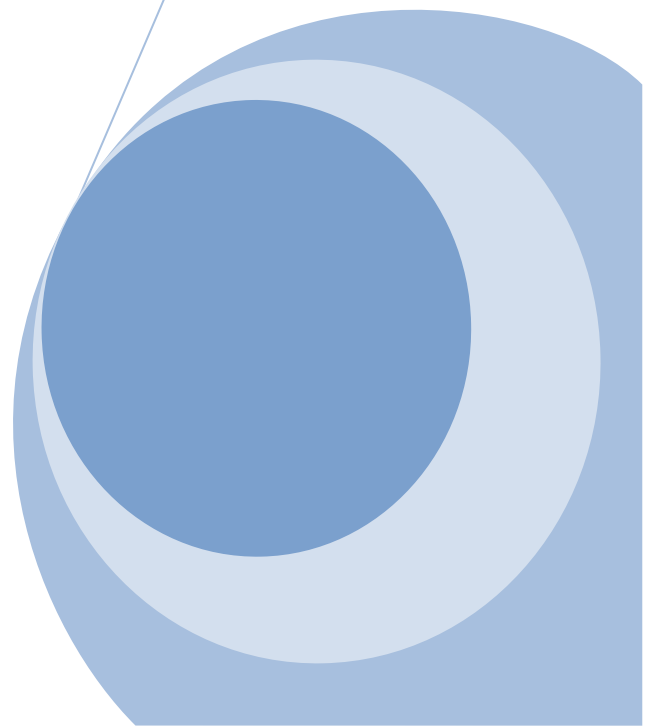
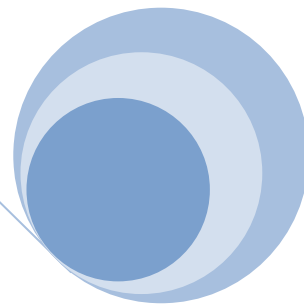
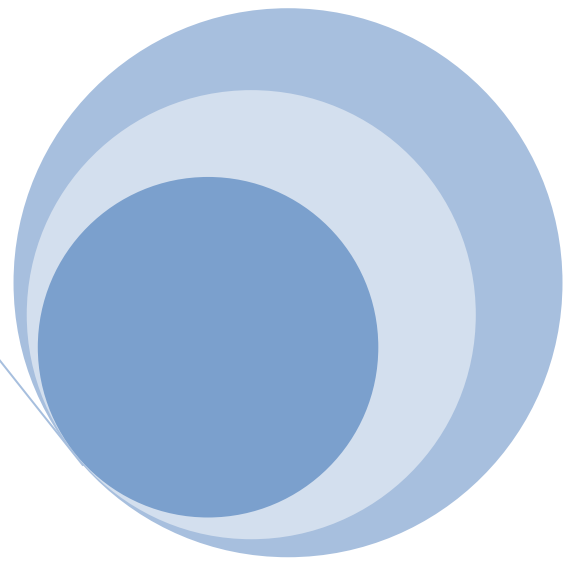


Submission

Reply to Nick Xenophon

Comments on the matters to be referred to the Economics
References Committee for inquiry.

Margaret Shaw 21st March 2017.



Margaret Shaw

Contents

| | |
|---|----|
| About the author | 4 |
| Summary | 5 |
| Definitions | 7 |
| Strata | 7 |
| Residenetial | 7 |
| Accommodation | 7 |
| Rental | 8 |
| Rural | 8 |
| Home and car insurance | 8 |
| Property types not in scope | 8 |
| Insurance types not in scope | 9 |
| Point 1: Increases verses wage growth | 10 |
| Existing Comments From Experts | 11 |
| Australian Bureau of Statistics | 11 |
| Point 2: Competition | 16 |
| Strata Insurance: | 16 |
| Home and Contents: | 17 |
| Contents and cars: | 19 |
| Not quoting, or “we’ll think about it” | 19 |
| Point 3: Transparency | 21 |
| What transparency? | 21 |
| Strata Commissions | 21 |
| Question 1 | 22 |
| Question 2 | 22 |
| Question 3 | 23 |
| Question 4 | 23 |
| Question 5 | 24 |
| Conclusions | 24 |
| Cyclone component of insurance | 25 |
| Point 4: The effect of comparison services | 27 |
| Point 5: Costs and benefits | 30 |
| Point 6: Legislative changes | 32 |
| Point 7: Any other matters | 34 |
| Addressing the high cost of home and strata title insurance. | 34 |

Margaret Shaw

| | |
|-------------------------|----|
| Focus Question 5..... | 34 |
| Focus Question 6..... | 35 |
| Focus Question 7..... | 35 |
| Focus Question 8..... | 36 |
| Focus Question 9..... | 37 |
| Focus Question 10..... | 37 |
| Focus Question 11..... | 38 |
| Focus Question 12..... | 38 |
| Focus Question 13..... | 38 |
| Focus Question 14..... | 38 |
| Focus Question 15..... | 39 |
| Focus Question 16..... | 39 |
| Focus Question 17..... | 39 |
| Focus Question 18..... | 39 |
| Focus Question 19..... | 40 |
| Focus Question 20..... | 41 |
| Focus Question 21..... | 42 |
| Focus Question 22..... | 42 |
| Focus Question 23..... | 43 |
| Flood component..... | 44 |
| Solutions Summary | 46 |

Margaret Shaw

About the author

Name : MARGARET SHAW
Nationality : Australian

I spent 28 years in the IT industry specialising in the insurance and assurance industries.

I started with Lloyds of London in the UK in 1976, contracted in Australia to CBA Life before the company was officially formed, and my last contract in semi-retirement was with Zurich Australia in North Sydney.

After running my own IT consultancy and recruitment agency in Australia, in 2002 I “retired” from the computer industry (early I might add). I moved to Airlie Beach in 2005, and I’ve travelled extensively both inside and outside Australia. I now reside in Airlie Beach permanently.

I have worked in: The UK; Ireland; Australia; Canada, and I’m very much a “hands on” person.

I have worked from ground floor to Board and Steering Committee level.

I have been everything from a Programmer to Project Leader and Programme Director.

I was happily retired and living in a 25 apartment complex in Airlie Beach (spread over 7 separate buildings) when, suddenly, overnight, and without warning or claims, our insurance went from \$25,000 to \$81,000 – SUU. Our then Treasurer couldn’t cope with the situation and had to resign due to stress related illness, I took over and the fight began.

I was involved in getting the Cross Party Federal Inquiry in February 2012, and presented twice to the Inquiry. I started the on-line petition on change.org to give people a chance to protest. I was elected as Consumer Representative on the NAIP Taskforce Advisory Panel. I’m active at Federal, State and local Government levels.

AND.... I will not give in.

People are suffering, losing their homes and respectabilities, and all because the insurance companies cannot, or will not, offer affordable insurance, and for strata and some mortgages it is mandatory.

Margaret Shaw

NAIP Advisory Panel Consumer Representative 2015
Winner Queensland Regional Service Award 2015
Winner Queensland Regional Achievement and Community Awards People’s Choice 2015
Whitsundays Citizen of the year 2016 (Proserpine, Cannonvale, Airlie Beach)

Insurance is not a luxury, it is a necessity, and has to be affordable!!

Margaret Shaw

Summary

I have dealt with these requirements from the point of view of Northern Australia and North Queensland in particular because this is the area I know the best.

It is hard to summarise this particular report because so much has already happened in North Queensland which the instigators of this investigation have very little knowledge about.

The increases experienced in North Queensland were 200-600% overnight with no warning, although Hon Warren Entsch MP stated he had examples up to 800% and Hon George Christensen MP stated up to 1000%.

Wages have never risen that much in a single year, or even over several years.

According to IAG (one of the major insurance groups operating in Australia and New Zealand) 30,000 households per year are dropping out of the insurance market and the insurance crisis is affecting 3,000,000 Australians.

Whilst premiums have somewhat stabilised (RACQI have just started increasing their premiums again by 40% in Townsville) we are still in the situation of paying substantially more for insurance in North Queensland than anywhere else, and not in the position of having substantially higher wages.

I have knowledge of what has been happening in Northern WA, particularly the Pilbara area, and the Indian Ocean Territory as I "gained" these areas when I was assigned as Consumer Representative on the Northern Australia Insurance Premium (NAIP) Taskforce Advisory Panel. At the time the Northern Territory still had the Territory Insurance Office (TIO) but that was sold to Allianz in 2015 and premiums have been rising there too but not in the same way as North Queensland.

As for competition, in North Queensland we are experiencing difficulty in obtaining sensible quotes, especially for strata of more than 10 units and/or with a replacement value of >\$5M, and sometimes get "stupid" quotes - \$20,000 for a house in Ingham.

I have detailed who is currently quoting in our area, as I understand it, and who is not, for different types of insurance.

I have also included new products I know about, I have had communication/Skype meetings with Suncorp and IAG March 2017.

With regards to transparency, I have to ask what transparency? I've detailed the problems I see with invoices and particularly commissions.

Margaret Shaw

With regards to the proposed website, I've been through some of this before with Warren Entsch so I've attached my (cut down) answers to focus questions I wrote in response to the discussion paper May 9 2014 **"Addressing the high cost of home and strata title insurance in North Queensland"**.

At the end, under any related business, I've also included a summary of things that could be looked at to help all Australians with their premiums.

I believe, as I did in 2011, that if the ICA had got together with its members and discussed this major problem of lack of competition and unaffordable premiums, they could have come up with a solution by now. The ICA could have gone to the Federal and/or state Government with some ideas and a plan and been seen as the heroes of this situation, and those with quotes of \$5,000 per unit and \$17,000 per house would have been grateful but it didn't happen.

The ICA have always deigned market failure in North Queensland even when we only had one company quoting for strata insurance (SUU), some complexes unable to get any quotes (Magnetic Island) making them in breach of State legislation, and home insurance at over \$5,000 for properties owned by Pensioners.

I refer you to page 19 of the NAIP Taskforce report issued to the public (not the interim report sent by Suncorp):

If the level of insurance premiums now better reflects the higher insurance risks in northern Australia because of cyclones, the question that has been posed by the insurance companies, in submissions and consultations with the Taskforce, is 'what is the problem?'

I'll answer that – it's not affordable!

Margaret Shaw

Definitions

Strata

I have used STRATA to mean any property which has a common area, including Retirement Villas, duplexes, holiday lets, residential, gated communities etc which do not actually fall under the term of STRATA and do not fall under “home” insurance.

