

SAFE AS HOUSES

RISK AND REALITY
AROUND THE HOME

DECEMBER 2005


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INTRODUCTION

THERE ARE MORE THAN 7.3 MILLION HOUSEHOLDS IN AUSTRALIA.

Whether we own or rent, our home should be a safe haven for our family and friends – and even our belongings.

For the 70 per cent of households which are owner-occupiers, the home probably represents their most valuable asset.

On average most homeowners spend around \$400,000 purchasing their house, not to mention its contents. That's an investment worth protecting.

Renters, too, have possessions worth protecting - and may face greater risks than owner-occupiers. For example, NRMA Insurance research shows renters are 1.5 times more likely to be burgled than owner-occupiers.

And while most of us – whether we rent or own – appear to be very aware of risks to our households (such as burglary, storms and fire), many of us fail to take even simple precautions.

RISKS AROUND THE HOME

WHERE ARE THE RISKS?

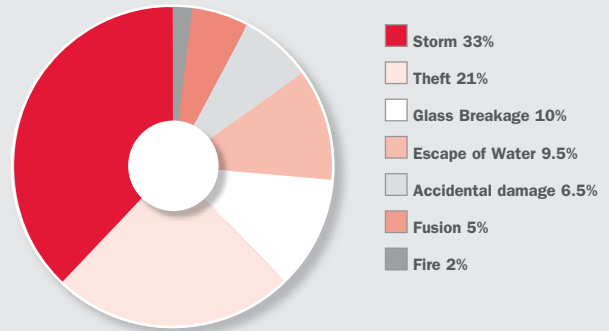
Threats to property and possessions come from a variety of sources, both inside the home - such as fire - and from outside - such as thieves and extreme weather.

Around one third of home claims throughout Australia are for storm damage, while around one in five are the result of burglary.

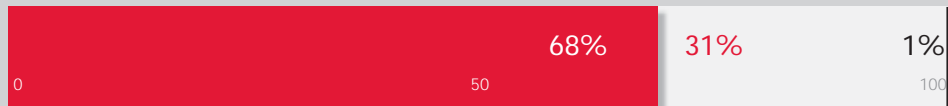
Preparation against break-ins, vandalism, fire and storms can minimise or dramatically reduce the impact of these events.

But when it comes to being prepared, many of us are not - despite the potential for injury or large losses. One in three households surveyed does not have an emergency kit with a torch in their home. And around the same proportion have not educated their household on what to do in an emergency nor completed first aid or CPR training.

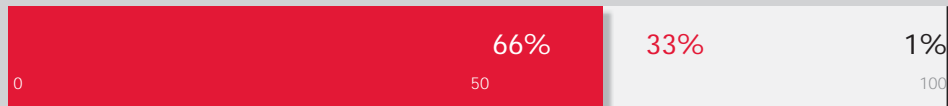
THE MOST COMMON TYPES OF HOME-RELATED CLAIMS ARE:



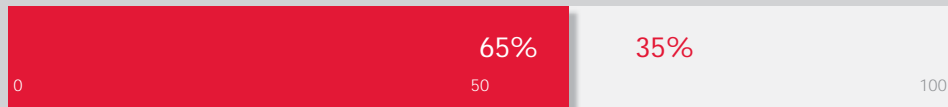
HOW PREPARED ARE YOU FOR AN EMERGENCY IN YOUR HOME?



