



Review of the 2020 General Insurance Code of Practice

ACCC submission to the Initial Consultation Paper

7 June 2024

1. The ACCC's role in general insurance

The ACCC is an independent Commonwealth statutory agency that promotes competition, fair trading and product safety for the benefit of consumers, businesses and the Australian community. The primary responsibilities of the ACCC are to enforce compliance with the competition, consumer protection, fair trading and product safety provisions of the *Competition and Consumer Act 2010 (Cth)*, regulate national infrastructure and undertake market studies.

The ACCC has a limited direct role in general insurance, which is primarily regulated by the Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA). However, we have general competition law oversight and have undertaken a number of specific insurance-related roles when directed by government, supported by certain statutory information gathering powers.

In 2017, the then government directed us to undertake a wide-ranging inquiry to help address concerns about insurance affordability and availability in northern Australia. We were also directed to consider how to promote more informed and more competitive insurance markets.¹ We provided the final report of our inquiry into the supply of home, contents and strata insurance in northern Australia (the Northern Australia Insurance Inquiry), on 30 November 2020.²

In 2022, the ACCC was directed to monitor the effectiveness of the government's cyclone reinsurance pool for cyclone and cyclone-related flood damage, which is administered by the Australian Reinsurance Pool Corporation (ARPC). We are required to report at least once each calendar year until 30 June 2026. To date we have released two reports.³

This ACCC submission to the Initial Consultation Paper for the independent review of the 2020 General Insurance Code of Practice (Initial Consultation Paper) has been informed by the work from these two insurance roles. Particular regard is paid to reporting relevant findings and recommendations from the Northern Australia Insurance Inquiry.⁴

Whilst the terms of reference for the Northern Australia Insurance Inquiry limited our examination to home, contents and strata insurance markets in northern Australian, we believe that many of the recommendations made could also benefit consumers and insurance markets nationally, if more broadly applied. We also consider many of the findings and recommendations remain just as, if not more, relevant today.

In addition to making recommendations to governments to address immediate insurance affordability concerns, we made a number of recommendations to strengthen consumers' rights, particularly when they are experiencing financial difficulty or need to make a claim on their insurance. We also recommended reforms to make it easier for consumers to search for, and compare, insurance products; and to help consumers choose the right amount of insurance cover.

The recommendations the ACCC proposed were predominantly centred around regulatory reform, however it remains open to general insurers to voluntarily commit to proposals which would seek to raise standards and improve outcomes for insurance consumers. This could be achieved through the updated General Insurance Code of Practice (the Code).

¹ The terms of reference are published on the ACCC's [Northern Australia Insurance Inquiry](#) webpage.

² ACCC, [Northern Australia Insurance Inquiry – final report](#), (NAII final report), 30 November 2020.

³ The first and second insurance monitoring reports are published on the ACCC's [insurance monitoring](#) webpage.

⁴ ACCC, [Northern Australia Insurance Inquiry – final report](#), 30 November 2020, see particularly chapters 17 and 18.

Appendix A contains the full text of relevant recommendations from the final report of the ACCC's Northern Australia Insurance Inquiry, which are referenced in this submission. These recommendations are listed in Box 1.

Box 1: Northern Australia Insurance Inquiry recommendations referred to in this submission

Making it easier for consumers to search for, and compare, insurance products

There are a range of reforms that will make it easier for consumers to search for, and compare, insurance products. We recommended changes to improve the comparability of insurance products, require insurers to share certain information with consumers and make it easier for consumers to access existing information sources. Recommendations included:

Recommendation 15.1: Better disclosure of instalment surcharge costs

Recommendation 18.6: Disclose premium impacts of optional inclusions and exclusions

Recommendation 18.8 Renewal notices should give 28 days' notice

Choosing the right amount of insurance cover

Consumers generally bear the risk of underinsurance as they are required to nominate the sum insured for their property. Insurers can provide clearer advice to their customers to help them choose the level of cover that they need. Recommendations included:

