

Standard property profile survey – August 2018

The average ESL rate in August 2018 fell again this month to 17.1%. This compares to 3.3% in August 2017, when ESL had not been fully reintroduced, following the announcement of the deferral of the removal of ESL. As a result, policyholders renewing in August still faced a large price increase from the previous year.

Three insurers reduced ESL rates this month: AAI (including AAMI, Suncorp and GIO) decreased ESL from 15.5% to 14.5%, QBE and OnePath (which is underwritten by QBE) from 20% to 16.5%.

Average base premiums remained flat over the month to 1 August 2018, and decreased a small amount (-1.4%) over the 12 months.

Average Total Premiums over this period have increased 12.1%, principally as a result of the reintroduction of ESL.

ESL

ESL rates charged for home and contents insurance have fallen for the fourth month in a row. Three insurers reduced ESL rates this month:

- AAI (including AAMI, Suncorp and GIO) decreased ESL rates from 15.5% to 14.5%
- QBE and OnePath (which is underwritten by QBE) reduced ESL rates from 20% to 16.5%,

All companies report ESL rates were cut in response to the reduced Emergency Services funding requirement for the year, outlined in the NSW budget. Given that the Monitor’s next over-collection assessment will be for the 2018 and 2019 financial years combined, adjustments in ESL rates can be expected to continue throughout FY2019 as insurers strive to achieve their respective two year under-collection targets.

There continues to be a significant difference in the rate of ESL charged in August 2018 compared to August 2017, when only two insurers had reinstated ESL. It is interesting to note that the two insurers that first reinstated ESL: Allianz and Westpac, are the only two insurers in our survey that have not adjusted ESL rates over the year. Westpac is charging the highest rate of ESL at 21%.

AAI brands now have the lowest ESL rate of 14.5%. The Monitor is aware that part of AAI’s low home and contents ESL rate has been off-set by an increase in ESL collected from motor insurance policies across the AAI brands. The Monitor is aware that other insurers are also looking to make similar changes and will be monitoring any moves made.

Figure 1: Average ESL rate (Home & Contents insurance)