The major problem is that with strata insurance every property is different, we are not all Gold Coast high rises. The problem with strata properties is that they also include any type of property with common areas. These can be:

- Gated communities
- Residential strata
- Tourist complexes
- Retirement homes
- Duplexes
- Holiday let

to name just a few.

Strata complexes can differ greatly in their makeup. They can be:

- Separate houses with common land
- Single storey
- Multi-storey
- High rises
- Properties which only have a common driveway
- Separate buildings on the same title
- A combination – such as retirement villas complexes which also contain stand alone houses

Tourist complexes and holiday lets do not fall under residential, even though people live in them on a permanent basis, they fall under the accommodation model.

Residenetial

Residential model - This includes stand alone houses, whether owner occupied or rental.

Accommodation

Accommodation model - This includes tourist and holiday lets which may be stand alone houses or strata.

Margaret Shaw

Rental

Rental properties - This includes stand alone houses, strata, holiday lets, retirement homes, gated communities etc. These are covered by Landlord's insurance.

According to Property Managers they have Pensioners paying out more than 50% of their income in rent as Landlords try to recoup their insurance increases.

Rural

Rural properties - Rural includes buildings and residential property. This is a difficult one as rural insurance also covers Farm, Crop and Livestock.

Home and car insurance

The Terms mention home and car insurance.

Very few people have just home insurance most people who live in houses have home and contents insurance and it can be problematical to separate a premium into the 2 components.

Home insurance can be difficult to define: normal house and contents; rural insurance covers the home; landlord's insurance covers the property as well as extras.

The question arises as to whether you are trying to include these properties or whether you are considering if the questions raised can be applied to all types of insurance where a property is lived in?

I believe the use of the term "home insurance" should be accepted as referring to any permanent structure that can be legally lived in (not caravan parks, demountables etc.).

- Strata
- Residential model
- Accommodation model
- Rental accommodation
- Rural?

Property types not in scope

These types of property should not be ignored but I deem they are not included in the scope as they cannot be legally lived in.

- Commercial
- Industrial
- Vacant land
- Rural insurance – to be considered as you can certainly live on a rural property but the policy covers so much more

Margaret Shaw

Insurance types not in scope

- Small business
- Public liability
- Life
- Health
- Term
- Marine
- Non marine
- Worker's Comp
- Mortgage loss/protection
- Travel
- Aircraft
- Construction/ development
- Consumer Credit
- Cyber Risk
- Defamation
- Engineering
- Extended Warranty
- Pet Insurance
- Product Recall
- Professional Indemnity

Margaret Shaw

Point 1: Increases verses wage growth

The increase in the cost of home and car insurance cover over the past decade in comparison to wage growth over the same period;

I can only give examples from Queensland as that is where I am based and where I have been fighting for fair and affordable premiums since 2011.

The cost of strata insurance went up in 2011 by 200-600%. The Hon Warren Entsch had examples of 800-100%. **There is no way wage growth has matched that!!!**

These increases applied not only to buildings which were damaged but particularly to buildings that:

- Had not flooded
- Had not claimed for any cyclone damage (or minimal claims) in the last 5 years
- Are not affected by bush fires

In 2011 the insurance premium for the apartments I live in (Airlie Beach), which consist of 25 apartments spread over 7 separate solid buildings, at the top of a hill, went **from \$25,000 to \$81,000** overnight with no notice and no claims.

In 2012, I examined 10 complexes in the Whitsunday area, the first 10 to respond to my email for information. The INCREASE in premiums for those 10 complexes alone was **> \$670,000** with little or no claims. I believe the **insurance crisis has cost the people of North Queensland alone \$1B in extra premiums over the last 5 years**, apparently without justification.

These excessive increases in insurance premiums are still having a devastating effect on areas already affected by the downturn in the resources sector, the GFC and subsequent drop in tourism, and are causing mental, physical health and financial difficulties. They have led to Mortgagee in possession sales, a major reduction in property values, and bankruptcy.

Since 2011 the insurance crisis here has spread beyond strata to include other insurances: commercial; home and contents; business; landlord's; rural etc, and to include other areas leading to a solution required for Northern Australia. Since the TIO was sold to Allianz early in 2015 areas of the NT are finding substantial increases in their premiums and wages are not rising to match.

Since 2011:

- Most insurance companies have left the market and refuse to quote for properties above the Tropic of Capricorn, the worst affected area being in Queensland from Mackay and above
- It is near impossible to obtain quotes for strata especially those with more than 10 units or valued above \$5M and below \$15M
- Home and contents insurance started to increase at the end of 2012

Margaret Shaw

- Rural insurance is almost impossible to get with only 1 or 2 companies quoting (according to graziers in Charters Towers)

Existing Comments From Experts

- 1) The conclusions of the Institute of Actuaries on the insurance crisis, in the Actuaries Institute's response to the Productivity Commission's Issues Paper on **Natural Disaster Funding Arrangements ('discussion paper')** released for consultation in May 2014.

"Insurance is becoming unaffordable for some parts of the community, especially those living in areas at high risk of natural perils such as flood and cyclone and to a lesser extent bushfire. The following chart shows that the cost of building insurance premiums for 320,000 households (or 4% of total households in Australia) is estimated to exceed three weeks of average earnings."

The chart shows 49% of Australians spend 1 week or less of the average Australian weekly salary (before tax) on their insurance. This means 51% spend more than 1 week's average salary. They say 37% spend 1-2 weeks, 10% spend 2-3 week's salary and 4% spend 3 week's or more of the average weekly salary on insurance.

The question arises as to what their definition of "average earnings" is, whether it is average earnings across Australia or average earnings per district. IF it is average earnings across Australia then the situation is even worse than indicated as the average earnings in North Queensland are far below that of the south, west or even south east Qld.

Australian Bureau of Statistics

6302.0 - Average Weekly Earnings, Australia, Nov 2014

Table 1: Average Weekly Earnings, Key Figures, Australia, November 2014

| | November 2014 \$ | Nov 2013 to Nov 2014 % change |
|---|---------------------|----------------------------------|
| Trend(a) | | |
| Full-time adult average weekly ordinary time earnings | 1 476.30 | 2.7 |
| Full-time adult average weekly total earnings | 1 539.40 | 2.7 |
| All employees average weekly total earnings | 1 128.90 | 1.3 |
| Original | | |
| Full-time adult average weekly ordinary time earnings | 1 477.00 | 2.8 |
| Full-time adult average weekly total earnings | 1 542.40 | 2.8 |
| All employees average weekly total earnings | 1 128.70 | 1.3 |

It is worth noting the current Federal Government slipped in its response to this report on 22nd December 2016 and rejected every recommendation as it wasn't their problem, it was the problem of the States and Territories.

Margaret Shaw

- 2) The Qld Chamber of Commerce and Industry reported to the NAIP Taskforce business insurance rising by up to..... 2,544% in a single year. This is after reporting an highest increase of 1400% the year before

I totally understand the terms of reference of this Inquiry do not cover business insurance in its scope. However, Queensland business reported an average premium increase of 58.2% and on average 5.74 per cent of overall business costs are comprised of insurance premiums.

Rising premiums have led to decreased profitability for more than half of Queensland's businesses (51.3 per cent) and decreased investment for 26.1 per cent. Two in five businesses have changed insurance companies as a result of rising prices. Of concern, 12.3 per cent of businesses reported that they are underinsured and 4 per cent have discontinued their insurance cover.

- 3) The Australian Actuary, Peter Martin, did an investigation into the cost of Strata insurance and decided the north of Qld paid up to 5 times the cost of the south east Qld, but that it was justified as we had 5 times the claims – debated

This report was produced using insurance companies: Territory Insurance Office, QBE, Allianz, CGU, Suncorp and Zurich. The TIO does not operate in Queensland.

One of the major statements was that *A major driver of premium rates is the expected claims cost*, actual claims costs are not taken into account.

Another stated *the major events that need to be considered include cyclone in NQ, earthquake in some capital cities and hail*. Floods, particularly in Brisbane, were excluded from the list because not all strata policies cover flood. I was amazed to find policies in South Australia, Victoria and Tasmania in particular must include cyclone cover – or not.

So it must be noted that whilst North Queensland pays 3-5 times what SE Queensland pays in insurance premiums we don't earn 3-5 times the salary of those in other areas of Queensland or Australia.

Our wages are not rising to match the cost of insurance.

- 4) Allianz Australia highlighted the weather risk component of insurance costs in North Queensland, particularly relating to floods and/or cyclones, stating that 'average premiums between North Queensland and elsewhere involving multiples of 2.5 times reasonably reflect differences in risk'. Allianz Australia noted, however, that 'this conclusion becomes harder to sustain in light of evidence that some homeowners face premiums of **ten or fifteen times those of other Australians**',

A recent investigation by Tony Raggatt Business Editor at the Townsville Bulletin (March 2017) shows the following statistics:

Margaret Shaw

Examples of annual home and contents insurance premiums for 4 bedroom homes

| | |
|----------------|---------|
| Mackay | \$4,200 |
| Cairns | \$3,915 |
| Townsville | \$2,600 |
| Bundaberg | \$1,960 |
| Warwick | \$1,790 |
| Gympie | \$1,300 |
| Sunshine Coast | \$1,000 |
| Toowoomba | \$499 |

So the cost of insurance in North Queensland is not improving much and our wages are not improving at all.

It is still a major frustration to George Christensen MP, who happens to be my member for Dawson, and I know Warren Entsch MP feels the same, as does Bob Katter MP.

I understand from Warren Entsch MP that he believes in Cairns more than 50% of property owners have gone into the last 3 cyclone seasons either with no insurance or under insured.

As I've said before IAG state **30,000 households are dropping out of the insurance market** and the insurance crisis is now affecting **3,000,000 Australian adults**.

