

# Premiums through *the roof!*



House and contents insurance  
costs increase 30 percent.

SURVEY: **SCOTT DONALDSON**

**P**remiums for our consumer profiles have increased by around 30 percent since last year's survey, as insurers adjust the way they apply premiums following the 2011 Christchurch earthquakes. Combined, the two earthquakes were one of the world's most-expensive insured natural catastrophes.

Quotes for our five "profiles" have increased between 22 and 35 percent, depending on the profile. The biggest increases were in our "retired couple" profile where average premiums increased from \$72 to \$97 a month. Even our "young single person" profile (which is for contents only) has leapt 34 percent since last year.

The extent of the premium increases since 2011 can be seen from our "Four-year Premium Comparison" Table. Between 2009 and 2011, three of our *house and contents* profiles ("young couple", "family of four" and "retired couple" in Auckland, Napier and Christchurch) had relatively modest increases in average monthly premiums. This year there's a major step up.

## Why the increases?

Insurance companies offload some of their claims-risk on to giant international reinsurance companies. These reinsurers took a claims hammering last year so have raised their fees to local insurers. They in turn have passed them on to consumers in higher premiums.

Other natural catastrophes covered by the reinsurers last year included the Japanese tsunami and earthquake, and flooding in Thailand and Australia. The February earthquake in Christchurch alone created \$15 billion worth of insurance claims, making it the insurance industry's third-costliest natural catastrophe.

Earthquake Commission (EQC) levies, which we all pay as part of house and contents premiums, have also gone up. The government has tripled them from five cents to 15 cents per \$100 of cover (and the maximum levy a homeowner can pay rises from \$69 to \$207 a year). The EQC levy makes up about 15 percent of your premium. When combined with the Fire Service Levy and GST, it accounts for around one third of your insurance premium.

## Finding the savings

A young couple can save up to \$53 a month (\$637 a year) on premiums – the average monthly quotes for our “young couple” profile ranged from \$97 to \$150.

Our other profiles can find savings of between \$25 and \$52 a month.

Remember that cheapest isn't always best: your policy needs to provide you with adequate cover. So our picks for each profile offer a combination of good cover and low premiums.

## Christchurch a special case

Generally insurers aren't taking on new customers in the “(inner) Canterbury exclusion zone” (Christchurch city plus Selwyn and Waimakariri districts). But if an already-insured property is sold, most insurers will “consider” insuring it for the incoming owner.

There are two exceptions:

- Tower will offer new contents-only policies in the Canterbury exclusion zone (and there's a 21-day stand-down period for earthquake-related damage).
- IAG will offer new contents-only policies to people coming to Canterbury to support the recovery.

## Our survey

**The premiums:** We asked 12 insurance companies to provide quotes for our five consumer profiles in Auckland, Dunedin and Napier. Because companies are generally not taking on new business in the Canterbury exclusion zone, we included a Dunedin address this time. (However, we've used Christchurch premiums in our “Four-year Premium Comparison” Table to maintain consistency with previous years.)

Apart from the contents-only quote for our “young single person” Hayden, all quotes are for house and contents

insurance. In obtaining our quotes we took house prices in three regions (\$275,000 in Napier; \$310,000 in Dunedin; \$470,000 in Auckland) and used them as our “replacement” house values. We also provided information on the age and size of the houses, because some companies use this info in their premiums calculations. All houses had a monitored alarm. Premiums were current at 1 May 2012.

House and contents insurance quotes for our Auckland address were around 40 percent higher than Dunedin and 20 percent more expensive than Napier. The average Christchurch quotes were around five percent more expensive than Dunedin. Quotes varied by company – FMG for example, provided the same quotes across all profiles for both our Dunedin and Napier addresses.

**Single homeowner:** This year we looked at introducing another profile called “single homeowner”. Their quotes and cover – and our recommended policies – turned out to be close to those for our “family of two”. So we've not included the “single homeowner” as a separate profile.

**Our ratings:** We assessed more than 200 quotes to find the best house and contents deals. For each profile we rated the companies on both their overall (averaged) quoted premium and our assessment of their policy cover. Ratings are based on a five-star system, with five stars being the best.

