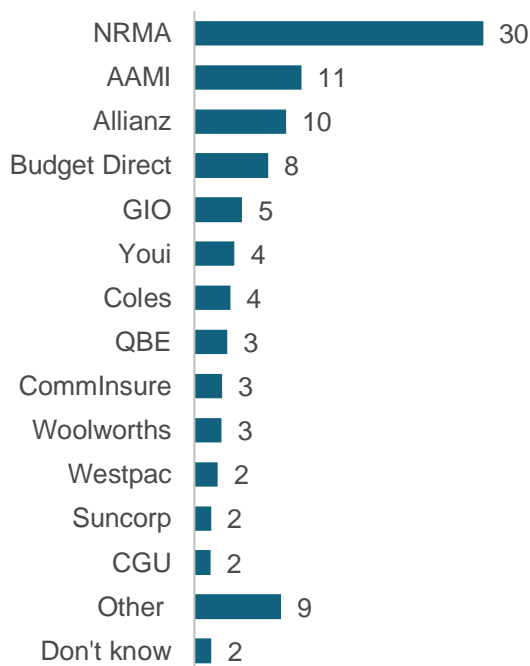


## 5.5. Current policy

Three in five (61%) have a contents insurance policy. However, this decreases significantly among 18-34-year-olds to 46%.

Similar to the home and contents market, NRMA (30%), AAMI (11%) and Allianz (10%) account for just over half (52%) of the market. Again, supermarkets (7%) make up a small proportion of contents policies.

**Figure 30: Contents insurance provider**



Q2. Who is the provider of your contents insurance policy? Base: Contents policy holders n=625

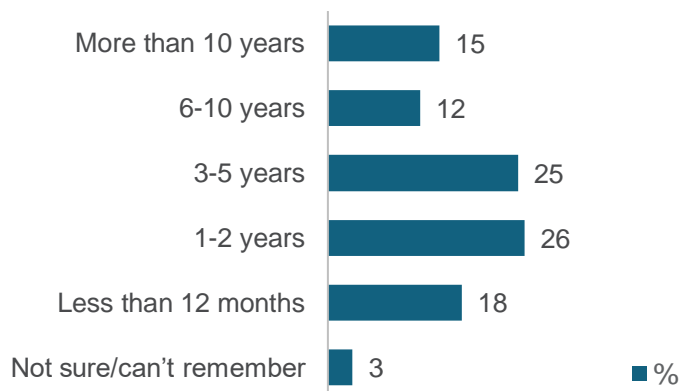
\*Note: 'Prefer not say' (2%) not displayed on chart

There were no statistically significant differences in policy provider by demographic subgroups.

## Length of time policy has been held

Over two in five (44%) have held their content policy for less than 3 years, and a further 25% have held their policy for 3-5 years.

**Figure 31: Length of time contents policy has been held**



Q5. How long have you held this contents insurance policy with your current insurer? Base: Contents policy holders n= 625

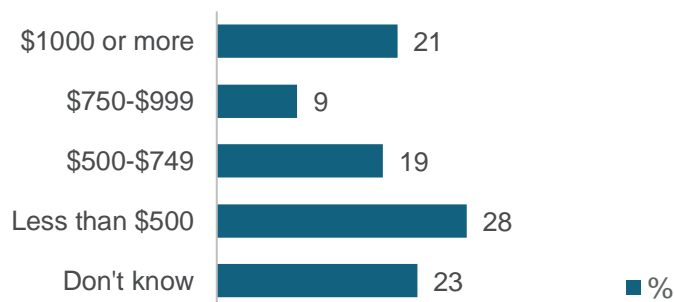
Policy holders aged over 55 are significantly more likely to have held their policy for more than 10 years (28%; compared to 8% of those aged 18-34, and 18% of 35-54).

NRMA customers are also significantly more likely to have held their policy for more than 10 years (25%; compared to 15% overall).

## Cost of premium

On average, contents policy holders pay an average of \$912 per year for their premium. This is influenced significantly by location, with policy holders in Sydney (\$1047) paying an average of \$344 more than those in Regional NSW (\$703).

**Figure 32: Annual cost of contents premium**



Q3. How much do you pay for your contents insurance policy? \*Note outlier responses removed from chart and analysis. Base: Contents policy holders n=621

Young policy holders aged 18-34 are significantly more likely to be paying \$1000 or more annually for their premium (31%; compared with 14% of those aged 35-54, and 9% of 55+).

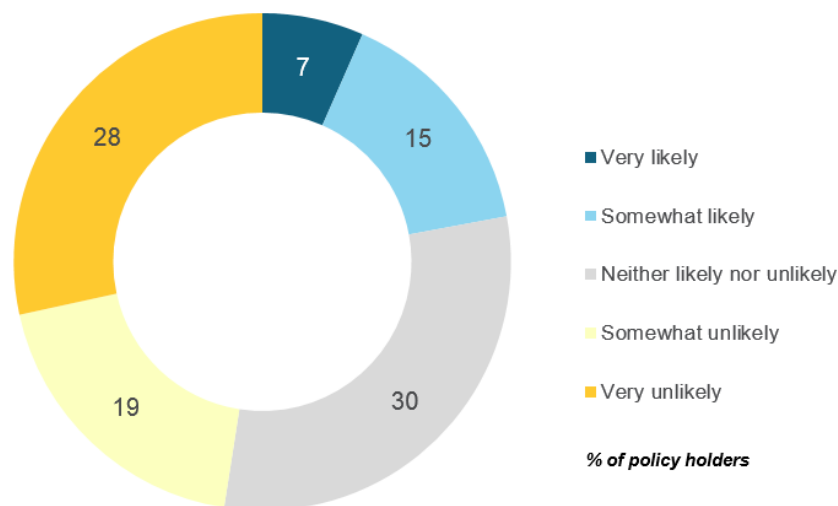
Singles living alone are significantly more likely to be paying less than \$500 per year (49%; compared to 28% overall).

Those with a high school education are significantly more likely to say they don't know what they are paying for their premium (34%; compared with 18% of TAFE and 20% of university attendees).

### Changing provider

Just over one in five (22%) are likely to change their contents insurance provider in the next 12 months. A further 30% are neither likely nor unlikely to consider changing provider.

**Figure 33: Likelihood of changing contents insurance provider in the next 12 months**



Q6. And how likely are you to change your contents insurance provider in the next 12 months? Base: Contents policy holders n=625

Younger policy holders aged 18-34 are significantly more likely to change insurance provider within the next 12 months (29%; compared to 17% of those aged 35 and over).

### Reasons for likeliness to change

Among those who are likely to change provider in the next 12 months, 30% are seeking better value in their policy and 31% would just like to pay a cheaper price. A relatively small proportion (5%) are simply not satisfied with their current provider.

The following quotes highlight the importance of value for money for policy holders. Value does not necessarily mean the cheapest price, but what they are getting for their money such as additional coverage and frequent flyer points.

*“Normally towards the anniversary of the policy I check with other policy provider to see if I can get a better deal.”*

*“I price it every year when the policy is renewed. If I find anything cheaper, I’m happy to change.”*

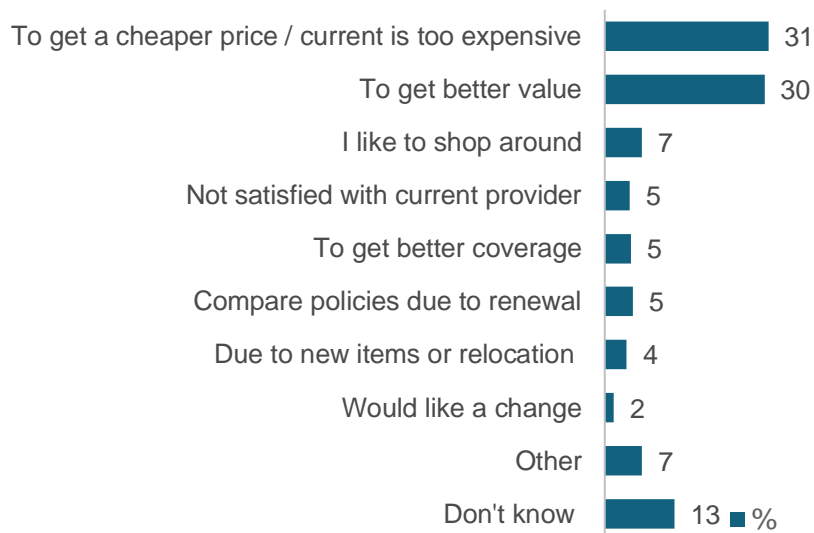
*“The cost keeps increasing so I’ll be looking to see if somewhere else offers the same insurance at a better price.”*

*“Rushed into it the first time, would consider one that is more comprehensive or has frequent flyer points as an incentive.”*

*“The insurance premium is high, and I want to change to a low premium as the value of my household items have reduced with time.”*

*“I look for value for money and want to make sure that everything I am paying for is covered.”*

**Figure 34: Reasons for considering a change of contents provider**



Q7. You mentioned you are [very or somewhat likely] to change your contents insurance provider in the next 12 months, why is that? Base: Likely to change provider in the next 12 months n=154

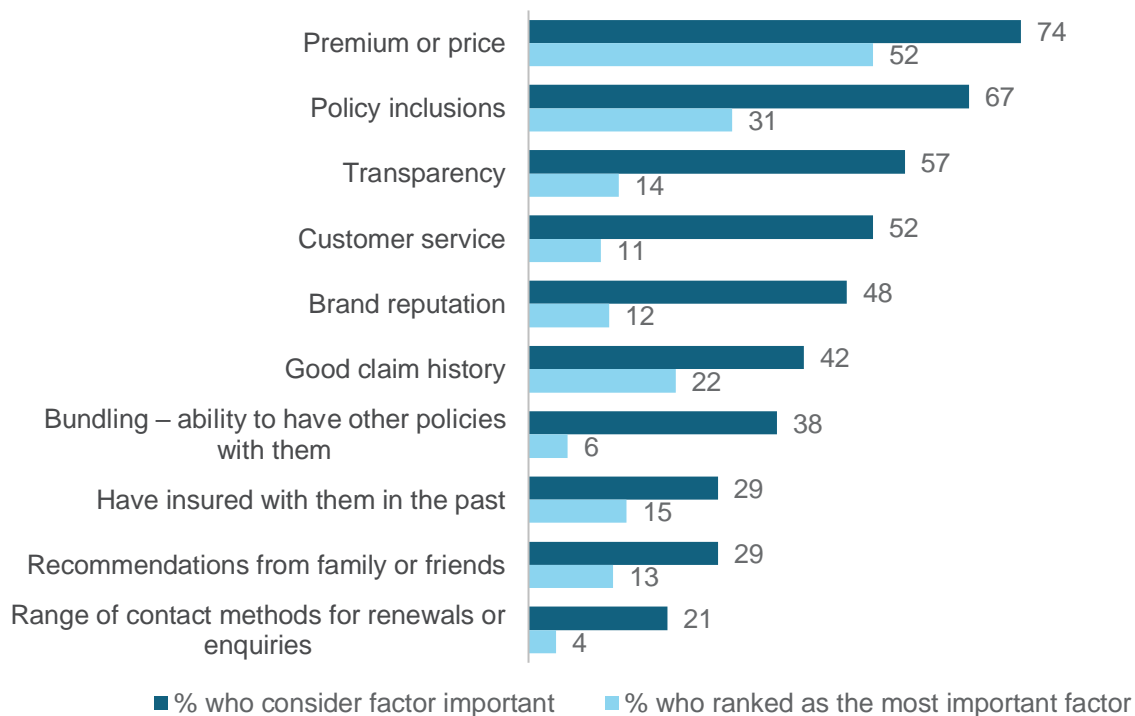
There were no statistically significant differences in reasons for likeliness to change by demographic subgroup.

### Factors influencing provider choice

When considering what is important when selecting a contents insurer, the majority of policy holders indicated price or premium (74%) and policy inclusions (67%).

Fewer than half consider reputation (48%) or a good claim history (42%). However, among NRMA customers, reputation (61%) and having insured with them in the past (40%) are significantly more important.

**Figure 35: Factors important to selecting a contents insurer**



C1. When considering all factors that go into choosing a contents insurer, which of the following are important to you? Base: Contents policy holders n=625

C2. Please rank these in order of importance to you, where one is the most important and ten least important. Base: Varies based on C1 selections; range n=122-451.

Note: Only factors selected in C1 were ranked by policy holders. Where a policy holder selected only one factor in C1, this was allocated a ranking of 1 (most important) in C2.

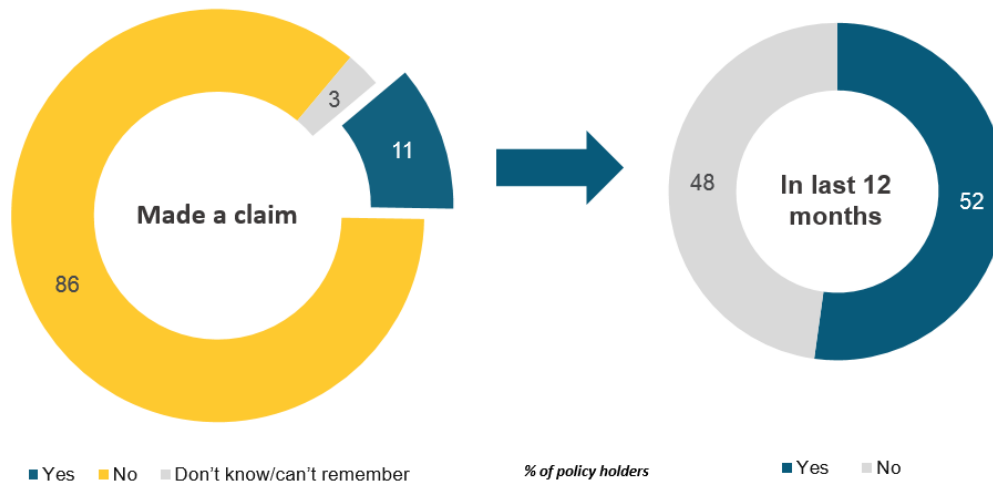
Younger policy holders aged 18-34 are significantly more likely to rely on recommendations from family or friends (38%; compared with 22% of those aged 35 and over).

Policy holders in Greater Sydney are significantly more likely to consider brand reputation important when selecting an insurer (56%; compared with 35% of those in Regional NSW).

## 5.6. Recent claim history

One in ten (11%) have made a claim on their contents insurance policy in the last five years. Just over half (52%) of these claims were made in the last 12 months.