Just a few actual comments from the people of North Queensland:

*"My home insurance went **from \$1800 per annum to \$7800 !!** Work that out ???"*

*"My home insurance increased **from \$2,700 to \$11,500** - This is plain highway robbery."*

*"My strata insurance quadrupled from **\$8,000 to \$32,000/yr** 3 months after buying my first home"*

*"Insurances for a modern cyclone rated 4 bed house has gone **up 5 fold in the last 4 years**, this is unjustified recoup of funds by insurance companies, I have not made a claim, yet am being punished for living in NQ, I am struggling to make ends meet and with 2 autistic children will have to delay one starting schooling next year. **Townsville**"*

*"Premiums for our strata block have gone **from \$30K to \$80K**. Contents insurance heading the same way."*

*"My complex had its insurance premium hiked **from \$17,000 pa to \$72,000 pa** in one year, causing levies to more than double. This year we will pay around **\$14,000** in Body Corp levies alone."*

*"We own a unit in Cairns which we are now renting out - it is very difficult to sell now because of the unjustified increases in insurance. There have been no insurance claims on the units in the 4 years we lived in it, yet the premiums increased **from \$6,000 to over \$17,000**. It is all very well for the politicians in Brisbane to advise us to shop around but there are very few insurance companies that will provide cover*

Margaret Shaw

up here. I also feel for the many retirees who are now trying to fund the huge increases. The impact on the mental health and wellbeing of all the people in this situation should not be underestimated."

*"As a single mother I am finding every day expenses are extremely unaffordable. I rang around yesterday for prices for my house insurance and I was blown away, AAMI was **\$5414** which I just laughed at and Suncorp was **\$9554** which I cried at, absolutely insane, I live in a standard 3 bdr home in Manoora, I have to NOW pay for flood insurance ."*

*"Even on our cattle property (which is NOT on the coast), our insurance premium has DOUBLED (try **\$29,000** for size!), & NO ONE wants to do rural insurance! **Townsville**"*

*"The insurance premium on our **business** has gone **from \$8,000pa to \$34,000pa** in a few years and our home insurance has now **tripled** since Yasi despite the excess increasing. No one will be able to afford to or want to invest in a home or business in this region as a result of the discrimination being shown by Insurance providers."*

*Our commercial insurance costs have **doubled** with ridiculous excesses. Like \$50,000 excess for cyclones before we can claim!!!*

*"Where will it all end, our unit complex (with no claims) saw a **\$6000 a unit increase** in premium. We can't afford to stay at that price, but no one wants to buy in."*

"As seniors - and only one working - we cannot pay these increased insurance premiums and we cannot sell our unit as the levies are now too high"

*"I have an investment property, Portside Whitsunday, Airlie Beach. Since buying the property 7 years ago, values of properties have continually declined. If sold now, I would be **at least \$250,000 worse off**. The investment costs me \$25,000 plus per year even though it is tenanted quite well. The costs associated with the property are constantly soaring and particularly insurance. Queensland will not attract investors if this continues. I will get out of this investment as soon as I possibly can for all of the above reasons."*

*"In the 5 years I have been resident manager of the property and also own a unit, which I pay 3 times the amount everyone else does, I have seen our insurance go **from \$7000, \$19000 and now \$42,000** with a \$10,000 excess to try to keep it down. Tourism is down and rents are high which does not leave enough funds to pay the bills!!! We can't afford to get things fixed as the insurance is taking all the money. **Airlie Beach**"*

*"As managers and apartment owners of a Holiday Complex we are horrified at the **654% insurance increase** we have suffered in the past 5 years. As with most of you, the complex has had no claims what so ever. This is robbery – we have no options. State Government has got to act. No one can afford these increases and they are not warranted, why are we paying for the floods in Brisbane - Oh ! because we live where a cyclone "might " hit one day area ...Get real! **Airlie Beach**"*

*"We have gone from paying **\$800 a quarter** in body corporate fees **to over \$1700 a quarter** due to the increase in insurance. Where are we supposed to get the money from?"*

Margaret Shaw

"I am a disability pensioner and my Fees have tripled in 3 years ! There is no money left to live!!! and no one to buy my unit because of the high fees !! Something must be done now!!! Cairns"

At the end of 2012 George Christensen MP stated:

*"As the Federal Member for Dawson (which is a coastal electorate stretching from Mackay to Townsville), I have had scores of complaints relating to insurance premiums going through the roof, particularly for unit holders in body corporates of properties valued \$5 million or over. In some cases, **I have heard of 1000% hikes in premiums in just a few years.** One of the issues we have is that, in any given town/city above the tropic of Capricorn, there has been only one insurer providing cover for body corporate properties valued \$5 million or over. It's strange that in different towns, it's a different insurer. It may not be collusion but it's highly suspicious. The insurance market has clearly failed in North Queensland. Something needs to be done.*

We're still waiting!!!

Margaret Shaw

Point 2: Competition

Competition in Australia's \$28 billion home and car insurance industry;

I have very little information on car insurance but it doesn't seem to be a major problem in North Queensland.

As for home insurance:

Strata Insurance:

In 2012 North Queensland had only one insurer offering insurance for strata properties valued a replacement cost of \$5M and above – SUU – owned by CGU – owned by IAG. Premiums went haywire.

Currently:

- **Suncorp** have brought out a new product which can be bought direct from them only, no brokers and no commissions payable to Body Corporate Managers (my pet hate), for replacement valuation **up to \$5M only and up to 10 units**. They say up to 20% reduction but I have reports of up to 40% saving and two of 80% reductions in premiums

At my last Skype meeting with Suncorp (March 2017) they stated over 3,000 properties have taken up this option.

- **Brooklyn Underwriting** (backed by a Lloyds of London syndicate) have changed their \$5M valuation limit to \$15M, so they will now quote on properties valued **up to \$15M** so giving an alternative to SUU SO LONG AS you're more than 500m from the coast line

I've been told by David Porteous Director of Brooklyn Underwriting, Brooklyn have insurance budget for the whole of Northern Australia so their exposure to a specific region such as North Queensland is mitigated. If a cyclone hits WA the premiums from Queensland will offset the claims, and vice versa. Sensible isn't it?

- **SUU** are still in the market and undertaking individual risk assessment of all their strata properties (up to 20% reductions) – owned by CGU – owned by IAG
- **Vero/Longitude** - owned by Suncorp are also offering to quote particularly for complexes with replacement of \$5M-\$15M, but with **limitations**

Vero insures via Longitude as of ^{3rd} September 2012. However, if there had been a large claim they refused to quote, so they're basically had the sense to pick up the properties which haven't had any claims but have still had massive increases in premiums. I now understand from Joshua Cooney Public Policy Manager Group Corporate Affairs Vero have been instructed to quote on all complexes.

Interestingly, sometimes quotes via Longitude come in below those of Vero direct, even though Longitude is the broker.

Margaret Shaw

- **QBE** will quote (they do the Defence Force insurance) with **limitations**

Unable to quote unless managed by a major hotel chain & > 75% holiday let (this may have changed but I don't think so)

- **Strata Community Insurance** – underwritten by Allianz have **limitations**
- **JLT** (broker) came up with a new product aimed at large complexes interested in an Industry Special Risks policy. You need to be valued at **\$15M+** or just below

"Jardine Lloyd Thompson (JLT) is a leading global provider of insurance, reinsurance and employee benefits related advice, brokerage and associated services. JLT is a wholly owned subsidiary of one of the larger European-headquartered insurance broking group, which is also one of the larger firms of its type in the world."

JLT'S BESPOKE ISR POLICY

JLT is pleased to offer you a highly competitive alternative for larger strata complexes in NQ. The tailored package is supported by a global insurer (Standard & Poor's A / Stable) and Lloyd's of London.

Having recognised the lack of options for larger strata complexes in NQ, JLT has developed a "strata-specific" ISR policy based on our negotiated and exclusive wordings.

- For complexes valued over \$15M or just below you can apply for an Industry Special Risks policy (ISR) where the insurance is spread between insurance companies in a special market not available to other complexes

And that is about it.

If you're a strata property valued between \$5M and \$13-15M or have more than 10 units you're between a rock and a very hard place, particularly due to the limitations which can include: postcode; replacement valuation; what you're built of; closeness to the coast; etc.

If you happen to be located on an island, such as Magnetic Island (off Townsville), you're stuffed!!

No matter what the ICA may tell you about the use of postcode, some insurance companies last time I checked (IAG owned) are still using postcode rather than actual location. AND no matter what the ICA may tell you about the average strata insurance premium being just over \$1,500 per unit, mine is \$2,200 for a 3 bedroom unit, another in Airlie Beach is \$2,800 per unit, and Mackay is worse.

Strata insurance is mandatory.

Home and Contents:

- **IAG** (Insurance Australia Group) have brought out a very different basic product called InsureLite, available on line

This "no-frills" home building policy is being tested **ONLY in Queensland** before a planned national rollout. The InsureLite product is aimed at households that cannot afford traditional home building cover, or as IAG puts it, those suffering "*home insurance affordability stress*" which is most people. If a house is destroyed or deemed irreparable, the cover provides a new three-bedroom home built to the value of \$150,000 or \$200,000, as pre-selected by the customer, or a lump sum payment.

Margaret Shaw

I communicated with George Karagiannakis Head of Government Relations Group Corporate Affairs IAG in March 2017 and he stated:

Since launching the product a number of learnings have been gleamed that we hope to take into future propositions under our core brands.

So they're still working on it. I have no idea what the take up has been as George has not replied to the question, as of today.

- **Suncorp** is quoting

Suncorp have introduced a resilience project where you tell them what you've done to prevent damage and they'll consider a discount. Major benefit is that you don't have to wait until renewal, you can call them today

Suncorp state over 30,000 home owners have benefitted from their resilience project by up to 20% reductions (March 2017). Maths was always my strong point and if you've had an increase of 400% a reduction of 20% is a start but not good enough.

However, I can't sell the fact that you spend \$30,000 on a new roof and tie downs and you'll get a \$500(ish) reduction in premium. Neither can I agree to using Government money to pay for mitigation projects to save insurance companies perceived future claims. The insurance companies themselves should be contributing towards mitigation not relying on Governments.

Also note, I hold Suncorp partially responsible for our problem in North Queensland as in 2011 instead of increasing their premiums they withdrew from the market. Since they were the major insurer in our area for strata other companies got scared and withdrew as well, hence no competition at all.

- **AAMI** and **APIA** (both owned by Suncorp) are quoting

Worth noting APIA are changing their system so home owners can no longer underinsure which means if you've got a house that you would never rebuild as its too old and decrepit so you would just clear the land, or if you've got a house which is too large for you and if destroyed you would rebuild something smaller, or if you have a house which is built old style and you would replace it with something newer as the cost of rebuilding the same thing would be prohibitive, tough!! You're going to have to insure at their idea of rebuild cost no matter what. I've had this conversation with Geoff Keogh.

APIA also has an age limitation, the policy holder must be over 50.

- **CommInsure** (CBA), **Westpac**, **OnePath** (ANZ) are quoting

They really have to because for some mortgages insurance is mandatory. However, I would be extremely surprised if some home owners weren't in breach of their mortgage conditions due to the cost.