Ensure you have an emergency kit with a torch in your home



Educate your family and/or yourself on how to respond to an emergency



Attend first aid or CPR training

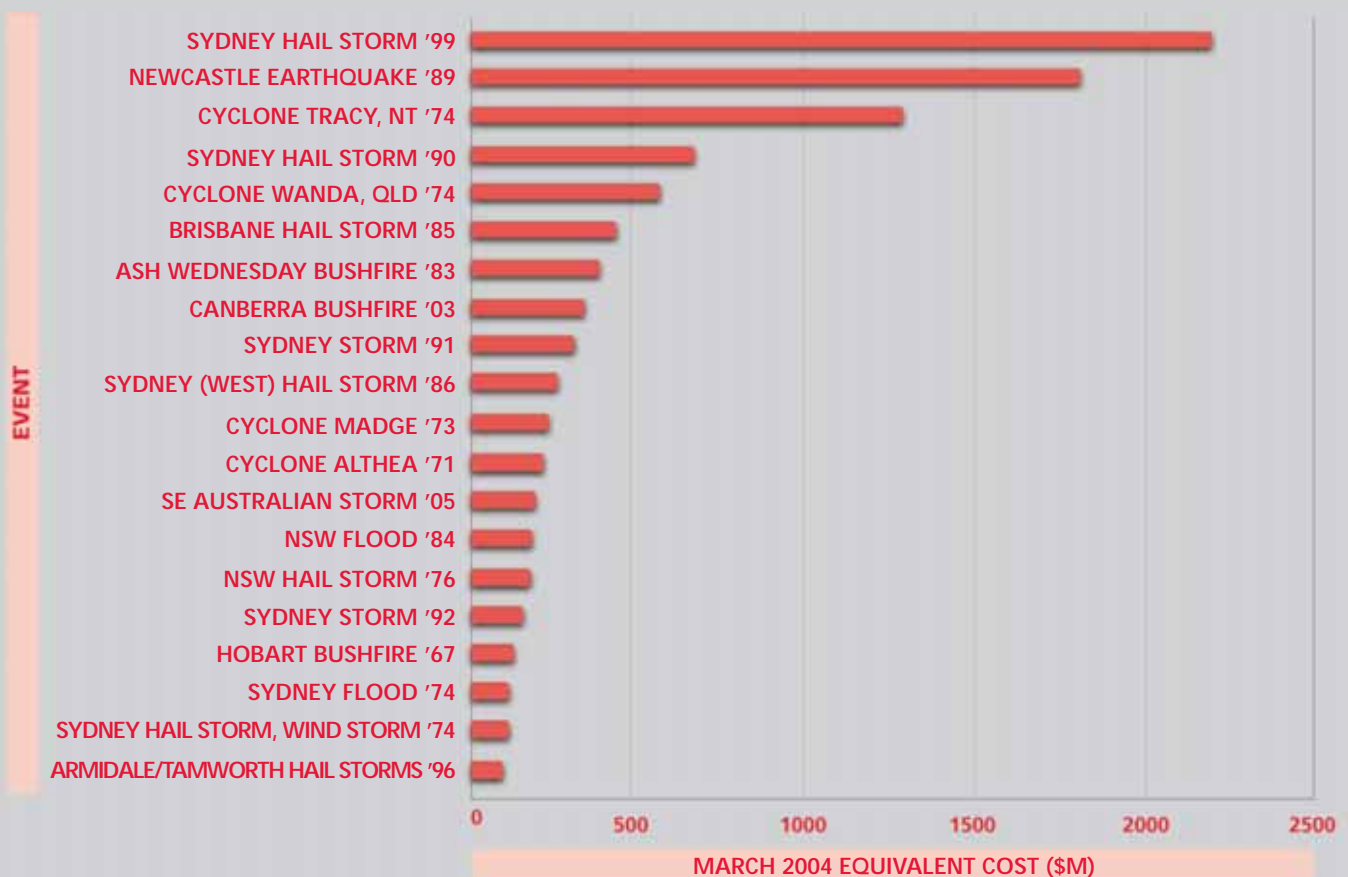
Yes
 No
 Don't know

NATURAL DISASTERS

When it comes to weather, Australia has it all. The sheer size, continuous coast and climate of our continent mean we are exposed to the impacts of extreme weather – from bushfires to hail storms to cyclones. Some of these perils are more prevalent in certain parts of the country than others.

In NSW and the ACT, it is especially important households living in high-risk bushfire areas, such as urban fringe and rural areas near bushland and state forests, know what to do to stay safe and protect their property. Severe storms also pose a threat particularly to coastal areas and communities along the Great Dividing Range, such as those in the Hunter region.

AUSTRALIA'S MOST COSTLY INSURED NATURAL DISASTERS



NATURAL DISASTERS

WHAT DO I NEED TO KNOW ABOUT BUSHFIRES?

Bushfire is part of Australia's natural environment but there are ways we can manage its impact and reduce the risks for people and property.

Bushfires present a major threat to householders, particularly as our cities now encroach on the bush. Unfortunately, many residents who move to urban fringes may not know how to deal with the threat of bushfire.

Proper preparation and planning is the best way to protect life and property. Bushfires can move swiftly and unpredictably, so it is often too late to prepare when the fire is approaching your house.

Research shows that ember attack is the leading destroyer of homes during a bushfire¹. It is crucial that houses in high risk bushfire areas are free from fuels (such as dry grass, dry leaves in gutters, brush fencing and pine needles) which are likely to feed spot fires. If not extinguished quickly, these spot fires can quickly engulf a house.

¹NSW Fire Brigades, Bushfires – How do they Affect a Home? Fact Sheet 4 – Community Risk Management

HOW TO PREPARE YOUR HOME FOR BUSHFIRE

Simple maintenance of your property throughout the year can reduce bushfire risk.

- Rake up dry leaves, trim grass and cut back shrubs and branches;
- Clean gutters and downpipes;
- Remove all rubbish from around the house;
- Regularly recycle newspapers;
- Store flammable liquids away from the house;
- Store pool chemicals well away from other potentially dangerous chemicals as they can ignite.

WHEN AM I MOST AT RISK OF BUSHFIRE?

The bushfire season is usually October to March but may be called earlier in certain regions or if conditions are dry.

According to the NSW Rural Fire Service, October rains across some of the state provided some respite, but the extended drought meant most of the moisture absorbed quickly by dry land.

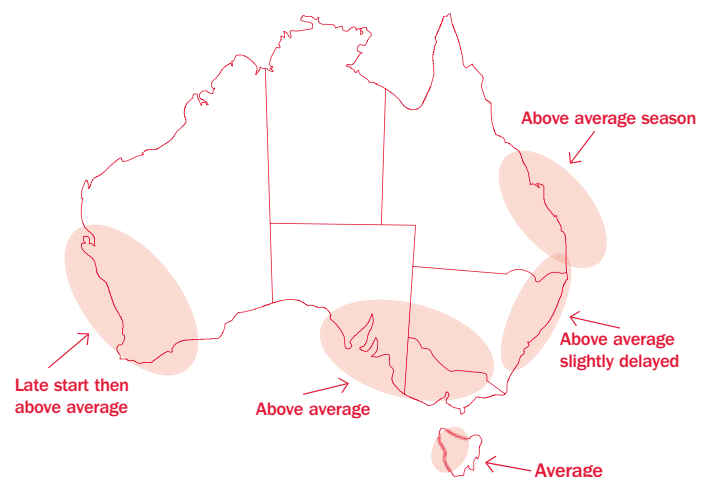
Unless significant rain continues throughout summer across NSW, we can expect increased fire activity and its spread further southward as the season progresses.