**Figure 36: Most recent contents insurance claim**



Q10. Have you made a claim on your contents policy in the last 5 years? Base: Contents policy holders n= 625

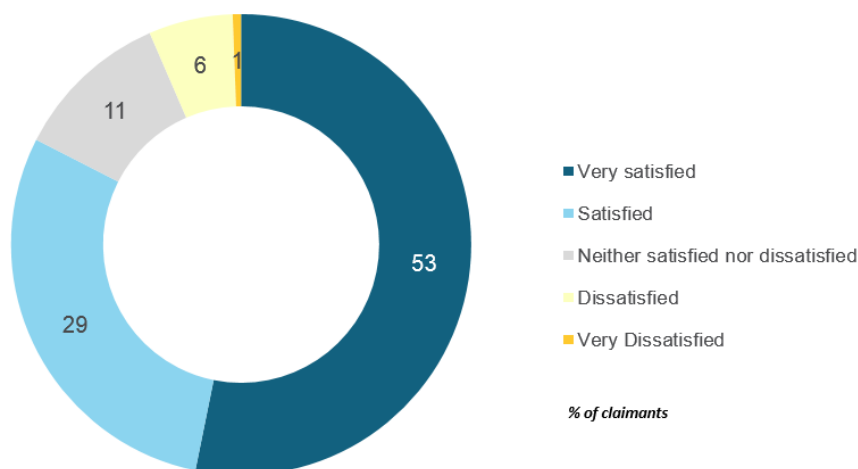
Q11. And was this claim made within the last 12 months? Base: Made a claim in the last 5 years n= 83

There were no statistically significant differences in recent claim history by demographic subgroups.

### Satisfaction with claim

Among those who had made a claim in the last 12 months, the vast majority (83%) were satisfied with the outcome.

**Figure 37: Satisfaction with contents claim outcome**



Q12. How satisfied or dissatisfied were you with the outcome of this claim? Base: Made a claim in the last 5 years n= 83

There were no significant differences in claim satisfaction by demographic subgroups.



## Reasons for level of satisfaction with claim outcome

When asked to elaborate on their level of satisfaction, claimants most commonly mentioned the quick resolution (32%), followed by the customer service they received (25%).

*“We were broken into had some things stolen GIO were on the ball processed claim very quickly customer service was brilliant.”*

*“It was sorted very fast and I wasn’t out of pocket at all and was able to replace everything that was damaged.”*

*“They were very helpful and gave me back more money than I expected.”*

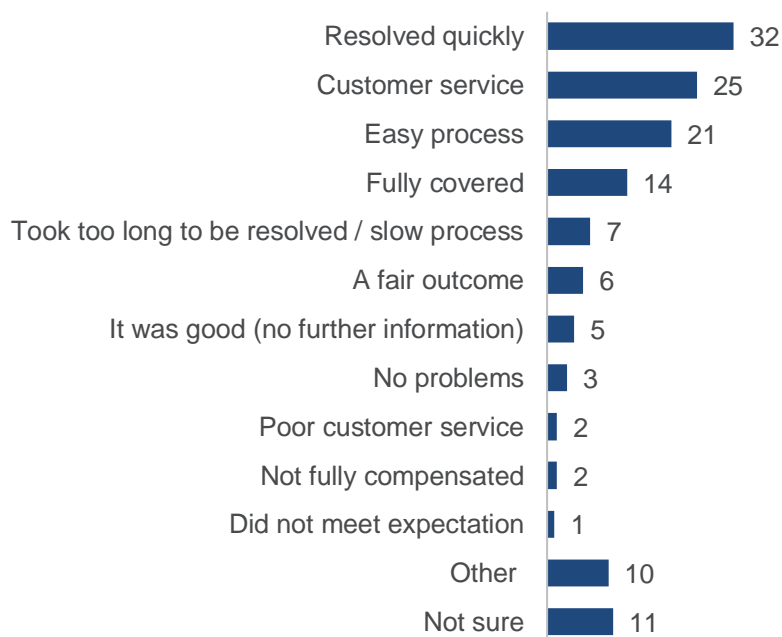
*“The cost of the product that I lost to theft was fully covered by the insurer. This gave me piece of mind.”*

For some the time taken to resolve the claim (7%) was an issue leading to dissatisfaction.

*“The claim is still ongoing but there are always loopholes the insurer tries to use to minimise the claim amount.”*

*“Got messed around terribly by the insurance company and I didn’t get the payout I expected.”*

**Figure 38: Reasons for satisfaction with most recent claim outcome**



Q13. You said you were [Q12] with the outcome of your claim. Why was that? Base: Made a claim in the last 12 months n=80

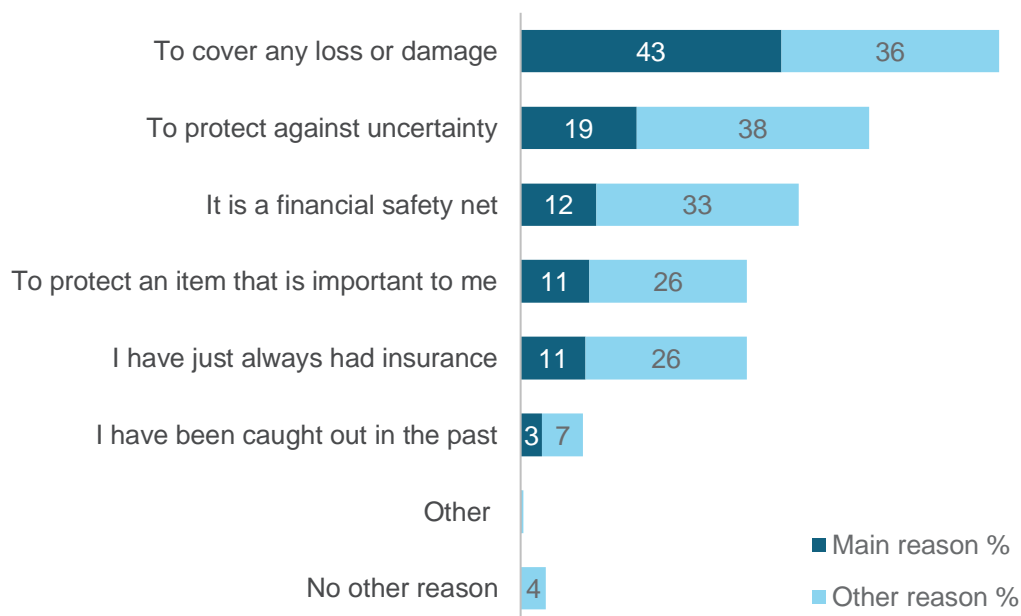
There were no significant differences in reasons for satisfaction with claim outcome by demographic subgroup.

## 5.7. Attitudes towards contents insurance

### Reasons for insuring contents

Over two in five (43%) cite covering any loss or damage as the main reason they have contents insurance. A further (19%) say it is to protect against uncertainty and to 12% it is a financial safety net. One in ten (11%) say they have just always had insurance.

Figure 39: Reasons for insuring contents



Q1. What is the main reason you have chosen to insure your contents? Base: Contents policy holders n=625

Q1A. And are there any other reasons you have chosen to insure your contents? Base: Contents policy holders n=625

\*Note: 'Don't know' (1%) is not displayed on chart

Young policy holders aged 18-34 were significantly more likely to identify protecting an item that is important to them as the **main reason** they have chosen to take out content insurance (17%; compared with 7% of policy holders aged 35-54 years and 6% of 55+).

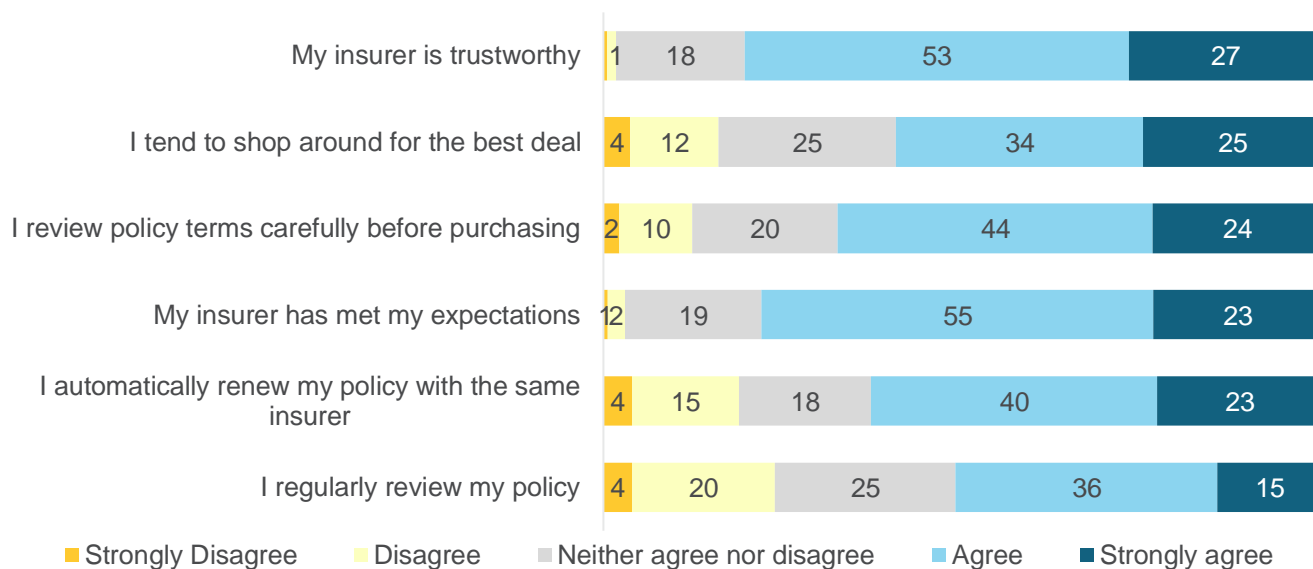
### Sentiment towards contents insurance and providers

Consistent with combined home and contents, the majority of contents policy holders agree their insurer is trustworthy (80%), and they have met their expectations (78%). Similarly, trust was influenced significantly by provider, 91% of NRMA customers trust their provider.

Almost two thirds (63%) will automatically renew their policy with the same insurer, increasing significantly among NRMA customers to 76%.

Three in five (59%) agree they shop around for the best deal, increasing significantly among Budget Direct customers to 81%.

**Figure 40: Attitudes towards contents insurance**



Q8. To what extent do you agree or disagree with each of the following statements about contents insurance? Base: Contents insurance policy holders n=625

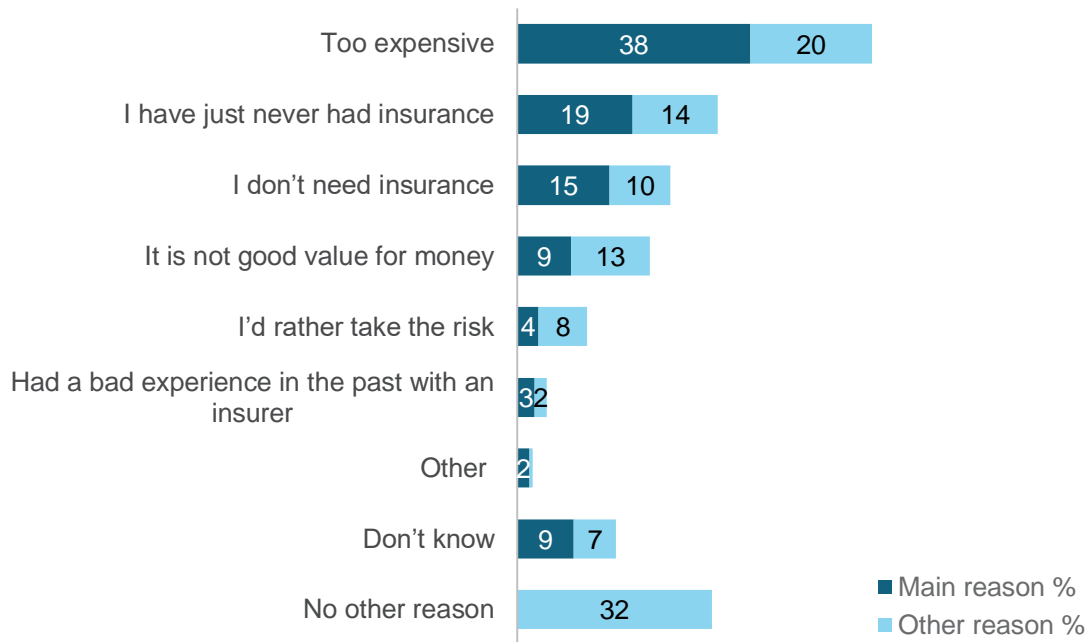
Those with a high school level education were significantly more likely to strongly agree they automatically renew their policy with the same insurer (39%; compared with 21% of TAFE and 17% of university attendees).

### Reasons for not insuring contents

Among those who do not have contents insurance, the main reason for this is it being too expensive (38%). One in five (19%) say they have never had contents insurance, and a further 15% believe they do not need it.

Those who said contents insurance is too expensive as their main reason for not insuring were significantly more likely to indicate they have never had contents insurance (42%) and that it is not good value for money (49%) as other reasons for not insuring their contents

**Figure 41: Reasons for not insuring contents**



A1. What is the main reason you have chosen not to insure your contents? Base: Contents non-policy holders n=375

A1A. And are there any other reasons you have chosen not to insure your [HQ5]? Base: Contents non-policy holders n=375

There were no statistically significant differences in reasons for not insuring contents by demographic subgroups.

# 6. Comprehensive Motor Insurance

## 6.1. Summary of motor insurance findings

### Current policy

The vast majority (90%) of car owners are covered by comprehensive car insurance, although this figure decreases significantly to 79% among those aged under 25. Consistent with the other types of insurance explored in this research, three of the specialist insurers NRMA (38%), AAMI (14%), and Allianz (9%) account for the majority (61%) of policies held.

Again, also consistent with other insurance types, provider brand is strongly associated with the length of time the policy has been held. Nearly half (47%) of NRMA customers have held their policy for six or more years, compared to 32% overall. Meanwhile, reflecting the increasing competition within the market, the majority (58%) of Budget Direct customers have held their policy for less than three years.

Over three quarters (78%) say their insurer has met their expectations, increasing significantly to 82% among customers of specialist providers. As such, only one in five (20%) are considering changing provider within the next 12 months, with the main reasons being price (42%) or to get a better deal (27%).

When selecting an insurer, the majority base this selection on price or premium (79%), policy inclusions (60%) and transparency (59%). However, less than half (47%) say they understand what is covered in their policy 'extremely' or 'very well'. Despite this, among those who have made a claim in the last 12 months, the vast majority (86%) were satisfied with the outcome.

The perceived trustworthiness of insurers is influenced significantly by brand. Overall, three quarters (77%) believe their provider is trustworthy, increasing significantly to 86% among NRMA customers. Meanwhile considerably fewer Budget Direct (58%) and supermarket customers (52%) believe these brands are trustworthy.

### Choice model outcomes

A total market price shift of +/- 1% to 5% has a fairly marginal impact on the market. In this range the market is relatively static with each +/- 1% adding or subtracting 0.3% from the total number insured. This suggests that if the NSW government was to remove or keep the ESL it would have minimal impact on the comprehensive motor insurance market.

