

Insurance claims process after a bushfire

How to submit an insurance claim and what to expect after you do

Safety

- If you evacuated, wait to hear that the area is safe from Emergency Services before you return home.
- Your safety is more important than anything else. Do not put yourself in a situation where you could be injured or in danger.
- If your home was damaged, do not turn on the electricity until it has been inspected by an electrician.
- We recommend you do not go near damaged building material in case it contains asbestos or other hazards.

Around a third of Australian homes may contain some form of asbestos. Asbestos cement was used in the construction of residential buildings until 1990.

If the material is damaged, fibres may be released into the air. When they are inhaled, they can cause a range of diseases, including lung damage and some forms of cancer.

What this document includes:

- Submitting a claim and making your home safe
- What to do if you can't stay in your home – temporary accommodation
- What your insurer does after you submit a claim
- Understanding if you are under-insured
- Settling your claim
- How to make a complaint
- Where to get help with your insurance claim

What if my insurance information has been lost or destroyed?

If you remember your insurer's name, call them and give your details (your name and address) and they will give you details of your policy. You can ask for a copy of the policy.

If you don't know your insurer's name, you can call the Insurance Council of Australia on 1800 734 621 and they can help find the information for you.

Submitting a claim and making your home safe

1. Contact your insurance company, even if you don't know the full extent of the damage

They will ask you about:

- What has caused the damage.
- What has been damaged. This could include the building or contents, depending on your cover. For example, your building includes your roof and floorboards. Your contents includes your couch, carpet and computer.
- Whether you can safely live in your home.
- Whether your property is secure. For example, if someone could enter your property and do more damage.
- Whether any Make Safe work is needed to prevent more damage to your property.

They will give you a claim number as proof of your call.

2. Take photos of the damage and make a list of damaged items

Photos and videos of the damage to your property are used to support your claim.

It's important to take photos and videos before cleaning up your property or making it safe.

If your home was destroyed, it's unlikely you will have to make a list of items. If you do need to make a list; include the brand, model and serial number of damaged items if you can. Check if you have receipts for damaged or destroyed items in your emails or photos.

3. Make your property safe

Be aware of hazards like gas bottles, electrical wires, unstable walls and hot coals.

Check with your insurer before you remove debris or make any repairs to your property.

Ask for the insurer's permission in writing if they agree to you organising the work.

Unauthorised work may not be covered by your policy.

Take safe and reasonable steps to protect your property and belongings from more damage. This could include moving non-damaged items to a safe place or putting a tarp over them. Your insurer may organise a contractor to do Make Safe work to prevent more damage to your property.

4. Clean up your property, if you can do it safely

Wear protective clothing like sturdy boots and a P2 or N95 face mask when cleaning up.

Don't throw away items that could be repaired, unless they pose a health risk.

We recommend you do not go near damaged building material in case it contains asbestos or CCA treated timber ash.

What is Make Safe?

Make Safe is work to stop more damage happening to your home or make it safe to visit. This could include things like isolating electrical circuits or putting a tarp on your roof.

Make Safe may be done by emergency services like SES, a government agency or a contractor hired by your insurer.

What to do if you can't stay in your home – temporary accommodation

If you can't stay in your home, your insurance may include the cost of temporary accommodation. There will be limits on temporary accommodation cover. These are different depending on your policy. Check your policy details or speak to your insurance provider to find out.

There could be a limit on the amount of money your insurer will pay. For example:

- A percentage of the "Sum Insured". This percentage is often around 10 or 15%.

For example, a home is insured for \$300,000 and the insurer will pay up to 10% of the Sum Insured for temporary accommodation. That means the insurer will pay up to \$30,000. This money is in addition to the Sum Insured and is not taken out of it. The \$300,000 would be used only for repairs or rebuilding.

- 'Reasonable costs'

In this context, reasonable means something that suits your needs and is a standard price for the area. If you lived in a 3 bedroom house, it might be reasonable for your insurance to pay for you to rent a similar 3 bedroom house if one is available.