Even if rain assists fuel moisture levels, there is always the potential for fires to start and spread on hot, dry, windy days.

All vegetated areas can burn. Far western NSW now presents itself as a potential area for grass and bushfire following rain and prolific spring grass growth.

Caveat: Climate predictions as far ahead as the next nine months are at their infancy and experimental. The predictions rely heavily upon the results of climate models with few forecasting as far ahead as mid 2006. The skill of these models decreases with time. Only broad trends can be given.

BUSHFIRE RISK FOR OCTOBER 2005 - APRIL 2006



NATURAL DISASTERS

HOW TO STAY SAFE IN A BUSHFIRE

The NSW Rural Fire Service recommends you decide who will stay and defend a well prepared property and who will go if they are not prepared or physically able to stay.

It is crucial these decisions are made before the fire is approaching so you can leave early and are not trapped by fire on foot or in the car.

You should only stay if your home has been prepared and you have had proper training from a local fire authority. Contact your local fire authority to find out what bushfire readiness training is available in your area.

Direct flame and radiant heat arrive with the fire front and last around 10 to 15 minutes. Exposure to radiant heat can be fatal.

AS THE FIRE IS APPROACHING:

- turn off any gas;
- ensure combustibles are away from the home, both inside and out;
- protect exposed skin with clothes made from natural fibres – wear long pants, long sleeves, solid shoes, a hat, face mask and eye protection;
- if not already relocated, move everyone, including pets, inside the house and keep track of everyone's movements;
- make sure everyone knows at least two safe exits;
- one person should stay outside to put out any spot fires and wet down the garden, roof and walls, especially the side facing the fire front;
- block down pipes and fill gutters with water;
- close windows, door and shutters;
- fill baths, sinks and buckets with water to put out spot fires and for drinking;
- place wet blankets and towels in gaps under doors and windows;
- turn on your sprinkler system if you have one.

AS THE FIRE PASSES OVER:

- move everyone to the side of the house furthest from the firefront and find a suitable shelter with a solid barrier, such as a wall;
- give everyone plenty of water and make sure they drink frequently;
- retreat indoors when smoke thickens outside, bringing hoses and doormats with you;
- stay indoors until fire front passes;
- if your house ignites, crawl low under smoke and leave house as soon as possible after main fire front passes;
- if you are still inside after the fire passes, do not open doors that are hot - there may be a fire on the other side. Leave the door closed to stop fire spreading and exit via another route.

NATURAL DISASTERS

VOLUNTEERS TAKE HEAT OUT OF BUSHFIRE RISK

Around 71,000 NSW Rural Fire Service (RFS) volunteers - a record membership - are on call 365 days a year, helping their communities prepare for and fight bushfires.

To help spread the message on bushfire preparedness and safety, NRMA Insurance is sponsoring the NSW Rural Fire Service's and ACT Emergency Services Authority's community education trailers and 'Street Meets' program.

The education trailers visit areas most at risk of bushfires. The 'Street Meets' program involves representatives from the NSW Rural Fire Service bringing together local residents to help them prepare for bushfires and learn what to do if one occurs.

The main focus of community education is to encourage property owners to clean up their own property so their home and their neighbours' homes are better protected.

RFS volunteers are well equipped and well prepared for this bushfire season. The NSW Government has supplied volunteers with specialised equipment plus around 200 new and refurbished tankers to brigades. More than 100 aircraft are on call as additional support for ground troops for water-bombing, reconnaissance, mapping and transport.

RFS volunteers have also worked with councils, residents and public land managers on hazard reduction and maintaining fire trails. Land owners will find it easier to plan hazard reduction thanks to RFS's involvement in streamlining environmental assessment processes.

Looking to the future, recent legislation is now delivering more consistent planning and building regulations in bushfire prone areas. This will reduce the impact of fires on bushland communities and provide greater protection for firefighters.

NSW RESIDENTS:

- ① For a free environmental assessment or hazard reduction advice contact your local RFS Fire Control Centre.
- ① For more information on how to prepare your home visit www.rfs.nsw.gov.au or phone **1800 679 737**.
- ① To volunteer, visit your local RFS Fire Control Centre or www.rfs.nsw.gov.au or phone **1800 679 737**.

ACT RESIDENTS:

- ① For more information on bushfire preparedness visit www.rfs.act.gov.au or phone **(02) 6207 8609**.

NATURAL DISASTERS

WHAT DO I NEED TO KNOW ABOUT STORMS?

Severe storms are the most frequently occurring hazard in Australia. In fact, around a third of all home insurance claims involve storm damage.

