

Understand Home Insurance Research Report

Prepared by Quantum Market Research for the Insurance Council of Australia

August 2014

Background to this report

To better understand consumer attitudes around their home insurance, the Insurance Council of Australia (ICA) commissioned Quantum Market Research to conduct a national online survey of more than 1,000 Australian adults.

The research project focused on uncovering attitudes towards home insurance, with specific focus on potential exposure to financial loss.

The results of the survey form a key part of **Understand Insurance**, the ICA's national consumer campaign aimed at empowering consumers to make better, more informed decisions by demystifying insurance.

Research methodology & sampling

Total sample: n=1017 home owners / renters

- Before taking part in this survey, respondents were screened to ensure they were:
 - Australian residents.
 - Aged 18+.
 - A home owner (with or without mortgage) or currently renting a home.
 - The household's primary or joint decision maker regarding home insurance.
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- The survey was conducted in July 2014.
 - All respondents completed the survey online.
 - Each respondent took 6-8 minutes to complete the survey.
 - A nationally representative sample was obtained (based on gender, age and location).
 - Respondents were sourced from an ISO accredited market research panel which is considered among the highest quality in the industry (Survey Village).
 - This panel is carefully managed to ensure respondents are representative of the total population and are not 'over-researched'.

Weighting of the sample

The need for weighting: To ensure that our sample is truly representative of the average homeowner / renter in Australia.

i.e. not just nationally representative of everyone, but nationally representative of homeowners / renters.

Take data we collected on **proportion of who live in their own rented / owned / mortgaged home**

Looked at in conjunction with ABS census data on national population size...

Gave us a weighting factor to achieve a **nationally representative cross-section of homeowners / renters**

Age:	% living in own home
18-24	38%
25-29	78%
30-39	87%
40-49	93%
50-64	95%
65+	94%

Aus. Pop.	Therefore % Aus. Pop. living in own home
12.6%	5.6%
9.7%	8.9%
17.9%	18.5%
18.0%	20.0%
23.4%	26.5%
18.3%	20.5%

Weighting factor
0.58
0.49
0.90
1.01
1.85
1.20

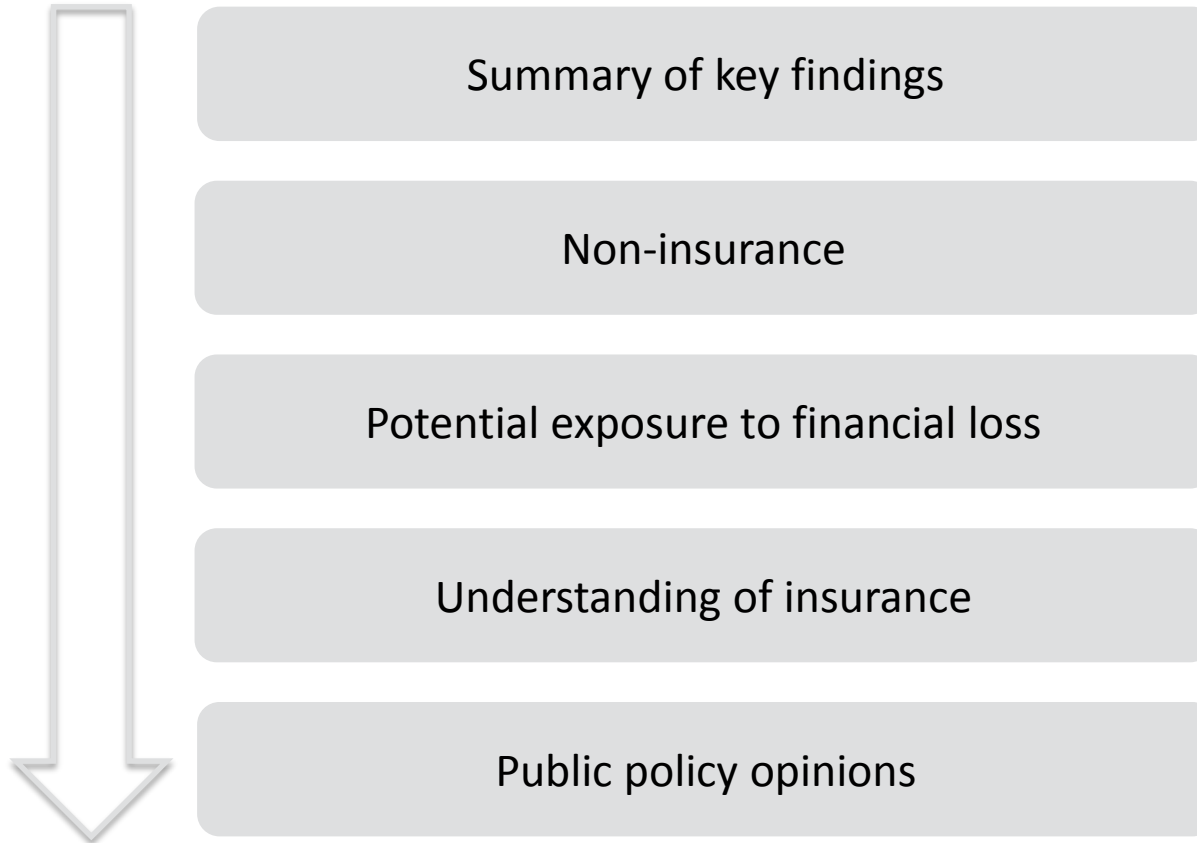
Weighted sample: A representative cross-section of Australian homeowners / renters

Age:	% of sample:
18-24	6%
25-29	9%
30-39	19%
40-49	20%
50-64	26%
65+	20%

Location:	% of sample:	Location:	% of sample:
Sydney	21%	Regional NSW	11%
Melbourne	18%	Regional Vic	8%
Brisbane	8%	Regional Qld	12%
Perth	6%	Regional WA	3%
Adelaide	7%	Regional SA	1%
Hobart	1%	Regional Tas	1%
ACT (Canberra)	2%	NT	1%

Gender:	% of sample:
Male	48%
Female	52%

Sections of this report



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Summary of key findings

Top 10 findings from this research

1.

