

8 June 2012

Barriers to Effective Climate Change Adaptation
Productivity Commission
LB2 Collins Street East
MELBOURNE VIC 8003

Via email: climate-adaptation@pc.gov.au

Barriers to effective Climate Change Adaptation – Draft Report

Insurance Australia Group Limited (IAG) welcomes the opportunity to make a submission in relation to the Productivity Commission's Draft Report – Barriers to Effective Climate Change Adaptation.

Yours sincerely,

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BARRIERS TO EFFECTIVE CLIMATE CHANGE ADAPTATION - PRODUCTIVITY COMMISSION DRAFT REPORT



June 2012

INTRODUCTION

Insurance Australia Group Limited (IAG) is the parent company of an international general insurance group, with operations in Australia, New Zealand, the United Kingdom and Asia. Its current businesses underwrite over \$8 billion of premium per annum and pay around \$6 billion in claims per annum. IAG employs more than 13,000 people of whom around 9,000 are in Australia. Across our portfolio of brands IAG insures 7.0 million cars, 2.5 million homes, 93,000 farms, 122,000 employers and 470,000 businesses. IAG had more than 16.2 million policies in force in financial year 2011.

Within Australia IAG's Direct Insurance business provides personal insurance products as well as business insurance packages targeted at sole operators and smaller businesses in NSW, ACT, Queensland and Tasmania primarily under the NRMA Insurance brand. SGIO is the primary brand in Western Australia, and SGIC in South Australia. In Australia, IAG also has a distribution agreement with RACV (underwritten by Insurance Manufacturers of Australia – owned 70% IAG; 30% RACV) in Victoria. Products are distributed through branches, call centres, the internet and representatives.

Within Australia IAG's intermediated insurance products are sold nationally, primarily under the CGU Insurance and Swann Insurance brands through a network of more than 1,000 intermediaries, such as brokers, agents, motor dealerships and financial institutions. CGU is also a leading provider of workers' compensation services in Australia.

IAG'S INTEREST IN THE REPORT

IAG welcomes the Productivity Commission's *Draft Report – Barriers to Effective Climate Change Adaptation* (April 2012). The *Draft Report* is a comprehensive examination of the issues raised in submissions and roundtables.

IAG notes and supports the Commission's recommendations.

As IAG highlighted in its initial submission to the Commission's Inquiry, recent natural disasters across Australia have understandably generated a national discussion of how we may reduce our vulnerability to natural hazard threats and also highlighted the need to develop a more sustainable and comprehensive national approach to the complex issue of managing weather related risks.

A changing, less predictable climate has the potential to reduce insurer's capacity to accurately assess, price and spread weather-related risk. Without appropriate mitigation and adaptation measures to offset these uncertainties, the cost of insurance is very likely to rise, with some locations becoming too expensive for consumers to bear the cost of insurance or leading to some insurers withdrawing in part or totally from that segment of the market. The total cost of risks insured across Australia has the potential to rise significantly making insurance more expensive for all Australians. This highlights the need for appropriate action to be taken in order to benefit the entire Australian community.

IAG believes there is a need for greater emphasis by governments and in particular the Federal Government on community adaptation to extreme weather events, including stronger building codes to protect structures from extreme weather hazards; - tropical cyclones, severe storms, hailstorms, bushfires and flood - more risk-appropriate use of land and greater emphasis on hazard mitigation infrastructure. Importantly, the Commission's *Draft Report* highlights the need for greater emphasis on adaptation measures.

While the insurance industry is well placed to continue to play a leading role in encouraging action on adaptation, to make our communities stronger and better able to withstand catastrophes, there needs to be a focus on increasing the level of investment in mitigation infrastructure.

Insurers also have a role in encouraging development of a resilient built environment through sharing research results, providing guidance on best practice, and delivering pricing structures that reward use of risk-reducing building design and materials. To facilitate this Government need to ensure that mapping showing completed mitigation works is publicly available.

REFORMS TO ADDRESS BARRIERS TO ADAPTATION

To assist the Commission in identifying reforms to address barriers to adaptation in the areas of:

- insurance taxation;
- information provision;
- consumer understanding; and
- the appropriateness of government intervention

IAG in this submission details findings from recent IAG commissioned research (Sapere Research Group and Roy Morgan Research - *Australian Household Insurance: Understanding and Affordability - February 2012*) looking at the level of understanding of insurance and affordability. The full report is at Appendix 1.

The survey (1,200 households) seeks to understand household attitudes to insurance, their likely decisions around how they insure in response to affordability pressures and associated outcomes for under and non-insurance.

This survey has reaffirmed:

- non-insurance and under-insurance continue to be a problem;
- the rates of non-insurance are similar to those found in a survey 10 years ago; and
- the survey has added further evidence of confusion among insurance policyholders as to their extent of cover and the importance of price

which in turn adds support for the argument against taxation of insurance.

Levels of non-insurance

The survey noted:

- 9% of home-owners were not covered for building or contents insurance cover; and
- 39% of non-home owners were not covered for contents insurance.

The research report notes under-insurance is still a concern with regard to home building cover. Although few respondents (6%) expressed concern that they were not adequately covered, it appears that many households may be at risk in how they have approached obtaining adequate cover. Of note:

- 29% of households relied solely on their own estimate in determining the level of building insurance cover.
- Only 12% of households reported using a website calculator.

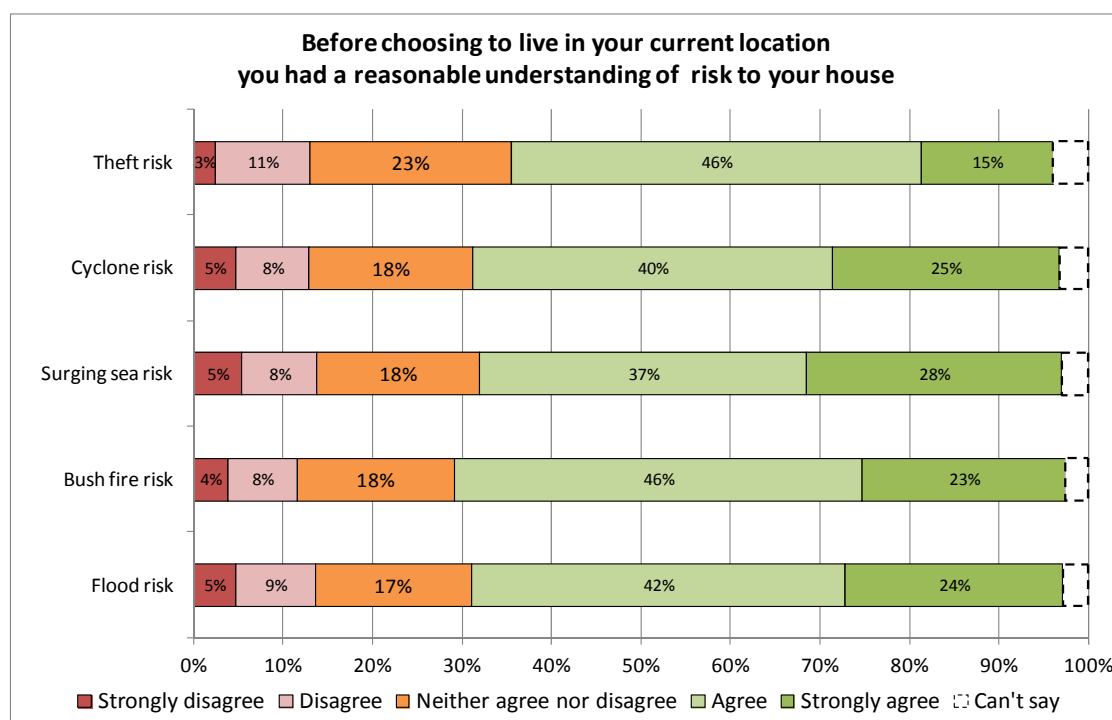
Level of understanding of risks prior to moving to current location

The research report notes a common concern is that people have invested in a home unaware of the risks to their home and the associated financial consequences. Respondents were asked about the level of understanding of the risks prior to choosing to live in their current location.

For all risks, between 12 and 14% of households disagreed or strongly disagreed that they had an understanding of the risks before choosing to live in their current location. In particular, over 20% of respondents who assessed themselves as relatively highly exposed to flood considered that they did not understand the risk prior to choosing to live in their location. See details below.

REFORMS TO ADDRESS BARRIERS TO ADAPTATION (CONTINUED)

Level of understanding of risks prior to moving to current location



Source: IAG commissioned research - Sapere Research Group – Australian Household Insurance: Understanding and Affordability (2012).

Ultimately, the goal is to ensure that communities, planners, emergency services, individuals, property owners and insurers understand the risks that they face, and that effective risk mitigation measures can be undertaken.

As the Attorney-General's Department outlined in its submission to the Senate Standing Committee on Environment and Communications Inquiry into Emergency Communications (2011):

“Providing communities with information empowers them to make more informed judgements. Key to this is the availability and accessibility of transparent, accurate and trusted information sources in various forms and providing the tools to help communities understand and act on the material provided. While providing information and warnings is important, educating people how to respond is equally important.” (p. 7).

Insurance Taxation

Australia's insurance sector have been strong advocates for improved taxation bases and taxation reform that see revenue dependency shift from transaction style taxes (for example insurance) towards those taxes that are more efficient.

A number of Government reviews and inquiries have argued for insurance tax reform - the IPART Review of State Taxes (2008), the Henry Tax Review (2009), the Victorian Bushfire Royal

REFORMS TO ADDRESS BARRIERS TO ADAPTATION (CONTINUED)

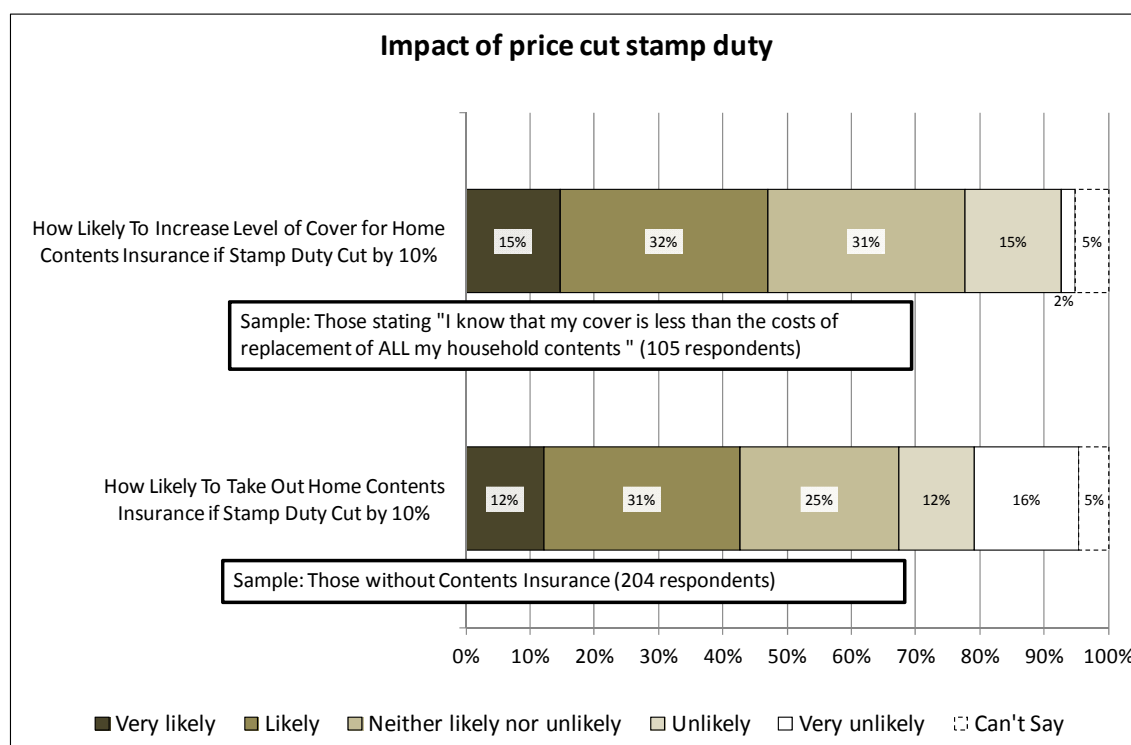
Commission (2009), the Johnson Report into Australia as a Financial Centre Forum (2009), Tax Forum (2011), Lambert Report (2011), as well as the ACT Taxation Review (2012).

IAG welcomes the Commission's *Draft Report* recommendation that State and Territory Governments should phase out taxes on insurance and replace them with less distortionary taxes. This would also be supported by our communities based on the survey undertaken. Results indicate:

- 12% of those without contents insurance thought it 'very likely' they would take out Home Contents insurance if stamp duty was cut;
- Another 32% thought it 'likely'; and
- Of those who knew their cover was insufficient, around 15% thought it 'very likely' they would increase their cover.

See details below.

Response to cut in stamp duty



Base: Those with home contents insurance (975 respondents). Household weights used.

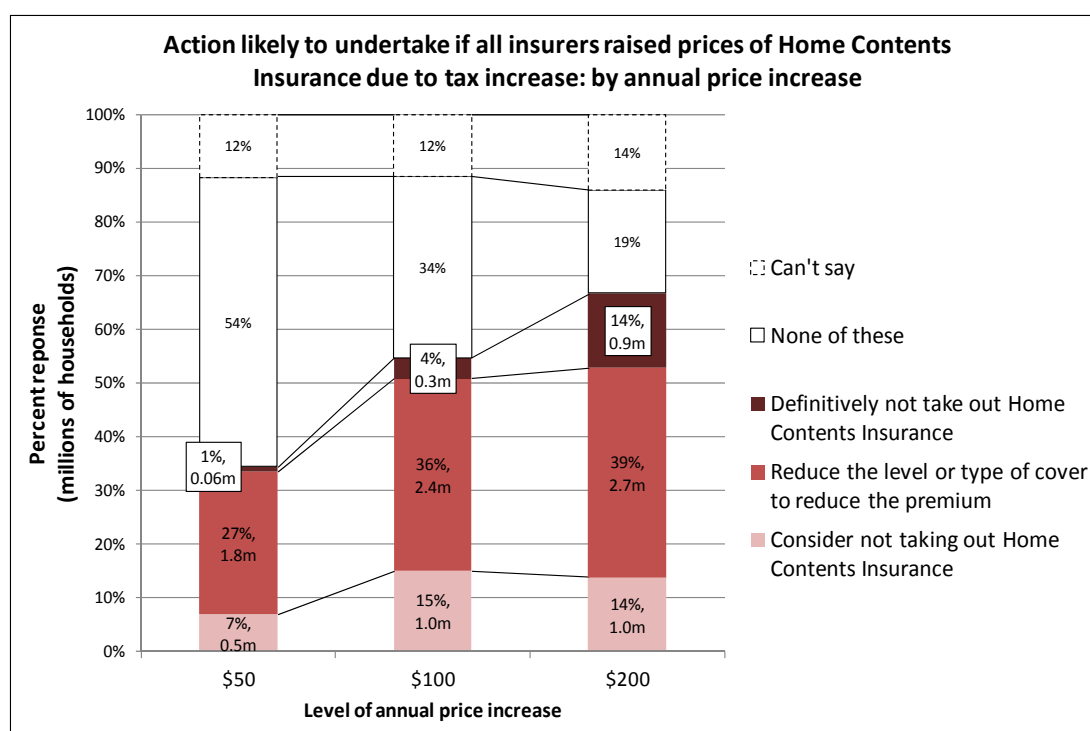
Source: IAG commissioned research - Sapere Research Group – Australian Household Insurance: Understanding and Affordability (2012).

To assess the impact of increased taxes on premiums, respondents with contents insurance were asked what their likely actions would be to different price rises.

REFORMS TO ADDRESS BARRIERS TO ADAPTATION (CONTINUED)

Results indicate a small price increase would lead to a significant response. For an increase of \$50 per year — in the order of 10% of the average home contents insurance premium¹ — the results suggest an estimated 27% of insured households would choose to underinsure and between 1 and 8% would choose to not insure. Predictably a larger yearly price increase yielded a more extreme response. See results below.

Response to tax increase



Base: Respondents with contents insurance from Full Sample. Household weights are used

1. Respondents could only choose one action.
2. Results are largely insensitive to sample used.

Source: IAG commissioned research - Sapere Research Group – Australian Household Insurance: Understanding and Affordability (2012).

¹ No exact percentage can be calculated as home contents and home building insurance premiums are typically combined. Information from the ABS SIH 2009/10 indicates the average household premium was around \$885 per annum. With some premium inflation and assuming the home contents insurance component is of similar magnitude to home building, the home contents insurance premium component is in the order of \$450 to \$500.