If all providers were to decrease their price by 10%, it would result in additional 3.1% taking up insurance (93.2% up from 90.1%). However, if providers were to decrease their prices by a further 10% to 20% it would have little additional impact, only a further 0.5% would take up insurance (93.7%). This suggests there a group who are unlikely to take up comprehensive insurance and would rather rely on CTP, as 28% of those without insurance stated in the survey.

While a 20% price decrease would have minimal impact on the proportion opting to be uninsured, this is not the case for a 20% price increase. If all providers were to increase their price by 20% it would result in an additional 6.3% dropping out of the market (from 9.9% to 16.2%).

It is also important to note, comprehensive insurance take-up and the price a driver is prepared to pay varies significantly by age. Men and women aged under 25 have much lower rates of coverage (81% and 76.8%, respectively), than those aged 25-44 (90%) and 45+ (93%). Even with a significant price reduction of 20%, we could still expect 16% of young women and 12.9% of young men would continue to forgo comprehensive coverage. For this cohort of young people, it is likely to be seen as unnecessary and expensive regardless of price, when they can rely on CTP.

To target drivers aged under 25, providers need to offer a strong value proposition through their policy inclusions. If providers were to offer 90% of policies with a \$1000 excess (rather than 80% default), it would not only offset the impact of the 20% price increase, but marginally reduce the proportions of young men and woman without insurance by 1.7% and 1.4%, respectively to 17.6% and 21.5%. This suggests young people are prepared to pay more in small increments across the year, if it means the financial hit of lump sum excess is less.

## 6.2. Choice model outcomes

### **Total market price shift of +/- 1% to 5%**

The figure below shows the elasticity of the comprehensive motor insurance market if premiums were to move between a 5% decrease and a 5% increase. At this level the market is fairly static with results indicating:

- A price decrease of 1% would result in an additional 0.3% taking up insurance (90.4% up from 90.1%). While the opposite, a 1% increase would result in 0.3% dropping out of the market (10.2% up from 9.9%).
- Similarly, a price decrease of 3% would result in an additional 1% taking up insurance (91.1% up from 90.1%). While an increase of 3% produce the opposite effect with 0.9% dropping out of the market (10.8% up from 9.9%).
- A price increase of 5% would see an additional 2.5% exit the market (88.6% down from 90.1%). While the reverse, a decrease of 5% would see 1.6% enter the market (91.7% up from 90.1%).
- Removing or keeping the ESL at its current rate on comprehensive motor insurance would have a marginal impact on the market.

Figure 42: Impact of a +/- 1 to 5% total market price shift in comprehensive motor insurance

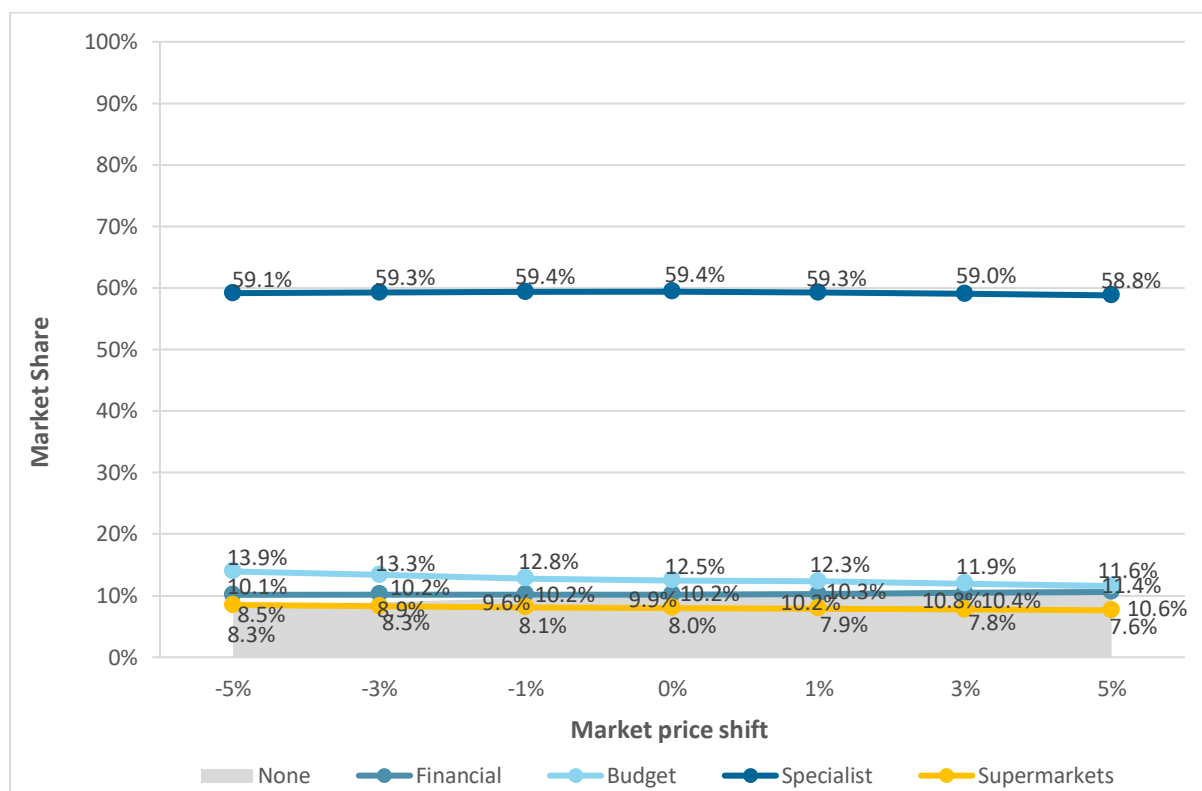


Table 15: Impact of a +/- 1 to 5% total market price shift in comprehensive motor insurance

	-5%	-3%	-1%	0%	+1%	+3%	+5%
Financial	10.1%	10.2%	10.2%	10.2%	10.3%	10.4%	10.6%
Budget	13.9%	13.3%	12.8%	12.5%	12.3%	11.9%	11.6%
Specialist	59.1%	59.3%	59.4%	59.4%	59.3%	59.0%	58.8%
Supermarkets	8.5%	8.3%	8.1%	8.0%	7.9%	7.8%	7.6%
None	8.3%	8.9%	9.6%	9.9%	10.2%	10.8%	11.4%
<b>Total Insured</b>	<b>91.7%</b>	<b>91.1%</b>	<b>90.4%</b>	<b>90.1%</b>	<b>89.8%</b>	<b>89.2%</b>	<b>88.6%</b>

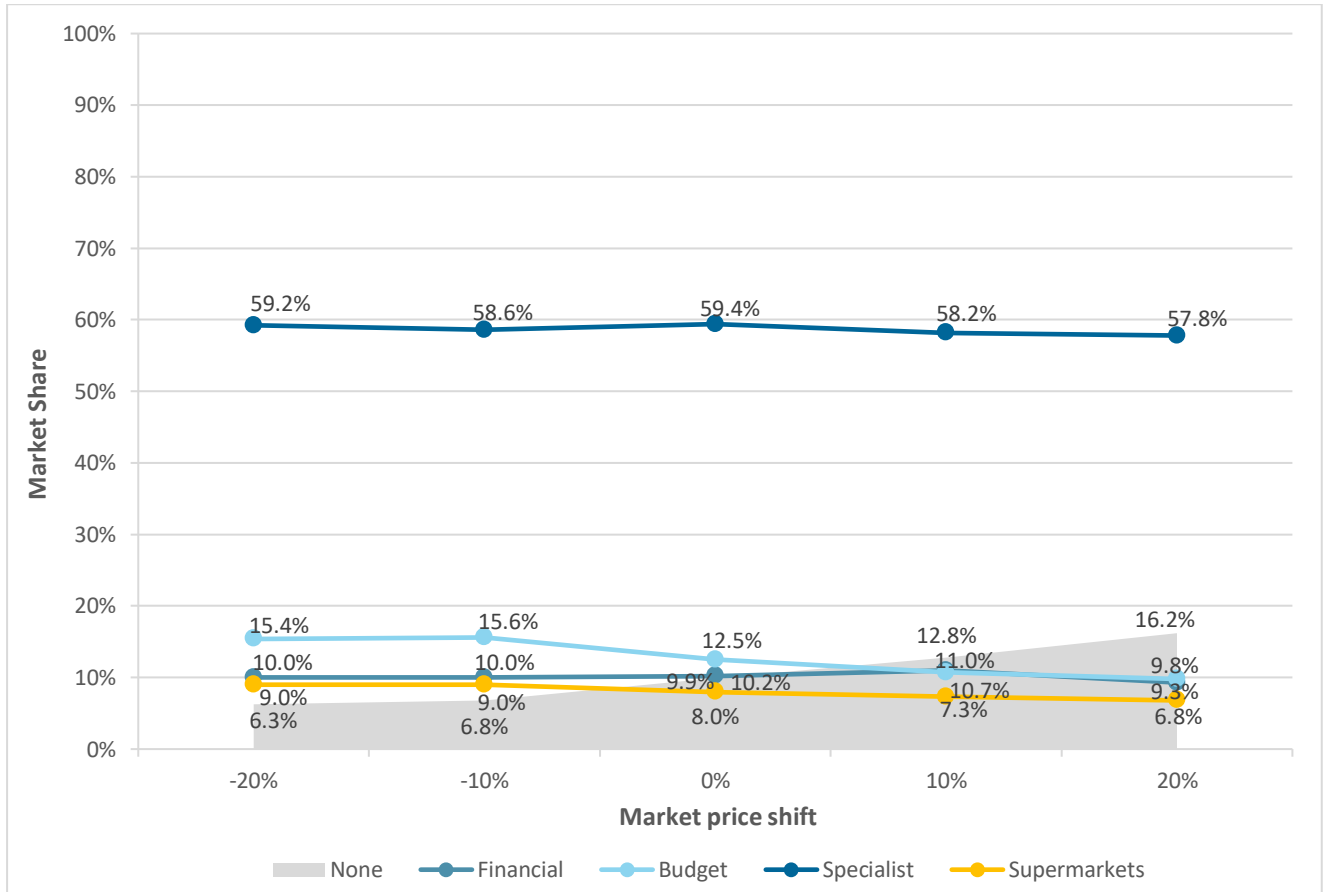
### Total market price shift of +/- 10% to 20%

The previous scenario showed a +/- 5% price shift would have a marginal impact on the market. However, the scenario below shows the elasticity of the market if premiums were to move between +/- 10%-20%. Results indicate larger price increase or decreases would have a greater impact not only on the market as a whole, but on individual providers:

- A 10% premium reduction would result in additional 3.1% taking up insurance, with nearly all joining a Budget provider (15.6% up from 12.5%).
- However, it should be noted a 20% premium reduction across the market would provide minimal additional impact on the 10% reduction, as only a further 0.5% would take up insurance.

- A 10% increase across the market would result in an additional 2.9% being uninsured (from 9.9% to 12.8%)
- A 20% increase across the market would result in an additional 6.3% being uninsured (from 9.9% to 16.2%). The increase in those uninsured would largely be driven by consumers dropping out from budget providers (2.7%).

**Figure 43: Impact of a +/- 10 to 20% total market price shift in comprehensive motor insurance**



**Table 16: Impact of a +/- 10 to 20% total market price shift in comprehensive motor insurance**

	-20%	-10%	0%	+10%	+20%
Financial	10.0%	10.0%	10.2%	11.0%	9.3%
Budget	15.4%	15.6%	12.5%	10.7%	9.8%
Specialist	59.2%	58.6%	59.4%	58.2%	57.8%
Supermarkets	9.0%	9.0%	8.0%	7.3%	6.8%
None	6.3%	6.8%	9.9%	12.8%	16.2%
<b>Total Insured</b>	<b>93.7%</b>	<b>93.2%</b>	<b>90.1%</b>	<b>87.2%</b>	<b>83.8%</b>

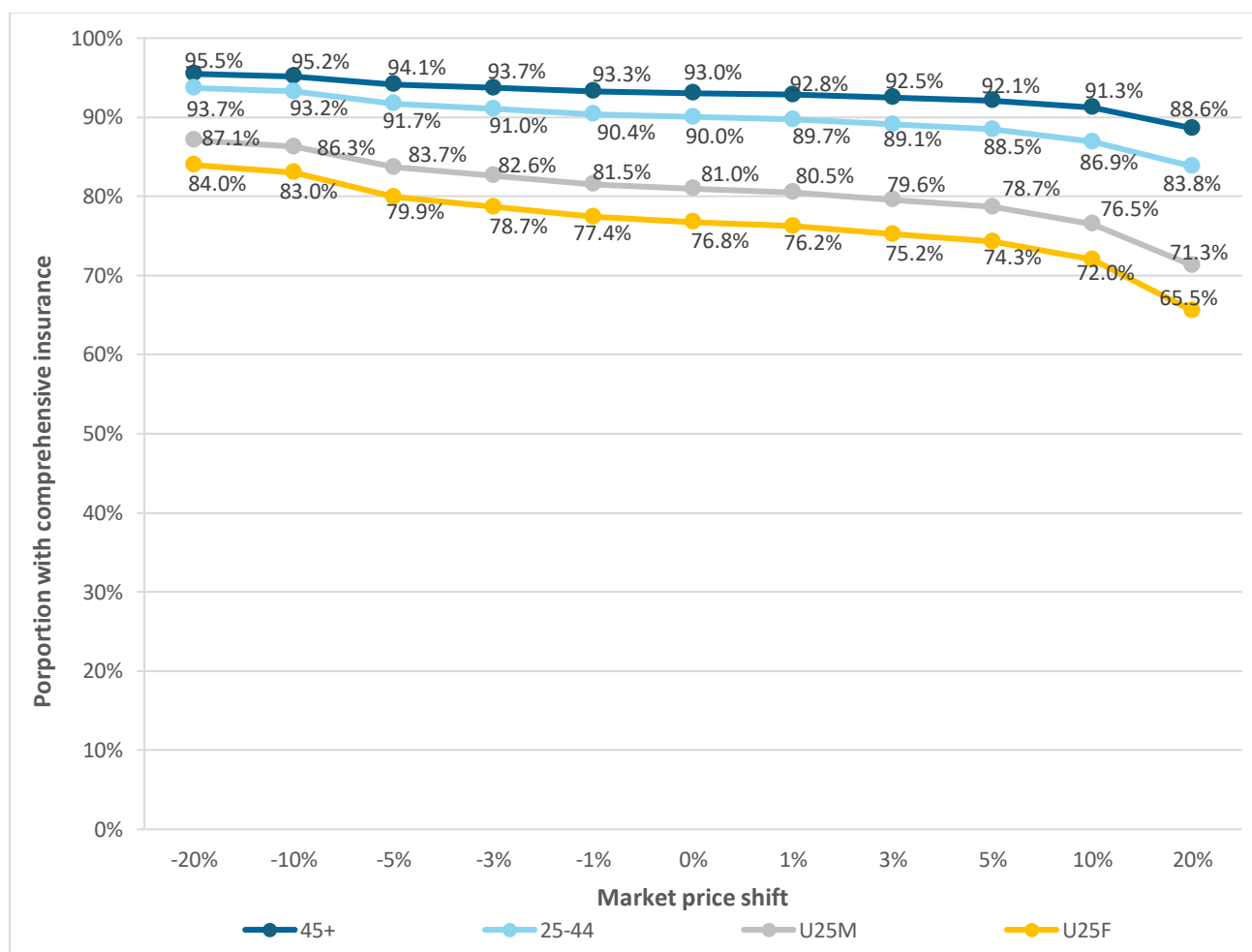


## Age based price shift

The figure below shows the elasticity of the market by age group, if premiums were to move between a 20% decrease and a 20% increase. To be expected, rates of insurance take up and the price a driver is prepared to pay varies considerably by age.

