



SCA (Qld)
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19 January 2018

ACCC Northern Australia Insurance Inquiry
 GPO Box 520
 Melbourne VIC 3001

VIA EMAIL: insurance@acc.gov.au

SUBMISSION: SCA (Qld) Feedback and Comments on ACCC Northern Australia Insurance Inquiry

Dear Sir / Madam

SCA (Qld) is a non-profit, professional organisation for bodies corporate, community managers and suppliers of services to the body corporate industry in Queensland. Our 640 Queensland members include businesses and individuals, which provide professional services and support to enable Queensland's 42,300 bodies corporate representing 390,000 lots to function efficiently and equitably. SCA (Qld), through its predecessor CTIQ, was established in 1984.

The core objectives of SCA (Qld) include

- representation on body corporate and community title issues to Government
- educating the general community on strata management and lifting the profile of the profession
- provision of on-going professional educational development to its members
- facilitating relationships between members, government, sponsors and suppliers of services; and
- the establishment and maintenance of professional standards of practice for SCA (Qld) members.

As there is no choice for strata title property owners with the legislation clearly stating the need to insure common property. It is a relief to see that the Government has listened to our and other stakeholder feedback to send positive signals and actively help.

SCA (QLD) surveyed its members to ascertain their views on the consumer questions set by the ACCC and some further clarifying questions which SCA(QLD) considered might be relevant.

We have summarised the responses from our members below.

Q1. How important is the premium in your clients' decision?

All of our member respondents stated that the premium amount is very important in their client' insurance decision.



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Q2. How much choice of insurers do your clients have?

75% of our member respondents indicated that their clients had “very limited” choice of insurers, while the remaining 25% indicated that their clients’ choice of insurer was “limited”.

Q3. What are your clients covered for? Can you get the insurance they want?

Our member respondents that the majority of their clients could obtain the type of insurance coverage they wanted, however, the cost of the coverage was prohibitive or put a significant financial burden on the strata scheme.

Q4. How important is customer service and claims handling reputation?

25% of our member respondents stated that customer service and claims handling reputation was “very important”, 37.5% indicated it was “somewhat important” and the remaining 37.5% indicated that it was “not important”

Q.5 Have you seen an insurer behaving in way that you think is unfair or confusing?

50% of our member respondents indicated that they had seen unfair or confusing insurer behaviour, including:

- “price gouging”;
- refusing to renew insurance as a result of a current insurance claim; and
- refusing to offer new insurance coverage as a result of a current insurance claim with the previous insurer.

Q6. What information does your insurer give you and how useful is it?

All of our member respondents stated that they received all necessary documentation as required by law and that brokers were also good sources of information and comparisons of insurance options. Some members felt that some of the information was full of jargon and legalese, which was not easy to understand.

Q7. Where else do you see or look for information?

Our member respondents stated that their sources of information include:

- The PDS and Policy Documentation;
- Insurance Brokers;
- Online resources; and
- Information available at strata industry conferences.



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Q8. Do you use an insurance broker?

75% of our member respondents stated that they always used a broker, while the remaining 25% indicated that they sometimes used a broker.

Q9. Is there information to meet the needs of all consumers?

Our member respondents indicated that there was a lot of information available, however, such information was not easily understandable due to jargon and legalese.

Q9. What special information do owners or managers of strata units need?

Our member respondents indicated that they needed better clarity around the factors affecting the setting of premiums and excesses and what impact (if any) cyclone ratings of buildings has on the setting of premiums and excesses.

Q10. Have you seen examples of tools, technology or information in other industries that should be used to make insurance easier to understand?

Our member respondents indicated that some building consultants use online building audit tools to allow for the more efficient capture, storage and transfer of important building information.

Q11. Have any of your clients considered renovating or altering their building(s), to reduce the risk of storm or cyclone damage? Did they go ahead?

Some of our member respondents had clients who had considered and proceeded with building renovations or alterations, however, others indicated that building owners found it difficult to fund such works, due to the increasing costs of insurance.

What are insurers doing to make it easier and could they do more?

Our member respondents didn't think that insurers were doing much to make things easier and considered that they could do much more in this regard.

Other Issues

Have your clients in North Queensland been able to obtain building insurance for their Scheme(s)?

87% of our member respondents said that they had experienced an inability to obtain insurance for one of their clients.

If your clients have been successful in securing insurance, do you consider their insurance policy affordable? What are they doing to manage the cost of insurance? In the event that you have clients that have been unable to secure insurance, please list the reasons why. Was the premium too high? Were none of the insurers willing to offer their product to the scheme(s)?

Our members' responses included:

- Insurance products have been offered but because they are in the cyclone belt the premiums are about 40% higher than South East QLD;
- The cost of insurance is extremely high for units with the average contribution per lot between the range of \$1,500 to \$3,000 which impacts greatly on the affordability of owning a unit, particularly as an investor;
- The insurance is not affordable. A lot of bodies corporate obtain premium funding;
- Clients are getting used to the insurance being high, they budget accordingly, which often means making concessions elsewhere in the budget;
- Some owners that can't afford levies have sold their units;
- Keeping a Maintenance register helps with getting Insurance every year; and
- Increasing excesses has helped to keep premiums more affordable

If you have clients that have been unable to afford/secure a Building Insurance Policy what action have they taken/what did they do next?

Many of our member respondents have clients that are utilising insurance premium funding.

Do you have schemes who have attempted or, have been successful in negotiating excess and owner improvement values in order to reduce the premium?

Many of our member respondents have clients that have negotiated better deals with insurers, however, report that more recently there is less tendency for insurers to negotiate.

Have the Schemes had an Insurance Valuation recently? Was the Insurance Valuation higher or lower than anticipated?

25% of our member respondents said that insurance valuations were higher than expected, 25% said that insurance valuations were lower than expected, 37.5% said results were mixed and 12.5% had clients which had not recently completed an insurance valuation.

Do any of the Schemes you manage in North Queensland have any serious maintenance issues? If so, please list the issues.

Many of our member respondents have clients that have serious maintenance issues, including:

- Building cracking;
- Water ingress; and



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- Repairs still being completed as a result of Tropical Cyclone Debbie

Do your clients in North Queensland have a current maintenance plan in place and an up-to-date Sinking Fund?

Most of our member respondents have clients that have clients with up to date sinking fund forecasts and maintenance plans, however, indicated that levying the required funds from owners was becoming difficult.

FURTHER INFORMATION

If you have any further questions please do not hesitate to contact me via president.qld@strata.community or the office on 07 3839 3011.

CONCLUSION

SCA (Qld) appreciates the opportunity to provide this submission.

Sincerely

A handwritten signature in black ink, appearing to read 'Simon Barnard'.

Simon Barnard
President

A second handwritten signature in black ink, identical to the one above.