REFORMS TO ADDRESS BARRIERS TO ADAPTATION (CONTINUED)

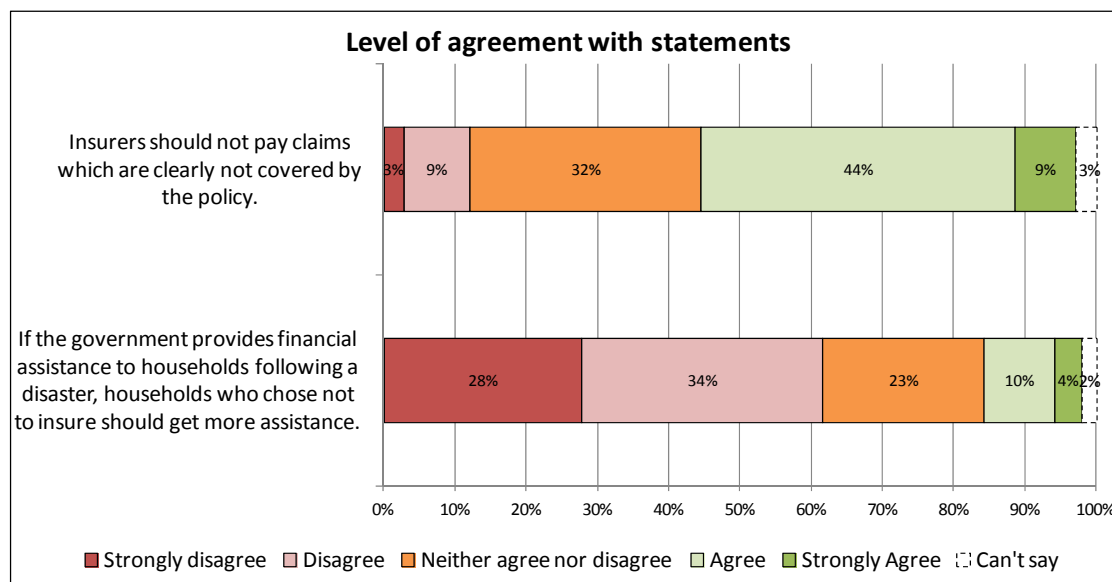
Government Assistance

As IAG highlighted in its initial submission to the Commission's Inquiry, IAG believes individuals electing not to insure their assets place a burden on the community when governments, in the absence of private insurance, are faced with the position of taking on the responsibility of insurer of "last resort". While there may be an equity argument for individuals who are financially disadvantaged to access government assistance, open-ended assistance is inequitable when it is provided to individuals who are able to responsibly insure, but choose not to do so.

Survey results indicate:

- About 53% supported (agreed or strongly agreed that) insurers should not pay claims which are clearly not covered by the policy while only about 12% disagreed or strongly disagreed with this statement; and
- About 62% were against (disagreed or strongly disagreed with) additional financial assistance to those who chose not to insure while only 14% agreed or strongly agreed.

Details are below.



Source: Full Sample. Population weights used.

Source: IAG commissioned research - Sapere Research Group – Australian Household Insurance: Understanding and Affordability (2012).

Subsidising Insurance Premiums

As IAG highlighted in its initial submission to the Commission's Inquiry, Governments need to avoid interventions that promote dependence on government assistance and reduce incentives for self-reliance and personal responsibility. An IAG commissioned report in 2011 (Sapere Research Group

REFORMS TO ADDRESS BARRIERS TO ADAPTATION (CONTINUED)

– *Flood Insurance: Economics & Issues*) highlighted the most efficient and least distortive methods for governments to improve the affordability of insurance are to:

- Remove the taxes on insurance;
- Ensure that flood maps are available to insurers, so that they can price the insurance risk; and
- Undertake community flood mitigation and promote household flood mitigation measures, which lower the cost of flood risk and thus the flood insurance risk.

The IAG commissioned report is included in IAG's submission to the Natural Disaster Insurance Review (NDIR) at:

http://www.iag.com.au/news/gov_submissions/20110714_NDIR_submission.shtml

Emergency Management

IAG welcomes the Commission's *Draft Report* recommendation 10.1 and that the Federal Attorney-General has confirmed a review of the National Partnership Agreement underpinning the Natural Disaster Resilience Program is underway². Conducting simultaneous reviews of the NDRRA and the NPA would facilitate a comprehensive assessment of whether the existing national arrangements promote the most effective use of Federal and State Government funding for disaster mitigation, recovery and reconstruction.

The NPA is a partnership with states and territories where jurisdictions provide direct administration of the funding and submit an annual implementation plan to the Attorney-General. For the most part funding is then allocated by each jurisdiction via competitive grants programs. This means there is very little, if any, capacity for this funding to be directed toward larger scale disaster mitigation infrastructure projects of local, state or national significance. Further it is arguable that this arrangement encourages a piece-meal approach to disaster mitigation rather than one that focuses on long-term, strategic priorities. As the *Draft Report* notes, local governments can access other sources of funding (such as the Regional Development Australia Fund) that could potentially be used for disaster mitigation infrastructure. Yet these programs are not specifically designed to promote disaster resilience and adaptation meaning mitigation projects do not frequently receive funding. While IAG maintains that disaster mitigation funding needs to be increased, the framework for distributing these funds must encourage investment in priority mitigation infrastructure projects.

Likewise, an independent, public review of the NDRRA is warranted to assess whether the current arrangements are financially sustainable and meet the needs of Australia's disaster risk profile in light of likely increased climate volatility. In their current form the NDRRA are not explicitly linked to the National Strategy for Disaster Resilience adopted by COAG in February 2011. The NDRRA's betterment provisions, which seek to encourage disaster resilience in rebuilding or replacing disaster damaged public infrastructure, are poorly understood and rarely used. Consequently, it is arguable the NDRRA do not offer sufficient incentives for communities to rebuild in a more disaster resilient way or consider alternatives to rebuilding. The Federal Government has used Category D of the NDRRA to fund new disaster mitigation or resilience building projects that would not otherwise fall within the remit of the scheme.

² Speech at National Disaster Resilience Program Annual Stakeholders Meeting, 28 March 2012

<http://www.attorneygeneral.gov.au/Speeches/Pages/2012/First%20Quarter/28-March-2012---National-Disaster-Resilience.aspx>

Under clause 14(b) of the NPA the Commonwealth is required to undertake a full evaluation and review of the NPA in partnership with States and Territories with input from key stakeholders by 31 December 2012.

REFORMS TO ADDRESS BARRIERS TO ADAPTATION (CONTINUED)

This includes \$10 million for flood mitigation works in Toowoomba and up to \$18 million to assist in the relocation of Grantham to higher ground. While we believe these are positive initiatives we are concerned that disaster mitigation funding is not being prioritised on a national basis according to transparent, consistent and coherent criteria.

Finally, we note that since December 2010 the Federal Government has spent over \$800 million on post-disaster recovery payments to individuals including the Australian Government Disaster Recovery Payment (AGDRP). In contrast the 2012-13 Federal Budget allocated only \$26 million to disaster mitigation under the NPA for the 2012-13 financial year with no increase in the forward estimates. The eligibility criteria for the AGDRP are broad and not sufficiently targeted. The payments overlap with personal hardship grants and other support jointly funded by the States and Commonwealth under the NDRRA. Further, the payment cannot, and is not intended to, compensate those who have been most severely impacted by a disaster. Given these factors, it is arguable this funding could be better directed to pre-disaster mitigation initiatives that reduce the risk of damage to individual households and improve the resilience of those most at risk. The end result being an increase in community resilience and a reduction on reliance.

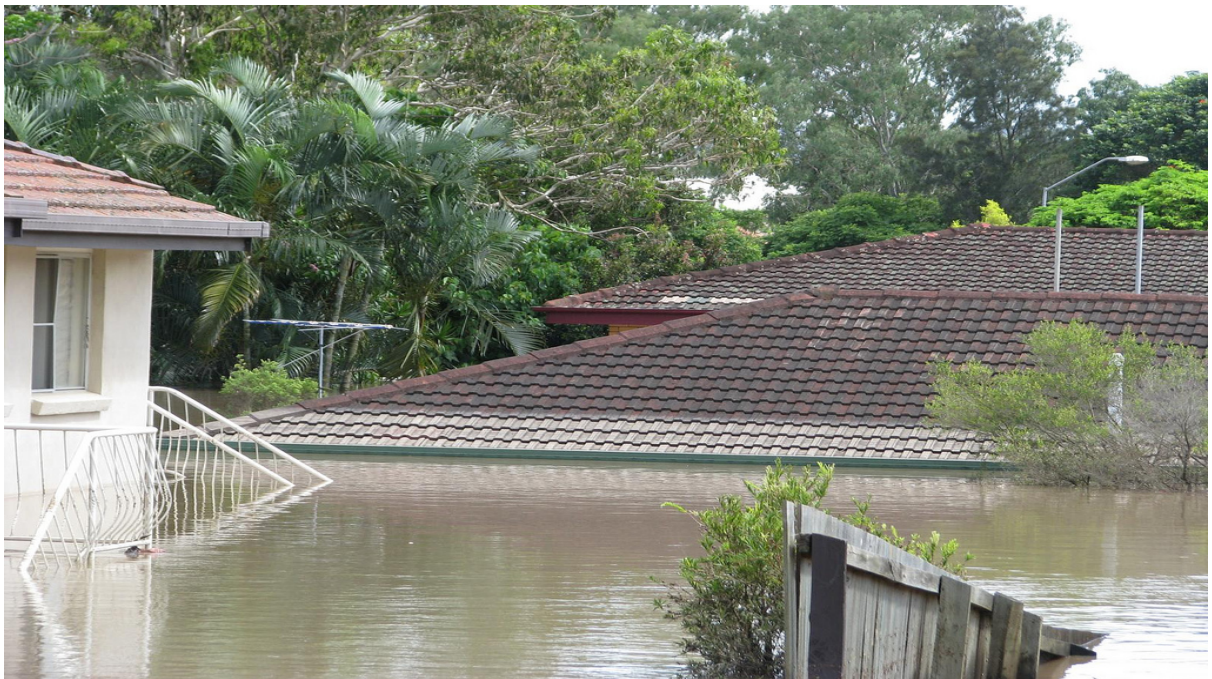
IAG looks forward to working with the government and other stakeholders on the development of the most appropriate options to achieve the social and economic policy objectives, and to support a move towards a more sustainable and comprehensive approach to managing the impact of natural disasters on our communities.

APPENDIX 1

Sapere Research Group Report Australian Household Insurance: Understanding and Affordability

Australian Household Insurance: Understanding and Affordability

Dr Richard Tooth



February 2012

About the Author

Dr Richard Tooth is a Director with the Sydney office of Sapere Research Group. He has worked directly for, and consulted to, the insurance industry. He has undertaken a number of studies on the consumer demand for general insurance. In 2010 he provided testimony to Victorian Bushfire Royal Commission in relation to the impact of the Fire Services Levy on insurance. More broadly, he works on public policy, competition and regulatory issues across a number of industries including water, energy, transport and financial services. Dr Tooth has a PhD in Economics, a Master in Business Administration and a Bachelor of Science.

About Sapere Research Group Limited

Sapere Research Group is one of the largest expert consulting firms in Australasia and a leader in the provision of independent economic, forensic accounting and public policy services. Sapere provides independent expert testimony, strategic advisory services, data analytics and other advice to Australasia's private sector corporate clients, major law firms, government agencies, and regulatory bodies.

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Cover photo by Bev Carter.

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Glossary

ASIC	Australian Securities and Investments Commission
ABS	Australian Bureau of Statistics
HES	The ABS Household Expenditure Survey
IAG	Insurance Australia Group
ICA	Insurance Council of Australia
SIH	The ABS Survey of Income and Housing

Executive summary

Introduction/ Background

The insurance industry has been the subject of intense scrutiny following an unprecedented number of catastrophes across Australia in 2011, including floods in Queensland and Victoria, two bushfires in Western Australia, major storms in Victoria and a cyclone in Far North Queensland. Insured losses from major disasters in the year were around \$4.3 billion, making 2011 the worst year on record.

The disasters have sparked no fewer than ten government reviews and inquiries into the industry with the likely outcome that the industry will be asked to undertake a number of reforms. This will come at a time where there is increased financial pressure from higher claims costs and reinsurance costs which will ultimately lead to higher consumer premiums.

In this environment, Insurance Australia Group (IAG) is seeking to understand how these issues are combining to impact the affordability and understanding of insurance and the associated contribution to under and non-insurance. In addition to the private consequences, under and non-insurance can have financial impacts on Governments and communities, who, in times of disaster, are called on to assist the non-insured.

This report analyses the results of a survey of 1200 households, which was conducted online in December 2011 on home building and home contents insurance. It seeks to understand household attitudes to insurance, their likely decisions around how they insure in response to affordability pressures and associated outcomes for under and non insurance. The survey was designed to examine a number of topical issues and to enable comparisons with a similar study undertaken for IAG in 2001. A feature of the survey was the selection of 300 households (the High Risk Sample) from areas which were determined to be of particularly high risk of flood, storm surge and cyclone.

Findings

Levels of insurance and cover

Non-insurance is still a significant problem. The extent of insurance cover hardly changed from a survey conducted 10 years prior. Around 9 percent of home-owners were without at least one of building or contents insurance. Around 39 percent of non-homeowners do not have contents insurance.

Under-insurance is also still a concern with regard to home building cover. Although few respondents (6 percent) expressed concern that they were not adequately covered, it appears that many households may be at risk in how they have approached obtaining adequate cover. Of note:

- 29 percent of households relied solely on their own estimate in determining the level of building insurance cover.
- Only 12 percent of households reported using a website calculator.

- A number of households indicated they had total replacement cover despite this option not being offered by their nominated insurer.

Under-insurance is also a problem with contents insurance. Although almost 80 percent reviewed their cover in the last 5 years, there are indications of concern. Around 10 percent of policyholders (representing around 0.7 million households) stated they were underinsured and another 34 percent indicated they were unsure. Avoiding higher premiums was the most common reason given for underinsurance.

The results confirm that a lack of flood cover and understanding of flood cover is a common problem. Between 40 and 50 percent of respondents could not say whether they were covered for flood (for both building and contents cover). Of the remainder around 30 percent indicated they were not covered. Awareness was much better in the high risk areas but the extent of cover did not differ greatly. Furthermore, based on their stated insurer, it appears a number of respondents were mistaken about their flood cover; Some thought they were covered when their insurer (currently) does not provide flood cover and others indicating they are not insured although flood cover is standard with their insurer.

The survey examined non-insurance in holiday homes (or second homes) and rental properties. Consistent with some anecdotal evidence, the rates of non-insurance for second properties is relatively high with around 20 percent without building cover and over 40 percent without contents cover.

Understanding of risk

The survey tested the extent to which people understood the risks associated with flood, bushfire, cyclone, storm surge and theft prior to choosing to live in their present location. Around 12 to 14 percent of the sample indicated they did not understand the risks. Of concern, for flood risk, the proportion is higher in cases when the self-assessed risk from flood is significantly greater.

Influences on insurance decisions

The survey examined a number of potential influences on insurance decisions not previously examined. Households were less likely to take out contents insurance if:

- their parents did not have and other family/friends do not have insurance;
- their main language is not English; however further analysis suggests this may reflect other common influences; or
- they have had a claim denied.

Insurance choices were also examined against perceptions of risk. Of note:

- The take-up of insurance was higher among those who felt more exposed to bush-fire risk; this was not found with other perils.
- Those who felt they were of very low flood risk were less likely to be covered for flood.

Choice of insurer

The results indicate a reasonable level of ‘shopping around’ with over 60 percent indicating they shopped around for another quote in the last 5 years and 11 percent indicating they switched insurers. Price and brand/reputation were the most important factors in the

insurance decision; significantly greater than the ‘coverage options’ offered. Coverage of flood was however an important factor in many cases; in particular with those who thought they were relatively highly exposed to flood.

Cost of insurance

The price of insurance was found to be a key influence in insurance decisions. These results provide increased support for removing taxes on insurance. Key findings include that:

- Around 22 percent of households reported that they had increased their excess and 10 percent had reduced the level of cover to reduce the insurance premium.
- In response to a 10 percent price reduction from the removal of stamp duty:
 - 12 percent (equivalent to 180,000 households) of those without contents cover said they’d take out insurance
 - 15 percent of those who know their contents cover is insufficient thought it very likely they’d increase their cover.
- Many respondents indicated they would not insure or under insure in response to increased taxes on insurance. The number indicating they would not insure increases dramatically with a suggested tax increase. For \$50, \$100 and \$200 tax increases the percent of households with contents cover who think it would be likely they would no longer insure is 1% (at \$50), 4% (at \$100) and 14% (at \$200). At a \$100 price increase, around 55% indicated they would ‘likely reduce’ or ‘consider reducing’ their cover.

Respondents were also asked about price increases due to greater risk. A significant proportion (38%) of households indicated they would consider reducing the level of cover; however around 10 percent indicated they would consider increasing their level of cover. The disparity is consistent with households working to an insurance budget.

Attitudes to insurance

Respondents were generally positive about their own insurer but less so with the insurance industry in general.

- Six times as many agreed than disagreed with a statement that they trusted their insurer to pay claims.
- A roughly equal number agreed and disagreed with the statement that insurers in general are fair and reasonable.
- Confidence and trust in the industry is on average greater among those who have made a claim. It is less among those who have had a claim denied but this is a relatively small number. Confidence and trust was also less among those who spoke a second language.

Respondents were largely against additional financial assistance to the non-insured.

- Over four times as many respondents agreed as disagreed with the statement “Insurers should not pay claims which are clearly not covered by the policy”
- Over four times as many respondents disagreed than agreed with the statement “Assuming the government provides financial assistance to households following a disaster, households who chose not to insure should get more assistance.” Those who agreed with this statement were more likely to be insured.

Conclusions

This survey has reaffirmed that issues around non-insurance and under-insurance continue. The survey has added greater support of the impact of price on these issues, and provides further support for the argument against taxation of insurance.

The survey has also highlighted a number of new issues including non-insurance of second properties and particularly low insurance rates among those who use another language. Analysis in this report highlights that a household's decision to insure is correlated with decisions of friends and family.

1. Introduction

It is difficult to overstate the importance of home insurance. Home building and home contents insurance provides protection from what can be devastating financial consequences and provides peace of mind even for those who do not claim. However, there are concerns that many households do not have insurance, are not covered for some significant events or have an insufficient level of cover (i.e. are underinsured).