- At the current market rate, females aged under 25 are the least likely to have comprehensive motor insurance (76.8%). A price increase across the market of 20% would see a further 11.3% exit the market, reducing the proportion with comprehensive insurance to 65.5%. Conversely, a price decrease of 20% would result in an additional 7.3% entering the market and bringing the total with insurance to 84%. This suggests that even with a significant price decrease, young women still perceive motor insurance to be expensive and unnecessary.
- Males aged under 25 are more likely to have comprehensive insurance than young women (81% compared with 76.8%), however this incidence is comparatively much lower than older age groups. Consistent with young women, young men are highly sensitive to a 20% price increase. An increase of this size would result in 9.7% of young men exiting the market, reducing the total with comprehensive insurance to 71.3%. A price reduction of 20% would see a further 6.1% take up insurance (87.1%). Consistent with young women, it suggests there is a relatively large group who consider motor insurance too expensive or unnecessary.
- For drivers aged 45 and above, the market is fairly static. Currently 93% of these car owners are covered by comprehensive motor insurance, and a 10-20% price decrease would only see a further 2.5% enter the market bringing the total insured to 95.5%. A price increase of 10% would have a relatively minor impact compared to younger groups, 1.7% could be expected to exit the market. However, a 20% increase would have a greater impact on this age group with 4.4% exiting the market (88.6% down from 93%).

Figure 44: Impact of a +/- 1 to 20% total market price shift by driver age



### 6.3. Price driven scenarios

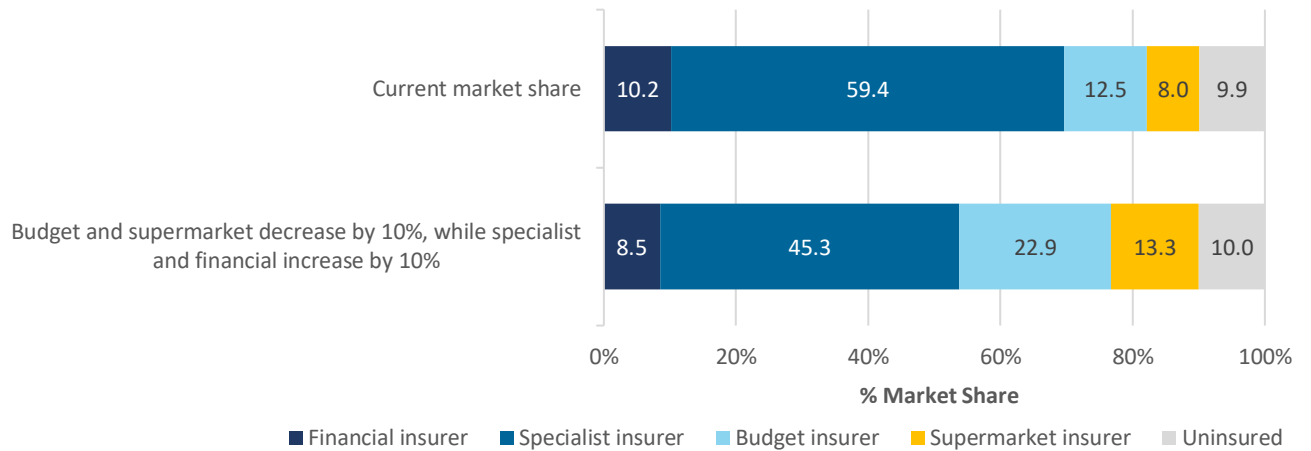
In addition to the total market price shift, modelling was also undertaken to show the impact of price changes by individual provider types across various scenarios. These are detailed as follows.

#### Scenario 1: Budget and supermarkets decrease by 10%, while specialist and financial providers increase by 10%

If the ‘cheaper’ providers, budget and supermarket, were to decrease their prices by 10%, this would be enough to offset a 10% increase by the ‘premium’ providers, specialist and financial. The outcome of this scenario would be a 0.1% increase in the proportion of uninsured.

This scenario would also result in a significant shift in market share between providers. Specialists could expect to lose 14.1% of their current market share (45.3% down from 59.4%), while budget providers would gain an additional 10.4% (22.9% up from 12.5%).

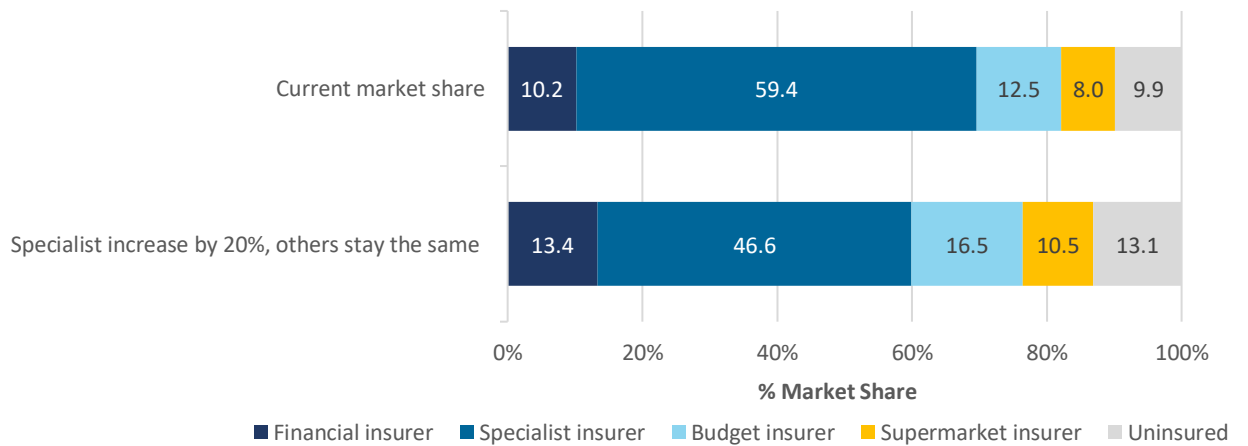
**Figure 45: Budget and supermarkets decrease by 10%, while specialist and financial providers increase by 10%**



**Scenario 2: Specialists increase by 20%, while others stay the same**

The market appears to be sensitive to a 20% increase by specialist providers. This scenario would result in an additional 3.2% dropping out of the comprehensive motor insurance market (from 9.9% up to 13.1%). Additionally, it would see specialist providers lose 12.8% of their market share (46.6% down from 59.4%), including 4% to budget providers (16.5% up from 12.5%).

**Figure 46: Specialists increase by 20%, while others stay the same**

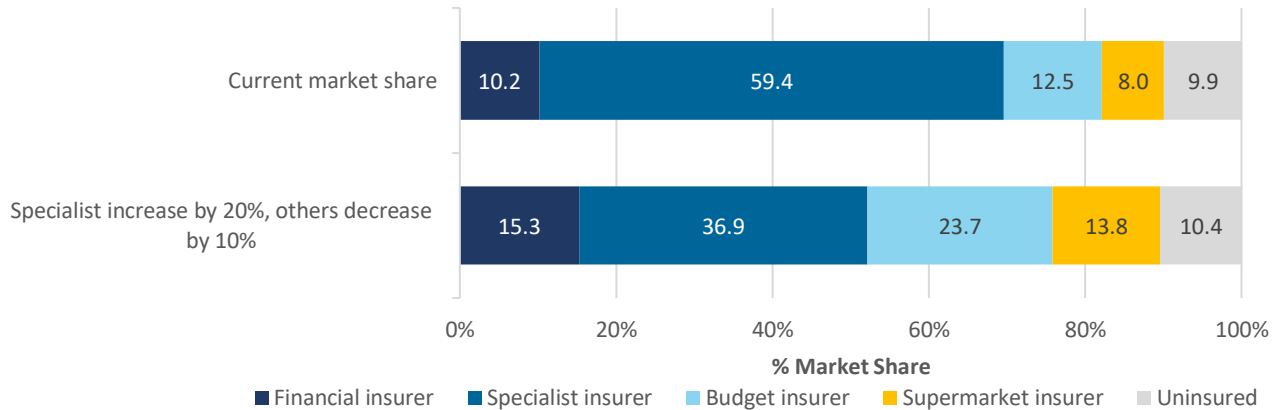


### Scenario 3: Specialists increase by 20%, others decrease by 10%

To offset the 3.2% increase in those who are uninsured, outlined in the previous scenario, all other provider types would need to decrease their price by 10%. This would bring the proportion of uninsured down to 10.4%, just 0.5% more than the current market share.

This scenario would also result in a significant shift in the composition of market share between the different provider types. Specialist insurers could expect to lose 22.7% of their current market share (36.9% down from 59.4%). While budget providers would gain 11.2% (23.7% up from 12.5%).

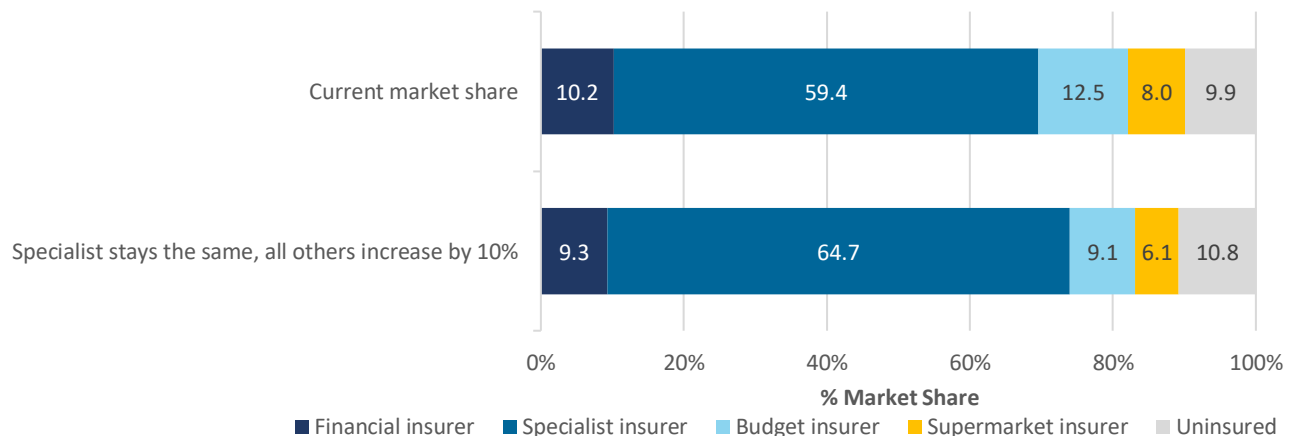
**Figure 47: Specialists increase by 20%, others decrease by 10%**



### Scenario 4: Specialists stay the same, all others increase by 10%

Further highlighting the influence of specialist providers on the market, if specialists were to keep their current price while all other provider types increase by 10%, the proportion of uninsured would only increase by 0.9%. Additionally, they would gain a further 5.3% market share (64.7% up from 59.4%).

**Figure 48: Specialists stay the same, all others increase by 10%**



## 6.4. Policy driven scenarios

Consistent with other insurance types, modelling was also undertaken to show the impact the adjustment of policy inclusions would have on the market. Outlined in the table below is the default mix of inclusions modelled in total market and price driven scenarios previously detailed. Adjusting these inclusions can have a significant impact on the market share of each provider type and the overall proportion of those covered by insurance. This is explored in the scenarios that follow.

**Table 17: Policy inclusions**

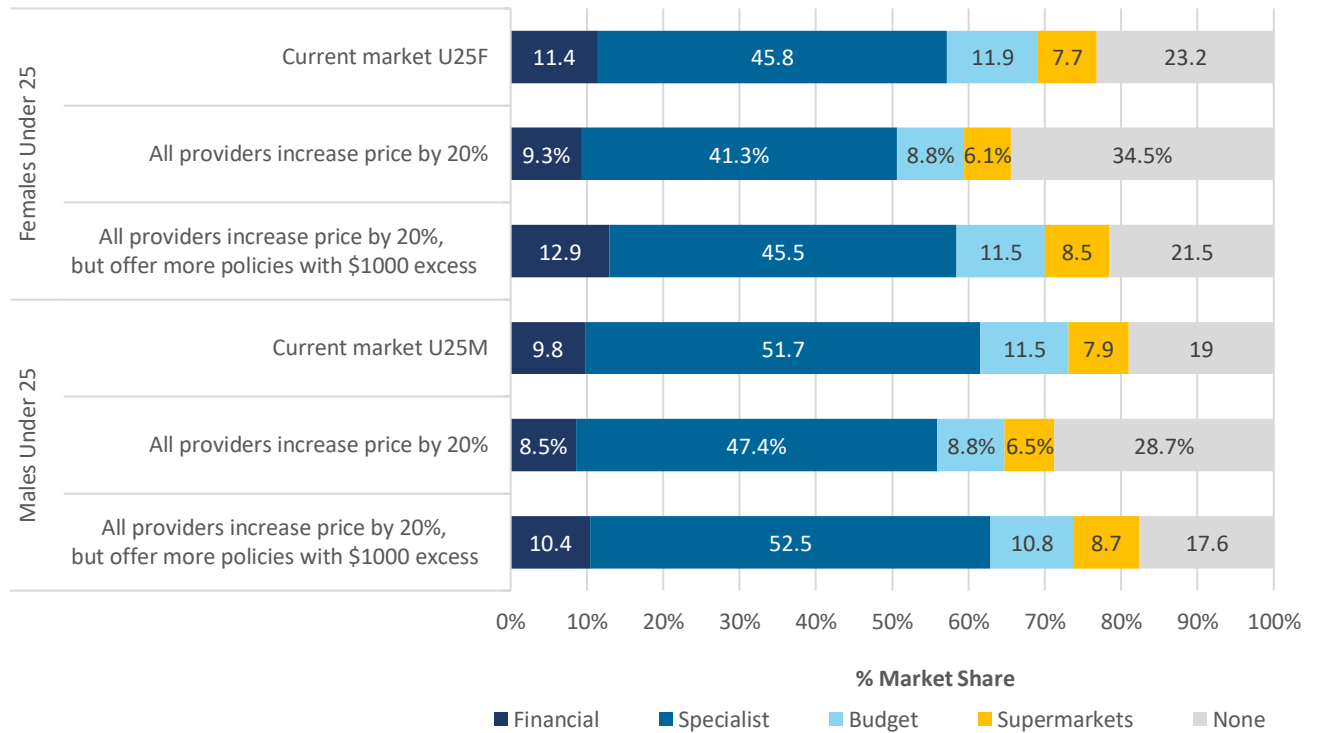
		Financial	Budget	Specialist	Supermarkets
Excess	\$500	10%	10%	10%	10%
	\$1,000	80%	80%	80%	80%
	\$2,000	10%	10%	10%	10%
Roadside assistance	None	70%	50%	50%	30%
	Assistance	30%	50%	50%	70%
New Car if write off	None	80%	80%	80%	80%
	New Car	20%	20%	20%	20%
Windscreen	None	50%	50%	50%	50%
	Windscreen	50%	50%	50%	50%

### Scenario 1: All providers increase their price by 20%, but offer more lower excess policies to under-25s

Modelling of a total market price shift by age showed that there are many young people who would be unlikely to take up comprehensive motor insurance without a significant discount. In current market conditions, providers are unlikely to do this to capture these high-risk groups. Modelling also showed that a 20% price increase would result in a considerable amount of young men and women dropping out of the market.