Recommendation 18.4: Insurers should estimate a sum insured for customers

Recommendation 18.5: Insurers should disclose costs that count towards 'sum insured'

Improving consumers' rights

Recommendations we made to empower and better protect consumers in their dealings with insurers, particularly when they are experiencing financial difficulty or need to make a claim on their insurance, included:

Recommendation 15.3: Help for customers experiencing premium payment difficulties

Recommendation 20.2: Giving consumers more control over how home (building) claims are settled

Recommendation 15.2: Insurers should be required to offer Centrepay

Recommendation 20.1: Better information for consumers lodging a claim

Recommendation 20.3: ASIC approval for the General Insurance Code of Practice

Reducing risk and building better

Improving the resilience of properties and communities to natural hazards will have significant benefits now and into the future, including through lower insurance claims costs. Greater consideration of the likely benefits (and costs) of mitigation and other resilience measures is required. Recommendations we made included:

Recommendation 21.1: Clearly stated mitigation discounts

Recommendation 21.2: Information on mitigation works that could reduce premiums

2. Key areas to be considered

From the 'Key areas to be considered' section of the Initial Consultation Paper, the ACCC offers comments related to the sections on financial hardship and customer vulnerability.

Financial hardship (2.1)

A payment difficulty framework for short-term financial hardship

The ACCC strongly supports an insurer commitment to premium payment support through the Code. As part of our Northern Australia Insurance Inquiry, we undertook to establish what more insurers could do to support customers experiencing payment difficulties. That analysis is Chapter 15 of the final inquiry report. In addition to recommending a payment difficulty framework, we made a range of complementary recommendations, including those discussed in Section 4 of this submission (see Affordability).

Indeed cost of living challenges and insurance affordability, as well as hardship developments in other industries such as banking, energy and telecommunications underline the importance of our recommendations focussed on these issues.

During the inquiry, many consumer representative groups told us that insurance is among the first expense that customers experiencing financial difficulties will discontinue, due to it competing with higher household expenditure priorities such as food and housing costs.

We remain concerned that once a customer makes a decision to cancel their insurance (or it is cancelled by their insurer for non-payment), they may not move to resume it if their financial situation improves, thus risking significant, future financial loss.

While insurance may not be necessary to satisfy basic human needs in contrast to essential services like electricity and water, home insurance represents a crucial protection for what is likely to be a consumer's most important and valuable financial asset. In this sense, it is an essential service. When compared with the regulated frameworks for managing customers experiencing payment difficulties in essential services, such as credit and banking and utilities, there are only minimal requirements for insurers to support consumers experiencing payment difficulties, and they exclude help for the payment of a premium.

In our inquiry, we recommended that insurers should be required to provide short term support to their current and renewing customers experiencing payment difficulties at the time their premium falls due (see Recommendation 15.3 in [Appendix A](#)). We identified a range of features the framework could include.

Should a 'premium payment difficulty framework' be adopted into a revised Code, we encourage insurers to regard support for customers experiencing payment difficulties as being complementary to their other commitments to customers experiencing vulnerability. We expect insurers not to seek to disadvantage those customers who request payment support, for example through the imposition of an unreasonable surcharge for choosing to pay in instalments.

Insurance affordability for long term financial hardship

The intention behind our recommendation for a payment difficulty framework was to help support customers to maintain their insurance through a difficult time. We considered it

likely that households facing financial hardship and/or with low incomes are more likely to have forgone insurance already.

We proposed that financial support for customers experiencing chronic or longer-term payment difficulties could be best achieved by governments considering the recommendations we made (including on stamp duty), as well as our findings about the potential suitability of subsidies.

Customer vulnerability (2.2)

Inclusive product and service design to better address customer vulnerability

The ACCC supports an insurer commitment to develop innovative products and services which better address the needs of customers with a vulnerability.

As part of our Northern Australia Insurance Inquiry, we asked insurers about any insurance policies or initiatives they had implemented or considered to help improve the affordability and/or accessibility of insurance to lower income households and Indigenous households.