Three quarters (74%) of Australian renters are putting themselves at risk by not insuring their home's contents. Of these, almost a third (29%) previously held contents insurance but have since not renewed it.

2.

More than one in ten (12%) of those without contents insurance say they 'just haven't thought about it'.

3.

The vast majority (81%) of homeowners / renters are exposed to significant financial loss because their insurance does not cover them to resume the same standard of living in the event of a crisis.

4.

Overall, one in ten (10%) of Australian homes are insured according to an out-of-date purchase price (more than two years old) which the owner provided to their current insurer as an estimate of the value of their property.

5.

Only around half of homeowners (53%) / renters (44%) considered exclusions when selecting their home insurance cover.

Top 10 findings from this research

6. When evaluating a potential insurer, householders rely more on online reviews (22%) than Industry Code of Practice (19%). The biggest influence on their judgement of an insurer's reputation is their own personal experience (61%).
7. Of those with contents insurance, who purchased a new high value item in the past five years, more than half (53%) did not update their contents policy after purchasing the new item.
8. When asked specifically about the highest value item in their home, nearly one in four (23%) with contents insurance expressed that either they didn't have insurance coverage for it or were unsure.
9. Nearly one in six (15%) homeowners use general knowledge, without consulting another source, to understand what their policy covers.
10. Almost a third (31%) of renters without contents insurance say they would take out a policy if the state tax was removed.



Non-insurance

Three quarters (74%) of Australian renters are putting themselves at risk by not insuring their home's contents

Homeowners: n=639

Renters: n=378



7%

Of **homeowners** don't have **contents** insurance

74%

Of **renters** don't have **contents** insurance

Those who don't have contents insurance are more likely to:

- Be younger (80% of those aged under 30).
- Live in a unit / apartment (82%) rather than a house (68%).
- Perceive that the net value of their household assets equals less than \$50k (84%).

Breakdown of renters without contents insurance

% who don't have contents insurance:

Base: Renters who have contents insurance (n=285)

Gender:	%:
Male (n=160)	72%
Female (n=172)	76%

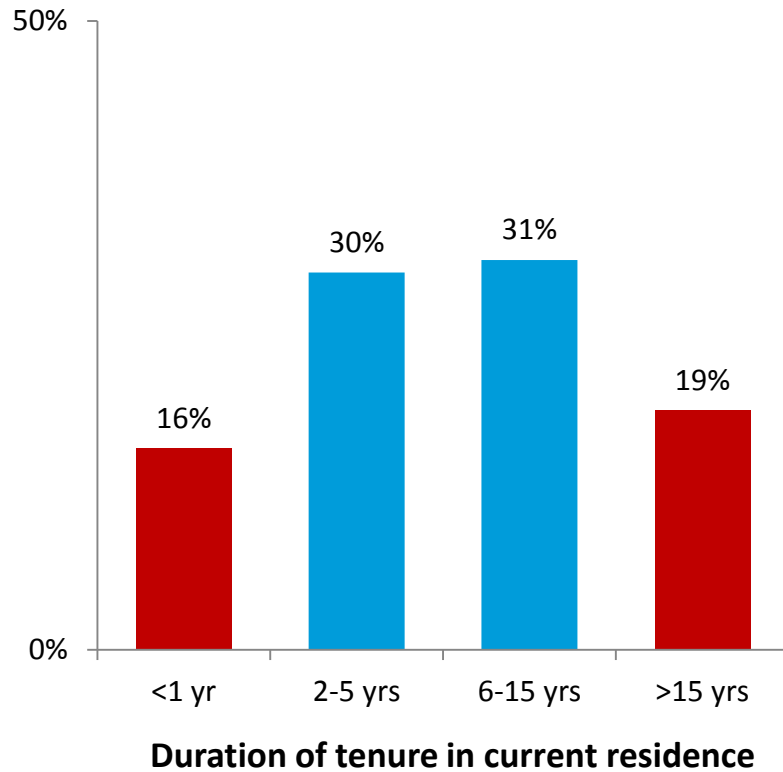
Age:	%:
18-24 (n=42)	83%
25-29 (n=47)	77%
30-39 (n=65)	72%
40-49 (n=65)	72%
50-64 (n=79)	72%
65+ (n=33)	70%

State:	%:
NSW (n=116)	72%
VIC (n=88)	77%
QLD (n=65)	74%
WA (n=22)	68%
Other (n=39)	77%

Renters who just moved in, and long-term renters, are most at risk

% who have contents insurance:

Base: Renters who have contents insurance (n=93)



History of contents insurance:

Base: Renters who do not have contents insurance (n=285)

29%
Of all renters without insurance, previously held contents insurance but have not renewed it.

More than one in ten (12%) of those without contents insurance say they ‘just haven’t thought about it’

Reasons for not having contents insurance:

Base: All those who do not have contents insurance (n=332)

The perceived value equation:



It's too expensive (49%).
The value of my contents is low so it isn't worth it (31%).
The risk of me needing to claim is low (27%).