The insurance industry has been the subject of intense scrutiny following an unprecedented number of catastrophes across Australia in 2011, including floods in Queensland and Victoria, two bushfires in Western Australia, major storms in Victoria and a cyclone in Far North Queensland. Insured losses from major disasters in the year were around \$4.3 billion, making 2011 the worst year on record.¹

The disasters have sparked no fewer than ten government reviews and inquiries into the industry (see Box 1 below) with the likely outcome that the industry will be asked to undertake a number of reforms. This will come at a time where there is increased financial pressure from higher claims costs and upwards pressure on reinsurance premiums which will ultimately lead to higher consumer premiums.

In this environment, Insurance Australia Group (IAG) is seeking to understand how these issues are combining to impact the affordability and understanding of insurance and the associated contribution to under and non-insurance. In addition to the private consequences, under and non-insurance can have financial impacts on Governments and communities, who in times of disaster, are called on to assist the non-insured.

To help better understand consumer demand, behaviour and attitudes, IAG commissioned Sapere Research Group and Roy Morgan Research to undertake this consumer survey on home insurance. It seeks to understand household attitudes to insurance, their likely decisions around how they insure in response to affordability pressures and associated outcomes for under and non-insurance. The survey was designed to examine a number of topical issues and to enable comparisons with a similar study undertaken for IAG (then NRMA Insurance Limited) in 2001. A feature of this survey was the selection of 300 households (the High Risk Sample) from areas which were determined to be of particularly high risk of flood, storm surge and cyclone

The rest of the paper is organised as follows. The following section (Section 2) provides a background to the issues of home insurance demand and the method used in the study.

Section 3 presents the findings of the study. These are presented in a number of themes which incorporate:

- Extent of insurance cover (both the take-up of insurance and the adequacy of cover);
- Influences on insurance decisions;
- Consumers understanding of risks to the home;

¹ Source: ICA (2012).

- Their choice of insurer;
- The importance of price; and
- Attitudes towards insurance.

Section 4 concludes.

Box 1: Recent relevant government inquiries and reviews

- The Federal Parliamentary Inquiry into the operation of the insurance industry during disaster events;
- The Federal Parliamentary Inquiry into Residential Strata Title Insurance;
- Treasury Consultation Paper Reforming Flood Insurance: Clearing the Waters.
- The Queensland Floods Commission of Inquiry;
- The Federal Government's Natural Disaster Insurance Review;
- The Federal Government's Consultation Paper - *Unfair Terms in Insurance Contracts*;
- Productivity Commission Inquiry into Regulatory and Policy Barriers to Effective Climate Change Adaptation;
- The Federal Government's Consultation Paper, *Reforming flood insurance: A proposal to improve availability and transparency*;
- The House of representatives Economics Committee Review of the Insurance Contracts Amendment Bill 2011;
- Consultation Paper: Proposal for a flood reinsurance pool and system of discounts (pending in 2012)

Source: IAG.

2. Background and method

2.1 Background

This subsection provides some background research into a number of the key issues associated with home building and contents insurance that are discussed in this report.

Extent of cover

The extent to which people have insurance cover for their building and contents is an important policy issue and often a significant source of debate following a major disaster. Under common assumptions,² households would be expected to be insured if insurance was available and affordable.

The extent to which households are not covered is difficult to determine with accuracy as industry participants only have information on those who have taken out insurance. To assess non-insurance, a number of studies have employed residential surveys. These include a 2001 study commissioned by IAG (MJ Powling 2001, hereafter referred to as the 2001 Study) of households and Tooth and Barker (2007) who used Roy Morgan Single Source (a syndicated consumer survey) and the ABS HES/SIH surveys³ to examine levels of cover.

In addition, there have been investigations following major disasters that have shed light on non-insurance and under-insurance.

- The 2003 Canberra bushfires prompted an investigation by the Australian Securities & Investments Commission (ASIC) into building under-insurance (ASIC 2005). They found “between 27 per cent and 81 per cent of consumers were underinsured by 10 per cent or more against current rebuilding costs.” A key concern was that policyholders had simply incorrectly estimated their sum insured. ASIC recommended greater use of total replacement policies (policies that did not rely on a sum insured) and greater use of and improved use of tools (i.e. website calculators) to estimate rebuilding costs.
- The 2009 the Victorian bushfire disaster prompted a review in fire services funding arrangements and the impact on insurance. Data from this review⁴ suggested very high non-insurance rates that were possibly a result of many houses being second properties.

The affordability of insurance

The affordability (and availability) of insurance was a particular focus of the recent National Disaster Insurance Review. This review highlighted the very high cost of premiums for people living in a flood-zone.

² See Tooth and Barker (2007).

³ ABS HES refers to the Australian Bureau of Statistics (ABS) Household Expenditure Survey (HES) and the Survey of Income and Housing (SIH). The HES/SIH (the two surveys were combined as of 2003/04) is a large comprehensive study (encompassing around 7000 households).

⁴ See VBRC (2010) and discussion by Tooth (2010).

A long-running concern for the insurance industry is that insurance is made less affordable as a result of a number of insurance taxes. In addition to GST, insurance premiums are subject to stamp duty⁵ and in some locations a fire services levy (FSL).⁶ Relative to the GST, stamp duty and fire services levy are particularly significant as they are applied to both the service of insurance and the funds that are redistributed.⁷ Taxes on insurance have been widely recognised as being inefficient (e.g. see Henry Tax review, AFTS 2009). Using multivariate analysis, Tooth (2008) estimated that around 300 thousand more households would be insured if the taxes were removed.

There have been some moves to remove insurance taxes. Most significantly some jurisdictions have removed the fire-services levy; Western Australia did so in 2003/04 and Victoria aims to phase out FSL over 2012/2013. While these developments have been welcomed, there has been concern of new taxes; the recent National Disaster Insurance Review proposed an insurance pool arrangement which would have had the effect of taxing a large number of households to fund subsidies to other households with large insurance premiums.

Other influences on the demand for insurance

The finding that many households do not have insurance has prompted research into why. While there are many factors correlated with non-insurance, some care is required in attributing to any one factor as many factors are related. For example, as people age they acquire more insurable assets, achieve higher incomes and become more likely to own a property. To analyse the effect of a particular factor on insurance decisions it necessary to either:

- use a very large sample and ensure analysis is undertaken on a sub-samples with similar characteristics (approach adopted in Tooth and Barker 2007); or
- use multivariate regression analysis on a sample (approach adopted in Tooth 2008).

The results of the aforementioned studies in Australia have found the following associations with the take-up of insurance:

- **House tenure** — Owners and particularly mortgage holders are more likely to be insured.
- **Age** — The take-up of insurance is lowest among the young; this is consistent with younger people having fewer assets to insure
- **Income** — Take-up of insurance is greater for higher incomes, consistent with these households having more assets to insure. The relationship between income and insurance is however complex; while richer households have a large budget to afford

⁵ Stamp duty rates vary by state. Current rates are 7.5% in Queensland; 8% in Tasmania; 9% in NSW; 10% in ACT, Victoria, Western Australia and Northern Territory; and 11% in South Australia.

⁶ NSW and Victoria apply a fire services levy on insurance; current rates are 18% in Metropolitan Victoria, 35% in regional Victoria and 20% in NSW.

⁷ In contrast, GST is a tax on the value added service of insurance; insurers receive input tax credits for costs incurred in providing

insurance, they also have a greater ability to self-insure by taking out higher excesses or simply not-insuring.

- **Cultural factors** — Both Tooth and Barker (2007) and Tooth (2008) found evidence that those born into non-English speaking regions were less likely to insure.

Understanding of risk and cover

Following the recent floods, some households without flood cover claimed that they had not realised that they were not covered.⁸ This prompted, the Commonwealth Government⁹ to put forward two proposals in 2011 designed to provide greater clarity around home insurance, including:

- a standard definition of flood, for use in insurance policies;¹⁰ and
- short, simple, key facts summaries for insurance policies to be made available to consumers.

A related issue is the extent to which people had an understanding of risks prior to moving to their present location. A particular concern is that many people have unknowingly bought into a high flood risk (or other risk) area and only later discovered difficulties in obtaining affordable insurance. To date there is limited research information on this issue.¹¹

2.2 Data and method

The survey was designed in conjunction with IAG and Roy Morgan Research. The survey was implemented online by Roy Morgan Research in mid-December 2011.

The questionnaire was designed to broadly follow the residential survey conducted in 2001. Similar to the 2001 residential survey, the total survey sample was around 1200 households and asked respondents similar questions the level home building and contents insurance cover.

This current survey has a greater focus on home insurance and more contemporary issues. Most notably the new survey has sought to also examine:

- The extent of insurance cover for second homes
- Insurance coverage in areas with a high risk of flood
- Consumers' understanding of risks
- Issues around trust of insurers

⁸ Unlike most perils (e.g. bushfire, theft), full cover against flood risk is not standard in most insurance policies. In many policies there is cover for some types of water inundation.

⁹ Consultation Paper – Reforming Flood Insurance: A Proposal to Improve Availability and Transparency

¹⁰ Of note, the industry has for some time sought to obtain a standard definition of flood. In 2008, authorisation for a standard definition of flood sought by the Insurance Council of Australia was denied by Australian Competition and Consumer Commission (ACCC).

¹¹ Chivers and Flores (2002) report evidence from a survey in Boulder, Colorado on the extent to which house buyers understood the flood risk at the time of purchasing a house. They found that the large majority were not aware of the flood risk or the flood insurance premium prior to price negotiations.

To keep the survey length manageable, some questions from the 2001 survey, primarily with regards to motor vehicle insurance, were removed.

A total of 1200 households (the Full Sample) were surveyed. To support the examination of households in high risk areas, 300 households (the High Risk Sample) were selected from a discrete set of 50 postcodes determined by IAG as being of high natural peril risk to bushfire, cyclone, flood, hail and earthquake. The High Risk Sample predominantly included households from Queensland and Victoria (see Table 7 in the Appendix). The remaining 900 households (the Main Sample) were selected from the remaining household population. For the Main Sample, quotas were conducted based on region (state), age and gender.

To ensure that survey recipients had an understanding of their household's insurance cover they were asked:

Are you involved, either partially or fully, in deciding whether or not to have a Home Insurance policy for where you live?

The results of this question are shown in Table 1 below. The survey was only conducted on the 82 percent of respondents who selected 'Yes fully involved' or 'Yes partially involved'.¹²

Table 1: Involvement in Insurance Policy Question

	Main Sample	High risk Sample	Full Sample
Fully involved	626 (58%)	226 (59%)	852 (58%)
Partially involved	274 (24%)	74 (21%)	348 (24%)
Total in sample	900 (82%)	300 (79%)	1200 (82%)
Not at all involved	199 (15%)	54 (18%)	253 (15%)
Can't say	29 (2%)	10 (3%)	39 (2%)
Total contacted	1128 (100%)	364 (100%)	1492 (100%)

A profile of the respondents is included in Appendix 1.

For most analysis weighted averages are reported. Applying weights is appropriate to address the risk of non-random sample selection. Specifically, this is required to conduct analysis that incorporates both the Main Sample and the High-Risk Sample.

For the majority of analysis a household weight was applied. The household weight was determined on the basis of location and household size. In a small number of cases (12

¹² Respondents who worked in insurance and/or market research were also excluded from the survey.

respondents) the household size was not provided; in which case, data would be excluded from analysis.

For some analysis a population weight — based on age, sex and location — was applied. A population weight was used when an estimate of the population average was desirable; for example, when considering the attitudes of those surveyed.

The sensitivity to the weighting applied was examined. In general the weighting had little effect on results.

For most responses, there are a range of important factors that are often covariant. For example, the decision to insure is closely related to the value of assets that need to be insured, which in turn may be a function of home ownership, age, income and life stage — all factors that vary together. To isolate the effect of individual factors, multivariate regression analysis was undertaken on some responses.¹³

¹³ Most often these involved examining the relationship between dichotomous variables (e.g. have insurance or not).

3. Findings

3.1 Extent of insurance cover

3.1.1 Non-insurance

Levels of non-insurance

Respondents were asked whether their home is covered by building insurance; and or contents insurance. A summary of the results are shown in Table 2 and Table 3 below, including the results from the 2001 study. The top-line results, reporting level of insurance cover were almost identical to those recorded in 2001.¹⁴ Of note:

- 9 percent of home-owners were not covered for building or contents insurance cover (8% in 2001 study); and
- 39 percent of non-home owners were not covered for contents insurance (39% in 2001 study).

The levels of non-insurance estimated from this survey (and its 2001 predecessor) are less closely aligned to those computed from the Australian Bureau of Statistics (ABS) Household Expenditure Survey (HES). A comparison with these is shown in Table 4 below. The differences with the ABS HES results for contents insurance are significant. There are a number of possible reasons:

- The HES results could over estimate non-insurance where a third-party (e.g. parent) has paid for the insurance coverage.
- The online survey results (and the previous phone survey) could under estimate non-insurance if there is some selection bias in attracting respondents; an issue that is more easily addressed by the process undertaken with the HES.

¹⁴ Full details of the 2001 survey were not available for a detailed comparison. Care should be taken in comparing results from the two studies as they were undertaken using different techniques.

Table 2: Incidence of home building and contents insurance for home-owners
(From current study and 2001 study)

	Dwelling type			
	Total	Separate house	Flats/unit	Semi-detached
Have both Building and Contents Insurance	88% (90%)	90% (92%)	72% (75%)	83% (85%)
Total without Building or Contents Insurance	9%	6%	26%	16%
Have only Building Insurance	5% (5%)	4% (5%)	11% (7%)	10% (11%)
Have only Contents Insurance	2% (1%)	0% (1%)	11% (6%)	2% (-)
Have neither Building nor Contents Insurance	2% (2%)	1% (1%)	4% (1%)	4% (4%)
Can't Say (either Building or Contents)	4% (2%)	4% (1%)	1% (11%)	2% (-)
Respondents	822	684	86	52

Source/ Base: Weighted results from Full Sample of home owners (with or without a mortgage); Excludes building type 'Other' and "Can't say". Results from the 2001 survey are shown in brackets.

Table 3: Incidence of home contents insurance for all households
 (From current study and 2001 study)

	Owners				Non-owners		
	Total	No mortgage	With mortgage	Sub-total	Renters	Other	Sub-total
Have contents insurance	81% (81%)	90%	92%	91% (93%)	56% (45%)	84%	58%
Do not have contents insurance	18% (16%)	9%	7%	8% (7%)	41% (52%)	16%	39% (39%)
Can't say	2% (3%)	1%	2%	1% (1%)	3% (3%)	0%	3%
Respondents	1198	402	434	836	336	26	362

Source/ Base: Weighted results from Full Sample. Excludes respondents who responded “Can’t say” to tenure type. Results from the 2001 survey are shown in brackets.

Table 4: Comparison of ABS HES and Survey results on non-insurance
 Incidence of non-insurance: rate and number of households

	Owned house without building insurance	All households without contents insurance
ABS SIH/HES – (2003/04)	4.1% (0.2m)	28% (2.2m)
ABS SIH – 2009/10	3.8% (0.2m)	29% (2.5m)
Prior survey – 2001	3% + 2% can't say	16% + 3% can't say
This survey - 2011	3.5% (0.2m) + 4% can't say	18% (1.5m) + 2% can't say

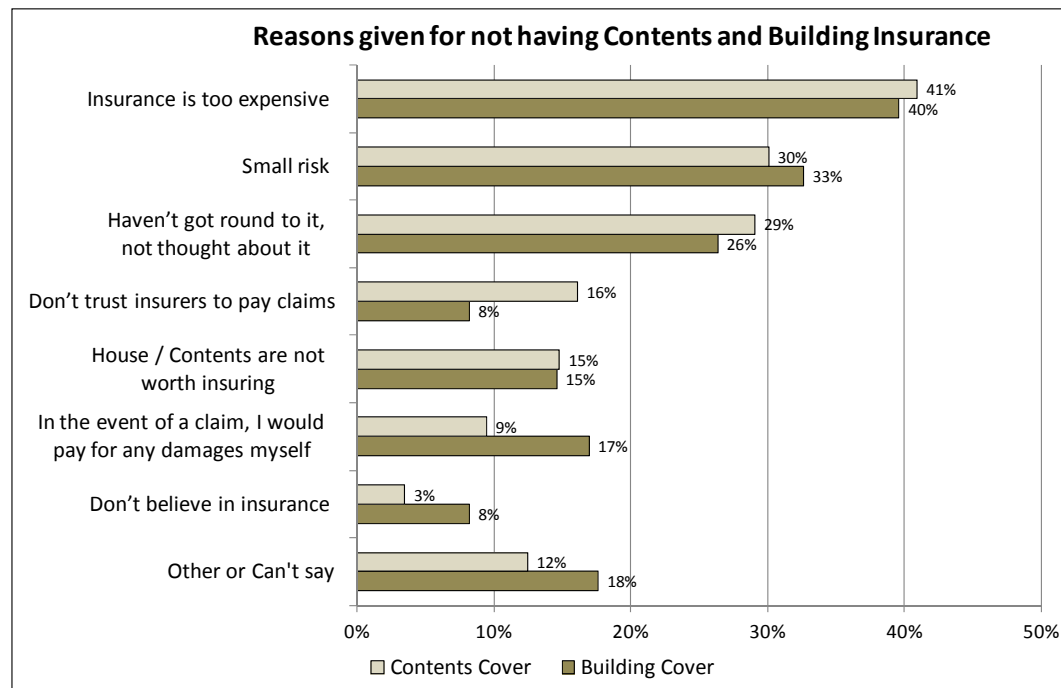
Note: The Insurance Council of Australia provided results from the 2009/10 ABS SIH.