Several insurers advised us that they did not explicitly undertake any initiatives or offer any policies designed to improve affordability and accessibility of insurance for lower income and Indigenous consumers. Two insurers (Suncorp and IAG) provided further information about a range of policies and initiatives they had each considered to make insurance more accessible and/or affordable to lower income households, including products to simplify insurance to target the most essential items. These initiatives are discussed in the Northern Australia Insurance Inquiry final report at section 12.7.

We approached insurers about their initiatives in 2019, prior to COVID-19, which we acknowledge saw many insurers implement temporary assistance measures to support households experiencing premium payment difficulties.

In 2019, we also undertook a survey to better understand the extent of, and reasons for, non-insurance, including among Indigenous consumers. We found a lower incidence of home and contents insurance among Indigenous residents of northern Australia. We also found that indigenous residents generally placed a lower importance on insurance. One Indigenous consumer specifically commented that, '...A lot of people in my community would not have items of a significant value to justify the cost of the insurance.'⁵

An unfair trading practices prohibition

More generally, the ACCC strongly supports an economy-wide, principles-based prohibition on unfair trading practices to better protect consumers and small businesses in their dealings with business. A new law would establish a generalised norm of behaviour that would be better able to apply across different sets of circumstances, and for all participants in markets.

The current Code review is a good opportunity for industry to ensure the new Code will meet modern expectations about what it means for insurers to meet their commitment to be 'honest, efficient, fair, timely and transparent' in their dealings with consumers.

⁵ ACCC, [Northern Australia Insurance Inquiry – final report](#), 30 November 2020, see section 12.3.

A Consultation Regulation Impact Statement (Consultation RIS) for the inclusion of a possible unfair trading prohibition under the Australian Consumer Law was published for consultation in late 2023, and a Decision Regulation Impact Statement is expected in 2024.

However, the Consultation RIS did not consider the extension of reform to ASIC-regulated financial services such as insurance in the *Australian Securities and Investments Commission Act 2001* (Cth) (ASIC Act). This will be considered through a separate process which will follow in 2024.⁶

In 2010, unfair contract terms provisions were inserted into both the *Competition and Consumer Act 2010* (Cth) and the ASIC Act. The UCT laws apply to most financial products and services. However, it wasn't until April 2021 that reforms took effect to remove an exemption from unfair contract term prohibition which had applied to insurance contracts regulated by the Insurance Contracts Act.⁷ We hope that such a delay does not occur in relation to unfair trading practices.

3. Other parts of the Code

From the 'Other parts of the Code' section of the Initial Consultation Paper, the ACCC offers comments related to the sections on key obligation – honest, efficient, fair, timely and transparent; buying and cancelling an insurance policy and claims handling.

Key obligation – honest, efficient, fair, timely & transparent (3.1)

The ACCC supports an insurer commitment to better meet customers' expectations of this key over-arching obligation in the Code that subscribers are to be honest, efficient, fair, transparent and timely.

Throughout our Northern Australia Insurance Inquiry, we consistently heard consumers say that comparing insurance policies was difficult and time consuming and that pricing was not transparent. Consumers told us they lacked confidence to compare policies and understand exactly what they were covered for under different policies. They face high costs in searching for potential products, including the length of time it takes to complete online quotes, compare product features and make relevant inquiries. Chapter 18 of the Northern Australia Insurance Inquiry final report, Consumer information and choices, sets out these findings in more detail.

The ability of consumers to quickly and easily switch insurers in response to price increases or perceived service quality decreases is essential for effective, competitive markets. We raised concern in that inquiry that consumers' misunderstanding of insurance could be contributing to softer competition and higher-than-necessary prices. We were also concerned it could be contributing to inadvertent underinsurance.

We recommended a range of reforms to improve the comparability of insurance products, require insurers to share certain information with consumers and make it easier for consumers to access existing information sources. Insurers could commit to action through the Code to address such recommendations where a role for industry was proposed.

