



Hon Robert Borsak MLC, Chair
Portfolio Committee No. 4 – Legal Affairs
Inquiry into the Fire and Emergency Services Levy

Dear Mr Borsak

Please find IAG's response to questions taken on notice during the Inquiry into the Fire and Emergency Services Levy on Monday 13 August 2018.

What percentage of households have home building and home contents insurance?

Data from the Australian Bureau of Statistics estimated that of Australia's 8.4 million households which could potentially purchase contents insurance, 29 per cent (or 2.5 million) did not have a contents policy and of the 5.25 million potential buyers of home insurance, 3.8 per cent do not have a building insurance policy¹.

Among those with insurance, what is the level of underinsurance?

A national survey undertaken by Understand Insurance, the Insurance Council's financial literacy initiative, found that more than 80 per cent of Australian homeowners and renters are underinsured for their home and contents insurance².

Ms Delia Rickard - ACT Regional Commissioner and Deputy Executive Director of Consumer Protection stated in 2005 that "at least 27 per cent and possibly as many as 81 per cent of homeowners are underinsured by 10 per cent or more" after ASIC launched a project to examine home insurance following the Canberra bushfires in January 2003 that destroyed 488 homes.

Can a building owner claim the cost of a fire services call-out for a false/faulty alarm on their commercial insurance policy?

Under many commercial package products, a customer can submit a claim under the additional benefit for fire extinguishment costs, to cover the costs of the fire brigade attendance.

For corporate customers who insure under an Industrial Special Risks policy, it will depend on the circumstances but in most cases, it is unlikely that the policy would respond as there has been no damage.

Many commercial policies have deductibles or an excess and this amount may be larger than the expected cost of the fire brigade call-out fee.

¹ ICA Submission to the Inquiry into the Fire and Emergency Services Levy 27 November 2017

² ICA Submission to the Inquiry into the Fire and Emergency Services Levy 27 November 2017

What is the rate of insurance for commercial properties?

IAG has found no reliable data where we can draw conclusions around under-insurance or non-insurance in the commercial segment.

Has the sectorial base changed for the contribution of funding the emergency services levy between commercial and residential in the past 12 months?

IAG contributions to the emergency services levy are collected on Fire (commercial properties), Home (residential properties) and Motor. The comparison of FY17 contribution to the FY18 contribution, does highlight a small reduction in commercial contributions compared to residential contributions.

The June/July period accounts for a high proportion of commercial renewals and for July 2017 the ESL rate was Zero. We believe that the large proportion of renewals with zero ESL along with some divestment of commercial business is the reason for the reduction.

The comparison of FY16 Fire, Home and Motor contributions against IAG's FY17 Fire, Home and Motor contributions was stable.

Yours sincerely

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IAG