

10 May 2017



IAG SUBMISSION TO THE EMERGENCY SERVICES LEVY INSURANCE MONITOR PUBLIC INQUIRY

Australia



sgio



Table of Contents

Executive summary	4
About IAG	5
The role of general insurance	6
The role played by IAG	7
Fire and Emergency Services Levy (FESL) – fairer and simpler for our community	8
Funding ESL over the transition period	9
IAG’s communication approach.....	10
Communication of ESL reforms.....	10
ESL flyers.....	11
Staff training.....	13
Infographics	15
Community communication	16
Communicating the impact of ESL reforms on premiums	17
Year-on-year premium comparisons.....	17
Communication of pricing and risk information.....	18
General price changes.....	18
Targeted customer communication.....	18
Premium changes infographics.....	20
Online resources.....	20
Other resources	22
Savings from the removal of ESL on insurance	23
Passing on savings from ESL reforms	23
Drivers of changes to underlying base premiums	25
Profitability of the Australian general insurance industry.....	28
Competition in the general insurance market	30
Core products	30
Digital disruption	31

IAG submission to the ESL insurance monitor public inquiry

Continued.



Low barriers to entry and a high number of insurance providers	32
Increased levels of shopping	32
Low barriers to switching	33
Issues with comparing insurance policies on price alone.....	34
Conclusion	35
Annexure A	36
Annexure B	41

Executive summary

In December 2015 the NSW Government announced its intention to replace the Emergency Services Levy (ESL) on insurance with a property-based levy. The ESL provides funding for fire and emergency services in NSW which play an important role in keeping the community safe with services like Fire and Rescue (FRNSW), Rural Fire Services (RFS) and NSW State Emergency Services (SES).

IAG welcomes this positive change to the funding of fire and emergency services in NSW. We believe that a property based levy is a fairer, simpler and more sustainable approach to funding fire and emergency services. The change will be fairer for our community as these important services will now be funded by all property owners, not just those with insurance.

Removal of the ESL on insurance will also see savings in insurance premiums passed on to customers. This is an important first step in addressing insurance affordability, accessibility and participation. IAG has long advocated for the removal of the ESL and all State government taxes and duties on general insurance products.

Following the announcement of the reforms, we have been actively communicating the ESL changes to our customers, partners and intermediaries to ensure they are aware of the reforms and to enable them to understand the effect of ESL reforms on their premiums.

In the transition period leading up to ESL removal, we have been reviewing and adjusting our ESL rates regularly to make sure the appropriate amount is collected to fund our current emergency services obligations. We have implemented systems and controls to ensure that by 1 July 2017, the ESL rate across our products will be reduced to 0% and savings from the abolition of the levy will be passed on to consumers.

This submission outlines the various activities undertaken by IAG to ensure smooth implementation of ESL reforms and highlights the important role IAG plays in providing insurance in a competitive and well regulated market.

IAG submission to the ESL insurance monitor public inquiry



Continued.

About IAG

Our purpose is to make your world a safer place, which means we are working to create a safer, stronger and more confident tomorrow for our customers, partners, communities, shareholders and our people throughout Asia Pacific.

IAG is the parent company of a general insurance group, with operations in Australia, New Zealand, Thailand, Vietnam and Indonesia. Our businesses sell insurance under many leading brands, including: NRMA Insurance, CGU, SGIO, SGIC, Swann Insurance and WFI in Australia; NZI, State, AMI and Lumley Insurance in New Zealand; Safety and NZI in Thailand; AAA Assurance in Vietnam; and Asuransi Parolamas in Indonesia. IAG also has interests in general insurance joint ventures in Malaysia and India.

Below is a list of the brands and products relevant to this Inquiry:

- The NRMA Insurance brand in NSW offers home, strata and motor insurance
- The Coles Insurance¹ brand nationally offers home and motor insurance, via a distribution agreement
- The CGU brand offers home, commercial property and motor insurance for all states and territories in Australia through affinity and financial institution partnerships as well as direct and broker/agent channels
- The WFI brand nationally offers home, commercial property and motor insurance via direct and authorised representative channels
- The RACV² brand in Victoria offers home and motor insurance via a distribution agreement with a small footprint in NSW
- Swann Insurance offers motor insurance in NSW
- IAL offers home and motor insurance in NSW
- Insurance4That offers home contents insurance in NSW
- ShareCover offers home insurance in NSW
- Lumley Special Vehicles Insurance offers motor Insurance in NSW
- SGIC offers home, commercial and motor insurance in NSW through retail business insurance (RBI)
- SGIO offers home, commercial and motor insurance in NSW through RBI.

¹ IAG owns 100% of WFI Insurance Limited (WFI), the underwriter of generation products under the Coles Insurance brand. These products are distributed by Coles under an authorised representative agreement with WFI.

² IAG's short tail personal insurance products are distributed in Victoria under the RACV brand, via a distribution relationship and underwriting joint venture with RACV. These products are distributed by RACV and manufactured by Insurance Manufacturers of Australia Pty Limited (IMA), which is 70% owned by IAG and 30% by RACV.

The role of general insurance

When consumers purchase insurance, they transfer certain risks to an insurer. Insurers identify and manage the costs of those risks to ensure there are sufficient funds to meet the cost of future claims as they arise. To do this, an insurance company has to put a price on the likelihood of someone making a claim, and the cost of that claim. Therefore, the most significant contributions insurance makes to society is the provision of risk sharing, risk transfer abilities and as a loss prevention mechanism.

General insurance does more than help protect the assets and financial wellbeing of individuals. It provides significant benefits to government, as in the absence of insurance governments would have a financial responsibility to build and restore communities should misfortune and disaster occur. The availability of home, commercial and motor insurance allows individuals to protect their most valuable assets and avoid the financial burden of repairing or replacing assets damaged as the result of an insurable event. For example, in the event of a natural disaster, many uninsured individuals would not have the savings necessary to rebuild their home while simultaneously paying off the mortgage on the original home.

Insurance also plays an important role in identifying, assessing and communicating risk. The price of insurance premiums provides an important signal that can help individuals and communities understand their exposure to a range of risks, and provide an incentive to implement preventative and protective measures to reduce vulnerability.

The role played by IAG

As an organisation, IAG has a long history of working proactively to support the communities in which we operate. This role extends beyond providing insurance cover and paying claims, to raising awareness of insurance and risk, and helping communities prevent avoidable damage and mitigate loss. IAG has embedded a shared value strategy within our business by undertaking programs and projects that focus on building social and economic resilience.

We recognise that Australian home owners need transparent, easy-to-comprehend information about insurance to help them better protect their homes, valuables and loved ones. We take this into account when approaching our communications to our customers. For example, after performing in-depth customer research and surveys we redesigned the NRMA motor renewal policy to ensure this document was clearer, easier to read and highlighted relevant information to customers. To supplement our formal communications, we have available online resources such as the Hub and the Safer Homes websites, which provides valuable information to consumers and the community. These resources allow them to educate themselves on common causes of claims, tips to keep themselves and their assets safe as well as understand the right level of insurance for their needs and risk levels.

Other work we are doing includes: partnering with the NSW State Emergency Service to assist the community to prepare for and recover from natural disasters, through such initiatives as trialling a new Australian flood monitoring technology, called DipStik.

Fire and Emergency Services Levy (FESL) – fairer and simpler for our community

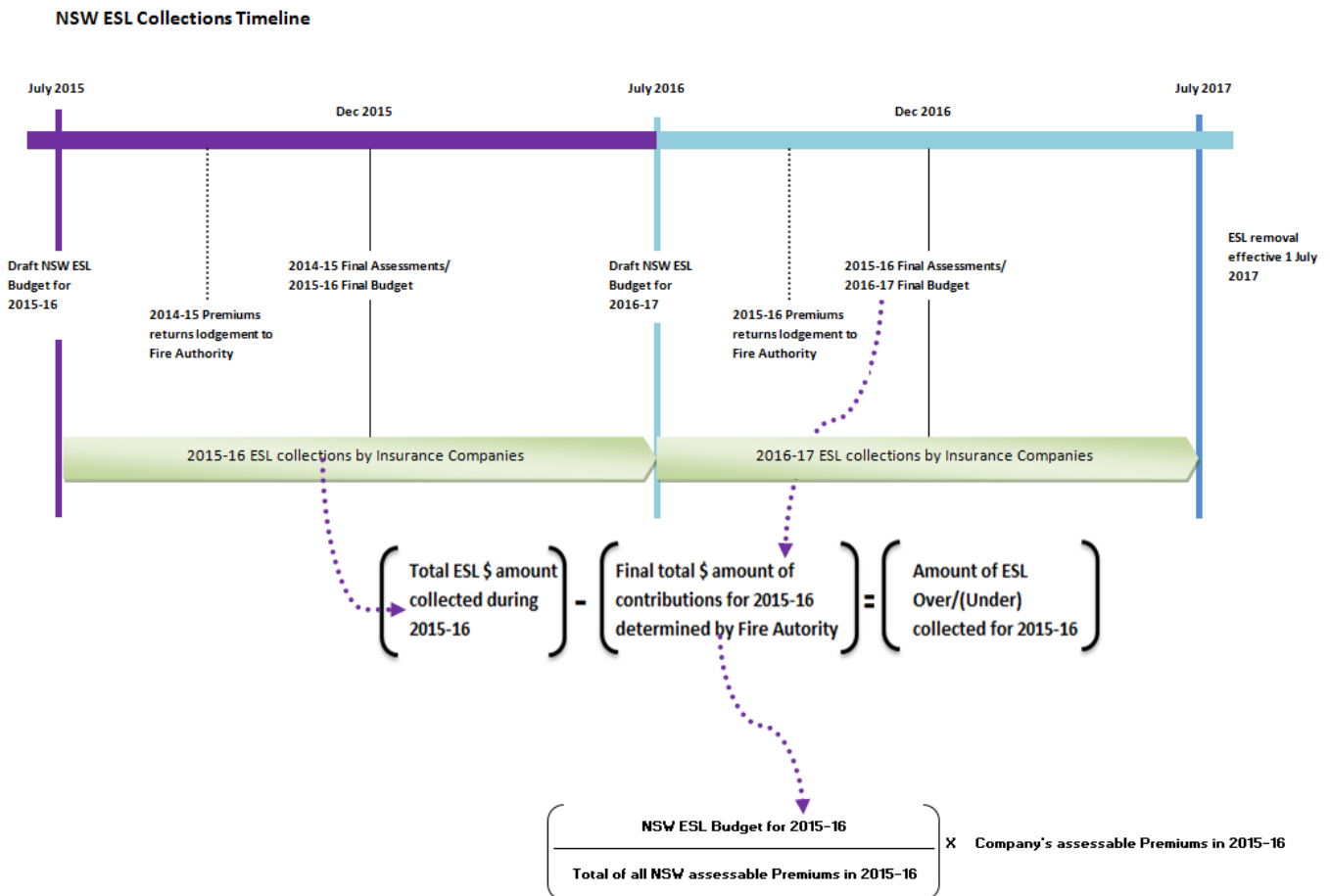
From 1 July 2017, the current insurance-based funding of fire and emergency services in NSW will be replaced by the Fire and Emergency Services Levy (FESL), a property based levy that will be paid alongside council rates. IAG welcomes this positive change to the funding of fire and emergency services in NSW. We believe that a property based levy is a fairer, simpler and more sustainable approach to funding fire and emergency services as these important services will now be funded by all property owners, not just those with insurance.

IAG also believes the new funding approach is a simpler and more sustainable approach. The current funding model is overly complicated and confusing for three main reasons:

1. Insurers are not aware of their final ESL obligations to the NSW Government until after they have collected the ESL from their customers.
2. Insurers are required to use a model to estimate several inputs, including forecast premium data and total market premium pool size, to estimate their share of the total budget of the NSW Fire and Emergency Services authorities.
3. The ESL charged on insurance funds fire and emergency services for the financial year in which the policy commenced rather than for the policy term of the insurance policy. This often results in confusion for customers.

