



Insurance brokers to discuss affordability of strata insurance

The Chief Executive Officer of the National Insurance Brokers Association of Australia (NIBA), Mr Dallas Booth, will give evidence to a parliamentary inquiry into the affordability of residential strata title insurance on Thursday 16 February. The inquiry, being conducted by the House of Representatives Standing Committee on Social Policy and Legal Affairs, has heard evidence of price hikes in excess of 400 percent in the past year for people living in units and apartments in northern Queensland.

The Chair of the Committee, Mr Graham Perrett MP, said 'this will be our final public hearing for the inquiry because we are conscious that people's premiums are continuing to rise and that we need to urgently make some considered recommendations to the government'. Mr Perrett added, 'the Committee is aware that this is a very difficult and complex issue and that there is no silver bullet, however we are focussing our attention on outlining a clear and strong course of action'.

At public hearings conducted in north Queensland earlier in the year, the Committee heard evidence from the Insurance Council of Australia that high costs of raising capital, increasing reinsurance costs and elevated pricing of risk have been major contributing factors to the strata premium increases. Other arguments have been put forward, including claims that there has been a market failure, which has led to a lack of competition in the north Queensland strata insurance market.

NIBA disputes the claim of serious market failure and says that 'there is no justification for Government intervention in the operation of the insurance market'. Rather, 'NIBA suggests steps might be taken to ensure transparency of claims information to inform and facilitate responsible and reasonable underwriting and pricing decisions by insurers and reinsurers'.

Other evidence put before the Committee points to commissions charged by body corporate managers and insurance brokers as adding to the financial pain being felt by unit owners and investors. NIBA says that people need to understand the difference between the qualified and considered advice offered by insurance brokers, as opposed to strata managers who source insurance on behalf of body corporates. They suggest that commissions charged by brokers are reasonable because people get better value for money in the long run.

NIBA questions 'whether a lack of competition could to some degree be contributed to by the fact that strata managers act as a conduit in organising strata insurance. Such managers would typically have a relationship with one or a limited number of insurers. Unlike a traditional insurance broker they would not provide personal advice on the most appropriate strata insurance available for the strata body corporate.'

The Committee is aiming to prepare and table its report to Parliament by April 2012.

Information about the inquiry, including submissions, hearings and full terms of reference, can be found on the inquiry's website at www.aph.gov.au/strata. For further information please contact the Secretariat on spla.reps@aph.gov.au or ph 02 6277 2358.

Public hearings details: Thursday 16 February 8:30am, Committee Room 1R4 Parliament House, Canberra.

The hearing will be broadcast live via: <http://webcast.aph.gov.au/livebroadcasting/> from 8.30am.

For media comment, please contact the Committee Chair, Mr Graham Perrett MP, on (07) 3344 2622 or 0408 883 312. **For background information**, please contact the **Secretariat of the Committee on Social Policy and Legal Affairs:**

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