Households should never underestimate the severity of a localised storm, especially if it involves hail and high winds. Severe storms have the capacity to inflict huge damage in a short time – often just several minutes. The radius of damage is often no more than 10 kilometres.

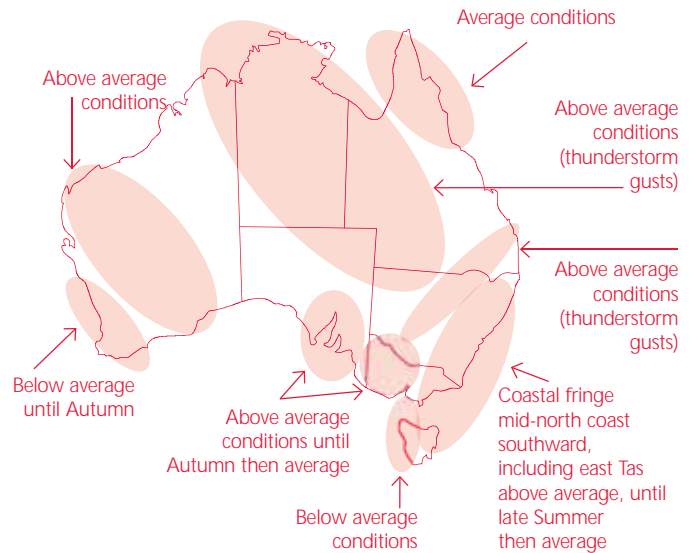
While there is little households can do to protect their property from hail damage, it is worth noting that one in four storm-related claims involve water damage, which often can be prevented. Proper roof, gutter and drain maintenance – checking for holes, removing leaves and other debris - can help reduce the impact of severe downpours.

If water is unable to escape through downpipes, it can back up and seep into the roof and wall cavities, where it can cause serious damage. Blocked drains in streets and on properties can also cause flash-flooding in around the home, often ruining flooring, plaster, electrical equipment, wiring and furniture.

Falling trees and branches, too, can cause serious damage during severe storms and pose a threat to safety. Around one in ten storm claims involve falling trees, so it is important to remove over-hanging branches or consult your council about trees that cause concern.

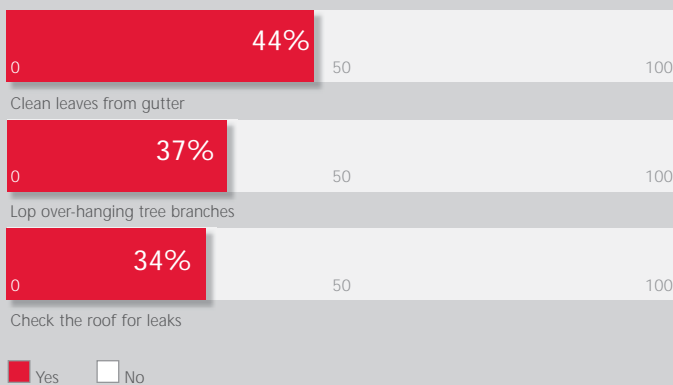
While these precautions may sound like common-sense, many households fail to take even simple steps to protect their properties. In fact, one quarter of surveyed households have never taken any steps to prevent or minimise damage from severe weather.

SEVERE THUNDERSTORM AND SEVERE WIND RISK FOR OCTOBER 2005 - JUNE 2006



Caveat: Climate predictions as far ahead as the next nine months are at their infancy and experimental. The predictions rely heavily upon the results of climate models with few forecasting as far ahead as mid 2006. The skill of these models decreases with time. Only broad trends can be given.

DO YOU REGULARLY TAKE MEASURES TO PROTECT YOUR HOME FROM STORM?



More than half of the households surveyed don't clean leaves from gutters to ensure water can readily escape through the downpipes and only one third regularly check their roof condition.

Alarmingly, of those households that had experienced storm damage, nearly half (45%) still did not take any protective measures afterwards.

HOW TO PREPARE YOUR HOME FOR STORM

Home maintenance is an important part of preparing for the storm season.

- Get your roof checked for any damage or corrosion;
- Clear leaves and other debris from gutters, downpipes and drains so water can get away as quickly as possible;
- Clear drains every few weeks or after each downpour;
- Get shade sails and awnings professionally fitted to prevent them tearing off;
- Ask the council or energy company to check trees that may pose a threat to your property or powerlines;
- Ensure sheds, car ports or aviaries are secured to the ground;
- If a storm is approaching, secure or store outdoor furniture that may blow away.

NATURAL DISASTERS

HOW TO STAY SAFE IF CAUGHT IN A SEVERE STORM

Once a storm hits, safety should come first. Below are some of the steps you should take to reduce the risk of damage and injury.

- Prepare a storm kit and ensure the household knows where it is kept. The kit should contain a torch, battery-operated radio and fresh batteries, candles, water-proof matches, emergency contacts and insurance details;
- Disconnect electrical appliances;
- Close windows and external doors;
- Close curtains and blinds to protect against flying glass, and stay clear of windows and skylights;
- If flooding is likely stack furniture, TV and rugs as high as you can;
- If outside find shelter but never under a tree;
- If driving slow down and park away from trees, powerlines, creeks or rivers.

WHEN AM I MOST AT RISK OF A STORM?

