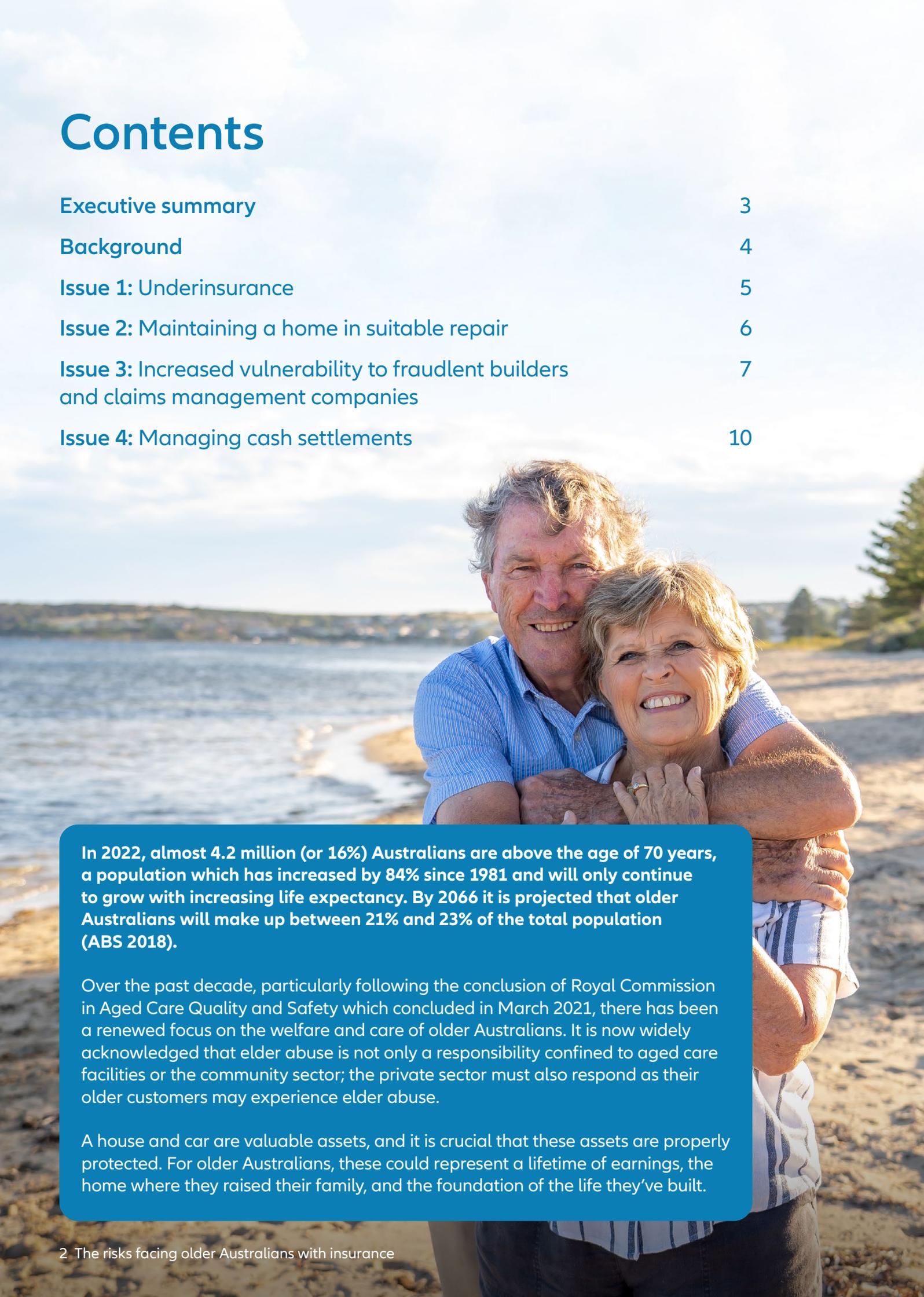


The risks facing older Australians with insurance



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A photograph of an elderly couple embracing on a beach. The man is wearing a blue striped shirt and the woman is wearing a white and blue striped shirt. They are both smiling and looking towards the camera. The background shows a sandy beach, the ocean, and some trees under a bright sky.

In 2022, almost 4.2 million (or 16%) Australians are above the age of 70 years, a population which has increased by 84% since 1981 and will only continue to grow with increasing life expectancy. By 2066 it is projected that older Australians will make up between 21% and 23% of the total population (ABS 2018).

