



Insurance cash settlements after natural disaster

Don't tough it out on your own. Call your bank. They are here to help.

What support is available?

Understanding what support is available is essential in times of disaster. Depending on a customer's personal circumstances, banks in Australia have a range of measures available, including:

- A deferral of scheduled loan repayments on home, personal and some business loans
- Waiving of fees and charges, including early access to term deposits
- Debt consolidation to help make repayments more manageable
- Restructuring existing loans free of the usual establishment fees
- Offering additional finance to help cover cash flow shortages
- Deferring upcoming credit card payments
- Emergency credit limit increases

The support banks provide is assessed on a case-by-case basis. To find out what support is right for an individual, they can contact their bank to discuss options.

Understanding insurance cash settlements

While the customer must work directly with their insurer regarding an insurance claim, if a customer has a mortgage and intends to make an insurance claim on their home, it is a good idea for them to contact their bank to discuss their circumstances and the options available.

How does the process work?

A customer contacts their insurer to make an insurance claim. The insurer will then contact the bank, if the insurer is settling a customer's claim under a cash settlement.

Note: the bank will usually be noted on the insurance policy, and if not, the insurer will inquire to see if there is a mortgagee.

The bank will work with the customer to understand their situation, future intentions, and options available for the insurance cash settlement.

Understanding the customer's situation and future intentions:

Banks currently have varying policies on the treatment of insurance cash settlements.

Factors that banks consider include:

- The amount of equity available in the home
- If the home loan involves lenders mortgage insurance
- The scale of the damage (non-structural, structural, or total loss)
- The value of the insurance cash settlement received
- A customer's repayment history
- Evidence of the customer's desired plan (re-build, repair or relocate)
- Whether the customer has experienced a change in their financial situation? E.g., employment situation, household income, living expenses, liabilities.

Options that may be available for the insurance cash settlement

The bank will work with all parties to determine the appropriate release or payout process. Depending on the bank, their assessment and the customer's future intentions, potential options for insurance cash settlements may vary.

The customer intends to re-build or repair the property:

- If adequate equity is available (based on an updated valuation), customers may be allowed to have access to the funds to do with as they see fit. For example, the land value alone is sufficient to cover the outstanding debt.
- If insufficient equity is available or there has been a change in personal circumstances, proceeds from the insurance cash settlement may:
 - o Be paid into the loan and redrawn in progressive payments, paid directly to the builder or repairer. Some banks may have the requirement to re-originate the loan under a construction basis to allow progressive drawdowns. Customers may be required to provide the bank with a building contract schedule, and progressive valuations may be required at various stages of the construction or repair process.

- o Partially reduce the loan balance and any remaining insurance cash settlement funds released to the customer to self-manage the build or repair process. For example, this may be suitable where the size of the damage is non-structural and less than \$50,000.
- o Payout the existing home loan, and the bank will assist the customer to re-apply for a new loan if required. For example, the customer may require additional funds greater than the insurance cash settlement amount to rebuild or repair the property, the customer may have sufficient savings to fund the re-build or make repairs without the need for future lending or the customer may sell the property in its current condition.
- In situations where the customer has no insurance, or the insurance cash settlement does not cover the home loan balance, re-build or repairs, banks will work on a case-by-case basis with customers to support in these circumstances.

The customer does not intend to re-build or repair the property:

- The insurance cash settlement may be used to pay out the loan, and any remaining insurance cash settlement funds will be released to the customer. If finance is required in the future, the customer can apply with the bank.
- In situations where the insurance cash settlement does not cover the home loan balance, banks will work on a case-by-case basis with customers to support in these circumstances.

Case-by-case

Banks will assist all customers on a case-by-case basis, taking into consideration their individual circumstances when an insurance cash settlement is received.

More information:

www.ausbanking.org.au/assistance/

If you're not satisfied with your bank, you can lodge a complaint with your bank or the Australian Financial Complaints Authority. Generally, AFCA won't deal with your dispute until you've given your bank a chance to resolve things. For more information, go to www.afca.org.au or phone 1800 931 678.