⁶ Australian Government the Treasury, [Protecting consumers from unfair trading practices](#), Consultation Regulation Impact Statement, August 2023.

⁷ See ACCC, [Northern Australia Insurance Inquiry – first interim report](#), 30 November 2018, p. 147

Buying and cancelling an insurance policy (3.4)

Estimating the sum insured for home building policies

We note the Code requires insurers to provide consumers with access to a sum-insured calculator (Part 6, paragraph 48). In our Northern Australia Insurance Inquiry, we found the results from building sum-insured calculators could vary significantly (despite a near universal reliance on the Cordell calculator) and that this could confuse consumers.

We recommended that the process of the estimation of the sum insured is one area where insurers could, and should, provide better guidance to consumers to lessen the risk of underinsurance (see Recommendation 18.4 in [Appendix A](#)).

Consumers need to understand that the sum insured refers to the cost to rebuild and not the market value of their property. They also should understand that, in some cases, the sum insured may also need to cover costs involved in the repair or rebuild like debris removal, legal costs, and temporary accommodation costs. Our concerns are illustrated by an example where documents we obtained from one insurer showed it knowingly had customers that included land value in the sum insured. We recommended that insurers should disclose the costs that count towards 'sum insured' (see Recommendation 18.5 in [Appendix A](#)).

Claims handling (3.5)

Insurers' claims handling was a significant theme of our public consultation in the Northern Australia Insurance Inquiry. Some consumers shared positive claims handling experiences, but many shared examples of experiences that fell below what they thought reasonable to expect. Consumers told us about lengthy delays in claims settlement, excessive repair quotes and numerous cases of unsatisfactory work. This exacerbated the distress and trauma these consumers were already experiencing as a result of their losses.

In the final report of that inquiry, we supported the changes to be included in the 2020 Code (which was incoming at that time) but considered it fell short of all the things a consumer should be told at the outset of a claims process, which were outlined in the recommendation we made (see Recommendation 20.1 at [Appendix A](#)).

There are a range of circumstances where a consumer may prefer a cash settlement. We recommended that consumers should be provided with the right to choose whether their home building insurance claim is settled through a cash settlement or with a repair/rebuild managed by the insurer. We recognised the risks associated with a consumer having control of this decision and the recommendation reflected actions a consumer should take before making that decision (see Recommendation 20.2 at [Appendix A](#)).

4. Emerging issues

From the 'Emerging issues' section of the consultation paper, the ACCC offers comments related to the sections on affordability and helping to reduce risk.

Affordability (4.1)

We support the Review Panel's interest in considering whether it is appropriate for the Code to address affordability issues such as those outlined in the consultation paper. Many of the examples contemplated by the Review Panel in the Initial Consultation Paper were also considered by the ACCC's Northern Australia Insurance Inquiry. We have set out our relevant findings and recommendations against those examples in this section.

The ACCC strongly supports the Code Review Panel's further consideration of possible insurer commitments to improve the affordability of insurance premiums.

Paying by the month can cost more

We reported that around 56% of customers in northern Australia were paying their [home and contents insurance] premiums monthly in 2017–18. However we found that some insurers were applying a flat fee or percentage surcharge of up to 20% for paying in instalments, potentially adding hundreds of dollars a year to the average premium.⁸

We estimated that, in northern Australia in 2018–19, \$20 million (or 2.2% of the total gross written premium in northern Australia) was collected in surcharges for paying monthly. For the rest of Australia, this amount was around \$113 million (1.4% of gross written premium).⁹

We found that many insurers considered customers who pay monthly in instalments have a higher overall claims cost than customers who pay annually. In this sense, those insurers said the instalment surcharge was not so much about a payment administration fee, but rather reflective of what an insurer has assessed as a risk factor.

While we could not conclude that a surcharge was necessarily an unreasonable charge, we recommended that insurers should be required to provide the customer with the premium difference (if any) over the life of a policy between paying annually and paying by instalments, in dollar terms, at the time they provide an insurance quote, including on renewal notices. The lack of transparency by some insurers about the extra cost of paying by instalments makes it difficult for customers to understand their premiums and identify ways to save money (see recommendation 15.1 in [Appendix A](#)).

