



05 March 2019

To the ACCC,

RE: Cost of Insurance Premiums in North West of Western Australia

Further to telephone conversations with your office, and attendance at the Broome forum (held by the Australian Insurance Council), I am writing to express concern over the exceptionally high cost of insurance premiums in the North West of Western Australia. The result of which many people such as myself are either underinsured or have no insurance at all.

Two years ago my sister and I purchased homes in the North West. This was possible because of a drop in property prices. However neither of us were prepared for the price of insurance premiums to cover our respective properties:

- [REDACTED] (3 bedroom, 1 bathroom, plus shed and in-ground fibreglass pool)
- [REDACTED] (3 bedroom, 2 bathroom, plus studio and in-ground fibreglass pool)

To meet mortgage contractual conditions we eventually secured insurance, \$3,900 (Commsure for [REDACTED]) and \$2,500 (local broker for [REDACTED]). 2017/18 the highest quote for the [REDACTED] property was around \$9,000 from AAMI, with quotes of \$6-8,000 the norm.

Fast forward to January 2019 and renewals. Commsure's premium for the [REDACTED] property has gone up from \$3,923.97 to \$6,161.21. No claims have been made.

In contrast the premium for the [REDACTED] property has actually dropped slightly at \$2,480. However, this must be paid in full. I am not permitted to pay in instalments unless I take out a finance loan with the same company. Due on the 31 December I can say I am underinsured, and usually late with payments. Currently I have building only for \$425,000. No contents insurance. The alternatives are:

- SGIO – (cannot insure building for less than \$718,000) – premium \$7,333.75;
- Commbank Ins – (for building \$425,000) – premium \$7,420.70;
- AAMI - \$10,607.49 or with monthly instalments \$12,733.92;
- YOUI – 'we don't provide cover in your area';
- Domain – 'due to underwriting guidelines we are unable to provide you cover at this address';
- Woolworths Ins – do not cover in this area;
- Coles Ins – 'postcode is outside underwriting guidelines';
- Budget Direct – 'sorry we can't offer you insurance right now';
- RAC – will not insure.

Also, as I do not have an alternative for insurance at this point in time, I do need to be careful not to upset the broker. However, embedded in the premium is:

- broker fee \$57.59 (inc gst);
- a commission of \$440.44 (inc gst)

On top of which is:

- GST at \$205.44;
- Stamp duty at \$220.22.

Overall this means \$923.69 of \$2,480.00 is taxes and fees.

Nevertheless this cannot explain the higher end premiums offered by other insurers that extend from \$6,000 upwards.

Additionally, the paperwork states the broker is a shareholder of Steadfast, and Steadfast has an exclusive arrangement with the insurer (Hathaway), and so Steadfast will also receive a commission of \$20.01 on each premium. This commission according to the paperwork is used to operate Steadfast. The fine print then goes on to state:

Depending on the operating costs of Steadfast and the amount of total premium we place with participating insurers in any financial year, we may receive a proportion of that commission back at the end of the financial year.

I am not sure if the above refers to the \$20 commission fee or the \$440 commission fee referred to earlier in the paperwork?

The above is also reflective of prices in [REDACTED], except [REDACTED] is classed as a higher risk zone. Therefore even the broker cannot offer the cheaper insurance deal to my sister with Steadfast. The best they could offer was only \$200 less than the \$6,000.

After weeks of searching Wespac was able to offer insurance for around \$3,500, and monthly instalments without a hefty penalty.

I understand there are many factors that go into establishing an insurance premium notwithstanding risk and building standards for cyclones. However, neither my sister nor I have claimed for weather events, and both of us have been living in the north for many years. In contrast before I moved to the [REDACTED] I was lucky to escape a major weather event when a tornado touched down about ten houses up the road! The house was in [REDACTED] (Perth metropolitan area), and I had only just moved in.

So the reality is whether we live in the CBD or in the country we cannot predict if we will be unfortunate enough to have a major event impact our lives, but we can do our best to mitigate the risk, and insurance is one of the ways we do this. However, if the premiums are too high they are beyond the threshold of the everyday person, and so we are putting ourselves at risk of losing everything, in particular those of us who live in the areas classed the highest risk. And for those of us who have a mortgage we would be in breach of our contract if we fail to insure our properties.

In closing I will say the common theme vocalised by locals at the Brome forum was we are being priced out of the market. There was also the sense the Council was not listening to the real issues, the skyrocketing cost of premiums. Some participants said they had been with the same company for 8 years or more, had never made a claim, and yet their premiums had risen thousands of dollars; which at \$8,000 plus per year was making them unaffordable, particularly for pensioners. Therefore to continue to tell residents the cause for high premiums is we live in a high risk zone and make more claims, when those of us on the ground know we haven't made a claim appears to be rhetoric.

The reality is people live and work in the North West, and unlike houses in other parts of the country, the houses in the north are built to help mitigate the risk of cyclonic weather should there be a major event, and being able to afford insurance plays a major role in disaster preparedness.

Please let me know if you require any further details or supporting evidence.

Yours faithfully,

A solid black rectangular box used to redact the signature of the sender.