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Free market fails unit owners on insurance

AUSTRALIAN insurance companies are deserting the North's bodies corporate, with unit owners walking away from their properties in droves.

Hinchinbrook MP Nick Dametto said the situation was a clear-cut case of market failure, with bodies corporate being forced to look overseas for insurance with no guarantee of finding an insurance underwriter.

"Australian insurance companies should hang their heads in shame over their refusal to insure bodies corporate in the North. I believe these companies are motivated by nothing more than pure greed and are only interested in increasing shareholder dividends by not taking on at risk properties in areas which have recently endured natural disasters," he said.

"The Federal Government has all the power in the world to regulate this failing market to ensure the North is protected during our times of need. A State or Federal owned insurance agency may be the only answer to breaking this impasse by introducing competition back into the market.

"This is a problem that stretches the length of North Queensland's coastline that's snowballing as we speak. I've been contacted by frantic Hinchinbrook property owners who live in or own investment units in Townsville and the message is clear - this situation is worsening every year as body corporate fees skyrocket due to the exorbitant cost of renewing strata insurance. For many, this will mean having to sell up in the near future if something doesn't change soon."

Local insurance advocate Margaret Shaw said some of the excuses provided by insurers as to why they would not insure bodies corporate did not stack up.

"They claim things like the market is not profitable but when you have units paying up to \$10,000 per unit for insurance alone, I fail to see how they couldn't be profitable," Mrs Shaw said.

"Another excuse they use is that a property is not up to cyclone standards. I've spoken to one body corporate management company who said they now have between five and six complexes not up to current cyclone standards, as they change on a regular basis. They can't get insurance quotes and the body corporate has no idea as to how much it would cost to bring them up to current cyclone standards even if it could be done."

Mrs Shaw feared the Australian dream of home ownership was disappearing for those who chose to live in self-contained units.

"If you live in North Queensland in a unit in a complex of more than 10 that is valued at more than \$5 million, you are not looking pretty," she said.

NICK DAMETTO
Member for Hinchinbrook



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"There are a few companies quoting for the smaller complexes. Even my husband and I walked away from our unit in the Whitsundays, selling at way below value. We couldn't see any improvement coming soon, it was only going to get worse and it has for the other owners. People are going bankrupt and losing their homes. I would say the dream is but a dream."

Mrs Shaw said she would be in favour of an insurance pool or a law that would stipulate that if insurers are going to offer insurance in Queensland, they must offer insurance across the whole state with a firm percentage for each area.

"What we do need are the 28 recommendations from the ACCC's first interim report on their Northern Australian Insurance Inquiry implemented. It may not lower costs but at least we would be able to see where the costs are," she said.

"The current State Government has rejected the recommendations which apply to State Government already. We now have complexes uninsured and for the first time in recent history, the Commissioner for Body Corporate and Community Management has allowed a complex in North Queensland to be legally under insured. The complex in question could only find insurance cover for 70 per cent of the valuation amount and not the 100 per cent required by legislation."

Mrs Shaw said she would also like to see recommendation 24 in the ACCC's second report implemented that suggests amending state legislation governing strata managers to prohibit strata managers from accepting payments in relation to arranging strata insurance other than those agreed to, and made by, their body corporate. Strata managers would also be required to negotiate any fees or payments for arranging insurance directly with the body corporate they are servicing.

"As the recommendation says, it would encourage remuneration arrangements that better align the interests of the strata manager and their clients. A policy like that would reduce costs. Something similar has already been implemented in Victoria."

Mr Dametto said there was little point to the ACCC having an inquiry if Federal and State governments continued to ignore their sensible recommendations when it came to body corporate insurance.

"Once again this comes back to the State and Federal governments not having the balls to take on the insurance industry. Without their intervention, we will be left to watch the slow painful death of the North Queensland unit property market," he said.

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“Home-owners in our region deserve better. It doesn’t matter if you are paying overpriced insurance on a unit or house, we have all been let down by those that should be there to protect us when we need them most.”

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