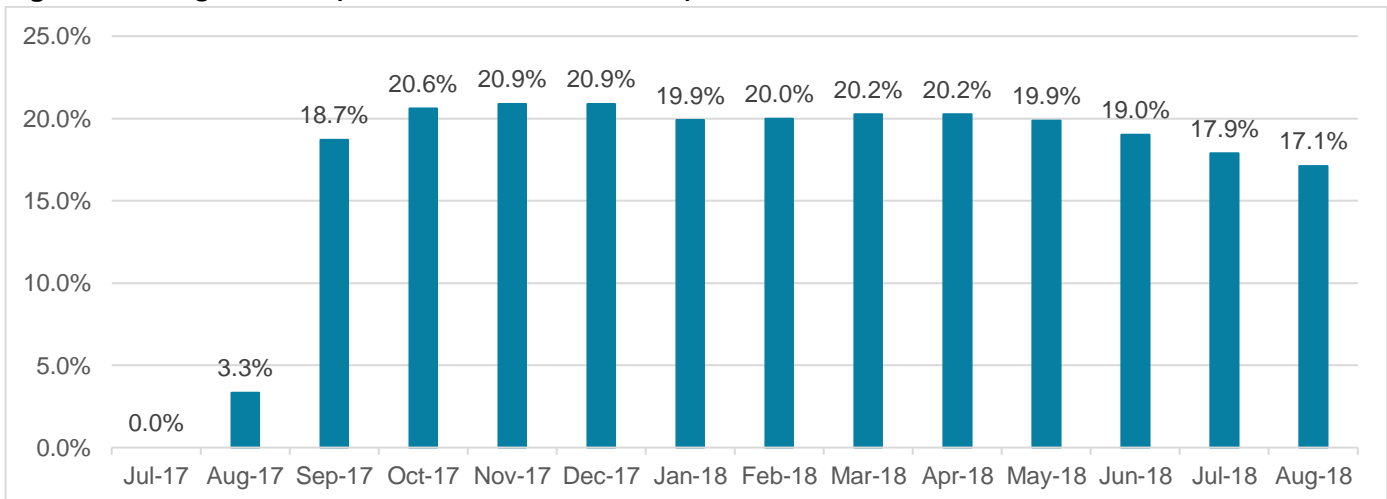


Table 1: Average ESL rates by insurer

Company	ESL Rate %	% point Change since previous month*
GIO	14.5%	-1.0%
AAMI	14.5%	-1.0%
Suncorp	14.5%	-1.0%
OnePath	16.5%	-3.5%
QBE	16.5%	-3.5%
Coles	17.0%	0.0%
NRMA	17.0%	0.0%
CGU	17.0%	0.0%
Woolworths	18.0%	0.0%
Youi	18.4%	0.0%
CommInsure	18.5%	0.0%
Allianz	19.0%	0.0%
Westpac	21.0%	0.0%

Base Premiums

Across all insurers and locations:

- Month: Average base premiums has remained relatively flat again over the month, falling 0.5%.
- Year: Average base premiums decreased marginally by 1.4% over the year.

Table 2: Average change in Base Premium over time

Base Premiums \$	Randwick	Concord	Riverview	Bradbury	Hornsby	Hinton	East Gosford	Canowindra	Medlow Bath	Byron Bay	Wollongong
Location Average	\$1,137	\$1,057	\$1,184	\$1,054	\$980	\$2,056	\$1,259	\$1,227	\$1,212	\$1,367	\$1,107
\$ month change	-\$6	-\$6	-\$7	-\$6	-\$7	-\$18	-\$3	-\$5	-\$10	-\$1	-\$4
\$ year change	-\$20	-\$16	\$12	-\$229	-\$49	\$294	\$37	-\$59	-\$58	-\$27	-\$65

Changes to base premiums over the month

- Allianz cut base premiums across all locations by 4.9%, with the exception of Hinton where premiums reduced by 3% in comparison with the previous month. Allianz confirmed the cut occurred as part of their ongoing householder portfolio review involving detailed analysis of pricing models, claims experience, market conditions and competitor movement.
- Youi also varied base premiums over the month. Reducing premiums in most locations by between 1% and 5.2%. Reductions were due to an Australia-wide pricing change, implemented on 3 July and related to management expenses. Byron Bay and East Gosford were the only locations where Youi increased base premiums (up 1.3% and 0.1% respectively).