The timeline in Figure 1 shows that the existing ESL regime requires insurers to estimate and collect ESL before they know what their final ESL obligation will be. This results in an overly complicated system with unavoidable under and over collections of ESL from year to year.

Figure 1: NSW ESL Collection Timetable



Funding ESL over the transition period

All insurers including IAG are required to collect enough ESL to meet our funding obligations to the NSW Emergency Services in the financial years 2016 and 2017. Although the overall ESL rate-setting process has not changed from that outlined in Figure 1, IAG has adopted an ESL rate tapering approach for the transition period. The tapering approach involved an initial increase in ESL rates in May 2016 followed by progressive reductions in ESL rates to 0% by the end of June 2017.

Based on our experience with the removal of ESL in other states, we recognise that there is consumer confusion and financial impact towards the end of the transition year, with many customers paying ESL on their insurance policy, and soon afterwards having to pay the new land based levy on their council rates. This can be perceived by the customer as 'double charging'. To help reduce this financial burden, and to reduce the perception that they are being 'double charged', we initially increased ESL rates to enable us to taper ESL rates as we reach the end of the transition period.

Without tapering, we believe:

- a. The customer confusion around perceived double charging and the financial burden would be significant and;
- b. There would be an increased risk that some policyholders will engage in 'Gaming', whereby, after the removal of ESL, policyholders cancel their policy to receive a refund (which would include a portion of ESL) and then take out a new policy at lower non-ESL price. This would lead to potential gaps in cover, increased administration costs and leave the insurer exposed to an ESL liability without having collected ESL from these policyholders.

It is for these reasons that we believe the tapering of our ESL rates is the most appropriate approach for the transition to the new property-based levy. It should be noted that IAG has always kept the ESL Monitor's office up to date with any changes to our ESL tapering approach, and the overall estimated ESL net collection position.

IAG's communication approach

IAG's communication approach is grounded in the principle of enabling customers to make informed choices regarding their insurance needs. Significant work has been undertaken over recent years to improve customer communication and access to information, both at a community and individual customer level.

Consistent with this approach, we have implemented both targeted customer and general community based communication activities to ensure that all stakeholders are informed about ESL reforms and that they understand the impact on their insurance premiums.

Communication of ESL reforms

To inform customers and the community of ESL reforms we have developed the following:

1. ESL flyers to accompany Motor, Home and Commercial policies across all brands
2. "ESL Explained" webpages with detailed responses to Frequently Asked Questions
3. Training modules for frontline colleagues
4. Call monitoring processes for quality assurance purposes
5. An ESL Media statement

ESL flyers

Prior to the Monitor's prescribed notice, IAG included a flyer with all new business and renewal policies explaining the NSW Government's proposed reforms to the funding of Emergency Services in NSW. An example of the flyer provided for WFI Insurance can be found below.

Figure 2

Important information: Proposed changes to the NSW Emergency Services Levy

In December 2015 the NSW Government announced their intention to change the way Emergency Services are funded. As a valued client, it is important to let you know how these changes might affect you or your policy.

What is the Emergency Services Levy (ESL)

The ESL provides funding for fire and emergency services in NSW which play an important role in keeping the community safe with services like Fire and Rescue (FRNSW), Rural Fire Services (RFS) and NSW State Emergency Services (SES).

Currently, insurance companies collect the ESL as part of the client's premium on their insurance policies.

What is changing

In a move to create a fairer system for everyone, the NSW Government is planning to introduce a new approach to collecting these funds.

From 1 July 2017, the NSW Government has proposed to:

- remove the need for insurers to pay ESL on their insurance policies; and
- replace it with the Emergency Services Property Levy (ESPL) which will be paid as part of local council rates.

We welcome this decision to create a fair and sustainable way of funding our emergency services and believe it will be a positive change for our clients because these services will be funded by all property owners.

How this affects you

Until the ESL is removed from your insurance policy and replaced with the ESPL on 1 July 2017, we will continue collecting the ESL as part of your insurance premium. In the transition period leading up to this proposed change, we will review and adjust the ESL rates regularly to make sure the appropriate amount is collected. By 1 July 2017, the ESL rate across our products will be reduced down to 0%.

The ESL included in your premium has been reviewed and reflects the estimated amount we need to collect for your policy.

Need more information?

If you have any questions or would like more information, you can;

- visit wfi.com.au/ESLexplained,
- call us on 1300 934 934, or
- contact your local Area Manager.

WFI Insurance Limited (ABN 24 000 036 279 AFSL 241461)

IAG submission to the ESL insurance monitor public inquiry

Continued.



Following the Monitor's release of the prescribed notice, we discontinued the IAG flyers as they duplicated much of the content. However, we have retained the IAG flyer for those products (such as motor) where the prescribed notice is not mandated.

Webpages containing information on ESL reform, Frequently Asked Questions (FAQ) and what it means for customers have been created for the CGU, WFI, Coles Insurance and NRMA Insurance websites. Contact options are also provided for customers who would like further information. A link to our *ESL explained* webpages is also included in the Monitor's prescribed notice.

Staff training

All customer-facing staff have been trained on ESL. The information delivered in this training is stored centrally and accessible at all times. They have been provided with a document which provides information to enable them to respond to the most common customer questions such as:

- What is ESL?
- Which products are impacted?
- Why is there a perception of being double charged?
- Why is the ESL reform required?
- What it means for customers and their premiums?

This document is updated as we receive new customer enquiries to ensure it remains relevant.

In addition, existing complaint and premium objection escalation processes have been updated to ensure they address any ESL-related customer concerns.

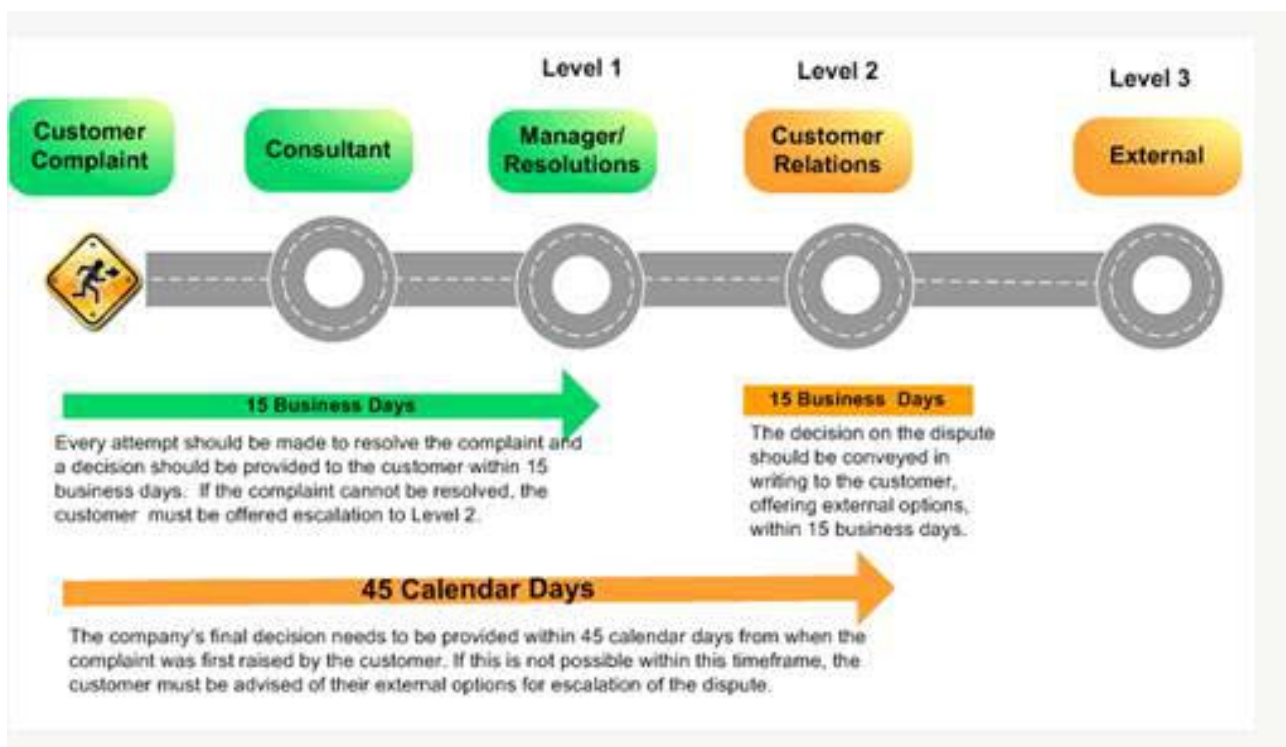
Customer-facing staff are able to escalate enquiries to their team leader and to a dedicated Customer Relations team, should they require more detailed information with regards to a policy holder's enquiry. Customers can be provided with detailed breakdowns of their premiums, including how their ESL component.

Call monitoring and analysis of our customer experience database are additional controls we have put in place to ensure accurate ESL information is being provided to customers. These controls have resulted in some changes to ESL materials to provide more detailed information on why customers are not being 'double charged' during the transition period.

In the unlikely event that a recording identifies that a staff member provided inaccurate information to a policy holder, the policy holder would receive a call back to correct any inaccurate information provided to them. Feedback is provided to the relevant team leader who then delivers additional training to that staff member and records any compliance breaches.

Figure 3 below illustrates the process used to effectively manage any customer complaints.

Figure 3



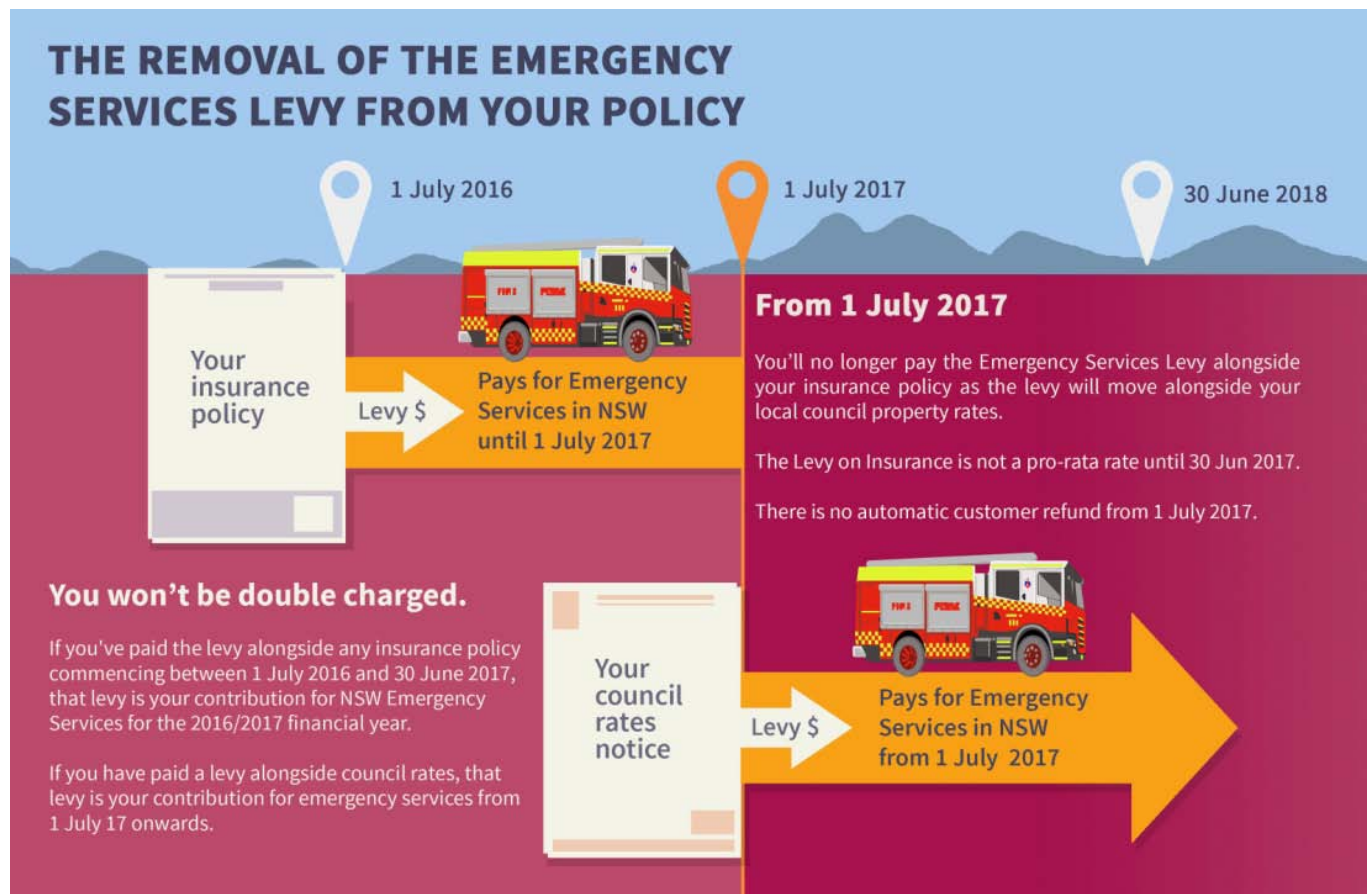
NRMA Insurance a Customer Advocacy Survey (CAS) to customers inviting them rate their interaction with staff on a scale of 1 to 10. A score of 6 or less is deemed a detractor score and there is a process in place for a staff member to call the customer back to discuss any concerns.