Centrepay

At the time the ACCC examined the use of Centrepay in the Northern Australia Insurance inquiry (see section 15.4 of the Northern Australia Insurance Inquiry final report), we were not aware of any insurer in northern Australia that was offering Centrepay for a home building insurance product and only one insurer offered it for a contents insurance product. Another insurer advised that a relatively small number of its customers were paying their premiums fortnightly but that option was not offered widely.

After examining the costs, challenge and concerns with insurers offering Centrepay, the ACCC ultimately recommended that insurers should be required to offer Centrepay as a payment option for home and contents insurance products (see Recommendation 15.2 in [Appendix A](#)). We considered that offering Centrepay was consistent with industry's commitment to supporting customers experiencing vulnerability and would improve the accessibility of insurance to low-income customers.

⁸ ACCC, [Northern Australia Insurance Inquiry – final report](#), 30 November 2020, p. 361

⁹ ACCC, [Northern Australia Insurance Inquiry – final report](#), 30 November 2020, p. 368

Renewing policies can cost more

During the Northern Australia Insurance Inquiry, we found the use of premium adjustments varied significantly across different areas and by insurer (see Chapter 10 of the Northern Australia Insurance Inquiry final report). Premium adjustments are generally legitimate commercial strategies used by insurers, however we saw that in some cases, the premium adjustments could be large, thus exacerbating affordability issues for some consumers in northern Australia.

We found that many insurers were using premium adjustments, in conjunction with explicit discounts, to set different prices for new and renewing customers. We found that renewing customers were paying more for insurance than new customers on average across northern Australia (and the rest of Australia) even after taking sums insured into account.

On average, we found renewing customers paid between 7 and 24% more than new customers depending on the region in 2018-19.¹⁰ This differential pricing was seen across all insurers, although to differing extents. For some insurers, the prevalence of differential pricing appeared to be decreasing.

As noted in the Initial Consultation Paper, the UK Financial Conduct Authority enacted rules in 2021 so that renewal quotes for home and motor insurance consumers are not more expensive than those for new customers.¹¹ Price differentiation between new and renewing continues to come under scrutiny in Australia and could be an example of conduct that could be considered under an unfair trading practices prohibition.

There is a lack of price transparency for optional inclusions and exclusions

Consumers with a clear understanding of the pricing components of policy options are likely to make more informed decisions and have an improved capacity to shop around. While our Northern Australia Insurance Inquiry found that some insurers were providing a breakdown of premium components, this was not always the case.

Choices made by consumers, in particular for flood coverage or raising or lowering the excess, can have a significant impact on premiums. For example, we found that raising the excess for home and contents products from a median of \$1,500 to \$5,000 could lower premiums by between 15 and 19%. Conversely, lowering the excess from a median of \$1,500 to \$500 increased premiums by between 15 and 16%.¹²

To help consumers make a more informed decision about which product features, excess levels and sums insured to select, we recommended that insurers should be required to disclose the premium costs or saving for each optional inclusion or exclusion, and variable costs, they offer (see Recommendation 18.6 in [Appendix A](#)).

Giving consumers more time to shop around and pay their premiums

An annual renewal notice serves as an important prompt to consumers to consider their insurance needs and to shop around. The Insurance Contracts Act currently requires insurers to provide written notice no later than 14 days before a contract of general

¹⁰ ACCC, [Northern Australia Insurance Inquiry – final report](#), 30 November 2020, p.247

¹¹ UK FCA, [FCA confirms measures to protect customers from the loyalty penalty in home and motor insurance markets](#), 28 May 2021

¹² ACCC, [Northern Australia Insurance Inquiry – final report](#), 30 November 2020, p. 451

insurance is due to expire and indicate whether the insurer is prepared to negotiate to renew or extend the cover.¹³

In the Northern Australia Insurance Inquiry, we recommended that renewal notices should be provided at least 28 days before the policy expires in order to give consumers more time to shop around (see Recommendation 18.8 in Appendix A). We were also concerned that the 14 day minimum may not provide sufficient time for some consumers to have ready access to funds to make their payment by the time it falls due, or to pay in an annual lump sum to avoid an instalment surcharge.