Reasons for non-insurance

Respondents who were non-insured were asked their reasons for not having cover. A summary of responses for both building and contents cover are provided in Figure 1 below. The results are almost identical for both building and contents cover and ‘Insurance is too expensive’ was most commonly nominated as a reason in both cases. There was little variation of results across different demographic groups, however for those not having contents insurance:¹⁵

- Older respondents were relatively more likely to nominate ‘Insurance is too expensive’ as a reason.
- Younger respondents were relatively more likely to nominate “Haven’t got around to it, not thought about it” as a reason.

Figure 1: Reasons for non-insurance



Base: Building Cover (16 respondents) — those without building cover but with reason to purchase directly (i.e. home owners not in flats/apartments). Contents Cover (204 respondents) — all respondents without contents insurance. Household weights used.

1. Respondents could choose multiple reasons and so options add to more than 100 percent.

¹⁵ Variation was examined across age, income and living arrangement. No further analysis was undertaken on the reasons for the lack of building cover due to the small number of respondents without building cover.

Non-insurance at other properties

This survey sought to address a gap in the understanding of insurance held for other properties. Data sources used in previous studies, including the ABS HES, have insufficient information to examine non-insurance for second homes.

Respondents were asked 'Do you or your household own any other properties?'. Those who reported as having another property were then asked for each of the 'Holiday home (or second house)' and 'Rental house' categories:

- the number of properties owned,
- the number covered by building insurance; and
- the number covered by contents insurance.

Around 15 percent of respondent households reported holding another property; of which 5 percent recorded having one or more 'Holiday home (or second house)' and around 11 percent recorded having a 'Rental house'. Some households reported having more than one additional property; the average number of additional properties owned by households with another property was 1.5 for 'Holiday home' and 1.7 for 'Rental house'. The results are comparable with other data sources including information on implied rates of second ownership¹⁶ and the implied numbers of holiday homes¹⁷ and rental properties¹⁸.

The incidence of non-insurance was simply estimated as the difference between properties owned and properties insured. The implied rates of non-insurance are reported in Figure 2 below. These are notably higher than for the main household but are not unexpected; people may be less likely to take out insurance on holiday homes because:

- the value of the assets (building and contents) is less than for the main home; and
- they are more able to self-insure; that is, they are more able to live through the consequences of losing a holiday home compared to the main home.

The rates are also consistent with other anecdotal evidence. Based on reported data on non-insured properties following the Victorian Bushfires, Tooth (2010, para. 31 to 35) estimated the rate of non-insurance for holiday homes to be in the order of 30 percent.¹⁹

¹⁶ Based on ABS SIH 2009/10 data (provided by the ICA) 17.5% of households owned a second property of which 11.8% were rented out.

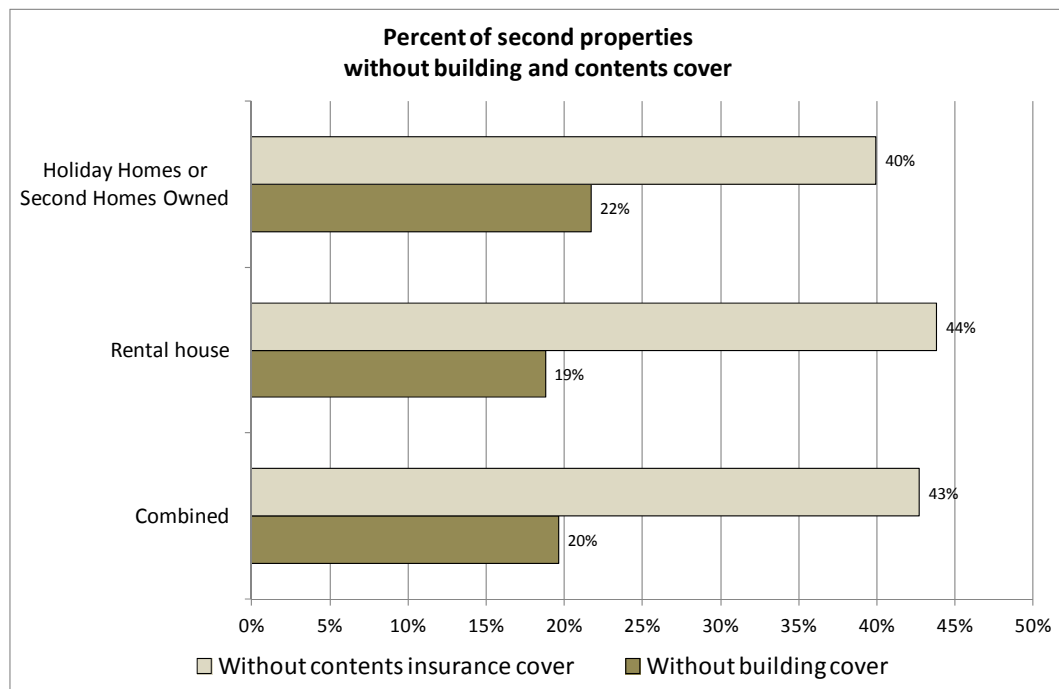
¹⁷ There is very little information on the stock of holiday homes. The National Housing Supply Council's 2010 State of Supply Report (page 37, 38) incorporates some information. Based on ABS data they estimated that the Holiday Home stock comprised 2.4% of all housing stock in 1986 but recognised this was likely to have grown. The implied number from this study is higher; closer to 5%. They also note a 2010 BIS Shrapnel report that estimates that '7.8 per cent of households own a holiday home'. The implied number from this study is 5%.

¹⁸ Based on ABS Housing Statistics (Housing Occupancy and Costs, 2009-10) around 2 million (23.7%) households rent from a private landlord. The implied number of private rental properties (provided by households) from this survey is around 1.65 million.

¹⁹ Information captured following the bushfires included the number of properties destroyed, the number insured and the number that were a primary residence.

The rates of non-insurance for rental properties are reasonably similar to that of holiday homes but there are some slight differences. Relative to holiday homes, the rates of non-insurance are higher for contents cover and lower for building cover. This is expected. As rental properties are often rented unfurnished, contents cover may be unnecessary for the landlord. As rental properties are income generating assets, building cover may more likely be viewed as necessary for protection.

Figure 2: Non-insurance in second properties



Base: Households who reported owning a second property (59 respondents for holiday homes, 135 respondents for rental house, 179 respondents for combined). Household weights used.

3.1.2 Adequacy of cover

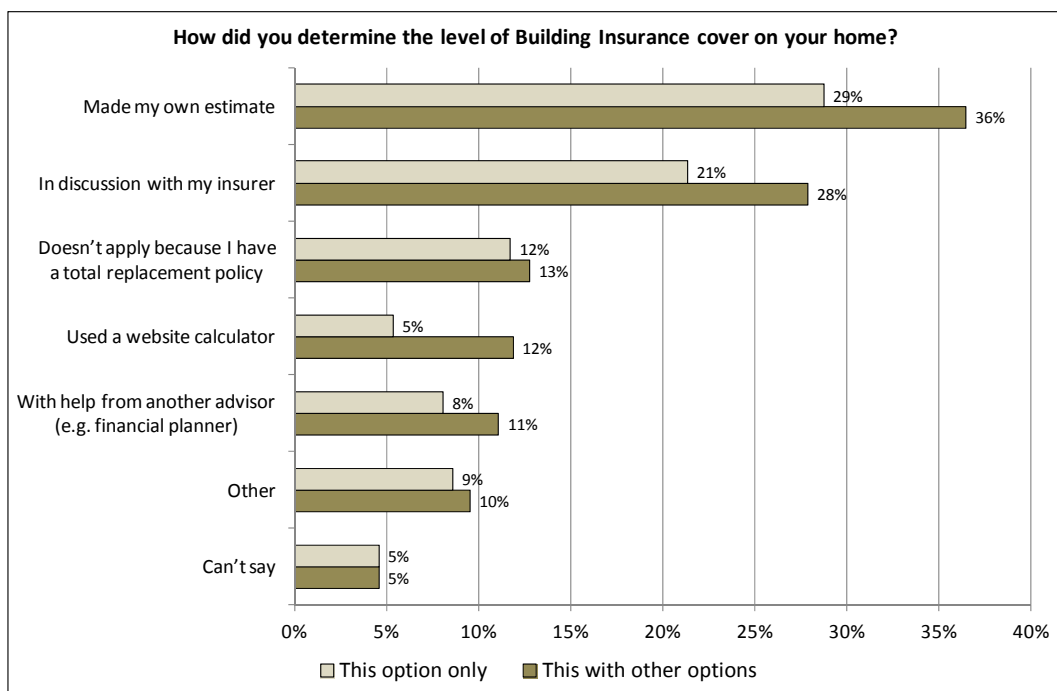
Building insurance

With regard to home building insurance a key concern is that many households are under-insured; that is, the level of cover is insufficient to cover a total loss. Both theory and evidence²⁰ suggests that under-insurance with regard to building cover is unlikely to be a result of people choosing an insufficient cover to reduce the premium, but rather as result of underestimating the level of cover required. It is thus of interest as to how the level of cover was determined.

Respondents with building insurance were asked ‘How did you determine the level of Building Insurance cover on your home?’ The results are summarised in Figure 3 below. Almost 30 percent of households made their own estimate without any other support. Also of note:

- The second most common method was ‘in discussion with my insurer’.
- Website calculators were used only in 12 percent of cases and often in conjunction with some other method.

Figure 3: Methods used to determine level of building insurance cover

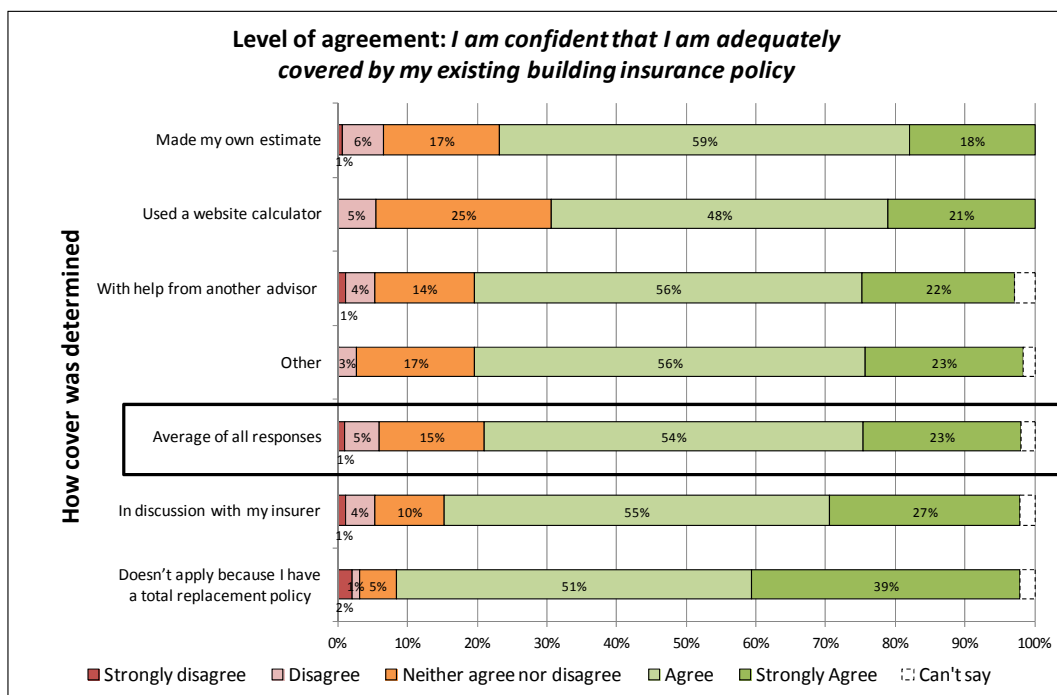


²⁰ Given the potential loss, the alternative of increasing the excess is likely to be a preferable strategy. Tooth (2008) finds evidence that the people adjust the level of contents cover to cut premiums but finds no evidence of this occurring with building insurance.

Base: Respondents with building insurance from Full Sample (Respondents = 875). Household weights used.

Respondents were also asked about their confidence with building insurance policy cover. The results are summarised in Figure 5 below by how the cover was determined. About 77 percent (weighted average) agreed or strongly agreed that they were adequately covered. The level of confidence in the cover varied with how the level of cover was determined; those with a total replacement policy had the highest level of confidence.

Figure 4: Confidence in building cover



Base: Respondents with building insurance from Full Sample (Respondents = 875). Household weights used.

Additional multi-variate analysis was undertaken on the respondents' level of confidence in their coverage. All else being equal, people were more likely to feel confident about their coverage if they:²¹

- were older and/or of higher income;
- had chosen their insurer based on coverage options or brand/reputation;
- also have contents insurance.

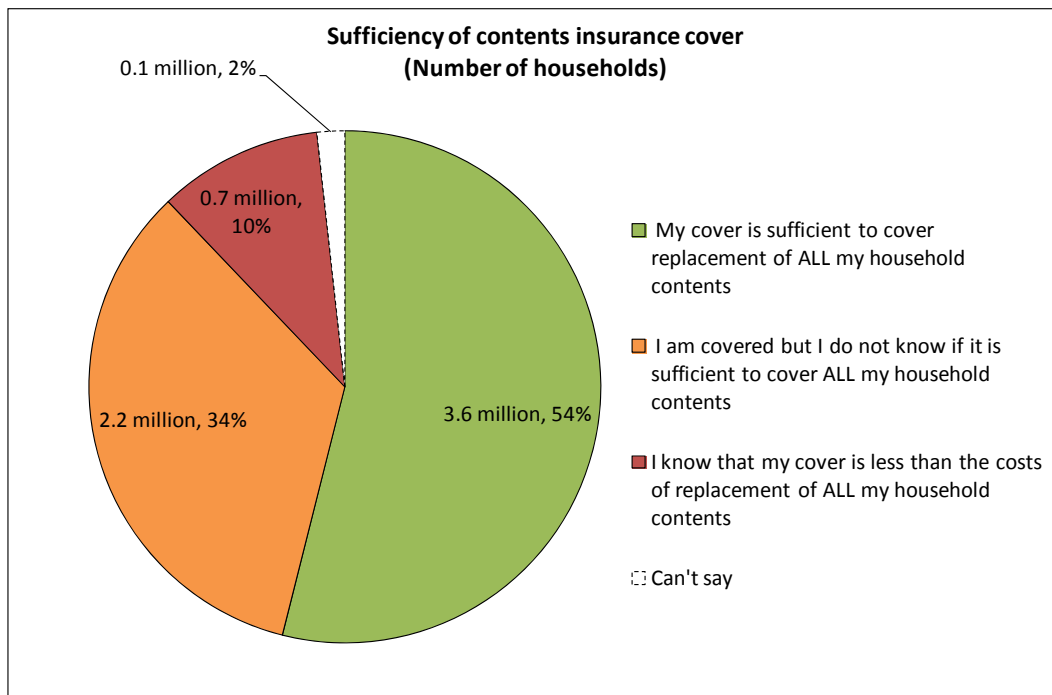
Contents cover

Those with contents insurance cover were asked whether their cover was sufficient or not to replace all their household contents. The results are shown in Figure 5 below.

²¹ Variation measured using probit regression; only statistically significant correlations reported.

Of those with contents insurance cover, around 10 percent (77 respondents, representing about 0.7 million households) reported that they knew their cover was less than the costs of replacement of goods; a further 34 percent (representing around 2.2 million households) were unsure.

Figure 5: Extent of contents insurance cover

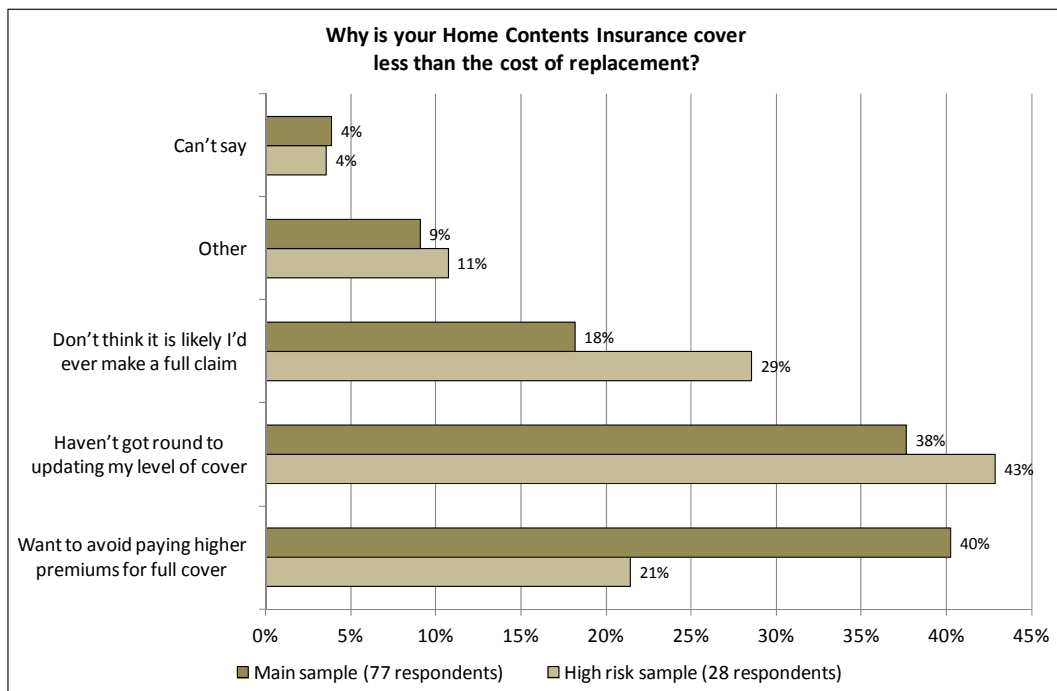


Base: Those with Home Contents Insurance (975 respondents). Household weights used.