Infographics

We regularly review our ESL material to ensure we provide information which is easy to understand. To help explain the transition to the new ESL regime we are trialling the use of the infographic at Figure 4 with our frontline staff. It seeks to address some common ESL concerns from customers such as:

- Perceived double charging
- Pro-rata of the ESL on insurance
- Entitlement to refunds on 1 July 2017

Figure 4



Community communication

Shortly after the NSW Government's announcement of ESL reforms, IAG released a media statement to further inform the community of the reforms. The statement is provided at Figure 5.

Figure 5



IAG welcomes removal of Emergency Services Levy

IAG, covering NRMA Insurance, CGU, Lumley Insurance, WFI and Coles brands, said today it supports the NSW Government's decision to abolish the Emergency Services Levy (ESL) on insurance policies in favour of a property-based charge paid alongside council rates.

"IAG is a strong advocate for improved taxation bases and reform that will shift revenue dependency from transaction style taxes towards those that offer a greater economic benefit for Australian households," IAG Consumer Division Chief Executive Anthony Justice said.

"The end of the Emergency Services Levy will be welcome news for our New South Wales customers, who will now enjoy the benefit of more affordable insurance premiums in-line with other states and territories.

"IAG appreciates the significance of the new reform and we look forward to working closely with the government to ensure a seamless transition for our customers," Mr Justice added.

A number of Federal and State 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 Commission (2009), the Johnson Report into Australia as a Financial Centre Forum (2009), Tax Forum (2011), Lambert Report (2011), ACT Taxation Review (2012), Productivity Commission Report on Barriers to Effective Climate Change Adaptation (2012) and the Productivity Commission Report into Natural Disaster Funding Arrangements (2014).

Communicating the impact of ESL reforms on premiums

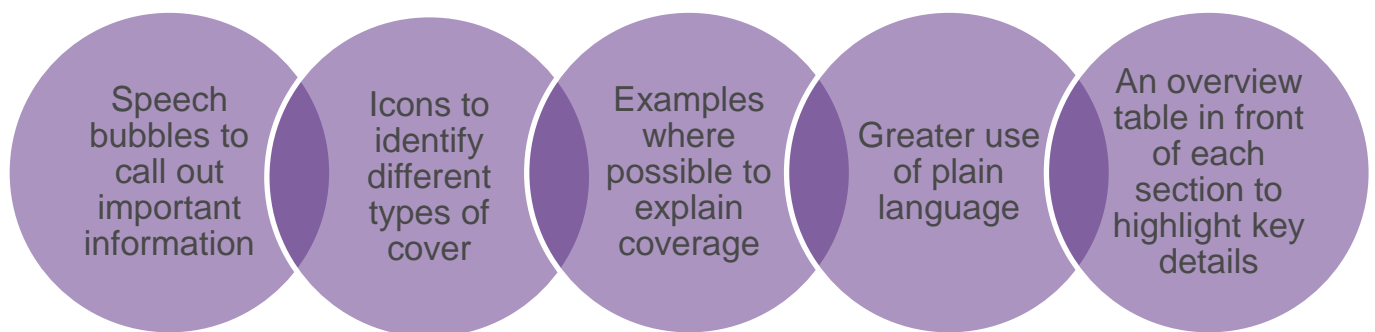
Year-on-year premium comparisons

To help our customers clearly identify the impact of ESL reforms on premiums, IAG has implemented year-on-year premium comparisons on existing policy documents. This has been deployed across all brands for all NSW commercial and residential renewal policies commencing from late March 2017.

An example of an NRMA Insurance home and contents renewal notice identifying year-on-year premium comparisons is provided at Annexure A.

IAG views premium comparison information as one component in a whole suite of changes which provide the greatest customer benefit when deployed together. In 2014, prior to the announcement of ESL reforms, IAG undertook a process to completely redesign our insurance policies, starting with the motor renewal policy. After performing in-depth customer research and surveys the following changes were implemented to ensure this document was clearer, easier to read and highlighted relevant information to customers. The changes made are identified in Figure 6.

Figure 6



Further reviews have taken place to improve customer understanding and to ensure compliance with legal and regulatory changes. The new design provides:

- Information on the sum insured
- An explanation of the difference between market and agreed value
- Information on when an excess payment is required following a claim
- A comparison between this year and last year's premium

In November 2016, the new design for NRMA Insurance motor renewal was released into the market. An example of this design is found in annexure B.

IAG intends to redesign all insurance documents using the same principles that were used for the motor renewal documents however, in the transition period, and to allow for greater transparency during the ESL reforms, IAG has decided to insert year on year premium comparisons on existing documents.

Communication of pricing and risk information

IAG has a range of general and targeted approaches for the communication of pricing, claims and risk information to our customers and the broader community.

General price changes

Customers who would like information on premiums and why they change over time are able to call frontline consultants. Our consultants can provide general information on:

- How insurance premiums are calculated
- The key pricing factors which impact premiums (also listed on policy documents)
- General information on the drivers of premium changes
- Specific changes to the customer's policy which may have resulted in a premium change, for example, changes to loyalty discount level, changes to no claim bonus level or changes to policy coverage, (i.e. excess, sum insured, etc).

For circumstances where general premium information is insufficient, the frontline consultant will refer the enquiry to Customer Relations who have processes to obtain further information on pricing factors including flood/bushfire risk rating.

Targeted customer communication

When there has been a large price change for a policyholder following a significant change in their risk profile and/or where there has been a structural shift in overall industry claims experience, IAG will provide additional targeted information to those impacted customers. Flood risk rating communication is an example of this.

Since IAG launched flood cover, regular data updates have been a feature of IAG's approach to assessing and pricing flood risk. As flood cover evolves, updated data releases with a more accurate flood risk assessment are typically available every six months.

This means that as their flood risk assessment changes some customers will experience larger changes in their base premium. For these customers, a cover letter (Figures 7 and 8 as examples) is sent with their renewal documents to explain the change in base premium.

IAG submission to the ESL insurance monitor public inquiry

Continued.



Figure 7 and Figure 8

23 April 2017

NRMA
INSURANCE

Insurance Australia Limited
ABN 11 000 016 112
Trading as NRMA Insurance

308 George Street
Sydney NSW 2000 Australia
Telephone 132 132
nrma.com.au

Dear [REDACTED]

Important information about renewing your Home Insurance

Thank you for choosing NRMA Insurance. Your Home policy [REDACTED] is now due for renewal and we have some important information for you about flood cover.

Calculating your property's flood risk

Each year, we review various information so we can offer you a premium based on your property's individual risk of experiencing events like flood and bushfire. Based on our most recent data^a your property has been identified as being at risk of flood.

What this means for you

You now have a choice. To help you decide what cover is right for you, we have listed two premiums on your renewal notice - one with flood cover and one without. You can lower your premium by removing flood cover however by doing so you will not be covered for loss or damage caused by flood.

Flood¹ means the covering of normally dry land by water that has escaped or been released from the normal confines of any of the following:

- a) a lake (whether or not it has been altered or modified);
- b) a river (whether or not it has been altered or modified);
- c) a creek (whether or not it has been altered or modified);
- d) another natural watercourse (whether or not it has been altered or modified);
- e) a reservoir;
- f) a canal;
- g) a dam

We may be able to review the flood risk status of your property if you believe your home has a reduced risk of flooding. For example:

- your house is built on stilts
- you live on the top floor of a unit block, or
- your property has more than one storey.

To learn more about flood cover, please visit nrma.com.au/home-insurance-offered-cover-manage and refer to the Product Disclosure Statement (PDS) and Supplementary PDS. If you'd like to talk to us about your flood risk status or removing flood cover, please call us on 132 132.

NRMA issued at 12:24pm on 22/04/2017

23 April 2017

NRMA
INSURANCE

Insurance Australia Limited
ABN 11 000 016 112
Trading as NRMA Insurance

308 George Street
Sydney NSW 2000 Australia
Telephone 132 132
nrma.com.au

Dear [REDACTED]

Important information about renewing your Home Insurance policy

Thank you for choosing NRMA Insurance. Your Home policy [REDACTED] is now due for renewal and we have some important information for you about flood cover.

In the past your property has been identified as being at risk of flood. Each year, we review various information so we can offer you a premium based on your property's individual risk of experiencing events like flood and bushfire. Based on our most recent data^a we no longer consider your property as being at risk of flood.

What this means for you

You do not need to do anything. Flood cover will automatically be included in your policy from 29 May 2017 at no additional cost.

For more information please refer to your Product Disclosure Statement (PDS) and Supplementary PDS.

Check your policy details today

Simply check the details on your Certificate of Insurance, and if you need to make changes call 132 132 or access Self Service centre at nrma.com.au/selfservice. You can also renew quickly and easily at your local office or online at nrma.com.au.

