

Promoting financial resilience to emergencies through home and contents insurance

Promoting financial resilience to emergencies through home and contents insurance

December 2017

To receive this publication in an accessible format phone (03) 9609 8849, using the National Relay Service 13 36 77 if required, or email recovery@dhhs.vic.gov.au.

Authorised and published by the Victorian Government, 1 Treasury Place, Melbourne.

© State of Victoria, Department of Health and Human Services December, 2017.

Except where otherwise indicated, the images in this publication show models and illustrative settings only, and do not necessarily depict actual services, facilities or recipients of services.

Contents

- Foreword** **vi**
- Introduction**..... **1**
 - Resilient communities are safer communities 1
 - Building financial resilience through home and contents insurance 1
 - The challenge of non-insurance and underinsurance in Victoria 1
- An integrated and collaborative approach** **2**
- Outcomes**..... **2**
- Actions** **2**
 - Action 1: Communications Campaign..... 3
 - Action 2: Financial resilience toolkit for emergencies 3
 - Action 3: Education and awareness raising 4
 - Action 4: Community workshop pilot..... 4
 - Action 5: Targeted research..... 4
- Implementation** **5**
- Reporting and evaluation** **6**
 - Monitoring and measuring impact..... 6
 - Reporting..... 6

Foreword

The Department of Health and Human Services' vision is that all Victorians are safe, healthy and able to live a life they value. As part of this vision, the department actively works to minimise the impact of emergencies on Victorians, especially those facing hardship.

Through this strategy the department, on behalf of the Victorian Government, will support the Victorian community to understand the importance of home and contents insurance as a key pillar of their financial resilience and emergency preparedness.

We have identified five actions – focusing on home and contents insurance – to increase Victorians' financial resilience to emergencies. The actions include a **public communication campaign**, developing **accessible insurance information**, engaging directly with the community through **emergency preparedness and financial resilience workshops** and **gaining a greater understanding of the structural barriers to home and contents insurance for low to middle income households**.

For some Victorians home and contents insurance will not be an option. The department is committed to supporting these people to access financial services and support through our financial inclusion and economic participation work, as well as our Personal Hardship Assistance Program after emergencies.

Collaboration and partnership underpins this strategy. The department engaged with 42 different organisations through stakeholder workshops and received 13 formal responses to its discussion paper. I acknowledge the contributions of the community services sector, industry, government, academia and the emergency service organisations who helped shape this strategy, as well as those who will partner with us to implement its actions.

I also thank and acknowledge the important contribution of our project partner, the Victorian Council of Social Service. Their work has ensured that this strategy remains focused on delivering tangible outcomes so all Victorians can lead lives they value.



Kym Peake
Secretary
Department of Health and Human Services

Introduction

Resilient communities are safer communities

Financial resilience refers to the ability of an individual or household to draw on internal and external resources, financial products and services and social capital to deal with life's unexpected events. Previous emergencies have shown that financially resilient households experience quicker and more effective recoveries after emergencies than households with little or no financial resilience.

The Department of Health and Human Services will lead the delivery of the strategy on behalf of the Victorian Government. It will partner with the emergency management and community services sectors to support Victorian households and communities to increase their financial resilience to emergencies through home and contents insurance.

Building financial resilience through home and contents insurance

The financial impact of an emergency can be significant. Each year Victorian communities experience financial and material loss and damage as the direct result of an emergency.

Home and contents insurance allows households to protect their home, most valuable possessions and their financial wellbeing. Adequate household insurance is widely accepted as a positive contributor to a household's and community's recovery after an emergency.

'Community recovery after a disaster is impacted by the adequacy of insurance cover... When insurance cover is insufficient to allow for rebuilding, the recovery process will be stifled'.

Victorian Bushfires Royal Commission (2010), Final Report, Volume 2, p. 339

The challenge of non-insurance and underinsurance in Victoria

Despite home and contents insurance being one of the most effective strategies for Victorian households to increase their financial resilience to emergencies, only 46 per cent of Victorian households are *adequately* insured against the potential impacts of emergencies.¹

This strategy proposes five actions that the department will pursue to support Victorian households to increase their financial resilience through adequate home and contents insurance.

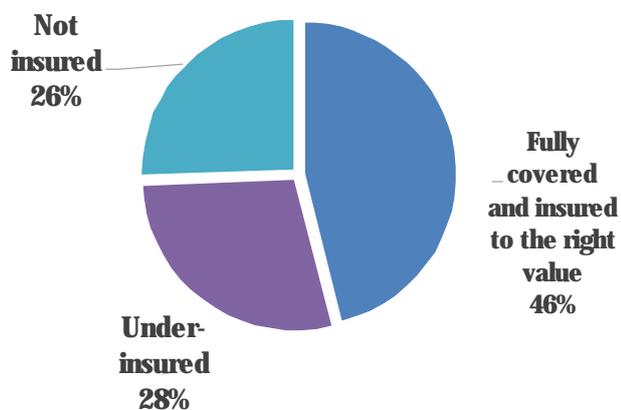


Figure 1

¹ Essence Communications, DHHS Underinsurance Research, Topline Findings, October 2016, summarised in Figure 1.