Over the past decade, particularly following the conclusion of Royal Commission in Aged Care Quality and Safety which concluded in March 2021, there has been a renewed focus on the welfare and care of older Australians. It is now widely acknowledged that elder abuse is not only a responsibility confined to aged care facilities or the community sector; the private sector must also respond as their older customers may experience elder abuse.

A house and car are valuable assets, and it is crucial that these assets are properly protected. For older Australians, these could represent a lifetime of earnings, the home where they raised their family, and the foundation of the life they've built.

Executive summary

The following report explores elder abuse during insurance claims. Allianz Australia Ltd partnered with elder abuse researchers at the National Ageing Research Institute Ltd (NARI) to use a collaborative approach to identify issues encountered by older people during the claims process and to develop solutions to prevent abuse occurring during the process.

Older people (≥ 65 years old), those caring for older people, and Allianz Insurance Australia Ltd staff were invited to give their perspectives in two workshops. In September and October 2024, two in-person workshops were held in Melbourne, and two national workshops were held online.



Background

This collaboration was prompted following reports of financial abuse and exploitation of older Australians who received a cash settlement as part of their insurance claim. This included the misuse of funds by family members and deliberate targeting of vulnerable individuals in disaster areas by scammers, unscrupulous or unqualified trades, and claims management services. Workshop participants identified several ways in which the insurance claims process can act as a barrier to a successful claims process for older Australians:

- **Underinsurance** of home and contents, leaving older Australians inadequately protected.
- **Home maintenance and repair** which is essential to ensuring a claim is accepted and an insurance payment settled
- **Increased vulnerability** including to **fraudulent builders** or **claims management services** particularly during natural disaster events.
- **Managing cash settlement issues** and the associated risks of financial abuse.



Issue 1: Underinsurance

Underinsurance refers to the situation in which an individual or an entity has an insurance policy, but the level of coverage is insufficient to cover the cost of a potential claim. This issue was highlighted by several participants in the workshops as many older customers have taken out their insurance

policies a long time ago and have not reviewed the cover since. They may renew their policies each year without contacting the insurer. More Australians have inadequate protection, with the Australian Securities and Investments Commission stating that up to 80 percent of homeowners are underinsured¹.



Couple in 80s homeless and in financial ruin due to inadequate cover

Margaret and Henry are in their 80s and have lived in their two-level home in rural Victoria for over 30 years. They don't have any children and their closest relative – Henry's niece – lives in Melbourne, over 400km away. When their town was flooded, the waters rose quickly, and they retreated to the upstairs bedroom with only a few belongings, leaving most of their home submerged below. The floodwaters made it impossible to access the lower part of the house where their bathroom and fresh clothes were. Important documents, valuables and precious photographs were also destroyed.*

After three days, they presented to the local community service in wet clothes, where they were given access to a hot shower and vouchers to purchase groceries and fresh clothes.

*Margaret and Henry had been with the same insurer for over 20 years and would automatically renew their policy each year. In the last 20 years, they had never made a claim or reviewed their policy cover believing that they had adequate coverage. Finally, Margaret and Henry contacted a Financial Counsellor**, Janet to lodge a claim. Janet contacted their insurer on their behalf. During that phone call, Janet found out that Margaret and Henry had listed value of their household items at only \$26,500. Their building insurance was only for \$120,000. However, the average cost of a rebuild in rural Victoria is estimated between \$1million to \$1.2 million.*

*The case studies included in this report represent an amalgamation of common abusive issues experienced by older people during a claims process.

¹ Australian homeowners at risk of underinsurance – report | Insurance Business Australia



Issue 2: Maintaining a home in suitable repair

Maintaining a home in good repair is critical to ensuring a claim is accepted and settled by an insurer. Many insurers do not cover claims for damage caused by wear and tear or inadequate maintenance. As homes age, they are more likely to experience wear and tear issues and require more upkeep. A 2023 report by the National Seniors Association revealed that 48% of older Australians were concerned about changes they

would need to make to their home in order to remain in it over the longer term², with home maintenance costs and management being two key issues. Older Australians cited concerns about accessing tradespeople, the cost of repairs, and the accumulation of clutter over time. An excerpt from the report highlights these comments below:

- “Would love to get a smaller house with less yard to maintain, that is what is getting the hardest as I get older.”
- “I need help maintaining the house and garden but have difficulty finding the money to do so, assistance in looking after the property, e.g. window cleaning, lawn mowing some help with home care.”