Figure 2: Average Base Premium per location – July and August 2018

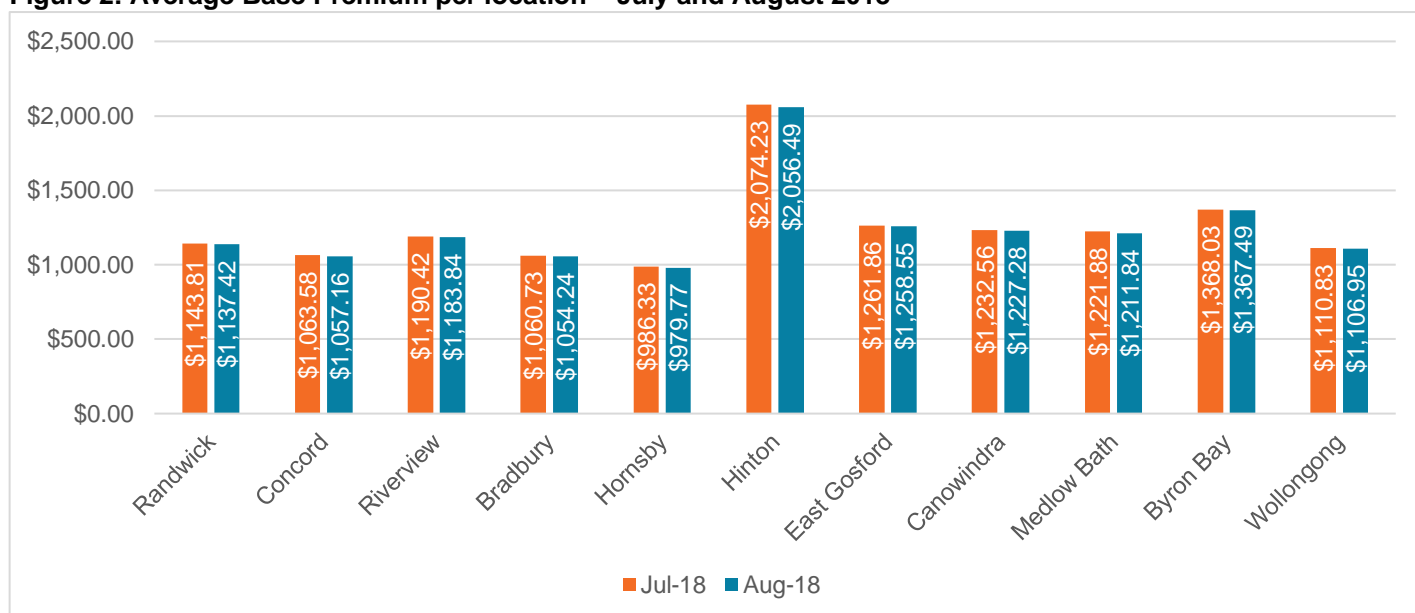


Table 3: Base Premiums charged by insurer per location in the Monitor's survey, as at 1 August 2018

	Randwick	Concord	Riverview	Bradbury	Hornsby	Hinton	East Gosford	Cano-windra	Medlow Bath	Byron Bay	Wollongong
AAMI	\$1,262	\$1,199	\$1,307	\$987	\$1,082	\$925	\$1,151	\$760	\$1,286	\$1,266	\$964
Allianz	\$999	\$959	\$1,175	\$1,045	\$922	\$1,509	\$1,139	\$887	\$1,074	\$932	\$950
CGU	\$1,086	\$1,099	\$1,070	\$997	\$892	\$3,542	\$1,174	\$998	\$987	\$1,574	\$1,070
Coles	\$842	\$810	\$899	\$973	\$468	\$1,282	\$862	\$1,547	\$884	\$1,428	\$1,315
CommInsure	\$1,274	\$1,247	\$1,257	\$1,169	\$1,072	\$1,809	\$1,332	\$1,446	\$1,138	\$1,241	\$1,104
GIO	\$1,320	\$999	\$1,399	\$1,197	\$1,171	\$1,214	\$1,318	\$1,254	\$1,521	\$1,344	\$1,188
NRMA	\$1,538	\$1,441	\$1,659	\$1,509	\$1,550	\$6,364	\$1,655	\$1,344	\$1,833	\$1,365	\$1,214
OnePath	\$1,242	\$1,164	\$1,301	\$1,067	\$1,068	\$2,202	\$1,427	\$1,674	\$1,238	\$1,409	\$1,173
QBE	\$1,305	\$1,200	\$1,365	\$1,069	\$1,089	\$2,447	\$1,469	\$1,828	\$1,282	\$1,687	\$1,221
Suncorp	\$1,430	\$1,036	\$1,425	\$1,217	\$1,161	\$1,317	\$1,345	\$1,278	\$1,703	\$1,442	\$1,221
Westpac	\$931	\$1,006	\$1,009	\$931	\$799	\$1,020	\$1,072	\$1,051	\$997	\$1,004	\$917
Woolworths	\$740	\$773	\$763	\$684	\$712	\$1,261	\$830	\$883	\$821	\$1,201	\$692
Youi	\$901	\$891	\$847	\$945	\$838	n/a	\$1,630	\$1,072	\$1,121	\$1,891	\$1,412
Location Average	\$1,144	\$1,064	\$1,190	\$1,061	\$986	\$2,074	\$1,262	\$1,233	\$1,222	\$1,368	\$1,111

Base premiums are before ESL, GST and stamp duty.