Those who knew that their level of contents cover was insufficient were asked why. The results are shown in Figure 6 below. Of note there is some variation in results between the High Risk and the Main Sample with the High Risk Sample more likely to nominate “Don’t think it is likely I’d ever make a claim as a reason” and less likely to state avoid paying higher premiums.

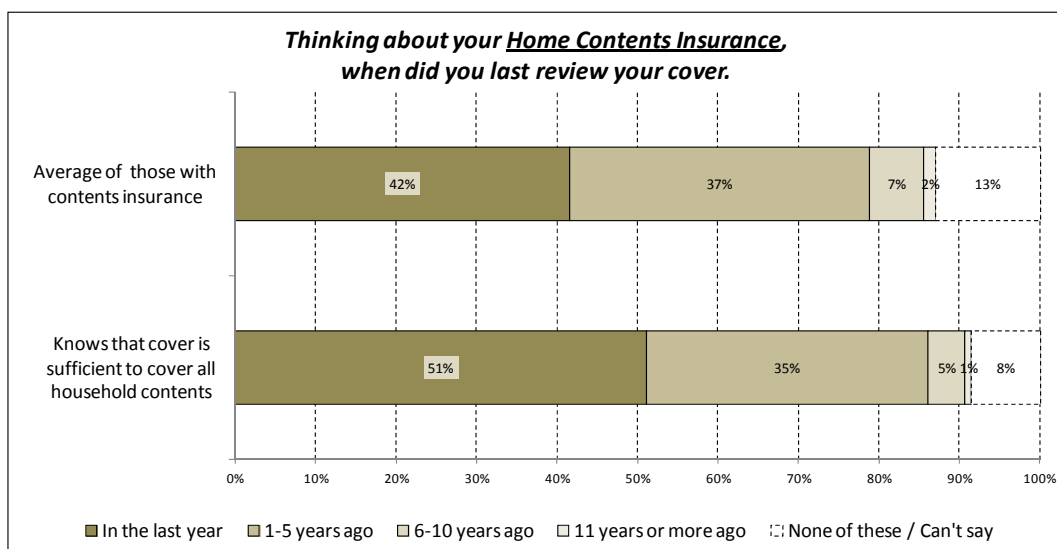
Respondents were also asked when they last reviewed their level of cover (see Figure 7 below). Almost 80 percent of households have reviewed the level of home contents insurance cover in the last 5 years. Not surprisingly, those who were confident that their cover was sufficient were more likely to have reviewed their cover recently.

Figure 6: Reasons for under-insurance



Base: Respondents reporting that their insurance cover is less than the costs of replacement. Note: Household weights used. Results do not add to 100 percent as multiple choices were allowed.

Figure 7: When did you last review your cover?



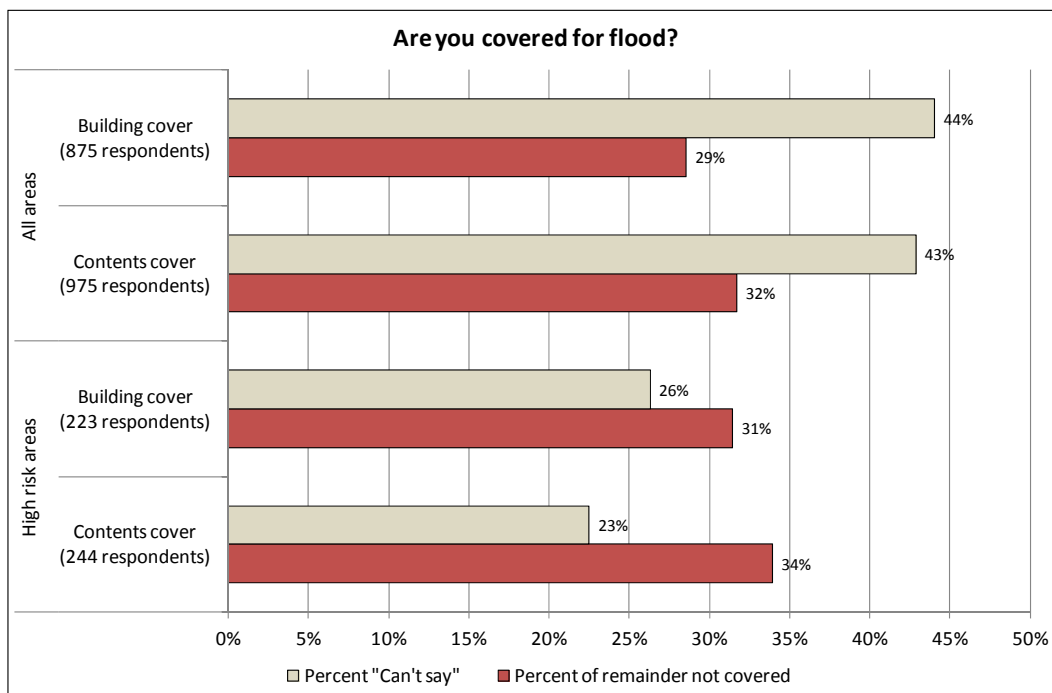
Base: Respondents with contents insurance. Household weights used.

Flood cover

Those with home building or home contents insurance were asked whether they thought they were covered for flood risk.²² Respondents could answer ‘Yes’, ‘No’ or “Can’t say” for each of home building and home contents insurance. A common concern is that insured are often unaware of whether they are covered for flood and thus the percent of respondents who “Can’t say” is of significant interest. The level of non-insurance among the remainder is used as an indicator of the overall level of non-insurance.²³

The weighted results for Full Sample and the High Risk Sample are presented in Figure 8 below. Overall, a large proportion of households (around 44%) cannot say whether they are covered for flood. Perhaps not surprisingly, those in high risk areas (many of which are drawn from Queensland) are more likely to know whether they are covered. The relative proportion of those covered does not differ markedly between building cover and contents cover.

Figure 8: Extent of flood cover



Base: Households with home building or contents insurance. Household weights used.

The results by state/territory are shown in Figure 9 below. Of note:

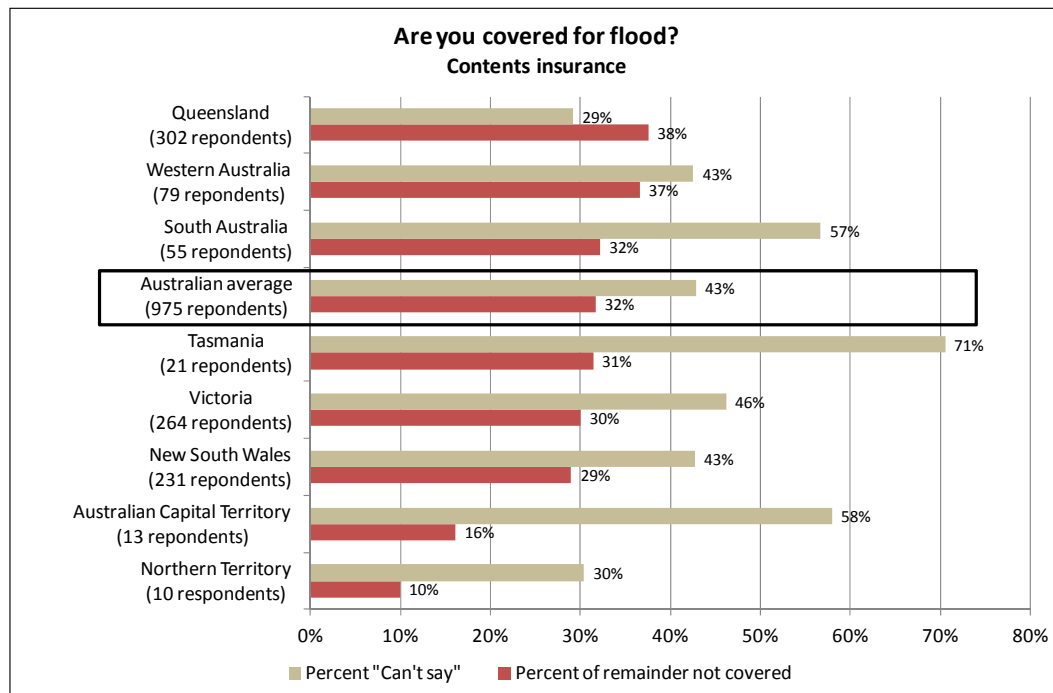
- There is a greater understanding of flood cover in Queensland

²² Specifically they were asked ‘For your home, does your Home Insurance cover you for flood risk? By flood risk we mean rising water.’

²³ The proportion responding “Can’t say” was significant and varied significantly by group; thus the proportion stating they were not covered for flood is unlikely to be indicative of all respondents who are not covered.

- Generally more “Can’t say” responses coincided with a lower proportion of those thought they were not-covered.

Figure 9: Lack of flood cover by state



Base: Households with contents insurance. Household weights used.

The survey also asked respondents who they insured with. The extent of flood cover varies by brand. At the time of the survey, some insurers offer flood cover as standard, some provided flood cover as an option and some did not provide flood cover at all. By comparing the choice of insurer with the response to the question ‘Are you covered for flood?’, it is possible to assess in some cases (when flood is standard or never offered) whether households have incorrectly assumed they were or were not covered for flood.²⁴ The results indicate that:

- In cases where flood cover was a standard cover provided by their insurer around 14 percent (unweighted count) of households mistakenly believed they were not covered
- In cases where flood cover was not currently provided by their insurer around 16 percent of households mistakenly believed they were covered.

These results indicate that understanding of cover is still clearly a problem. A similar analysis was undertaken on respondents who thought they had replacement cover. Of those respondents who were with insurers that did not offer full replacement cover around 12 percent indicated they had total replacement cover.

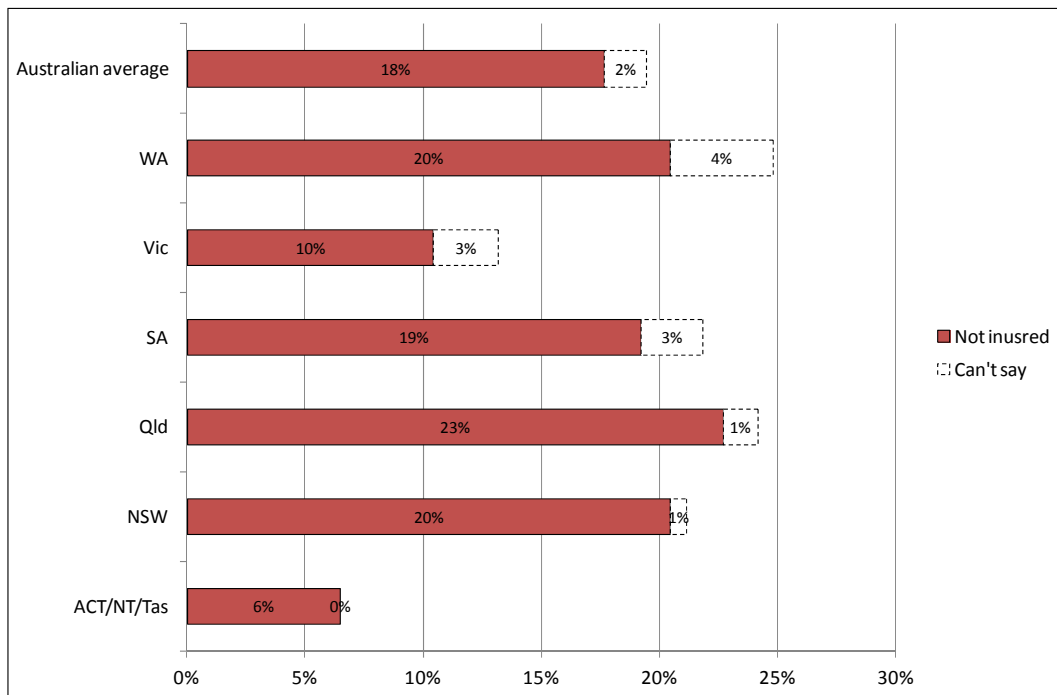
²⁴ A number of insurers have begun offering flood insurance cover as of January or February 2012. These were excluded from this analysis.

3.1.3 Coverage by region

A summary of the rates of non-insurance for contents insurance cover by jurisdiction is provided in Figure 10 below. However, by itself this information is of limited value. It is difficult to compare insurance coverage by location as there are many drivers of insurance demand (including income, house type, tenure and age) that vary by region. To control for these factors, multivariate analysis was undertaken.²⁵ The only significant variation detected was that households in regional Victoria had a relatively low level of non-insurance.²⁶ Consumer concern over bushfire risk is a possible reason; Victoria has experienced many of Australia's worst bushfires including the recent 2009 fires.²⁷

Given that building insurance only applies to a subset of the sample (home owners) and the high rates of coverage, it is not practical to conduct analysis across regions on building insurance using the results of this survey.

Figure 10: Take-up of contents insurance by region



Base: Full sample. Household weights used.

²⁵ A probit model was analysed of whether households had contents insurance with controls for income, respondent age, living arrangements, house type, tenure.

²⁶ See ICA (2012) for disaster statistics.

²⁷ Tooth (2008) also found take-up of insurance abnormally high in regional Victoria.

3.2 Influences on insurance decisions

To build on prior work on insurance demand, a number of questions were asked about potential influences on insurance decisions. These included questions relating to:

- whether family and friends had insurance cover;
- their claims experience and that of their family/friends;
- their language spoken — a demographic factor not previously analysed; and
- their home's exposure to risk.

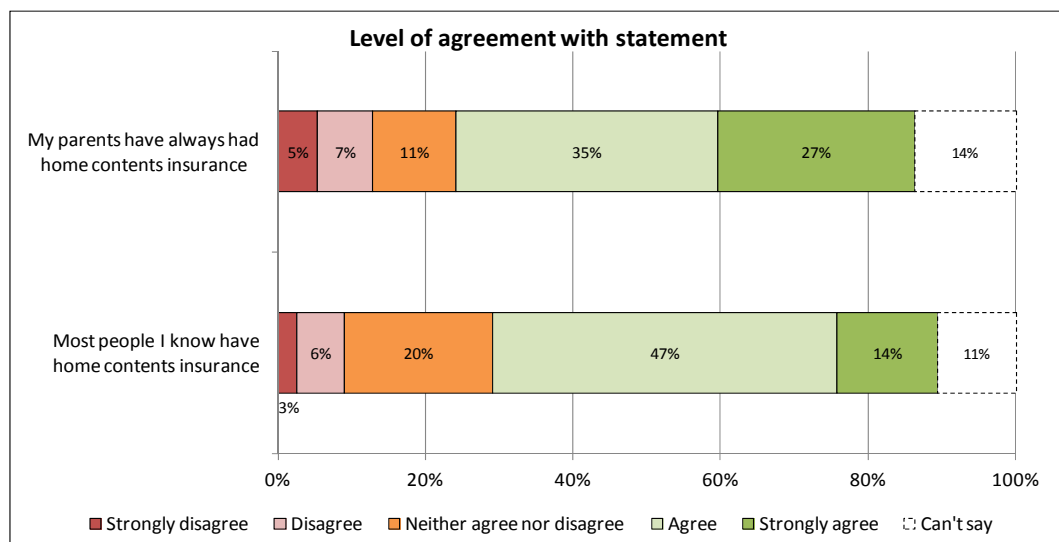
3.2.1 Insurance held by others

Respondents were asked about whether their family and friends had insurance cover. The results are shown in Figure 11 below. Figure 12 shows how the insurance decisions of others relate to the household's decision to insure.

The results of Figure 12 suggest that the parent attitudes to insurance are influential on the household's insurance decision. Similarly, people are less likely to be insured if other people they know are not insured. Further analysis found that these relationships existed even after controlling for demographic factors including living arrangement, age and income.

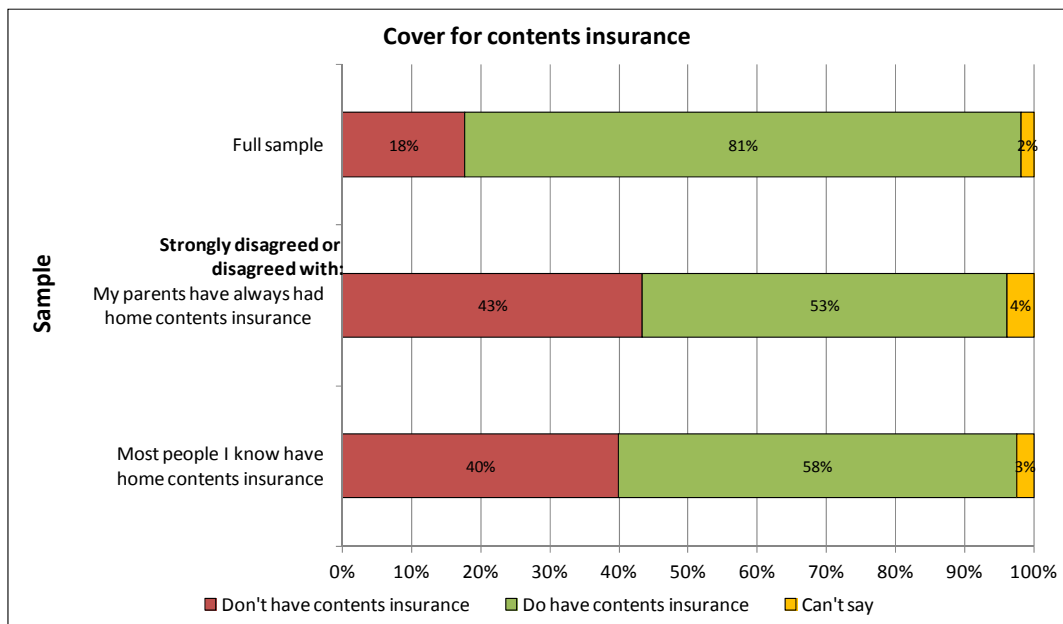
An implication is that there is a significant opportunity to increase levels of cover through greater influence.

