Fact Sheet
Insurance Premium Increases

FINANCIAL OMBUDSMAN SERVICE

Why have my insurance premiums increased?

A number of factors have impacted the Australian insurance industry, including the devastating natural disasters in Australia and overseas in 2010-2012. According to Insurance Council data, insurance claims in relation to the Australian events alone total more than $5.3 billion.

Experts predict that, based on the frequency and severity of extreme weather conditions in Australia and the broader region, weather events that cause property damage will occur more often. Insurance companies need to be prepared for an increase in claims related to these events.

A significant factor contributing to an increase in your premiums is the cost to insurers for their insurance – what is known as reinsurance. Reinsurance is the policy taken out by your insurance company to cover them when a significant event, such as a flood, occurs that involves multiple customers. In the case of the billions of dollars paid out following recent natural disasters, your insurance company's reinsurance costs have increased substantially, which in turn contributes to the increase in your insurance premium.

Additionally, some insurance companies have introduced automatic flood cover to their insurance policies. Where offered, this flood cover reduces uncertainty for you about your coverage during a severe weather event. Many insurers are scaling premiums to match flood map assessments – if you live in a flood risk area you will likely experience greater increases in premiums, than if you live in a low risk area.

Can FOS help me?

We are a not-for-profit organisation that offers a free and independent external dispute resolution service. Our role is to work with consumers and member financial services providers to help resolve disputes that fall within our Terms of Reference, if they have been unable to resolve the complaint through internal dispute resolution processes.

As a rule, under our **Terms of Reference** (TOR), we are not able to assist with a dispute about the level of a fee, premium, charge or interest rate. However, there are some exceptions, which are outlined in our TOR, for example:

We may be able to help you if your dispute is about:

- non-disclosure, misrepresentation or incorrect application of the premium, taking into account reasonable increases
- a breach of any legal obligation or duty on the part of your insurance company.

What else can I do?

Speak to your insurer if you believe they have incorrectly calculated your premium and ask them to explain the increase.

You can also make enquiries at other insurance companies to compare your rate.

Useful contacts

The Insurance Council of Australia

The ICA is the representative body of the general insurance industry in Australia. Its members represent more than 90 per cent of total premium income written by private sector general insurers. Insurance Council members, both insurers and reinsurers, are a significant part of the Australian financial services system.

www.insurancecouncil.com.au