The motivated but distracted:



I wanted to get insurance but haven't got around to it (15%).

The uninformed:



I'm unsure whether I need it (14%).
I just haven't thought about it (12%).

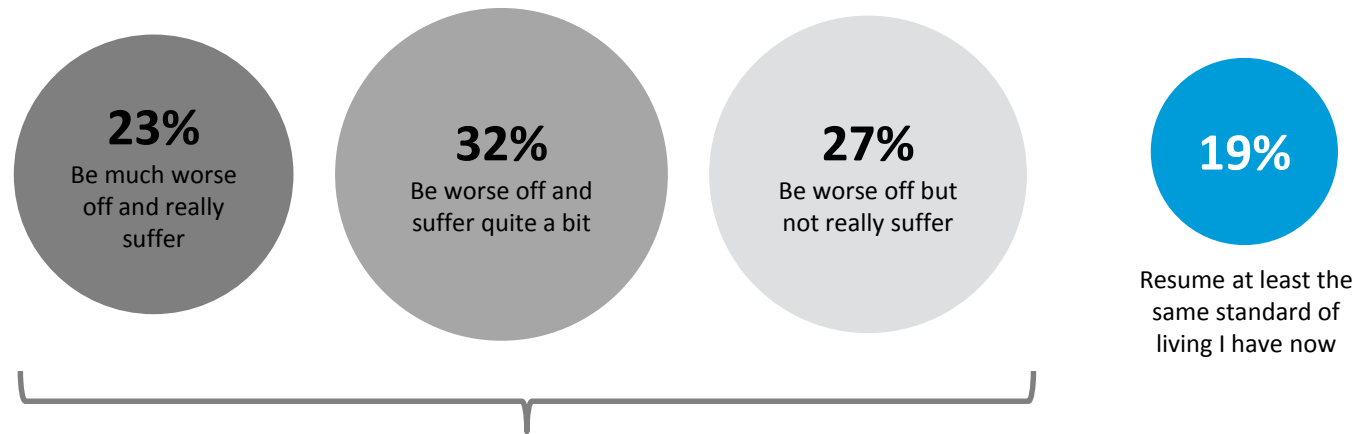
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**Potential exposure to
financial loss**

Overall exposure to potential financial loss

- If we define exposure to potential financial loss as 'any person who perceives they cannot resume their same standard of living in the event of a crisis', then 81% of homeowners/renters perceive themselves to be exposed.

Base: All (n=1017)



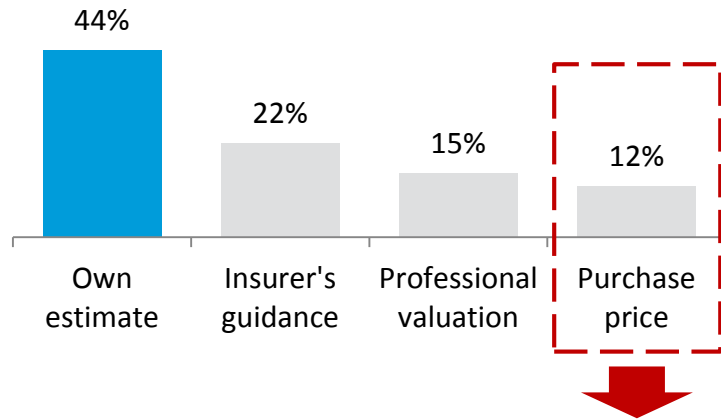
81% of homeowners / renters are exposed to significant financial loss.

Note: Respondents were asked to exclude any personal injury to ensure their consideration was purely financial in nature.

In most cases, buildings and contents are insured according to the householder's evaluations

Source of building / building & contents insurance valuation:

Base: Homeowners with building or building & contents insurance (n=592)

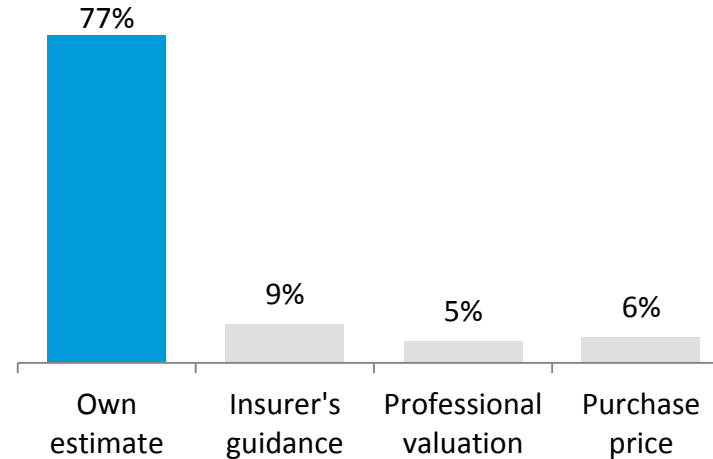


85% of homes insured according to their purchase price were bought two or more years ago.

Overall, one in ten (10%) of Australian homes were insured according to an out-of-date purchase price.