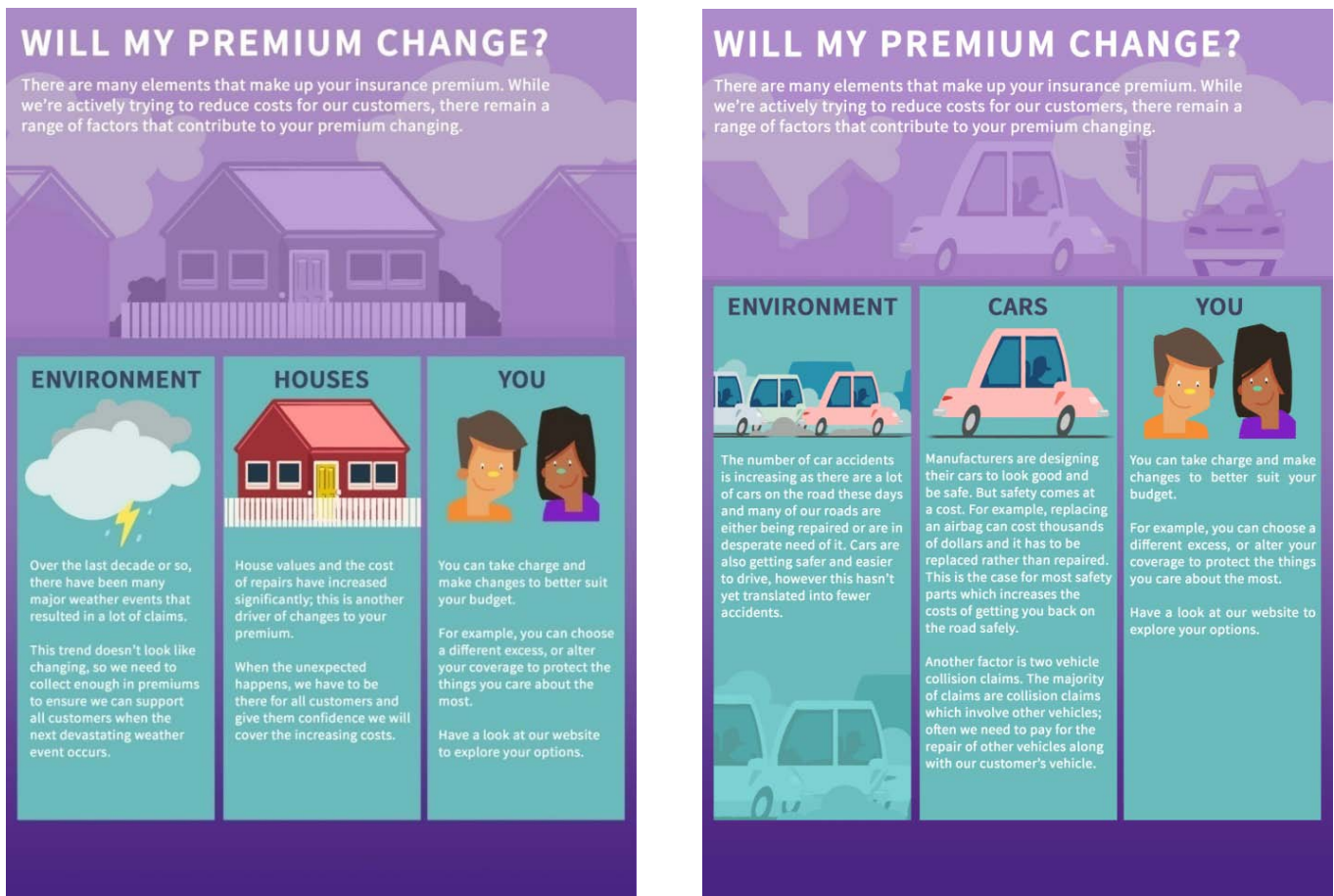
NRMA issued at 7:05pm on 22/04/2017

Continued.

Premium changes infographics

The following infographic is an example of a new means of explaining why premiums change. The content has undergone customer testing and is currently being used internally as a means of explaining premium changes.

Figure 9



Online resources

IAG has a variety of online resources which provides customers and the community with useful articles, videos and information on common causes of claims and tips to keep themselves and their assets safe.

The Hub

Within our NRMA Insurance brand, we have an online resource called 'The Hub'. This resource is accessible at <http://thehub.nrma.com.au>, it includes articles on the common causes of claims, innovative ways we are helping the community reduce risk and further information on our products.

Examples provided below:

Figure 10

Articles on emerging causes of damage to our customers' homes



We found a major cause of water damage in the home

22 Mar

Here's how to avoid it.

FLEXIBLE INLET WATER HOSE WATER DAMAGE
HOME CONTENTS INSURANCE

Share

This purpose of this information is to provide tips on how customers can better protect their homes from damage and to provide information on some of the factors driving increases in claims costs and premiums.

Figure 11

NRMA Insurance is exploring innovative ways to protect the broader community



FireBlanket - virtual bushfire detection technology

7 Dec

A new way of saving homes from bushfires is on its way.

NRMA INSURANCE FIREBLANKET BUSH FIRE

Share

Figure 12

Helping customers and the community better understand their insurance coverage



Flood Insurance

28 Sep

What kind of water damage are you covered for?

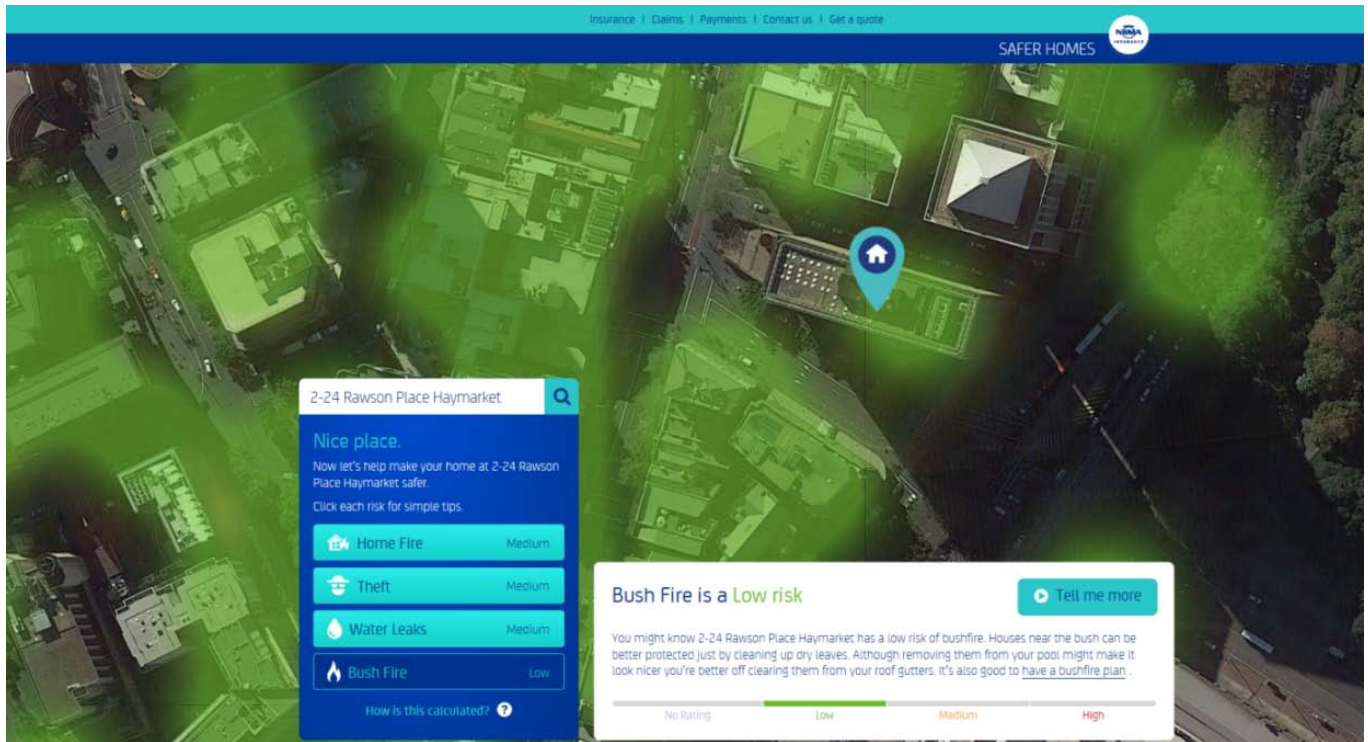
FLOODING HOME INSURANCE STORM CYCLONE

Share

Safer Homes

Another resource is the Safer Homes website which allows users to search their property address and view their risk of home fire, theft, water leaks and bushfire. It also provides them with simple, useful tips on how to mitigate these risks. This resource is accessible at <https://saferhomes.nrma.com.au/>.

Figure 13



Other resources

DipStik

Together with the NSW State Emergency Services, we are supporting a 12-month trial of a new Australian flood monitoring technology, called DipStik. It aims to reduce the risk to communities in flash flooding areas, and educate them that it's never safe to drive through floodwater.

Figure 14



Savings from the removal of ESL on insurance

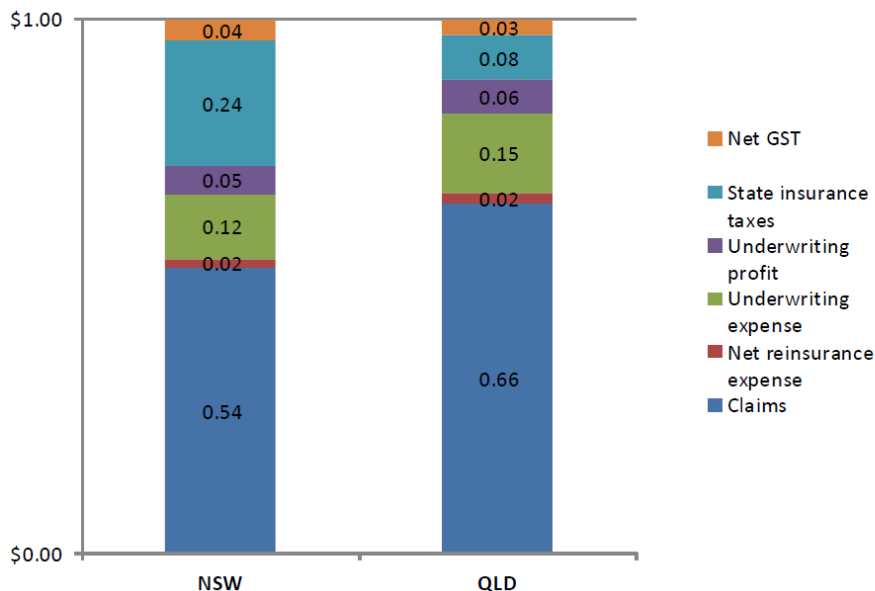
Passing on savings from ESL reforms

The removal of the ESL on insurance will see savings in insurance premiums passed on to customers. This is an important first step in addressing insurance affordability, accessibility and participation.

As a starting point, it is important to outline the components of a premium that a customer is charged. These components are set out in Figure 15.

Figure 15

Where does \$1 of home building insurance premium go?



Source: J, Douglas, M.Bowditch, A.Ni, Affordability of Natural Disaster Insurance (2013)

Charges	All applicable Government taxes and charges including stamp duty and GST.
Reinsurance costs	Reflecting the cost to purchase cover for catastrophic events and individual claims, as a cheaper alternative to raising the additional capital that would otherwise be required under prudential regulation.
Expected claims cost	The expected chance of a claim occurring and the expected cost of a claim if it does occur, which varies on the individual characteristics of each risk.
Expenses	Reflecting an appropriate share of fixed and variable expenses.
Profit margin / cost of capital	Reflecting an appropriate return to shareholders and sufficient funding for other sources of capital (e.g. debt and hybrid instruments).
Investment income	Insurers invest premium income prior to paying related claims, which for long tail classes may not occur for a significant length of time. Premiums make an allowance for this expected investment income, leading to premiums being lower than would otherwise be required to meet financial targets.

IAG submission to the ESL insurance monitor public inquiry



Continued.

The impact government taxes and charges have on the customer is illustrated in the following example:

A home owner in New South Wales who purchased a home buildings policy would previously be required to pay the Emergency Services Levy of 18% plus GST of 10% of that subtotal and Stamp Duty of 9% of the GST and Levy inclusive amount.

Example

As these charges are cumulative:

- If the customer's risk premium was \$500, the customer would be required to pay \$707.41 which includes charges of **\$207.41**; or
- If the customer's risk premium was \$1,000, the customer would be required to pay \$1,414.82, which includes charges of **\$414.82**.

IAG has implemented systems and controls to ensure that by 1 July 2017, the ESL rate across our products will be reduced to 0% and any savings from the abolition of the levy will be passed on to consumers.

As ESL is removed from insurance we expect that our premiums will be approximately 20% lower for residential property and 30% lower for commercial property than would otherwise be the case.

It is important to note that ESL removal does not mean that insurance premiums will automatically fall by 20% and 30% from year to year as there may be changes to underlying base premiums to reflect movements in expected future claim costs (from changes to labour rates, materials etc), operating expenses, investment income, reinsurance expenses and/or policy coverage.

Drivers of changes to underlying base premiums

At its simplest, insurance involves the pooling of financial resources to manage risks. Our aim is to manage the pool and ensure there is enough money coming into it through premium payments to meet the cost of future claims as they arise. To do this, we have to put a price on the likelihood of someone making a claim from the pool. This is done by estimating the chance a claim will be made and multiplying this by the average value of a claim.

Over time as claims experience develops we find that we must continually adjust our estimates of the likelihood of a claim being made as well as our estimate of the likely size of the claim.

The increasing frequency and cost of both peril (or natural disaster) related and non-peril related claims has been the main factor responsible for driving the movement in commercial and residential base premiums.