There could also be a limit on the amount of time the accommodation will be paid for.

For example:

- A specific time frame. This is usually around 12 months.
- 'Reasonable time'. For example, for the amount of time it takes to repair your home.

Be aware of budget

Ask your insurance provider about any time limits or if you have a total budget. This can help you plan.

For example, if where you are staying has a high per-night cost, like a hotel or short stay rental, you might run out of budget quickly. You can speak to your insurer about staying in different accommodation like a longer-term rental that might be cheaper so you can stay longer.

You may also be able to request money to buy an accommodation asset like a caravan or to rent a portable tiny home.

Unreasonable delays

If you think your insurer has acted unfairly towards you by delaying your repairs, you may be able to negotiate additional accommodation.

If your insurer thinks that you are unnecessarily delaying the claim process, they may stop paying for your temporary accommodation.

Places to get legal support are listed at the end of this document.

Pets

Some policies will cover your pets to stay in boarding facilities for a set amount of time. If you think you will need temporary accommodation for longer than this, ask your insurer if you can stay in pet friendly accommodation.

What your insurer does after you submit a claim

Your insurer may decide on your claim straight away. They can also collect more information from you or experts. These are some of the common steps after submitting an insurance claim:

1. Assess the damage

Your insurer may send an assessor or adjuster to your property. They will:

- inspect the damage to your property
- collect information about what caused the damage
- estimate the likely scope of repairs or amount of the claim.

Sometimes they may say further experts or investigations are needed. For example, an engineer might need to assess any structural damage to your home.

2. Decide to accept or decline your claim

Your insurer will decide on the outcome of your claim based on:

- what your policy covers you for
- its assessment of the damage
- expert reports
- public information sources like Bureau of Meteorology weather data.

3. Create a 'Scope of works' document

If your insurer accepts your claim, they may create a 'Scope of works' document. This tells you about the repair and rebuild work to be completed. The scope of work may change after repairs have started or if further damage is found.

4. Offer you a choice about how to settle your claim

If your insurer accepts your claim, they may:

- repair or rebuild your home
- offer you a cash settlement.

You should think carefully about your situation and get advice before choosing an option.

If you think your insurer is taking too long to assess your claim

After a large disaster, there may be a shortage of assessors, experts and repairers. This can slow down the process. Your insurer will tell you if this is the case.

You can find information about how long your insurer has to process your claim at financialrights.org.au/factsheet/insurance-claim-delay

You can ask your insurance company about their expected timelines and follow up with them if these timelines are not met. You can complain to your insurance company or the Australian Financial Complaints Authority if the delays are outside these time frames.

Understanding if you are under-insured

Being under-insured means that your home is insured for less money than it would cost to rebuild it.

There are two main types of insurance:

- Sum-insured cover – an estimate of how much it would cost to rebuild your home if it was destroyed. This estimate is the maximum amount of money your insurer will pay.
- Total replacement cover – the full cost of what it would cost to repair or rebuild your home to the same standard. The cost is calculated at the time of your claim. It will include any changes in regulations or costs in the time since your home was built.

Sum-insured cover is the most common type of home insurance in Victoria. However, people can find they are under-insured when they need to make a claim.

What might be excluded from “sum-insured cover”

Some costs to rebuild or repair your home might not be included in the amount it is insured for. For example:

- demolition of your damaged home
- removing debris from your site
- any upgrades or renovations you have done recently
- an increased cost of building materials
- an increased cost of labour to build or repair your home
- building with new planning rules that were not in place when your house was first built.

For example:

- Bushfire Attack Level (BAL)
- Land subject to inundation overlays (LSIO)
- professional fees from architects and surveyors.

Averaging clause

You could also be under-insured for damage even if your home was not destroyed. Some policies have an “averaging clause”. This means your insurer may reduce the amount it pays if you are not covered for the full cost to rebuild your home. They calculate the amount to pay based on the difference between the sum-insured to the actual rebuild cost.