Most major storms in Australia occur between October and March, with the exception of Western Australia and South Australia. However, severe weather can strike at any time.

NSW



QLD



SA



WA



A LAND OF FLOODING RAINS

Wild weather and prolonged rains are key causes of flood, which can have a devastating impact on communities.

Flood is not only an issue for insurers, but for the broader community. NRMA Insurance continues to work with the broader insurance industry and government to increase awareness amongst residents who live in flood prone areas.

Before buying a property it is a good idea to investigate whether your potential home is located in a flood prone or high-risk storm area.

Your local council, State Emergency Service, water authority and potential neighbours are good contact points.

Find out if the property:

- is located near a watercourse or in a low-lying area;
- is prone to erosion or soil loss;
- has poor drainage.

This information may determine the type of home insurance cover you should consider, such as flood cover, which is not a standard feature of many home building and contents policies.

One of the reasons why flood insurance is not more widely available is insufficient planning and mitigation measures to reduce the risk in many communities. Thoughtful town planning and mitigation could decrease the likelihood and severity of floods, in turn helping make flood insurance more affordable.

If you hear a flood warning:

- listen to a local radio station for updated information;
- make sure your car has a full tank of fuel so you can evacuate;
- disconnect electrical appliances;
- move outdoor equipment, cardboard boxes, garbage, chemicals and poisons to somewhere up high;
- fill up your sinks and baths with fresh drinking water;
- secure objects that could float and cause damage.

Never risk driving through flood water, no matter how familiar you are with the road.

THEFT

WHAT DO I NEED TO KNOW ABOUT THEFT?

A quarter of surveyed households have experienced home burglary, that number increasing to almost one in three in capital cities (31 per cent).

Thieves are opportunistic and generally look for 'soft targets'. In other words, those homes where they can get in and out quickly without being seen or heard.

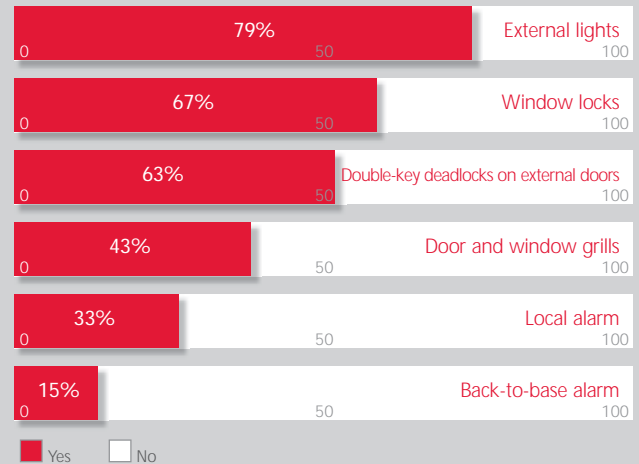
Renters should be particularly vigilant as NRMA Insurance claims research shows they are 1.5 times more likely to experience burglary than owner occupiers. And unit-dwellers experience 20 per cent more burglaries than residents in free-standing houses.

Age of occupants can also have an impact on the likelihood of a house being burgled. NRMA Insurance claims research shows the younger the residents, the more likely they are to be theft targets. In fact, residents aged 25 to 29 are twice as likely to be burgled as those aged 60 to 64.

Younger people may create more opportunities for thieves as they: tend to be out of the house more; are more likely to rent; are perhaps less security conscious; or not in a financial position to cover the cost of security measures, such as back-to-base alarms.

Despite the everyday risk of burglary, many households are not taking even basic precautions against theft.

HOW HOUSEHOLDS PROTECT AGAINST THEFT



More than one in three surveyed households do not have double-key deadlocks on external doors and a further one in three has not fitted window locks.

An alarm is one of the best ways to reduce the risk of a break-in. However, two out of three homes have not had one installed.

While security should be a priority for households, NRMA Insurances urges residents to always balance security features with personal safety, especially when it comes to house fires. To help residents get out quickly and safely in a fire or other emergency, deadlocks should not be key locked from the inside while you are home.

For the same reason, care should be taken to ensure security grills and bars do not prohibit any emergency exit via a window.

A THIEF'S TOP 10

Rank	Item	Percentage of burglaries in which item is stolen*
1	Game consoles, TVs, DVD and CD players	27.5%
2	Music and video disks (CDs and DVDs)	12%
3	Photographic equipment – digital cameras, video cameras and accessories	10%
4	Communication equipment – mobile phones, SIM cards, cordless phones, faxes and PDAs	9%
5	Tools	8%
6	Jewellery and watches	6.5%
7	Cash	5%
8	Bicycles and accessories	4%
9	Sport and outdoor equipment	3.5%
10	Sunglasses, cosmetics, handbags and wallets	3%

* Based on IAG national burglary claims

THEFT

HOW TO PROTECT YOUR HOME AGAINST BURGLARY

Get into the habit of good security to help deter thieves.

- Lock the house every time you go out and when at home, keep screen doors locked;
- Don't leave packaging for expensive items in view eg driveway;
- Keep your home looking lived in when you're not there - open blinds, use timer switches on lights and have your mail collected;
- Never leave a message on your answering machine saying you are not home;
- Mark your driver's licence number and the state in which you live on the back of all electronic valuables;
- Keep your car keys somewhere safe in your home as burglars will steal a vehicle if the opportunity presents.