- **NRMA** is quoting - owned by IAG

Since NRMA are not over exposed in North Queensland they're coming in with quotes way below the independently owned RACQI.

Margaret Shaw

- **RACQI** is quoting and has also brought out a resilience project but you have to wait until renewal time to claim the discount

I have no figures on this project, but they beat Suncorp to the market by just a few weeks.

- **Allianz** is quoting but I've yet to see a "reasonable" quote from them

I do not consider \$17,000 and \$20,000 for home insurance as reasonable.

- **QBE** and **Youi** might, and then, again might not

Youi will quote in some areas but not in others. No for Townsville and Ayr but yes in Cairns.

- **Elders** will quote and it's QBE underwritten, but they have turned down quoting on at least one property due to age

Contents and cars:

I don't know much about this, only the new products we've been able to get on the market.

- **Suncorp and Good Shepherd Microfinance** have come up with a joint product called "Essentials by AAI"

This insurance product allows people to 'mix and match' cover for contents and cars, with premiums starting as low as \$4.00 per week. Key features of the new product include cover options for contents \$10,000/\$20,000, and up to two cars valued at \$3,000 and \$5,000. Unlike other products in the market, policyholders will also have access to standard two excess-free claims with a low \$100 or \$300 excess applying to subsequent claims.

This product is suitable for anyone who just wants basic car insurance for their second hand car, and to cover their white goods etc. – **You must have a health care card, or be on Centrelink** etc. Aimed at low income people

As of March 2017 only a few home owners had taken this up, probably due to the limitations.

- **IAG** have brought out Insure 4 That (I4T)

It was launched shortly after InsureLite as an alternative to traditional contents insurance. The product provides consumers with the capability to only insure those individual contents that matter to them.

According to George Karagiannakis *The product has been tested Nationally and is performing strongly. Part of its success has been that its appeal is broader than just consumers suffering affordability stress.*

Not quoting, or "we'll think about it"

- **Mobius Underwriting** (backed by a different syndicate of Lloyds of London to Brooklyn) were also quoting, sometimes, now it seems not.

Margaret Shaw

- **CHU** withdrew from the North Qld strata market and have not come back – owned by Steadfast
- **AMP GI** has withdrawn from the strata market entirely – underwritten by GIO – owned by Suncorp
- **Zurich Insurance** stopped writing new strata business in 2011/2012. However, they have now withdrawn from the entire strata market in Australia. Anyone who had one of their policies had to use someone else at their next renewal

"Zurich has now ceased offering strata policies and we will cease renewing strata policies with policy renewal dates effective as of 15 March 2016.

- *All existing strata policies will remain valid and in force until their scheduled expiry date.*
- *All claims will be managed in the normal process.*

For further information please contact your broker."

- **ACE** is one of the special companies who will quote an ISR policy only
- **Chubb** Unable to quote in NQ
- **Millenium** Unable to quote
- **AXIS** Unable to quote
- **QUS**

QUS completely withdrew from the NQ strata insurance market 5/12/11

- **JUA** Unable to quote
- **Asset Insurance** Unable to quote
- **GIO** May or may not quote

Margaret Shaw

Point 3: Transparency

Transparency in Australia's home and car insurance industry;

What transparency?

The Australian Government Actuary, Peter Martin, did a report on the affordability of strata insurance in North Queensland. The next year he looked at expanding the report (because the original didn't include up-to-date information) and Suncorp refused to take part.

Now, Suncorp are the major insurance company in North Queensland so what use are any figures without their figures?

Warren Entsch introduced a Government web site for insurance comparisons, it isn't mandatory so the major players refuse to use it.

Strata Commissions

This is my pet hate and I'm joined by Dallas Booth (NIBA) in the dislike of these arrangements.

The tax invoice for the insurance premium rarely shows the total individual costs associated with it.

Body Corporate Managers have to disclose the commission they are entitled to receive to the Body Corporate:

"Section 135 of the Queensland Body Corporate and Community Management Act 1997 regulation 2008"

However, in Queensland (different legislation in each State or Territory) that declaration of commission is contained within the Management Agreement.

E.g.:

- | | |
|--|-----------------------------|
| I. DISCLOSURE OF COMMISSIONS | |
| Providers of services that pay a commission to the Manager | |
| Name of Company: | CHU Insurance Australia |
| Commission Details: | 5 – 20% on base premium |
| | |
| Name of Company: | Allianz Insurance Australia |
| Commission Details: | 5 – 20% on base premium |
| | |
| Name of Company: | SUU Insurance |
| Commission Details: | 5 - 20% on base premium |
| | |
| Name of Company: | BCB Insurance |
| Commission Details: | 5 – 20% on base premium |

Margaret Shaw

This amount is declared as a percentage in the management agreement and does not always show on the invoice (haven't seen one yet).

Some Committees have no idea they are paying up to 20% (possibly more) of their premium in commissions to their Body Corporate Managers who they are paying to do a job!!!!

Body Corporate Managers (BCM) do not hold a license issued from ASIC, brokers do. It is argued by Body Corporate Management companies that they don't offer advice on insurance they merely get the quotes, but they still get up to 20% of the base premium in commission, not declared on the invoice.

"Managing Agent was due to charge \$18,000 for arranging the insurance and reduced it to \$9,000. This is still excessive"

Question 1.

Are all BCMs going to get quotes from all insurance companies who are willing to quote, or only those who are going to pay the BCM a commission?

It seems a possibility that the answer may be only those paying a commission, after that they'll transfer the hunt to their preferred broker as they can get a percentage of their commission.

However, some products won't pay commission the BCMs or brokers so there have been refusals from BCMs to get a quote for the Suncorp Strata Direct product for smaller complexes.

E.g. One complex in Townsville was told by their BCM that they didn't fit the criteria even though they were 6 units valued at \$4M. It could have been because of the terms and conditions, then again it could be that this product does not pay commission to BCMs.

"Hi, how do we get anything done ? Our complex is 5 units. Our fees are >\$1.000 a quarter, if we need anything done a meeting has to be held, costing more money. Nothing is done I am the only Owner Occupier, the rest are rented out. Something has to be done."

My Comment was: You can call Suncorp yourself and ask for a quote. This can then be submitted to the owners as an alternative. You can insist your BCM issues it to all owners or you can ask for a copy of the owner's register and issue it yourself.

Question 2.

So, we're in the situation where the BCM has run out of insurance companies to contact since they're not quoting in North Queensland, do they contact a local broker or one who offers a set fee for arranging insurance?

NO, they make one single phone call to their preferred broker. In the example above it is BCB (Brisbane broker).

Preferred brokers are never local, they don't know the area or the property, they're large and expensive. Only large and expensive brokers can afford to make an agreement with a BCM where they

Margaret Shaw

give up part of their commission to the BCM in return for the BCM putting all their business through them.

In some cases it's as much as 85%.

Brokers fall under the regulation of the *Commonwealth Corporations Act 2001*.

Quote from a BCM:

"If cover is placed with them (1 of their preferred brokers) we will be paid commission in accordance with our agreement."

This is supposed to be transparency?

When you get your tax invoice you don't know what amount has been paid to the BCM, it could be 5% or up to 20% of premium. You have no idea what the base premium amount actually is!!

"BCM's make their money from insurance commissions and other add-ons that owner's don't pay enough attention to. Commission on our insurance is \$27,000 per year. We deleted BCM's from the equation for the past five years. This has resulted in a saving of \$135,000. Find a better BCM and go direct to a broker who will refund the excessive commissions."

Question 3.

Will the preferred broker get quotes from everywhere?

Possibly not.

The new JLT product is having difficulty in getting to the Body Corporate Committees because the entity arranging the insurance isn't asking them to quote.

JLT are seen as a rival broker.

Question 4.

Do Committees know all the relationships? Does anyone?

No.

While BCMs have to declare their relationship with insurance companies and brokers, they do not have to declare any relationship between the broker and the insurance company.

The Brisbane broker BCB is a sister company of CHU, both were subsidiaries of QBE until February 2015 and have since been sold to Steadfast, but continue as sister companies. If we could find out how much of BCB's business is placed with CHU we could be in for a surprise.

Margaret Shaw

Question 5.

Do Committees actually know all the costs of their premiums?

No.

See BCB Financial Services Guide (FSG) for CommunitySure products page 4 and top of page 5 in their Remuneration and Other Benefits section.

Not only do BCB charge up to 20% in commission but another 10% in administration on top, and up to 87.5% of commission or 50% of fees go to any introducing third party (BCMs).

Conclusions

When it comes to strata insurance there seems to be very little transparency.

The Federal NAIP Taskforce Report was released 4th March 2016 and it quotes:

“Regulating commissions to strata managers: Commissions paid to strata managers when they purchase insurance on behalf of an owners’ corporation are generally calculated as a percentage of price, which means they may act as a disincentive to seek best value for money. In most states and territories, legislation already requires strata managers to act in the best interests of their clients and to disclose commissions. “

In my opinion BCMs do not always act in the best interest of their owners when it comes to insurance.

Dallas Booth CEO of the NIBA (also on the NAIP Advisory Panel) has stated a number of times, and has put in writing in his submission to the Queensland Property Law Review February 2016:

1. Owners do not always get the correct information and advice
2. The NIBA understands that very few body corporate managers in Qld would hold an Australian Financial Services Licence, issued by ASIC, to provide advice on financial products, including insurance policies
3. “If the body corporate manager is acting as an authorized representative of an insurance company or a party closely associated with insurance company, and earns third party commissions as a result of that relationship, it is highly likely the body corporate manager is acting in the interests of the insurance provider, and not in the interests of the body corporate”

I totally agree.

The things that have to be thought about:

1. How likely is it the preferred Broker concerned is going to get quotes from, or even be able to explain, products on the market from other specialists such as: JLT'S Bespoke ISR Policy?
2. The commission paid to BCMs is not always declared as an amount, sometimes it just states “commission will be paid in accordance with our Management Agreement” so we’re not sure how much we’ve paid
3. Some BCMs charge for claims handling when the property is not insured through their preferred broker. My Body Corporate Management Company will charge \$150 per hour + GST for handling our claims because we used a different broker to theirs

Margaret Shaw

4. Brokers are losing out on commission as they have to share it, and quite often they are not even retaining 50% of the payment for doing the major work
5. "Expensive" brokers are being used because they can afford to pay the management company for their business, so local brokers who know the properties and who charge set fees or smaller %s don't get the business because they can't afford to pay the BCM commission

Broker quotes:

"The CHU deal with BCB is also one that irks me and quite a lot of other brokers too as we are excluded from accessing their terms. I have already lost business to them without even having an opportunity to present our proposal which would have at least allowed the committee to make a fully informed decision."