Changes to base premiums over the year

Year on year, the survey's average base premium shows a small decrease of -1.4%. This overall result, however, hides the significant variations that has occurred across the different brands or at specific locations.

Analysis by insurer:

- Across all locations quoted, the most significant average year on year increases were implemented by: NRMA (+\$241), CGU (+\$178) and Suncorp (+\$112).
- Over the same period, significant decreases in average base premiums across all locations surveyed were implemented by Westpac (-\$176), OnePath (-\$143) and Woolworths (-\$337).
- The change in the Monitor's data reporting criteria impacted both OnePath and Woolworths premiums when compared to the previous year. Between June and July 2018 (when the reporting criteria changed), OnePath's excess quoted increased from \$250 to \$500, resulting in a \$278 reduction in average base premiums, and Woolworths moved to providing online premium quotes, which include an online discount, compared with call centre rates. This resulted in a \$119 reduction in average base premiums.

Analysis by location:

- The change in average base premium over the year varies greatly across the 11 survey locations.
- Seven locations experienced an increase in base premium, and of these, five experienced a small increase of between \$11 and \$21. A greater increase of \$53 occurred in Riverview and the largest increase of \$336 occurred in Hinton, principally as a result of flood risk re-rating by NRMA and CGU earlier in the year.
- Five locations had a decrease in average base premiums compared with 12 months ago. Decreases ranged from \$1 in Canowindra to \$196 in Bradbury.
 - Eight of the 12 insurers quoting over the year have reduced premiums in Bradbury, the largest being significant falls of \$747 by GIO and \$739 by Suncorp.