WHEN AM I MOST AT RISK OF THEFT?

Four out of every five home burglaries happen when people are away from home – mostly during the day, when residents are out and about or at work. But thieves are opportunistic and, in one out of five burglaries, are brazen enough to strike while residents are upstairs, in the garden or even sleeping.

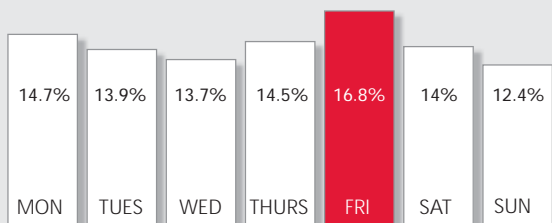
Thieves are also likely to return to the 'scene of the crime' within three months of a previous break-in. Being familiar with the layout of the household, the movement of residents and the likelihood that insurance companies have compensated the victim with new goods are all incentives.

Fridays tend to be busier days for thieves, who are perhaps "cashing up" for weekends and taking advantage of more people being out and about at the end of the week.

More thefts occur in warmer months as people leave windows and doors open to cool their homes.

The most common entry point for a burglar is simply through the front door or an open window.

BUSIEST DAY FOR BURGLARS:

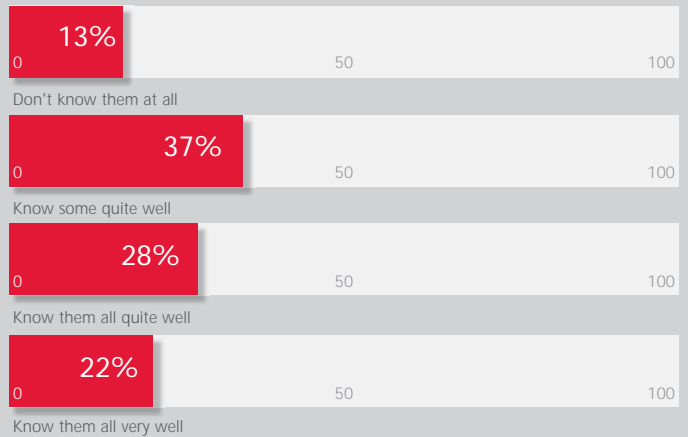


* Based on IAG national burglary claims

KNOW THY NEIGHBOURS

Getting to know your neighbours can actually reduce the likelihood of theft as vigilant neighbours can play an important role in preventing burglary. As well as keeping an eye on your property when you are away, neighbours may be willing to collect mail, look after the garden or feed pets. Unfortunately, more than one in eight Australians has no relationship with their neighbours at all.

HOW WELL DO YOU KNOW YOUR NEIGHBOURS?



PARTNERS IN PREVENTING CRIME

NRMA Insurance works closely with Police and local communities to reduce the risk of home burglary to help make neighbourhoods safer.

In NSW, we have worked closely with Police, councils and residents in three regions – Dubbo, Shellharbour and South Sydney - to develop partnerships to help reduce crime at a local level.

Through extensive consultation with each community, we have been able to help fund some practical ways to increase community education and address some of the key causes of local crime, such as youth boredom.

For example, we have established the *Operation Never Again* home security program in each area and deployed an NRMA Insurance Crime Prevention Van to police and the local council to provide first-hand advice to householders on home and car security.

Although it is early days, initial reports from the pilots are encouraging. In four suburbs across the Shellharbour region, just south of Sydney – where a Crime Prevention Van has visited residents regularly and the *Operation Never Again* home security program has been established – NRMA Insurance home theft claims have dropped by about 40 per cent.

HOUSE FIRES

WHAT I NEED TO KNOW ABOUT HOUSE FIRES?

Each year, there are more than 10,000 house fires in Australia. The frequency of homes damaged and destroyed by fires that start in or around the home is about nine times greater than bushfires.

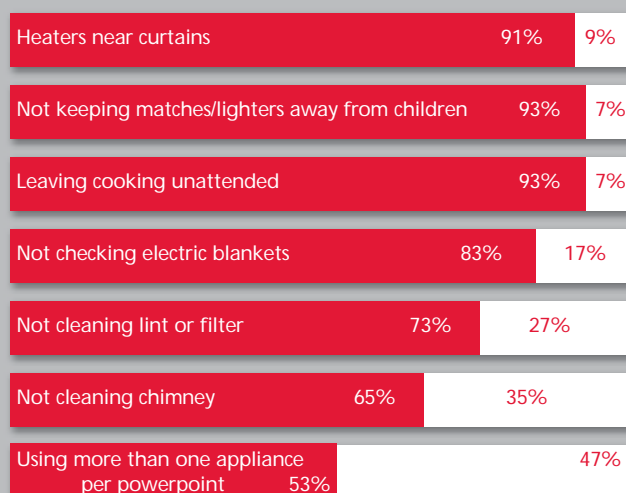
House fires are most commonly caused by cooking, smoking and electrical faults and wiring or appliances. A third of all house fires (33 per cent) start in the kitchen so it is important to never leave the room while food is cooking on the stove. Electrical faults are responsible for 8 per cent of house fires.

