

Terry Wooltorton

[REDACTED] Broome 6725 WA

[REDACTED]
 [REDACTED]
 Commonwealth Bank

Dear [REDACTED]

Complaint reference [REDACTED]

Thank you for your letter Of [REDACTED] March 2017 in which you reiterate information provided by your colleague [REDACTED] ([REDACTED] Feb 2017).

I will refer to selected paragraphs from your letter:

Commisure utilises a range of data sources, including publicly available information from Government and Local Government sources as well as risk assessments derived from digital terrain data maps to determine the risk posed to your property. The rating factors include, but are not limited to, theft records in the area, proneness to flood, cyclone or bushfire which can affect your premiums.

My concern with this is that your information and data sources do not reflect the reality, nor are they completely truthful. Each of the organisations referred to below have no record of any contact by any insurance agency in relation to data you claim is used in your risk assessment.

In respect to theft for example, according to anecdotal reports from the local Broome Police and my own enquiries with neighbours, there have been no burglaries or theft from houses in the street during the 15 years the street has been in existence. Similarly, the local police have very few reports of theft within the suburb of Cable Beach and certainly not in the region in which my house is located. From this we can assume that the street of [REDACTED], and the suburb of Cable Beach should be designated low risk.

I have also checked with the Broome Shire and the only cyclone to hit the Broome region occurred in 2000 (Rosita) and although it was one of the most intense cyclones of the 20th century it caused minimal damage to Broome but did affect EcoBeach resort which is located some 200kms south of Broome and was not built to cyclone standards. These stats are supported by the Bureau of Meteorology (BOM) published data. [The orientation of the coastline protects Broome from cyclones that move along a more southwesterly track. Other cyclones form from lows that move offshore from the West Kimberley, and while they may be associated with heavy rainfall, do not typically cause strong winds in the Broome area]

And, in respect of Cyclone Rosita specifically BOM state: [Severe structural damage occurred at the Eco Beach Resort and at nearby Thangoo and Yardoogarra stations close to where the eye crossed the coast. In Broome the maximum wind gust was 153 km/h. Although there was extensive damage to trees in the town most buildings remained unscathed. Power supplies were cut to many parts of the town for several days] (<http://www.bom.gov.au/cyclone/history/wa/broome.shtml>)

Your digital terrain data maps will show that Broome town has been carefully engineered to direct stormwater away from housing and residential areas. My own house is situated on a slightly elevated block and the streets in the area are serviced by drains. Again I refer to publicly available data from BOM [Rainfall totals in excess of 100 mm are common with tropical lows in the vicinity of Broome. Several have produced accumulated falls in excess of 400 mm. In February 1932, 488 mm fell in just two days causing flood damage about town. Despite such heavy falls, Broome is not susceptible to major flooding owing

to good drainage and the small catchment size of local creeks. More significant flooding occurs on the Fitzroy River to the east.] (<http://www.bom.gov.au/cyclone/history/wa/broome.shtml>)

Bushfires should not be an insurance concern as we are not located near bushland and a reference to Google Earth, for instance, will confirm this.

I am interested to know what other data sources you have referred to in assessing the risk to my property. I have contacted the relevant building regulators, Broome Shire, WA Department of Planning in Perth and Broome, and the WA Building Commission, and each of them have said that the Building codes established for Broome (Cyclone Category 2) are designed to ensure that minimal damage can be expected during high winds and cyclonic events. This is borne out by BOM's references above.

I thank you for demonstrating the distance between Broome and Bunbury even though this really is irrelevant to the discussion at hand. I am interested to hear what you mean by *the likelihood and potential value of a claim being made under (my) policy*.

You mention that variations between the two properties contribute to the differential premiums. You cite the example of different values. The Bunbury house is covered for \$277,000 + 100,000 contents with \$100 excess. The Broome house is covered for \$300,000, \$40,000 contents with \$500 excess. To me, these are roughly similar values and certainly do not represent or justify a 400% premium differential.

I am further intrigued by your statement that our Broome house is constructed of PVC and iron. This is a misrepresentation of reality and reflects the limited choices you offer when seeking the homeowners to describe their construction materials. Our house is made of high grade steel, constructed on a concrete base and to Australian Building Code Cyclone standards. It is not made of plastic (PVC) as you suggest, nor iron. In addition, these Commonwealth Building codes require such things as extra roof and wall fixings together with exclusions of gutters and other hard-to-secure fittings. It is made to withstand all predictable wind and cyclonic events and has been certified by the local council as meeting these standards.

