

AAMI HOME BUILDING INSURANCE

PREMIUMS, EXCESSES, DISCOUNTS AND CLAIM PAYMENTS GUIDE

Your Guide to Premiums, Excesses, Discounts and Claim Payments

This AAMI Home Building Insurance Premiums, Excesses, Discounts and Claim Payments Guide (**Guide**) is designed to provide you with additional information about how we calculate premiums for, and pay claims under, the policy.

You should read this Guide together with our Home Building Insurance Product Disclosure Statement (PDS), dated 9 November 2011, and your insurance schedule.

This Guide applies to new policies which commence on or after 5 February 2012. It also applies to renewal policies with a due date on or after 31 March 2012.

About your premium

The premium is the amount you pay us for this insurance. It includes the risk premium which reflects what we consider is the likelihood of you making a claim, other factors related to our cost of doing business and any discounts we give you, stamp duty, goods & services tax (GST), any other government charges and fire services levy if applicable.

When we calculate your premium, there are a range of factors we take into account. The importance we place on the factors we use can change and how those factors combine to affect your risk premium will differ from person to person. The factors we use may include:

- Address and locality of the insured address
- The characteristics and features of your building and the insured address including the number of bedrooms, number of bathrooms, number of storeys, number of garages, whether you have a pool or deck, the type and number of outbuildings
- Construction material of the building
- Age of the building
- Type of security at the insured address
- Any options you have chosen
- Your claims history
- Age of the oldest policyholder
- The Flexi-Premium™ excess you choose (if any)
- Whether you pay your policy by instalments or have ever paid by instalments before

Each time you renew your insurance your premium is likely to change, even if your personal circumstances have not changed. This is because the premium you pay is also affected by other things including:

- The cost of claims we have paid to other customers and claims we expect to pay in the future
- New and updated data we use to calculate your premium
- Changes in the rebuilding cost of your home
- Changes in government taxes and any state or territory duties or levies
- Our expenses of doing business and other commercial factors

When determining your renewal premium, we also consider how much you paid last time. As such we may limit movements up or down to your premium to avoid large changes in premiums across different periods of cover.

Premium discounts

The premium you pay for this insurance includes any discounts we have given you. Discounts are usually applied as the final step in the premium calculation before the application of government taxes and charges.

The main discounts we offer include:

- AAMI Association discount/Family Association discount - We might reward you with a discount during the first year of your policy if you have other current policies with AAMI or if your spouse or partner is currently insured with AAMI and you let us know about this when you take out your policy.
- Combined building and contents discount – We might reward you with a discount for combining your building and its contents on the same policy with us.

From time to time we might also offer discounts or some other special offer as part of a marketing campaign. If we do this, separate terms and conditions will usually apply and you might not be eligible for our usual discounts.

If you are eligible for more than one discount we apply any subsequent discount to the already discounted premium.

The amount and type of discounts offered can change or be withdrawn.

Government taxes and charges

Home building insurance policies are subject to stamp duty imposed by state and territory governments, GST and fire services levy in some states.

Excesses

The amount and types of excesses that apply to your policy are shown on your insurance schedule and are described in the PDS. The different types of excesses are:

Standard excess	Our standard excess is \$0 or \$100.
Flexi-Premium™ excess	You can choose to add a flexi-premium excess to your policy to reduce the premium. When you choose to apply a flexi-premium excess, you will need to pay this excess in addition to your standard excess. You can choose from a number of flexi-premium excess levels between \$100 and \$1,000.
Unoccupied excess	The unoccupied excess is \$1,000.

Claim Payments Examples

The below examples show how AAMI may pay some home building insurance claims. They are only examples. AAMI always determines real claim payments on an individual basis, after we have assessed each claim.

Index of claim payment examples:

1. Total Loss
2. Partial Loss or damage
3. Partial Loss – Motor burnout
4. Partial Loss – Accidental breakage of fixed glass
5. Legal Liability cover
6. Partial Loss – Fire damage

Notes about the claim payment examples:

- all amounts are shown in Australian dollars and are GST-inclusive
- all examples assume that the policyholder is not registered for GST

You should read the PDS and your insurance schedule for full details of what we cover as well as what policy limits, conditions and exclusions apply.

Example 1 - Total Loss

The building is insured for Complete Replacement Cover. Your city has been hit by a major cyclone and the building was one of the many destroyed during the event. You and your family move into temporary accommodation during rebuilding. You have a \$100 standard excess and your flexi-premium excess is \$400.

What you are claiming	How much we pay to reinstate your loss	Further information
Cost to rebuild building	\$440,000	We assess the building is a total loss. With Complete Replacement Cover we cover loss or damage due to an insured event up to whatever it costs us to repair or rebuild on a 'new for old' basis, unless provided otherwise in the policy. We cover what it costs us to rebuild the building. We pay this amount directly to the builder.
Temporary accommodation - \$20,000	\$20,000	Under the "Temporary Accommodation" additional feature, you are covered for reasonable temporary accommodation costs you incur up to 2 weeks in short term accommodation, and up to another 50 weeks residential accommodation similar to the building. We will either pay the costs you incur direct to the accommodation supplier or reimburse you these costs.
Less excess	-\$500	You pay your excess before we settle your claim.
Total claim	\$459,500	

Example 2 – Partial Loss or damage

A severe storm with gusty winds results in a tree falling onto your roof and damaging it significantly. We assess that the building is not liveable until repairs are completed and you and your family move into temporary accommodation for 4 weeks while repairs are undertaken. The accommodation costs are \$2,000. We assess the repairs to the roof will cost \$89,000. You have a \$100 standard excess and your flexi-premium excess is \$200.