"You may also be interested to know that there are now brokers who charge a 10% fee in addition to receiving a 20% commission. They pay the strata manager the 20% commission and keep the 10%. The client ends up paying for it in the long run. How this works in the customers favor I don't understand."

Cyclone component of insurance

No home owner has a clue as to what percentage of a premium is the cyclone component. In fact we have no clue as to how a premium is made up.

The NAIP Taskforce report (not the Interim Report Suncorp provided) states:

Page ix The 10-15 per cent premium reduction under a partially funded scheme refers to the average reduction in total consumer premiums. However, the schemes being considered only reduce the *cyclone component* of premiums.

This is where I get confused. The cyclone component isn't always identified, in fact I can't find anywhere it is stated and the one calculated in the report is completely unreliable.

So you actually have no idea of what the saving may be.

If the calculated cyclone component is that low (48% is stated), and hence the savings are low, then **why are our premiums so high?** The report is implying the largest part of the premium isn't the cyclone component, so what is it? No-one knows.

Figure 9 on page 36 of the report shows the supposed cyclone component of premiums higher in Townsville than Port Hedland, Darwin and Weipa. In fact it shows the cyclone component in Townsville is higher than anywhere else in Australia, but Townsville has had strong building regulations since 1978 and gets less cyclones than other areas. **I find these figures for cyclone component as highly suspect.**

The average shows at about 48% of a premium. If that's even close to correct then premiums should be higher in Townsville than anywhere else – they're not. AND according to the BOM and their Cyclone Tracks 1963 to 2011, Townsville gets much less cyclones than Weipa and other areas.

Finity Consulting notes the challenges in estimating the premium pool for home and contents insurance from online data and the limited availability of data for strata building insurance across Australia. **I'm not surprised, most strata policies including ISR policies can't be purchased online.**

Surely the insurance companies could tell us what percentage of a premium is cyclone component.

Margaret Shaw

AND does the cyclone component as specified include the catastrophe loading added onto a policy in these areas?

We have no idea of how a premium is broken up or what it consists of. Transparency? I don't think so.

Then we come to the problem of cyclone excesses. The ICA says that by raising your excess you can lower your premium. This is true, however, only on strata policies do have the ability to have a named cyclone excess, on home insurance the excess applies to the entire policy.

As a submission to the NAIP Taskforce stated:

As far as I can tell the solution, according to the insurance companies, is to raise the policy excess.

However, because the policy doesn't have a cyclone item you raise the excess for everything.

So, if I raise my home and contents insurance excess to \$50,000 my premium then becomes manageable. But, if a car drives through my fence and takes out my steps, I can't claim on insurance. If my satellite dish is hit by lightening, I can't claim on insurance. If my neighbour's tree falls over onto my carport, I can't claim on insurance.

We don't need a mutual to cover us for cyclones the insurance companies will do that so long as we can prove we don't actually need the coverage, we need a mutual to cover us for the little things which happen over the years.

I thought that was what insurance is all about.

So did I.

Margaret Shaw

Point 4: The effect of comparison services

The effect in other jurisdictions of independent home and car insurance comparison services on insurance cover costs;

It has been argued by insurance companies that by providing an independent comparison service for home insurance homeowners will mainly look at price and not terms and conditions.

They're right. In North Queensland price is the dominant factor as affordability is a major factor. People are dropping out of the market in droves (as reported previously in this submission).

However, if any home and contents comparison website showed the components of the premium and allowed home owners the ability to opt out of unwanted cover, in my opinion, it could have real benefits ONLY if it is mandatory for an insurance company who is offering a product to take part in the site.

Warren Entsch MP can tell you what happens if such a website is not mandatory – it doesn't work as the major players do not take part.

For strata insurance it is impossible to have online quotes unless it's for the smaller strata arrangements as there are so many components, and in most cases a broker is required.

The only product I know of where you can get an online quote for strata is the Suncorp Strata Direct product.

I, personally, use the health insurance comparison sites before going to the individual websites to cut down the number of companies whose terms and conditions I have to check on.

Property Managers also use comparison websites for insurance (or used to):

Home Insurance Quote from Zippy

Dear Mrs,

Thank you for your enquiry through www.Zippy.com.au. Zippy is pleased to forward you the following quote based on the information you have provided online. Please note that your cover is subject to acceptance by the insurer. The insurer reserves the right to change, amend or refuse cover.

Margaret Shaw

| Insurer | Policy | Premium | Excess | | | Accidental Damage Cover | Personal Effects limit (incl Jewellery, Watches, Mobiles, Digital Cameras & Laptops) | Worldwide Accidental Loss, Damage and Theft Cover for Personal Effects | Money and Negotiable Items | Storm Damage to gates and fences | Flood Cover | Motor Burn out/ Fusion Cover | Product Disclosure Statement |
|-----------|--|----------------------|----------|---------|----------|-------------------------|--|--|----------------------------|----------------------------------|-------------|------------------------------|------------------------------|
| | | | Building | Content | Personal | | | | | | | | |
| Allianz | Steadfast Listed Events Home Insurance | quotes not available | | | | | | | | | | | |
| Allianz | Steadfast Accidental Damage Home Insurance | quotes not available | | | | | | | | | | | |
| Ansvar | Steadfast Maxicover Household Insurance | quotes not available | | | | | | | | | | | |
| Ansvar | Steadfast Homecover Household Insurance | quotes not available | | | | | | | | | | | |
| Callidion | Steadfast ELITE Care Home and Contents Insurance | quotes not available | | | | | | | | | | | |
| Callidion | Steadfast Extra Care Home and Contents Insurance | quotes not available | | | | | | | | | | | |
| CGU | Steadfast Listed Events Home | quotes not available | | | | | | | | | | | |
| CGU | Steadfast Accidental Damage Home | quotes not available | | | | | | | | | | | |
| QBE | Steadfast Insured Events | quotes not available | | | | | | | | | | | |
| QBE | Steadfast Accidental Damage | quotes not available | | | | | | | | | | | |
| Vero | Steadfast Listed Events Home Insurance | quotes not available | | | | | | | | | | | |
| Vero | Steadfast | quotes not available | | | | | | | | | | | |

Margaret Shaw

| | | |
|--|---|--|
| | Accidental Damage Home Insurance | |
|--|---|--|

I am not in a position to comment further on this point.

Margaret Shaw

Point 5: Costs and benefits

The costs and benefits associated with the establishment of a home and car insurance comparison service in Australia;

I suggest you look at not reinventing the wheel, just decide what colour it should be (Hitch Hiker Guide To The Galaxy).

Have a look at the submissions to the discussion paper May 9 2014 **“Addressing the high cost of home and strata title insurance in North Queensland”**. I suspect you’ll find a number of similar comments from the ICA and insurance companies to those in response to this investigation. I have included some of my answers to the focus questions raised in that discussion report further in this submission.

I suggest a proper assessment of the website implemented by Warren Entsch MP for North Queensland be done, identify why it isn’t working, how to make it work, and establish if such a website will ever work, prior to spending money on another one.

My reply to the discussion paper May 9 2014 **“Addressing the high cost of home and strata title insurance in North Queensland”** report page 7 (of 67 pages) under Increasing Consumer Awareness stated:

The idea is to increase consumer awareness by introducing some kind of comparison website for details of the property to be entered and premiums either offered or samples shown for comparison.

Finance has been provided in the current budget to facilitate this.

This concept is already used for other types of insurance such as health insurance and may very well work for home insurance. There are websites already in the market which do a similar thing (see Focus Question 4) and are used by Property Managers when trying to find insurance.

The major problem is that with strata insurance every property is different, we are not all Gold Coast high rises. The problem with strata properties is they also include any type of property with common areas. These can be:

- *Gated communities*
- *Residential strata*
- *Tourist complexes*
- *Retirement homes*
- *Duplexes*

to name just a few.

Set basic questions don’t work so I suspect under the current circumstances an aggregate website will also not work.

Margaret Shaw

I have hope the current project with JCU and Dr. David Henderson may come up with a solution to this but it will be difficult.

Strata complexes can differ greatly in their makeup. They can be:

- *Separate houses with common land*
- *Single storey*
- *Multi-storey*
- *High rises*
- *Properties which only have a common driveway*
- *A combination – such as retirement villas and houses*

They are all different in their way and no website it going to be able to deal with this.

However, if we go ahead with the website we should make sure Industry Special Risk policies (ISRs) are included so strata properties valued at below \$15M can have access to them. Brokers say at the moment it isn't worth trying to get an ISR unless the property is valued at more than \$15M. The insurance companies which take on this type of policy normally don't deal with standard strata policies. It is a different market.

Since, currently, there are only two companies willing to quote for strata business in North Qld, they being SUU and Vero/Longitude any website for strata properties is going to look a little empty.

I would like the idea to work but the problems are going to be manifold.

I would say there are many benefits to a comparison service for car insurance as car insurance is relatively simple and the components easy to identify.

Where I fail to understand is why home insurance isn't just as simple. The components should be easy to identify as they're in the computer systems, and in most cases contained within tables in those systems to make updating easy.

Strata is another matter.

Margaret Shaw

Point 6: Legislative changes

Legislative and other changes necessary to facilitate a home and car insurance comparison service in Australia;

Any comparison website must be mandatory or the major players will not take part, unless it suits them.

I have always thought if a company is offering a product in one area of Australia then they should be offering the product to all areas of Australia. We need to stop the cherry-picking. How you do that is beyond my capabilities as we've found that if a company quotes but doesn't actually want the business then all you get are outrageous quotes which no-one is going to accept.

What we do need is an Insurance Watchdog. NSW has one but Queensland does not. I believe any watchdog should be at a Federal level and not State and Territory level.

It has been clearly demonstrated insurance companies are not taking into account mitigation projects already undertaken, or the fact newer properties may not require mitigation (RACQI and Suncorp are exceptions). There is no assurance the insurance companies will take into account future mitigation projects, although they have said they would permit a 20% discount over 2 years whilst their approved projects are being undertaken.

Example 1: Dr David Henderson of the JCU Cyclone Testing Centre replaced the entire roof on his Queenslander, including joists, and added tie downs, when I last spoke to him the upgrade had made a 16% difference to his premium. The cost would have been in the vicinity of \$25,000-\$30,000 and his insurance premium is still just under \$4,000.

