



NQ STRATA ACTION GROUP

To - Joint Select Committee on Northern Australia

30 September 2023

Dear Committee Members

via email

Subject – NQ Strata Insurance adversity – in search of the truth!

You are astutely aware of the rising cost of insurance through your review of the cyclone pool. Less understood is the unaffordability and availability of strata insurance. *It is a cost impost with devastating consequences that are not understood. NQ Strata Insurance is 6 to 12 times more expensive than Southern Strata properties and comes with less attractive and in some cases, unreasonable terms.*

Unaffordable NQ strata insurance **negatively impacts** the roll out in Northern Australia of multiple federal, state, and local government policies and initiatives. Consider the inflationary effects on:

<i>Regionalization</i>	<i>Development</i>	<i>Aged Care</i>	<i>Hospitals</i>	<i>Workforce shortages</i>
<i>Social Security</i>	<i>Town Planning</i>	<i>Pensions</i>	<i>Housing</i>	<i>Rent affordability</i>
<i>Superannuation</i>	<i>Urban Sprawl</i>	<i>Building values</i>	<i>Downsizing</i>	<i>Living standards</i>
<i>Migration</i>	<i>Exports</i>	<i>Energy</i>	<i>Australia's & the Regions' Defense</i>	

The following points will further clarify the repercussions of unaffordable strata insurance for NQ owners and body corporate committees and why government initiatives are compromised and, in some cases, negated.

- 1. The compulsory insurance component of a modest \$340K NQ strata apartment can exceed 40% of the aged pension, about \$230/week and is a huge impost and cost of living pressure!*
- 2. Even though there is a housing shortage crisis, NQ apartment market values continue to fall well below replacement cost, it is unlikely future NQ apartment developments will proceed!*
- 3. The monetary difference in premiums, for example, \$49 000 for an \$86M southern property to \$510 000 for a \$44M NQ property, has massive implications. Body Corp committees borrow to pay premiums, fees become unaffordable and equivalent to rent, maintenance is deferred, and owners have no way out as values decline. Note, there are examples of greater differentials.*
- 4. A consequential injustice, Stamp Duty/Commission/GST on NQ premiums is 6 - 12 times more.*
- 5. Such an environment leads to a loss of investor confidence with no appetite to develop.*

We are aware of the Insurance Industries global stated losses, climate change concerns, recent natural disasters and the numerous editorials predicting an uninsurable Australia. We strive for understanding and transparency with a joint stakeholder approach to finding a solution to affordable strata insurance.

The establishment of the Cyclone Reinsurance Pool aimed to tackle the issue of insurance affordability in northern Australia. It is disheartening to see that the insurance crisis persists, even though the Federal Government implemented a proposed "solution" over a year ago.

NQ Strata Action Group represents strata buildings/complexes in NQ that are well managed, strive for regulatory compliance, adopt sound maintenance practices, participate in risk mitigation activities, and are committed to adopting cyclone resilient recommendations.

Hence, we are committed to understanding **WHY NQ strata insurance** is 6 to 12 times more expensive than southern strata properties. The following table assesses the risks faced by buildings in both zones.

COMPARE THE STRATA BUILDING RISKS - NORTH AND SOUTH OF THE CYCLONE LINE			
RISK	NORTH	SOUTH	COMMENTS
Cyclone	Greater	Maybe	There is a cyclone reinsurance pool? but The North pays 6 to 12 times more!
Cyclone water damage	Greater	Maybe	
Flooding – Busted Hoses	Same	Same	Building dependent & risk is assessable
Flooding – Geography	Location	Location	Building dependent & risk is assessable
Fire	Same	Same	Building dependent & risk is assessable
Storm & tempest	Same	Same	
Hail, Lighting, East Coast Lows		Greater	More events in the south with more buildings vulnerable to damage
Maintenance	Same	Same	Building dependent & risk is assessable
Building Code	Better		In a cyclone – head for a high rise!
Geography Location	Different	Different	Building dependent & risk is assessable
Claims History	?	?	Insurers should clarify

Without specific cyclone claims history data for strata buildings, and without knowledge that contradicts the above comparison, we cannot explain why NQ strata insurance is 6 to 12 times more expensive. We conclude there is **no competition** as there are too few insurers in the reinsurance pool with the capacity to offer insurance cover for strata buildings valued above \$20M. It seems however, for the housing market, there are more Insurers participating in the reinsurance pool which may help explain why:

- Nth Qld HOUSE premiums are **0 to 3 times** more than southern properties, **but**,
- Nth Qld STRATA premiums are **6 to 12 times** more than southern properties.

We firmly believe the reasons for the ongoing stifling cost of unaffordable strata insurance to Northern Australia warrants your immediate investigation and intervention to avoid the surrender of Northern Australia to unaffordable insurance. What is the truth, we ask you investigate and publish:

1. Do Insurers have genuine reasons for NQ strata premiums to be 6 to 12 times more than southern properties and if so, what are they?
2. Are there genuine commercial reasons why insurers with capacity to provide competitive strata cover have not joined the cyclone pool, and if so, what are they?
3. If the answer to 1 and 2 above is yes, why is the Government persisting with the cyclone pool and why is the Government not implementing a national solution immediately.
4. If the answer to 1 and 2 above is no, what else can the reasons be?

We seek the cost of strata insurance in NQ to be on par with southern properties. In the interest of Northern Australia, we encourage your intervention to achieve this outcome and to help Government initiatives reach their potential by removing a major inflationary contributor.

Yours faithfully

NQ Strata Action Group

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