

**FIRE
SERVICES
LEVY
MONITOR**

**Report to the
Minister for Consumer Affairs**

June Quarter 2014

CD/14/244026

Letter to Minister



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28 July 2014

Ref: CD/14/309518

Hon Heidi Victoria
Minister for Consumer Affairs
Level 6, 2 Kavanagh Street
SOUTHBANK VIC 3006

Dear Minister

I am pleased to present my report for the June quarter 2014 on the performance of the functions of the Monitor in accordance with section 110(1) of the *Fire Services Levy Monitor Act 2012* (the Act). As required by section 110(4) of the Act, this report relates to the quarter ending 30 June 2014.

Yours sincerely

A handwritten signature in blue ink that reads 'Allan Fels'.

Professor Allan Fels AO
Fire Services Levy Monitor

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Overview

During the June quarter 2014, the focus of activities was to ensure continuing insurance industry compliance with the legislative framework for the protection of insurance consumers in the abolition of the insurance-based fire services levy (FSL).

Investigation continued into intermediaries involved in charging FSL on Victorian property insurance policies after the statutory abolition date of 1 July 2013. The number of policies so far known to be affected is relatively small in the context of the total number of property insurance policies in Victoria. However, the fact of some policyholders still being charged FSL after 1 July 2013 – as late as May 2014 – warrants thorough investigation and appropriate enforcement action. The complexity of relevant intermediaries' relationships has prolonged the investigation, but significant progress towards resolution is expected during the September quarter 2014.

Refunds to RACV Insurance policyholders by Insurance Manufacturers of Australia Pty Limited (IMA) were completed in the June quarter. IMA, as the underwriter of RACV Insurance policies, undertook to refund in full the 11 per cent increase implemented in June 2013, as well as the additional GST and stamp duty attributable to the increase, to all policyholders who renewed a home buildings policy between 24 June and 31 December 2013. A total of 205,631 policyholders received refund payments totalling approximately \$11.3 million from IMA. IMA has fully met its obligations arising from the undertaking.

The March quarter 2014 report concluded:

While the observation in the December quarter 2013 report that 'insurers on the whole continue to pass on the benefit of the fire services levy reform to policyholders' remains appropriate for the March quarter 2014, the timely resolution of FSL over-collection consistent with the issued guidelines is a key challenge in the June quarter 2014.

The June quarter saw the challenge largely met. There has been a cooperative response from the industry generally and, consequently, the vast majority of the total FSL over-collection was resolved by the end of the June quarter 2014. In recognition that excess FSL paid is policyholders' money, the key principle adopted in resolving over-collection of FSL has been to refund the excess FSL paid by policyholders to those policyholders, where practicable. Guidelines were issued to insurers for the resolution of over-collected FSL and guidance notes on the required verification of resolution arrangements were provided in March 2014 and revised in May to reduce the compliance burden on companies. Insurers (or intermediaries as relevant) that over-collected were dealt with on an individual basis within the common framework of the guidelines.

Fifty-five of the 56 companies have participated in a process with the Monitor to resolve their over-collection. At 30 June 2014, 53 insurance companies that over-collected FSL in 2012–13 had agreed arrangements to refund approximately \$10.6 million. The recording of these arrangements as at 30 June 2014 comprised 15 undertakings under section 92 of the Act and 38 short-form pro forma agreements where verification requirements were not substantial or they included minor over-collections. Arrangements in relation to two companies to agree the resolution of FSL over-collections totalling approximately \$277,000 will be finalised early in the September quarter 2014.

As at 30 June 2014 a formal investigation was underway in relation to one other insurance company that over-collected FSL for 2012–13.

Enquiries and complaints and website visits continued to decline in the June quarter 2014 compared to previous quarters, largely reflecting the finding in previous quarters that, on the whole, premiums had fallen as expected on removal of the FSL and the lengthening time since the abolition of FSL. Enquiries and complaints in the June quarter 2014 were down 21 per cent from the March quarter 2014 and 88 per cent from the peak of the September quarter 2013. Similarly, total visits to the FSLM website in the June quarter 2014 were down 16 per cent and 76 per cent respectively over the same quarters. Calls to the FSLM enquiries 1300 line in June 2014 were the fewest of any month since the commencement of the line on 30 January 2013.

As noted in previous reports, a study was conducted of property-specific factors, particularly bushfire and flood perils, in the pricing of property insurance in Victoria over the fire services levy reform transition period. This study was initiated following complaints about large increases in base premiums for policies in the Country Fire Authority (CFA) region around the time of the abolition of the FSL. The study did not raise concerns of compliance with the *Fire Services Levy Monitor Act 2012* (the Act) in regard to insurers' pricing. However, it did highlight the lack of information residential policyholders receive about how their particular premiums are set and how their insurers' assessments of the natural perils may quite significantly affect their premiums.

During the June quarter, work proceeded to prepare the results of the study for publication in 'discussion paper' form as a contribution to transparency in property insurance pricing and to wider public policy considerations around information provision and the operation of the market. This includes several suggestions to facilitate consumer awareness and competition. The paper was scheduled for release in July 2014.

Monitoring of insurers' prices in the June quarter 2014 shows largely unchanged total premiums, with some insurers' premiums decreasing and others with very minor increases. Of course, without the interposition of the FSL between base and total premium, movements in total and base premiums are now aligned. Over the full period of monitoring from March 2013 to June 2014, there is more variance in the sampled prices due to some insurers incorporating cover for flood damage for the first time within that period, but further investigation in relation to these premium movements was not warranted.

1. Introduction

This quarterly report to the Minister for Consumer Affairs under section 110 of the *Fire Services Levy Monitor Act 2012* (the Act) covers the period from 1 April 2014 to 30 June 2014.

The role of the Fire Services Levy Monitor (FSLM) is to ensure that household and business property insurance policyholders benefit from the abolition of the insurance-based fire services levy (FSL) from 1 July 2013, by ensuring removal of the levy from insurance premiums.

Under section 6 of the Act, the main statutory functions of the FSLM are to:

- provide information, advice and guidance to consumers and insurance companies in relation to the abolition of the FSL;
- monitor insurance premiums, including the FSL component of premiums;
- monitor compliance of the insurance industry with the legislative prohibitions on price exploitation and false representations or misleading or deceptive conduct; and
- investigate potential contraventions of the law and take appropriate action.

These functions have been distilled into three broad categories:

1. information, guidance & advice;
2. price monitoring; and
3. compliance and enforcement.

This report is structured as follows:

- Section 2 outlines the provision of information to consumers through media, advertising, website and enquiries handling activities;
- Section 3 reports on the monitoring of insurers' pricing and conduct;
- Section 4 reports on compliance and enforcement activities; and
- Section 5 provides analysis of developments in premiums during the June quarter 2014 and the year ending 30 June 2014.

2. Information provision

A key function under the Act is to inform and educate policyholders and insurance companies about their rights and obligations with regard to the abolition of the FSL. This is achieved by providing information directly to policyholders and insurance companies, and through the FSLM website, the media and a dedicated enquiries and complaints line (1300 300 635). There is ongoing contact and consultation with the insurance industry and queries from individual insurance companies are answered. This section provides details of media and advertising activity, website visits and enquiry calls.

2.1 Media and advertising

Media and public relations activities continued in the June quarter. Issues included the release of the March quarter 2014 report that details the process being followed to resolve the over-collection of approximately \$12 million of FSL in excess of the statutory obligation on insurers. An accompanying media release issued on 12 May 2014 resulted in mainstream metropolitan and rural media coverage in the week beginning 14 May 2014.

2.2 Website

The website <www.firelevymonitor.vic.gov.au> continues to provide information to policyholders and insurance companies about the abolition of the FSL, the role of the FSLM and updates about activities, such as the ongoing program to ensure that insurance companies do not retain FSL collected in excess of their statutory contribution for 2012–13. The website complements the Fire Services Property Levy (FSPL) website located at <www.firelevy.vic.gov.au>. The FSPL replaced the insurance-based levy from 1 July 2013.

The FSLM website had 2,751 visitors during the June quarter 2014, with 1,816 of these being first time (unique) visitors. This reduced level of contacts continues the trend, evident in the December 2013 and March 2014 quarters, shows from the high point of the September quarter 2013. This suggests that the community generally, and policyholders in particular, are familiar with the intent of the fire services levy reform and have fewer concerns about its impact. Data on visits to the FSLM website is provided in Table 1 and Table 2.

Table 1 FSLM all website visits by quarter – March 2013 to June 2014

Measure	2013 March	June	September	December	2014 March	June	Total
Total visits	3,158	8,079	11,482	5,813	3,268	2,751	34,551
Per cent of total	9.1	23.4	33.2	16.8	9.5	8.0	100

Source: Office of the Fire Services Levy Monitor and Google Analytics.

