

17 December 2019

██████████
Deputy Secretary, Regulation
Department of Justice and Community Safety
121 Exhibition Street
MELBOURNE VIC 3000

By email: rentalreforms@justice.vic.gov.au

Dear ██████████

Proposed *Residential Tenancies Regulations 2020*

Suncorp Group Limited (*Suncorp*) welcomes the opportunity to provide feedback on the proposed *Residential Tenancies Regulations 2020*.

Suncorp offers a range of financial products including general insurance, banking and superannuation through various distribution channels. In addition to being one of Australia's largest providers of contents insurance, Suncorp's *Terri Scheer Insurance* is Australia's leading and largest provider of landlord insurance. As such, the proposed Regulations affect Suncorp and our customers in different ways.

Suncorp has a long history of working with consumer advocate groups, such as WEstjustice and Tenants Victoria, to improve the position of renters in relation to insurance policies. We are proud of the improvements that we have made to our products and processes to improve outcomes for tenants, our customers and the community.

Suncorp's feedback is limited to proposed Regulation 11, which prohibits certain terms from inclusion in rental agreements.

Recoveries from renters following landlord insurance claims

Suncorp is aware of the submission by Tenants Victoria that proposed Regulation 11 should include a prohibition on "a rental agreement requiring a renter to pay a rental provider's excess on an insurance policy, and a prohibition on insurance companies pursuing renters for costs relating to a rental providers' claim." Tenants Victoria's position has two components – rental providers' recovery of excesses from renters, and insurers' recoveries from renters.

Rental providers' recovery of excesses from renters

Suncorp agrees with Tenants Victoria's position that rental providers should be prohibited from recovering (from a tenant) any excess payable to their landlord insurer.

An excess is an integral aspect of the pricing mechanism for an insurance policy. Regulation should not enable interference in insurance pricing by allowing third parties (in this case, renters) to be required to pay an excess, particularly in circumstances where a rental provided may well also have rights to any rental bond provided as security for the rental agreement.

The purpose of an insurance policy excess is to influence the behaviour of the policyholder. Failing to prevent a rental provider from recovering any excess payable from a renter would lessen, if not remove, any influence over the behaviour of the rental provider. For example, a rental provider who knew that they could recover the amount

of any excess from a renter may opt for a higher excess, likely resulting in a lower premium for themselves and transferring risk to the renter.

Suncorp has previously made submissions to the Victorian Government on this issue, in relation to vehicle insurance policies in the taxi industry (where taxi owners making claims on motor vehicle insurance policies were seeking to recover excesses from taxi drivers). In 2018 Commercial Passenger Vehicles Victoria acknowledged our concerns, and this issue was addressed new regulations governing the Victorian taxi industry.

Enabling rental providers to include terms in agreements that would require renters to pay the excess for a landlord policy would be inconsistent with the Government's earlier acknowledgement that such an approach interferes with insurance policy pricing mechanisms. Accordingly, Suncorp urges the Government to protect the integrity of the insurance pricing mechanism by expressly prohibiting these terms in Regulation 11.

Insurers' rights to recover from renters

Suncorp is aware of the concerns raised by Tenants Victoria regarding the practice by some insurers of exercising their right of subrogation to seek to recover the cost of claims on landlord insurance policies from a renter. However, we do not agree that the exercise of rights of recovery should be prohibited in all circumstances.

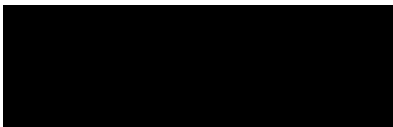
Clauses enabling insurers to exercise recovery rights against third parties are common in most insurance policies. Suncorp's *Terri Scheer Insurance*, as well as other leading landlord insurers, have agreed to not pursue renters except for deliberate and malicious damage. The rationale for this approach is that:

- Tenants rarely have a contents insurance policy that includes coverage for such a claim (such as through public liability cover);
- Renters are often in financial hardship, and in no position to make a meaningful contribution to a significant claim;
- There are often potential defences in complex negligence cases, therefore the costs of litigation and limited prospects of recovery mean that commencing a recovery action would not be economical; and
- The landlord has insured the property and contributed to the premium pool, therefore it would be unfair to pursue the tenant for accidental damage.

Suncorp does not wish to comment on the issue of whether this best-practice approach should be prescribed, other than to note that insurers should not be precluded from seeking recovery for deliberate or malicious damage to a rental property.

We would welcome the opportunity to discuss this reform further. Should you wish to contact us regarding this reform, please contact [REDACTED], Manager – Government, Industry and Public Policy on [REDACTED] or by email to [REDACTED].

Regards,



Carolyn Parrella
Executive Manager, Terri Scheer Insurance
Suncorp Group Limited