Example 2: Magnetic Island – *"We also had a Vero Risk Consultant, Corporate Portfolio & Underwriting Management, visit our site to do a risk survey assessment. He went over the full site and confirmed there was no further action the Body Corporate Executive could take to mitigate risk. He was also made aware that we had no claims as a result of Cyclone Yasi and that the building was built in the last 8 years to cyclone resistant specification. Yet our premiums have gone up over the last 4 years from \$10,000, to \$17,000 to \$48,000 to \$52,000 this year."* The report was ignored for the next year's quote, their premium quote from Vero went up again to \$56,880. They changed their insurance to QBE at \$52,635. So the unit owners went from \$770 per unit to over \$4,000 per unit.

Example 3: in Airlie Beach have undertaken a complete repaint of all buildings in the complex (7 in total) using a water membrane paint, so preventing any water ingress. This has also been ignored.

It is the general consensus amongst non insurance stakeholders that the insurance industry requires further regulation and a Watchdog, with the Chamber of Commerce and Industry Queensland even stating in section 5.0 Queensland Business Insurance Report July 2015:

Margaret Shaw

“The ICA also recommended that further work needs to be done on behalf of the Federal Government to ensure that there is appropriate regulation of the insurance industry”

I would like to make sure, since further regulation is required, that any Watchdog be independent of the insurance industry itself, as suggested in other submissions to the NAIP Taskforce, and be implemented as soon as possible to ensure properties who are doing the right thing get acknowledgement and, as a result, premium relief.

If a property has been properly assessed as being a low risk, then the owner needs to be guaranteed low premiums or the insurance company must explain why.

Never again should insurance companies be permitted without question to raise their premiums 200-500%+ overnight without warning or explanation of reasons.

Margaret Shaw

Point 7: Any other matters

Any related matters.

The following may help you as some of us have been through all this before. These are my answers to some of the focus questions raised by the discussion paper May 9 2014 **“Addressing the high cost of home and strata title insurance in North Queensland”** report.

I call your attention to Focus Question 7, 8, 9, 12, 13, 16, 17, 18 and 20. Some of the information may be out of date by now but most isn't.

Addressing the high cost of home and strata title insurance.

Focus Question 5.

5. To what extent is the level of competition or contestability in North Queensland insurance markets affected by uncertainty around the level of risk in the region?

Insurance companies shouldn't be uncertain about the level of risk in the region, but they are scared of the region.

We are going to get cyclones, but they are reducing in number. In addition, it costs significantly more to build property in North Qld than it does in areas further south because of our cyclone standards (30%). Hence, according to Colin Archer, CEO of Archers Body Corporate Managers, there have been no claims for any strata properties managed by Archers due to the most recent cyclone ITA.

It should be noted that the majority of strata complexes which received premium increases after Yasi had no claims due to Yasi, included.

Their assessment of flood prone areas should now be much better now they're using the correct maps.

16th October, 2013

LEICHHARDT MP Warren Entsch has welcomed news that insurance companies will now have access to the most up-to-date flood risk data when calculating property insurance premiums.

“I congratulate the Queensland Government for choosing to work proactively with the Insurance Council of Australia to address common insurance issues,” he said. “This is a very important move.

“It was the South East corner of the state that was most affected by major flooding events, yet we here in the North and Far North have been equally penalised – if not more.

“By releasing this information through the MOU, insurers will have access to the most accurate spatial and elevation data and this should have a significant impact on property insurance in Far North Queensland.

“This is another piece of the puzzle and I'm looking forward to bringing a whole range of other issues that impact on insurance affordability in Northern Australia to the Round Table, including the ongoing tendency by insurance companies to assess based on postcode rather than on actual risk.”

Margaret Shaw

Mr Entsch said that for far too long there have been major discrepancies between the State Government flood maps that the insurers used to determine risk, and the Cairns Regional Council maps which in many cases were more recent and accurate.

"After the 2011 floods the State Government undertook a rapid floodplain mapping program, however this was only designed to be used as a quick guide to flood hazard areas. But feedback to my office suggests that many insurers were determining policy pricing based on this information rather than using data from local authorities on the ground.

"At my own property in Whitfield I had to accept compulsory flood cover but if floodwaters were lapping at my footpath, the CBD would be 30m underwater.

"Now, insurers will be able to use official flood data and mapping for the first time and they can also access Queensland Globe, which details flood lines from the 2011 and 2013 flood events. Clearly this should show little impact in Far North Queensland."

Mr Entsch said property owners should also be aware that in all cases where insurers are assessing flood risk, they should be using the most detailed study available.

"This means that if Cairns Regional Council has high-level flood risk mapping available for a suburb, it should take precedent over State Government mapping. Policy holders should dispute this with their insurer if they believe their property has been assessed using out-of-date data."

Focus Question 6.

6. Do existing insurance comparison websites in Australia adequately enable consumers to compare the features of products offered by multiple insurers?

YES – if you can find one which works for your type of property.

YES – if you can find one which will quote for postcode in North Qld – very hard to find.

For strata it is a bit more difficult as there are no web sites dealing with ISR policies, and there are only two companies quoting for normal strata policies. These companies are SUU and Vero (via Longitude). If you think you're getting two quotes when Vero and Longitude quote you're actually not, Longitude just adds a fee on top.

I also believe we should include business insurance in the scope of this project as people are finding it more and more difficult to get this type of insurance as well.

Focus Question 7.

7. What characteristics should an insurance comparison site have to make it useful for consumers?

What type of consumers? There are:

- Rural insurance
- Residential insurance
- Strata insurance
- Business insurance
- Car insurance

Margaret Shaw

- Pet insurance
- Home and contents insurance
- Boat insurance

I understand even farmers whose produce is insured whilst on their premises are finding it difficult to get insurance cover when it leaves the farm on the way to the market.

I would very much like to see a web site which details in full:

- How the premium is made up
- Who is getting paid what
- What third party commissions are being paid
- What the loadings are **and** why
- EXACTLY what the base premium is
- In fact, how the premium is calculated and put together

If a property is insured for full replacement cost plus 2 years to rebuild, then why is there a catastrophe loading on top? What can be a bigger catastrophe than a completely destroyed building?

And I quote:

'As a Chair person, one thing I am struggling with at the moment is the building valuation and then the catastrophe allowance the insurance companies include.

I have a property with 16 town houses, with the value to rebuild these small, basic one bedroom units that are 55 square metres in size at \$1.4 million. The quantity surveyor then adds this and that, then a bit more for good measure and suddenly I have to insure for \$1.8 million.

I can wear this, but then when the renewal comes in they put on 30% catastrophe cover, and on the last one another 30% extra catastrophe. This essentially took the value I am insuring this \$1.4 million building for up to \$3 million.

As a Chairperson and owner I cannot understand why I would want to have or pay for \$3 million worth of cover for our \$1.4 million complex. I was advised that if I didn't and took this catastrophe cover out, then we would run the risk of being "under insured" or self insuring and if we had a claim it could be only partially paid out.'

This is happening all over the place.

Not only do you have to insure for full replacement value, which in itself is ridiculous since if a building was completely destroyed the likely-hood of you rebuilding exactly the same building is next to nothing, we have to insure for much more than the cost of rebuilding!

Focus Question 8.

8. If insurers were required to provide information to enable simple price and features comparison for insurance products, what would be the compliance costs to business?

Minimal. All the information is available.

Your useless information for the day. Interesting to note, the majority of insurance companies use the same computer system. It's been renamed over the years but it's still based on the original POLISY system (spelt correctly) or PROTECT or COGEN or CLOAS, basically all the same thing which can be determined by the use of the DATBAS sub-module. It's actually a 1985 Australian system from Inscom

Margaret Shaw

(which became Paxus Information Services, which was bought by CSC and developed into a recruiting agency last sold in 2012). It was launched in the UK at a later date in the 1980s. This system uses Tables to calculate premiums, the main ones being the postcode table and the rating tables.

Companies whose computer systems come from the same base include;

- AMP General Insurance
- Zurich
- GIO
- QBE
- CGU/SUU
- Westpac GI

I know this because I worked for Inscom and the Paxus. My last contract was with Zurich Insurance (North Sydney) and I still have friends working in the industry for the insurance companies.

Focus Question 9.

9. Are there any impediments to adopting an insurance comparison website model that provides indicative or sample quotes to potential customers to either the home or strata title insurance markets in North Queensland?

You have to base a web site on assumed risk based on set questions and not assessed risk based on fact. UNLESS after a risk assessment and mitigation document has been commissioned it results in one single overall rating. Then this can be entered and premium calculated on that rather than on location of the building, which should be irrelevant.

Example: Airlie Beach may be in danger of experiencing a cyclone, but my building cannot flood, and if the tsunami which hit Japan came to shore it wouldn't reach our doorstep, and we're not in a bush fire danger zone. So if a similar building in Brisbane can flood but is not susceptible to cyclones or bush fires, then we may end up with a similar end risk rating. We should have the same premium no matter the location of the building. They are as likely to get damaged as we are.

Focus Question 10.

10. Would participation in an insurance comparison website that provides indicative or sample quotes to potential customers result in compliance costs for business?

Of course there will be a cost, but they're making record profits already, so I wouldn't expect them to put up premiums as a justification for costs incurred

There would be a one-off cost to change the system to produce the information and to comply with the requirements.

Margaret Shaw

Focus Question 11.

11. Would the creation of an insurance comparison website that provides indicative or sample quotes and other policy information to consumers be effective in enhancing transparency in insurance markets in North Queensland?

That would depend on what the web site makes them disclose. If it makes them disclose the actual breakup of the premium amount then, yes, it would enhance transparency. If, however, they just have to disclose a premium based on a set of questions and you have no idea how it was calculated or what went into it, then no, it won't make a blooming difference and is a pointless exercise.

Focus Question 12.

12. What are the risks, if any, associated with live quote aggregator websites?

- You have to base a web site on assumed risk based on set questions and not assessed risk based on fact.
- Properties are never the same and there can always be exceptions to any rule
- They is no dispute resolution
- I think pre 1986 buildings are going to suffer
- Listed buildings don't stand a chance
- Neither do period buildings
- They get it wrong

Focus Question 13.

13. What design features should be incorporated into any live quote aggregator to minimise the risks?

- Cooling off period
- Dispute resolution
- Terms and conditions
- Premium breakdown
- Commissions payable
- Optional cover – do you want flood cover? Do you need cyclone cover? Do you wish to be quoted for bush fire cover? Let the consumer make their own decisions rather than insist each policy has to cover everything

Focus Question 14.