Table 2 FSLM unique website visits by quarter – March 2013 to June 2014

Measure	2013 March	June	September	December	2014 March	June	Total
Unique visits	2,302	5,628	7,865	4,415	2,544	1,816	23,210*
Per cent of total	9.9	24.2	33.9	19.0	11.0	7.8	100

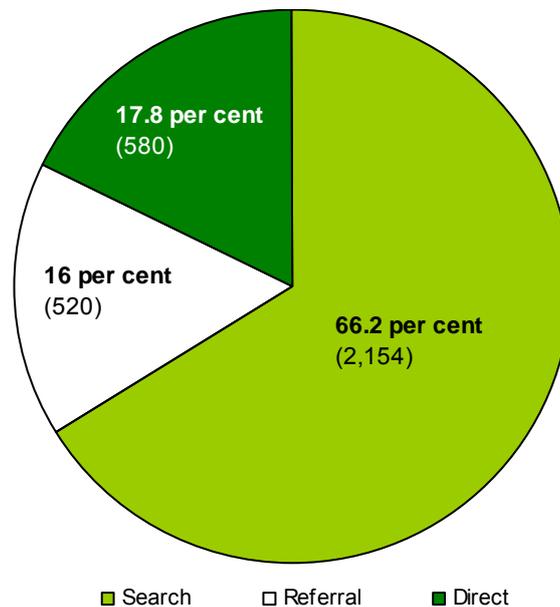
* 23,210 is the total number of unique visits to the website for the period of March 2013 to June 2014, not a cumulative total of the unique visits for the individual quarters.

** The individual quarter percentages have been calculated using the unique total visits of 23,210; however the percentages will not equal 100 due to the total being representative of the unique visits from March 2013 to June 2014 and not a cumulative total of the individual quarters.

Source: Office of the Fire Services Levy Monitor and Google Analytics.

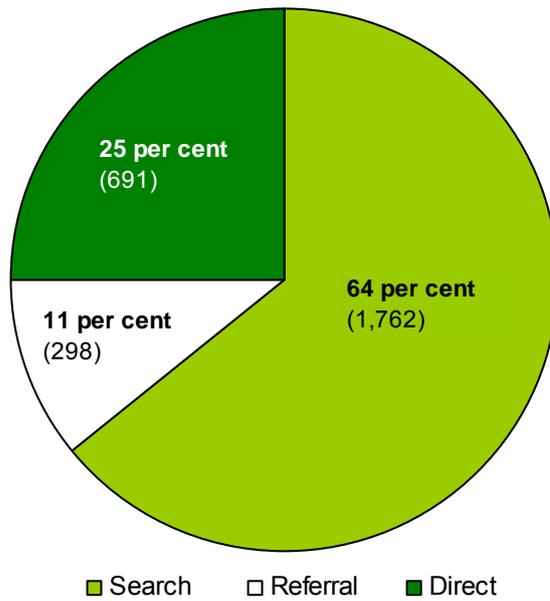
Other government agencies also host information about the FSLM, including Consumer Affairs Victoria, <www.consumer.vic.gov.au> and the Victorian Government website, <www.vic.gov.au>. Links to the FSLM website from other sites provide additional opportunities for consumers and policyholders to acquire information about the fire services levy reform. These 'referral' visits represented 11 per cent of traffic to the FSLM website in the June quarter 2014 (Figure 2), compared with 16 per cent in the March quarter 2014 (Figure 1). The majority of website visits originate through consumers and policyholders using a search engine: 64 per cent in the June quarter 2014; and 66.2 per cent in the March quarter 2014.

Figure 1 Website traffic sources overview – March quarter 2014



Source: Office of the Fire Services Levy Monitor and Google Analytics – sources comprising less than 1 per cent of visits not shown.

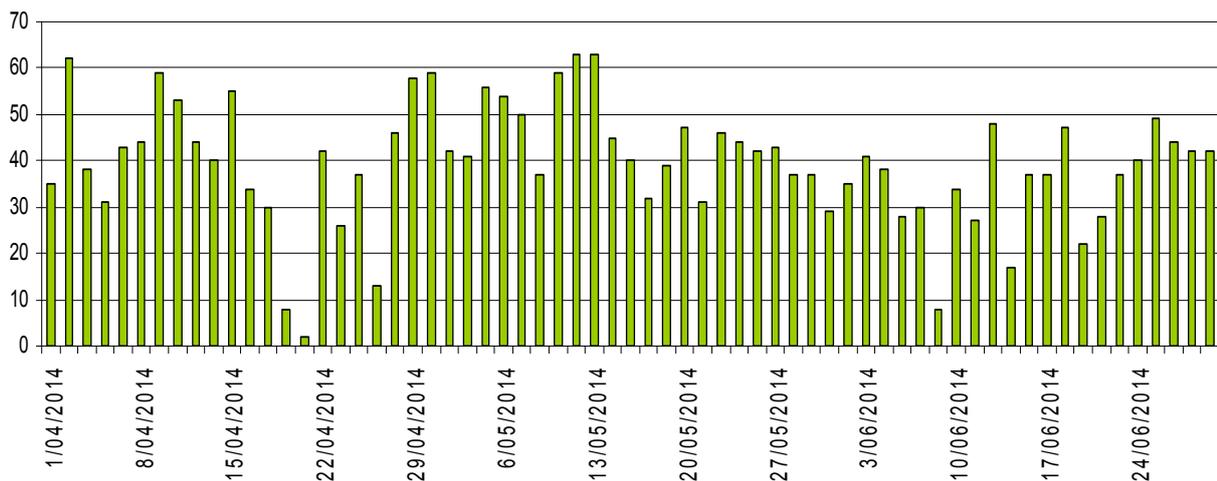
Figure 2 Website traffic sources overview – June quarter 2014



Source: Office of the Fire Services Levy Monitor and Google Analytics. Sources comprising less than 1 per cent of visits not shown.

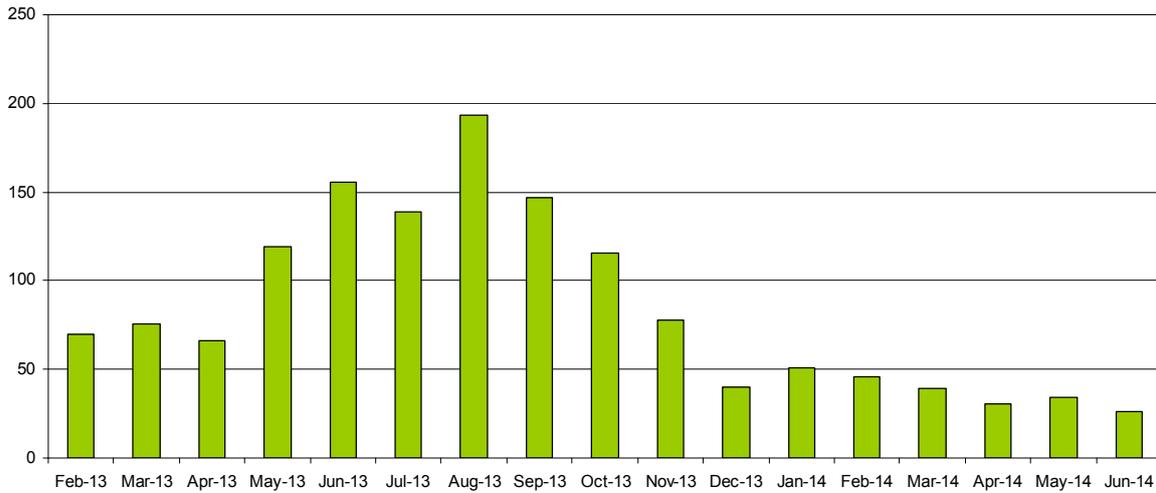
Figure 3 shows a large degree of consistency throughout the June quarter in the number of daily website visits, reflecting the fact that there was no particular event or occurrence in this quarter that attracted additional traffic. Figure 4 demonstrates that while the situation in the March quarter 2014 stabilised at a little under 50 website visits per day, the June quarter 2014 saw less website traffic, with average daily website visits at 39.

Figure 3 Daily website visits – June quarter 2014



Source: Office of the Fire Services Levy Monitor and Google Analytics.

Figure 4 Average number of daily website visits by month



Source: Office of the Fire Services Levy Monitor and Google Analytics.