2 National Seniors Housing Report (2023), p 18

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Issue 3:

Increased vulnerability to fraudulent builders and claims management companies

Older Australians may be particularly vulnerable to scams following an insurance claim due to their lack of trust in the insurance sector and their concerns about managing the insurance process. Many workshop participants stated there was a distinct lack of trust in the insurance sector due to their previous experiences or general assumptions about the industry. Many individuals fear interacting with insurance companies assuming they will be “ripped off” and perceive insurance companies as adversarial.

“[There can be] fear of interacting with insurance companies, and an assumption of being ‘ripped off’. They are seen as adversarial.”

– Workshop participant

Alongside a lack of trust, older Australians stated that communication when lodging claims was a significant issue. Common problems cited by workshop participants included:

- a) claims lodgement systems being online and difficulty getting through phone lines
- b) being transferred from one person to another to lodge a claim or get an update
- c) insurers asking for too many documents and evidence for a claim
- d) use of jargon and terminology during the claim process
- e) complex Product Disclosure Statements (PDS) and coverage information which is difficult to understand.

“Online environments make it more difficult to assess vulnerability.”

“Every time you call you get a different person... then after getting through you get cut off.”

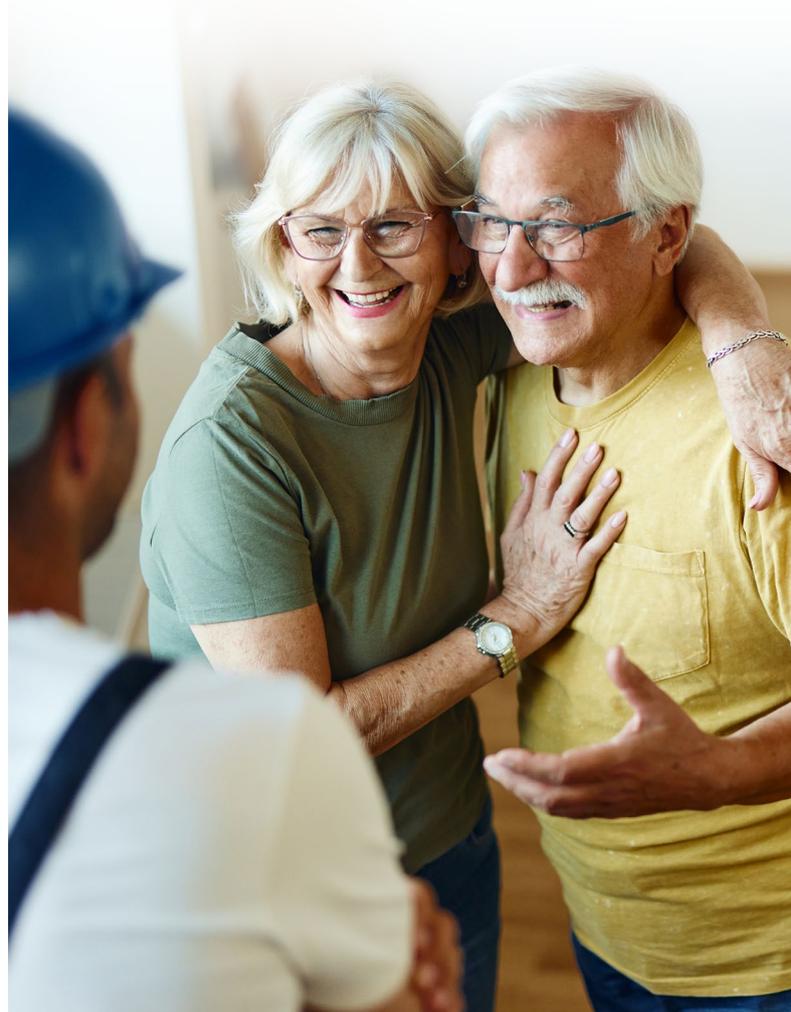
“Older people may be less likely to sort things out online, or aren’t online.”



The impact of this lack of trust and concern about communication can make older Australians more susceptible to scams involving others managing their claim on their behalf. Some common scams disproportionately impacting older Australians include:

a) Increased vulnerability to fraudulent builders.