Source of contents insurance valuation:

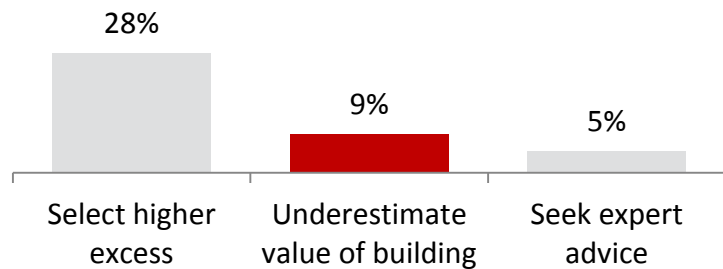
Base: Homeowners / Renters with contents insurance only (n=118)



One in ten of those insuring according to their own estimate under-valued their building / contents to lower their premium

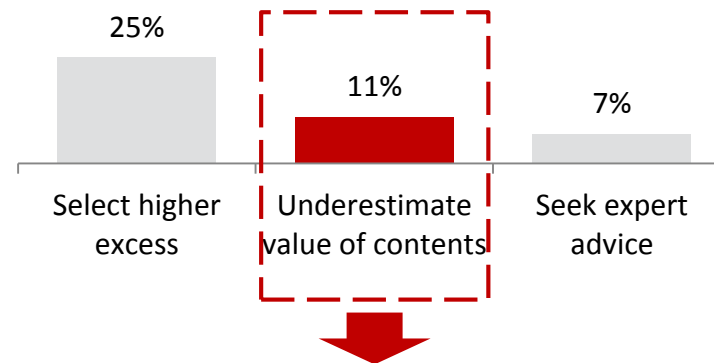
Reducing building insurance premium:

Base: Homeowners with building insurance who insured according to their own estimate (n=260)



Reducing contents insurance premium:

Base: Homeowners / Renters with contents insurance who insured according to their own estimate (n=332)



Young people were significantly more likely to underestimate the value of their contents to lower their premium.

One in four (24%) of those aged under 30, who insured according to their own estimate, deliberately under-valued their contents to lower their premium.

In a high proportion of cases, insurance customers were neglecting important criteria when selecting their policy

Factors not considered when selecting insurance cover:

Base: Those with insurance (n=710)

	Homeowners (n=626)	Renters (n=162)
Excess	44%	55%
Exclusions	47%	56%
Insurer's reputation	48%	59%
T & Cs (PDS)	59%	64%



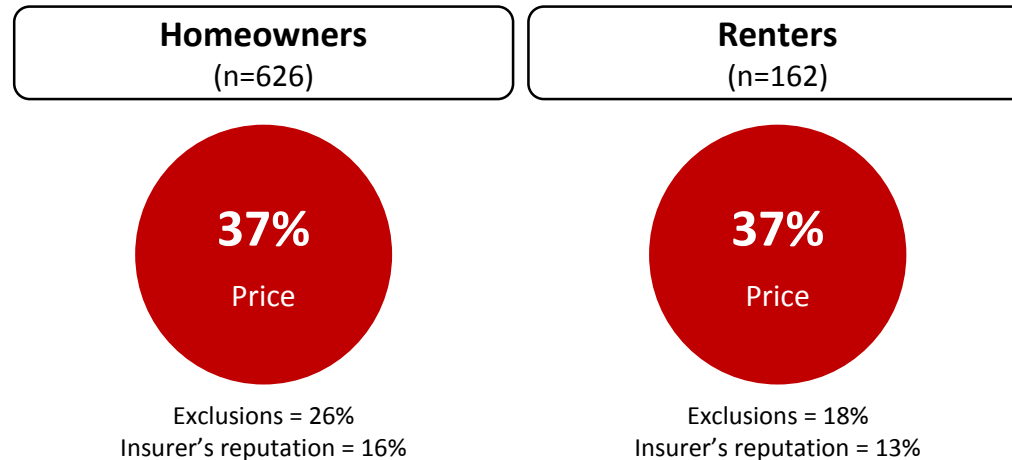
Implying that they may have been affected in the past, those who have previously made a claim on their home insurance were significantly more likely to consider 'exclusions' when taking out a policy.

Overall, around half (51%) of homeowners/renters who haven't made a claim neglect to consider exclusions; but only a third (36%) of those who have made a claim make the same oversight.

At the expense of practical implications (such as policy exclusions), cost was driving choice of insurance

The most important factor when selecting insurance cover:

Base: Those with insurance (n=710)