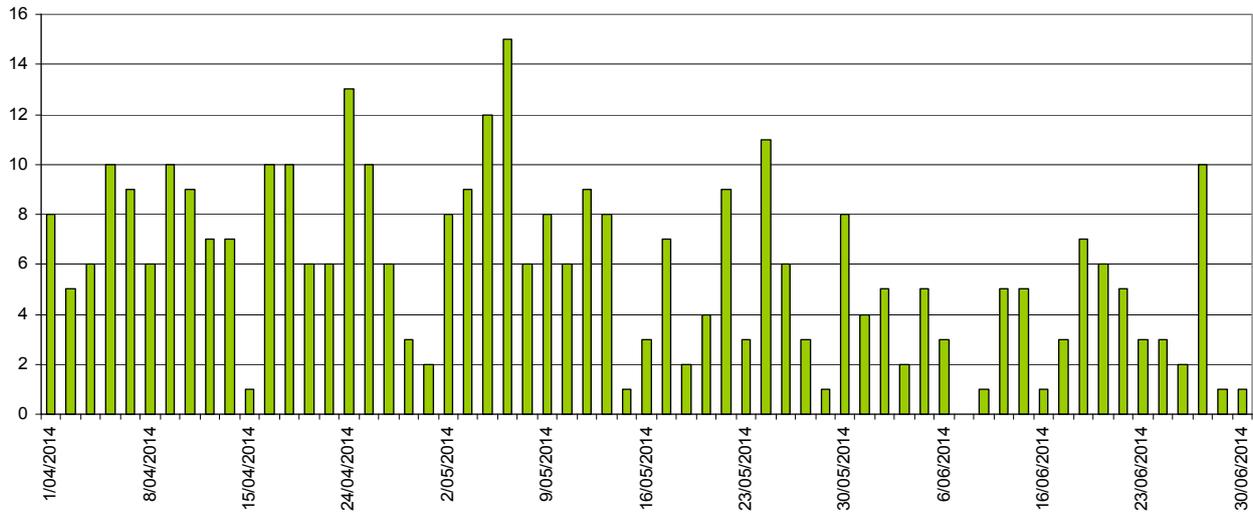
2.3 Complaints and enquiries line – 1300 300 635

A dedicated enquiries line assists policyholders with queries and complaints regarding the fire services levy reform. It has received a total of 5,895 calls between its launch on 30 January 2013 and 30 June 2014, with 355 in the June quarter 2014. Figure 5 displays the number of daily calls received in the June quarter 2014. The call rates, consistent with the trend for website visits, are lower than in the March quarter 2014.

Figure 6 shows the average number of daily calls per month since February 2013. It depicts a steady increase across the June and September quarters of 2013, reflecting the time when Victorians were most concerned about issues relating to the implementation and impact of the fire services levy reform. Key messages have now gained traction, so fewer callers are finding it necessary to contact the enquiries line. It would also appear that consumers and policyholders are making proportionally more use of website resources than the opportunity to talk to an enquiries line operator. Further, with the increasing proportion of policyholders in this quarter whose renewal marks their *second* annual insurance premium without any charge for FSL, a diminishing number of calls is unsurprising.

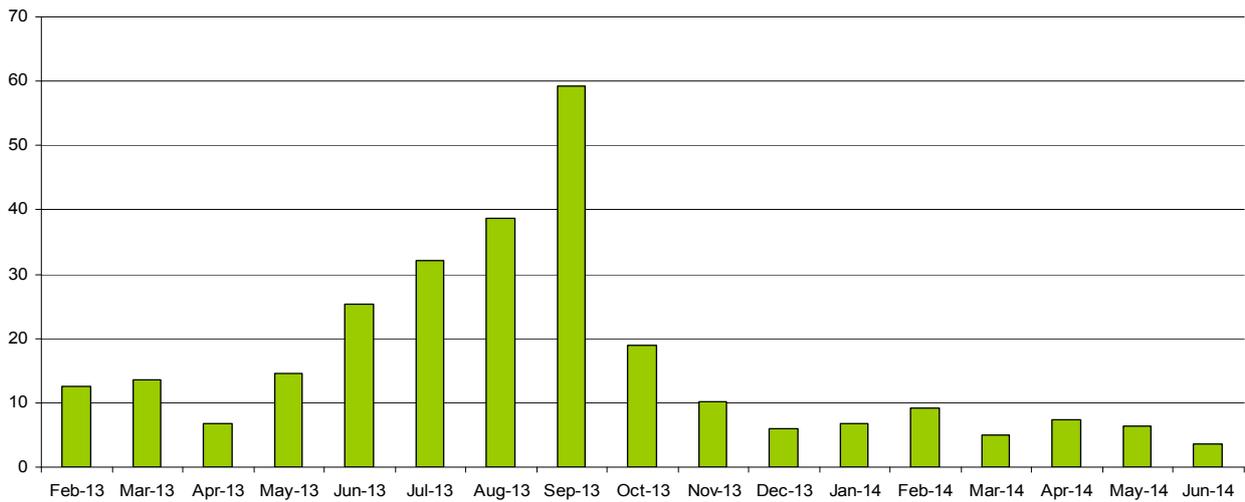
Nevertheless, there remained a proportion of policyholders who received their first 'post-abolition' property insurance policy renewal in the June quarter 2014. It was important to provide a call centre facility to assist these policyholders also.

Figure 5 Number of calls to the FSLM – June quarter 2014



Source: Office of the Fire Services Levy Monitor

Figure 6 Average number of daily calls by month – Feb 2013 to June 2014



Source: Office of the Fire Services Levy Monitor

3. Price and conduct monitoring

Under section 6 of the Act, premiums are monitored to assess industry compliance with the prohibition on price exploitation and the prohibition on conduct which falsely represents or misleads or deceives, regarding the effect of the abolition of the FSL.

Sections 18 and 19 of the Act provide power to require the provision of information that may assist in monitoring compliance with the Act. Section 30 specifically allows the monitoring of prices to assess the general effect of the abolition of the FSL on prices charged by insurance companies for regulated contracts of insurance and/or to assist in consideration of whether false representation or misleading or deceptive conduct has occurred.

An extensive monitoring program continues to be conducted by drawing on a range of sources, including information obtained under section 19 (power to obtain information and documents where there are specific concerns about compliance) and section 30 (specific price monitoring power). Table 3 sets out the number of notices issued in the June quarter.

Table 3 Statutory notices issued under monitoring and investigation power – June quarter 2014

Statutory notices	Number
Section 18	0
Section 19	14
Section 30	11
Section 57*	0

* Section 57 provides for an FSLM inspector to obtain a search warrant on application to a magistrate.
Source: Office of the Fire Services Levy Monitor

3.1 Ongoing premium quotes

Analysis of monthly data representing 11 insurance brands continues, supplied under section 30 of the Act. The methodology of this monitoring was explained in the June quarter 2013 report. The data is being used to:

- cross-reference movements in insurance premiums against information provided by insurers in 2013; and
- cross-reference movements in insurance premiums against quotes obtained from insurers' internet-based quotation facilities.

Up-to-date analysis of this data is provided in Section 5 of this report.

3.2 Property specific pricing factors

The March quarter 2014 report described the results of a 'bushfire, flood and reinsurance information request' sent to nine selected insurers, focusing specifically on how factors relating to bushfire and flood risk, as well as reinsurance costs, translated to the setting of base premiums for home insurance. This was judged necessary to assist in understanding the context in which the

FSLM was receiving many complaints about large increases in premiums for policies in the CFA region during the first half of 2013.

The objective of the request for information, in particular, was to understand:

- whether bushfire and flood risk were separately assessed and priced;
- the extent to which bushfire risk and flood risk were assessed on a property-by-property basis;
- the nature of the source information and modelling used by insurers to assess bushfire and flood risk and how informational gaps were covered;
- the timing of any key changes leading up to and beyond the abolition of the FSL in relevant source information and bushfire and flood risk assessment methodologies; and
- the extent of reinsurance costs allocated to home insurance policies and how reinsurance coverage and costs changed in the period leading up to the abolition of the FSL.

The ensuing examination of how insurance companies treat bushfire risks prompted the development during the June quarter of a paper designed not only to discuss how bushfire, flood and reinsurance are reflected in residential property insurance premiums but also to promote and encourage public discussion and debate regarding the effectiveness of insurers' communication with their customers.

The paper:

- outlines the characteristics of the property insurance market that contribute to a lack of transparency of contracts of insurance to the detriment of policyholders; and
- proposes some measures that could be undertaken to redress the information imbalance that currently exists in favour of insurers.

The paper focuses on residential property insurance rather than commercial policy offerings. This is driven by the fact that residential property policyholders are more likely to be in need of assistance to understand some of the complexities of their insurance policies and how they are priced.

Key areas the paper focuses on include:

- the nature of the relationship between insurers' general assessment of policyholder risk and the price offered for a policy;
- factors relevant to insurers' assessment of risk associated with bushfire and flood;
- the nature of existing information disclosure between insurers and policyholders;
- the case for changing the balance of information provision between insurers and policyholders; and
- proposals to enhance consumer experience of home insurance.