Figure 11: Whether family/friends have insurance cover



Base: Full sample. Household weights used.

Figure 12: Influence of others on decision to insure



Base: All respondents. Household weights used.

3.2.2 Language

Prior studies (Tooth and Barker 2007, Tooth 2008) found evidence that those born overseas were less likely to take out insurance. One possible reason is that language difficulties led to people being uninsured. To help test this, respondents were asked what language was spoken at home. A summary of results is shown in Table 5 below. Those whose main language at home is not English are twice as likely to be not-insured. This may, however, not be due to language barriers but rather to cultural factors; as suggested by the results in the table, parents of respondents whose main language was not English were also less likely to be insured.

Once other demographic factors (e.g. income, house tenure) are controlled for, the correlation between language and the take-up of insurance is weak. After controlling for other factors, some evidence was still found of a lower take-up of insurance among those who spoke another language at home; however there was no more discernable difference between those whose main language was or was not English. These results suggest that language difficulties were not a significant issue.

Table 5: Language spoken at home

	Respondents	Without contents insurance	Measure ²⁸ of parents non-insurance
English only	1015	15%	12%
English main but other language spoken	133	26%	22%
Other language than English is the main language spoken	47	31%	38%
Can't say	5	54%	64%
Full sample	1200	18%	15%

Base: All respondents. Household weights applied

3.2.3 Claims experience

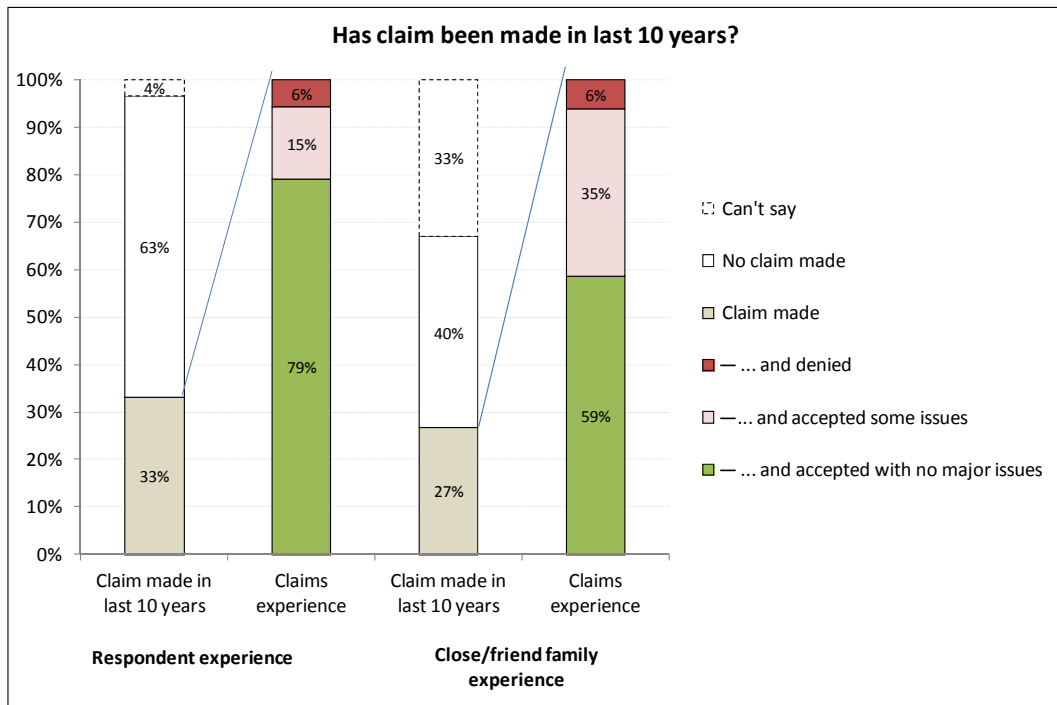
Respondents were asked about their claims experience. The results are in Figure 13. Of note, the questions were asked to help assess the extent to which claims experience influenced decisions and actions.

Claims are infrequent; only a third of respondents reported making a claim in the last 10 years. The majority of householders' claims are accepted with no issues; only 2 percent of households — 6 percent of those who had experienced a claim — reported having a claim denied.²⁹

²⁸ Measured as 'Strongly disagreed' or 'Disagreed' with the statement 'My parents have always had Home Contents Insurance'

²⁹ Note that this survey focussed on the accumulated experience of respondents and not the number of claims. Industry experience is that participants of the General Insurance Code of Practice (most general insurers) pay 98% of claims (Financial Ombudsman Service, 2010, page 6).

Figure 13: Claims experience



Base: All respondents.

1. Respondents could choose one option. Chart should not be used to interpret total amount of claims

It was expected that people's decision to insure might be affected by their claim experience. Further analysis revealed:³⁰

- Households who had a claim denied were less likely to be insured (Base: those who've made a claim in the last 10 years)
- Households whose friends/family had a claim accepted with no issues were more likely to be insured (Base: Households who've had a friend or family member make a claim in the last 10 years)
- Households were more likely to report being underinsured if they had not made a claim in the last 10 years.

More generally, as discussed further below, those who have made a claim (or whose friends/family have made a claim) are more likely to express trust in the insurance industry and those who express trust in the insurance industry are more likely to insure.

³⁰ Based on multivariate (probit model) analysis with controls for age and income.

3.2.4 Exposure to risk

A feature of the new survey was the inclusion of questions to assess householder's level of exposure to different risks. Respondents were asked:

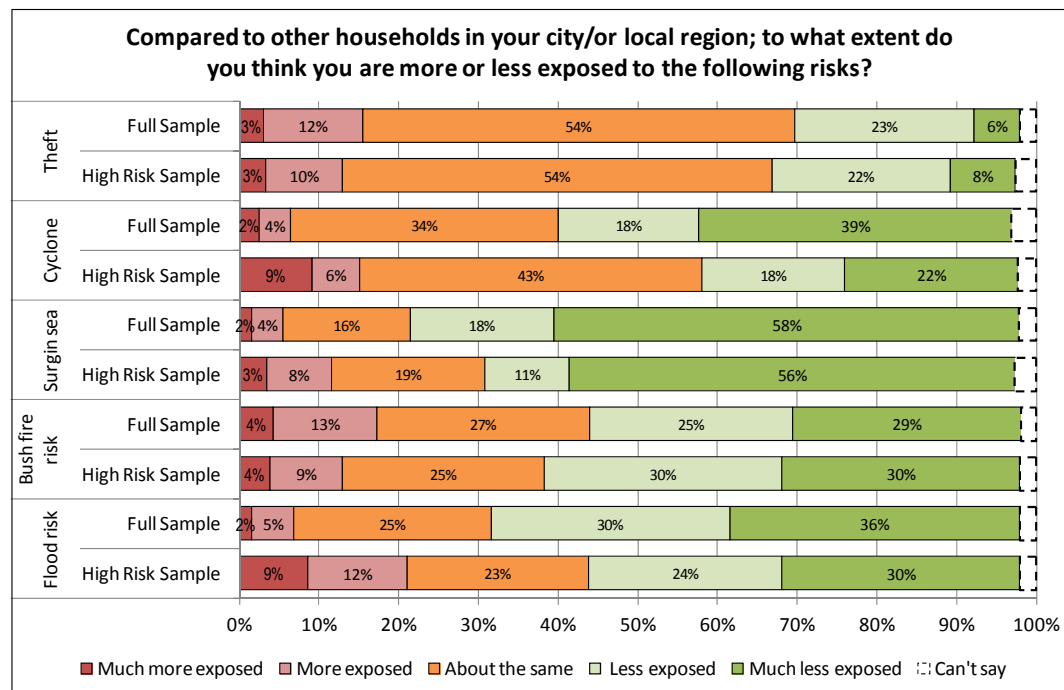
- their relative level of exposure to a range of risks; and
- the extent to which they had knowledge of the risks before moving to their location.

The risks assessed were:

- Flood risk;
- Bush fire risk;
- Surging sea water risk;
- Cyclone risk; and
- Risk of theft

To assess their relative level of exposure, respondents were asked to rate their exposure relative to other households in their city/or local region. A summary of results of the level of exposure is shown in Figure 14. In general, people felt that they were less exposed to risks compared to others within their city or local region. This response is consistent with an optimism bias of consumers but may also reflect respondents' interpretation of 'other households'. Consistent with the selection, those in the Higher Risk Sample were more likely to state they were more exposed to flood, cyclone and surging sea risk.

Figure 14: Exposure to risks



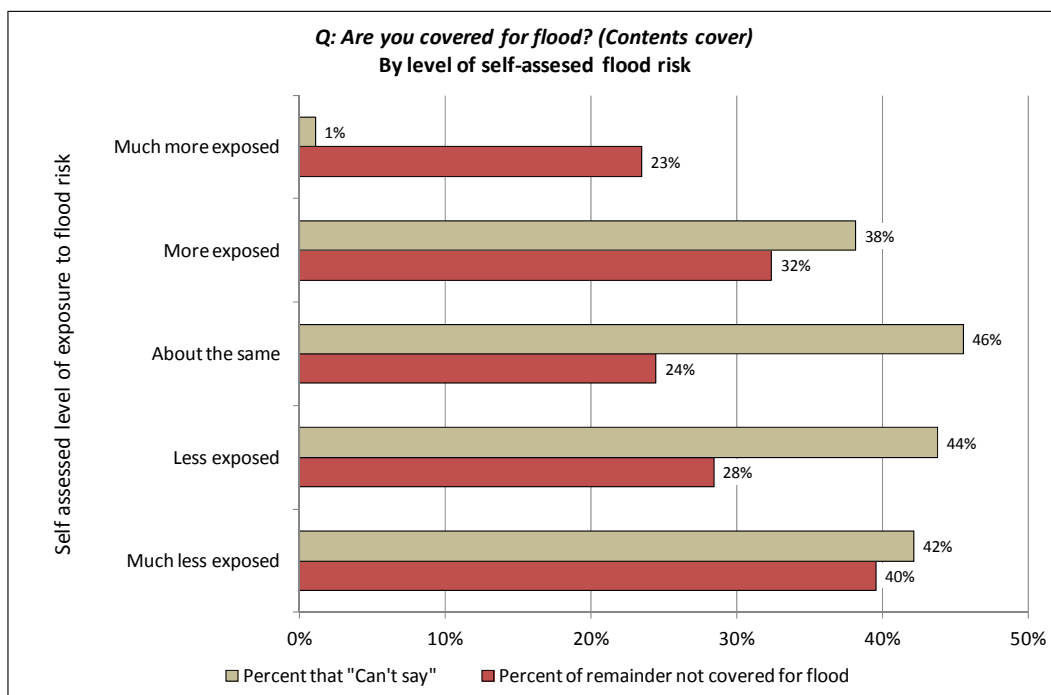
Base: Full sample. Household weights used.

Figure 15 compares the level of exposure against the coverage of flood risk. Two aspects stand out. First, as we would expect, those who reported being exposed to a relatively high

flood risk, were much more likely to understand (less likely to respond “can’t say”) whether they were covered.

Second, those who reported being ‘much less exposed’ to flood risk were less likely to take out flood insurance. This may be an indication of adverse selection, which can occur when insurers are unable to set premiums with sufficient accuracy. In such cases, those households who assess their flood exposure as being relatively low may opt out of flood insurance because they perceive it to be of relatively poor value. If flood insurance was priced to reflect the relative risk level then the level of exposure should have negligible impact on the decision to get flood cover.

Figure 15: Flood coverage by self-assessed level of flood risk



Base: Those with Contents Insurance. Household weights used.

Analysis was also undertaken to examine the extent to which self-assessed risk exposure influenced decisions to insure. Strong evidence was found that households were more likely to be insured if they thought they were relatively more exposed to bush fire risk. This relationship was not found with the other perils.

The link between expected bushfire risk and the decision to insure is consistent with the finding of a relatively high take-up of insurance in rural Victoria (see Section 3.1.3 above).

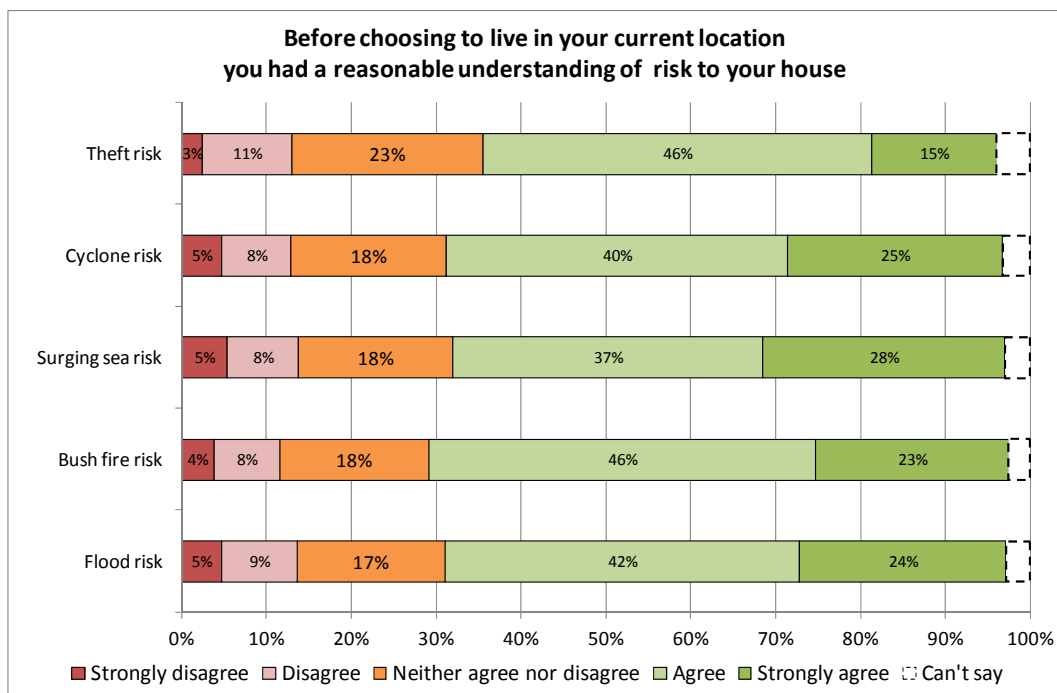
3.3 Understanding of risk

A common concern is that people have invested in a home, unaware of the risks to their home and the associated financial consequences. To investigate this concern, respondents were asked about the level of understanding of the risks prior to choosing to live in their current location. A summary of results is shown in Figure 16. For all risks, between 12 and 14 percent of households disagreed or strongly disagreed that they had an understanding of the risks before choosing to live in their current location.

Of particular interest is the extent to which a lack of understanding of risk was associated with people moving into high risk areas. This is examined in Figure 17, which compares the level of understanding of risk across different samples including the Full Sample, the High Risk Sample and the set of households who self-assessed that their home was relatively highly exposed. Of concern, the lack of understanding of risk with regard to flood and storm surge was greater among the High Risk Sample. Furthermore with regard to flood, storm surge and theft risk those who assessed their relative risk exposure as high were much more likely to indicate they were not aware of the risks before moving to their location. In particular, over 20 percent of respondents who assessed themselves as relatively highly exposed to flood considered that they did not understand the risk prior to choosing to live in their location.

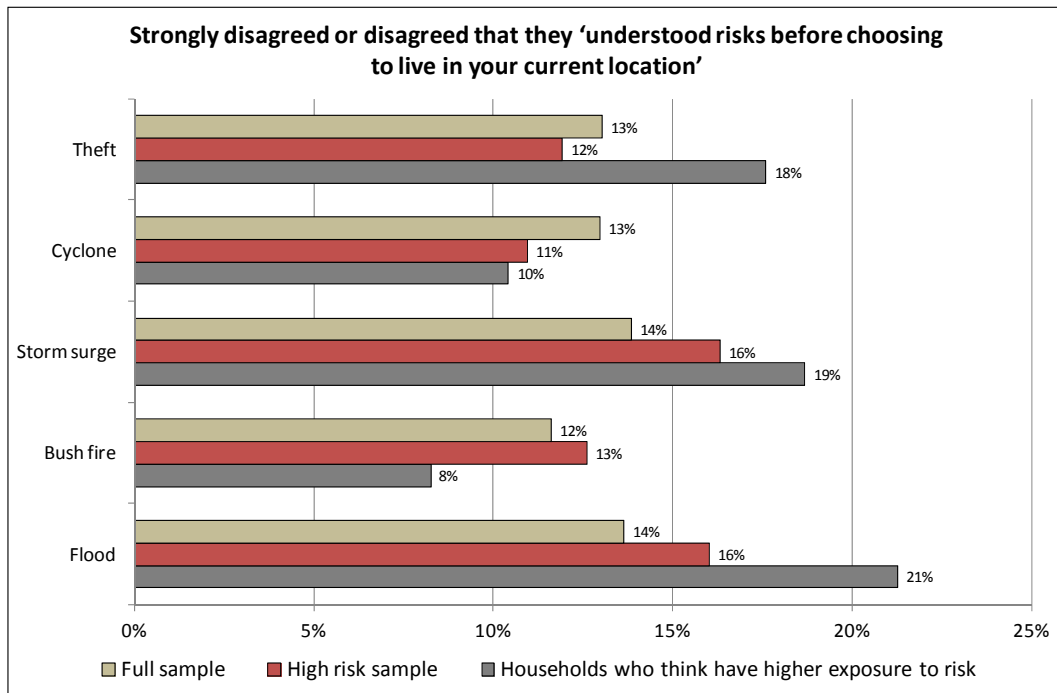
Of note, the prior understanding of risk with regard to cyclone and bushfire risk was not greater in the higher risk exposure samples.