Encouragingly, most households take the risk of fire very seriously. Nearly 90 per cent of surveyed households have installed at least one smoke alarm and 95 per cent of those were confident it was functioning.

Most households also take some simple steps to prevent fire. Just over 90 per cent of households were aware activities such as placing heaters near curtains greatly increased the risk of fire.

On the other hand, some households appear to be unaware of common fire risks around the home and many may not be taking enough precautions to prevent a house fire in the first place.

HOW AWARE ARE YOU OF FIRE RISKS IN YOUR HOME?



■ Aware ■ Unaware or Not Sure

Many Australians can identify potential fire risks around their home. However, it is disturbing even a small number of people (7 per cent) are not aware of the serious risks of children accessing lighters or matches. It's also concerning, nearly half of the households surveyed do not think it risky to use multiple appliances from one powerpoint, while more than one quarter (27 per cent) are not concerned about lint building up in dryer filters.

Some of the explanations for these attitudes included:

Risk	Reasons for not considering it a risk
Heaters near curtains	"We have safety switches." "It depends on the type (of heater)."
Not keeping matches/lighters away from children	"As long as you teach the kids the dangers, then it's okay." "I just don't think it's dangerous."
Leaving cooking	"It depends on what you're cooking." "I have never had a problem before."
Not checking electric blankets	"We hardly ever use it." "I have never had a problem before."
Not cleaning lint filter of dryer	"Never really thought about it." "I just don't think it is dangerous/would start a fire."
Not cleaning chimney	"Other stuff will happen before a fire occurs." "It's very unlikely it would start a fire."
Using more than one appliance per powerpoint	"We have safety switches." "That's what it's made for/they wouldn't make them that way if it was unsafe."

HOUSE FIRES

HOW TO PROTECT YOUR HOME AGAINST FIRE

- Install a smoke alarm(s) and check it is working every week;
- Have an evacuation plan and make sure everyone in the house knows and practices it regularly;
- Ensure there are two ways out of every room;
- Check all cords on electrical appliances – if they are frayed or damaged in any way, do not use them – replace them or throw them away;
- Keep portable heaters, toasters and stove tops clear of curtains, clothes, bedding and tablecloths;
- Do not key-lock deadlocks on doors when you are at home in case you need to leave in a hurry;
- When cooking, attend stoves at all times;
- Keep a fire extinguisher and fire blanket near the kitchen exit – do not keep near the stove as you won't be able to reach it if a cooking fire breaks out;
- Keep flues and chimneys clean and a fire screen around open fires;
- Regularly clean the lint from clothes dryers;
- Do not overload powerpoints;
- Unplug appliances when away from home.

EDUCATING CHILDREN TO BE FIREWISE

NRMA Insurance has also partnered with the NSW Rural Fire Service and the Day of Difference Foundation to develop a fire safety education program, primarily for Year 3 children, to be rolled out in every NSW government and non-government school in bush fire prone areas from February 2006.

An RFS fire safety education program – Kids FireWise – aims to reduce the number of children who perish or are burnt in home and bushfires, and targets children and their parents through presentations by RFS firefighters in primary schools.

As the information is presented by an RFS firefighter it makes this an exciting learning experience for children, as well as being linked to learning outcomes in the personal development and physical education syllabus.

The Kids FireWise Program messages include:

When there are inside fires – go outside.

- Personal safety for house fires;
- Importance of smoke alarms;
- Have an escape plan with two ways out of every room;
- Get down low and go, go, go.

When there are outside fires – go inside.

- Personal safety for bushfires;
- Don't wander in the bush alone;
- Well prepared homes can be a haven from bushfires;
- How to help parents prepare.

For more information on the Kids FireWise Program, go to the RFS website on www.rfs.nsw.gov.au or call 1800 NSW RFS (1800 679 737).

WHEN AM I MOST AT RISK OF A HOUSE FIRE?

It is important leading into summer that householders do not become complacent about house fires. Although the frequency of house fires appear to be more common in the colder months (when heaters, dryers and electric blankets are in use), it is surprising June, July and August only account for 27 per cent of home fires.

It is important to be vigilant all year round, as most house fires start by accident and are entirely preventable.

Smoke alarms are essential to give you and your family early warning of a fire, especially at night. You can't smell smoke when you are asleep - smoke inhalation and asphyxiation are the leading cause of home fire deaths.

Smoke alarms are inexpensive and easy to install. At minimum, they should be installed outside each bedroom and in each living area. Test your smoke alarms every week and, if battery-operated, change the batteries every year.

Disturbingly some Australians still have not installed smoke alarms in their homes. More than one in ten householders (11 per cent) say they have not installed smoke alarms.

HOUSE FIRES

HOW TO STAY SAFE IN A HOUSE FIRE

Every second counts in a house fire. It is important the whole family knows beforehand how to get out of the house fast. Plan a home fire escape plan and practice it regularly with the entire household. Unfortunately, one third of surveyed residents (33 per cent) are yet to educate their households on how to respond in an emergency.

Have an escape plan!

Sit the family down and work out the quickest, safest way to get out identifying at least two ways to get out of every room. Decide on a place to meet outside so you'll know everyone got out safely.