14. What would be the compliance costs associated with insurers participating in a live quote aggregator website?

I do not know. However, my rough calculation is that the insurance companies have reaped an additional \$1B in premiums over the last 3 years from strata properties alone, so I suggest they can afford it without putting up premiums.

Margaret Shaw

Focus Question 15.

15. Are there any impediments to adopting a live quote aggregator model to either the home or strata title insurance markets in North Queensland?

Yes and No – or rather No and Yes.

I cannot see impediments to adopting a live quote aggregator model to home insurance, as the standard questions apply to most (not all) properties – I do know of a house with a lift.

I cannot see impediments for rural, boating, pet, and maybe business insurance.

However, with strata properties each one is different (see Focus Question 19) and I cannot see how an aggregator website will work unless the risk assessment and mitigation report results in information and risk ratings that can be used by the site – JCU project.

Focus Question 16.

16. What measures, if any, would be required to ensure that an adequate number of insurers participated in a live quote aggregator site.

I suspect you would have to make it compulsory as insurance companies do not want customers to know how their premiums are made up and who they are paying commissions and third party payments to.

Any strata website is going to look a little sparse at the moment, even if participation was compulsory.

Focus Question 17.

17. Are there any confidentiality and privacy implications that need to be considered in implementing an insurance comparison website?

Only for the insurance companies. They have little or no intention (I'm told) to disclose their rates, penalties and loadings to other companies or to the consumer.

Focus Question 18.

18. Are there other website options (apart from the consumer information model, indicative or sample quote model, and live quote aggregator model) that would be more appropriate to address the issues identified in this paper?

It would be interesting if Industry Special risk (ISR) policies could be represented on a web site and could be accessed by Bodies Corporate who normally have no access to them, such as those valued at <\$15M. Some insurance companies only operate through ISRs, such as SRS and ACE, and brokers can only get a quote if the building is valued at >\$15M, otherwise it isn't worthwhile. So most residential complexes have no ability to get quotes from them.

Also, ISRs are a way of limiting liability for a company. They allow a company to take on different types of insurance in an area so spreading their risks.

Margaret Shaw

Focus Question 19.

19. Should an insurance comparison site include a comparison of strata insurance property products?

It would be nice for any insurance comparison site to deal with strata property products as this is where the major concerns and highest premiums are.

However, for 'normal' strata policies it may be possible but only 2 companies are quoting so it's going to look a little sparse to say the least.

For Industrial Special Risk policies (mostly for complexes valued at >\$15M) it will be extremely hard if not impossible.

The problem with strata properties is that they also include any type of property with common areas. These can be:

- Gated communities
- Residential strata
- Tourist complexes
- Retirement homes
- Duplexes

to name just a few.

Set basic questions don't work. I have hope the current project with JCU and Dr. David Henderson may come up with a solution to this but it will be difficult.

Strata complexes can differ greatly in their makeup – please tell Jarrod Bleijie this as he has definite tunnel vision and can only see Gold Coast high rises. They can be:

- Separate houses with common land
- Single storey
- Multi-storey
- High rises
- Properties which only have a common driveway – I had one example where the insurance on the driveway was more than the insurance on each house sharing it
- A combination – such as retirement villas and houses

They are all different in their way.

Where I live at _____, we have:

- 25 apartments spread over 7 separate buildings – 12 x 2 beds, 12 x 3 beds, 1 x 4 bed
- All the ground floor is garages so accommodation only starts from 1st floor up
- There are only 2 apartments per floor
- Only 1 block has a third floor
- Only 1 building has a lift
- Only 1 building has a roof (as such) the rest have concrete slab with roof gardens
- We share a swimming pool

Margaret Shaw

This year SUU quoted \$74,000 – GIO quoted \$92,000. We cannot flood, and have no claims due to cyclones or water damage in the last 5 years, **and** have experienced several cyclones. BUT we share the same postcode as the islands – Hayman, Hamilton, South Mole etc. although they would be in our way should any tsunami hit, which wouldn't reach our front door anyway.

One year a property in Townsville with 90 units where the first 5 floors are open car parking had to pay a premium of \$320,000 with a named cyclone excess of \$150,000. I believe they now have an ISR policy which has reduced the premium a little. This complex has a large number of retired people living in it as the Townsville Council are actively encouraging older people to move out of houses and into apartment living.

A complex in Airlie Beach changed from a normal SUU policy to an ISR policy and reduced their premium by \$80,000. Normal strata valued at <\$15M can't do that, they have no options.

Focus Question 20.

20. How can the additional complexities of strata title property insurance be overcome?

If proper risk assessment is undertaken and the complex is given a **final risk rating** based on set parameters, including their risk of being damaged due to bush fires; cyclones; floods; storm surges; hail etc. Then it would be simple, as all buildings with the same risk rating should be quoted the same premium NO MATTER its location. So you remove the postcode loading.

Naive Basic Example; may have a 10 rating for cyclones, a zero rating for floods, a 2 rating for bush fires (I suppose it could happen but it never has), a zero rating for storm surge, a 1 rating for hail. This would result in a final risk rating of 13. We should be quoted the same premium as any similar property with the same final risk rating NO MATTER where it is. Then they could take into account the building structure, pool, lift, roof etc. and add to the base premium accordingly.

Parity for all!!!!!!

Just because a complex undertakes a proper risk assessment doesn't mean any notice is taken of it (and please note Vero and Longitude are basically the same company):

Thank you Margaret for keeping us up to date.

As a matter of interest, I am an owner of a townhouse on Magnetic Island.

I followed your previous advice as to who we could contact to possibly get better building insurance terms.

The Brokers recommended & contacted couldn't actually get us terms. I acknowledge that every location has its differences and preference by firms.

The outcome was that in the end we stayed with our current broker OAMPS and they found that only two insurance companies would offer building cover for our \$6m+ property. (At least there were two)

They were Vero & Longitude. Vero was our current insurer and the annual premium was some \$5000 less than Longitude. So we stayed with Vero.

We also had a Vero Risk Consultant, Corporate Portfolio & Underwriting Management, visit our site to do a risk survey assessment just as our premiums were due. He went over the full site and confirmed there was no further action the Body Corporate Executive could take to mitigate risk. He was also made aware that we had no claims as a result of Cyclone Yasi and that the building was built in the last 8 years to cyclone resistant specifications. Our building

Margaret Shaw

is also located on the opposite side of the island from where the direct impact of storms hit, noticeably Yasi.

Yet our premiums had gone up over the last 4 years from \$10,000, to \$17,000 to \$48,000 to \$52,000 odd this year. Concern was expressed that our specific risk position was not fully appreciated by the Underwriters and we would wish for this feedback to go back to the firm and be considered for next year's renewal premium. We will see what happens.

Kind regards,

Quote from an engineering company with regards to the CGU announcement of proper risk assessment (2014):

Hi Margaret,

We believe it would be best if the policy holder commissioned and owned the inspection and report, carried out by a certified 3rd party and not by an agent of the insurer. That way it can be private and also 'shopped-around' to different prospective insurers at the prospective policy holder's discretion.

The current move by CGU seems to have effectively high-jacked control away from their policy holders and possibly any accountability and dispute procedure as well. So, please tread carefully in support for CGU.

We believe that the ICA commissioned JCU Cyclone testing station work with Dr David Henderson is still underway. As we understand it, the result may also inform SERGON the CGU inspection agent and any other insurer, and also give people a choice to go independent.

We believe it is very important that the work from JCU is supported. It will support all of the Insurers to work to provide a better policy that is more tailored to individual needs with the facts well resourced.

*Regards and thank you
name removed for privacy reasons*

Focus Question 21.

21. Could an insurance price or features comparison website be effective in smaller markets like that for strata title property insurance in North Queensland?

I am loath to say it but I don't consider strata title property insurance a 'smaller' market. It is already a big market and getting bigger every year.

More and more Councils are building more and more strata properties. Certainly in the cities it seems to be the way of the future. There are more retirement villas, and older people are being actively encouraged to 'retire' to strata properties where the maintenance is easier and the units more secure.

Could an insurance price or features comparison website be effective for strata title property insurance in North Queensland?

There will be problems, see answer to question 20 above.

Focus Question 22.

22. What are the implications of providing any aggregator for home and contents, and potentially strata title insurance;

Margaret Shaw

So long as any aggregator web site is transparent in how a premium is calculated and all its components including payments to third parties, it would save people hours in combing through web sites and quotes.

It took me 3 months to find a second quote for .

BUT, how can you force/persuade an insurance company to take part in such a web site? That is the question.

22.1

22.1. nationally; or

Nationally has to be the way to go. North Qld can't be seen as having preferential treatment and what has been done to us can be done to other areas at whim.

Western Australia is vulnerable, Victoria has its bush fires every region of Australia is susceptible to some form of catastrophe.

22.2

22.2. only for North Queensland or other regions acutely affected by affordability problems?

If you're going to set one up, then set it up for all. Try to make location irrelevant and base premiums on actual risk.

Focus Question 23.

23. If an insurance comparison website is to be facilitated by government, should it be attached to ASIC or ACCC, another agency, or under contract with a private operator? Would there be any difference in the cost of compliance for business in each of these cases?

Does either the ASIC or ACCC have any real power? I have written to both of them over the last 3 years and received back standard letters saying it's nothing to do with them and they can't help.

What about The Australian Prudential Regulation Authority (APRA) as being more appropriate – although they couldn't help me either?

Whoever you put in charge they have to have the power to insist insurance companies take part in the exercise. The only association who should not be put in charge is the Insurance Council of Australia who over the last 3 years has insisted we don't have a problem, even though some companies have agreed that we do.

Self regulation of the insurance industry is not working.

I truly believe that if the ICA had recognised the problem (and admitted it) back in 2011, they could have sat down with its members and worked out a solution – a sharing of the problem. But they didn't. Even up to today the ICA say there has been no market failure and North Qld doesn't have a problem. Well, Campbell Fuller, if we don't have an on-going problem then why are there projects with JCU, Inquiries, petitions, and this report.

An increase in nett profits of 37% at a time when owners in North Queensland are truly suffering is unacceptable!!!

As someone on my petition wrote:

Margaret Shaw

"Insurance is not discretionary (strata and properties with common areas such as retirement villas have to have insurance for full replacement value), it is like water and electricity, and should have the same kind of independent authority monitoring price rises."

