CGU Flood Cover: Providing Certainty for You and Your Customers

Explaining flood cover for CGU's Home and Landlords insurance

For CGU Intermediaries

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Introducing automatic flood cover in Home and Landlords policies

CGU is introducing automatic flood cover for Home and Landlords policies to ensure customers are covered for damage caused by events involving water.* CGU flood cover will be available for new and existing Home and Landlords policies from February 2012.

The **no opt-out flood cover** solution provides you certainty in the advice you provide your customers, and clarity for your customers when water damage occurs.

CGU's insurance premiums reflect the risk being insured, and we understand that the majority of Australian properties are in areas where floods do not occur. These customers will not experience any increase in their premiums due to flood cover. For properties in areas where the risk of flood is low, there may be a minimal impact on premiums.

However, customers with properties in areas that are flood prone, or close to waterways are likely to receive significant increases to premiums.

Flood definition and cover

CGU has adopted the Federal Government's definition of flood within our Home and Landlords policies. The Government defines flood as:

"the covering of normally dry land by water that has escaped or been released from the normal confines of;

a) any lake, or any river, creek or other natural water course, whether or not altered or modified; or

b) any reservoir, canal or dam."

* POLICY FEATURES	
Water losses due to:	**Included**
Water escaping from: • A water pipe, fixed pipe or an object attached to a pipe, fixed gutter, fixed tank or a drain • A bath, basin, sauna, spa, shower base or shower wall, sink, toilet or tiled floor with drainage holes • A washing machine or dishwasher • An aquarium or waterbed	✓
NEW POLICY BENEFITS Damage by water rising from a: • Lake • River • Creek • Dam • Natural water course • Reservoir • Canal	✓
Damage from sea water caused by: • Tsunami • Storm surge (salt water from the ocean)	✓ ✗

Storm surge is not covered under the new Home and Landlords policy. CGU will look to address this type of water damage in the future.

Benefits of automatic flood cover

As one of Australia's leading insurers, with a national presence and 160 years experience in the market, CGU is committed to providing insurance products and claims services that meet the needs of Australians.

CGU has lobbied government and invested significantly in flood research so that we have greater access to flood maps and can accurately price flood to deliver your customers many benefits.

Removes ambiguity around what customers are covered for
Automatic flood cover provides customers with increased peace of mind when water related losses occur.

Protects customers against damage caused by increasing severe weather events
As Australia continues to experience increases in the frequency and scale of natural disasters, more and more people are being affected, requiring additional coverage.

Enables quick and accurate flood claim resolutions
The speed of decision making and certainty during the claims process is very important. Automatic flood cover means customers will have their claims resolved promptly, without delays caused by waiting for complex expert assessments.

Provides greater access to flood cover for all Australians
Following the events experienced around Australia in early 2011, feedback from our customers highlighted the importance of having greater access to flood cover.

Flood cover premiums

Premiums have been calculated using flood mapping data and individual risk addresses have been geo-coded. CGU's premiums are reflective of the relative flood risk of the property.

Premiums for low-risk properties

We understand that the majority of Australian properties are in areas where floods do not occur. These customers will not experience any increase in their premiums due to flood cover. For properties in areas where the risk of flood is low, there may be a minimal impact on premiums.

Our current Home and Landlords customers in no or low-risk areas will receive automatic flood cover at no additional cost from February 2012, up until their next renewal. However, upon renewal premiums for properties in low-risk areas may change depending on individual insurance requirements, changes to property risks or general increases to premiums.

Premiums for medium to high-risk properties

For customers with properties in medium to high-risk flood areas, premiums are likely to increase significantly.. CGU calculates flood cover premiums based on the possibility of each individual property flooding, and the severity of damage according to the unique property address.

Flood cover will be included in policies with medium to high-risk flood upon renewal. However, customers can choose to take advantage of this new policy benefit and purchase flood cover prior to their current renewal date.

CGU will have a premium ceiling for the 'building' and 'contents' components for properties in high-risk flood areas.