Figure 16: Level of understanding of risks prior to moving to current location.



Base: Full sample. Household weights used.

Figure 17: Understanding of risk prior to choosing location and risk

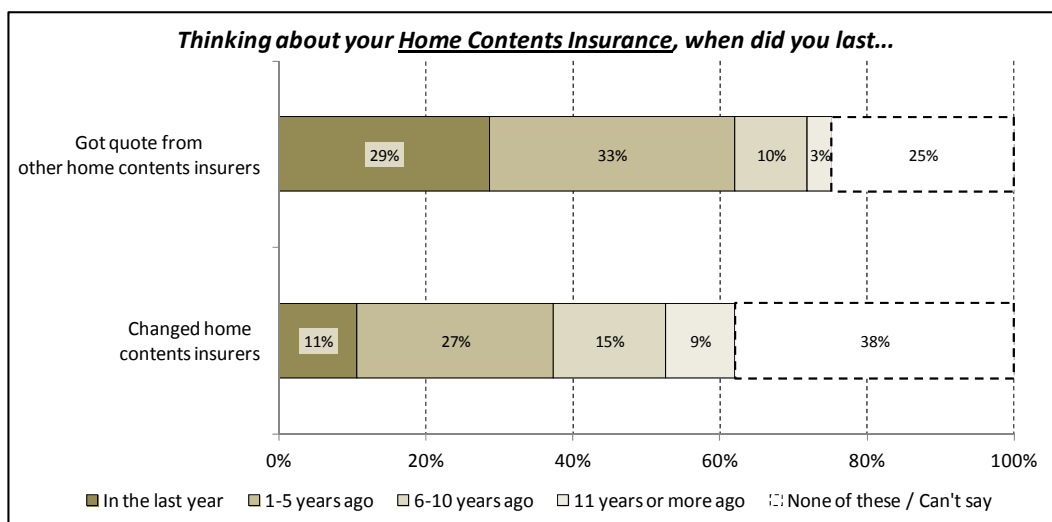


Base: Sample described in chart. Household weights used.

3.4 Choice of insurer

Respondents were asked about how often they shopped around for insurance, their choice of insurer and their reasons for choosing their insurer. Figure 18 shows when people last got a quote and switched insurers. The results indicate a healthy level of competition. The results indicate a significant amount of shopping around and switching, with around 29 percent shopping around for a quote in the last year and 11 percent choosing to switch insurers.

Figure 18: Last reviewed insurance policy



Base: Full Sample of those with contents insurance (975 respondents). Household weights used.

Analysis was undertaken on what factors were important in the choice of insurer. Price and brand/reputation are the two dominant factors for both building and contents insurance. Of note, in over a third of cases (for building insurance) the provision of flood cover was listed as a 'Very important' factor. Results are shown in a confidential appendix.

3.5 The cost of insurance

The survey included a number of questions to assess the extent to which households were sensitive to the price of insurance.

3.5.1 Actions to reduce premium of contents insurance

Respondents were asked whether in the last 10 years, to reduce the premium of their Home Contents policy they had:

- chosen to increase the level of excess; and
- chosen to reduce the maximum level of cover.

The key results are summarised in Table 6 below. Around 22 percent of households reported that they had increased the excess and 10 percent had reduced the level of cover. 5 percent of households had reported doing both and thus around 27 percent of respondents had reported doing at least one of these actions.

Table 6: Actions taken to reduce premium

Actions taken in the last 10 years to reduce premium of contents insurance					
		Chose to increase the level of excess			
		No	Yes	Can't say	Total
Chose to reduce maximum level of cover	No	66%	16%	2%	84%
	Yes	4%	5%	0%	10%
	Can't say	0%	0%	6%	7%
	Total	70%	22%	8%	100%

Base: Households with home contents insurance (975 respondents). Household weights used.

The proportion of people undertaking such actions increases slightly with age.

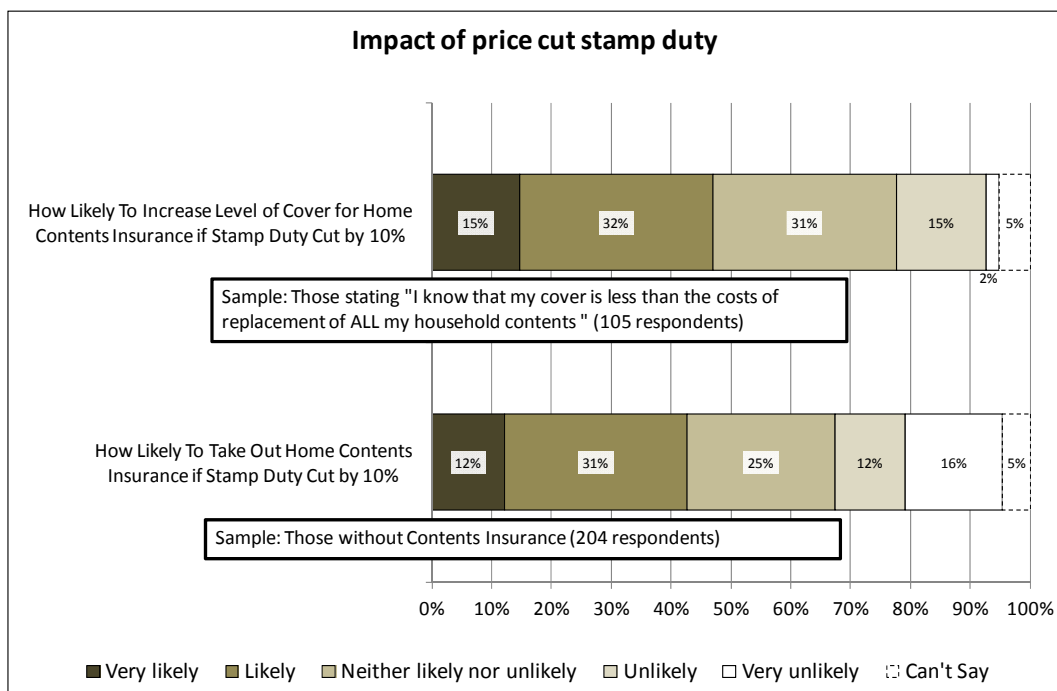
3.5.2 Responses to changes in tax rates

As noted in the introduction, all jurisdictions apply a stamp duty (in most cases around 10 percent but from 7.5 percent to 11 percent) of the premium. To test the effect of removing the stamp duty, respondents who did not have cover or knew they had insufficient cover were asked what actions they would likely take if the stamp duty was cut and prices fell accordingly.

As shown in Figure 19, 12 percent of those without contents insurance thought it ‘very likely’ they would take out Home Contents insurance if stamp duty was cut. This is equivalent to around 180 thousand households.³¹ Another 32 percent thought it ‘likely’.

Of those who knew their cover was insufficient, around 15 percent (equivalent to around 105 thousand households) thought it ‘very likely’ they would increase their cover. As many respondents (around 2.2 million households; see Figure 5 above) were unaware whether their cover was sufficient, the total response may be significantly greater.

Figure 19: Response to cut in stamp duty



Base: Those with home contents insurance (975 respondents). Household weights used.

To assess the response to increased taxes on premiums, respondents with contents insurance were asked what their likely actions would be to different price rises. Specifically they were asked:

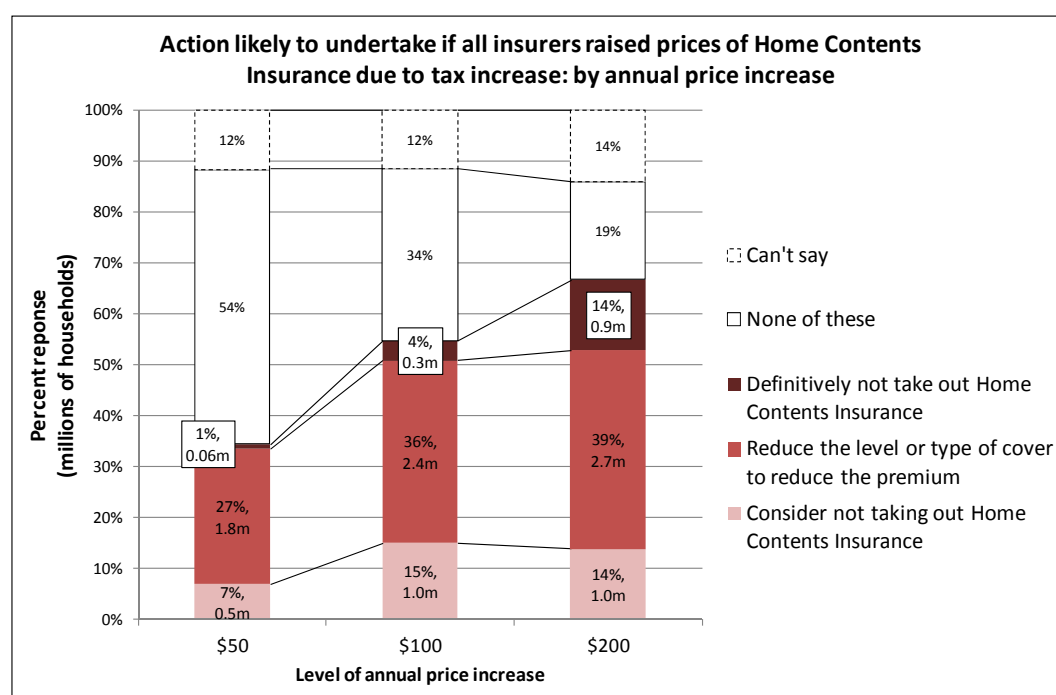
Which of the following actions are you likely to undertake, if due to tax increases, all insurers raised prices of Home Contents Insurance by [\$50, \$100, \$200 per year].

- Consider not taking out Home Contents Insurance
- Reduce the level or type of cover to reduce the premium
- Definitely not take out Home Contents insurance

³¹ This result is consistent in magnitude with an estimate from Tooth (2008) based on ABS HES data. That study forecast that an additional 300 thousand households would take-up contents insurance if all state taxes were removed and around 180 thousand if just the FSL were removed.

The results, presented in Figure 20 below, indicate a small price increase would lead to a significant response. For an increase of \$50 per year — in the order of 10 percent of the average home contents insurance premium³² — the results suggest an estimated 27 percent of insured households (around 1.8 million households) would choose to underinsure and between 1 and 8 percent (around 0.6 to million households) would choose to not insure. Predictably a larger yearly price increase yielded a more extreme response; the results imply a \$200 increase would result in between 0.9 million and 1.9 million households opting out of contents insurance cover. These results are similar in magnitude with previous studies.³³ Note that these estimates are based on existing policyholders opting to underinsure or not insure; a price increase would also dissuade new customers.

Figure 20: Response to tax increase



Base: Respondents with contents insurance from Full Sample. Household weights are used

1. Respondents could only choose one action.
2. Results are largely insensitive to sample used.

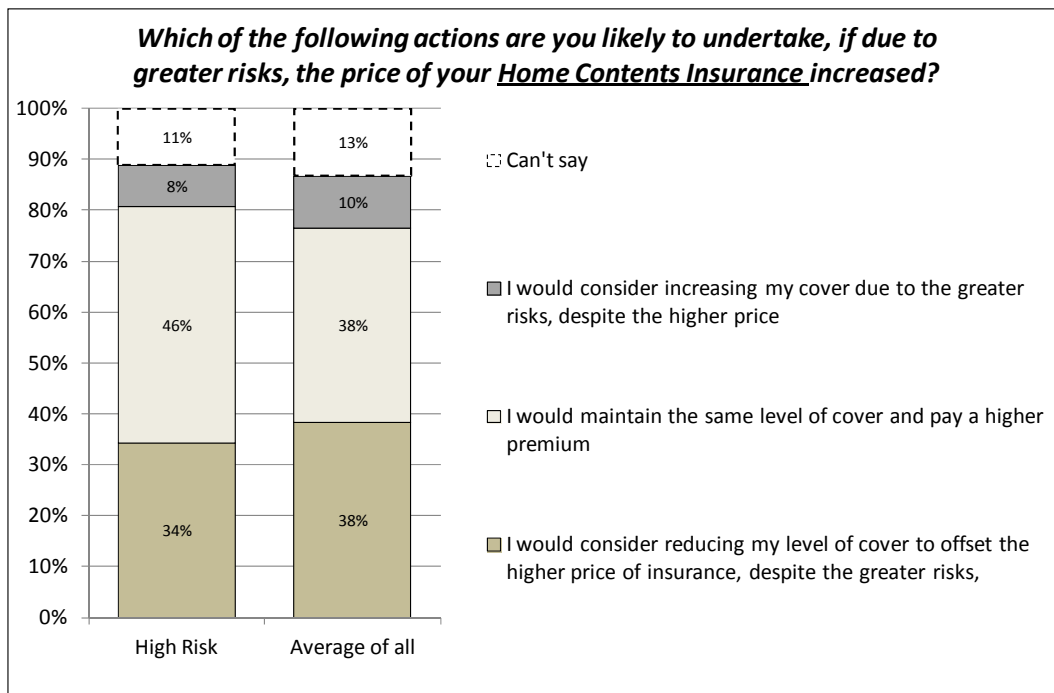
A further question of interest is how households would respond to a price increase that was due to an increase in the level of risk. In response policyholders might wish to increase or decrease their level of cover. The results of the survey are shown Figure 21 below. The

³² No exact percentage can be calculated as home contents and home building insurance premiums are typically combined. Information from the ABS SIH 2009/10 indicates the average household premium was around \$885 per annum. With some premium inflation and assuming the home contents insurance component is of similar magnitude to home building, the home contents insurance premium component is in the order of \$450 to \$500.

³³ Tooth (2008) estimated the price elasticity of demand for the take-up of contents cover to be around -0.5 (range -0.45 to -0.6); thus a \$50 or 10% price increase would lead to around a 5% decrease in demand.

results suggest that many policyholders (around 38%) would consider reducing their cover to offset a price increase; a lesser but still significant percentage (around 10%) indicated they would consider increasing their cover. These results are consistent with many people working to a budget.

Figure 21: Response to increases in risk



Base: Respondents with contents insurance (975 respondents). Household weights used.

1. Respondents could only choose one action.
2. Results are largely insensitive to sample used.

3.6 Attitudes

3.6.1 Attitudes towards insurers

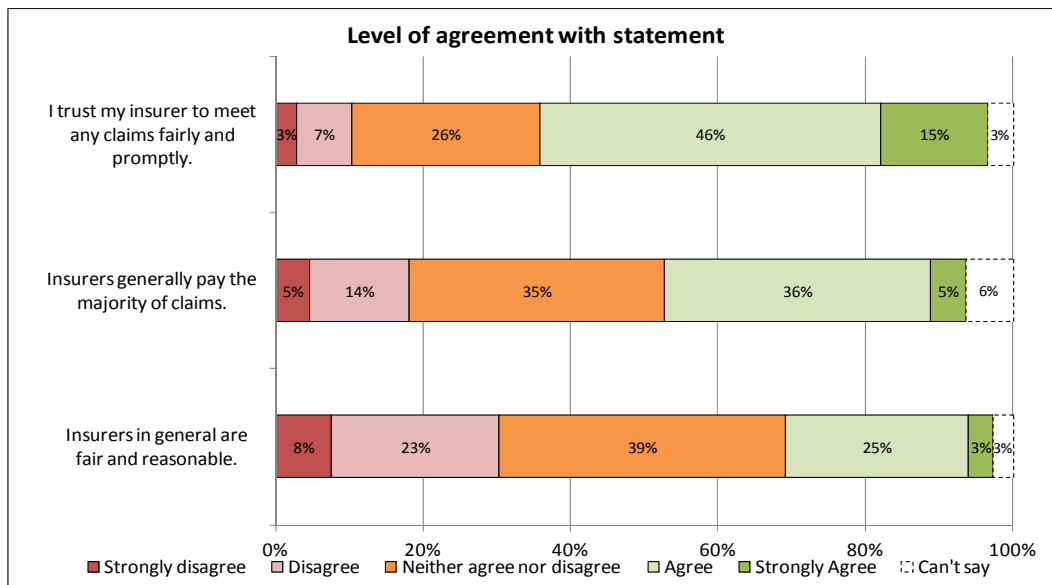
Respondents were asked a number of questions to assess their level of trust with their own insurer and the industry as a whole. Specifically they were asked:

To what extent do you agree or disagree with the following statements?