If providers were to reduce the proportion of policies with \$500 and \$2000 excesses to 5% each, and offer 90% of policies with a \$1000 excess, it would not only offset the impact of the 20% price increase, but marginally reduce the proportions of young men and woman without insurance by 1.7% and 1.4%, respectively. This suggests young people are prepared to pay more in small increments across the year, if it means the financial hit of lump sum excess is less.

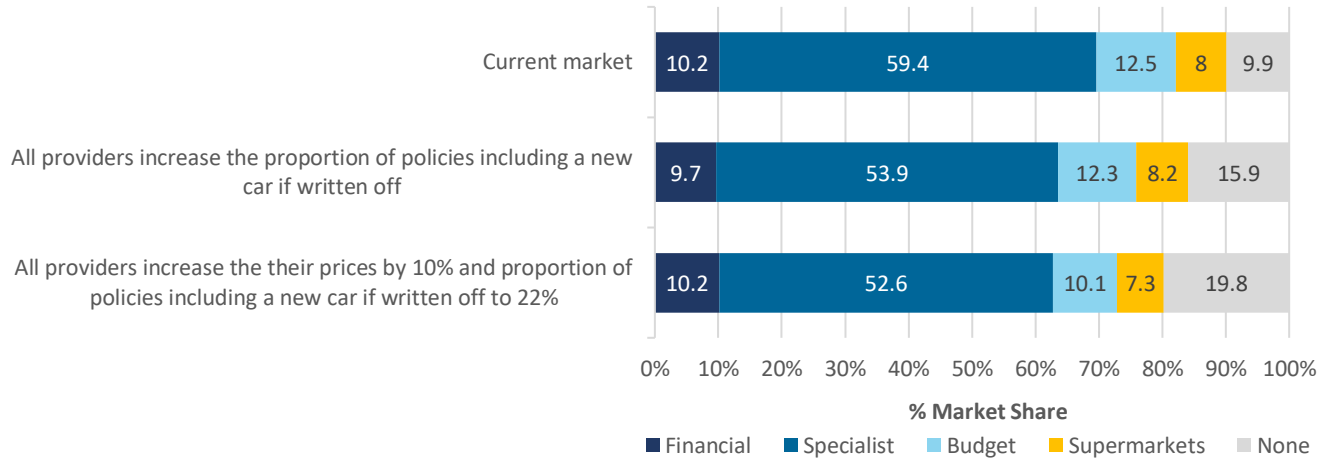
**Figure 49: Impact of all providers increasing their price by 20%, but offering more lower excess policies to under-25s**



**Scenario 2: Providers increase the proportion of policies providing a new car if written off**

Not all changes to policy inclusions will result in more drivers taking up comprehensive car insurance, marginal changes can even have the opposite effect. If all providers were to increase the proportion of policies that include a new car if written off from 20% to 22%, it would result in an additional 6% opting to be uninsured (15.9% up from 9.9%). Further, if this was then coupled with a 10% price increase to cover the cost to providers, it would result in 8.9% exiting the market (19.8% up from 9.9%). These results indicate many drivers believe the new car if written off is expensive and not necessary. This is likely to be driven by those with older, low value cars.

**Figure 50: Impact of providers increasing the proportion of policies providing a new car if written off**

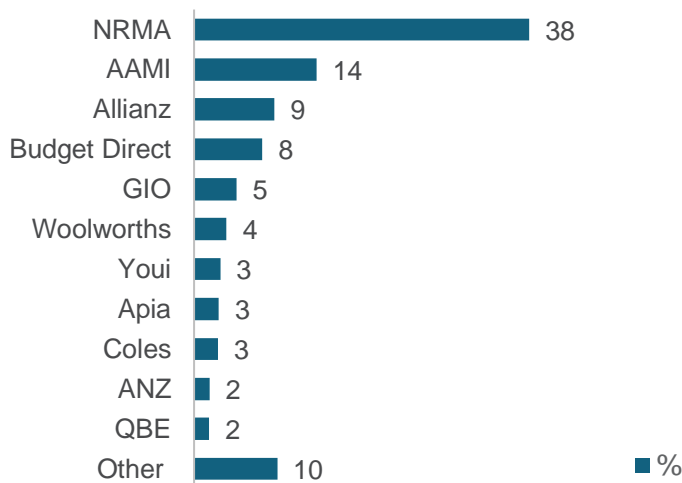


### 6.5. Current policy

Nine in ten (90%) have comprehensive car insurance. However, this decreases significantly to 79% among those aged under 25. Nearly all (99%) of those with a car valued at \$30,000 or more have comprehensive cover, compared to just 82% for those with a car valued at less than \$15,000.

Consistent with other policy types covered in this research, NRMA (38%), AAMI (14%), and Allianz (9%) account for the majority (61%) of policies held. Supermarkets account for 7% of policies, and Budget Direct 8%.

**Figure 51: Comprehensive car insurance provider**



Q2. Who is the provider of your car insurance policy? Base: Comprehensive car policy holders n=798  
 \*Note: Prefer not to say (0.2%) and don't know (0.4%) are not displayed on chart

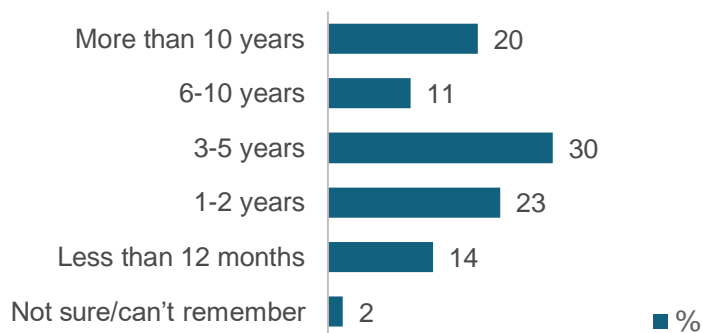
There were no significant differences in policy provider between demographic subgroups.

## Length of time policy has been held

The length of time comprehensive car policy holders have been with their current insurer is distributed fairly evenly. Almost one third (31%) have been with their provider for six or more years, 30% for 3-5 years and 37% for less than 3 years.

Provider brand is strongly associated with the length of time the policy has been held. One third (33%) of NRMA customers have held their policy for more than 10 years. Reflecting the increasing competition within the market, the majority (58%) of Budget Direct customers have held their policy for less than three years.

**Figure 52: Length of time policy has been held**



Q5. How long have you held this car insurance policy with your current insurer? Base: Comprehensive car policy holders n=798

To be expected, the length of time policy holders have been with their current provider is impacted significantly by age:

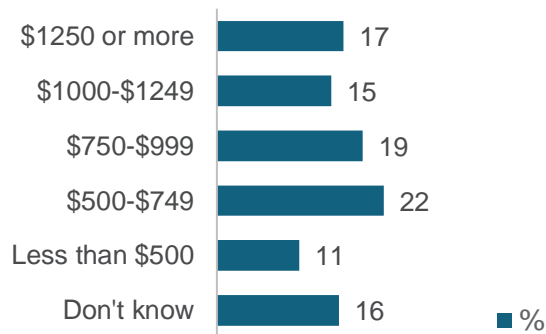
- Those aged under 25 are significantly more likely to have been with their provider for less than 3 years (74%; compared with 42% of 25-44-year-olds, and 26% of 45+);
- 25-44-year-olds are significantly more likely to have been with their provider for 3-5 years (37%; compared with 16% of those aged under 25, and 26% of 45+); and
- Those aged 45 and over are significantly more likely to have been with their provider for more than 10 years (31%; compared with 8% of 25-44-year-olds).



## Cost of premium

On average, policy holders are paying \$995 per year for their comprehensive car insurance. Understandably, there are several groups that are paying significantly more on average for their premiums including; those aged under 25 (\$1262), those with cars valued at \$30,000 or more (\$1310), and those in Greater Sydney (\$1106).

**Figure 53: Annual cost of premium**



Q3. How much do you pay for your car insurance policy? \*Note outlier responses removed from chart and analysis. Base: Comprehensive car policy holders n=779

The following groups are significantly more likely to be paying less than \$500 per year for their policy:

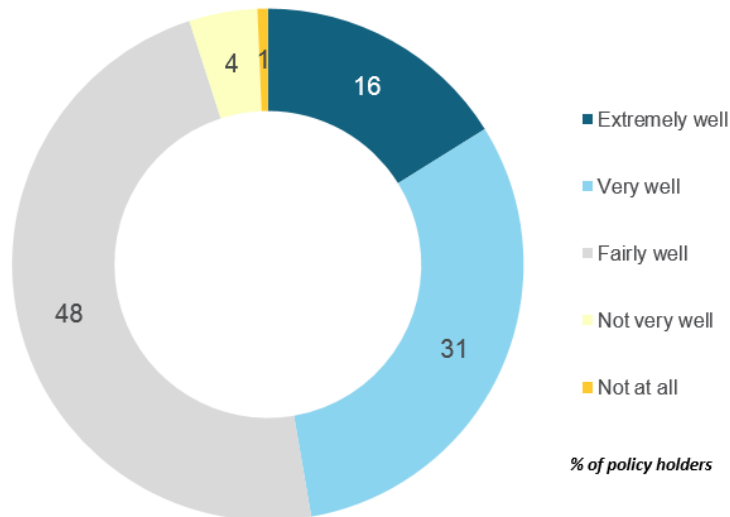
- Those aged 45 and over (18%; compared to 6% of those under 45);
- Those with cars valued at less than \$15,000 (25%; compared to 7% valued at \$15,000-\$29,999, and 4% of \$30,000 or more); and
- Those in Regional NSW (23%; compared to 7% in Greater Sydney)

Those from non-English speaking backgrounds are significantly more likely to be paying \$1250 or more per year (36%; compared to 17% of those with an English-speaking background).

## Policy comprehension

Almost half (47%) of those with comprehensive car insurance say they understand what is covered in their policy extremely or very well. Very few (5%) acknowledge having little to no understanding of what is covered.

Figure 54: Understanding of policy coverage



Q9. How well do you understand what you are covered for under your comprehensive car insurance policy? Base: Comprehensive car policy holders n=798

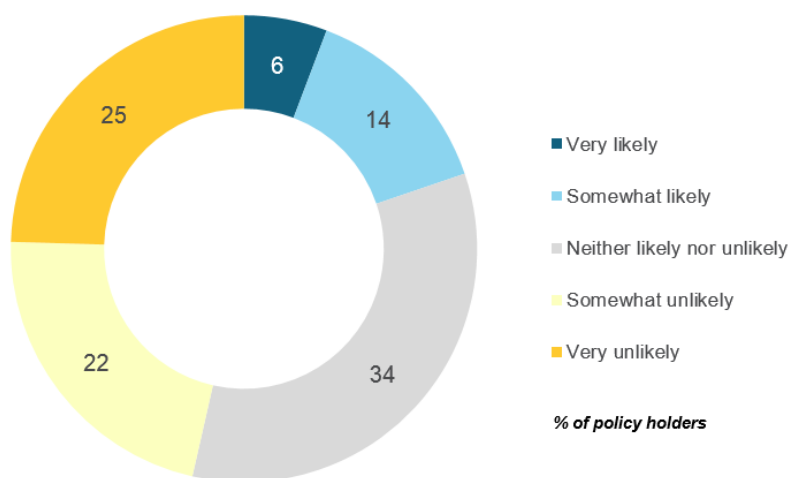
Those with a car valued at less than \$15,000 are significantly less likely to understand what covered in their policy (38%; compared to 53% of those with cars valued above \$15,000).

## Changing provider

One in five (20%) indicated they are likely to change provider in the next 12 months, and a further 34% are unsure (neither likely nor unlikely).

Likelihood to change is strongly associated with current provider, NRMA customers are significantly less likely to consider changing (10%). While 40% of AAMI customers say they are likely to change provider in the next 12 months.

**Figure 55: Likelihood of changing provider within the next 12 months**



Q6. And how likely are you to change your car insurance provider in the next 12 months? Base: Comprehensive car policy holders n=798

The following groups are significantly less likely to consider changing provider in the next 12 months:

- Policy holders aged over 45 (14%; compared to 23% of those under 25, and 28% of 25-44); and
- Those from English speaking backgrounds (17%; compared to 33% of those from NESB).

### Reasons for likeliness to change

Among those likely to change provider in the next 12 months, reasons are generally centred around price and value. Two in five (42%) would like to pay a cheaper price, or say their provider is just too expensive.

*“The price of my premium is just too high, even with the highest excess selected and the car being at market value.”*

*“Because it is getting too expensive. Every year I want to start comparing prices with different insurance companies and going with the cheapest.”*

*“If a competitor offers me the same product or benefits for the same or less annual premium.”*

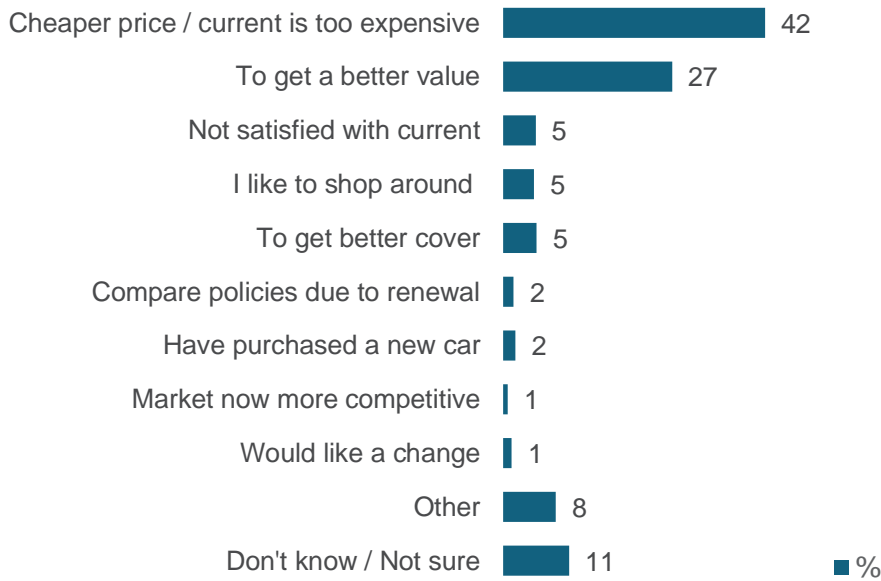
In terms of value, 27% would like a policy that is better value and a further 5% want better cover.