Factors contributing to calculating flood cover premiums

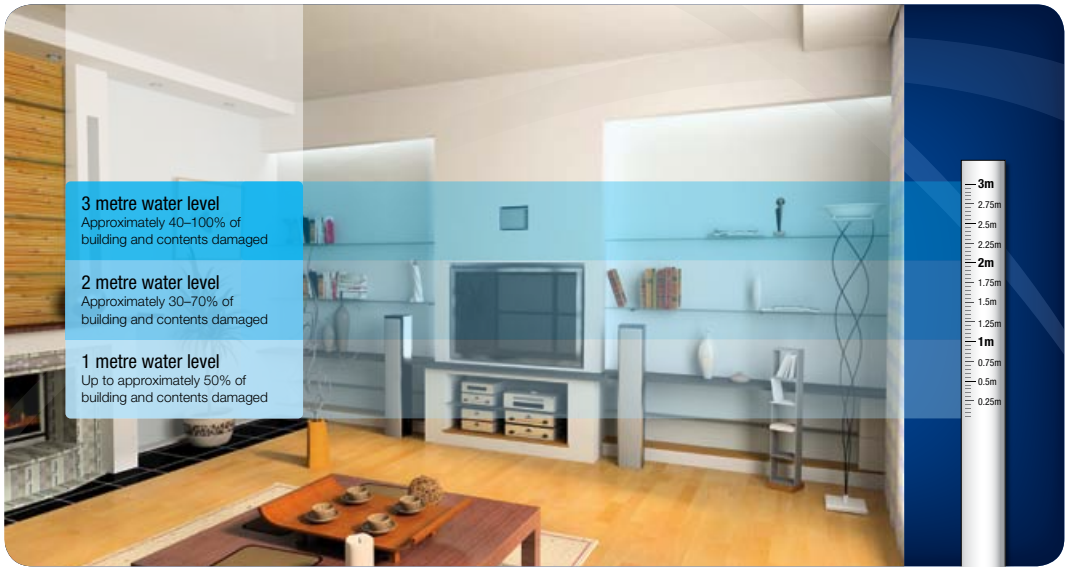
Flood cover is a complex risk to price compared to other traditional covers. Factors such as flood mapping data, an understanding of the frequency and severity of floods, as well as an accurate assessment of the damage flood causes requires specialist understanding of the issue. CGU has invested significant time and resources in the development of this product to accurately offer flood cover to customers.

Dirtiness of flood water
Whereas storm water is clean and flows through a home, flood water rising from lakes or dams is often dirty and causes irreparable damage to household items. Flood claims are more costly to resolve as items more often need to be replaced rather than repaired.

Flood mapping data
Unlike other risks such as fire, theft or burglary where there is years of information available, until recently there hasn't been enough data available to accurately assess the risk of flood around Australia. Due to the severe weather events experienced in early 2011, local councils have begun to share their flood maps. CGU has also sourced its own data to be able to provide flood cover to all Home and Landlords customers, Australia-wide.

Flood severity and frequency
While certain parts of Australia may flood periodically, the depth of this water will vary each flood depending on various environmental factors.

Through CGU's history and experience with flood water we estimate that one metre of flood water can damage up to 50% of the home and contents, two metres of water can damage up to 70% of the home and contents and three metres of water can damage up to 100% of the home and contents. Given the level of known underinsurance, flood damage losses are likely to be even more significant.



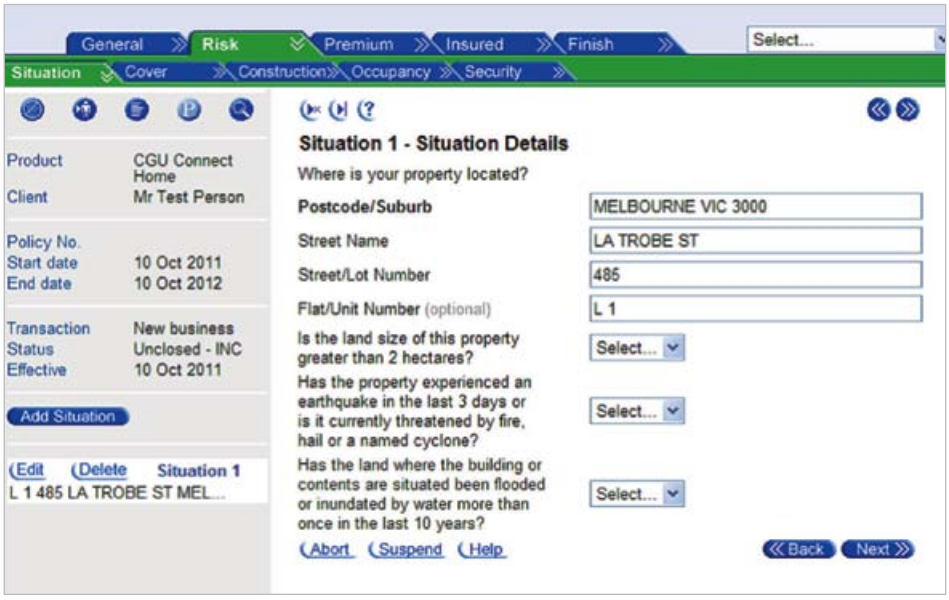
Providing your customers with accurate flood premiums