- 1) *I trust my insurer to meet any claims fairly and promptly*
- 2) *Insurers in general are fair and reasonable*
- 3) *Insurers generally pay the majority of claims*

The results are summarised in Figure 22 below. Respondents were generally positive about their own insurer but less so about the insurance industry in general. While it should not be surprising that consumers have a higher regard for the insurer that they have chosen, the difference with the industry in general is significant.

Figure 22: Trust in insurers



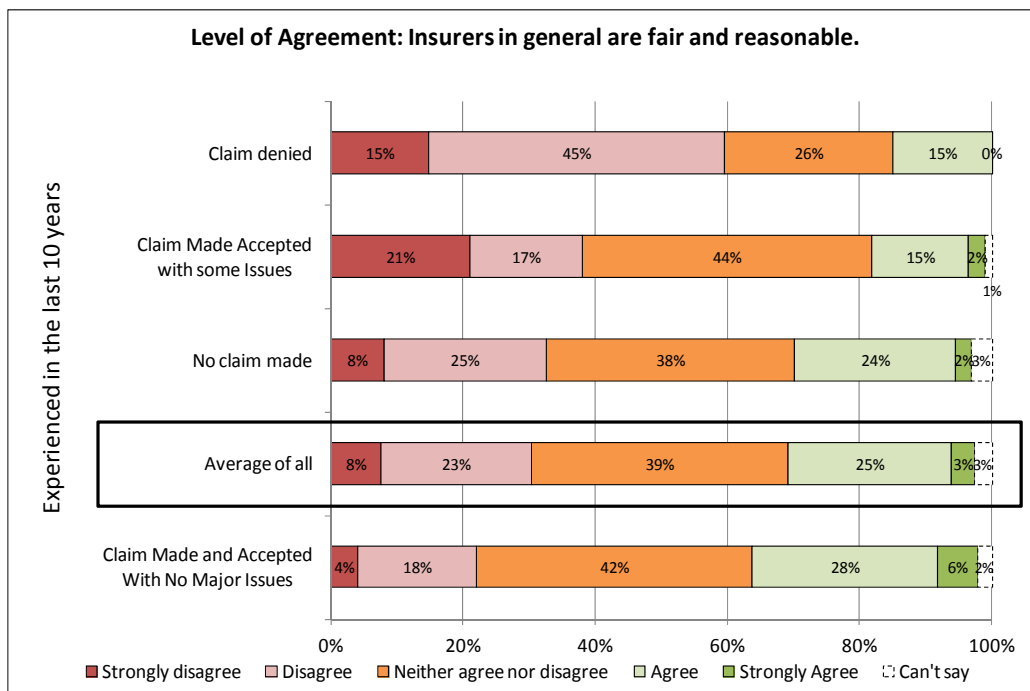
Base: All respondents. Population weights used.

Attitudes towards insurers varied with a number of factors. Most notably attitudes varied most significantly with claims experience. This is demonstrated in Figure 23 below. Among those who have contents insurance, people were more likely to agree with each of the statements above if they reported having a claim being accepted with no issues.

Further analysis revealed that:

- Older respondents were more likely to trust their insurer
- There was no evidence that trust in their insurer varied with income
- Trust was in insurers (their own or others) to pay claims was significantly less among those who spoke another language

Figure 23: Impact of claims experience on levels of trust



Base: Full sample. Population weights used.

3.6.2 Financial assistance for the non-insured

The survey asked two questions with regard to the financial support that is given to the non-insured. Following a disaster, there is often pressure for Governments to provide disaster relief and for insurers to pay ex-gratia claims (i.e. claims that are not covered by under the policy).

Two key concerns of the insurance industry are that:

- They are expected to pay for claims that are clearly not covered by a policy; and
- Government assistance targeted to the non-insured discourages ('crowds out') demand for insurance.

To test community attitudes, respondents were asked to what extent they agreed or disagreed with the statements:

Insurers should not pay claims which are clearly not covered by the policy

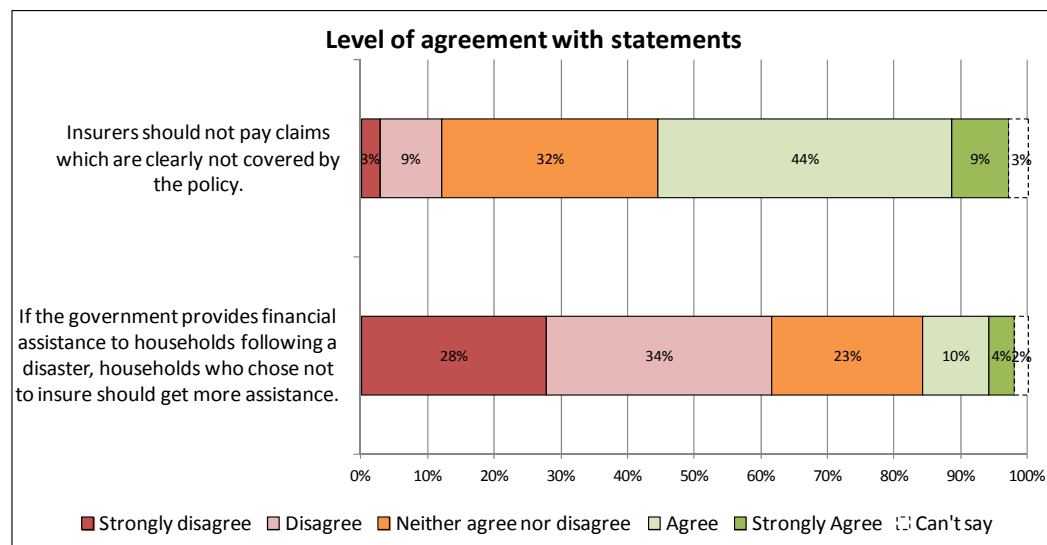
Assuming the government provides financial assistance to households following a disaster, households who chose not to insure should get more assistance.

The responses are shown in Figure 24 below. Overall there was strong support of the insurance industry's position. Of note:

- About 53 percent supported (agreed or strongly agreed that) insurers should not pay claims which are clearly not covered by the policy while only about 12 percent disagreed or strongly disagreed with this statement (a ratio of around 4.5 to 1).

- About 62 percent were against (disagreed or strongly disagreed with) additional financial assistance to those who chose not to insure while only 14 percent agreed or strongly agreed (a ratio of around 4.5 to 1).

Figure 24: On financial support for the non-insured



Source: Full Sample. Population weights used.

Analysis was undertaken how these attitudes varied. Key findings:

- Those who were not insured were in support of additional Government assistance for the non-insured but also tended to agree that insurers shouldn't pay claims that were not covered by the policy.
- Those who speak another language were generally in support of assistance for the non-insured.
- Older people tended to be less likely in support of additional assistance to the non-insured.
- Support for either position did not vary much by other demographic factors.

4. Conclusion

This survey has reaffirmed that non-insurance and under-insurance continue to be a problem. The rates of non-insurance are similar to those found in a survey 10 years ago. The survey has added further evidence of confusion among policyholders as to their extent of cover and the importance of price, which in turn adds support for the argument against taxation of insurance.

The survey has also highlighted a number of issues which have previously received little research attention. In particular the survey provided evidence of:

- High rates of non-insurance for second properties
- Lack of understanding of risks prior to moving to high risk locations
- How awareness of different risks affects the take-up of insurance
- Different rates of take-up of insurance and different attitudes towards insurance among people who speak other languages.

The survey highlights some opportunities. In particular, non-insurance is highly correlated with non-insurance of parents and also family and friends. This suggests that cultural factors (and, possibly, language barriers) are contributors to non-insurance and that targeted programs to encourage adoption may be effective.

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Appendix 1 Survey Question Summary

Filtering questions

S1. Do you work in any of the following industries?

[Advertising; Finance; Insurance; Market Research; Pharmaceuticals; Other Industries; Do Not Work]

S2. Are you involved, either partially or fully, in deciding whether or not to have a Home Insurance policy for where you live? It could be a Home Contents Insurance or a Home Building Insurance.

1. Yes fully involved
2. Yes partially involved
3. Not involved at all
4. Can't Say

QPostcode. Please enter your postcode

QSex. Are you...

1. Male
2. Female

Qage: What is your age?

Home and contents insurance coverage

Q1. Is your home covered by Building Insurance? *[Yes/ No / Can't say]*

Home Building Insurance usually covers your home and all the fittings, fixtures in it.

Q2. Why is your home not covered by Building Insurance?

Select all that apply.

1. Not applicable (e.g. Renting, Unit and strata managers take care of building insurance, Living in Housing Commission)
2. Insurance is too expensive
3. House is not worth insuring
4. Haven't got round to it, not thought about it
5. Small risk (e.g. I live in a safe area, I'm often at home, I've taken security measures)
6. In event of a claim, I would pay for any damages myself
7. Don't believe in insurance
8. Don't trust insurers to pay claims
9. Other
10. Can't say

Q3. How did you determine the level of Building Insurance cover on your home?
(Select all that apply.)

1. Used a website calculator
2. In discussion with my insurer
3. With help from another advisor (a financial planner or insurance broker, mortgage provider)
4. Made my own estimate
5. Doesn't apply because I have a total replacement policy
6. Other
7. Can't say

Q4. How much do you agree or disagree with the following statement?

[Strongly disagree/Disagree/Neither agree or disagree/Agree/Strongly agree/Can't say]

I am confident that I am adequately covered by my existing building insurance policy

Q5. Do you have Home Contents Insurance? *[Yes/No/Can't say]*

Home Contents Insurance usually covers loss or damage to your furniture, furnishings, domestic appliances etc.

Q6. Why don't you have Home Contents Insurance? (Select all that apply)

1. Insurance is too expensive
2. Contents are not worth insuring
3. Haven't got round to it, not thought about it
4. Small risk (e.g. I live in a safe area, I'm often at home, I've taken security measures)
5. In the event of a claim, I would pay for any damages myself
6. Don't believe in insurance
7. Don't trust insurers to pay claims
8. Other
9. Can't say

Q7. In the event that you need to make a claim to your Insurance Company, which of the following best applies to your household?.

1. My cover is sufficient to cover replacement of ALL my household contents
2. I am covered but I do not know if it is sufficient to cover ALL my household contents
3. I know that my cover is less than the costs of replacement of ALL my household contents
4. Can't say

Q8. Why is your Home Contents Insurance cover less than the costs of replacement?

1. Want to avoid paying higher premiums for full cover
2. Haven't got round to updating my level of cover
3. Don't think it is likely I'd ever make a full claim
4. Other
5. Can't say

Q9. To what extent do you agree or disagree with the following statements.

[Strongly disagree/ Disagree/ Neither agree or disagree/ Agree/ Strongly agree/ Can't say]

1. My parents have always had Home Contents Insurance
2. Most people I know have Home Contents Insurance
3. I, or people I know made an Home Contents Insurance claim in the last 3 years

Q10. Who is your insurance with? *[Choices given]*

Q11. To what extent did you consider the following factors when you selected [insurer mentioned in Q10] for your [Home Building Insurance (if applies) / Contents Insurer]?

[For each factor one response selected from:

Not important at all/ Somewhat important/ Important/ Very important/ Can't Say]

1. Brand / reputation of insurer
2. Recommendation from friend/ family
3. Price
4. Getting a multi-policy discount
5. Coverage – insurer provided flood cover
6. Other coverage options
7. Level of customer service

Q12. Thinking about your Home Contents Insurance, when did you last...

Select one answer for each.

[In the last year; 1- 5 years ago; 6-10 years ago; 11 years or more; None of these]

1. Change insurers
2. Get quotes from other insurers
3. Closely review the level of cover

Q13. Which, if any, of the following have you or your close friend/ family experienced in the last 10 years? *[One answer selected for each of: Myself; Close friend/ family]*

1. Claim made and accepted with no major issues
2. Claim made and accepted some issues
3. Claim made and denied
4. No claim made
5. Can't say

Q14. Do you or your household own any other properties? *[Yes/No/ Can't say]*

Q15. How many of the following properties do you have?

[For each property category: Number of properties owned, Number covered by Home Building Insurance, Number covered by Home Contents Insurance]

1. Holiday home (or second house)
2. Rental house

Q16. Does your Home Insurance cover you for flood risk? *[Yes/No/ Can't say]*

By flood risk we mean rising water.

1. Home Building
2. Home Contents

Q17. Compared to other households in your city/or local region, to what extent do you think you are more or less likely to make a claim for any of the following risks?

[For each risk one of: Much less likely/ Less likely/ About the same/ More likely/ Much more likely/ Can't Say]

1. Flood risk
2. Bush fire risk
3. Surging sea water risk
4. Cyclone risk
5. Risk of theft

Q18. To what extent do you agree or disagree that before choosing to live in your current location you had a reasonable understanding of...

1. ...the flood risk to this house
2. ...the bush fire risk to this house
3. ...surging sea water risk
4. ...cyclone risk
5. ...the crime levels in the area

[Strongly disagree/ Disagree/ Neither agree or disagree/ Agree/ Strongly agree/ Can't say]

Q19. In the last 10 years, have you done any of the following to reduce the premium of your Home Contents policy? *[For each option: Yes / No / Can't say]*

1. Chosen to increase the level of excess (i.e. the amount you pay when you make a claim on your policy).
2. Chosen to reduce the maximum level of cover

Q20. How likely or unlikely are you to undertake the following action, if the price of insurance was reduced by 10% (i.e. around \$50 on a \$500 premium) thanks to a stamp duty cut?

[For each option one of: Very likely / Likely/ Neither likely nor Unlikely/ Unlikely / Very Unlikely/ Not applicable e.g. fully insured/ Can't say]

1. Take out Home Contents Insurance *[Option for those uninsured]*
2. Increase the level of cover for Home Contents Insurance *[Option for those underinsured]*

Q21a/b/c. Which of the following action are you likely to undertake, if due to tax increases, all insurers raised prices of Home Contents Insurance by [\$50/\$100/\$200] per year

1. Reduce the level or type of cover to reduce the premium
2. Consider not taking out Home Contents Insurance
3. Definitively not take out Home Contents Insurance
4. None of these
5. Can't say

Q22. Which of the following action are you likely to undertake, if due to greater risks, the price of your Home Contents Insurance increased? (Select one answer only.)

1. I would consider reducing my level of cover to offset the higher price of insurance, despite the greater risks,
2. I would maintain the same level of cover and pay a higher premium
3. I would consider increasing my cover due to the greater risks, despite the higher price
4. Can't say

Q23. To what extent do you agree or disagree with the following statements?

1. I trust my insurer to meet any claims fairly and promptly.
2. Insurers in general are fair and reasonable.
3. Insurers generally pay the majority of claims.
4. Insurers should not pay claims which are clearly not covered by the policy.
5. If the government provides financial assistance to households following a disaster, households who chose not to insure should get more assistance.

Background / demographics

D1. What type of dwelling do you live in? [A free standing house; Semi ;Apartment; Other; Can't Say]

D2. Which of the following best describe your situation? [Own home; paying off; Renting; Other; Can't Say]

D3. Including yourself, how many people live in your household? [Number provided for Adults and Children]

D4. Which of the following best describe your household?

1. Only English is spoken at home
2. English is the main language but another language is spoken
3. Another language is the main language but English is also spoken
4. English is hardly or never used at home
5. Can't say

D5. What best describe your current living arrangement?

1. Live Alone
2. Partner and No children
3. Partner and Children
4. Single Parent
5. With Parents
6. Boarder
7. Shared Household
8. Other

QIncome. What is your HOUSEHOLDS total annual income from all sources, before tax?

Please include all wages, salaries, pensions and other income. [Ranges given]

Appendix 2 Description of sample

Table 7: Respondents by location from High Risk Sample

	Qld	Vic	Other	Total
Metro	98	19	5	122
Regional	107	56	15	178
Total	205	75	20	300

Table 8: Respondents by location from Main Sample

	NSW	Vic	Qld	WA	SA	Tas	ACT/ NT	Total
Metro	184	167	80	70	49	9	14	573
Regional	107	60	97	24	18	12	9	327
Total	291	227	177	94	67	21	14	900

Table 9: Respondents by sex and age from Total Sample

Age of respondent						
	18 - 29	30 - 39	40 - 49	50 - 59	60 +	Total
Male	147	76	75	95	163	556
Female	83	138	131	140	152	644
Total	230	214	206	235	315	1,200

Table 10: Respondents by house type

	Count	% unweighted	% weighted
A free standing house	887	73.9%	72.0%
Semi	76	6.3%	7.6%
Apartment	217	18.1%	18.9%
Other	19	1.6%	1.5%
Can't Say	1	0.1%	0.0%
Total	1,200	100.0%	100.0%

Table 11: Respondents by sex and age from Total Sample

	Count	% unweighted	% weighted
Live Alone	184	15%	24%
Partner and No children	442	37%	30%
Partner and Children	359	30%	29%
Single Parent	57	5%	5%
With Parents	58	5%	5%
Boarder	4	0%	0%
Shared Household	85	7%	6%
Other	11	1%	1%
Total	1,200	100%	100%

Table 12: Respondents by language spoken

	Count	% unweighted	% weighted
Only English is spoken at home	184	15%	24%
English is the main language but another language is spoken	442	37%	30%
Another language is the main language but English is also spoken	359	30%	29%
English is hardly or never used at home	57	5%	5%
Can't say	58	5%	5%
Total	1,200	100%	100%

Table 13: Respondents by tenure

	Count	% unweighted	% weighted
Own home	402	33.5%	31.9%
Paying off	434	36.2%	36.0%
Renting	336	28.0%	29.8%
Other	26	2.2%	2.0%
Can't Say	2	0.2%	0.2%
Total	1200	100.0%	100.0%