

MARKET BULLETIN

From	Director, Worldwide Markets (extn 6677)
Date	13 March 2006
Reference	Y3764
Subject	Australian Fire Brigade Charges Scheme
Subject areas	To note new developments in the State of Victoria on funding arrangements for the local Fire Brigade Authorities

Attachments

Action points **To be noted**

Deadlines **With effect 1 July 2006**

Background

Insurers issuing policies in certain locations throughout Australia are required under the Metropolitan Fire Brigades Act 1958 (the 1958 Act) to contribute towards the financing of Fire Brigade Authorities' annual operating costs. Under State Fire Brigade Acts, Australian resident intermediaries are required to act as agents for Non-Resident Insurers. At points of the year intermediaries are required to provide Fire Brigade Authorities with details of assessable premiums placed with Non-Resident Insurers during the preceding year, these being returnable for assessment in accordance with the various Fire Brigade Acts.

The Australian Fire Brigade Charges Scheme - set up in 1982 and administered by the Committee of Management (CoM) comprising Lloyd's and the IUA - ensures, however, that Australian intermediaries are not disadvantaged in respect of their statutory obligations concerning the payment of Fire Brigade Charges when placing business with a Lloyd's participation as compared with placing business locally. This maintains Lloyd's competitive position, by enabling Lloyd's to lodge an *annual* return and payment to the Metropolitan Fire and Emergency Services Board (MFESB) under Section 40 of the 1958 Act (rather than Section 44A, which requires the Australian intermediary to lodge a return and pay the applicable amount to the MFESB within 14 days of the insured having paid the insurance premium).

New Developments

Following a parliamentary review in Victoria of the funding arrangements for the local Fire Brigade Authorities carried out in 2003/04, the Victoria State Emergency Service Act 2005 (the 2005 Act) was passed by the Victoria State Parliament and enters into force on 1 July 2006. The changes introduced by the 2005 Act are intended to improve the transparency of the funding process and makes it clear that the use of the Australian Fire Brigade Charges Scheme, whilst not mandatory, is best practice.

The 2005 Act will require the CoM to continue to operate and manage the Scheme and, on behalf of underwriters, to provide a certified copy of the 1982 agreement to the Minister as well as providing certification of compliance with the provisions of the 2005 Act within 30 days of it commencing. The proclaimed date for commencement is 1 July 2006. Should the CoM be unable to provide certification of compliance within 30 days of commencement, the Scheme will forfeit the beneficial arrangements under Section 40 of the 1958 Act and permanently be required to report under the more onerous Section 44A of that Act. Failure to comply with this request will also result in 60 penalty points. Each penalty point equals AUD 110 and such a penalty will be incurred each time a change of signatory is not certified to the Minister in the prescribed time.

In order to meet the requirements of the 2005 Act, local companies and the various Fire Brigade Authorities need to be able to identify participating scheme members including Lloyd's brokers, participating syndicates, and local Australian subscribing brokers and coverholders. The provisions of Section 69A of the 1958 Act require these member lists to be kept up to date by the CoM and for amendments to be processed in a timely manner. Once the initial certification has been made, the MFESB and the County Fire Authority (CFA) Victoria will treat any placements with a company not listed as non complying and require the placement to be reported under Section 44A of the 1958 Act, as well as applying 60 penalty points.

Lloyd's underwriters are automatically scheme participants via their membership of the Lloyd's Market Association. Other parties who do not currently participate in the Scheme but wish to become members should contact Martin Roberts (Secretary of the CoM) of the Lloyd's Market Association:

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If you have any queries about the above please contact one of the following:

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Julian James
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