In the event of fire:

- Follow your escape plan;
- Get out as quickly as possible - don't stop to gather possessions;
- Stay low to the ground when escaping - cover your mouth with a cloth to avoid inhaling smoke and gases;
- Close doors in each room after escaping to delay spread of the fire;
- If there is too much smoke or fire in the hall to escape, slam the door shut and if necessary use a solid object to break a window to escape. Clear away sharp glass;
- If exiting from a bedroom, don't open a door that is hot or has smoke pouring in from the bottom. Either get out through the window or open the window while waiting to be rescued;
- If your clothes catch fire – stop, drop to the ground, cover your face and roll.

PROTECTING YOUR HOME & CONTENTS

HOW DO I RECOVER IF SOMETHING GOES WRONG?

As we've seen, there are steps you can and should take to protect your home. However, we all know things can go wrong for anyone, any time - and when they do, the consequences can be traumatic.

Of those households in the survey which have experienced something major going wrong in or around the home, more than one third (34 per cent) claimed the event was extremely stressful.

Protection through insurance is crucial to help repair or rebuild your damaged home or replace contents that may have been damaged or stolen. While insurance will not alleviate all of the trauma of a major event, such as a house fire or burglary, it will help provide peace of mind and help put you back in the financial position you were in beforehand.

It is surprising, then, how many Australians are prepared to take a gamble by not insuring their home and contents.

According to the Insurance Council of Australia, there are 1.8 million uninsured households in Australia.

And of those which do have insurance cover, the NRMA Insurance household survey indicates as many as three out of five may be underinsured. For example, nearly two-thirds of households (60 per cent) admitted they never inform their insurance company when they make large purchases - such as a flat-screen television or a renovated kitchen.

In addition, only half of the surveyed households (49 per cent) were very confident their current level of insurance would be enough to replace all their home contents - including clothes - in the event of a major disaster. Around one third (34 per cent) were moderately confident and the remainder (17 per cent) were not confident at all.

THE RIGHT COVER

Home insurance policies fall into two main categories: building cover and contents cover. Most insurers offer combined policies for owner-occupiers but they can also be purchased separately. A renter, for example, usually only requires contents cover, while a landlord may only require insurance cover for their leased building.

To ensure households get the right cover for their situation, most insurers offer additional or optional cover for certain items or events. You can choose to pay more for your cover to include:

Specified items - for the loss of valuable items from your home, such as jewellery, collectibles or equipment over and above the amount in your standard contents cover.

Specified portable valuables - for the loss of valuable items you take outside the home, for example, engagement and wedding rings.

Accidental damage - covers for damage caused unintentionally through mishaps that are not generally covered in a standard home building or contents policy, such as dents or holes put in walls while moving furniture or damage to your sofa if you accidentally rip the fabric or leather.

Fusion of electric motors - covers for burn-out of electric motors, for example, in a fridge or washing machine.

PROTECTING YOUR HOME & CONTENTS

STANDARD HOME BUILDING COVER GENERALLY INCLUDES:

- Replacement of your home, or repair, up to the sum insured;
- Accidental breakage of glass;
- Temporary accommodation if the house is not habitable;
- Cost of removing debris and employing professionals in the rebuild or repair;
- Liability cover if someone is injured in your home and on your grounds.

STANDARD HOME CONTENTS COVER GENERALLY INCLUDES:

- New for old replacement cover on all contents;
- Fixtures and fittings if the policy covers a strata title;
- Temporary accommodation for renters;
- Accidental breakage of glass items;
- Liability cover if you are found liable for someone's injury or for damage to their property.

HOW IS MY PREMIUM CALCULATED?

There are many factors that make up a home insurance premium. NRMA Insurance aims to price premiums as accurately and fairly as possible for each household. That means your premium should, as much as possible, reflect your situation - not somebody else's. It also ensures there are sufficient funds to cover our customers should they incur losses.

Insurers may start with your suburb and look at the claims history of your area. For example, the frequency of burglaries or the likelihood of a bushfire in that area.

Other factors may include:

- The policyholder's previous claims history;
- The age of the policyholder(s);
- The sum insured and the types of items insured;
- The size, style and building materials of the house;
- Whether the policyholder rents or owns the home;
- Security features of the house, for example, a monitored security alarm.

TIPS TO HELP REDUCE YOUR HOME INSURANCE PREMIUM

While it is important to always have adequate cover to get back on your feet if something goes wrong, there are ways you can reduce your home insurance premium.

With NRMA Insurance, you may save on your premium by:

- Paying your premium annually instead of by the month;

- Combining your home and contents policies into one;
- Including on your home policy any household member with a financial interest who is over the age of 50, to receive an 'over-50' discount;
- Installing a monitored security alarm;
- Installing deadlocks on doors and key locks on windows;
- Increasing your level of excess.

Part of this report was prepared using a Woolcott Research study. The research is based on a national telephone Omnibus study conducted during May 2005, using a representative and statistically valid sample (confidence interval of 3 per cent) of 1000 Australian Adults 16+ nationally.

Residents' attitudes to potential risks and behaviours were collated from information collected in the Woolcott study. Information pertaining to actual numbers of home insurance claims, claims costs, claim frequencies and types of claims was derived from analysis of Insurance Australia Group's claims data for the 2004/2005 financial year, unless otherwise stated. All other data and information has been attributed to the relevant research source.

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