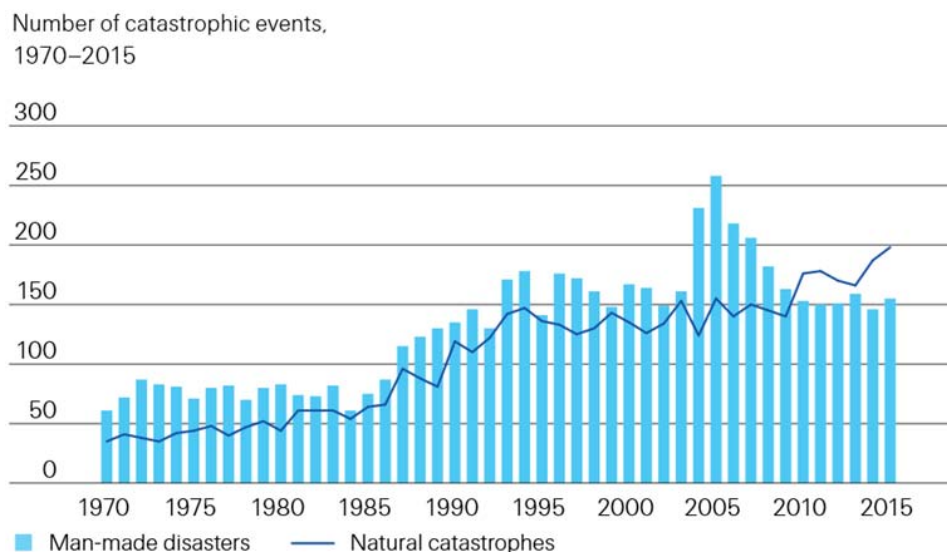
Natural disasters have a significant impact on cost of claims and also the cost of reinsurance, which in turn has a significant impact on insurance premiums.

Reinsurance is used to limit an insurer's exposure to large single claims and to the aggregation of claims that arise from the same event or a series of events. IAG's reinsurance program is an important part of the group's overall approach to capital management.

The reinsurance costs incorporated in Australian insurance premiums are not only the result of Australian natural perils and events but are affected by global catastrophic events. Figure 16 below confirms the rising incidences of global natural perils and depicts the number of catastrophic events between 1970-2015. According to the annual SwissRe Sigma report criteria, there were 353 catastrophe events across the world in 2015, up from 339 in 2014. Of those, 198 were natural catastrophes, the highest ever recorded in one year, and up from 191 in 2014.³

Figure 16

The impact natural perils have on claims costs is evidenced in the graph below. Munich RE (in its global report on natural catastrophes 2015) included the following graph which shows the correlated rise of Insured losses 1980-2013 This graph implies that the rise of insured losses needs to be accompanied by a rise in premium to cater for the increase in loss severity and frequency.⁴

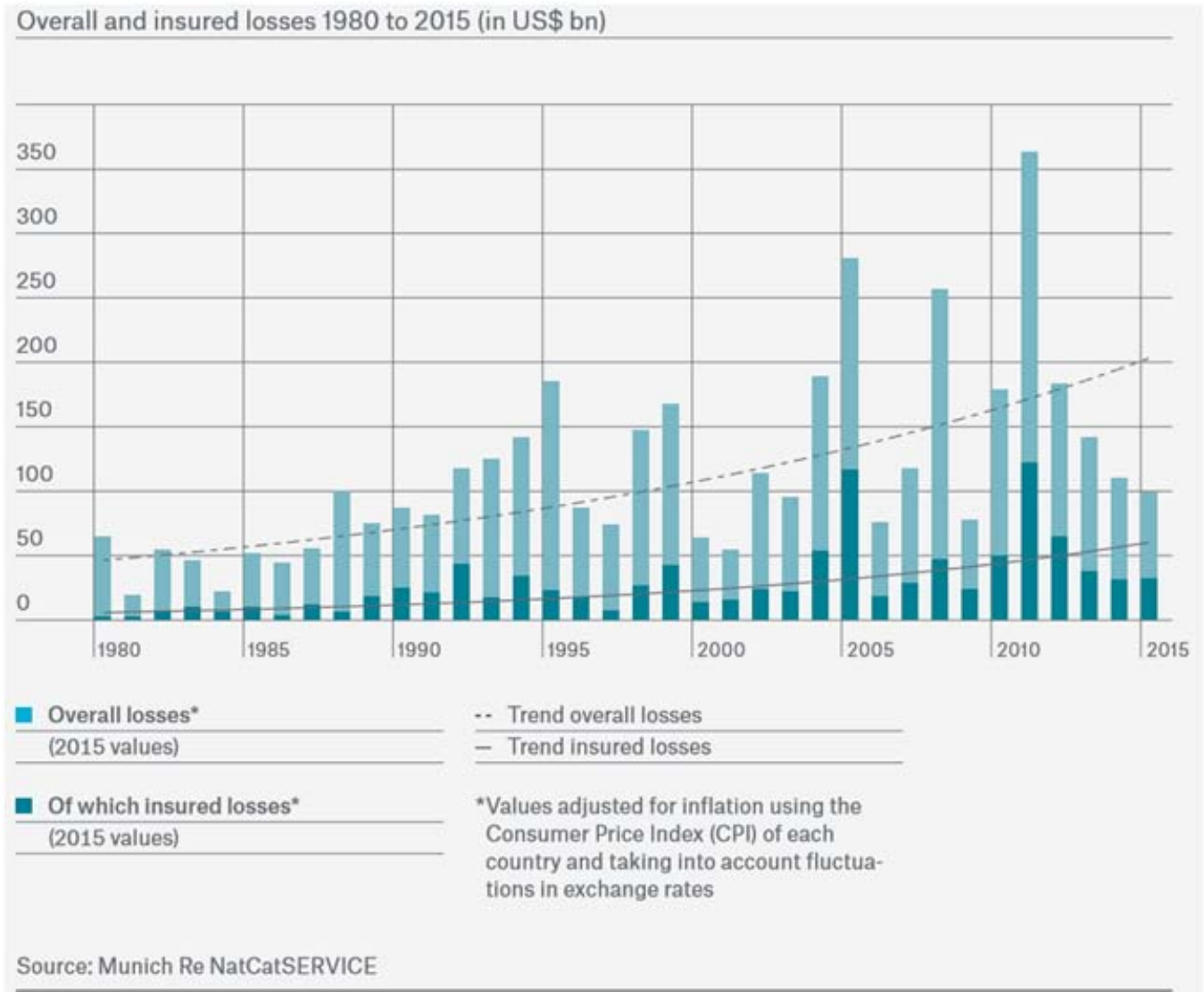


Source: Swiss Re Economic Research & Consulting and Cat Perils.

³ S. SwissRe, Sigma No 1, 2016, page 2

⁴ Munich RE, TOPICS GEO, Natural catastrophes 2015, Analyses, assessments, positions 2016 issue, page 56

Figure 17



IAG submission to the ESL insurance monitor public inquiry



Continued.

The following table illustrates the scale (as measured by insurance loss) of various natural perils in Australia between 1970-2013.

Figure 18: Insurances losses (\$million) by natural perils (1970-2013)⁵

State	Bushfire	Tropical cyclone	Flood	Storm	Hail	Earthquake	Total
NSW	527	36	965	2,747	4,856	1,657	10,788
VIC	1,650		400	2,439	294		4,783
QLD		3,329	3,630	1,376	949		9,283
SA	189			47	92		327
WA	96	486	24	1,232		15	1,852
TAS	100		51	34	86		271
NT		1,529	123				1,652
ACT	440						440
Australia	3,002	5,380	5,193	7,875	6,277	1,672	29,396
Share of Total	10%	18%	18%	27%	21%	6%	100%

Source: Productivity Commission (2014)

Source: IAG and SGS Report- *At what cost?*

The incidences of natural perils affects both reinsurance costs and claims costs. This was the view held by the Productivity Commission in the Inquiry Report into Natural Disaster Funding Arrangements. Their projections indicate that, based on past trends, nominal insurance losses from natural disasters are likely to grow by around 5–6 per cent per annum over the next decade.⁶

In 2015, IAG businesses responded to the largest volume of claims in more than 15 years managing more than 50,000 claims from the 2015 April East Coast Low. More recently, IAG businesses received approximately 15,000 claims resulting from the low pressure weather system which impacted much of the east coast of Australia in June 2016.⁷ Cyclone Debbie is expected to result in claim costs of approximately \$140 million in March 2017.

The expected cost of non-peril claims has also increased in the past decade due to a number of factors, including: increase in cost of repairs (both materials and labour); increase in the speed with which water and fire damage spreads due to the open design of properties; and the density of strata dwellings.

⁵ Data based on 2011 dollars, Productivity Commission 2014, reproduced in IAG and SGS Economics & planning report, *At What Cost? Mapping where natural perils impact on economic growth and communities*, November 2016, page 8

⁶ Productivity Commission Inquiry Report, *Natural Disaster Funding Arrangements*, Volume 1, Number 74, 17 December 2014.

⁷ IAG estimates \$60-80 million net claim cost from East Coast Low, 9 June 2016. Available at <http://www.iag.com.au/iag-estimates-60-80-million-net-claim-cost-east-coast-low>

Profitability of the Australian general insurance industry

Insurance margin is required for a sustainable and strong industry. It is also required to ensure that an appropriate return is provided to shareholders.

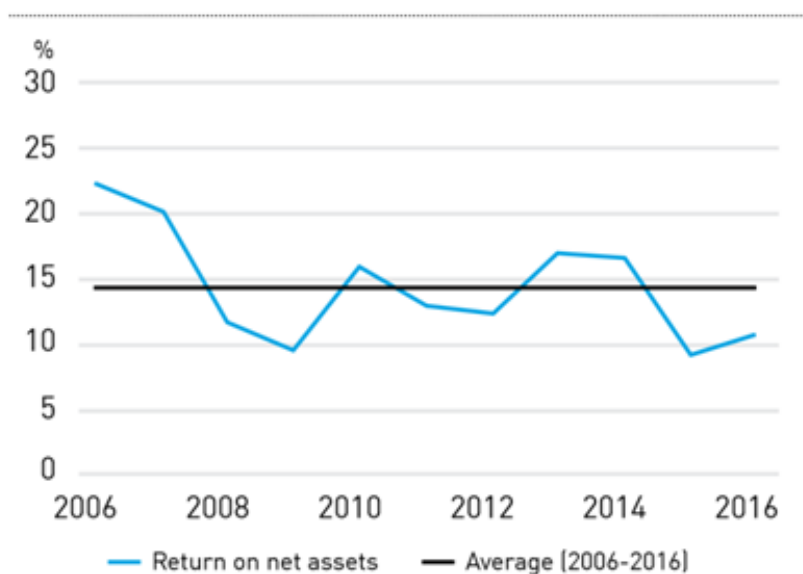
On 22 February 2017, IAG announced a first half 2017 reported a group wide insurance margin of 13.5% which equates to a cash return on equity (ROE) of 14.8%. On 5 April 2017, IAG provided further information that our full financial year 2017 reported insurance margin guidance range is 10.5% - 12.5%.

Some of the factors which influence how much return shareholders expect for the capital they invest include:

- Risk or volatility of returns: the higher the risk or the greater the volatility of returns the greater the target return expected by shareholders
- The expected return investors can achieve from alternative investments

Profit margin makes up a relatively small component of a premium. This graph from the 2016 annual report released by the APRA reveals that the general insurance industry has achieved an average return on net assets of slightly more than 14 per cent per annum over the past decade.⁸

Figure 19: General Insurers' Return on Net Assets



Return on net assets is net profit (loss) for the year divided by average net assets over the year.