What you are claiming	How much we pay to reinstate your loss	Further information
Cost to repair your roof - \$89,000	\$89,000	We cover what it costs us to repair the roof. We pay this amount directly to the builder.
Temporary accommodation- \$2,000	\$2,000	Under the "Temporary Accommodation" additional feature, you are covered for reasonable temporary accommodation costs you incur up to 2 weeks in short term accommodation, and up to another 50 weeks residential accommodation similar to the building. We will either pay the costs you incur direct to the accommodation supplier or reimburse you these costs. The location of the temporary accommodation means you will incur extra travel costs to get to work. You will not be able to claim for these costs as consequential loss is excluded under this policy.
Less excess	-\$300	You pay your excess before we settle your claim.
Total claim	\$90,700	

Example 3 – Partial Loss – Motor burnout

Your ducted air conditioning unit motor has suddenly stopped working and the repairer's report confirms that the motor for the unit has burnt out. The age of the motor in the ducted air conditioning unit is 5 years old. You have a \$100 standard excess and no flexi-premium excess.

What you are claiming	How much we pay to reinstate your loss	Further information
Cost to replace the motor - \$600	\$600	Under additional cover 'Motor burnout', we will cover the replacement or repair of the motor only in the air conditioning unit up to the age of 7 years. In this case the motor requires replacement. We cover what it costs us to replace the motor. We will pay the repairer direct.
Less excess	-\$100	You pay your excess before we settle your claim.
Total claim	\$500	

Example 4 – Partial Loss – Accidental Breakage

You are having a shower and accidentally slip and fall resulting in a cracked glass shower screen. You have a \$100 standard excess and no flexi-premium excess.

What you are claiming	How much we pay to reinstate your loss	Further information
Cost to replace shower screen glass - \$700	\$700	We cover what it costs us to replace the shower screen glass. We pay the supplier direct.
Less excess	-\$100	You pay your excess before we settle your claim.
Total claim	\$600	

Example 5 – Legal Liability cover

During a dinner party at your home one of your guests was walking down the stairs, the area was dimly lit causing your guest to slip down the stairs and injure their ankle and lower back. Your guest has made a claim against you and we or a Court decide you are liable. You have a \$100 standard excess and no flexi-premium excess.

What you are claiming	How much we pay to reinstate your loss	Further information
Total amount of liability - \$14,800	\$14,800	Under 'Legal Liability', we cover your legal liability up to \$20 million, including all associated legal costs. We pay the person who claimed against you.
Legal fees - \$5,000	\$5,000	Lawyers' fees to defend you are \$5,000. We pay the fees of \$5,000 to the law firm.
Less excess	-\$100	You pay us your excess when we accept your claim.
Total claim	\$19,700	

Example 6 – Partial Loss – Fire Damage

While you were cooking dinner, the phone rang and you didn't notice the cooking oil catch on fire. When the fire was extinguished there was damage to the stove, kitchen wall behind the stove and the bench top to the right of the stove. The stove was replaced and the kitchen wall behind the stove replaced and repainted. Due to the age of the kitchen, the bench top on the right of the stove could not be replaced with a matching laminate to the other bench tops. The policy responds to match undamaged parts if they are continuously joined. You can pay the extra cost of replacing the undamaged parts to achieve a uniform appearance. You have a \$100 standard excess and a \$600 flexi-premium excess.

What you are claiming	How much we pay to reinstate your loss	Further information
Cost to replace stove and kitchen wall - \$3,000	\$3,000	We cover what it costs us to replace the stove and kitchen wall. We pay the repairer direct.
Total amount for replacement of all bench tops - \$4,000	\$2,000	We cover what it costs us to replace the damage and undamaged continuously joined bench top. We pay the repairer direct. You can choose to pay the extra \$2,000 to have all bench tops matching.
Less excess	-\$700	You pay your excess before we settle your claim.
Total claim	\$4,300	

Do you need to make a claim?

Hopefully, you never need to. But if you do, AAMI is here to help you, 24 hours a day, seven days a week.

Everyone's home building insurance claim will be different, so if you need to make a claim, contact us as soon as you can. We will ask you about what happened and explain our claims process.

Your claim will always be assessed against the policy cover you purchased, which is described in the PDS and your insurance schedule.

How to contact us

- By phone: Call 13 22 44. We are available 24 hours a day, 7 days a week.
- Via the internet: aami.com.au
- By mail: AAMI, PO Box 14180, Melbourne City Mail Centre, Victoria, 8001.