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Actuary sheds light on Nth Qld premiums

The National Insurance Brokers Association (NIBA) has welcomed a report by the Australian Government Actuary that has found strata title insurance premiums in North Queensland are not unreasonably high.

The Actuary found that premiums had been underpriced in the past, but after examining the impact of re-insurance and recent losses caused by natural disasters, premiums now better reflected the underlying risk in an area of the State with a high vulnerability to cyclones.

NIBA CEO, Dallas Booth, said the report provided an independent and considered assessment of the issues in the North Queensland strata market.

“The concern expressed by property owners at the increase in premiums is quite understandable, but some of the suggestions put forward to intervene in the market to force prices down will not work.

“In the end an effective insurance market has to be based on pricing risk and the actuary’s report acknowledges this. Importantly the report did not find any evidence of price gouging.”

Mr Booth said while the report identified under-pricing in previous years it acknowledged North Queensland was a difficult market to price with volatility in claims experience directly related to weather events.

“The report concludes on a positive note -- that current market conditions are more likely to attract new players. In fact, this has occurred, with the announcement this week of the entry of an underwriting agency offering cover underwritten by Lloyds of London.

“However, this will continue to be a difficult market, hence the importance of property owners and strata groups getting expert advice from a broker about the most cost effective cover available,” Mr Booth said.

Media inquiries: Rod Frail 0413 989-897

NIBA is an independent industry association representing 500 firms and more than 2600 intermediaries, who handle almost 90% of the commercial insurance transacted in Australia. Brokers play a major role in insurance distribution, handling \$18 billion in premiums annually and placing around half of Australia’s total insurance business.