Figure 3: Average Base Premium – August 2017 and August 2018

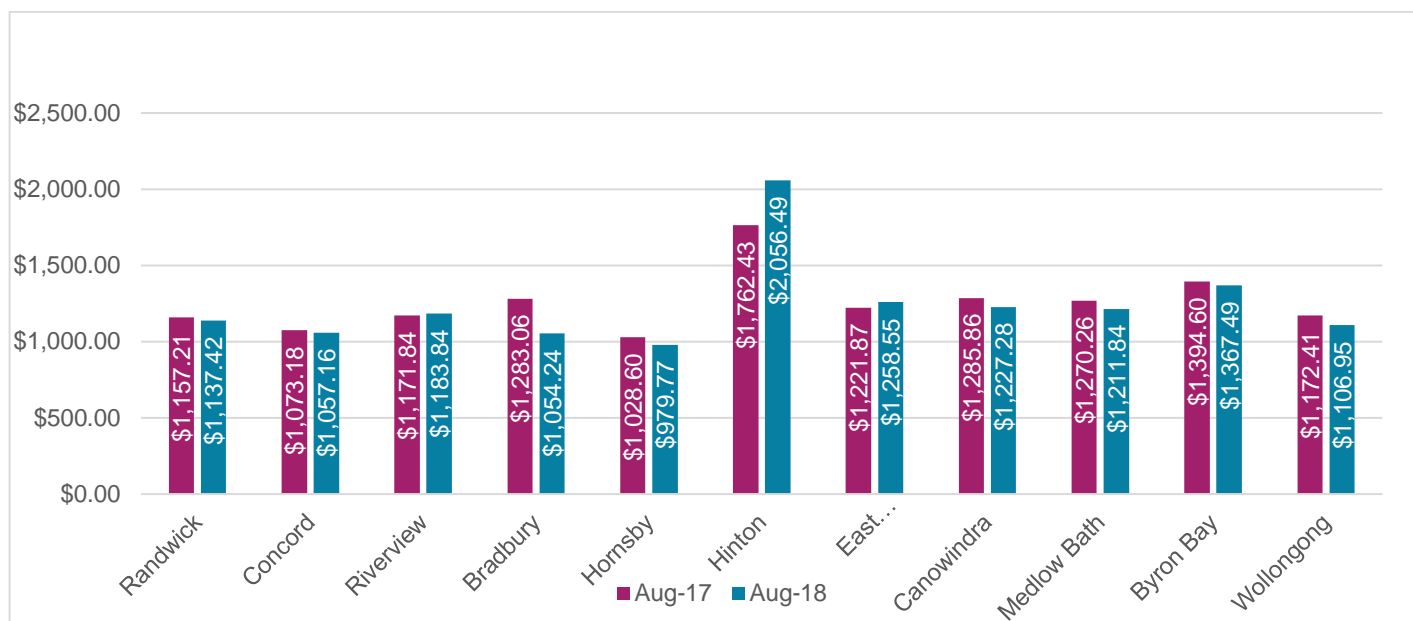


Table 4: Base Premium \$ change for month and year to 1 August 2018

		Randwick	Concord	Riverview	Bradbury	Hornsby	Hinton	East Gosford	Canowindra	Medlow Bath	Byron Bay	Wollongong
AAMI	Month	\$2	\$1	\$1	\$1	\$1	\$0	\$1	\$0	\$1	\$1	\$1
	Year	\$81	\$84	\$94	-\$458	\$84	\$70	\$85	\$29	\$68	\$110	\$13
Allianz	Month	-\$49	-\$47	-\$50	-\$51	-\$45	-\$48	-\$56	-\$44	-\$53	-\$46	-\$47
	Year	\$82	\$75	\$36	\$52	\$86	-\$35	\$100	\$25	\$103	-\$72	-\$36
CGU	Month	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Year	\$40	\$40	\$39	\$37	\$26	\$1,555	\$43	\$37	\$49	\$59	\$39
Coles	Month	\$3	\$2	\$3	\$3	\$1	\$2	\$3	\$5	\$3	\$4	\$4
	Year	\$59	\$67	\$79	\$73	\$40	\$64	\$78	\$144	\$77	\$129	\$116
CommInsure	Month	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Year	-\$33	-\$32	-\$32	-\$31	-\$28	-\$44	-\$34	-\$36	-\$29	-\$31	-\$28
GIO	Month	\$2	\$1	\$2	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1
	Year	-\$21	-\$18	-\$18	-\$746	-\$17	-\$19	-\$25	-\$23	-\$17	-\$24	\$7
NRMA	Month	\$4	\$4	\$4	\$4	\$4	-\$171	\$4	\$3	-\$50	\$3	\$3
	Year	\$46	\$43	\$49	\$45	\$46	\$2,257	\$49	\$40	-\$1	\$40	\$36
OnePath	Month	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Year	-\$140	-\$176	-\$72	-\$259	-\$283	\$322	-\$147	-\$30	-\$313	-\$239	-\$230
QBE	Month	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Year	\$84	\$51	\$121	-\$169	-\$86	-\$119	-\$28	-\$323	\$59	\$244	-\$210
Suncorp	Month	\$1	\$1	\$1	\$1	\$1	\$0	\$0	\$0	\$1	\$1	\$0
	Year	\$188	\$140	\$191	-\$739	\$157	\$217	\$174	\$247	\$338	\$278	\$39
Westpac	Month	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Year	-\$140	-\$84	-\$83	-\$160	-\$152	-\$240	-\$163	-\$119	-\$463	-\$244	-\$85
Woolworths	Month	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$3	\$2
	Year	-\$201	-\$168	-\$107	-\$238	-\$267	\$1,263	-\$67	-\$502	\$822	-\$1,123	-\$737
Youi	Month	-\$47	-\$47	-\$48	-\$44	-\$50	\$0	\$2	-\$37	-\$34	\$25	-\$14
	Year	-	-	-	-	-	-	-	-	-	-	-

Note: Youi began providing quotes to the Monitor from July 2018

Total Premiums

- Average total premiums fell marginally compared with July, falling to \$1,745 (from \$1,761¹).
- Over the year to 1 August, average total premiums rose by \$187. The significant changes in year on year total premiums are largely due to the reintroduction of the ESL. In August 2017 ESL was at 3.3% for all companies.