These types of scams are particularly concerning, especially during and after natural disasters, when people are already vulnerable and under stress. The aftermath of such events often creates a perfect storm for scammers to take advantage of people, especially older adults who may be more trusting or less familiar with these types of fraudulent tactics. Fraudulent builders or tradespeople often offer emergency repairs but either do subpar work, fail to show up, or never complete the repairs at all after being paid. These individuals may lack the necessary qualifications, and in some cases, they may take advantage of the chaotic situation to charge inflated prices for materials and labour, often leaving the property in worse condition than before.



Dodgy builder charges an elderly couple for work, but further damages the property

Lily and Jin* Wang are in their eighties and live in a suburb known for its lush bushland forest. During a recent winter storm, a falling tree branch shattered windowpanes in their living room, and the rain soaked and ruined their living room carpet and contents. A few days after the storm, a man knocks on the door. He says he is a handyman, working in a neighbouring property, and saw the SES tape and broken windows. He offers to make the repairs to secure the property. Lily and Jin accept and pay him 50% of his quote upfront plus money to buy new materials. He rips up the carpet, piles it in a corner of the living room, and promises to return the next day. However, he does not return, and when Lily and Jin try to contact him, they discover his phone is disconnected. When the insurance assessor attends the property, it is discovered that Lily and Jin do not have the strength to move the wet carpet, which has started to smell in the corner of their living room. To alleviate this, they leave their windows open as much as possible, even though it is winter. They are also walking on uncoated bare concrete floor that increases their risk of slips, trips, and falls.*

*The case studies included in this report represent an amalgamation of common abusive issues experienced by older people during a claims process.



b) Claims management services

In recent years, a number of companies have been established to help customers manage insurance claims in return for a fee. They may promise to get a better settlement or make the process smoother but often provide little to no real assistance, leaving the homeowner out of pocket or even increasing their financial burden. In some cases, they may mislead customers into believing they are dealing directly with their insurance company. In particular, they are much more likely to obtain a cash settlement payment rather than claim repair. A review of Allianz claims data between July 2023 and June 2024 showed that customers using a claims management service received a cash settlement 39% more often than those who lodged their claim directly, with this occurring more frequently amongst older people.

We explore the issues in relation to cash settlements later in the document. However, the same data also illustrated that older Australians are:

26%

more likely to get a cash settlement when using claims management companies to lodge their claims as compared to those under the age of 60 years.

53%

more likely to use claims management companies to lodge a flood claim and are 177% more likely to get a cash settlement for such claims to those under the age of 60 years.

19%

more likely to use a claims settlement companies to lodge a storm claim and 27% more likely to get a cash settlement to those under the age of 60 years.



Customer unable to manage repairs after claims management company pushes for a cash settlement

Jack (91 years old) lives with mild memory problems, in a small country town, which was affected by bushfire and part of his property has been damaged. A lady knocks on his door and offers to help. She says she was walking past, noticed the damage, and can help as she represents a service that regularly deals with the insurance company in these sorts of situations. She says she has just come from another bushfire affected town where her service helped older people like Jack's for a small fee. Jack thinks the lady is being helpful and agrees.*

The service does interact with the insurance company to lodge and resolve the claim. However, they pressure Jack into accepting a cash settlement rather than repairs to the property. From the settlement, they then deduct a 25% service fee. Though Jack is happy with the outcome, it is unclear if the remaining funds are sufficient to make the repairs and if Jack has been able to find a trade to help him make these repairs.

*The case studies included in this report represent an amalgamation of common abusive issues experienced by older people during a claims process.