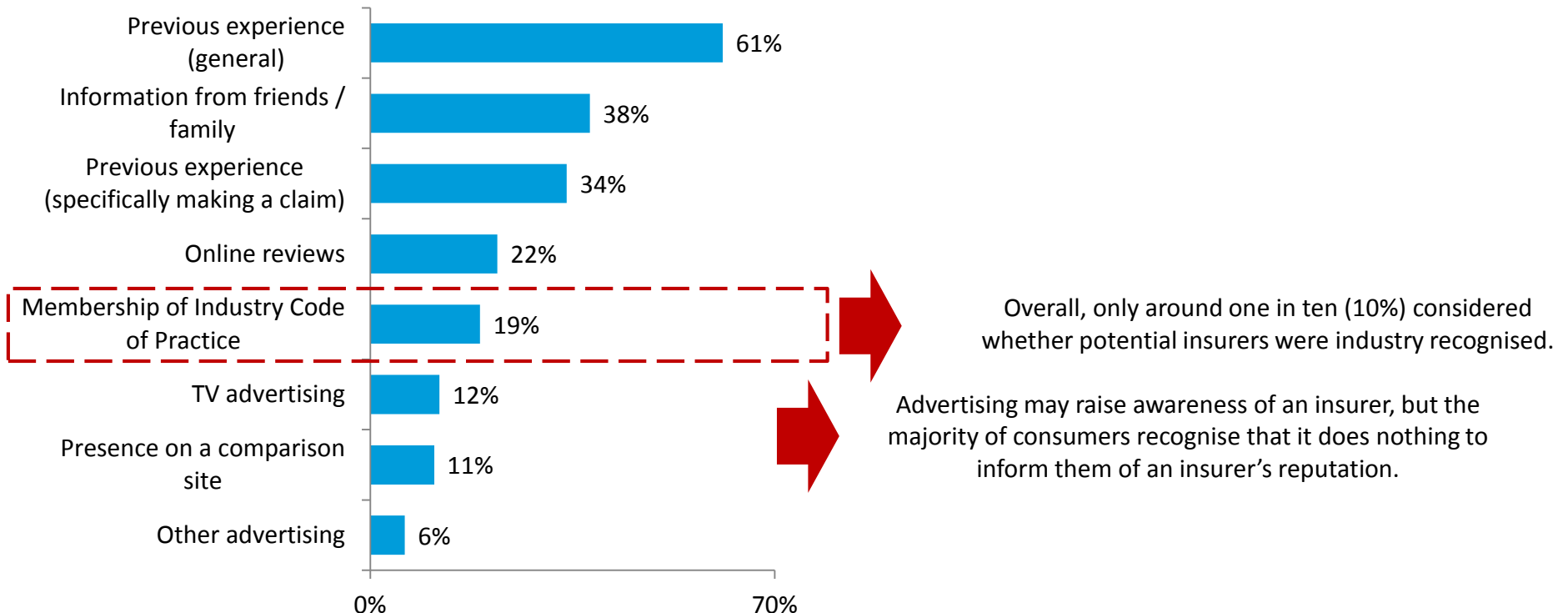


- Young Australians are significantly more likely rank 'price' as their most important factor when selecting insurance (45% of those aged under 30).
- Those who have never previously made a claim (41%) were also significantly more likely to rank price as most important, compared to those who have previously made a claim (30%).

When evaluating a potential insurer, householders rely more on online reviews than Industry Code of Practice

Factors which inform judgement of insurer's reputation:

Base: Those who considered 'insurer's reputation' when selecting insurance (n=408)



More than half (53%) did not update their contents policy after purchasing a new high value item

Updating contents policy to cover high value acquisitions*:

Base: Homeowners / renters with contents insurance who have purchased a high value item* in the past five years (n=613)



Items for which contents insurance was updated (at any stage):

- Householders were more likely to update their contents policy to cover new artwork (75%) and jewellery (60%).
- Around half updated their contents insurance to cover renovations (53%) and new curtains / carpets (52%).
- Computer / tablets (43%) and TV / stereos (45%) were most likely to be forgotten about.

Those who didn't update their contents policy were more likely to:

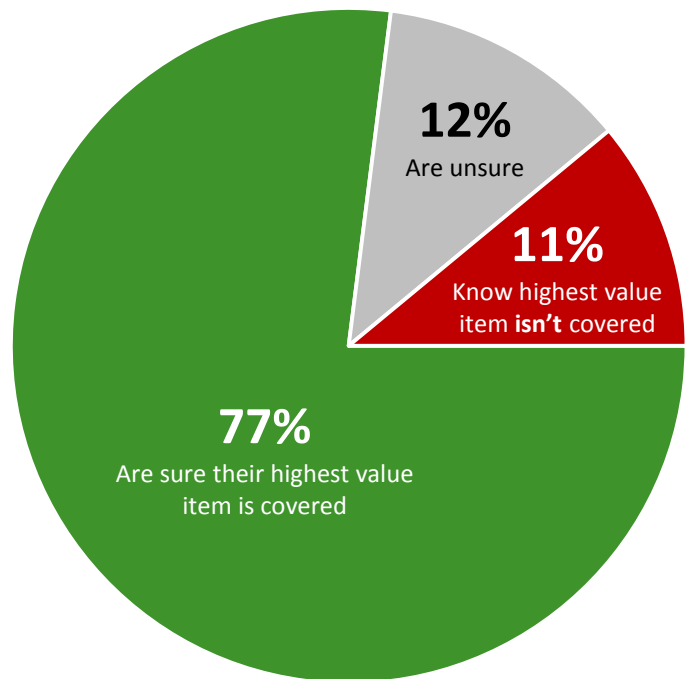
- Be over 30. Interestingly, younger consumers are the more responsible here – only a third (33% of those under 30) didn't update their contents policy.
 - Those aged over 50 were more likely to 'set and forget' their contents insurance, nearly two thirds (62%) didn't update their policy.

*Note: High value acquisition included anyone who purchased any item referenced above.

Nearly one in four (23%) with contents insurance may not have coverage for the highest value item in their home

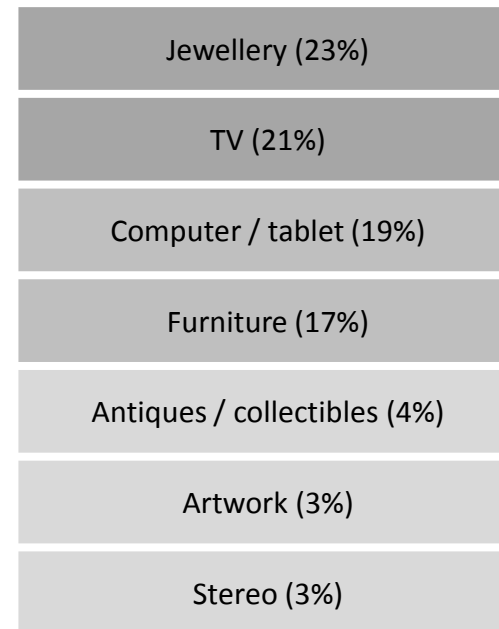
Coverage for highest value item in the home:

Base: Homeowners / renters with contents insurance (n=673)



Highest value items in home:

Base: All (n=1017)



Note: Excludes n=17 who said family members / pets were highest value item in their home.