Your comment on proximity to builders, repairers and materials has what effect on the risk? Broome has a vibrant and lively construction industry. Materials do have to be transported from other locations but that's the same situation as our food and our fuel supplies and just about everything else a town requires. Why is this such a big risk that you have to bear and why should it impact on my premiums, except in the most minimal way?

Your reiteration of how you calculate premiums is interesting and enlightening for what it doesn't reveal. "**Your** basic premium reflects **our** view of the likelihood and potential value of a claim being made under **your** policy". I'm suggesting that your view is actually misguided and skewed in your favour. You have neglected the reality and exaggerated the real risks. You have used erroneous data to support your assessment of risk. You have used incorrect information about my house, the suburb and the street to calculate the potential value of any claim I might make. You have ignored real, publicly available data on the frequency of cyclones and their historical (and therefore potential) risk on Broome.

I am intrigued, and indeed offended, by your suggestion that I should have raised issues about premium differential earlier. I am of the (perhaps misguided) perception that there should be no time limit on questioning injustice and poor commercial practice. Despite what you write in your PDS, you still have to be able to justify your decisions and your calculations. Unlike what you are suggesting, I am aware of the principle of caveat emptor and accept that in most commercial cases I, as the purchaser, am responsible for what I buy. But I do refer you to the principle of Uberrima Fidei (Utmost Good Faith) which is the principle upon which insurance contracts are based (National

Insurance Brokers of Australia <https://www.niba.com.au/html/insurance-glossary.cfm>). I presumed that you have been acting in good faith as have I. But I now contest that you have ignored this principle, especially in respect of your responses to me, particularly in relation to not exploring fully the facts and details of my residence, its location, construction and history of risk events which would impact on your assessments. It should be noted that I have previously supplied to your colleague(s) these facts during telephone conversations with them and I'm surprised that you have not been informed so that you could have undertaken your own research.

You mention commercially sensitive information is used to calculate risk. I fail to see what other information you could possibly need. You know the house is built to withstand cyclones, it is in a quiet street and suburb, unlikely to be flooded and in no danger of bushfire. Hiding behind commercial confidentiality is a tactic usually reserved for dodgy dealers and snake-oil salesmen, not a leading Australian company acting within the principles of Uberrima Fidei. I have been a customer of the Commonwealth Bank (your parent company) for more than 50 years. I certainly hope my loyalty has not been misplaced for all those years.

Your concession of \$13.80 is accepted although again, the premium differential between Cable Beach and its neighbour Broome is hard to understand.

In your final paragraphs you suggest that the information you provided is in response to my request. I think that might be an overstatement. You have already supplied a written response to me (██████████ dated ██████████ February, 2017) which provided basically the same non-answer as your own. It was on the basis of ██████████ response that I have since contacted the Financial Ombudsman Service. I do not consider your latest response to be sufficient to close this matter. The Financial Ombudsman Service have advised me that they expect a response from you before 31 March 2017. I will await your response and their advice. Accordingly, I will defer contacting your customer advocate until further information is received.

Thank you

Terry Wooltorton

██████████ March, 2017

Commonwealth Bank

Commonwealth Bank of Australia
ABN 48 123 123 124
Commonwealth Bank Group Customer Relations
Reply Paid 41
Sydney NSW 2001