An integrated and collaborative approach

Underinsurance and non-insurance are complex issues. This strategy contributes to work across the community service sectors, other government departments, the insurance and financial services industries and local government to increase the accessibility of household insurance as a financial resilience tool. On behalf of the Victorian Government, the Department of Health and Human Services will continue to collaborate with these organisations to promote a consistent, integrated and effective response to the issues of underinsurance and non-insurance in Victoria.

Acknowledging the broader financial inclusion issues relevant to insurance, the strategy's actions will also be integrated into the development of the Victorian Government's Financial Inclusion Strategy. This strategy will guide the government's efforts to increase the financial security and economic participation of all Victorians.

Outcomes

The aspiration of the Department of Health and Human Services is that all Victorians are safe, healthy and able to live a life they value. This strategy contributes to that aspiration through its vision of ensuring that all Victorians are financially resilient to emergencies.

Focusing on the role and impact of home and contents insurance, this strategy supports two Department of Health and Human Services' outcomes:

- supporting suitable and secure housing for all Victorians and
- promoting financial security for all Victorians.

In line with the commitment to measure the impact – not the activity – of our actions on the lives of Victorians, the Department of Health and Human Services uses an outcomes-based framework to report implementation progress.

Progress reporting will draw upon the indicators and measures of success identified in this strategy.

Actions

Five actions have been identified to achieve the outcomes. These actions are to:

- **inform and educate** Victorian households about the risks posed by emergencies to their financial security
- **equip and empower** Victorian households to make informed decisions about increasing their financial resilience through home and contents insurance
- **identify** additional opportunities to further increase the accessibility of home and contents insurance specifically for low to middle income households.

Action 1: Communications Campaign

The Department of Health and Human Services will launch its *Insure it. It's worth it* communications campaign as part of 2017-18 summer preparedness messaging to highlight the risks of underinsurance and non-insurance.

The campaign will specifically target low-income households with little or no home and contents insurance. Through testimonials of Victorians who have suffered financial and material loss without adequate insurance, the campaign will encourage Victorians to consider:

- the risk of emergencies to their household and community
- the value of their assets and
- the insurance options available to increase their financial resilience.

Scott Pape (the '*Barefoot Investor*') will promote the key messages of the campaign. The campaign channels include social media and metropolitan and regional radio. The Department of Health and Human Services will also partner with local governments and the community services and emergency management sectors to distribute campaign collateral through existing communication channels.

Campaign partners: Victorian Council of Social Service, local governments, Country Fire Authority, Victorian State Emergency Service, Metropolitan Fire Brigade and Emergency Management Victoria

Action 2: Financial resilience toolkit for emergencies

The Department of Health and Human Services will develop a toolkit to encourage households to consider all aspects of their financial resilience to emergencies. The toolkit will specifically highlight the role and importance of home and contents insurance.

The toolkit will be designed with a focus on Victorians living in high-risk areas. It will provide independent and authoritative information, tips and questions for households to consider and designed with emergency service organisations and the community services sector.

Reflecting Queensland's *Money Ready Toolkit*,² the toolkit will also ensure financial information is accessible to all Victorians. It will support households to increase their financial resilience through step-by-step guidance.

The toolkit will also support Victoria's emergency service organisations and community services sector to highlight the relevance of insurance as a key emergency preparedness consideration through their community engagement activities.

Action partners: Good Shepherd Microfinance, Victorian Council of Social Services, Country Fire Authority, Victorian State Emergency Service

² The Money Ready Toolkit is produced by Good Shepherd Microfinance in collaboration with the Queensland Government and is available online at: <http://goodshepherdmicrofinance.org.au/researchreports/money-ready-toolkit/>

Action 3: Education and awareness raising

The Department of Health and Human Services will utilise the existing community engagement activities to highlight the relevance of home and contents insurance and financial resilience as key emergency preparedness considerations.

The Department of Health and Human Services will co-design additional engagement resources with financial literacy providers to promote home and contents insurance as a key emergency preparedness activity. These resources will be designed to be incorporated into existing financial literacy services funded by the Department of Health and Human Services.

Together with the Country Fire Authority, Victorian State Emergency Service and Emergency Management Victoria, the Department of Health and Human Services will incorporate financial resilience and insurance education into existing community emergency preparedness and education programs – including community meetings and individual property assessments in high-risk areas.

Action partners: Victoria Council of Social Service, Country Fire Authority, Victorian State Emergency Service and Emergency Management Victoria

Action 4: Community workshop pilot

In partnership with the community services sector, the Department of Health and Human Services will pilot a financial resilience workshop with low-income households, including public and social housing tenants.

Focusing on communities in high-risk areas and adopting principles of human-centred design, workshop content will be guided by the issues, concerns and questions relating to insurance and financial resilience more broadly.

