

██████████ Body Corporate Committee  
██████████

22 December 2011

Parliament of Australia

Re: Federal Parliamentary Inquiry on Insurance Industry

To whom it may concern,

The above committee would like to express concerns over the insurance premium increases in general and specifically with regard to the exorbitant increases for Body Corporates.

██████████ built in 2002 are now valued at ██████████ and consist of 24 units in a six level complex. In the 09/10 financial year premiums stood at \$25,000, in 10/11: \$36,000 and in 11/12 the estimated quote is \$111,000 an increase of 308% with no increase on the valuation of the building.

The value of each unit is therefore in the region of ██████████ Each unit holder would pay \$4,625 in premiums. Quotes for houses in the same vicinity and of the same value would pay \$3,327

██████████ are claiming:

- *"The total value of strata buildings is higher than homes." If this is the case then why the difference in premiums as above*
- *"The insurance industry has traditionally under-priced strata compared to other lines for competitive reasons and whilst premiums have increased significantly they are now on parity." Obviously not, as example above indicates.*
- *"Strata buildings are often based next to the coast and this puts them at higher risk." The same argument applies as in the above example. Secondly insurance companies are not looking at the premiums on a case by case scenario. Units of this age should be under a more stringent building code which would reduce risk. Thirdly in this specific case the units are protected by a sea wall encompassing the ██████████ and is not in a flood prone area.*
- *"Insurers have paid significant claims in relation to cyclones and other events in Far North Queensland (FNQ)." There is no evidence presented as to the claims ratio on strata as opposed to other lines.*
- *"Concentrated risk." This is not a valid argument. These buildings should be stronger. If they were flooded only the bottom floor would be affected (See argument above). A cyclone may remove a roof but will not affect other levels. Again proof of claims ratios should put the matter to rest.*

Strata Unit owners would not object if they were dealt a fair hand. Nor would we like to see Strata paying less at the expense of other lines.

There appears to be an element of monopolism creeping into the industry.

██████████ should be the most experienced risk managers around therefore 308% increases in one year looks suspicious.

A broad brush approach to increases is not conducive to good business management.

Maybe a fairer option and in light of increasing climate variability, which will affect the whole country, is for the Federal Government to introduce a disaster levy on the lines of the New Zealand model. This would spread the risk across the whole of Australia and not concentrate recoupment of losses in FNQ. I wonder if premiums have now increased in flooded areas in the Southern parts of the country to the extent that they have in FNQ?

Yours sincerely

John Eden

Chairman ██████████ Body Corporate