Mr [REDACTED] Woollorton
[REDACTED]
South Bunbury WA 6230

14 March 2017

Dear Mr Woollorton

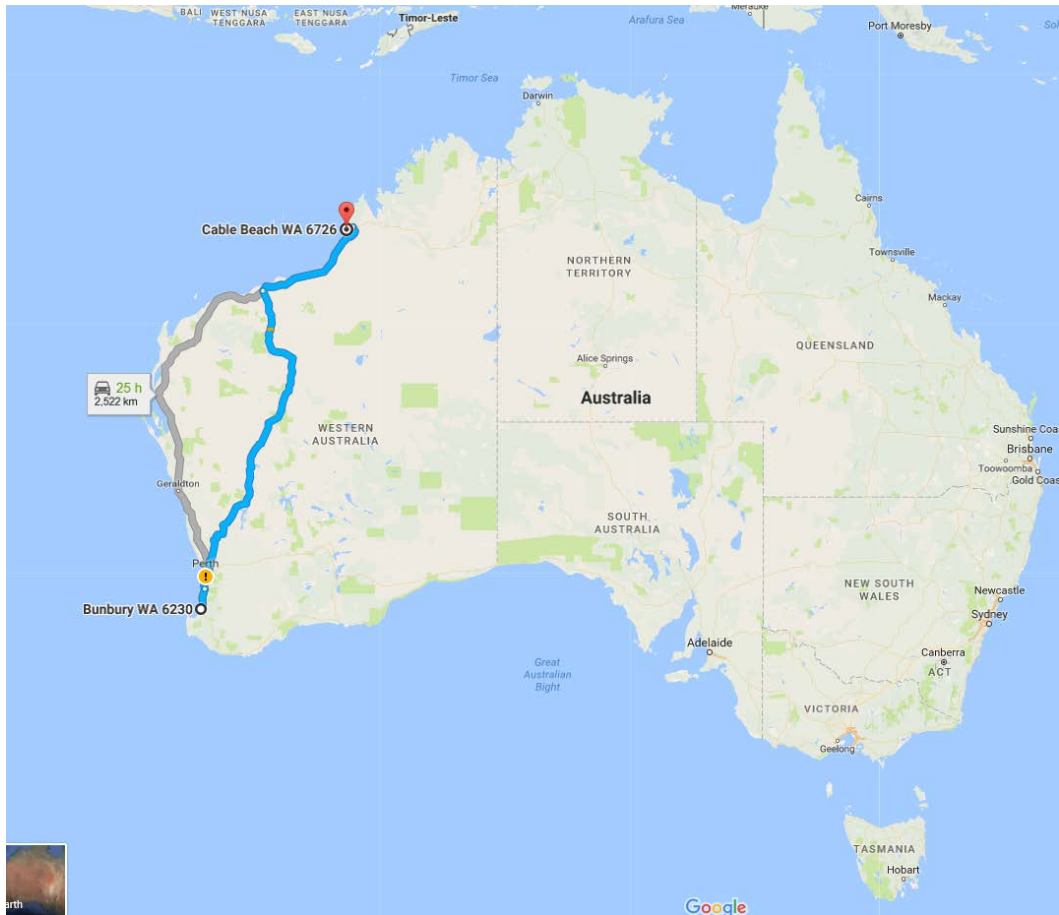
Complaint Reference – [REDACTED]

Thank you for contacting us about the difference in the amount of premiums paid under your policies [REDACTED] and [REDACTED]

The reason for the difference in the price of your premium between your two policies is due to a number of factors. Under the previous method used by Commlnsure to calculate premiums, each area was calculated in Zones which allowed for areas of high risk to be offset by areas of low risk. This method resulted in a lower premium for certain areas of high risk and higher premiums for areas of low risk.

The new method utilised in calculating premiums provides a more specific determination of risk in areas by examining the risk associated with a particular suburb or street. Commlnsure utilises a range of data sources, including publicly available information from Government and Local Councils as well as risk assessments derived from digital terrain maps to determine the risk posed to your property. The rating factors utilised include, but are not limited to, theft records in the area, proneness to flood, cyclone or bushfire which can affect your premiums. Where data examined provides for an increased chance such factors are likely to occur in your area, as assessed by Commlnsure, your premiums are altered to account for this increased risk. This has subsequently resulted in some premiums falling and others rising due to the recalculation of risk associated with property in a given area.

As your property insured under [REDACTED] is located in Broome and your property [REDACTED] is located in Bunbury, approximately 2,500 km away. As shown below:



There are different risks associated with each property and different factors taken into consideration for each of the properties under your policies. These risks are calculated utilising the abovementioned method to determine the likelihood and potential value of a claim being made under your policy.

Variations between the two properties contribute to the difference in your premium costs. These variations include the amounts insured and the excess on each policy. The greatest impacts on your premium are location, as mentioned above, the properties are in vastly different areas of Western Australia. Broome is assessed by CommInsure as a high risk cyclone area. Further to this the building materials utilised in the construction of each home contribute to the variation of the premiums. Your home in Broome is constructed using PVC and iron whereas your home in Bunbury is constructed with the use of double brick and cement roofing. In addition to this the proximity to resources such as builders, repairers and materials is a factor taken into account by CommInsure in determining the risks and impacts on your premium.

