

Peter & Karen Grabau



House Standing Committee on Social Policy and Legal Affairs

**Inquiry into residential strata title insurance**

Dear Sir/Madam,

Thank you for holding this inquiry and providing the opportunity for us to make a submission.

We own a unit within a block of 16 in [REDACTED] Townsville and the insurance for the complex has increased from \$15,580.60 in 2011 to \$46,541.20 in 2012, an increase of 300%.

We cannot see any justification for this level of increase and suggest that it is due to the insurance companies maximizing profits and using North Queensland to subsidise other regions.

We have heard, in the media, that these increases are due to a number of factors including:

- Insurance for units in North Queensland has been under priced in the past. This implies that the insurance companies have been somehow either generous or lax in their pricing. We find this hard to believe considering the efforts insurance companies put into maximizing profit and evaluating & pricing risk.
- We live in a cyclone prone area. This statement is true but irrelevant. There would be few regions that would not be prone to some form of natural disaster. The insurance companies have done extensive statistical analysis of the risk and despite cyclone Yasi in 2011 this risk has not changed therefore why the sudden exorbitant increases. If the insurance company's feel the risk has changed then why hasn't residential insurance increased by the same amount? Also cyclones frequently occur and cross the coast as far south as the Gold Coast (and their buildings aren't built to the same cyclone resistant standards as they are in North Queensland) so why are we not seeing the same increases in South East Queensland?
- There was significant damage done to units by cyclone Yasi. This statement is not true. Cyclone Yasi missed the major population areas and the majority of buildings that were damaged weren't units so why are we seeing such disproportionate increases in insurance for units.
- Insurance companies have made significant payouts in the wake of cyclone Yasi. I don't have the figures for this (I'm sure the government does) but I do know that insurance companies put enormous efforts into estimating risk and

they set their premiums accordingly. The only thing that the insurance companies would have been surprised about after cyclone Yasi was how low the payout was.

We also ask the question: “Why are we not seeing the same level of increase in other regions of Queensland and Australia?”. All buildings built in coastal North Queensland since the 1970’s must meet stringent cyclone ratings which are designed to minimise damage to people and property. No other region of Australia has such a stringent building code, for example flood or storm prone buildings in South East Queensland are not required to be flood or storm resistant. This means that when a cyclone does occur the likelihood of damage is much less but this is not reflected in the insurance premiums. Cyclone damage in North Queensland is relatively small compared to that caused by flood, fire, storm and hail in other.

**In summary** we feel that strata units in North Queensland are being unfairly disadvantaged in the insurance market and we see no justification for the level of increases in premiums.

We would like these questions answered:

1. What is the justification for such large increases in insurance?
2. Why are the increases in North Queensland much larger than in other regions?
3. Why are the large increases only being applied to strata units as opposed to, for example, other residential property?

Thank you

Peter & Karen Grabau