*“Depending on rising premiums - will need to shop around to get best rate and value of policy.”*

*“Because you always get better rate for switching or I will switch because other companies offer bonuses like frequent flyer points.”*

*“Major jump in premiums, changes to policies that affect me negatively and no benefits anymore.”*

**Figure 56: Reasons for considering change**



Q7. You mentioned you are [Q6] to change your car insurance provider in the next 12 months, why is that? Base: Likely to change insurance provider in the next 12 months n=174

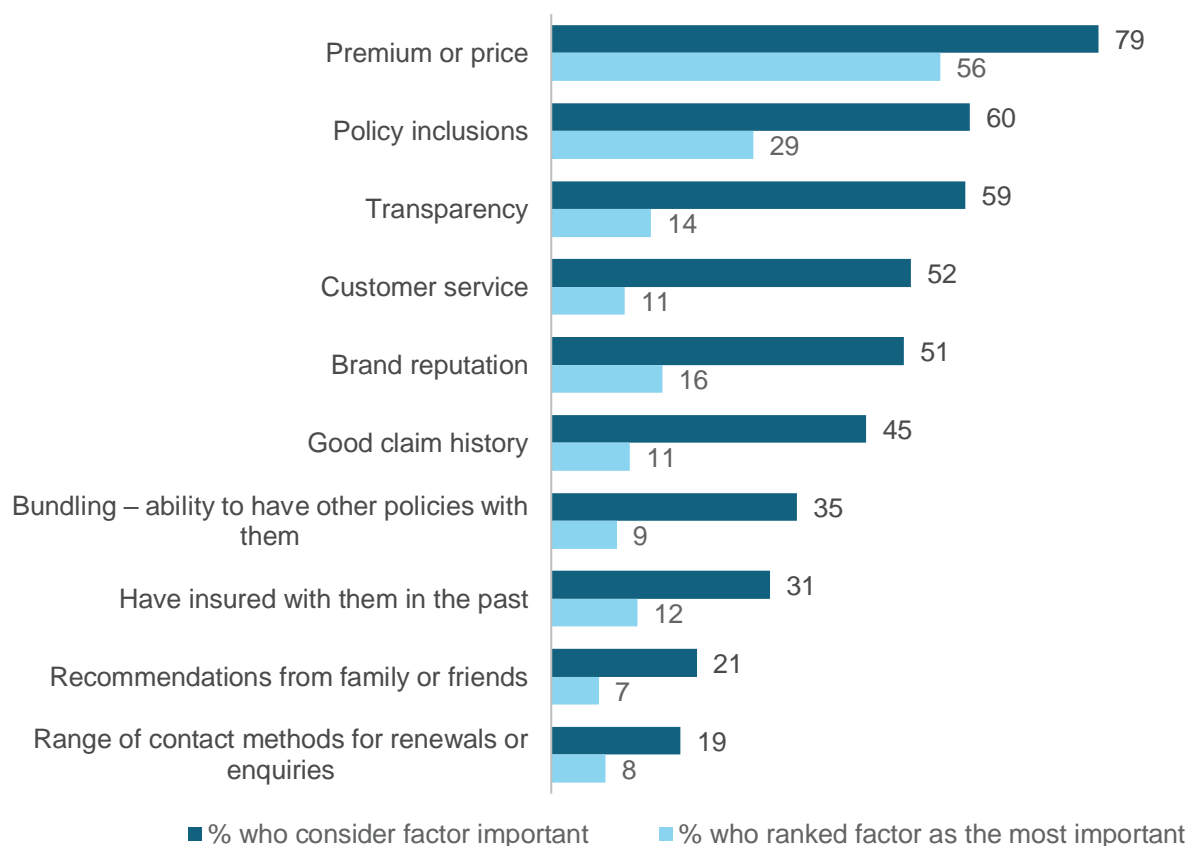
Women are significantly more likely to say they are considering changing provider because they like to shop around (10%; compared with 0% of men).

### Factors influencing provider choice

When asked what is important to consider when choosing a comprehensive car insurer, the majority of policy holders selected price or premium (79%), policy inclusions (60%) and transparency (59%).

Half consider customer service (52%) and reputation (51%) important to consider. However, this rises significantly among NRMA customers to 62%. In contrast, significantly fewer Budget Direct customers consider reputation important (21%).

**Figure 57: Factors important to selecting a comprehensive car insurer**



C1. When considering all factors that go into choosing a car insurer, which of the following are important to you? Base: Comprehensive car policy holders n=798

C2. Please rank these in order of importance to you, where one is the most important and ten least important. Note: Only factors selected in C1 were ranked by policy holders. Where a policy holder selected only one factor in C1, this was allocated a ranking of 1 (most important) in C2.

Age influences what is important when selecting an insurance provider. Policy holders aged under 25 were significantly more likely to say recommendations from family and friends are important in helping them select an insurer (38%; compared with 24% of drivers aged 25-44 and 16% of those aged over 45).

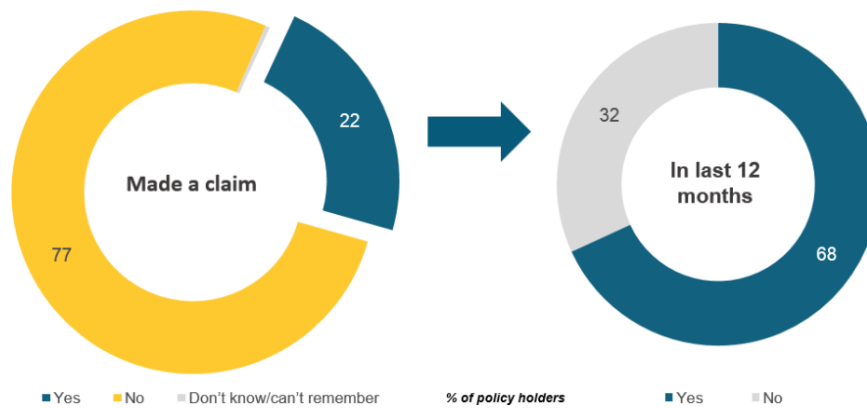
While policy holders aged over 45 were significantly more likely to report the following as important factors:

- bundling ability (42%; compared with 24% of policy holders aged under 25, and 29% of 25-44 years); and
- having insured with the provider in the past (38%; compared to 24% of policy holders aged under 25- and 25-44-years, respectively).

## 6.6. Recent claim history

Over one in five (22%) have made a claim on their comprehensive car policy within the last two years. Of these claims, over two thirds (68%) were made within the last 12 months.

**Figure 58: Most recent comprehensive car claim**



Q10. Have you made a claim on your comprehensive car policy in the last 2 years? Base: Car policy holders n=798

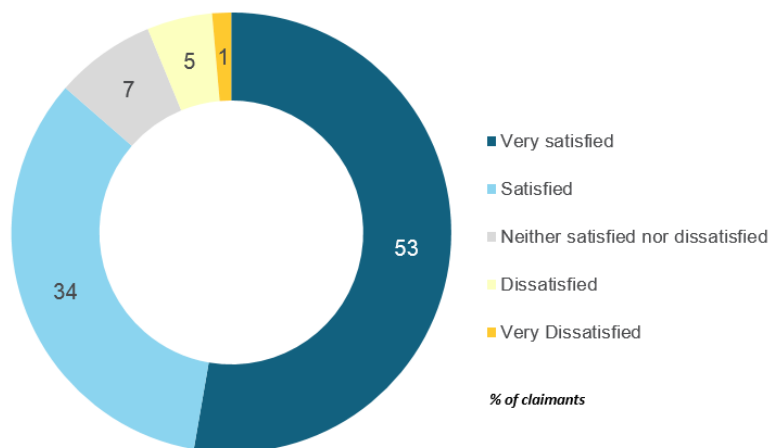
Q11. And was this claim made within the last 12 months? Base: Made a claim in the last 2 years n=173

There were no statistically significant differences in recent claim history by demographic subgroups.

### Satisfaction with most recent claim

The vast majority (86%) were satisfied with their most recent car insurance claim, with over half (53%) reporting they were very satisfied.

**Figure 59: Satisfaction with most recent car insurance claim**



Q12. Thinking now about your most recent car claim. How satisfied or dissatisfied were you with the outcome of this claim? Base: Made a claim in the last 2 years n=173

There were no statistically significant differences in satisfaction with claim outcome between demographic subgroups.

## Reasons for level of satisfaction with claim outcome

A quick (31%) and easy process (22%) were the biggest contributors towards the level of satisfaction with the claim outcome. These were followed by customer service (19%) and the fact the claim was fully covered (14%). Examples of this positive sentiment is detailed in the quotes below.

*“I was able to choose my own repairer and was happy with the promptness that it all was processed and repaired in.”*

*“Quick to repair my vehicle and where they sent me was fantastic - fast and easy to deal with.”*

*“Worked quickly to get my car repaired, supplied me with a rental for as long as I needed and talked me through every step.”*

*“Effortless and pain free. Just as you want it to be when making a claim.”*

*“Insurance was paid out within 7 days and a new car purchased”*

In terms of negative sentiment, nearly one in ten (8%) said they were not at fault in the cause of their claim, which influenced their level of satisfaction. Others felt the customer service they received was poor (6%) or that the claim took too long to be resolved (5%). These issues are illustrated in the quotes below.

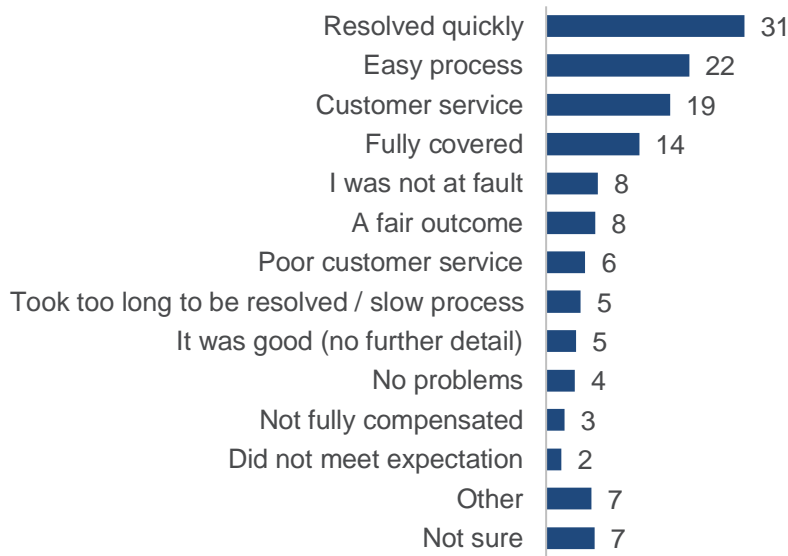
*“Someone hit my car while it was parked on the street, but I didn't see it happen. This means that I still have to pay excess - I understand that this is how it works but I wouldn't say I'm "satisfied". I would be satisfied if I didn't have to pay excess, seeing as I was not at fault.”*

*“They paid out my claim, but I had to argue my case for them to agree - I was not liable.”*

*“They were no help when our car got hit in a car park. Their preferred repairers are horrible with terrible customer reviews and they wouldn't let us change.”*

*“It was very well set out, but the end result was disappointing as the repairer made more damage to the vehicle.”*

**Figure 60: Reasons for level of car insurance claim satisfaction**



Q13. You said you were [Q12] with the outcome of your claim. Why was that? Base: Made a claim in the last 12 months n=170

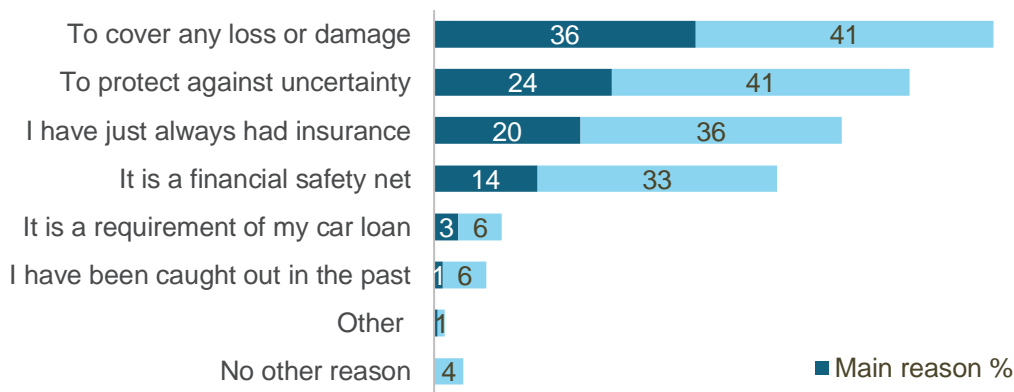
There were no statistically significant differences in the reasons for claim satisfaction within demographic subgroups.

## 6.7. Attitudes towards comprehensive motor insurance

### Reasons for comprehensively insuring car

Among those with comprehensive car insurance, covering any loss or damage is the main reason over one third (36%) have chosen to take out the policy. Protection against uncertainty (24%) and just having always had insurance (20%) were also commonly reported as the main reason for taking out comprehensive car insurance.

**Figure 61: Reasons for comprehensively insuring car**



Q1. What is the main reason you have chosen to insure your car? Base: Comprehensive car policy holders n=798

Q1A. And are there any other reasons you have chosen to insure your car? Base: Comprehensive car policy holders n=798

Those with a car valued at \$30,000 or more were significantly more likely to say the comprehensive insurance is a requirement of their car loan as one of the other reasons they have chosen to insure (13%; compared to 4% of those with a car valued at less than \$30,000).