Designed by Victorian households, for Victorian households, these workshops will promote financial inclusion through an accessible, interactive and relevant format. They will ensure that all Victorian households are empowered to make informed decisions about their financial preparedness for emergencies.

Action partner: Victorian Council of Social Service

Action 5: Targeted research

Focusing on low to middle income households, the Department of Health and Human Services will undertake further research to understand the costs of underinsurance and non-insurance to the Victorian community. It will identify the most effective interventions and drivers for government to promote increased insurance uptake in high-risk areas.

Households living on low to middle incomes are more vulnerable to financial stress and reduced recovery outcomes after an emergency. This research will provide an increased evidence base to identify and assess the most effective future initiatives to increase the accessibility of home and contents insurance for low to middle income households, particularly those living in high-risk communities.

Action partner: Department of Treasury and Finance

Implementation

The actions will be implemented over three years (Figure 2). This incremental approach ensures that lessons learnt from preceding actions will inform the design and rollout of future actions.

An incremental approach will also promote a sustained response to the issues of underinsurance and non-insurance, ensuring a continued focus on these issues across successive emergency seasons.

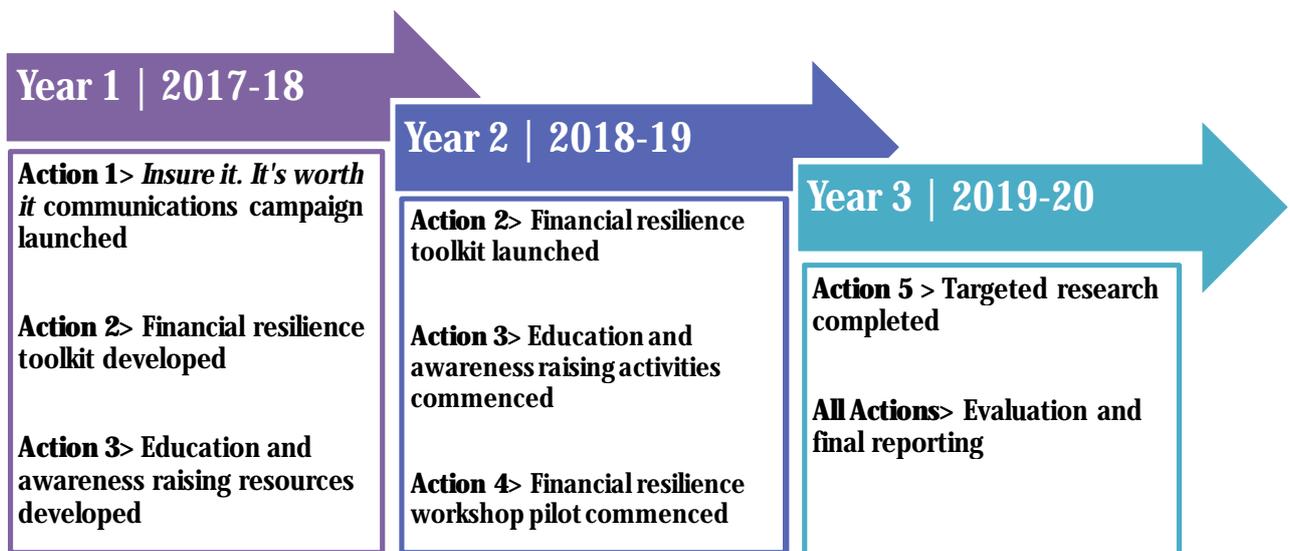


Figure 2

Reporting and evaluation

The Department of Health and Human Services is committed to outcomes-based program design. Figure 3 outlines the indicators and measures that will be used to report against the strategy's outcomes.

Monitoring and measuring impact

Action	Indicators	Measures
Communications Campaign	<ul style="list-style-type: none"> Awareness of the risk of losing home and contents in an emergency Target audience participation on campaign website 	<ul style="list-style-type: none"> Participation rate of campaign website Click through rates Target audience reach
Financial resilient toolkit for emergencies	<ul style="list-style-type: none"> Increased awareness of insurance as an emergency preparedness and financial resilience tool Increased willingness to obtain home and contents insurance Decrease in levels of underinsurance and non-insurance 	<ul style="list-style-type: none"> Financial resilience identified as an emergency preparedness consideration Attitudes towards insurance as an emergency preparedness tool Levels of underinsurance and non-insurance Numbers of insurance related enquiries generated Numbers of toolkits distributed
Education and awareness raising		
Community workshop pilot		
Research	<ul style="list-style-type: none"> Increased evidence base of the root causes of underinsurance and non-insurance in low to middle income households 	<ul style="list-style-type: none"> Identification and implementation of initiative(s) to address the root causes of underinsurance and non-insurance.

Figure 3

Reporting

The Department of Health and Human Services will report on the implementation of the strategy at the end of the 2018, 2019 and 2020 financial years. Reports will be provided to the Relief and Recovery Sub-Committee of the State Crisis and Resilience Council and the State Crisis and Resilience Council.

A final report will also be provided to the Security and Emergency Management Committee of Cabinet after June 2020.