Helping reduce risk (4.2)

The ACCC strongly supports the Code Review Panel's further consideration of possible insurer commitments through the Code to improve recognition of private risk mitigation.

The Northern Australia Insurance Inquiry consistently heard that insurers should be recognising any reduction of risk from private mitigation with a reduction in a premium. We continue to hear this as we undertake our current insurance monitoring role.

As noted in the Initial Consultation Paper, the Northern Australia Insurance Inquiry recommended that insurers' quotes and renewal notices should be required to:

- show what discounts have been applied (if any) to reflect mitigation measures undertaken (see Recommendation 21.1 in [Appendix A](#)); and
- to provide a schedule of mitigation measures which other customers have undertaken for similar properties to improve their risk rating. This should include a guide to the premium reductions that consumers have received (see Recommendation 21.2 in [Appendix A](#))

While there was a clear recognition from insurers of the need to support property-level mitigation schemes, the potential for premium reductions to be less than consumers expect was also recognised. We observed that, unless insurers have robust systems to clearly adjust premiums in response to mitigation works, it will undermine the incentives for consumers and governments to invest in mitigation.¹⁴

The government implemented the cyclone reinsurance pool in 2022. In line with the legislative objectives of the pool, the ARPC's pricing formula provides risk mitigation discounts for home properties with roller door bracing, window protection measures; tied down roof, new/replaced roof and an elevated ground floor.¹⁵

The magnitude of the 'discounts' was informed by research assessing the resilience or reduction in risk achieved through each activity. Over time, additional discount factors may be added by the ARPC to reflect new research relating to mitigation against cyclone risk.¹⁶

In the ACCC's second Insurance Monitoring report, we found that, at the time of the report, few insurers were collecting the information that is needed to optimise this design feature of the pool, and they appeared to have little appetite to do so.¹⁷ As part of our current insurance

¹³ *Insurance Contracts Act 1984* (Cth), section 58(2)

¹⁴ ACCC, [Northern Australia Insurance Inquiry – final report](#), p.519

¹⁵ ARPC, [Cyclone Reinsurance Pool Premium & Exposure Statistics as at 31 December 2023 report](#), April 2024, p.7

¹⁶ ARPC, [Cyclone Reinsurance Pool Premium & Exposure Statistics as at 31 December 2023 report](#), April 2024, p.7

¹⁷ ACCC, [Insurance Monitoring Report 2023](#), 8 December 2023, p.8

price monitoring role, the ACCC will monitor whether insurers improve their capability and systems over time to achieve this consistency.

The extent to which insurers achieve consistency with the ARPC's 'risk rating factors' will ultimately influence the extent of savings the pool will be able to generate for insurers and, ultimately, policyholders.

Simplification and standardisation of terms (4.3)

The ACCC acknowledges that the Review Panel has stated that it is not considering addressing the application and use of standard terms. The ACCC made a submission to Treasury's consultation on standardising natural hazard definitions and reviewing standard cover for insurance, which is published on our website.¹⁸

We note that to the extent an outcome of the consultation is a change in the scope of application and use of standard terms, this may be an appropriate matter for this (or subsequent) Code review to consider.

5. Code structure, enforceability and governance

The ACCC notes and supports the Insurance Council of Australia's intention to apply to ASIC for approval of the new Code under the *Corporations Act 2001* (Cth) (Corporations Act) (with regard to ASIC Regulatory Guide 183).¹⁹ This is consistent with a Northern Australia Insurance Inquiry recommendation that the ICA should work with ASIC to obtain its approval for the Code (see Recommendation 20.3 in [Appendix A](#)). The ACCC would support certain Code provisions being subject to enforceable action by ASIC, where appropriate.