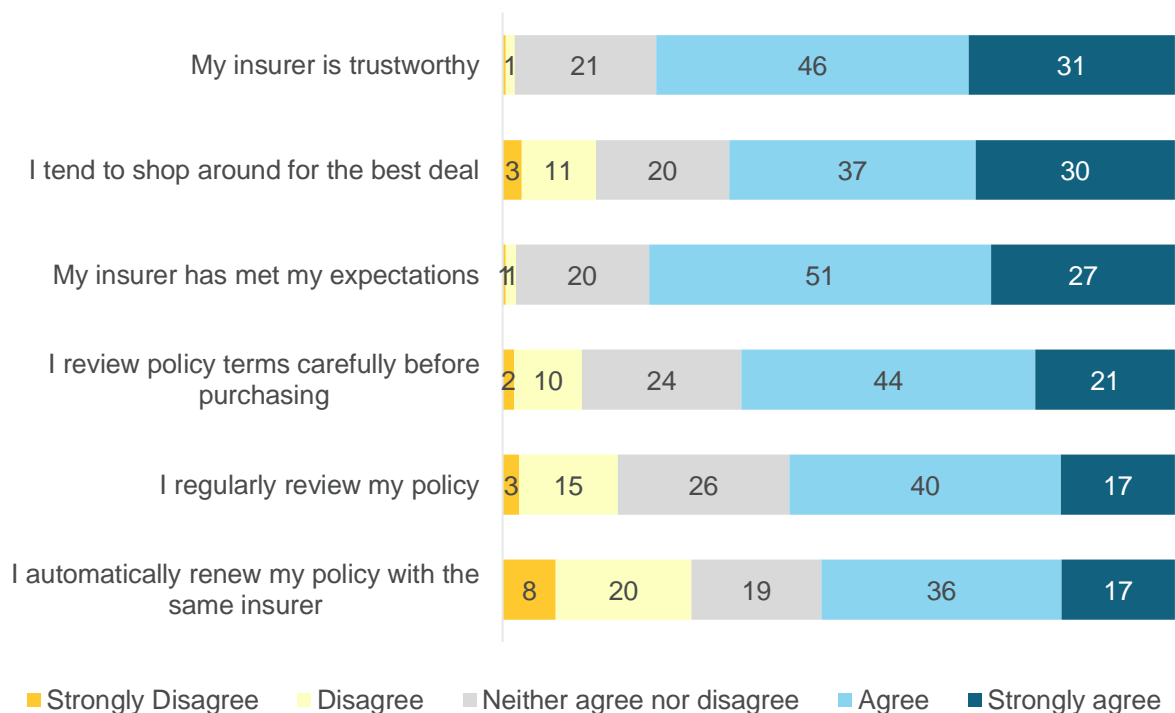
## Sentiment towards car insurance and providers

For the vast majority of policy holders, trust is not an issue – over three quarters agree their insurer has met their expectations (78%), and that they are trustworthy (77%). Consistent with other types of insurance, trust is influenced significantly by provider, 86% of NRMA customers trust their provider, while considerably fewer Budget Direct (58%) and supermarket customers (52%) trust these brands.

While most policy holders generally feel their insurer has met their expectations, around two thirds will still shop around for the best deal (66%) and then review the policy terms carefully before purchasing (64%).

Just over half (53%) automatically renew their policy with the same insurer, while a similar proportion agree they regularly review their policy (57%).

**Figure 62: Attitudes towards contents comprehensive car insurance**



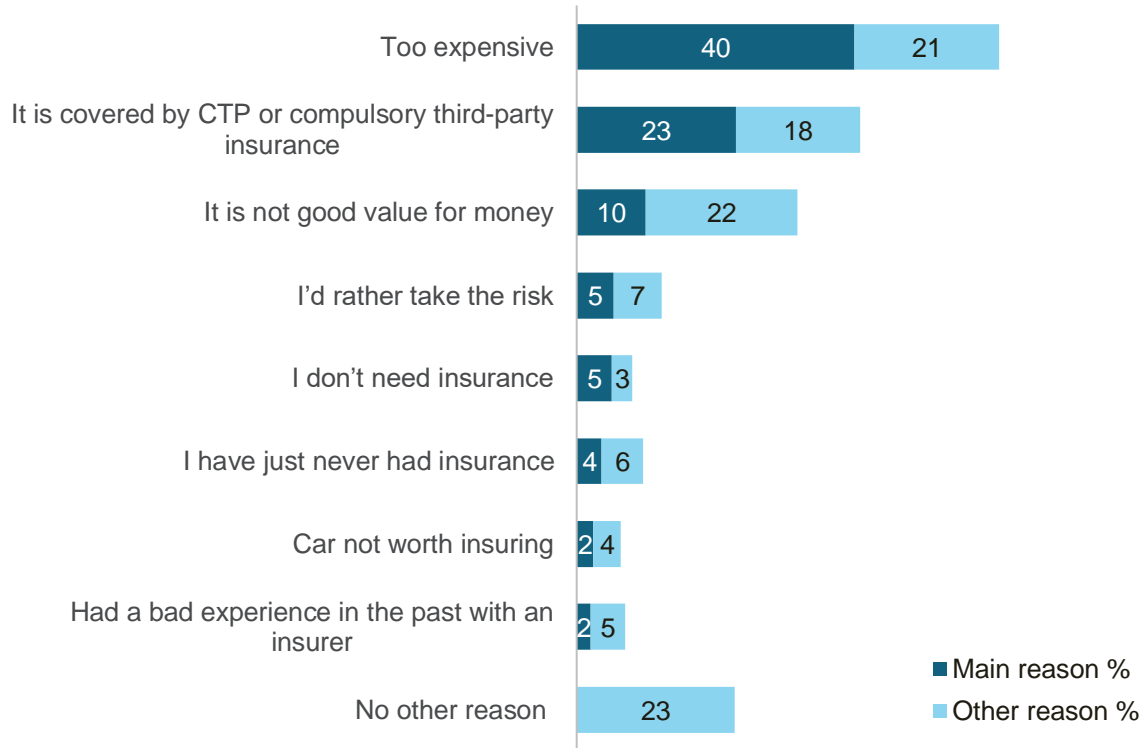
Q8. To what extent do you agree or disagree with each of the following statements about car insurance? Base: Comprehensive car policy holders n=798

Those from an English-speaking background are significantly more likely to disagree with the statement 'I automatically renew my policy with the same insurer' (31%; compared with 13% of NESBs).

## Reasons for not comprehensively insuring car

Among those who have opted not to comprehensively insure their car, the main reason is price – with 40% indicating it is too expensive. A further 28% have chosen to rely on CTP coverage.

**Figure 63: Reasons for not purchasing comprehensive car insurance**



A1. What is the main reason you have chosen not to insure your car? \*Note 'don't know' (3%) is not displayed on chart. Base: Car non-policy holders n=202

A1A. And are there any other reasons you have chosen not to insure your car? \*Note 'don't know' (6%) is not displayed on chart Base: Car non-policy holders n=202

There were no statistically significant differences in the main reason for choosing not to comprehensively insure their car by demographic subgroups.

# 7. Appendix A: Technical notes

## 7.1. High and low risk areas

The results are analysed by high and low risk areas. ESLIM provided Colmar Brunton with CRESTA locations (Catastrophe Risk Evaluation and Standardising Target Accumulations, which are part of an international geographic zoning system which helps brokers and reinsurers manage natural hazard risk). While it was not possible to map postcodes directly to CRESTA areas, the following process was used as an approximation:

- The 290 CRESTA areas were divided into high and low risk, the low risk median annual cost was ~\$1.7K and the higher risk annual median was ~\$2.2K.
- Each CRESTA area was geocoded by the town name in the CRESTA area and the centre point of the area was taken (see the blue dots in the below map)
- Each postcode geocoded centroid was taken (these are the red dots below)
- Each postcode was assigned the closest CRESTA area centroid (the limitations of this method were acknowledged; however, it was agreed the precision was sufficient given the granularity of the exercise)
- Each postcode was then assigned a risk – low or high (See the pink and green areas in the second figure below)

Figure 64: High and low risk mapping

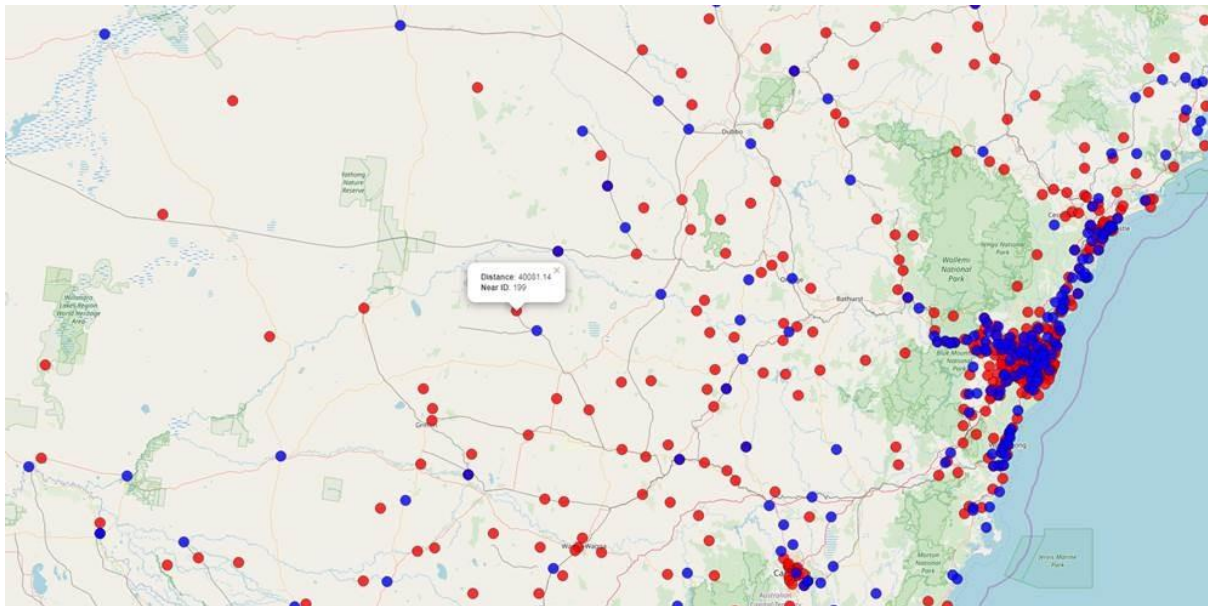
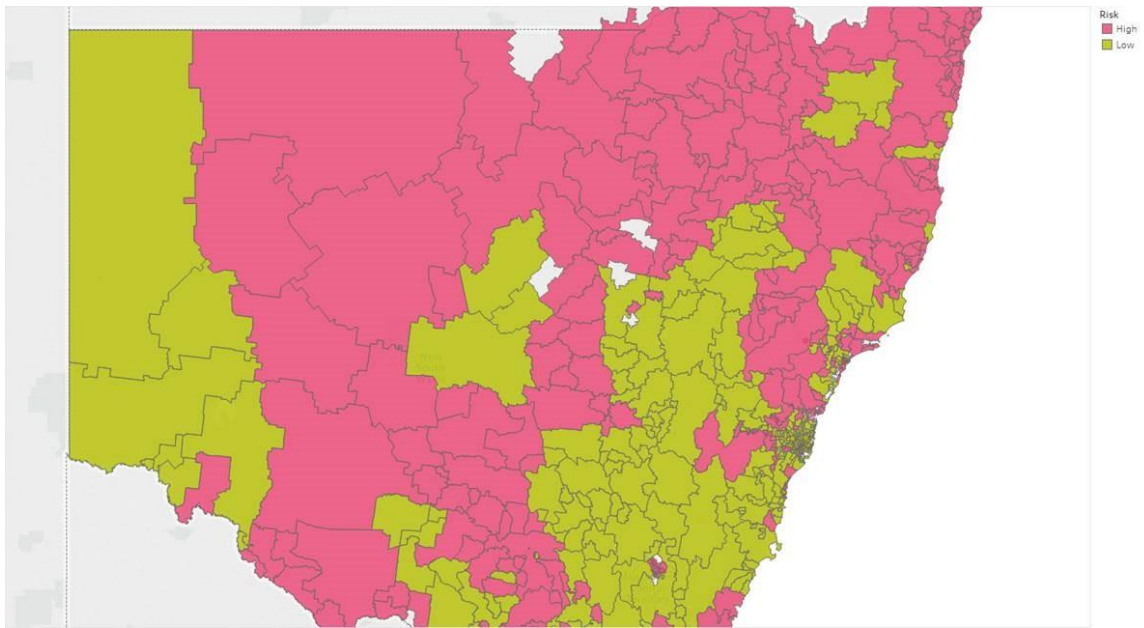


Figure 65: High and low risk areas



# 8. Appendix B: Quantitative Questionnaire

## INTRODUCTION

Thank you for agreeing to participate in this research project. The survey should take about 15 minutes on average to complete.

Please take your time completing the survey. Read each question carefully and follow the instructions provided to record your responses. Please use the buttons at the bottom of each page to move through the survey, do not use the back or forward buttons in your browser.

We would like to remind you that there are no right or wrong answers – it's your own thoughts and opinions that matter.

All the answers that you provide will be treated as confidential with results only reported on in a de-identified and aggregated format. To view our privacy statement press here. [INSERT LINK]

Please click on “next” to enter the survey.

## SCREENING QUESTIONS

To start, we would like to ask some questions about you.

### GENDER

#### ASK ALL, SR

S1 Please indicate your gender:

1. Male
2. Female
3. Prefer not to disclose

### AGE

#### ASK ALL, SR [UNDER 18YRS SCREEN OUT]

S2 Which one of the following age groups do you fall into?

1. Under 18
2. 18-24
3. 25-34
4. 35-44
5. 45-54
6. 55-64
7. 65+

### TERMINATE IF CODE 1

### POSTCODE

#### ASK ALL, OE-NUM (0-9999)

S3 Please enter your postcode in the space below.

### IF POSTCODE NOT IN NSW POSTCODE RANGE, TERMINATE

### RECODE S3 INTO HIDDEN QUESTION

HQ1. HQ1 LOCATION CLASSIFICATION

1. Sydney
2. Rest of NSW

## RECODE S3 INTO HIDDEN QUESTION

HQ2. HQ2 Risk level

1. High risk area
2. Medium risk area
3. Low risk area

## DECISION MAKER

### ASK ALL, SR

S4 Thinking now about home, contents and car insurance, which of the following best describes your role in the decision making? By decision making we mean selecting the provider, policy type, coverage, excess etc.  
*Please select one response only.*

1. I am the main insurance decision-maker
2. I jointly share the insurance decision-making
3. I rarely do any insurance decision-making
4. I never do any insurance decision-making

## TERMINATE IF CODE 3 OR 4

## DWELLING TYPE

### ASK ALL, SR

S5 Which of the following best describes the type of property or place where you currently live? *Please select one response only*

1. Separate/stand-alone house
2. Semi-detached house/terrace/townhouse/villa
3. Flat or unit in a multi-storey apartment block less than 5 storeys
4. Flat or unit in a multi-storey apartment block 5 or more storeys
96. Other

## OWNERSHIP STATUS

### ASK ALL, SR

S6 And do you...?

*Please select one response only*

1. Own, or jointly own, the property outright
2. Own, or jointly own, the property with a mortgage
3. Rent the property
4. Other

## STRATA

### ASK IF S5=3 OR 4 AND S6=1 OR 2, SR

S7 Do you pay strata on your property?

*Please select one response only*

1. Yes
2. No

## HOMEOWNER INSURANCE

### ASK IF NON-STRATA HOMEOWNER S6=1 OR 2 AND S7=2, SR

S8. Do you have...?

*Please select one response only*

1. Combined home and contents insurance (including home only insurance)
2. Contents insurance only
3. None of the above
4. Don't know

#### RENTER INSURANCE

##### ASK IF RENTER OR STRATA PAYER S6=3 OR 4 OR S7=1, SR

S9 Do you have contents insurance?