Source: APRA Annual Report 2016

Figure 19 shows that increasing premiums does not automatically equate to increased profitability. The Treasury's submission to the Financial System Inquiry in 2014 found that despite rises in home building and home insurance

⁸ APRA, 2015/2016 Annual Report, page 25, Figure 2c. Available at <http://www.apra.gov.au/AboutAPRA/Publications/Documents/AR-2015-16-WHOLE-FINAL-WEB.pdf>

IAG submission to the ESL insurance monitor public inquiry



Continued.

policies since 2008, industry-wide profitability was lower than in the five years preceding 2008⁹, with the industry recording an increase in profitability in 2013 for the first time in three years.¹⁰ Four of the past six years have been below this average, driven in part by claims costs from significant natural catastrophe events. The decline in profitability in 2014-15 was mostly due to a series of storm events in New South Wales and Queensland, which resulted in a 10 per cent increase in the industry's net loss ratio.¹¹

APRA reported some improvement in 2015-16 given the absence of major catastrophe events during the year; however profitability continued to be adversely impacted by falls in investment income as a result of the continued low interest rate environment and subdued premium growth.

⁹ Treasury submission to the Financial System Inquiry, 3 April 2014, page 64

¹⁰ APRA, Insight Issue 3.2013. Available at <http://www.apra.gov.au/Insight/Pages/Insight-Issue-Three-2013-HTML.aspx>

¹¹ APRA, 2015/2016 Annual Report, page 27, Available at: <http://www.apra.gov.au/AboutAPRA/Publications/Documents/AR-2015-16-WHOLE-FINAL-WEB.pdf>

Competition in the general insurance market

IAG considers that the level of competition and prudential regulation is strong to provide consumers with confidence that their insurance will be available if they need to make a claim. The strength of competition is evident in competition amongst insurers in respect of their core products, and as a consequence of changing technology, and digital disruption.

APRA statistics reveal that there were 109 insurers licensed to conduct general insurance business as at 30 September 2016, of which 99 were general insurers and 10 were reinsurers.¹²

In its submission to the Financial System Inquiry (2014), the Treasury highlighted that the Australian general insurance industry is largely open to the entry of new insurers, including foreign insurers. The Treasury noted that there has been an intensification of competition and contestability broadly across the general insurance sector in recent years with new entrants offering a range of general insurance products and capturing market share by advertising aggressively and offering cheaper premiums and/or enhanced product features.

The Treasury also highlighted that contestability in the general insurance market is reflected in trends in profitability, notwithstanding a popular perception that a lack of competition is driving rising premiums.

The insurance market in Australia is relatively mature and sophisticated in terms of product offering and risk assessment and management. It is serviced by a large number of insurers and consumers have access to a healthy range of products, many of which include optional cover enhancements that they can elect to purchase. Consumers are able to take advantage of special features such as loyalty and multi-policy discounts. In addition to the core product suite available to customers, innovative and tailored products have introduced additional competition to the market. Disruption at all levels of the value chain has introduced further competitive pressure.

Core products

Across commercial and residential property insurance, insurers often offer consumers a base coverage as well as optional additional coverage at various price points.

For example, in a NRMA Insurance home insurance policy, there are numerous choices available through different policies at different prices. Individual policies vary depending on a variety of factors including:

- Type of insurance (i.e. home building, home contents or combined home buildings and contents)
- Level of cover (i.e. standard home insurance or premium home insurance cover, which provides a higher level of cover)
- Amount of insurance (i.e. sum insured value of home buildings or contents)
- Amount of excess chosen by consumers
- Listed events covered (i.e. fire, theft, storm, flood and earthquake, vandalism, broken glass, animal damage, water and oil leaks)
- Optional cover (i.e. accidental damage, burn out of electric motor-fusion and pet cover, valuable contents and portable contents).¹³








As demonstrated in Figure 16, NRMA Insurance customers can obtain: Home Buildings; Home Contents; Home Buildings & Contents; and Strata Title products, amongst others.

¹² APRA, Quarterly General Insurance Performance Statistics, September 2016, page 5. Available at: <http://www.apra.gov.au/GI/Publications/Documents/1116%20-%20QGIPS-Sep-2016.pdf>

¹³ Accidental damage and Burn out of electric motors-fusion is automatically included with Home Plus. Pet cover refers to Pet lover's pack.

Continued.

Figure 20

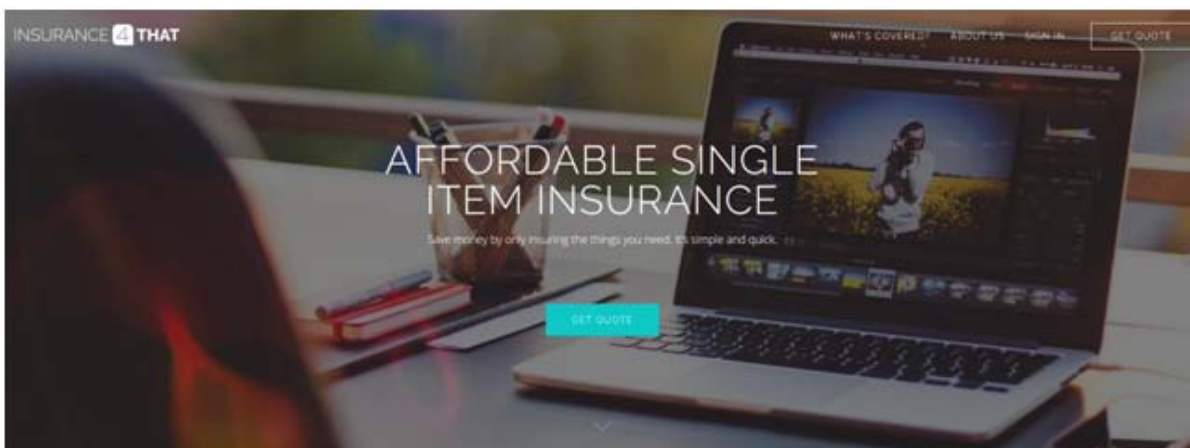
 <h3>Home Buildings</h3> <p>We'll rebuild or repair your home if it's damaged or destroyed.</p> <p>Plus, if you can't live in your home we'll provide temporary accommodation for up to 1 year. That way you'll have a roof over your head while your home is being rebuilt.</p>	 <h3>Home Contents</h3> <p>We provide new for old replacement of your household contents and personal belongings.</p> <p>Even if you leave a window or door unlocked in your home we've got you covered.</p>	 <h3>Home Buildings & Contents</h3> <p>Protect your home inside and out with our Buildings and Contents combined insurance.</p> <p>You're covered for a range of events and household items. Plus, we have a lifetime guarantee for any authorised repair work on your home.</p>	 <h3>Renter's Contents</h3> <p>Cover your furniture, whitegoods, computer equipment, clothing and more from as little as \$7.15 a week with NRMA Renter's Insurance in NSW.</p>
 <h3>Single Item Insurance</h3> <p>Protect the items you need the most like your laptop or mobile phone.</p> <p>With Insurance 4 That it's simple and affordable.</p>	 <h3>Landlord</h3> <p>Protect your rental income, plus your investment property and its contents against loss or damage with NRMA Landlord Insurance.</p>	 <h3>Strata Title</h3> <p>Protect against loss or damage to your strata title building, including common property and contents.</p>	

Digital disruption

Technology and changing customer behaviour is also driving additional competition in the general insurance industry, both within traditional products and across components of the insurance value chain.

Strong competition and technological advances support innovation. IAG is committed to educating our customers and broader community on the risks they face so they can be adequately covered. For example, in 2016 IAG developed and piloted *First Place*, a virtual reality experience designed to educate millennials about insurance risks around the home. This focused on engaging with millennials to ensure they have adequate understanding of how to protect themselves when they move out of home for the first time.

Another initiative is Insurance4That, a simple insurance solution that provides an alternative to traditional contents insurance by enabling people to insure individual items at an affordable price.



FOR LESS THAN YOU THINK

Electronics, cameras, musical instruments and more.

As technology becomes more advanced, existing insurers are motivated to continually improve their offerings to better address customer needs. An example of how innovation will continue to drive competition is the presence of ‘disruptors’. These companies are disrupting components of the traditional insurance value chain. For example, niche players such as specialised claims management firms, are offering the same services as have traditionally been provided by insurers, creating the impetus for general insurers to be more innovative and competitive. At IAG the emergence of disruptors and the changing needs of our customer base has caused us to reconsider the ways we have traditionally offered our insurance products, and driven us to become more digitised. IAG is committed to becoming a customer-led and data driven organisation that can adapt quickly to the rapidly changing environment.

Low barriers to entry and a high number of insurance providers

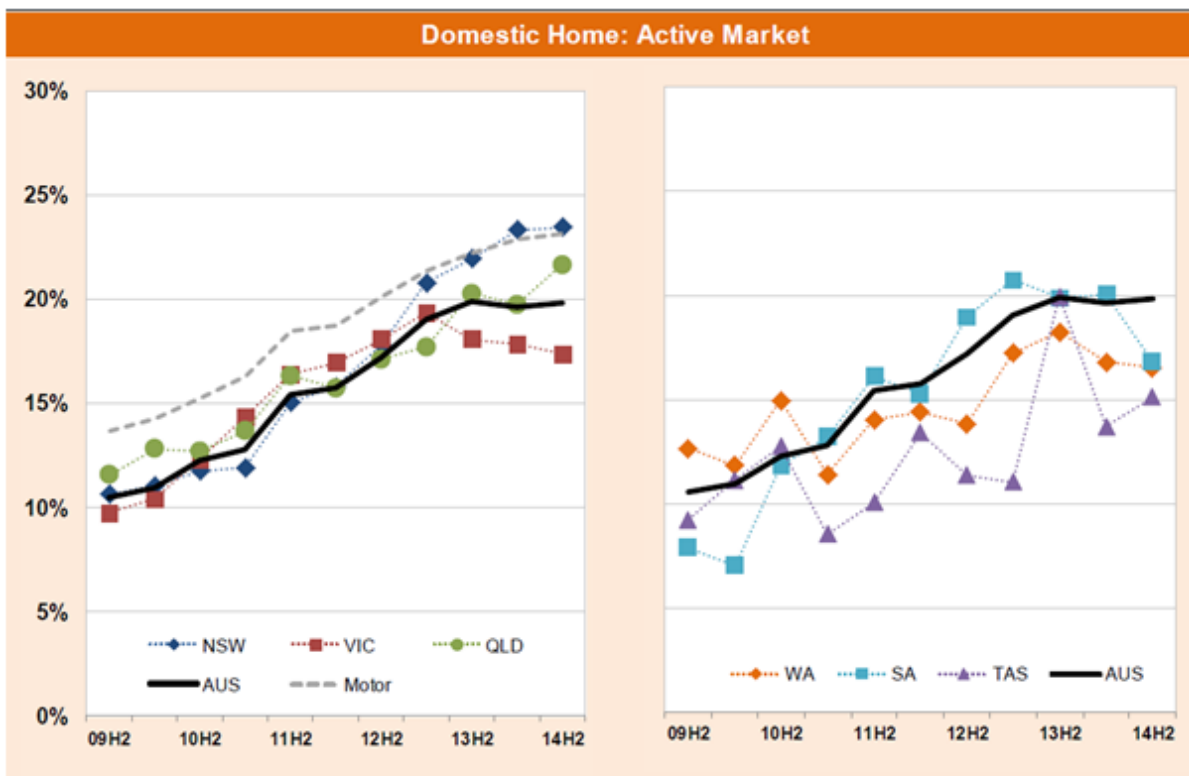
There have been a number of new entrants, often referred to as ‘challengers’, who have been able to enter the market and quickly gain market share over the past five years.

In addition to the large number of insurance providers, there is a large number of insurance products which suggests that there is effective competition on the ‘supply side’.

Increased levels of shopping

A 2015 report from Finity Consulting¹⁴ shows that the proportion of customers actively shopping for home insurance has been increasing over time. Figure 21 shows that as at second half of 2014, close to 25% of NSW home customers were actively shopping. The increasing trend suggests that this figure is now likely to be greater than 25% in 2017.

Figure 21: Shopping with the Domestic Home Market



Active Market: Sum of those purchasing for first time and existing customers who shopped

¹⁴ Source: Finity Consulting: <http://www.finity.com.au/wp-content/uploads/2015/05/1.-Market-movement-musings1.pdf>

IAG submission to the ESL insurance monitor public inquiry



Continued.