¹⁸ ACCC, [ACCC submission to Treasury's consultation on Standardising natural hazard definitions and reviewing standard cover for insurance](#), 4 April 2024

¹⁹ See [Initial consultation paper for the independent review of the General Insurance Code of Practice 2020](#), April 2024, p.7

Appendix A: Recommendations from the ACCC's Northern Australia Insurance Inquiry referred to in this submission

Recommendation 15.1

Better disclosure of instalment surcharge costs

Insurers should be required to provide the premium difference (if any) over the life of a policy between paying annually and paying by instalments, in dollar terms, at the time they provide an insurance quote, including on renewal notices.

The lack of transparency by some insurers about the extra cost of paying by instalments makes it difficult for customers to understand their premiums and identify ways to save money.

Recommendation 15.2

Insurers should be required to offer Centrepay

Insurers should be required to offer Centrepay as a payment option for home and contents insurance products.

The General Insurance Code of Practice 2020 contains a new industry commitment to supporting customers experiencing vulnerability. The provision of Centrepay is consistent with this commitment. Centrepay will improve the accessibility of insurance to low-income customers and is therefore in the public interest.

Recommendation 15.3

Help for customers experiencing premium payment difficulties

Insurers should be required to provide short term support to their current and renewing customers experiencing payment difficulties at the time their home and/or contents premium falls due.

The framework should include the following options:

- **A policy health check to allow the customer to consider if there are amendments they could reasonably make to their policy to reduce their premium**
- **Reduced or waived surcharges for paying monthly (and other instalments that are more frequent than annual)**
- **Premium waiver**
- **Premium payment deferrals for up to 4 months without consequences for coverage**
- **Part payment of a premium with the remainder of the premium deferred for up to 4 months**
- **A payment plan to allow the customer to repay their arrears.**

All renewals and notices of cancellation for non-payment of instalments should mention the availability of payment assistance. Insurers should have easy to find information on their website about the premium payment help that is available and how to access it. Insurers should undertake training and education for staff to implement payment difficulty assistance measures with compassion and consistency.

Recommendation 18.4

Insurers should estimate a sum insured for customers

Insurers should be required to estimate an updated sum insured for their home insurance customers and advise them of this estimate on their renewal notice.

This estimate should note when the information used by the insurer to form the estimate was last updated by the consumer, and direct the consumer to contact the insurer if renovations/alterations to their home had occurred since then. Where the sum insured estimate is materially higher than provided for under the policy, the renewal notice should also include a warning to the customer about the dangers of their property being underinsured.

Advice given by an insurer fulfilling this obligation should be excluded from being considered personal financial advice.

Recommendation 18.5

Disclose costs that count towards 'sum insured'

Insurers should be required to clearly disclose the types of costs that will count towards the sum insured amount for buildings (such as the costs of demolition, debris removal or for professional fees) where these are not provided for through a separate allowance under the policy. This information should be provided on any sum insured calculators used by the insurer and alongside the sum insured figure.

This will help consumers understand why and how calculator estimations can differ and empower them to make more informed decisions about their nominated sum insured. It should be provided alongside the sum insured amount for a property, including in quotes for new policies, renewals and on certificates of insurance.

Recommendation 18.6

Disclose premium impacts of optional inclusions and exclusions

Insurers should be required to disclose the premium cost or saving for each optional inclusion or exclusion they offer to a consumer. Insurers should also indicate the premium cost or saving associated with incremental changes in excess levels and sums insured. This information should be provided to a consumer when an insurer provides a quote for a new policy and on a renewal notice.

Providing consumers with information about the cost impact of optional inclusions and exclusions (e.g. flood cover, accidental breakage cover) as well as variable costs (such as changing an excess or sums insured) will allow consumers to make more informed decisions about their choice of cover.

Recommendation 18.8

Renewal notices should give 28 days' notice

Insurers should be required to provide renewal notices for home, contents and strata insurance no less than 28 days before the expiration of their insurance cover, with a reminder to be sent no less than 7 days before expiration if it has not been renewed.