The draft discussion paper was due for release in July 2014.¹

¹ The Discussion Paper *Enhancing the consumer experience of home insurance: Shining a light into the black box* is now available at www.firelevymonitor.vic.gov.au

3.2.1 Relationship between risk and price

Residential property insurance is subject to several types of risk including fire, flood, storm, earthquake, theft, accidental damage and malicious damage. The rating given to that risk will be affected by property location, use and construction, as well as the age and claims history of the insured.

In essence, an insurer will establish a *technical price* for a policy based on:

- risk ratings;
- the long-term expected value of claims; and
- an appropriate allocation of reinsurance, administrative overheads and required return to shareholders capital.

By contrast, *commercial premiums* reflect a judgement made by underwriters to depart from the technical price having regard to:

- existing policyholders' propensity to shop around;
- the need to maintain revenue and attract new business;
- competitors' current pricing for similar policies; and
- expected response of competitors to a premium change.

Insurers use strategies to optimise business mix, including:

- marketing policies with 'loyalty discounts' or 'no claim bonuses' to prevent the loss of existing business;
- limiting premium reductions or increases on renewal – if the current best view of appropriate technical price differs from the prior year's premium – to maintain revenue and prevent the loss of existing business; and
- aggressive discounting applied only to first year premiums to attract new business.

Although payment by instalment is marketed by insurers as a convenience measure, payment by instalment can sometimes add significantly to the total price paid by policyholders.

3.2.2 Assessing risks associated with bushfire and flood

Some of the larger insurers have recently made significant advances in the development of address-specific risk assessment. For example, rather than rating bushfire and flood risk at the postcode or suburb level, as was common practice just four or five years ago, insurers now have access to information that provides them with the basis to apply different risk ratings to adjacent properties where ratings are informed by property specific characteristics.

On the basis of information provided by insurers in response to the bushfire, flood and reinsurance information request (see above), bushfire risk assessment is generally not yet as sophisticated as is flood risk assessment. Many large insurers still rate bushfire risk by suburb or postcode, although movement towards use of finer, geographically specific factors is being made.

The proportion of Australia-wide residential properties with a material level of flood risk is crudely estimated to be around seven per cent. Evolution of the National Flood Information Database, on which many insurers rely for their risk modelling, is such that it now covers around half of all properties thought to have material flood exposure. Where information *is* available, insurers rate

individual properties on the basis of the probability of flooding over the ground and the likely water depth for specific floods events.

As more information is collated around bushfire and flood risk, the evolving understanding of risk has created some significant changes in premiums charged to individual policyholders as properties are re-rated in accordance with insurers' latest models.

3.2.3 Information disclosure between insurers and policyholders

A well functioning, competitive and efficient insurance market requires consumers of insurance to be well-informed. That is, consumers need to be able to clearly understand, or easily become informed about, all the relevant characteristics of an insurance policy they are considering to purchase.

Consideration of complaints by policyholders to the FSLM regarding premium changes around the time of the abolition of the FSL in mid-2013, led to a closer examination of the range of information provided by insurers to policyholders – including invoices, renewal notices, product disclosure statements (PDS), websites and other written explanatory material.

The general assessment of documentation related to residential property insurance policies is that there is much room for improvement with respect to presenting key policy information to consumers in an accessible way. Although a PDS might seem to be an appropriate vehicle by which to deliver information of value to consumers of insurance products, the long-form version of a PDS does not contribute greatly to the understanding of complex insurance contracts, nor does the PDS contribute greatly towards promoting product comparison.

Difficulties in understanding and comparing policies arise because there is no standardised form for presentation of a PDS and the relatively unsophisticated policyholder is likely to be overwhelmed by the volume of information presented in the PDS. Summary tools such as the Key Facts Sheet (due to be introduced from November 2014) would be useful both in helping to aid understanding of policies and in promoting product comparison.

Without clear indication from insurers of the types of inclusions and exclusions in their policy, policyholders are at risk of buying the wrong type of cover for their needs. If a nominated event occurs, policyholders might be surprised to find they are under-insured for that event or even not insured at all.

Benchmark information provision that facilitates appropriately informed insurance policy choice should incorporate clear and accessible information. This could include (at least) the following elements of an insurance contract:

- basic policy inclusions and exclusions;
- the nature of the risks the insured might face and, arguably, the insurer's assessment of that risk;
- the contribution of statutory charges to the total premium;
- how much (and why) the premium for a policy changes with renewal; and
- what additional charges are being incurred as a result of choosing to pay the premium by instalments rather than up-front.

Such information would be helpful in comparing different levels of cover offered by a single insurer and also in comparing similar policies offered by different insurers.

3.2.4 *The case for changing the balance of information provision*

There are indicators suggesting that general insu

consumers will have a better basis for policy comparison between insurers and a point of questioning risk assessment if the insured believes the insurer has it wrong.

- Facilitate consumer awareness measures:
 - Support the development of home insurance price comparators – the introduction of aggregators in other markets has increased consumer awareness about price and choice of provider.
 - Provide easier access to information and dispute resolution – by removing hurdles to information provision by insurers and dispute resolution by the Financial Ombudsman Service, consumers are less likely to be disadvantaged by opaque risk rating practices of insurers.
 - Take action to reduce the incidence of under-insurance or non-insurance – by making available packages of insurance that are easily understood and eliminate unnecessary costs, the uninsured might be encouraged to take up cover that is still profitable business to insurers.

4. Compliance and enforcement

Detailed compliance monitoring, analysis and investigation activity continued during the June quarter. Considerable time was given over to the ongoing investigation of FSL irregularities across a complicated network of brokers. This included two formal 'examinations' of broker representatives selling property insurance to Victorians, but with brokering operations based interstate, as well as the issuance of a number of statutory notices under section 19 of the Act. Apart from the brokers matter, section 19 was also utilised to conduct examinations of executives of an insurance company and to obtain relevant documents from the company.

4.1 Enquiries and complaints

The level of enquiries and complaints decreased again in the June quarter 2014. As mentioned above at section 2.2, with a smaller proportion of policyholders receiving their first post-abolition renewal in this quarter, with key FSL messages having gained considerable traction, and with the website offering easy access to information, fewer enquiries and complaints were registered.

The total number of enquiries and complaints received to the end of the June quarter 2014 was 6,843 as shown in Table 4. The majority of enquiries received during the June quarter were from RACV home building and contents insurance customers, who had received a refund cheque in relation to the Enforceable Undertaking given on 16 January 2014 by Insurance Manufacturers of Australia Pty Limited (IMA).² These individuals were either querying whether they had received the correct amount of refund, or were unhappy with the amount of refund they received.

The June quarter 2014 reflects an inevitable decrease in enquiries and complaints, given that the new FSPL was charged to all property owners along with property rates in the September quarter 2013, and that a significant proportion of policyholders renewing their policies in the June quarter 2014 were not charged FSL when they renewed their policies in the June quarter 2013. In addition, the increased understanding by policyholders and insurers alike of the transition from FSL to FSPL has probably contributed to a diminution in enquires/complaints.

4.1.1 Double charging/paying twice

Complaints about apparent double charging fell from 33 in the March quarter 2013 to 11 in the June quarter. Complaints about possible misleading or deceptive conduct or false representations in relation to the effect of the abolition of the FSL rose slightly.

4.1.2 Undertakings and refunds

Due to the significant number of enquiries/complaints in this quarter about the IMA undertaking and the refunds that flowed as a result, a new category has been added to Table 5, *Undertakings and refunds*, which captured 47 per cent of the total number.

4.1.3 Complaints about increases in premiums after the abolition of FSL

There was a large fall in the June quarter 2014 in the number of enquiries/complaints about the amount of premium charged (or the amount of FSL). The number of enquiries and complaints about large premium increases fell from 88 in the March quarter 2014 to 38 in the June quarter 2014, although it still represents 37 per cent of enquiry/complaint traffic, as shown in Table 5.

² RACV Insurance retails IMA home building policies in Victoria.

Table 4 Enquiries/complaints to the Fire Services Levy Monitor by quarter – March 2013 to June 2014

Mode of contact	Mar 2013	June	Sept	Dec	Mar 2014	June	Total	Per cent of total
Telephone	544	953	2,832	781	430	355	5,895	86
Emails	90	45	344	108	55	43	685	10
Letters	0	64	110	58	27	4	263	4
Total	634	1,062	3,286	947	512	402	6,843	100

Source: Office of the Fire Services Levy Monitor

Table 5 Enquiries/complaints by category

Issue	June quarter 2014 number	June quarter 2014 per cent	Cumulative to 30 June 2014 number	Cumulative to 30 June 2014 per cent
Paying twice/double charging'	11	11	1,510	56
Amount of FSL or premium charged	38	37	970	37
Misleading/false representation	5	5	125	5
Undertakings and refunds	48	47	67	2
Total	102	100	2,710	100

Note: This table is limited to enquiries/complaints where the nature of contact is more than a general enquiry and the subject matter was able to be categorised.