Issue 4: Managing cash settlements

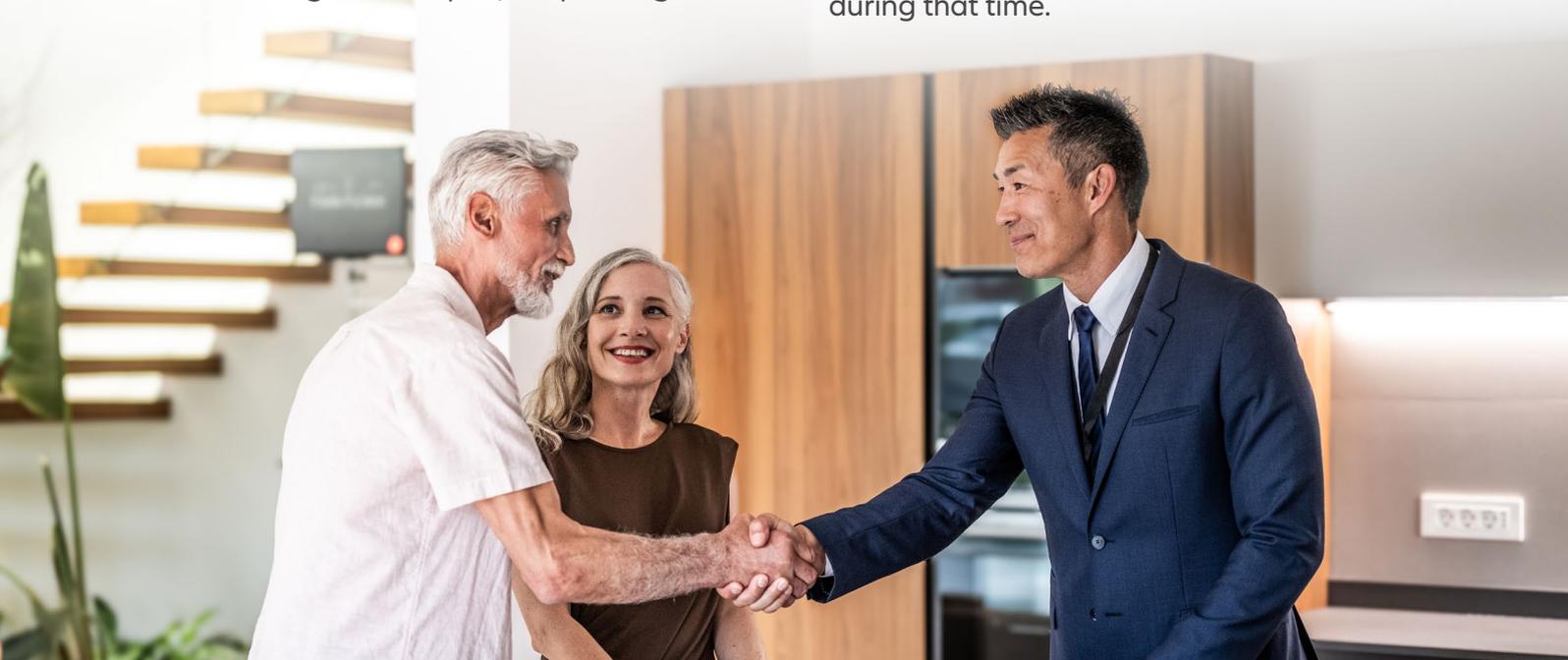
Cash settlements, while sometimes a convenient and attractive option for policyholders, can certainly introduce significant risks, particularly for older adults. The appeal of handling repairs independently or avoiding lengthy claims processes might make cash settlements seem like a good choice, but the potential downsides—especially the risk of financial abuse—are very real.

Risks of cash settlements:

- **Financial abuse by family members or other trusted person:** When a policyholder receives a lump sum settlement, it can open the door for family members or others close to the person to exert pressure or manipulation. Family members may persuade older adults to give them control over the funds, or they may coerce them into using the money for purposes other than the repairs or recovery it was intended for.
- **Scammers targeting the vulnerable:** Scammers may see a cash settlement as an opportunity to exploit vulnerable individuals, either by convincing them to hand over money under false pretences or offering “help” with repairs or renovations at inflated prices. Older adults who are unfamiliar with such schemes may be particularly at risk.
- **Mismanagement of funds:** Managing a large settlement for repairs can be a complex process, particularly for those with cognitive impairment or other challenges. Overspending on earlier stages of a repair, or spending on

other demands not related to the repair may occur. Without a clear plan for how the money will be distributed across the different elements and stages of a repair, there is a risk that the funds could inadvertently run out before the repair is completed.