The Insurance Contracts Act currently requires no less than 14 days' notice. The current minimum timeframe does not provide consumers with sufficient time to consider their renewal quote and explore their insurance options. It also may not be sufficient time for some consumers to have ready-access to funds, including to avoid instalment surcharges.

Recommendation 20.1

Better information for consumers lodging a claim

The General Insurance Code of Practice should be amended to require that, at the time a consumer lodges a claim, an insurer or its agent must clearly inform the consumer of the insurer's claim handling policy, and expressly refer to:

- how the insurer will assess the validity of the consumer's claim
- the insurer's preferred repairer policy and in what circumstances a consumer can use their preferred repairer
- how decisions are made on cash settlements
- who will be managing the claim (for example, the name and contact details of a contracted claims company if relevant)
- the fact that the loss adjuster is acting on behalf of the insurer and not the consumer
- the consumer's right to make a complaint to the insurer and the Australian Financial Complaints Authority.

Recommendation 20.2

Giving consumers more control over how home (building) claims are settled

Consumers should be provided with the right to choose whether their home building insurance claim is settled through a cash settlement or with a repair/rebuild managed by the insurer. The insurer must inform the consumer they have this choice at the time a consumer lodges a claim.

At the time of advising a consumer about this choice, the insurer should also provide the consumer with a one page document written in plain English setting out matters the consumer should consider to help them make an informed decision, including:

- if a cash settlement is accepted, the insurer would no longer be required to manage or guarantee the quality, cost or timeliness of any works the consumer decides to carry out
- the consumer should seek advice from their mortgage lender (if applicable) about any implications of accepting a cash settlement for their mortgage
- the insurer may be able to obtain lower repairing/rebuilding quotes than the consumer is able to achieve
- the consumer should obtain independent quotes for repairing/rebuilding their property before making their decision.

Limited exemptions when cash settlement is necessary include repairing a shared fence, or if a home is insured for significantly less than the cost to reinstate the property and the insured is unwilling to contribute to the cost of repair.

Where a consumer requests a cash settlement offer, the amount of the cash settlement offer should be based on a genuine quote the insurer has received to carry out the necessary repairs/rebuild. If no such quote has been received, the insurer should set out the basis for the cash settlement amount offered. Any ancillary expenses subject to the claim that are not within the scope of works for the quote (such as temporary accommodation costs) should be settled separately.

Upon receiving a cash settlement offer, the consumer should be provided with a reasonable time period to decide whether to accept the offer, seek an amended offer, or elect to have the insurer manage the rebuild/repair.

Recommendation 20.3

ASIC approval for the General Insurance Code of Practice

The Insurance Council of Australia (ICA) should work with ASIC to obtain its approval for the General Insurance Code of Practice.

The ICA indicated in its Code of Practice Final Review Report that in order to meet the requirements for ASIC approval it would make a number of changes to the Code. The ICA should work with ASIC to ensure that these changes are sufficient to meet at least the minimum standards in Regulatory Guide 183 to obtain ASIC approval.

Recommendation 21.1

Clearly stated mitigation discounts

Insurers' quotes and renewal notices for a property should be required to expressly show what discounts have been applied (if any) to reflect mitigation measures undertaken on that property.

This is important to help ensure premium adjustments are comparable between insurers and transparent for consumers. It also provides clarity to consumers and assists with evaluating investments in mitigation works.

Recommendation 21.2

Information on mitigation works that could reduce premiums

Insurers' quotes and renewal notices for home insurance should be required to provide a schedule of mitigation measures which customers of the insurer have undertaken for properties with similar characteristics in order to improve their risk rating. This should include a guide to the premium reductions (in percentage terms) that consumers have received for undertaking these measures.

This would provide (new or renewing) consumers with current information on a practical range of actions that could be undertaken to mitigate risk and show them what the benefit could be in terms of premium reductions. This will assist consumers to decide if the risk mitigation option is worth the upfront cost.