Source: Office of the Fire Services Levy Monitor.

Table 6 Number of complaints by insurance brand

Insurer	June quarter 2014		Total to 30 June 2014 [†]		Market share of Insurer [#]
	number	per cent	Number	per cent	per cent
Allianz Australia Insurance Limited	0	0.0	22	4.4	8.9
Aon Risk Services Australia Limited	0	0.0	1	0.2	0.2
Australian Alliance Insurance Company Limited (APIA)	1	10.0	46	9.3	2.8
Australian Associated Motor Insurers Limited	2	20.0	46	9.3	7.1
Auto & General Insurance Company Limited	0	0.0	4	0.8	0.6
Calliden Insurance Company	0	0.0	4	0.8	0.8
CGU Insurance Limited	1	10.0	15	3.0	9.3
Chartis Australia Insurance Limited	0	0.0	2	0.4	* 0.0
Commonwealth Insurance Limited	1	10.0	12	2.4	3.4
Defence Service Homes Insurance	0	0.0	3	0.6	0.2
Elders Insurance Limited	1	10.0	4	0.8	0.4
GIO General Limited	1	10.0	52	10.5	5.4
Great Lakes Reinsurance (UK) PLC	0	0.0	1	0.2	1.2
Insurance Manufacturers of Australia Pty Ltd (RACV)	1	10.0	184	37.1	8.5
OAMPS Insurance Brokers Limited	0	0.0	2	0.4	* 0.0
QBE Insurance (Australia) Limited	0	0.0	19	3.8	14.2
Suncorp Metway Insurance Limited	0	0.0	1	0.2	0.2
The Hollard Insurance Company Pty Ltd	0	0.0	4	0.8	0.5
Vero Insurance Limited	0	0.0	10	2.0	7.2
Wesfarmers General Insurance Limited	0	0.0	9	1.8	5.9
Westpac General Insurance Limited	2	20.0	21	4.2	2.3
Youi Pty Ltd	0	0.0	2	0.4	0.6
Zurich Australian Insurance Limited	0	0.0	1	0.2	3.5
Total	10	100.0	496	100.0	

Share of combined residential and commercial property insurance premiums subject to contributions to the fire services. Share of number of policies is not estimated due to unavailability of disaggregated data on the number of policies.

* Share of less than 0.1.

† Some totals for individual companies incorporate additional complaints that were not included in the March quarter 2013 report.

Source: Office of the Fire Services Levy Monitor

Table 6 summarises the data on enquiries/complaints disaggregated by insurer brand. The total number of complaints for the June 2014 quarter (10) has reduced significantly compared to previous quarters.

In the cumulative data ('Total to 30 June 2014'), IMA accounts for 37.1 per cent of complaints, with the next most represented being GIO General Limited, APIA and AAMI (representing 10.5, 9.3 and 9.3 per cent of total complaints, respectively).

4.2 Investigations

4.2.1 Enforceable undertaking

On 16 January 2014, IMA entered into an enforceable undertaking to refund approximately \$11.3 million (inclusive of GST and stamp duty) to 206,000 policyholders affected by a price rise implemented less than a week before the statutory abolition of the FSL. This price rise was considered by the Monitor to be a breach of section 26 of the Act (*'Price exploitation in relation to the fire services levy reform'*). RACV Insurance is the retailer/distributor for home building and contents policies underwritten by IMA in relation to Victorian property.

Since IMA entered into the undertaking on 16 January, there has been close liaison with IMA to ensure that the specific obligations on IMA are properly complied with and in a timely manner, especially the refunds that had to be paid to eligible policyholders. Aside from those who were eligible for a refund, the undertaking contains obligations to provide policyholders whose renewals occurred between 1 January 2014 and 23 June 2014 with details of the amount of base premium included in the renewal of the policy and, to enable comparison, the amount of base premium charged in the preceding year.³ This was to make it easier for policyholders to see the effect of the removal of any FSL on the total premium charged.

On 13 June 2014 IMA submitted an independent auditor's report (as required by the undertaking) which confirmed that all refund cheques payable to eligible policyholders (with an accompanying letter from IMA explaining the reason for the refund) had been dispatched. The auditor's report also confirmed that the special letters and policy information required to be sent to policyholders whose renewals occurred in the six months immediately following the refund eligibility period, had also been dispatched. On 26 June 2014, on the basis of the independent auditor's report, IMA was notified that its obligations pursuant to the 16 January 2014 undertaking had been met.

4.2.2 Brokers

The complications involved in the process of determining the nature and extent of observed FSL irregularities that occurred across an extensive broker network have been referred to in earlier quarterly reports. By the time of the March quarter 2014 report there was evidence of at least eight brokers, agents or authorised representatives having charged FSL on policies or renewals effective after 1 July 2013, almost certainly in breach of the Act. In some cases, FSL appears to have been invoiced as late as May 2014, almost one year after the abolition of FSL. The policies issued by the broker network were ultimately underwritten – often on a shared basis – by two insurance companies.

The June quarter has seen substantial continuing investigation into the conduct of this insurance broker network. The investigation has been assisted by the issuing of statutory information notices, on-site inspections and the conduct of two examinations of broker representatives. The investigation has been lengthy due to the complex intermediary relationships involved and the consequential difficulty in establishing the entities responsible for the charging of FSL after

³ The base premium is the critical element of the total cost of the premium: it is what an insurer charges purely for the insurance cover, exclusive of other charges such as GST and stamp duty or broker fees.

1 July 2013. The Monitor now considers that there has been a clear contravention of the Act, with FSL being charged after 1 July 2013 and invoiced as recently as May 2014. While the number of policies and the amounts of FSL involved are relatively small, in the context of total FSL collected annually, this conduct warrants a thorough enforcement response. It is expected that considerable progress and perhaps finalisation of the matter, will be achieved in the September quarter 2014.

4.3 Over-collection of FSL by insurers in 2012–13

4.3.1 Background

Over-collection of FSL occurred because insurers had to estimate in advance the amount of FSL they wished to collect from policyholders to fund their contributions to the fire services for the financial year 2012–13. The exact amount of contributions to be paid to the fire services was not known until October 2013. This uncertainty meant that the FSL amount collected from policyholders could either exceed, or fall short of, the exact contribution required. Insurers made provisional quarterly payments to the fire services based on their estimates.

In the insurers' FSL charging and fire services contribution payment scheme there was always potential for there to be two discrepancies: one between amounts collected from policyholders as FSL and amounts paid to the fire services; and another between the sum of provisional quarterly payments to the fire services during a year and the final statutory contribution amounts calculated after the end of the year. In previous years, where insurers provisionally paid more to the fire services than the statutory contributions required, they would be credited those amounts off their next quarterly payment. Payments less than the contributions would be added to the next payment.

Arrangements between the fire services and the insurers did not extend to determining whether insurers' collections from policyholders through FSL charges differed from amounts paid to the fire services. The FSLM requested all entities contributing to the fire services in 2012–13 to provide a declaration of the amounts actually collected from policyholders, as distinct from the amounts paid to the fire services. These declarations formed the basis of the calculations of FSL over-collected for 2012–13.

The potential for both over-collection and under-collection has always existed under the FSL scheme. In the final year of collection of FSL, the policy of 'tapering' FSL rates, which was adopted by most insurers, may have contributed to the extent of over-collection.⁴

4.3.2 Total amount of over-collection

For the 2012–13 financial year, insurance companies subject to the statutory contribution requirements had to collectively make a contribution of \$227,032,800 to the MFB and \$322,251,200 to the CFA. The insurers' combined gross over-collection was \$1,723,398 for the MFB and \$14,178,373 for the CFA, totalling \$15,901,771. This amount represented 2.9 per cent of the total statutory contribution.

