



# TEL Response

Inquiry into Residential Strata Title Insurance

## **TEL Response to the Inquiry into Residential Strata Title Insurance**

Townsville Enterprise Limited (TEL) is the peak regional economic development and promotional body for the North Queensland region. As such we are very concerned with the massive hikes in insurance premiums being presented to strata title properties in our Tropical region particularly those that play a part in our tourism industry.

Whilst we understand that many of these insurance companies were inundated with claims after last years' horrific weather events, we are very concerned that all businesses have to bear the burden even though they may not have claimed any damages last year or any time for that matter.

We know that there is little competition in the insurance or reinsurance market at this time and this means that the remaining companies can charge whatever they deem appropriate. This has led to some premiums elevating by 100, 200, and up to 800% on previous years. These levels of insurance costs are unsustainable particularly when many of these tourism businesses are also still reeling from huge cash flow reductions due to climatic and world economic conditions.

We believe there is an imperative that Governments of all levels involve themselves in this process. Townsville Enterprise is generally concerned whenever governments intervene in market driven commercial activities. However, there is a perceived problem with the Insurance Industry's management of recent natural disasters in which case we support the Government's intervention subject to how such intervention is executed. We do believe that there is a market gap with very few companies willing to reinsure policies in the tropical North.

Within our region and Northern Australia which the Insurance Industry identify as cyclone risk zones there has always been a concern about the inconsistency with the identification and pricing of risk as compared to the more heavily populated SE Corner where severe seasonal storms arguably cause more consistent and greater damage each and every year

We understand that the Federal Government's Natural Disaster Insurance Review Final Report was released on November 14. There are specific initiatives in that document that we are agreeable to and others that cause us some concern. One recommendation that we believe warrants support is the proposed creation of an independent Agency, sponsored by the Commonwealth

Government, to manage premium discounts and a flood risk reinsurance facility under a funding guarantee from the Commonwealth.

However, we are concerned that flood premium discounts and the reinsurance facility will initially only be available for home and home unit policies and not small businesses. Whilst there is an indication that this omission is to be revisited once the initial recommendations are in place we have genuine examples in this region of businesses, particularly tourism operators, who are facing severe financial difficulties due to substantial increases in insurance premiums. In some instances the ongoing viability of the businesses is under serious threat.

We are concerned with the proposed Commonwealth sponsored Agency offer to cover insurers for cyclone risk, on the same basis as for flood risk but with no affordability discounts, in the expectation that when the Agency does its own pricing it will offer a fair price to home and home unit owners. This price may be lower but is not guaranteed to be lower than the prices of commercial insurers.

TEL supports an investigation to ascertain whether there is a basis for granting affordability discounts for cyclone risk, along the lines of the recommended flood insurance discounts, for homes and home units in northern Australia and also for small business operators in due course.

We will wait with great interest to view how many, if any of these recommendations are acted upon by the Federal Government. The high cost of protection is clearly a significant issue for the residents and businesses of North Queensland and we implore all governments to act decisively on what has become a major concern to those of us that live through these weather occurrences on a regular basis.

As a region we cannot afford to have tourism businesses go to the wall through their inability to meet the high cost of insurance. By the same token these businesses cannot afford nor wish to be uninsured. We understand the complexity of this issue and hope that the inquiry can make some concrete recommendations to the government decision makers.

Regards

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Townsville Enterprise