Insurance companies have been allowed to increase price beyond normal expectations and beyond acceptable limits.

If the industry cannot self regulate and it seems it can't, then we may need an independent authority to monitor it and hold it accountable.

Flood component

Flood risk is currently worked out based on inaccurate information, although Councils are trying to get this updated. Dams have been built, irrigation has made a difference to river flows, but no account is taken of the effect.

And the Queensland legislation has been changed so that it is mandatory to offer flood cover, unfortunately the wording makes it legal to make a policy holder take flood cover even if they don't want it. This is adding a substantial amount to people's insurance.

October 24, 2013 Townsville Bulletin

Insurers are using dodgy data to refuse cover in North Queensland.

The Townsville Bulletin can reveal that insurers are using "broadbrush" flood overlay maps published by the Queensland Reconstruction Authority (QRA) instead of more accurate and detailed hazard assessments done by local councils.

Local Government, Community Recovery and Resilience Minister David Crisafulli said the QRA overlay maps were compiled to help councils to create more detailed hazard maps, not for insurers to cherry-pick who to cover.

"The insurance sector demanded more detailed information and they got it, so insurers who are using the QRA maps, instead of council mapping, are either ill-informed or deceitful," Mr Crisafulli said.

This does not apply to all companies, in fact I've just called SUU and I've been told that SUU don't normally include flood cover, and the policy (mine) doesn't have it (we can't flood).

October 10, 2012 Channel Nine shines spotlight on Queensland insurance hikes

Budget Direct welcomes Channel Nine's recent coverage exposing the extraordinary price hikes major insurers are forcing some Queensland homeowners to pay, with dramatic increases of up to 700 per cent.

Budget Direct's CEO Ram Kangatharan said "Insurance hikes hit Queenslanders" broadcast last night on Channel Nine News demonstrated how insurers were giving customers no option but to pay for flood cover on their home.

"The fact is, that more than ninety per cent of Australia is not at risk of flooding, so why should people have to pay for flood cover if they don't want or need it?" Mr Kangatharan said.

"Many insurers have made flood cover mandatory for their customers whether they want it or not.

"People believe they have no choice but to get insurance with flood cover when the truth is, they can actually avoid paying big increases by coming to Budget Direct.

"Budget Direct doesn't offer flood cover and those customers who don't need it don't have to pay for it.

Margaret Shaw

"Naturally, if you live in a flood prone area and you need flood cover we recommend you shop around to find the best deal."

However, since we are constricted by the companies we can approach due to those refusing to quote north of Rockhampton, getting hit by those companies that make it compulsory with no opt-out policy is giving the companies 'money for old rope'.

I spoke with RACQI who have flood cover as compulsory, with no ability to opt out, but they said they check the address on the policy and decide whether to charge for flood cover or not. What they check I'm not sure is very accurate. If they decide one is not in a flood area then they don't charge for the cover, but you get it anyway. If they decide you can be subject to flooding there is no way to opt out.

RACQ executive manager for insurance communications Mike Sopinski said high prices at RACQ were because flood cover was now included in every policy.

This is a stupid situation and explains why Allianz in particular is coming up with quotes of \$20,000 for houses having decided the house is in a flood area based on inaccurate information. There should be an opt out clause, most of Townsville is considered flood prone even though most of it didn't flood during Yasi or the following storm surge.

The Townsville Mayor, Jenny Hill, has reported a resident who provided their insurer with a letter from council stating their property was not flood-prone but was told it did not matter because their insurance was based on their post code.

Cairns Post November 21st 2013

REVELATIONS that homes in Sydney present insurers with the worst flood risk in the country have been met with anger in the Far North.

Suncorp chief executive Patrick Snowball told a business lunch this week that the greater Sydney region posed the biggest flood risk, despite the recent flood events that have devastated Queensland and driven FNQ insurance premiums through the roof.

Leichhardt MP Warren Entsch said it was further proof the Far North was being treated unfairly by insurers.

"You can bet they don't deny insurance in Sydney based on postcodes in those suburbs like they do in the Far North," he said.

"We don't have a flood risk in Cairns and yet even if you live on a hill, flood insurance is compulsory."

He has a point.

Margaret Shaw

Solutions Summary

Being someone who not only points out problems but looks for possible solutions, I ask you to consider the following:

The following suggestions and solutions apply to any property, in any location in Australia.

1. Easily understood invoices and capping of commissions
Insurance invoices do not show all the entities being paid, or the amounts being paid to them.
2. Removal of conflict of interest situations
Legislate against Body Corporate Management companies receiving commissions direct from insurance companies and/or brokers
3. Increase in options by insurance companies operating in Queensland
If a company wants to offer a product in Queensland then a company must offer it to the whole of Queensland
4. Insurance parity between types of property
Similar premiums from insurance companies for properties of the same value in the same location.
 - Apartments, townhouses, units, retirement homes, and houses of a similar value in the same location have largely differing insurance premiums
 - Apartments in tourist complexes have higher premiums than pure residential apartments, although residential properties have a higher wear and tear, being almost 100% occupied and tourist properties have only a 61% occupancy (If you're lucky)

Checking the statistics and actual cases in Brisbane, Whitsundays, Townsville and Cairns, it would seem there is a form of parity in Brisbane, but not elsewhere.

5. Sensible time lapses
Four weeks notice to get quotes and comparisons, not 36 hours as in one case
6. Variable payment periods
Monthly, quarterly and half yearly options for premium payments with little or no interest applicable
7. Risk assessment
Proper risk assessment by local assessors
8. Compulsive cover
Change to legislation for compulsive cover for properties with common areas.
 - Properties with common areas allowed to choose their level of cover, as with stand alone houses

Margaret Shaw

- Properties able to opt out of specific insurance coverage such as floods, rather than getting cover for things whether they want it or not
- Properties not being unnecessarily loaded at the instruction of the insurance company – catastrophe loading. What can be more catastrophic than losing everything?

9. No claims bonus

If a property hasn't made a claim then premiums should not increase over an agreed percentage

10. International insurance companies

Access to international markets

11. Reinsurance penalties

Spread of penalties across Australia.

We have been told by SUU the main reason why the premiums have increased so dramatically is that reinsurance penalties have been applied to this area of Qld due to cyclones and damage. I am told the reinsurance penalties make up 6-8% of the current premium. However, I believe approximately 45% of the 6-8% is being applied to the north Queensland market.

As of 2015 it was reported in the Weekend Australian that reinsurance costs were set to plunge due to the huge influx of investors to the market. It seems the returns are so high (around the 16%) that people can't wait to invest. However, the report suggests this reduction in costs will only apply to commercial and business insurance. WHY?

Australia constantly has disasters, from bushfires and drought to floods and cyclones, there are going to be constant reinsurance penalties. If every penalty was apportioned across the whole of Australia instead of just in the area penalised you would remove the peaks and troughs.

12. Removal of the insistence that Brokers be used for normal insurance companies

Allow owners to search for their own insurance direct.

Note: Brokers will always be needed for intervention direct with Underwriters, and any International players in the market, and to arrange ISR (Industry special Risk) policies.

- Some Insurance companies will not deal direct with their actual clients, you have to use a broker (Lumley)

This means there is a percentage of the premium shown on an invoice which is actually the commission payment to the broker (or on an additional page). These amounts could be avoided if the insurance company would deal direct with the actual people insuring.

- If a broker is used the insurance company will not discuss the policy details with authorised Committee members or owners although they are the ones paying the premiums

Margaret Shaw

The probability behind this might be that the insurance companies do not want to discuss broker commission. I was informed it was a Privacy issue and I had to go through my broker for information. We are the ones paying the invoices, so insurance companies should have no reason for not discussing policies direct with owners.

13. New type of insurance policy

We need insurance companies to consider different and new type of policies for the future similar to the mining industry.

This is going to be difficult, I know, and may turn out to be impossible.

a) Option 1 for consideration

I would like to see a standard insurance policy for strata buildings which covers the communal property (swimming pool, lift etc), public liability, office holder's insurance etc, and have all the owners insure their units separately.

There cannot be an option not to insure, otherwise we get into the situation of not being able to rebuild, but owners should be able to insure with what-ever company they wish which spreads the risk between companies and should lower prices.

b) Option 2 for consideration

I understand from investigation that Mining companies can get different types of insurance for different types of property for buildings on the same title, using different companies.

I would like to be able to do the same and be able to insure separate buildings within a complex with different insurance companies.

c) Option 3 for consideration

I would like to see a standard insurance policy for strata buildings which covers the communal property (swimming pool, lift etc), public liability, office holder's insurance etc, and have the actual building insurance covered separately and underwritten by someone like Lloyds of London. This is basically an ISR policy but for the smaller complexes as well.

14. Insurance premium loans

The companies who are offering the loans are not offering to insure.

15. Insurance parity between insurance companies

There can be tens of thousands of dollars difference between quotes

16. Rules on percentage increases

There are rules for rent increases, so why not premium increases.

Prevention of increases of 50% and above in a single year. In fact I would like the maximum percentage increase allowed to be CPI or 5% if the property has had no claims.

Margaret Shaw

17. Repair quotes

Insurance companies are wasting money.

The best and most efficient quote for repair work should be accepted by insurance companies.

- Insurance companies are using (in Queensland) contractors from the south east to do repairs in the north
- Insurance companies have their preferred suppliers and have even been known to send people from Sydney to North Queensland to do repair work. This involves travel expenses and accommodation costs
- Insurance companies are not taking local quotes, and are not listening to their clients when they complain the company is being ripped off

This problem is widespread.

18. Councils

The role of the local Council in deciding what to build where.

Councils should be accountable for their actions and be made to adhere to legislation and the Planning and Development Approval System.

There are definite cases where Council have knowingly allowed, and approved, building to occur on inappropriate land.

19. Australian Reinsurance Pool Corporation

Expansion of the role of the Australian Reinsurance Pool Corporation

20. Regulators

Self regulation of the insurance industry is not working

21. Compensation

Announcement of a \$1.1 billion spike in nett profits.

Any substantial increase in profits is obscene given the suffering owners are going through. It also goes to prove that insurance companies are still incapable of calculating premiums in order to maintain profit but still allowing premiums to be affordable to owners.

Whilst I understand shareholders require profits, an increase of large amount in profits at this time is beyond belief.

- Reimburse or credit those properties who have already been "Rorted" by excessive premiums. A refund of anything over a 100% increase

It may be too late to help those who have already lost their homes, but so many others are close to the edge.