*Please select one response only*

1. Yes
2. No
3. Don't know

#### RECODE S8 & S9 INTO HIDDEN QUESTION

##### HQ3. HQ3 HOME/CONTENTS QUOTA GROUPS

<b>IF S8=1</b>	1. Combined home and contents insurance policy holder (including home only insurance)
<b>IF S8=3</b>	2. Non-policy holder (combined home and contents)
<b>IF S8=2 OR S9=1</b>	3. Contents insurance policy holder
<b>S9=2</b>	4. Non-policy holder (contents)

#### CAR OWNERSHIP

##### ASK ALL, SR

S10 Do you own a car, either solely or jointly?

*Please select one response only*

1. Yes
2. No

#### NUMBER OF CARS

##### ASK IF OWN A CAR S10=1, SR

*Please select one response only*

S10a How many cars do you own or jointly own?

1. 1
2. 2
3. 3 or more

#### CAR INSURANCE

##### ASK IF OWN CAR S10=1, MR

S11 There are two different types of car insurance, **Comprehensive car insurance** which covers damage to your car as well as damage to others as a result of a car accident and **Compulsory third party (CTP) insurance** which only covers damage to others as a result of a car accident.

[SHOW IF OWN ONE CAR S10a=1: Is your car covered by...?] [SHOW IF OWN MORE THAN ONE CAR S10a=2 or 3: Thinking about the car you drive most often, is this car covered by?]

*Please select one response only*

1. Both Comprehensive and Compulsory third party (CTP) car insurance
2. Compulsory third party (CTP) insurance only
3. Don't know

#### RECODE S11 INTO HIDDEN QUESTION

##### HQ4. HQ4 MOTOR INSURANCE QUOTA GROUPS

1. Comprehensive policy holder **S11=1**
2. Non-policy holder **S11≠1**

TERMINATE IF DON'T KNOW BOTH I.E. CAR AND HOME/CONTENTS S8=4 OR S9=3 AND S11=3

RANDOMISE QUOTA ALLOCATION BETWEEN CAR AND HOME/CONTENTS STREAMS, WITH CLOSE MONITORING OF DIFFICULT QUOTAS

#### HQ5. QUOTA ALLOCATION

		QUOTA GROUP	PIPE INTO QUESTION TEXT AS
IF HQ3=4	1	Contents non-policy holder	Contents
IF HQ3=3	2	Contents	Contents
IF HQ3=1	3	Combined home and contents	Home and contents
IF HQ3=2	4	Home and contents non-policy holder	Home and contents
IF HQ4=1	5	Car	Car
IF HQ4=2	6	Car non-policy holder	Car

#### IF UNSUCCESSFUL

Thank you for your patience in answering these questions. Unfortunately, we do not need you to participate in our research this time, but we sincerely appreciate your time and assistance today.

#### MAIN BODY OF QUESTIONNAIRE

##### NON-POLICY HOLDERS HQ5=1, 4 OR 6

#### MAIN REASON FOR NOT INSURING

##### ASK IF NON-POLICY HOLDER, SR, RANDOMISE 1-7

A1. What is the main reason you have chosen not to insure your [INSERT HQ5 QUOTA]?

*Please select one response only*

1. Too expensive
2. It is not good value for money
3. Had a bad experience in the past with an insurer
4. It is covered by CTP or compulsory third-party insurance [SHOW HQ5=6 ONLY]
5. I don't need insurance
6. I'd rather take the risk
7. I have just never had insurance
96. Other (please specify)
97. Don't know

#### OTHER REASONS FOR NOT INSURING

##### ASK IF A1=1-96, MR, RANDOMISE 1-7

A1a And are there any other reasons you have chosen not to insure your [INSERT HQ5 QUOTA]?

*Please select all that apply*

1. Too expensive
2. It is not good value for money
3. Had a bad experience in the past with an insurer
4. It is covered by CTP or compulsory third-party insurance [SHOW HQ5=6 ONLY]
5. I don't need insurance
6. I'd rather take the risk
7. I have just never had insurance
96. Other (please specify)
97. Don't know
98. No other reason



## CAR QUOTA STREAMS ONLY HQ5=5 OR 6

### CAR VALUE

#### ASK IF CAR QUOTA HQ5=5 OR 6, SR

B1 [IF OWN MORE THAN ONE CAR S10a=2 or 3 Thinking about the car you drive most often, how much is this car valued at? [IF 1 CAR S10a=1 How much is this car valued at?

*Please select one response only*

1. Less than \$15,000
2. \$15,000-\$29,999
3. \$30,000 or more

### CAR NON-POLICY HOLDERS YOUNGEST DRIVER AGE

#### ASK ALL CAR NON-POLICY HOLDERS (HQ5=6) , SR

B2a How old is the youngest driver?

*Please select one response only*

1. Under 25
2. 25-44
3. 45+

### CAR NON-POLICY HOLDERS YOUNGEST DRIVER GENDER IF UNDER 25

#### ASK IF YOUNGEST DRIVER IS UNDER 25, B2a=1, SR

B2b And are they male or female?

*Please select one response only*

1. Male
2. Female

## POLICY HOLDERS HQ5=2,3 OR 5

### SECTION INTRO:

The following questions relate to your [INSERT HQ5 QUOTA / IF CAR SHOW: comprehensive car] insurance policy [IF HQ5=5 AND OWN MORE THAN ONE CAR S10a=2 or 3 covering the car you drive most often].

### MAIN REASON FOR INSURING

#### ASK POLICY HOLDERS, SR, RANDOMISE 1-7

Q1 What is the main reason you have chosen to insure your [INSERT HQ5 QUOTA]?

*Please select one response only*

1. To cover any loss or damage
2. It is a financial safety net
3. To protect an item that is important to me [HIDE IF CAR HQ5=5]
4. To protect against uncertainty
5. It is a requirement of my mortgage [SHOW IF COMBINED HQ5=3]
6. It is a requirement of my car loan [SHOW IF CAR HQ5=5]
7. I have been caught out in the past (e.g. had lost, damaged or stolen property that was not covered)
8. I have just always had insurance
96. Other (please specify)
97. Don't know

OTHER REASONS FOR INSURING

**ASK IF Q1=1-96, MR, RANDOMISE 1-7 [DO NOT SHOW CODE SELECTED IN Q1]**

Q2a And are there any other reasons you have chosen to insure your [INSERT HQ5 QUOTA]?

*Please select all that apply*

1. To cover any loss or damage
2. It is a financial safety net
3. To protect an item that is important to me [HIDE IF CAR HQ5=5]
4. To protect against uncertainty
5. It is a requirement of my mortgage [SHOW IF COMBINED HQ5=3]
6. It is a requirement of my car loan [SHOW IF CAR HQ5=5]
7. I have been caught out in the past (e.g. had lost, damaged or stolen property that was not covered)
8. I have just always had insurance
96. Other (please specify)
98. Don't know
99. No other reason

INSURER

**ASK ALL POLICY HOLDERS, SR**

Q3 Who is the provider of your [INSERT HQ5 QUOTA / IF CAR SHOW: comprehensive car] insurance policy?

*Please select one response only*

1. 1Cover
2. AAMI
3. Allianz
4. ANZ
5. Budget Direct
6. CGU
7. CommInsure
8. GIO
9. IAG
10. NRMA
11. OnePath
12. Real Insurance
13. Suncorp
14. QBE
15. Vero
16. Westpac
17. Woolworths
18. Youi
96. Other (please specify)
97. Don't know
98. Prefer not to say

COST

**ASK ALL POLICY HOLDERS, SR**

Q4 How much do you pay for your [INSERT HQ5 QUOTA / IF CAR SHOW: comprehensive car] insurance policy? If you are unsure of the amount, **an estimate is fine.**

*Enter the annual or monthly amount in the box below. Please round to the nearest dollar.*

Monthly	\$
Annual	\$
Don't know	9999

YOUNGEST DRIVER AGE

**ASK ALL POLICY HOLDERS (HQ5=5), SR**

Q4a. How old is the youngest driver listed on your policy?]

*Please select one response only*

1. Under 25
2. 25-44
3. 45+

YOUNGEST DRIVER GENDER IF UNDER 25

**ASK IF YOUNGEST DRIVER IS UNDER 25, Q4a=1, SR**

Q4b And are they male or female?  
Please select one response only

1. Male
2. Female

TIME HELD

**ASK ALL POLICY HOLDERS, SR**

Q5 How long have you held this [INSERT HQ5 QUOTA / IF CAR SHOW: comprehensive car] insurance policy with your current insurer?

Please select one response only

1. Less than 12 months
2. 1-2 years
3. 3-5 years
4. 6-10 years
5. More than 10 years
6. Not sure/can't remember

LIKELIHOOD OF SWITCHING

**ASK ALL POLICY HOLDERS, SR**

Q6 And how likely are you to change your [INSERT HQ5 QUOTA / IF CAR SHOW: comprehensive car] insurance provider in the next 12 months?

Please select one response only

1. Very likely
2. Somewhat likely
3. Neither likely nor unlikely
4. Somewhat unlikely
5. Very unlikely

REASON FOR CHANGE

**ASK IF LIKELY TO CHANGE IN NEXT 12 MONTHS Q6=1 OR 2, OE**

Q7 You mentioned you are [INSERT Q6 RESPONSE] to change your [INSERT HQ5 QUOTA] insurance provider in the next 12 months, why is that?

Please type your response in as much detail as possible into the box below

ATTITUDES

**ASK ALL POLICY HOLDERS, SR, RANDOMISE STATEMENTS**

Q8 To what extent do you agree or disagree with each of the following statements about [INSERT HQ5 QUOTA / IF CAR SHOW: comprehensive car] insurance?

Please select one response per row

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly Disagree
1. I tend to shop around for the best deal	1	2	3	4	5
2. I review policy terms carefully before purchasing	1	2	3	4	5
3. I regularly review my policy	1	2	3	4	5
4. I automatically renew my policy with the same insurer	1	2	3	4	5
5. My insurer is trustworthy	1	2	3	4	5

6. My insurer has met my expectations	1	2	3	4	5
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UNDERSTANDING OF POLICY

**ASK ALL POLICY HOLDERS, SR**

Q9 How well do you understand what you are covered for under your [INSERT HQ5 QUOTA / IF CAR SHOW: comprehensive car] insurance policy? *Please select one response only*

1. Extremely well
2. Very well
3. Fairly well
4. Not very well
5. Not at all

PREVIOUS CLAIM

**ASK ALL POLICY HOLDERS, SR**

Q10 Have you made a claim on your [INSERT HQ5 QUOTA / IF CAR SHOW: comprehensive car] policy in the last [IF CAR SHOW: 2 years?] [IF: HOME/CONTENTS SHOW: 5 years?]  
*Please select one response only*

1. Yes
2. No
97. Don't know/can't remember

P12M FOR CHOICE MODEL

**ASK IF MADE CLAIM Q10=1, SR**

Q11 And was this claim made within the last 12 months?  
*Please select on response only*

1. Yes
2. No

CLAIM SATISFACTION

**ASK IF MADE CLAIM Q10=1, SR**

Q12 Thinking now about you most recent [INSERT HQ5 QUOTA / IF CAR SHOW: comprehensive car] claim. How satisfied or dissatisfied were you with the outcome of this claim?  
*Please select one response only*

1. Very satisfied
2. Satisfied
3. Neither satisfied nor dissatisfied
4. Dissatisfied
5. Very Dissatisfied

REASON

**ASK IF MADE CLAIM Q10=1, OE**

Q13 You said you were [INSERT Q12 RESPONSE] with the outcome of your claim. Why was that?  
*Please type your response in as much detail as possible into the box below*

## CHOICE EXERCISE

For this next exercise we would like you to imagine you are making a decision about [INSERT HQ5 QUOTA] insurance.

We're about to show you a number of scenarios of different insurance policies that may be available for you to take up, and for each one we'll ask you to choose which one you would be most likely to take up.

They may seem similar, but each choice will be different, please take your time and read each carefully. You also will have the option to select none of these policies (i.e. you would choose to be uninsured).

### START SCENARIO CHOICES

QUESTION TO APPEAR ABOVE EACH SCENARIO:

Out of these options please select the policy you would most likely take up – or you may select 'none of these' in the last column (and choose to be uninsured).

*You can click on any of the policy items and that policy will be selected.*

## DECISION MAKING FACTORS

DECISION FACTORS

**ASK POLICY HOLDERS 2,3 OR 5, MR | RANDOMISE 1-10**

C1. When considering all factors that go into choosing a [INSERT HQ5 QUOTA IF CAR SHOW: comprehensive car] insurer, which of the following are important to you?

*Please select all that apply*

1. Premium or price
2. Policy inclusions (e.g. flood and fire, under 25s covered etc.)
3. Brand reputation
4. Have insured with them in the past
5. Bundling – ability to have other policies with them
6. Range of contact methods for renewals or enquiries
7. Good claim history
8. Recommendations from family or friends
9. Customer service
10. Transparency (e.g. no hidden clauses)
96. Other (please specify)

DECISION FACTORS RANKED

**ASK IF 2 OR MOST CODES SELECTED AT C1**

C2. Please rank these in order of importance to you, where one is the most important.

*Click on the most important factor and it will move to the 'Ranked choice' column, then click on the second most important factor and it will move across, etc. The up and down arrows can be used to re-order the factors.*

**SHOW ITEMS SELECTED IN C1**

## DEMOGRAPHICS

And finally, just a few questions to help us analyse the data...

HOUSEHOLD

**ASK ALL, SR**

D1. Which one of the following best describes the household you live in?

*Please select one response only*

1. Unrelated adults sharing a home
2. Single parent with children at home
3. Living with partner – no children at home
4. Living with partner – children at home
5. Single – living alone
6. Living with parents
7. Other
97. Prefer not to say

INCOME

**ASK ALL, SR**

D2. What is the total annual income before tax of your household?

*Please select one response only*

1. Under \$30,000
2. \$30,000 to under \$60,000
3. \$60,000 to under \$90,000
4. \$90,000 to under \$120,000
5. \$120,000 to under \$150,000
6. \$150,000 to under \$200,000
7. \$200,000 or more
96. Prefer not to say

EDUCATION

**ASK ALL, SR**

D3. What is the highest level of education you have completed?

*Please select one response only*

1. Under Year 10
2. Year 10 or equivalent
3. Year 11 or equivalent
4. Year 12 or equivalent
5. TAFE, diploma, certificate
6. Undergraduate Degree
7. Postgraduate Degree
97. Prefer not to say

LOTE

**ASK ALL, SR**

D4. Do you speak a language other than English at home?

*Please select one response only*

1. Yes
2. No

LANGUAGE

**ASK IF D4=1, MR**

D5. And which of the following languages do you speak at home?

*Please select all that apply*

1. Mandarin
2. Cantonese
3. Arabic
4. Vietnamese
5. Greek
6. Hindi
7. Italian
8. Tagalog
9. Spanish
10. Other (please specify)