The change in average total premiums for each location are shown for the month, year and since reintroduction of ESL are shown in Table 5 below. The 'since reintroduction' data compares average prices this month with the first month the ESL was reinstated by each insurer (between August and October 2017).

Table 5: Change in Annual Total Premiums charged by location.

Average Total Premiums	Randwick	Concord	Riverview	Bradbury	Hornsby	Hinton	East Gosford	Cano-windra	Medlow Bath	Byron Bay	Wollongong
Location average	\$1,594	\$1,483	\$1,659	\$1,479	\$1,373	\$2,885	\$1,766	\$1,722	\$1,698	\$1,918	\$1,553
Month change	-\$21	-\$20	-\$22	-\$19	-\$19	-\$45	-\$18	-\$22	-\$26	-\$15	-\$16
Year change	\$167	\$158	\$215	-\$100	\$105	\$712	\$256	\$140	\$122	\$202	\$108
Change since reintroduction	-\$56	-\$44	-\$12	-\$359	-\$94	\$386	\$25	-\$107	-\$117	-\$73	-\$121

The basis for providing quotes was updated as of 1 July 2018, which may impact premium comparisons when compared to last year, and since reintroduction of the ESL.

Total premiums have again increased significantly over the last 12 months, principally as a result of the very low ESL rates charged in August 2017, which are now at around 17.1%.

Average total premiums increased in 10 of the 11 locations surveyed, with Hinton again experiencing the largest increase, up by an average of \$712. In addition to the impact of the ESL reintroduction, Hinton also experienced a dramatic increase in base premiums charged by NRMA, up 66% in November 2017, due to their re-rating of flood risk.

Bradbury was the only location where the average total premium fell over the year, dropping by \$100. Here, the average total premium has been impacted by base premium cuts made by AAI brands also in November 2017.

Table 6: Annual Total Premiums by location and insurer

Average Total premiums	Randwick	Concord	Riverview	Bradbury	Hornsby	Hinton	East Gosford	Cano-windra	Medlow Bath	Byron Bay	Wollongong
OnePath	\$1,735	\$1,626	\$1,817	\$1,490	\$1,492	\$3,075	\$1,993	\$2,338	\$1,729	\$1,968	\$1,639
CommInsure	\$1,811	\$1,772	\$1,786	\$1,661	\$1,523	\$2,571	\$1,892	\$2,054	\$1,616	\$1,763	\$1,568
AAMI	\$1,735	\$1,648	\$1,796	\$1,356	\$1,487	\$1,271	\$1,582	\$1,043	\$1,766	\$1,740	\$1,324
NRMA	\$2,162	\$2,026	\$2,334	\$2,122	\$2,180	\$8,687	\$2,328	\$1,891	\$2,500	\$1,920	\$1,707
Allianz	\$1,355	\$1,302	\$1,606	\$1,418	\$1,251	\$2,086	\$1,545	\$1,204	\$1,457	\$1,265	\$1,289
QBE	\$1,823	\$1,676	\$1,906	\$1,493	\$1,521	\$3,418	\$2,052	\$2,554	\$1,791	\$2,356	\$1,706
CGU	\$1,523	\$1,542	\$1,501	\$1,398	\$1,251	\$4,969	\$1,647	\$1,400	\$1,385	\$2,208	\$1,501
Suncorp	\$1,965	\$1,423	\$1,958	\$1,671	\$1,594	\$1,808	\$1,847	\$1,755	\$2,339	\$1,981	\$1,677
Coles	\$1,184	\$1,140	\$1,265	\$1,368	\$658	\$1,801	\$1,213	\$2,177	\$1,244	\$2,009	\$1,850
Woolworths	\$1,049	\$1,097	\$1,081	\$970	\$1,009	\$1,786	\$1,177	\$1,252	\$1,164	\$1,704	\$981
GIO	\$1,814	\$1,374	\$1,922	\$1,645	\$1,609	\$1,668	\$1,810	\$1,723	\$2,090	\$1,846	\$1,632
Westpac	\$1,351	\$1,459	\$1,465	\$1,350	\$1,158	\$1,479	\$1,555	\$1,525	\$1,446	\$1,457	\$1,330
Youi	\$1,213	\$1,199	\$1,133	\$1,279	\$1,120	n/a	\$2,315	\$1,473	\$1,543	\$2,718	\$1,981
Location Average	\$1,594	\$1,483	\$1,659	\$1,479	\$1,373	\$2,885	\$1,766	\$1,722	\$1,698	\$1,918	\$1,553