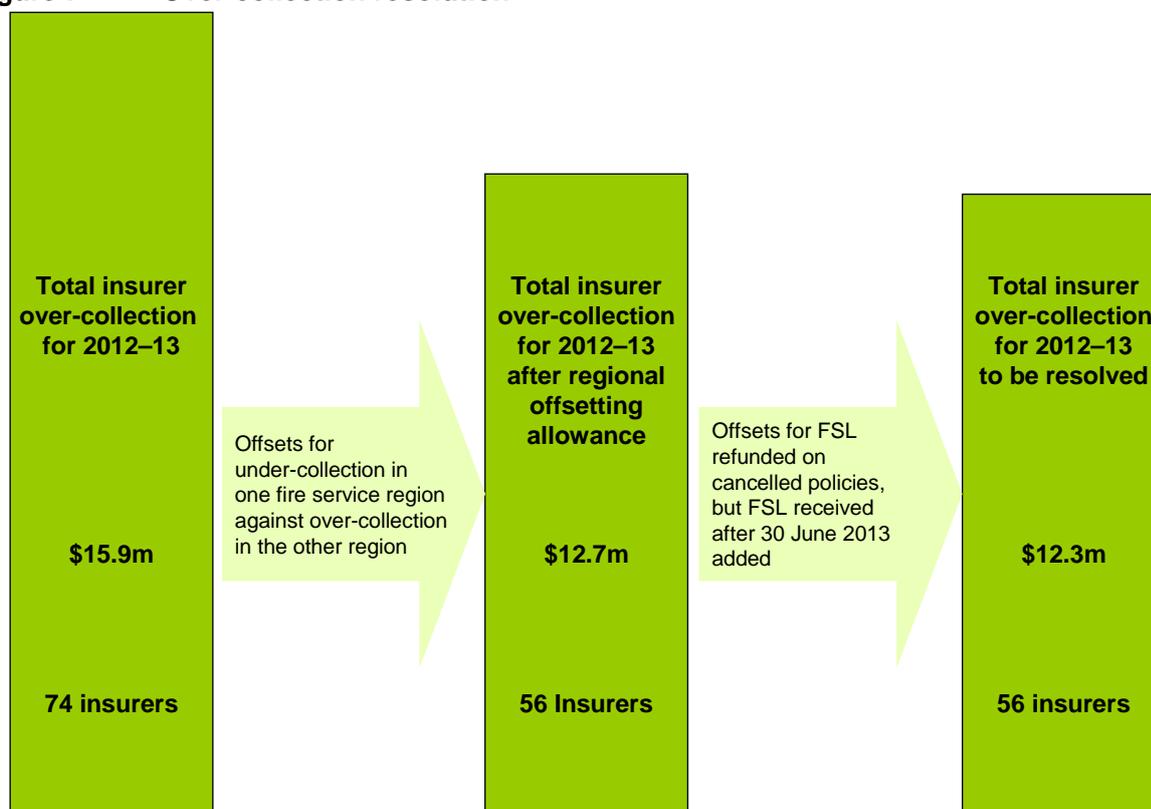
Under the March 2014 Guidelines (see below), if insurers had over-collected in one fire service region and under-collected in the other, they were allowed to offset these amounts in recognition of the single source of company revenue that finances the two statutory obligations to contribute. This removed 18 insurers from the net over-collector list and reduced the total over-collection to \$12,689,966, which is represented (rounded) in the middle column of Figure 7.

⁴ Tapering is described in detail in section 5 of the June Quarter 2013 report.

Finally, insurers were also allowed to offset amounts of FSL that were refunded relating to policies cancelled after 30 June 2013. This recognised that the FSL was no longer available to be refunded as part of the over-collection resolution process. However, companies were required to declare amounts of FSL that were received after 30 June 2013 (on policies incepted in 2012-13 due to late processing) and therefore not declared to the FSLM.

As insurers were required to declare all written premium (including FSL) up to 30 June 2013, any policies cancelled after this date resulted in an over-estimate of this amount in cases where FSL was refunded proportionately to the period of time remaining on the policy. Across all insurers, these amounts exceeded the amounts of FSL processed post 30 June 2014 by \$382,064, resulting in the final amount of over-collected FSL being reduced to \$12,307,901, shown (rounded) in the right hand column of Figure 7.

Figure 7 Over-collection resolution



Source: Office of the Fire Services Levy Monitor

4.3.3 Resolution process

Determining the details of an appropriate approach to the resolution of insurer's over-collection of FSL, and then working with each affected insurer to reach an agreement, has been a substantial body of work stretching across the March and June quarters 2014. Insurers generally – with one exception – have cooperated to resolve over-collection consistent with guidelines issued in March under section 6(2)(d) and 27 of the FSLM Act.

The prospect of over-collection in the final year of operation of the FSL was recognised soon after the Office was established. The May 2013 *Guidelines on Price Exploitation* (May 2013 Guidelines) make express reference to the prospect of the over-collection of FSL in 2012–13, at Guideline 5:

An insurance company collecting FSL from policyholders in 2012–13 should not collect a total levy amount in excess of the amount of the statutory contribution to a fire service required from that company.

If an insurance company collects an amount of FSL in 2012–13 that is more than the amount it is required to contribute to the MFESB and/or the CFA for 2012–13, it will be expected to refund the amount of over-collection by direct refunds to policyholders or, allowing for the practical difficulties of direct refunds in some circumstances, by other method of disbursement.

The method or formula for allocating refunds or other method of disbursement of an over-collection should be by agreement with the Monitor. Such agreement will be formalised in an enforceable undertaking pursuant to section 92 of the FSLM Act.

In January 2014, following the finalisation of their respective statutory contributions to the fire services for the 2012–13 financial year, based on insurers' market share and premium turnover, all insurance companies that recorded an over-collection for one or both fire services were sent a letter. The letter set out the company's statutory contribution amounts together with the declared actual amount of FSL collected for 2012–13 financial year, and therefore the amount of over-collection for one – or in a number of cases – both fire services. Insurance companies were asked to indicate how they proposed to comply with the principles set out in Guideline 5 quoted above.

An issue for a not insignificant number of insurers was their over-collection of FSL for one fire authority alongside an under-collection of FSL for the other. The CFA and the MFB are legally separate and insurers have therefore been required to operate under separate sets of mandatory contributions and fire service reporting regimes. For this reason, the 17 January 2014 correspondence, in which the required statutory contribution and the amount of FSL declared as collected, were stated separately for the MFB and the CFA. Insurance companies and the Insurance Council of Australia (ICA) argued that it was unfair to require full disbursement of over-collected FSL where the company had been required to 'top up' an under-collection of FSL in relation to the other fire service.

4.3.4 Guidelines

Consultation with individual insurers and the ICA was undertaken in the development of a set of detailed guidelines entitled *Resolution of insurers' over-collection of fire services levy in 2012–13*, which were published on 7 March 2014 (March 2014 Guidelines). The March 2014 Guidelines set out a coherent and consistent approach to the resolution of over-collection across the whole of the property insurance industry.

The March 2014 Guidelines clearly articulated the policy that policyholders of insurers' over-collecting FSL who paid FSL as part of a 2012–13 incepted premium, should receive a proportionate refund. The Guidelines accepted that where an insurance company had under-collected for one fire service but over-collected for the other, it could, for reasons of fairness and to reduce the regulatory burden, use the under-collection to offset the over-collection. This reduced the number of insurance companies treated as having over-collected FSL from 74 to 56. The Guidelines also permitted insurance companies to offset amounts of FSL refunded as part of the

refund of premiums where policies were cancelled. The Guidelines noted that where policyholder refunds are made by insurance companies, these would need to be accompanied by the amount of GST and stamp duty referable to the amount of FSL being refunded.

As in the May 2013 Guidelines, the more detailed March 2014 Guidelines accepted insurers' claims that in some instances, it may be impractical or disproportionately costly for insurance companies to pay refunds to some or all eligible policyholders. Consequently, the March 2014 Guidelines allowed for the possibility of insurance companies making a payment to one or more endorsed organisations representing the interests of Victorian insurance consumers, instead of refunding the over-collected FSL to eligible policyholders.

In practice, the two main factors that have justified a degree of aggregation of FSL monies (referred to as 'alternative disbursement' in the March 2014 Guidelines) have been: (i) administrative complexities and costs associated with paying refunds where policies have been intermediated; and (ii) the disproportionate overheads associated with processing relatively small refunds (such as less than \$20 for residential policies and \$100 for commercial policies).

Where insurance companies satisfied the preconditions for aggregating some or all of the refund amounts into a single sum, they agreed to make a payment to a designated organisation (or organisations, depending on the amount of aggregated FSL involved) representing the interests of consumers of insurance in Victoria. Several such organisations were identified in the March 2014 Guidelines, with two organisations added subsequently. This followed a due diligence process that examined, among other things, governance arrangements and the organisation's experience in consumer insurance related matters and/or their capacity to engage in insurance-related activity, such as research, education, public advocacy, advice and casework. The designated organisations are:

- Brotherhood of St Laurence
- Community Information & Support Victoria
- Consumer Action Law Centre
- Financial Rights Legal Centre
- Footscray Community Legal Centre
- Good Shepherd Microfinance
- Kildonan Uniting Care

Importantly, the March 2014 Guidelines also referred to the need for verification of refunds to policyholders or other appropriate disbursement where refunds could not be made by insurance companies. On 17 March 2014, a verification guidance note was issued, setting out the steps to be taken by insurance companies to provide assurance that they had refunded or disbursed the amounts as agreed. The guidance note stated that independent verification (such as an external auditor) would be expected. A revised guidance note issued on 16 May 2014 introduced an alternative to independent verification. The alternative is for the CEO of an insurance company to declare that the company has complied with the Guidelines and followed the verification processes set out in the guidance note. This outcomes focussed approach has been particularly useful for companies with relatively small net over-collection amounts or where minimal refunds direct to policyholders were involved. It was found that external auditors often felt unduly constrained by existing standards to provide the type of assurance reports that were sought by the Monitor.