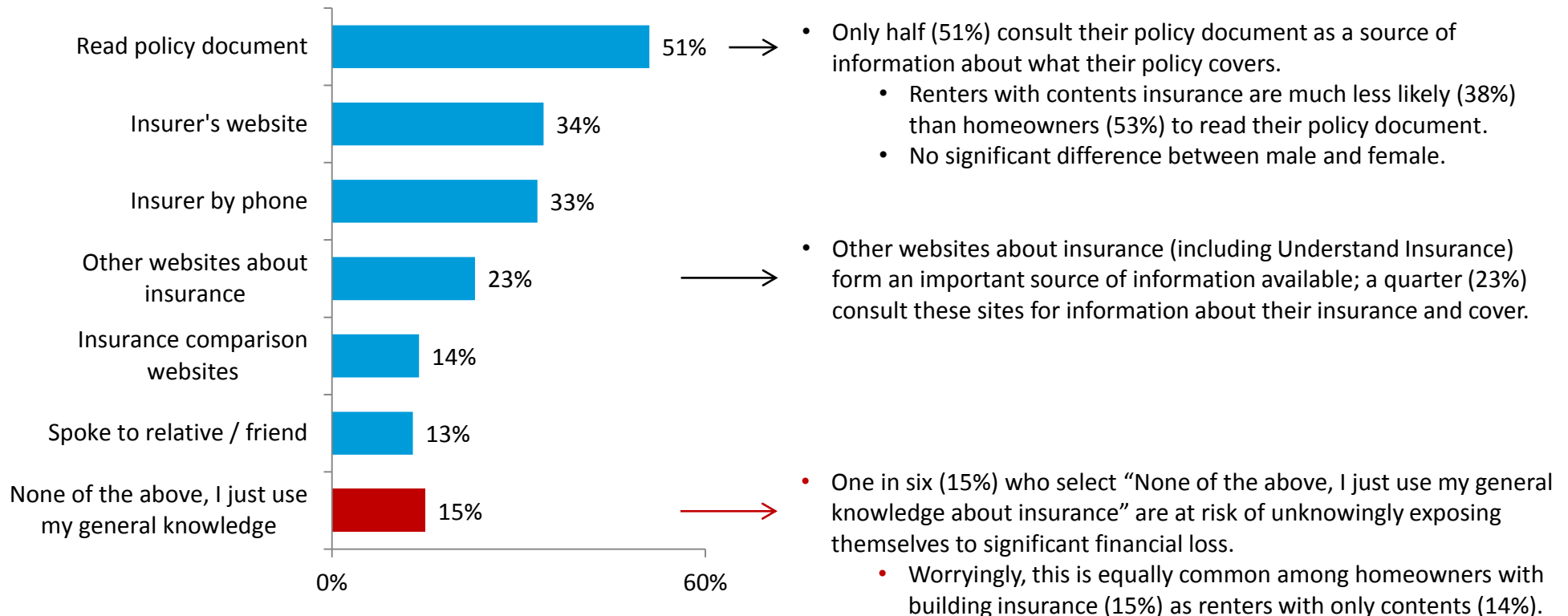
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Understanding of insurance

Nearly one in six (15%) homeowners use general knowledge, without consulting another source, to understand what their policy covers

Sources of information used to understand policy coverage:

Base: All with insurance (n=710)

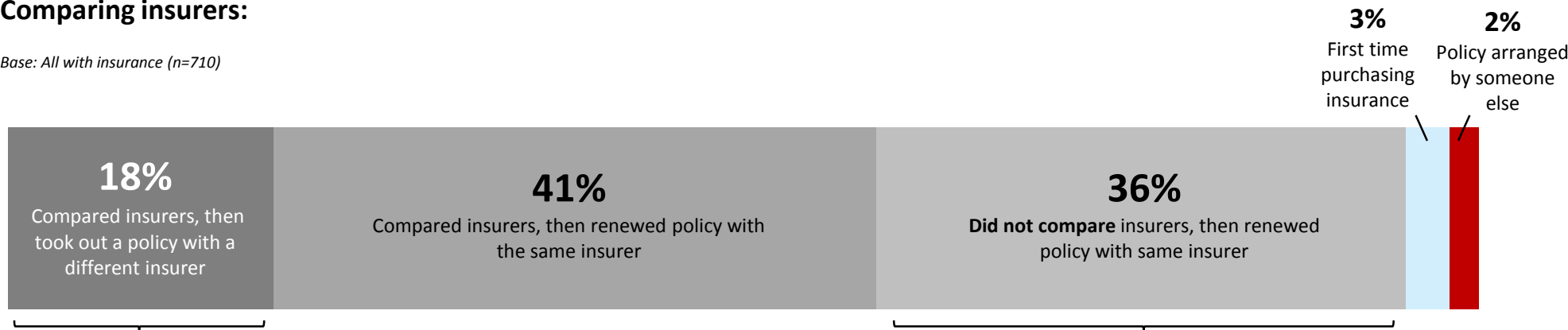


Note: Mentions <10% shown in slide notes.

Less than two thirds (59%) of homeowners / renters with insurance compared their policy before renewing this year

Comparing insurers:

Base: All with insurance (n=710)



Those who switched insurers were more likely to:

- Be from higher income households (24% of those from households earning >\$100k p/a).

Those who renewed without comparing were more likely to:

- Have lived in their current home longer (45% of those who moved in 15 or more years ago).
- Be female (41% of females, versus 32% of males).