Low barriers to switching

It is relatively quick and easy to switch insurance providers. Nearly all insurers provide customers with the ability to get a quote and buy an insurance policy online. Switching only takes a few minutes and does not require income, bank or property statements. In comparison to other financial products like credit motords, personal loans or mortgages where evidence and pre-approval is required; we believe that there are low barriers to switching between general insurance providers.

It is for these reasons that IAG considers there to be a high (and increasing level) of competition within the general insurance market in Australia.

Issues with comparing insurance policies on price alone

The ESL Monitor has used the wide price range from quotes obtained from various insurers to suggest there is a lack of competition in the general insurance market. However we believe the quotes obtained by the ESL Monitor are not for standardised insurance and that there exist many reasons to explain price differences.

Although the quotes obtained by the Monitor use the same sum insured and excess (for commercial properties only) there are many differences in product features, excess levels (for residential properties) and other rating factors which are not standardised. As discussed below, these factors will drive differences in premium quotes for the same property.

- **Excess levels:** The Monitor has not specified what excess levels should be used for the residential property scenarios. This means that different excess levels might be used by the different brands providing quotes to the ESL Monitor. If so, this would have a significant impact on the premiums quoted. Without like for like excess levels, a comparison of residential property quotes between brands would not be appropriate.
- **Different products:** Even when the same sum insured and excess levels are used, there remain other differences in the actual insurance product being sold which drive differences in the premium quoted. Examples of product differences include:
 - Specific claim exclusions and limitations
 - Sum insured 'safety nets'
 - Whether the product provides total replacement cover
 - Whether sub-coverages such as fusion cover, accidental damage or temporary accommodation are a standard feature or optional extra
 - Different limits for sub-coverages such as fusion, identify theft, accidental damage, temporary accommodation etc.
- **Differences in the underlying view of risk:** For the same property, each insurer will use its own risk model to estimate the likelihood of a claim and the estimated cost of the claim. Risk estimates vary as they are driven by the size and accuracy of the insurer's historical policy/claims data and the sophistication of the underlying risk model. A different view of the underlying risk can drive a different final premium.
- **Different customer service models:** Each insurer will have its own customer service model. For example, some brands will provide customers with the ability to visit a branch, while others will only have a call centre and others may be completely digital. These differences in service models will drive differences in operating expenses and premiums.
- **Different commercial objectives:** Each insurer will have its own commercial objectives which will drive pricing decisions/strategies. For example, some insurers may want to grow aggressively in a particular area or in a particular customer segment; this can drive lower prices to attract new business. In other circumstances, some insurers may find that they have a 'concentration risk' from strong growth in a particular area which they need to manage as it no longer fits with their risk profile.

Conclusion

IAG welcomes the NSW Government's decision to remove the ESL from insurance as an important first step in addressing insurance affordability, accessibility and participation. We believe the new Fire and Emergency Services Levy is a fairer and more sustainable approach to funding important emergency services in NSW.

We have implemented systems and controls to ensure that by 1 July 2017, the ESL rate across our products will be reduced to 0% and any savings from the abolition of the levy will be passed on to consumers.

Furthermore, we believe our comprehensive communication activities along with changes to our policy documents will ensure that customers, partners and the broader community are informed of the impact of ESL reforms on insurance premiums.

Annexure A



2017-2018 Certificate of Insurance Home Buildings and Contents Renewal



Dear Mrs SV [REDACTED]

Thank you for choosing NRMA Insurance. You will find a summary of your policy opposite, including how to renew and when the payment is due.

Next steps:

1. Review the information on the following pages and if you need to make changes call 132 132 or +61 2 8661 7307, access Self Service Centre at nrma.com.au/selfservice or visit an NRMA Office at [REDACTED]. Please check our website for the latest operating hours.
2. Please pay by 18 April 2017. If paying in person, take your payment slip on page 3 with you.
3. On full payment, this document becomes your Certificate of Insurance. Please keep this document in a safe place.

**Go Paperless. Switch to email
for your insurance documents.
Visit nrma.com.au/paperless to
switch.**

YOUR POLICY SUMMARY

Policy number:	[REDACTED]
Annual premium:	\$1,976.69
Due date:	18 April 2017
Current policy expires:	11:59pm on 18 April 2017
Home insured:	[REDACTED]
The insured:	[REDACTED]
Sum insured:	Buildings: \$649,813 Contents: \$170,988 See over for breakdown.
Basic excess:	Buildings: \$500 Contents: \$500 See over for all excesses that apply.

YOUR PREMIUM (Includes 25% No Claim Bonus, your chosen Options, 20% Loyalty Discount and government charges - see over for full details)

Pay annually:	\$1,976.69
You currently pay this way	
OR	
Pay monthly:	\$168.10
You can nominate to pay your premium in monthly instalments. This will incur an extra \$40.50 p.a. To pay this way, please contact us before 18 April 2017.	
Please pay by 18 April 2017 For how to pay, see page 4.	

YOUR LOYALTY DISCOUNT

Loyalty Discount 20%	-\$362.20
Loyalty Years	26
Number of policies	6

See page 2 for a list of the policies used to determine your Loyalty Discount

YOUR OPTIONS

See over for full list of options.

Enquiries	132 132	Claims	131 123
Payments	131 144	Visit	nrma.com.au

IAG submission to the ESL insurance monitor public inquiry

Continued.



2017-2018 Certificate of Insurance Home Buildings and Contents Renewal

Policy number: [REDACTED]

Enquiries 132 132
Payments 131 144
Claims 131 123
Visit nrma.com.au
an NRMA office

YOUR POLICY LIST

This is a list of policies used to determine this policy's Loyalty Discount. It is based on the policyholder who has the most eligible policies and longest relationship with us. Please contact us if you have any policies that are not listed here.

Policy type
NRMA Motoring and Services
Home Buildings and Contents
Compulsory Third Party
Landlord
Comprehensive Motor

Note:

A combined Home Buildings and Contents policy counts as 2 policies

A combined Landlord Buildings and Contents policy counts as 2 policies

YOUR POLICY DETAILS

The following pages list your Policy details. Please keep this certificate, along with your Home Insurance Buildings and Contents Product Disclosure Statement and Policy Booklet (PDS), and any applicable Supplementary PDS, in a safe place. On full payment these documents will form your Home Insurance Contract. To help you understand how your renewal premium compares to last year, we have included a comparison below.

Policy number	[REDACTED]
Your contract	Valid from 11:59pm, 18 April 2017 to 11:59pm, 18 April 2018
This year's Annual premium	\$1,976.69
Last year's Annual premium	\$2,037.66

Last year's premium represents the amount you were charged for your insurance policy at the beginning of the last policy term, plus or minus any changes you made throughout the policy term.

The insured	[REDACTED]
Home insured	[REDACTED]
Year built	Approximately 2005
Construction type	Mainly brick veneer
Roof type	Mainly tin/colourbond Please advise us if this is incorrect.
Credit provider	There is no finance on this home.

The home

- is occupied by the owner who lives in the home
- is used for residential purposes and not used for a business, trade or profession
- is watertight, structurally sound, secure and well maintained
- number of storeys has not been provided

Security

The home has:

- 24hr back to base monitored alarm (meets insurer spec.)

Sum insured

Each year we increase your sum insured to take into account rising building costs and the increased prices for replacing household contents. Please check that the amounts below cover the replacement value of your home and all of your contents. Visit nrma.com.au/calculators for assistance.

Buildings	\$649,813
Contents	\$170,988
General Contents	\$165,988
Portable Contents	
- Jewellery and watches	\$5,000

Key policy features

- replacement cover for your buildings and contents
- \$20 million liability cover for incidents that happen on the site
- \$20 million liability cover for incidents that happen outside the site
- you are covered for flood



2017-2018 Certificate of Insurance Home Buildings and Contents Renewal

Policy number: [REDACTED]

Enquiries 132 132
Payments 131 144
Claims 131 123
Visit nrma.com.au
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Government charges & Premium comparison

The Emergency Services Levy (ESL) funds NSW emergency services and the SES.

The following amounts are included in your premium. To help you understand how your charges compare to last year, we have included the following comparison.

	Last year's	This year's
Premium before government charges	\$1,444.96	\$1,448.83
ESL	\$254.51	\$199.79
GST	\$169.95	\$164.86
Stamp duty	\$168.24	\$163.21
Total premium	\$2,037.66	\$1,976.69

EXCESSES

The following excesses apply to your policy:

- a \$500 basic excess for each buildings claim
- a \$500 basic excess for each contents claim

If you make a claim for loss or damage under both your buildings and contents insurance you only pay one excess. You can reduce your premium by choosing a higher basic excess. Contact us for an estimate.

OPTIONS

Options you have chosen

Following are the options you have chosen. Their cost has been included in your premium.

- Burn out of electric motors (fusion) that are less than 15 years old
- Portable Contents

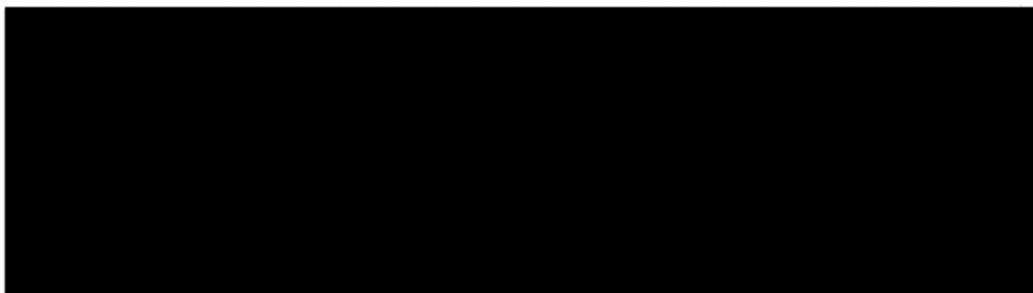
Options you may add

You may be eligible to add these options to your policy. Contact us for an estimate or refer to the PDS, and any applicable Supplementary PDS for more information.

- Accidental Damage
- Pet Lover's Pack
- Valuable Contents



Page 3 of 5



Receipt ID 03

HOMRNL issued at 9:20am on 14/03/2017



2017-2018 Certificate of Insurance Home Buildings and Contents Renewal

Policy number: [REDACTED]

Enquiries 132 132
Payments 131 144
Claims 131 123
Visit nrma.com.au
an NRMA office

YOUR PREMIUM

Please refer to the Premium Excess and Discounts guide for further information about how we determine your premium and excesses that may be payable at claim time. The following provides a breakdown of how your premium is calculated.

Premium including your chosen options and 25% No Claim Bonus	\$1,811.03
Less 20% Loyalty Discount	\$362.20
Plus Government charges	\$527.86
Total premium	\$1,976.69

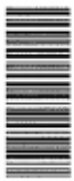
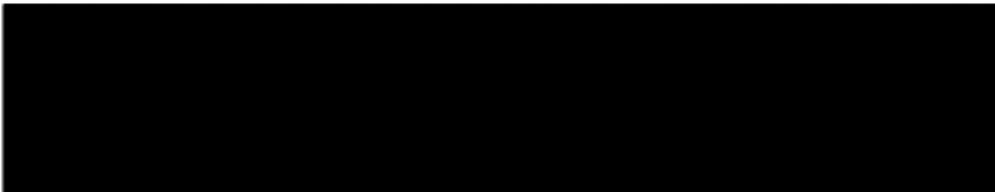
Your premium has been reduced because

- You have a monitored alarm which meets NRMA Insurance specifications

BENEFITS

You've been awarded Claim Free Privilege Plus giving you a **25% No Claim Bonus plus Free No Claim Bonus Protection**. This means you will retain your Claim Free Privilege Plus status and 25% No Claim Bonus where you make one claim in a policy year.

INSURANCE HISTORY



HOW TO PAY



In person - Take this document and pay at an [REDACTED]



By mail - Detach this payslip and send it with your cheque or credit card details to:
NRMA Insurance, Customer Correspondence,
Reply Paid 9871, In Your Capital City



By phone - Call 131 144 and have your credit card ready.