We've identified the best policies for each profile: they have low premiums and good cover. Recommended policies score at least four stars for premiums and cover. All the recommended insurers (or their underwriters) are members of the Insurance & Savings Ombudsman scheme.

tip

Choose the consumer profile closest to you – particularly for floor area and house value.

tip

You can lower the cost of your premium by choosing a higher excess.

or different excesses). You can also choose your payment options – monthly payments are the most popular, but annual payments can save you up to 10 percent.

## Excesses

Most “standard” excesses (where you carry some of the claim risk yourself) ranged from \$100 to \$250.

Insurers often increase their standard excess when assessing the risk. This depends on your claims history; the location and age of the house; the likelihood of it being damaged; and whether it's tenanted, shared with flatmates or used as a holiday home.

Some of our recommended policies charge higher standard excesses but offer cheaper premiums. Insurers also offer “extra” excess options – these give a substantial premium discount for paying a higher excess.

Some insurers offer excess “refund” options. This means if your claim is greater than the excess refund, they pay

## FOUR-YEAR PREMIUM COMPARISON

PROFILE	AVERAGE MONTHLY PREMIUMS			
	\$			
	2009	2010	2011	2012
Young single person (contents only)	39	38	34	45
Young couple	86	94	104	127
Family of four	87	96	104	128
Retired couple	66	69	72	97

## Tailoring the policy

Our survey looked at standard policies. It always pays to check the cover. We found that what's standard with one policy may be an optional benefit or simply not covered by another policy. Some common items that varied in cover included credit card fraud, keys and locks, cleaning damage, and keeping professional tools and equipment at home.

Policies can usually be tailored – you can specify individual items or pay for optional benefits (some companies also offer policies with higher levels of cover

## Missing in action

Not included in our survey are:

- Medical Assurance (its policies are available only to people in certain professions).
- AMP, Lumley, NZI and Vero (these companies sell through brokers or other brands rather than directly to the public).
- AA Insurance, ANZ, National Bank and SIS (they declined to take part in our survey).

»



## CHRISTCHURCH'S FEBRUARY EARTHQUAKE CREATED \$15 BILLION WORTH OF INSURANCE CLAIMS.


the entire claim and don't deduct the excess. Excess-refund options start at \$500 for Kiwibank, Tower and TSB.

### Cover for renting

**Landlords:** Check your existing house and contents policy for rental-property cover – including the policy's "additional benefits" section. If your rental property's not covered, you can usually buy a separate policy for damage by tenants or pay for it as an additional benefit on an existing policy. You can also get cover for loss of rent because of a natural disaster – depending on the company this can be for up to a year or a maximum of \$25,000.

**Renters:** Most contents-only policies we looked at offered tenants \$1 million cover for personal liability (this is essential in case of damage to the landlord's property). For a natural disaster, some policies provide temporary accommodation cover for up to 12 months or a maximum of \$30,000. However, it's more usual to offer renters less coverage for temporary accommodation – several companies limited this to a maximum of six months or \$5000.

### We say

- Get full details of the policies you're interested in – and make sure they have suitable cover for you.
- Use [consumer.org.nz](http://consumer.org.nz) to compare policies and premiums.
- Look for ways of getting a premium discount such as paying annually, increasing your excess, installing a monitored alarm, or having more than one type of insurance with the same company. Some companies also offer age-related discounts.
- Check the fine print about cover for different types of natural disasters.
- Shop around (if you don't live in Christchurch) ... get a quote from at least two insurers and then ring your existing insurer. If it doesn't offer the best deal, ask it to go one better. It's surprising how often this works! 



QUOTES FOR OUR FIVE PROFILES HAVE INCREASED BY BETWEEN 22 AND 35 PERCENT.



## PROFILES

### Young single person

Hayden is 23 and wants \$25,000 contents-only insurance (with personal-liability cover). He shares a flat with two friends.

#### YOUNG SINGLE PERSON

OUR PICKS	RATINGS	
	PREMIUM	COVER
FMG Household Contents	★★★★	★★★★
ASB Classic Contents	★★★★	★★★★
BNZ PremierCare	★★★★	★★★★

Our three picks offered cheap and extensive cover for Hayden. There are cheaper options from AMI, ASB, FinTel and Lantern – but these are "basic" policies. While they keep down their premiums, they give limited cover (there's a greater emphasis on indemnity/market value rather than replacement value and the cover limits on individual items are lower).