- **Disputes and confusion:** If a policyholder chooses a cash settlement, there might be confusion about what the settlement is meant to cover. If expectations aren’t clear—whether it’s for complete repairs or just a partial restoration—there could be disagreements down the line, particularly if the homeowner tries to carry out renovations or repairs themselves and they don’t meet the insurer’s standards.
- **Challenges in managing the repair:** A customer will have full responsibility for managing the repair themselves, which can be a complex and time consuming process, requiring coordination of different trades. The work may also not be guaranteed or have a warranty in place (compared to when the repair is managed by the insurer).
- **Accommodation during the rebuild:** A cash settlement will, if required, include a payment for a customer to arrange temporary accommodation during a rebuild. However, the customer is required to arrange this themselves, which may be difficult if accommodation options are limited (e.g., following a natural disaster). However, if the insurer is responsible for the repair, they will also manage securing and funding comparable accommodation during that time.





Cash settlement funds wasted on son's gambling addiction, elderly mother's home left in disrepair

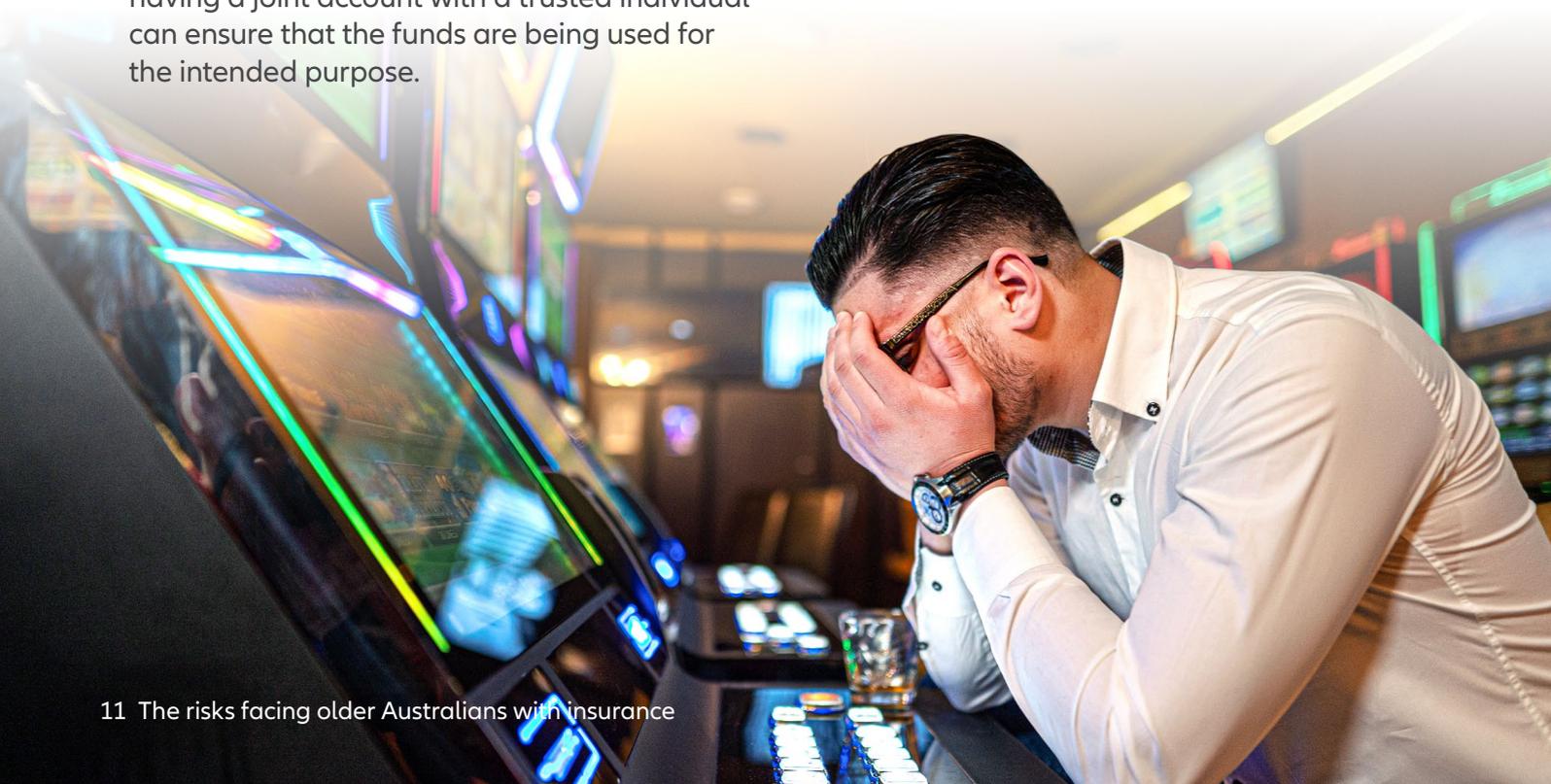
Mary is 76 years old and her son, Bill*, who is her carer, lives with her. During a recent storm, part of the roof failed, and water leaked into the internal dwelling of the house, affecting Mary's bedroom ceiling. The insurance company assessed the damage and offered either a cash settlement or to organise trades to make the repairs. Bill, acting on his mother's behalf, accepted a cash settlement, and spent the money on gambling, but the repairs were not made. In a subsequent storm, the water damage to Mary's bedroom worsened, with mould appearing on the walls. However, no further claims would be accepted by the insurer as the original repairs were not made. It remains unclear what conditions Mary is living in.*