Online - Go to nrma.com.au/payments and have your credit card ready.



By BPAY® - Contact your financial institution to arrange payment from your account.



Credit card details Mastercard VISA

_____|_____|_____|_____|

Expiry ____/____ Signature _____



2017-2018 Certificate of Insurance Home Buildings and Contents Renewal

Policy number: [REDACTED]

Enquiries 132 132
Payments 131 144
Claims 131 123
Visit nrma.com.au
an NRMA office

ADDITIONAL INFORMATION

Insurance Australia Limited ABN 11 000 016 722 AFS
Licence No. 227681 trading as NRMA Insurance in New
South Wales, the Australian Capital Territory, Queensland
and Tasmania, SGIO in Western Australia and SGIC in
South Australia.

Making a claim

If you need to make a claim, please call our dedicated
Claims Team on 131 123. It's available 24 hours a day, 7
days a week, and it may help to have this document with
you when you call.

Proof of loss and ownership

When you make a claim, we may ask you to provide proof
of ownership and value for an item - for example, a
receipt, valuation or photograph. So, make sure you keep
these documents safe.

Transaction confirmation

If you would like confirmation of any transaction made on
your policy, please contact us.

Privacy of your information

Any personal information you provide to us will be
collected, held, used and disclosed in accordance with our
Privacy Policy. Please refer to nrma.com.au to review the
Privacy Policy. You can also ask us to send you a copy by
calling 132 132.



Annexure B

2015 Mercedes Benz C250

You're never without a car Vehicle pick up and return for repairs Excess free Glass replacement



036

34034-0000239-00033

██████████
██████████
██████████

Your 2017-2018 Comprehensive Plus Motor Renewal

Dear ██████████

Thank you for being an NRMA Insurance customer. Comprehensive Plus with exclusive benefits is our highest level of car insurance, so you will never be without a vehicle. We have applied a **10% loyalty discount** to this policy recognising the **3 years** you have had a relationship with us and your **4 eligible policies**. The longer you stay with us and keep your eligible policies, the more you can save.

Your portfolio

What's covered	Policy type	Renewal due
2015 Mercedes Benz C250	Comprehensive Plus	1 Jan 17
██████████	Comprehensive	25 Apr 14
██████████	Home Plus Contents	1 Jan 17
██████████	Third Party Property	1 Jan 17

Combined Home or Landlord Buildings and Contents counts as 2 policies.

Peace of mind

You never know when friends or family will need to drive your car. That's why we cover anybody who drives your car.

Additional excess applies to drivers under 25 or with less than 2 years' driving experience. For details, see the 'Your excess' section.

Make the switch and go paperless

Receive your policy documents anywhere, anytime. Visit nrma.com.au/paperless

65% No Claim Bonus

This year you will save **\$2,409.58**

10% Loyalty Discount

for being with us for the last **3** years and having **4** eligible policies. This year you will save **\$116.27**

Your policy summary

Policy holders	██████████
Vehicle	2015 Mercedes Benz C250
Registration	██████████
Start date	1 Jan 2017 (11:59pm)
End date	1 Jan 2018 (11:59pm)
Last year's agreed value	\$74,000
This year's agreed value	\$65,650
Basic Excess	\$1,000
Last year's premium	\$1,317.94 <small>This includes any amendments made during the last policy period</small>
This year's premium	\$1,208.57 <small>Your choice to pay monthly costs an extra \$109.86 per year. To save and pay annually update us before the due date.</small>

Pay monthly **\$100.84**

Next instalment due **1 Jan 2017**

- CHECK IT** Check ALL your policy details
- CHANGE IT** Update any changes
- COVER IT** Starts automatically with direct debit

Visit nrma.com.au/myaccount

2015 Mercedes Benz C250
[REDACTED]
[REDACTED]

This document is your **Certificate of Insurance (COI)** for policy number [REDACTED]. Please keep this certificate, along with your Motor Insurance Product Disclosure Statement and Policy Booklet (PDS), and any applicable Supplementary PDS, in a safe place. On payment these documents become your Tax Invoice and Comprehensive Plus Motor Insurance Contract. Let us know if any of these details have changed or are incorrect.

Policy holders



Policy number	MOT 019 174 921	Premium (including 65% No Claim Bonus)	\$1,297.46
Start date	1 January 2017 (11:59pm)	Choice of excess	-\$173.73
End date	1 January 2018 (11:59pm)	Selected extras: No Claim Bonus protection	\$38.92
Sum Insured	\$65,650 (agreed value)	10% Loyalty Discount	-\$116.27
Basic Excess	\$1,000	Plus Government charges	\$57.55
		Stamp Duty	\$104.64
		GST	
		Total premium	\$1,208.57

Your vehicle

These details affect your premium [Check it](#)

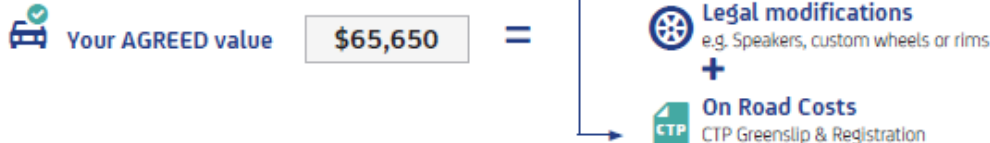
2015 Mercedes Benz C250
MY14 CDI Sport Coupe, 2100cc turbo diesel


Vehicle address [REDACTED]	VIN/chassis no. [REDACTED]
Parking type Garaged overnight	Credit provider No finance
Registration [REDACTED]	Vehicle use Private or business purposes and you are not entitled to claim any GST input tax credits in respect of this policy
Expected travel 0 - 5,000 kilometres per year	Special conditions [REDACTED]

Understanding your sum insured


These details affect your premium [Check it](#)

Your **sum insured** should represent the **replacement price of your vehicle**, including the value of any **legal modifications + on-road costs**. (Registration and CTP).





2015 Mercedes Benz C250
[REDACTED]
[REDACTED]



Your payment schedule


Your instalments will be automatically deducted from your nominated account unless otherwise specified. Make sure you have enough funds in your account each month to meet your payments, otherwise we may not be able to pay any claim you make under this policy if payments are not up to date.

If your instalment due date is not a business day we will deduct the relevant instalment on the next business day.

Visit nrma.com.au/myaccount to update your policy

Due date	Amount before GST	GST	Pay monthly
01 January 2017	\$92.15	\$8.69	\$100.84
01 February 2017	\$92.06	\$8.73	\$100.79
01 March 2017	\$92.06	\$8.73	\$100.79
01 April 2017	\$92.06	\$8.73	\$100.79
01 May 2017	\$91.95	\$8.72	\$100.67
01 June 2017	\$91.95	\$8.72	\$100.67
01 July 2017	\$91.95	\$8.72	\$100.67
01 August 2017	\$91.95	\$8.72	\$100.67
01 September 2017	\$91.95	\$8.72	\$100.67
01 October 2017	\$91.95	\$8.72	\$100.67
01 November 2017	\$91.95	\$8.72	\$100.67
01 December 2017	\$91.95	\$8.72	\$100.67
Totals	\$1,103.93	\$104.64	\$1,208.57

Who pays the excess?



The excess is usually paid by the driver who is considered at-fault. You must provide the at-fault driver's name and home address.

1 You didn't cause the accident

+

2 You supply the at-fault driver's name

+

3 You supply the at-fault driver's home address

=

You don't pay an excess ✓


If 1, 2 and 3 are there, you don't pay an excess. If **ANY** are missing, you will pay an excess.

Your drivers

This information affects your excess and premium ✓ Check it

LISTED DRIVERS	AGE	DRIVING YRS	LICENCE HISTORY	INSURANCE HISTORY
Your drivers, history and any additional excess			Licence cancelled or suspended in the last 2 years	Insurance refused, cancelled, renewal not offered, special conditions imposed or claim refused in the last 5 years
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	-

Based on the information you have provided about the claims and driving history of the owners and drivers, a **special excess** applies (see above).



Maximise your Loyalty Discount

Your **Loyalty Discount** rewards you for your entire relationship with us. The longer you stay and the more policies you have, the greater your **Loyalty Discount**. Now is a great time to take out other eligible policies as you could receive an even bigger discount. To view the list of policies that make up your Loyalty Discount, please see 'Your Portfolio' on page 1.



2015 Mercedes Benz C250

██████████

██████████



Your excess



A **basic excess** applies to all claims, see below to understand how **age excess** may apply. A **special excess** may also apply. You can choose how high or low to set your **basic excess**, the higher your **basic excess** the lower your premium.

AGE	DRIVERS	BASIC EXCESS		AGE EXCESS		
25 & over	Over 2 yrs driving experience	\$1,000	+	\$0	=	\$1,000
25 & over	2 yrs or less driving experience	\$1,000	+	\$400	=	\$1,400
Under 25	Listed driver on your policy	\$1,000	+	\$400	=	\$1,400
Under 25	Unlisted driver	\$1,000	+	\$1,600	=	\$2,600
		Any special excess listed in "Your drivers" above will also apply				

See the Premium, Excess & Discounts Guide (PED) or visit nrma.com.au/car-ped for more information.

2015 Mercedes Benz C250

Your policy covers

Property

- Your vehicle**
- Someone else's vehicle or property** damaged by your vehicle in an accident
- Personal items** up to \$500
- Baby capsules** or child seats up to \$500
- Trailer or caravan** you are towing up to \$1,000

Incidents

- Crash, collision or accidental damage**
- Theft or attempted theft**
- Explosion or Fire**
- Flood or Storm**
- Vandalism** or a malicious act

Other included benefits

- Towing** to a repairer or a safe place
- Emergency repairs** up to \$800 to get back on the road safely
- Lifetime guarantee** on workmanship for authorised repairs

For full details on your cover please see your PDS, and any applicable Supplementary PDS, or visit nrma.com.au/car-policy

Comprehensive Plus exclusive extras

The following exclusive extras are included in your policy cover.

- Hire car up to \$95 per day**
Until your vehicle is repaired or your claim is settled.

Exclusive cover ✓

- Windscreen cover**
Windscreen, sunroof, or window glass damage with no excess.

Exclusive cover ✓

- Taxis up to \$250**
From accident, to and from the repairer or hire car.

Exclusive cover ✓

Optional extras

You can select the following optional extras to add to your standard policy cover.

- No Claim Bonus Protection**
Protect your No Claim Bonus status in the event of a claim.

Selected ✓

You can update your optional extras by visiting nrma.com.au/myaccount

 **2015 Mercedes Benz C250** 

Important changes

The following changes have been made to your Comprehensive Plus Motor policy:

Changes to ESL (Emergency Services Levy)

From 1 July 2017, the NSW Government has proposed to make the funding for fire & emergency services fairer by including the levy alongside council rates.

The ESL which accounts for 1% of your premium, has been collected with your insurance. Please visit nrma.com.au/eslexplained for further details.

Special Conditions

- Based on information you have provided about the claims and driving history of all owners and drivers, a special excess will apply to:

- [REDACTED]

Please read the Special conditions section of your Certificate of Insurance for further information.

Visit nrma.com.au/car policy to view your PDS and any applicable Supplementary PDS.

Representatives of NRMA Insurance

In addition to our employees, NRMA Insurance has a network of agents that are authorised to arrange our insurance products (distributors). The individuals who work for our distributors are also authorised distributors of NRMA Insurance. When our distributors provide insurance they act on our behalf, not yours.

We pay our distributors certain fees for providing insurance which may include an operating fee, new business fees, renewal fees and bonus fees paid for achieving volume targets, exceeding volume targets and achieving premium targets.

If you have a complaint about us or one of our distributors, please speak with one of our consultants by calling **132 132**. If your complaint remains unresolved, you may ask for it to be referred to our **Customer Relations** area. If you are unhappy with their decision, they can provide you with information on external review options.

We know privacy is important to our customers: Any personal information you provide to us will be collected, held, used and disclosed in accordance with our Privacy Policy. Please refer to nrma.com.au to review the Privacy Policy.

