

Submission to The Inquiry into Residential Strata Title Insurance

By Barbara Coleman

As a private citizen, member of a Body Corporate and committee member for the Body Corporate of my residence and of three investment units I would like to comment regarding the affordability and other factors that are currently under inquiry by the committee.

- a. According to my records, insurance premiums began to rise markedly after cyclone Larry and really rocketed after cyclone Yasi. This year, our premium, which was with [REDACTED], quadrupled because, according to the broker, “they didn’t want the business & were closing down in NQ”. This meant that our premium, for a group of 6 units would have been \$16700 or \$2783 each. The broker did obtain insurance, with [REDACTED], at a cost of \$7196 (\$1200 each), which was roughly double the previous premium. The Body Corporate had to pay this amount using the sinking levy, which needs to be replenished, and the premiums have yet to flow through to body corporate fees. The excess for cyclonic damage is now over \$10,000 & this is the case with all of the insurances for each of the properties. Fortunately cyclone damage occurred only at one property and was light. It needs to be borne in mind that unit owners, who are pensioners, in particular, may not be in a position to cope with such an increase and that interstate owners of investments are not likely to understand the scenario as well as locals. I would expect that this cost would eventually filter into rents, but that is obviously not something that would happen quickly.
- b. Despite the “La Nina” wet season last year there is risk of cyclone & heavy rain each and every wet season, a fact that has not changed with the recognition of human induced climate change. Insurers know this – they have always taken it into consideration in their pricing models. What has changed is the extent & nature of human settlement in NQ. Past experience clearly demonstrates that damage inflicted by heavy weather is often more related to proper preparation than the actual strength of the storm.
- c. We have been told by our Body Corporate Manager that there is only one insurer available, which naturally gives rise to the fear of price-gouging or other monopolistic tendencies. The fact that they might trade under different names to give the illusion of competition has not gone un-noticed.
- d. Insurance is the kind of thing that people only think about when they need to claim & many people do not understand the nature of the business. Many people consider it to be a form of gambling or a rort, where the insurer tries not to give back anything. Consumer awareness currently is that insurance companies are obstructive. There is a need for enhancement of consumer awareness.

- e. The fact that Body Corporate insurance is legally mandatory means that Bodies Corporate have absolutely no negotiating muscle in a market that has only one insurer. Private householders will drop insurance or self insure above a certain price point and it is feared that the Body Corporate market is subsidising the market in NQ.
- f. I am unsure about whether government intervention in the insurance market is a good thing or whether it might lead to perverse outcomes, but I do think that companies should be permitted to offer Body Corporate policies that exclude certain items. This is already happening in a de facto way, because of the extremely high excesses for named cyclone events. I would also like to see standardised definitions that are more in line with Bureau of Meteorology ones for events. I think that the government might usefully be the “backstop” insurer until market forces are properly reasserted.

These points are made on my own behalf.

Barbara Joy Coleman

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