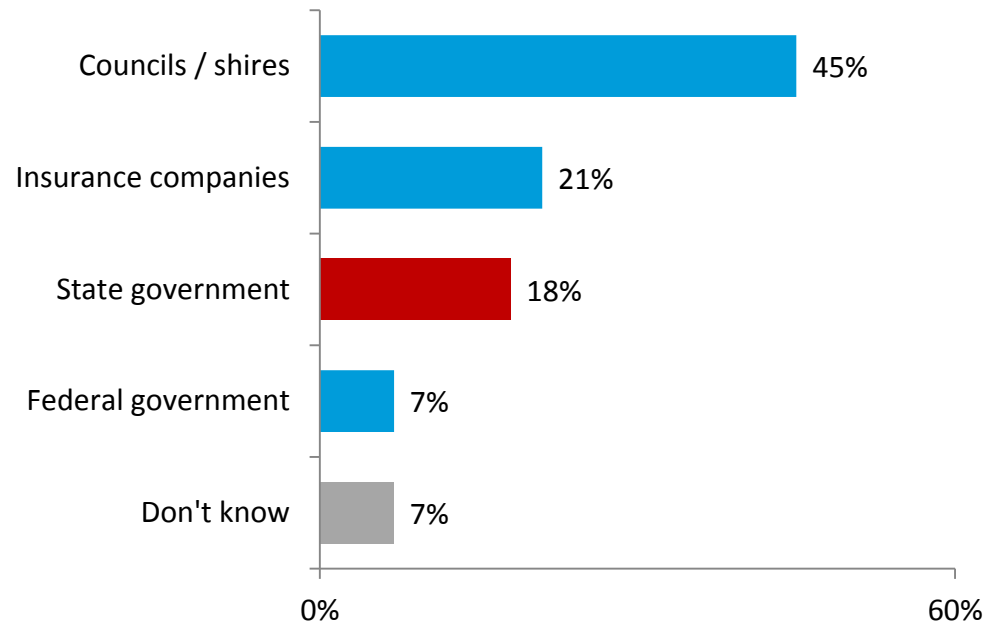
Interestingly, there were no significant differences between homeowners and renters.

Public Policy Opinions

Homeowners believe government, not insurers, should be responsible for informing them of their natural disaster risk

Base: All homeowners (n=639)

Who should be responsible for informing homeowners, in areas prone to natural disasters, about their level of risk, and the impact this may have on rebuilding costs should the property be destroyed?

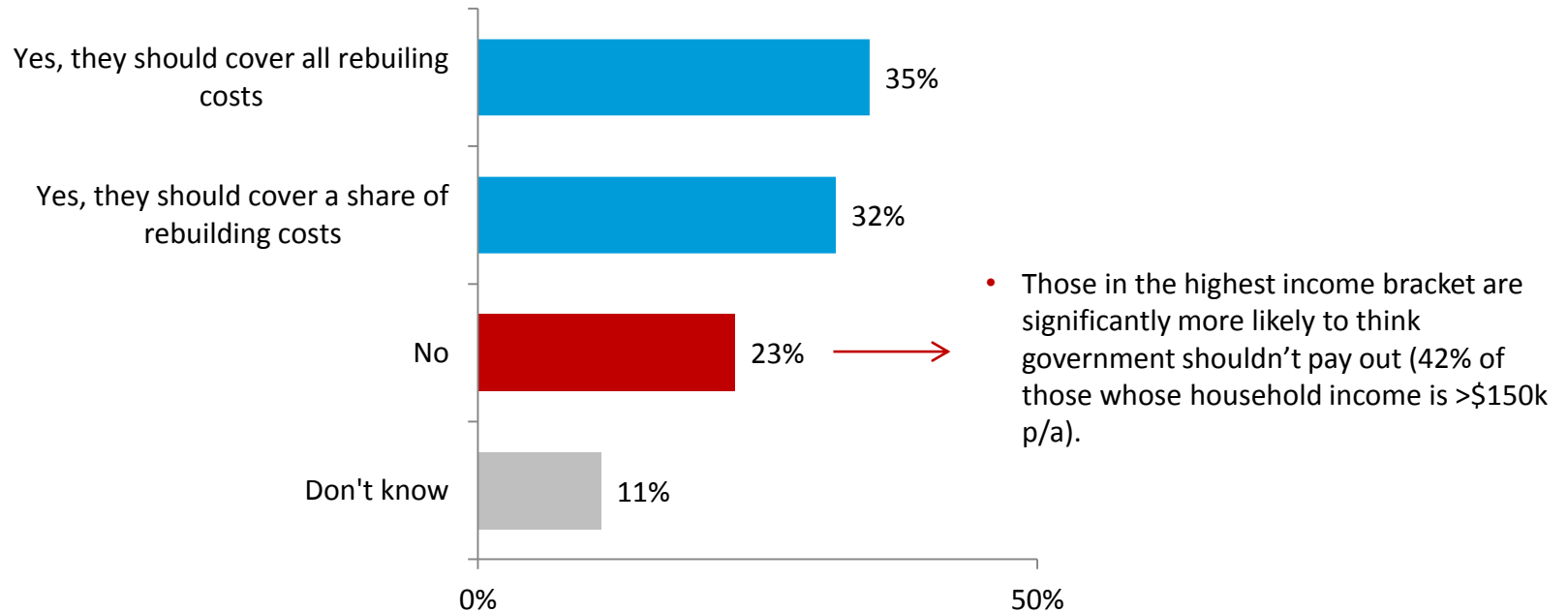


Note: Mentions <5% shown in slide notes.