Information on how CommInsure calculates your premiums can also be found on page 23 of your Home Insurance Product Disclosure Statement under the 'How we calculate your basic premium' section. An extract of this has been provided below for your reference:

How we calculate your basic premium

Your premium

The premium is the amount **we** charge **you** for **your** policy.

This is stated on **your Certificate of Insurance** and **your** premium is made up of the following:

- The basic premium **we** have calculated for **your** policy based on **our** assessment of the risk;
- A Fire Services Levy, Fire and Emergency Services Levy or similar if applicable; and
- Any other mandatory Government charges (such as GST and Stamp Duty)

Your basic premium reflects **our** view of the likelihood and potential value of a claim being made under **your** policy. The greater the likelihood and/or potential value of a claim, the higher the basic premium charged.

We calculate the likelihood of **you** making a claim and the potential value of **your** claim by assessing certain significant factors based on **our** claims experience. The significance of each factor **we** use can change and how they are combined to derive a premium may differ from one policy to another.

You can find further information in the Commlnsure Premium, Excess and Discount Guide which can be found on the website by accessing the link below:

<https://www.commbank.com.au/content/dam/commbank/personal/apply-online/download-printed-forms/commlnsure-premium-excess-discount-guide.pdf>

Premiums are generated based on Commlnsure's view of risk utilising the information provided as above alongside further specific information which is commercially sensitive and not provided to customers. Commlnsure regularly review our risk ratings and adjust premiums accordingly, on this basis it is likely you will see a difference on renewal, this difference may cause an increase or decrease in your premium. In obtaining insurance you should consider if the product suits your needs and whether you would like to purchase the policy. I note that on inception of your policy you willingly entered into a 12 month contract for the amount clearly displayed at the time of the policy inception. Your complaint has arisen seven and a half months after your acceptance of the policy and premium. As such you are deemed to have had sufficient notice regarding the amount of your premium under your policy.

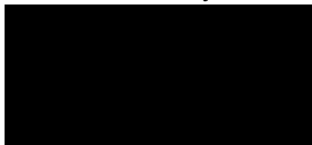
A further issue raised was the suburb recorded against policy [REDACTED]. Upon a review of your policy I noted the address is listed as [REDACTED] Broome WA 6725. I understand this is incorrect and the correct address of your property is [REDACTED] Cable Beach WA 6726. This incorrect address was listed on your policy documents but was not brought to our attention. The resulting change in the listed property address from Broome 6725 to Cable Beach 6726 has resulted in a reduction of \$13.80 which will be adjusted accordingly in your premium for [REDACTED]. With the exception of the incorrect address adjustment the premium for your policy [REDACTED] has found to have been correctly calculated for the area and property insured. In addition to this a competitor quote obtained returned a premium for your property of approximately \$3,800. As such the premium amount for your policy [REDACTED] has been correctly assessed by Commlnsure.

The information above is provided to you, upon your request, in relation to the calculation of your premiums. Following a review of your premiums I have determined that, with the exception of the incorrect suburb listed on your policy [REDACTED], your premium is correct. The \$13.80 alteration will be applied to your policy to recalculate your premium for the remainder of the life of your policy. As a customer you are required to assess both the policy and its terms alongside your needs and determine if this is right for you. You are further required to check your policy documents at inception and whenever new documents are sent to you to ensure the product continues to meet your needs.

I appreciate this is not the outcome you were seeking however, this is our final response. If you disagree with this response, you can contact the Commonwealth Bank's Customer Advocate for an independent review of your complaint on 1800 832 806 (free call Monday to Friday 8.30 am – 5 pm), or customeradvocate@cba.com.au, or by writing to Customer Advocate, Commonwealth Bank, Reply Paid 88915. Sydney, NSW, 2001. More information about the Customer Advocate can be found at www.commbank.com.au/customeradvocate. You have six months from the date of this letter to take your complaint to the Customer Advocate.

Alternatively, you can contact the Financial Ombudsman Service, a free and independent resolution service. You can contact FOS on 1800 367 287 or www.fos.org.au. You have two years from the date of this letter to take your complaint to FOS.

Yours sincerely

A large black rectangular redaction box covering the signature of the Customer Resolution Specialist.

Customer Resolution Specialist