

VMIA DBI Premium rate changes - FAQs

September 2019



What is happening?

Following the annual review of Domestic Building Insurance (DBI) premiums, VMIA will be increasing premiums by an average of 7%.

This is made up of a:

- 15% increase for multi unit policies; and
- 5% increase for all other policies.

Why are premiums increasing?

The VMIA actuarial review shows defect claims experience has deteriorated over the past 18 months, in particular, claims for multi-unit developments are higher than expected and it is expected that this trend will continue in the short to medium term. To ensure that the premium being collected is sufficient to maintain the stability of the DBI portfolio, a moderate increase is being applied. This is the first increase in VMIA's DBI premiums for 6 years and follows a reduction of average premiums by 23% in July 2017. In applying this increase, VMIA has sought to maintain simplicity in the pricing structure, stability in premiums and the sustainability of the DBI portfolio.

When does the increase come into effect?

1st November 2019

Why is there a short lead time to advise the market?

The moderate increase and its relatively simple application across the pricing structure provides sufficient time for successful implementation and communications to market.

Does the increase apply to all types of building projects?

Yes

Does the increase apply to Owner Builders?

Yes

Will there be a grace period for the changeover to the new rates?

There will be no grace period for the changeover to the new rates. If the policy is paid and issued on or after 1st November 2019 the new rates apply.

What happens to certificates in a builder's BuildVic cart that have not been purchased?

Certificates in the cart that are not purchased prior to COB, 31st October will be withdrawn.

How will VMIA treat certificates purchased in September but amended in December (post the rate increase)?

Amendments to Certificates that were issued prior to 1 November which require a premium increase or decrease will be based on the original premium as the Policy Inception date does not change.

Is VMIA satisfied that this increase is sufficient to address the deteriorating claims experience / the performance of the portfolio?

Yes. VMIA continue to monitor market circumstances and emerging trends and any impact on the financial sustainability of the DBI program is assessed on an ongoing basis.

Will there be details provided of the next timeframe for the review of premiums i.e. are there any further premium increases expected in the short term?

VMIA's DBI premium is reviewed annually. There are no further planned increases in the foreseeable future.

Is VMIA aware there may be an influx of certificate purchases once the increase is announced publicly?

Yes, it is expected there may be an increase in the purchase of certificates in the lead up to 1 November.

For more information call us on
Ph: 1800 150 888.