

# Understanding the Changes to the Victorian Fire Service Levy.



As your broker, we are committed to ensuring you are informed of changes in the insurance industry which impact policy holders.

In recent weeks Whitbread has been informed by major insurers of changes to their cancellation terms due to the abolition of the Fire Service Levy (FSL) which will come into effect on 1st July 2013. The following information explains the impact of the FSL changes and why an insurer may not refund the FSL should you cancel your insurance policy mid term.

## What is the Fire Service Levy?

Under the Metropolitan Fire Brigades Act 1958 (VIC) and the Country Fire Authority Act 1958 (VIC) insurers providing cover against fire in respect of property located in Victoria are required to contribute 75% of the annual budget of the Metropolitan Fire and Emergency Services Board and 77.5% of the annual budget for the Country Fire Authority. These funds are collected through a FSL applied to each property risk in Victoria.

## Why is the FSL being abolished?

The Victorian Government has accepted the 2009 Bushfire Royal Commission recommendation to abolish the FSL applied to building insurance policies. The levy will be abolished as of 1 July 2013 and will be replaced with a charge levied on all property owners. (Please Note: Details of this property tax have not yet been announced by Government)

## What does this mean for insurers?

Insurers that are obliged to pay the levy (typically insurers authorised under the Insurance Act 1973) are able to pass on the cost of the levy to insureds by adding a component to each property insurance premium for Victoria. It is expected that insurers will continue to impose a FSL related component on premiums written through to 30 June 2013.

## What happened to FSL advisory rates?

Earlier this year, the Insurance Council of Australia ceased to issue advisory rates for Fire Service Levies in New South Wales and Victoria. It is up to each insurer to determine the amount it wishes to include in each property insurance premium in order to meet its commitments in relation to the FSL.

## Will there be a transition period?

It would appear there will be no transition period and the FSL will be payable and can be on charged by authorised insurers for the full period of the policy even though part of the policy may go beyond 1 July 2013. Clients may also be required to pay the new property tax from that date.

## Will Insurers refund the FSL if I cancel my policy?

Unfortunately all major insurers have advised Whitbread that there will be no FSL refunds on cancellations, except where:

- There is a full return cancellation, i.e. cancelled from inception and within the respective cooling-off period
- There are financial hardship circumstances
- The insurer cancels the cover where it's permitted to do so.

## What other restrictions are insurers imposing?

Insurers also will not permit the following:

- **Due date extension:** extension beyond 30 June 2013 for policies with a Victorian risk incepted or renewed from today until 30 June 2012
- **Short Term Policies:** similar to extending the due date, short terming current policies and then renewing for 12 months.

## How will insurers advise clients of changes to policy conditions?

Insurers will provide clients a **Supplementary Product Disclosure Statement (SPDS)**, which amends the Cancellation provision within the Product Disclosure Statement (PDS) or;

A derogation (policy deviation) notice will be provided which amends the Cancellation provision within policy wordings (non PDS).

Alternatively, or additionally, some products where a Victorian risk exists may be amended by way of a clause attached to the policy schedule. Such a clause will use the same words as the derogation notice.

For further industry information regarding changes to the Fire Service Levy please refer to Whitbread website - [www.whitbread.com.au](http://www.whitbread.com.au) or contact your Whitbread broker  
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