TSB Bank offers a minimum of \$40,000 cover and Westpac offers a minimum of \$34,500 cover for this profile. Westpac also offers a more limited Renters' Cover, but this would only provide Hayden with a maximum sum insured of \$23,000.

### Young couple

Dave and Cheri (both 35) want \$110,000 contents and "replacement" house insurance for a 175m<sup>2</sup> house built in 1982.

#### YOUNG COUPLE

OUR PICKS	RATINGS	
	PREMIUM	COVER
ASB Home & Classic Contents	★★★★	★★★★
FMG House & Household Contents	★★★★	★★★★
The Co-operative Bank Asset Care	★★★★	★★★★
BNZ PremierCare Home & Contents	★★★★	★★★★
State HomePack & Contents	★★★★	★★★★

### Family of two/single homeowner

Trina (45) and her daughter Renata (17) also want \$110,000 contents and "replacement" house insurance for a 112m<sup>2</sup> house built in 1982.

#### FAMILY OF TWO/SINGLE HOMEOWNER

OUR PICKS	RATINGS	
	PREMIUM	COVER
ASB Home & Classic Contents	*****	****
FMG House & Household Contents	*****	****
State HomePack & Contents	*****	****
The Co-operative Bank Asset Care	*****	****
BNZ PremierCare Home & Contents	****	****
TSB Home & Contents	****	****
Westpac Home & Contents	****	****

## THE GOVERNMENT HAS TRIPLED EARTHQUAKE COMMISSION (EQC) LEVIES.

### Claims processing

Insurance claims should be processed within one week, according to three companies in our survey. ASB say it processes claims within five business days, while BNZ and The Co-operative Bank allows seven days. But there are exceptions, as people in Christchurch know.

An ASB spokesperson told us: "The magnitude of the damage caused by the Christchurch earthquakes and the ongoing seismic activity has affected the pace of claims settlement. The Canterbury earthquakes are not having a substantial impact on claims settlement outside of Canterbury."

See how our members rated their Christchurch earthquake insurance claims experiences in the April issue of *Consumer 523*.

### Family of four

Irene and Ralph (both 50) and their two teenagers Nicolai and Charlotte want \$130,000 contents and "replacement" house insurance for a 175m<sup>2</sup> house built in 1982.

#### FAMILY OF FOUR

OUR PICKS	RATINGS	
	PREMIUM	COVER
ASB Home & Classic Contents	*****	****
FMG House & Household Contents	*****	****
State HomePack & Contents	*****	****
The Co-operative Bank Asset Care	*****	****
BNZ PremierCare Home & Contents	****	****
Westpac Home & Contents	****	****

### Retired couple

Peter and Dot (both 70) want \$90,000 contents and "replacement" house insurance for a 112m<sup>2</sup> house built in 1982.

#### RETIRED COUPLE

OUR PICKS	RATINGS	
	PREMIUM	COVER
ASB Home & Classic Contents	*****	****
State HomePack & Contents	*****	****
The Co-operative Bank Asset Care	*****	****
BNZ PremierCare Home & Contents	****	****
TSB Bank Home & Contents	****	****

### MORE INFO

#### Worth looking at:

- +CHRISTCHURCH EARTHQUAKE INSURANCE *Consumer 523*
- +BUILDING LAW CHANGES *Consumer 522*
- +GOLD-CARD INSURANCE *Consumer 522*
- +PET INSURANCE *Consumer 521*
- +TRAVEL INSURANCE *Consumer 520*
- +CAR INSURANCE *Consumer 518*
- +HEALTH INSURANCE *Consumer 514*

#### On our website:

- +HOUSE AND CONTENTS INSURANCE (INTERACTIVE TOOLS)
- +CHRISTCHURCH EARTHQUAKE INSURANCE (MEMBERS SURVEY)
- +MOVING INSURANCE

*These reports are free content*

 consumer.org.nz