The application of the March 2014 Guidelines reduced the total amount of over-collected FSL from \$15.9 million across 74 insurance companies to a net over-collection of \$12.7 million across 56 insurance companies (which includes a number of brokers), representing 2.3 per cent of the insurers' total contributions to fire services. The application of cancellation-related refunds of FSL (paid by insurers after 30 June 2013) as an offset further reduced the net over-collection amount to \$12.3 million. This is represented graphically in Figure 7.

4.3.5 Lloyd's underwriters

Approximately half of the 56 insurance companies that have been required to resolve over-collected FSL are underwriter members of Lloyd's, or issue or arrange insurance ultimately underwritten through the Lloyds network. The Australian Fire Brigades Charges Scheme was established to facilitate the payment of statutory contributions to the fire services by these Lloyd's underwriter members (and those that issue or arrange insurance ultimately underwritten through the Lloyds network). The AFBCS was also used in connection with the collection and payment of FSL. The Lloyd's General Representative in Australia played an important role in assisting the FSLM to understand the infrastructure used by AFBCS members and the particular characteristics of, and issues faced by, AFBCS members in co-operating to resolve FSL over-collection. The Lloyd's General Representative acted as clearinghouse for AFBCS members to relay information and advice between members and the FSLM.

4.3.6 Progress in the resolution of FSL over-collection in 2012–13 as at 30 June 2014

Fifty-five of the fifty-six companies have participated in a process with the Monitor to resolve their over-collection. At 30 June 2014, 53 insurance companies that over-collected FSL in 2012–13 had agreed arrangements with the FSLM to refund approximately \$10.6 million. Of these, 15 insurers have provided undertakings to the Monitor. The undertakings are public documents ensuring transparency and accountability.

In the case of the balance of the agreed arrangements, the Monitor has determined that the circumstances of these resolutions did not make detailed undertakings necessary. More informal administrative resolutions have been adopted for these through short-form pro forma agreements provided by the companies concerned. At 30 June 2014, 38 insurers had concluded short form agreements. The process for resolving over-collection within the Monitor's guidelines is very close to finalisation for the two remaining companies. It is expected that agreements will be concluded early in the September quarter 2014.

As at 30 June 2014 a formal investigation was underway in relation to one other insurance company that over-collected FSL for 2012–13.

Table 7 Progress in resolution of FSL over-collection

Resolved and disbursed		
Includes payments to policyholders who paid FSL in 2012–13 or payments to designated organisations representing the interests of consumers of insurance in Victoria where payments to individual policyholders are administratively impractical or the amounts would be insignificant.		
• A.I.S. Insurance Brokers Pty Ltd	• Elders Insurance Limited	• QBE Insurance (International) Limited
• AIG Australia Limited	• FM Insurance Company Limited	• Savannah Insurance Agency Pty Ltd
• Aioi Nissay Dowa Insurance Company Ltd	• Great Lakes Australia	• Sirius International Insurance Corporation
• Ansvar Insurance Limited	• Guardian Underwriting Services P/L	• Sompo Japan Insurance Inc
• Arthur J Gallagher (Aust) Pty Ltd	• HDI-Gerling Industrie Verischerung AG	• Sportscover Australia Pty Ltd
• ATC Insurance Solutions Pty Ltd	• Honan Insurance Group	• Starr Underwriting Agents
• Australian Alliance Insurance Company Limited	• International Insurance Company of Hannover Ltd	• Swiss Re International
• Axis Specialty Europe Ltd	• Jardine Lloyd Thompson Pty Ltd	• Territory Insurance Office
• Axis Underwriting Services Pty Ltd	• Mecon Winsure Insurance Group Pty Ltd	• The Hollard Insurance Company Pty Ltd
• Calliden Insurance Limited	• Miramar Underwriting Agency Pty Ltd	• Victorian Managed Insurance Authority
• Catlin Australia Pty Ltd	• NM Insurance Agency	• Wesfarmers General Insurance Ltd
• Chubb Insurance Company of Australia Limited	• OAMPS Insurance Brokers Ltd	• Willis Australia Limited
Resolution agreed		
• Aon Risk Services Australia Limited	• Manufactured Homes Insurance Agency Limited	• SRS Underwriting Agency Pty Ltd
• Berkley Insurance Company	• Marsh Pty Ltd (Australia)	• Tokio Marine & Fire Nichido Fire Insurance Co Ltd
• Calliden Agency Services Limited	• Millennium Underwriting Agencies PL	• Trinity Pacific Underwriting Agencies Pty Ltd
• H. W. Wood Australia Pty Ltd	• Mitsui Sumitomo Insurance Company, Ltd	• Youi Pty Ltd
• Liberty Mutual Insurance Company	• Pacific Underwriting Corporation	• Zurich Australian Insurance Limited
• MA Risk Solutions Pty Ltd (Coverforce)	• SLE Worldwide Australia Pty Ltd	
In progress		
• ACE Insurance Limited		
• Lundie Insurance Brokers Pty Ltd		

Source: Office of the Fire Services Levy Monitor

5. Removal of FSL and developments in premiums

The evidence to date continues to demonstrate that policyholders have thus far benefited from the abolition of the FSL. This section draws on the continuous monitoring of data to assess the ongoing impact of the fire services levy reform on policyholders. It confirms that movements in total premium, on the whole, continue to be as expected, following the abolition of the FSL.

5.1 Movements in total premiums for the June quarter 2014 on abolition of the FSL

Previous quarterly reports have endeavoured to estimate the extent to which policyholders would make savings when renewing their premiums in the initial year after the abolition of the FSL. These reports noted that on average, policyholders renewing in 2013–14 could expect reductions in the cost of their premiums, although the scale of the reduction would diminish by the June quarter 2014. This is due to insurers having employed a ‘tapering’ strategy in 2012–13, such that the rate of FSL charged as a percentage of base premium tended to zero quite sharply from around March 2013.

Market FSL rates were less than 10 per cent during the June 2013 quarter and in some cases had reached zero per cent. Assuming, based on recent history, up to 10 per cent annual growth in total premium levels due to inflation and other cost pressures, it was expected that total premium levels would remain relatively constant for those policyholders renewing in the June 2014 quarter. Indicative measures of insurer pricing, including ongoing monitoring of insurer prices and the pricing information provided by insurers, suggest this has been the case.

While a full year has now passed since the abolition of the FSL, the interests of policyholders in the reform of fire services funding must continue to be protected. Accordingly, in the balance of calendar year 2014, the approach to monitoring as described in previous reports will continue.

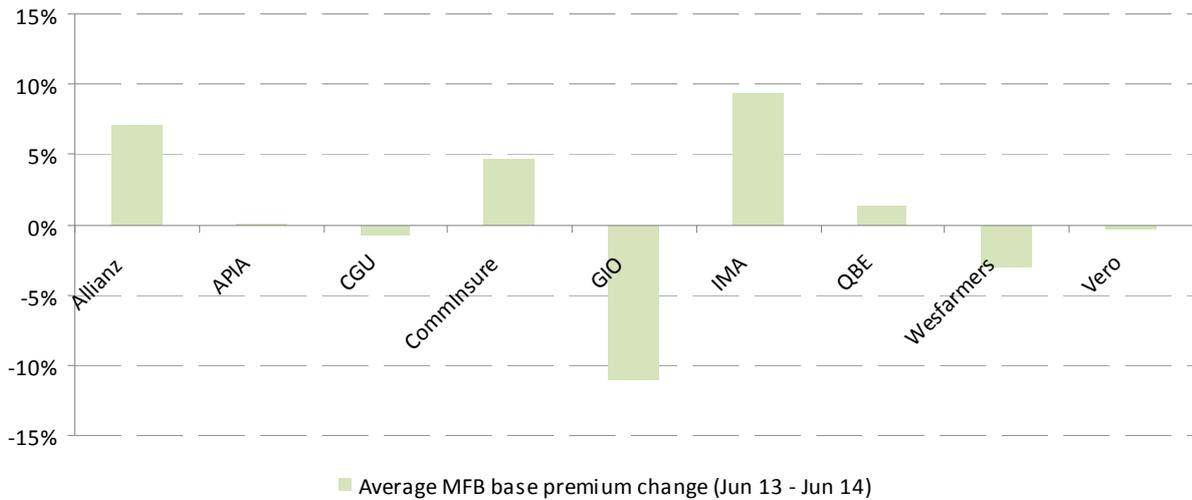
5.2 Premium data supplied by insurers – 12 months ending June 2014

During the June quarter 2013, many insurers ceased to charge FSL on their residential policies, though cessation dates varied. Others continued to charge FSL right up until the end of the quarter. Due to this variation, the analysis of *total* premiums undertaken in previous quarterly reports is no longer an appropriate form of comparison.