The large variation in premiums charged for the same property profile in the same location continued this month. On average, the highest premium is twice the price of the lowest price. This highlights the importance of consumers needing to seek a number of quotes when taking out or renewing policies in order to obtain the best value policy for their needs.

¹ The July report incorrectly gave Average total premium of \$1,761

Table 6: Variation in average total premiums per location

Average Total premiums	Randwick	Concord	Riverview	Bradbury	Hornsby	Hinton	East Gosford	Canowindra	Medlow Bath	Byron Bay	Wollongong
Minimum	\$1,049	\$1,097	\$1,081	\$970	\$658	\$1,271	\$1,177	\$1,043	\$1,164	\$1,265	\$981
Location average	\$1,594	\$1,483	\$1,659	\$1,479	\$1,373	\$2,885	\$1,766	\$1,722	\$1,698	\$1,918	\$1,553
Maximum	\$2,162	\$2,026	\$2,334	\$2,122	\$2,180	\$8,687	\$2,328	\$2,554	\$2,500	\$2,718	\$1,981
Max. multiple of min.	2.1	1.8	2.2	2.2	3.3	6.8	2.0	2.4	2.1	2.1	2.0

Ranking of insurers total premium prices

On average across the survey of 11 locations, the following was found:



Cheapest

**Woolworths, Westpac,
Allianz and Coles**



Mid

**AAMI, CGU, Youi,
GIO, CommInsure**



Most Expensive

**OnePath, Suncorp
QBE, NRMA**

Table 7: Total premium prices by location

Location	Cheapest 				Mid 					Most expensive 			
Randwick	W'worths	Coles	Youi	W'pac	Allianz	CGU	AAMI	OnePath	CBA	GIO	QBE	Suncorp	NRMA
Concord	W'worths	Coles	Youi	Allianz	GIO	Suncorp	W'pac	CGU	AAMI	OnePath	QBE	CBA	NRMA
Riverview	W'worths	Youi	Coles	W'pac	CGU	Allianz	CBA	AAMI	OnePath	GIO	QBE	Suncorp	NRMA
Bradbury	W'worths	Youi	W'pac	Coles	AAMI	CGU	Allianz	OnePath	QBE	GIO	CBA	Suncorp	NRMA
Hornsby	Coles	W'worths	W'pac	Youi	CGU	Allianz	AAMI	CBA	OnePath	QBE	Suncorp	GIO	NRMA
Hinton	AAMI	W'pac	GIO	W'worths	Coles	Suncorp	Allianz	CBA	OnePath	QBE	CGU	NRMA	
East Gosford	W'worths	Coles	W'pac	AAMI	Allianz	CGU	GIO	Suncorp	CBA	OnePath	QBE	Youi	NRMA
Canowindra	AAMI	W'worths	Allianz	CGU	Youi	W'pac	GIO	Suncorp	NRMA	CBA	Coles	OnePath	QBE
Medlow Bath	W'worths	Coles	CGU	W'pac	Allianz	Youi	CBA	AAMI	OnePath	QBE	GIO	Suncorp	NRMA
Byron Bay	Allianz	W'pac	W'worths	AAMI	CBA	GIO	NRMA	Suncorp	Coles	OnePath	CGU	QBE	Youi
Wollongong	W'worths	W'pac	AAMI	Allianz	CGU	CBA	GIO	OnePath	Suncorp	NRMA	QBE	Coles	Youi