*The case studies included in this report represent an amalgamation of common abusive issues experienced by older people during a claims process.

Mitigating the risks:

- **Third-party oversight:** In cases where the policyholder is older and experiencing social or clinical vulnerabilities (e.g. cognitive impairment), it may be beneficial to have a trusted third party involved in the process, such as a financial advisor, attorney, or a family member who is not involved in the claim.
- **Clear communication with the insurer:** It's crucial for the insurer and the policyholder to have a thorough discussion about what the cash settlement covers and what expectations are for its use. This helps avoid confusion and ensures the settlement is used appropriately.
- **Setting up safeguards:** Financial institutions may be able to help set up safeguards for those at risk of financial abuse. For example, having a joint account with a trusted individual can ensure that the funds are being used for the intended purpose.
- **Education and awareness:** Older adults should be educated about the risks associated with cash settlements, particularly when dealing with scammers or financially exploitative individuals. Trusted family members can help guide this education, ensuring the individual understands the potential risks involved.

Cash settlements are not inherently dangerous, but without careful management, they can expose individuals—including older people—to financial abuse. Being mindful of the potential for exploitation and taking proactive steps to ensure the funds are used correctly can go a long way in protecting vulnerable people.





Allianz's support for older Australians

Allianz recognises the importance of supporting older Australians during claim time. Some of the key safeguards we have put in place include:

- **Allianz on-the-ground support following disasters:** we mobilise teams to support customers on the ground following catastrophes. These teams are available to support all Allianz customers, including older Australians to help with immediate claims needs following disasters.
- **Welfare checks for older Australians following disasters:** provides an opportunity for customers to ask questions about the claims process, proactively lodge their claim and intervene before claims management companies or unauthorised builders contact a customer.
- **Training for Allianz employees:** frontline staff have been trained on the risks of cash settlements and elder abuse.
- **Referrals to social supports:** we proactively offer referrals to financial counsellors if a customer is struggling to navigate the claims process.
- **Fit-for-purpose emergency accommodation options:** Allianz ensures emergency accommodation is suitable for an older Australian's needs, including considering their health, mobility and location requirement. A claims consultant helps support a customer who is displaced and using emergency accommodation.
- **Case management support:** for those identified as needing specialised support, Allianz will also offer High Care support – which is an internal advocate to help the customer negotiate the claims process end-to-end.
- **Information toolkit for Older Australians:** we have produced a toolkit outlining at a high level the key issues impacting older Australians in this paper, as well as tools and resources that will help address these concerns.
- **National safety initiative:** Using industry expertise and claims knowledge, Allianz is launching an initiative to identify and prevent risk events around customers homes.

Sources to support older Australians

- **National Association of Community Legal Centres**: A not-for-profit, community organisation which can help navigate the claims process.
- **The National Debt hotline**: Financial counselling is a free, confidential service to help people in financial difficulty.
- **Carer's NSW Disaster Preparedness Hub**: a central access point for disaster preparedness information and resources for carers, older people, people living with disability, care service providers and community organisations.
- **1800 ELDERHelp**: national free call phone number that automatically redirects callers seeking information and advice on elder abuse with existing phone line service in their jurisdiction. Phone: **1800 353 374**.
- **Aged Care Quality and Safeguards Commission** :The Aged Care Quality and Safety Commission (ACQSC) is responsible for protecting and enhancing the safety, health, wellbeing and quality of life of people receiving aged care. Phone: **1800 951 822**.