For example, the cost to rebuild a home could be \$100,000, but is insured for \$75,000. This means the home is only insured for 75% of the cost to rebuild. With an averaging clause, the insurance company applies this percentage of cover to the cost of repairs as well. If the owner makes a claim for \$10,000 worth of damage, the insurer may only pay 75%, which is \$7,500.

Talk to an expert

Talk to a financial advisor or any of the free services listed in this document if you have questions about underinsurance.

Settling your claim

You should get advice before accepting a settlement offer from an insurer. Places to get free advice are listed below.

Repair, replace and rebuild

If your insurer agrees to repair your home, they will manage the building process for you.

You will be involved in any required redesign and selection of products and materials. There will be limits to what you can choose based on what your policy covers.

Your insurer is responsible for the quality of the repairs.

Cash settlement

Do not take a cash settlement unless you:

- have thought about speaking to a financial advisor about your claim. If they think your offer isn't fair, they can negotiate with your insurer for you.
- are certain the amount offered is enough to pay for the repairs. Or you have a plan to make up the difference in cost.
- have quotes from licenced builders to repair your home. If you use an unlicensed tradesperson, your insurance company may not cover you for any damage in the future.
- are certain that you can start repairs quickly. A delay may cause more damage that could increase the cost of repairs.
- understand that the quality of repairs will not be guaranteed by your insurer.
- have spoken to your council about any planning overlays that may increase the cost to repair your home. For example, new flood or bushfire planning rules.
- are aware that repairing your home to meet current building standards may cost much more than you expect.
- have thought about any hazardous materials in your home like asbestos. Disposing of asbestos can be expensive. If your home was built before 2004 it may contain asbestos.

If you have a mortgage on your home, there are other things to consider with a cash settlement. Speak to your bank before you accept a cash settlement. Your bank can:

- use your cash settlement to repay your mortgage.
- ask you to re-apply for another mortgage to pay for repairs.
- pay builders and tradespeople directly from the redraw amount of your mortgage.
- require you to provide them with a building contract schedule. They may also ask to approve any quotes that come through before work can start.
- partially reduce your loan and give you the remaining money to manage the repairs on your own.

How to make a complaint

If you're unhappy with any decision or delay by your insurer, you can make a complaint.

Before making a complaint, it might help to write down:

- what the issue is and why you think your insurer is at fault
- what you would like to happen or the outcome you would like to get
- how your concerns match up with the terms and conditions of your policy.

1. Make a complaint to your insurer

Contact your claims manager or your insurer's customer relations team and let them know you would like to lodge a complaint.

If you can't get in touch with your insurer, you can find details of where to make a complaint at the Australian Financial Complaints Authority (AFCA) website: my.afca.org.au/ff-search/

2. Make a complaint to the Australian Financial Complaints Authority

If you aren't happy with the outcome of your complaint with your insurer you can contact AFCA. They will review the dispute and have the authority to make a binding decision.

Call AFCA on [1800 931 678](tel:1800931678) or lodge a complaint online at afca.org.au/make-a-complaint

Where to get help with your insurance claim

You should get advice from a professional before you accept a settlement from your insurer.

Disaster Legal Help Victoria

Free legal information for people affected by a disaster

[1800 113 432](tel:1800113432) (Monday to Friday, 8am to 6pm)

Insurance Law Service

Free insurance and dispute information

[1300 663 464](tel:1300663464) (Monday to Friday, 10am to 1pm)

Watch out for scammers: 'disaster chasers'

'Disaster chasers' can offer to help you with an insurance claim, inspect your home for damage or offer to do repairs quickly at a low cost.

They can ask for money up front or ask you to sign a contract. Do not sign a contract without getting legal advice. Contact your insurer before agreeing to any repair work to make sure they will cover the cost.

Your insurer will never send anyone to your home without telling you first.