The amount of total premium reflects both changes in FSL amounts and changes in base premium. Because some insurers had more FSL to remove between June 2013 and June 2014 than others, their total premium had greater scope to fall over this period. In light of this, movements in premium for the year ending June 2014 will be looked at in the context of *base* premium only.

The September 2013 quarter report noted that recent history suggested that base premiums rose by 7 to 10 per cent annually. This was also indicated by insurers in the June 2013 public hearing when many stated that base premiums were expected to rise by between 8 and 10 per cent for the 2012–13 financial year.

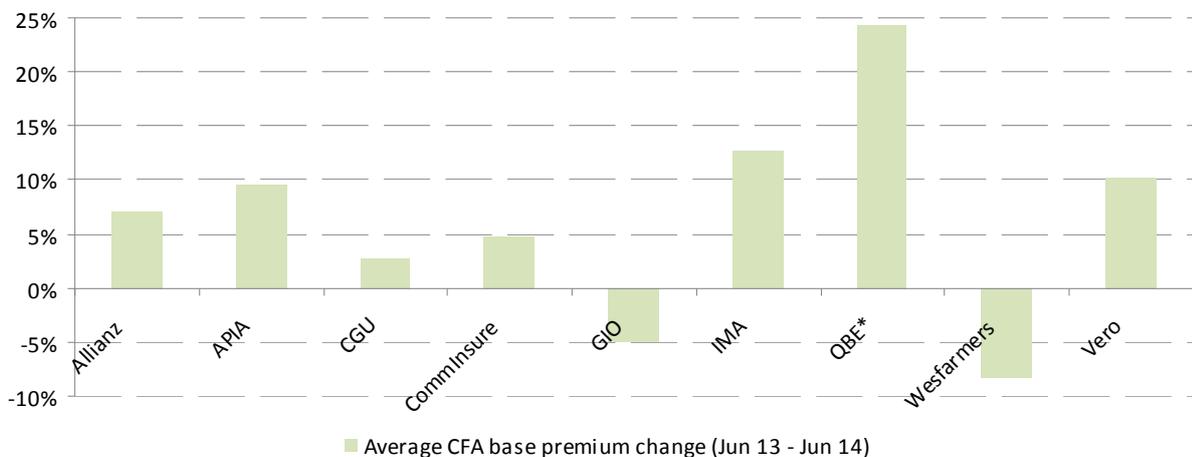
Figure 8 Insurers' quotes, average change in residential building insurance base premiums 12 months – June 2013 to June 2014 (MFB region)



Source: Office of the Fire Services Levy Monitor

For the MFB region, all insurers shown in Figure 8 had base premium movements for the year ending June 2014 that were below an increase of 10 per cent. The largest increase observed was IMA with 9.4 per cent.

Figure 9 Insurers' quotes, average change in residential building insurance base premiums 12 months – June 2013 to June 2014 (CFA region)



* QBE introduced flood cover into their intermediary line of business in December 2013. One of the sample properties was heavily impacted by this.

Source: Office of the Fire Services Levy Monitor

For the CFA region, most insurers shown in Figure 9 also had base premium movements for the year ending June 2014 that were below an increase of 10 per cent. The exceptions were QBE and IMA. The QBE quotes in the sample were affected by the inclusion of flood cover. IMA's quotes were affected by IMA's pricing policy, which has been addressed by the enforceable undertaking given to the Monitor in January 2014.

5.3 Premium data supplied by insurers – June quarter 2014

Based on the data provided by insurers as part of the ongoing price monitoring under section 30, movements in total premiums observed in the June quarter 2014 have, on the whole, been negligible. Table 8 lists the average total premium change across the sample of scenarios/suburbs monitored, for the four quarters from June 2013 to June 2014, inclusive.

Table 8 Average total premium change (per cent) for residential insurance, by quarter – June 2013 to June 2014

Insurer	June 2013	Sept 2013	Dec 2013	March 2014	June 2014
AAMI	-4.1	3.1	0.8	-8.7	-2.1
APIA	-3.9	0.8	0.8	2.9	0.2
Vero	-4.9	0.5	0.6	3.4	0.3
IMA	2.8	0.0	1.7	-0.9	0.0
QBE	-14.9	0.0	12.8	0.0	0.0
CommInsure	-9.9	0.0	0.0	3.5	0.0
Allianz	-2.5	0.0	5.0	0.0	2.0
CGU	-2.8	0.0	0.0	1.1	0.0
GIO	-4.3	0.2	0.7	-1.0	-7.8
Wesfarmers	-8.5	-2.2	-3.2	0.0	-0.3

Source: Office of the Fire Services Levy Monitor

In the June quarter 2014, all residential property insurance brands either implemented negligible premium increases (no more than 2 per cent) or implemented premium reductions. Four brands had no change at all in total premium. The average premium change across the ten residential insurers was a reduction of 0.8 per cent for the June quarter 2014, compared with 0.0 per cent for the March quarter 2014.

5.4 Premium quotes obtained from insurers' websites

Capturing online quotations from major insurers' websites since March 2013 has further assisted in understanding general base premium increases. The monitoring encompasses the period in which most insurers ceased to charge FSL on their policies, with only a minority of insurers charging FSL after March 2013.

The percentage change in base premium between March 2013 and June 2014, for each of the sample properties, was calculated for the eight insurance brands monitored. By averaging the base premium change across the sample properties, a single average percentage increase for this period was obtained. These figures are provided below in Table 9 below.

Table 9 Quotes from insurers' websites – average base premium percentage change, March 2013 to June 2014

Insurer	Average base premium (\$) in March 2013	Average base premium (\$) in June 2014	Average base premium increase percentage***
AAMI	301	293	-2.6
Allianz	356	369	3.6
APIA	359	363	1.3
CommInsure*	306	361	18.0
IMA (RACV)	521	619	18.9
QBE**	522	600	14.8
Vero (Bankwest)	476	500	5.0
Wesfarmers (Coles)	562	632	12.4

* CommInsure introduced flood cover to their home insurance policies during this period.

** QBE introduced flood cover to their 'direct' line of home insurance business in February 2014.

*** Average premiums in the first two columns are rounded. Percentage changes were calculated using the exact amounts.

Source: Office of the Fire Services Levy Monitor

Four insurers registered increases below 6 per cent for the 15 month period, while QBE, CommInsure and IMA, in ascending order, registered the highest increases. CommInsure and QBE added flood cover to their policy coverage during this period, which contributed to these increases. IMA's base premium increases over this period were the subject of investigation, with the last of these increases being the subject of an undertaking.⁵

5.5 Price variations across the major insurers

Ongoing monitoring of residential insurance premiums has continued to highlight the price differences between insurance brands. Total premium values were obtained from online quotes gathered in early June 2014 for a sample of properties using standardised policy specifications. The difference between the highest and lowest quoted premiums for each property were calculated and ranged between \$234 and \$889. Across the sample the lowest premium was no more than 61 per cent of the highest premium.

The message for consumers remains clear. It pays to shop around by comparing the price of different insurers before purchasing or renewing policies.

⁵ The enforceable undertaking is discussed in detail in the March quarter 2014 report and is also available on the website.

Table 10 Quotes from insurers' websites – total premiums (June 2014)

Property location (\$300k insured)	AAMI	Allianz	APIA	CommInsure	QBE	RACV	Bankwest	Coles	Range	Low as percentage of high
Bendigo	\$343	\$423	\$423	\$453	\$788	\$466	\$594	\$438	\$446	43
Glen Iris	\$399	\$458	\$482	\$443	\$590	\$681	\$657	\$566	\$282	59
Echuca	\$322	\$416	\$419	\$422	\$761	N/A	\$581	\$1,211	\$889	27
Surrey Hills	\$369	\$446	\$451	\$453	\$590	\$510	\$604	\$543	\$234	61

* Standard flood cover is included in these quotes, with the exception of Allianz, which has the option of selecting flood cover.

Source: Office of the Fire Services Levy Monitor