More than two thirds (67%) believe government should pay rebuilding costs when homeowners weren't informed of risk

Base: All homeowners (n=639)

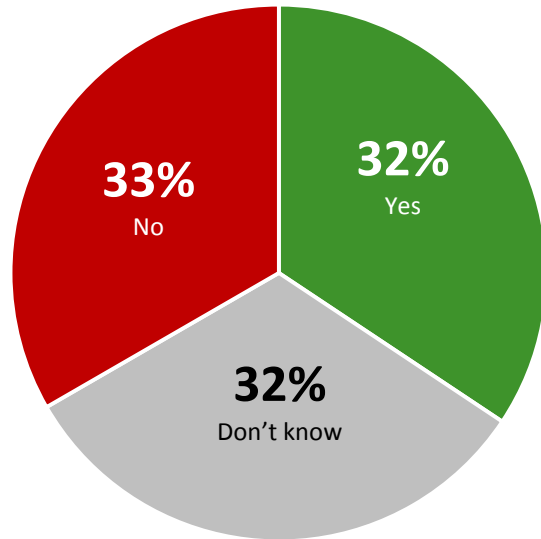
If a homeowner, whose home was destroyed by natural disaster, wasn't informed of their risk by the authority in charge (e.g. council or government), should the authority be liable for rebuilding costs above what is covered by the homeowner's insurance?



One third (34%) of homeowners / renters in Australia would re-evaluate their insurance if the state tax was removed

Base: All (n=1017)

Would removing the state tax lead you to re-evaluate your insurance cover?



State	% Yes
NSW (n=202)	38%
VIC (n=162)	20%
QLD (n=122)	17%
WA (n=69)	9%
SA (n=53)	11%

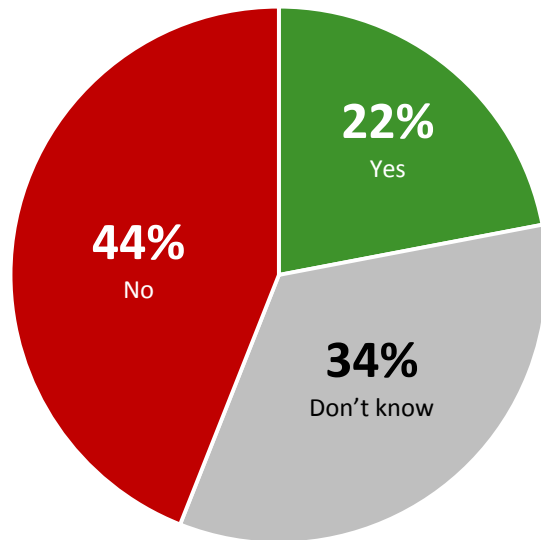
- Intention to re-evaluate insurance if state tax is removed was consistent across all demographics except the oldest Australians.
 - Only 23% of those aged over 65 say they would re-evaluate their insurance. For all other age groups the proportion was closer to 40%.

Note: Respondents were shown the following tax values:
VIC=10%, QLD=9%, WA=10%, SA=11%, NSW="Typically more than 20%"

One in five (22%) would re-evaluate their other insurance (e.g. car insurance) if the state tax was removed

Base: All (n=1017)

Would removing the state tax lead you to re-evaluate your other insurance cover (e.g. car insurance)?



State	% Yes
NSW (n=202)	37%
VIC (n=162)	22%
QLD (n=122)	18%
WA (n=69)	8%
SA (n=53)	12%

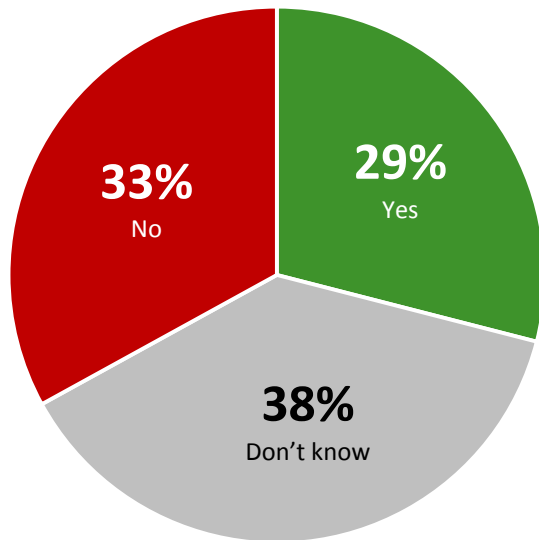
- Intention to re-evaluate insurance if state tax is removed was consistent across all demographics except the oldest Australians.
 - Only 17% of those aged over 65 say they would re-evaluate their insurance. For all other age groups the proportion was closer to 30%.

Note: Respondents were shown the following tax values:
VIC=10%, QLD=9%, WA=10%, SA=11%, NSW="Typically more than 20%"

Almost a third (31%) of renters without contents insurance say they would take out a policy if the state tax was removed

Base: Those without contents insurance (n=341)

Would removing the state tax lead you to purchase contents insurance?



State	% Yes
NSW (n=122)	40%
VIC (n=97)	25%
QLD (n=60)	12%
WA (n=21)	7%
SA (n=25)	9%

- Renters were more likely than homeowners to say they would purchase contents insurance if the state tax was removed (31% of renters without contents insurance, versus 23% of homeowners).

Note: Respondents were shown the following tax values:
VIC=10%, QLD=9%, WA=10%, SA=11%, NSW="Typically more than 20%"