Capturing detailed address information

Flood cover is provided based on the ground-level risk rating of the property address, and CGU quotes will no longer be able to be generated using only the suburb or postcode.

It is important that CGU has a customer's complete address details to ensure the property can be geo-coded and the customer receives an accurate premium.

We need to capture this information during the quoting stage. Neither Connect and Easysure will issue a flood premium unless the full risk address details have been provided.



Premium calculation queries

In some instances premiums may not be reflective of the specific risk address – this may occur when address details in our system are not precise enough to accurately assess the risk.

Where this occurs you can check and update the property address details in Connect or Easysure and recalculate the quote which may reduce the premium. Please note, properties in medium to high-flood risk areas will receive a significant increase in the premium.

If you have questions please contact your local CGU office or Business Development Manager.

Quoting system changes to support flood

To guarantee that we can capture the required risk-address information to generate an accurate quote we have made a number of system changes.

From 12 December 2011* the following quote tools will be changed:

- Home Building calculator on the CGU Portal will be removed
- Home product from the Ebix Online Quoting on Sunrise platform will no longer contain CGU information
- Action quote for CGU Home and Landlords information no longer included on disks.

*Please note the product effective date will be in February 2012.

Pre-renewal flood cover

Customers with properties in medium to high-risk flood areas, may wish to take up flood cover prior to their policy renewal date.

CGU will allow these customers to cancel their existing policy and commence a new policy with the flood cover included.

Intermediaries will be provided with a list of their customers who are impacted by these policy changes.

Please note, for properties located in low flood risk areas flood cover will be automatically included within Home and Landlords policies at no additional cost from February 2012 until renewal.

Talk to your Business Development Manager for more detail on your customer's risk classification.

Product Disclosure Statements

With the introduction of flood cover, our Home and Landlord Product Disclosure Statements are being updated to include this new policy benefit.

Two versions of these PDSs will be available until the 12-month renewal cycle is complete.

The PDS which includes flood cover is identified by the words **"With Flood Cover"** on the front to differentiate from the current policy PDSs which do not include flood cover.

Updated PDS documents will be available for Intermediaries to view via cgu.com.au and CGU Portal from mid-December, and can also be ordered from this time.

Customer communication about flood cover

CGU, via our brokers and authorised representatives, will communicate to customers over the coming months about the inclusion of flood cover within our Home and Landlords policies.

Prior to CGU's flood cover becoming effective customers will receive a letter outlining whether their property is in a:

- low-risk flood area, and they receive flood cover at no additional charge as part of their policy until renewal, or
- medium to high-risk flood area and their options if they want to take up flood cover prior to their renewal.

Top 10 Flood Facts

1. CGU includes automatic flood cover in all Home and Landlords policies
2. There is no opt-out for flood cover in CGU's policies
3. CGU has adopted the Federal Government's common definition for flood
4. For the majority of customers there will be minimal or no changes to premiums due to flood cover
5. High-risk flood customers will receive increases to their premium
6. CGU uses flood maps to assess flood risks to individual properties
7. CGU provides flood cover for all areas of Australia
8. Customers must provide full address details to generate an accurate quote
9. Automatic flood cover provides customers with peace of mind when water losses occur
10. Automatic flood cover ensures quick and accurate flood claim resolutions

Find out more about flood cover

To understand your flood risk and insurance requirements please speak with your CGU Business Development Manager.

This document contains general information only and may not suit your particular circumstances. Before making decisions about insurance products you should consider the appropriateness of the information having regard to your personal circumstances and the PDS available from cgu.com.au

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