

Strata insurance premiums have surged over the last couple of years and it doesn't look like they will slow down this year. Insurers are in the process of restructuring their risk portfolios, examining current schemes, and seeking more information about strata owners' risk profiles before offering renewal terms. Find out what you can expect from the market in 2023, particularly if your scheme's risk profile needs a checkup.

## PREMIUMS ON THE RISE

Over the past year, premium increases hovered around 15% (or more for claims-affected risks), driven by a combination of insureds increasing their building sum insured, and sector-wide rate rises. Looking ahead, we suggest that committees, lot owners and body corporate managers budget for premium increases of at least 15-20% this year for schemes that are claims-free and at least 30% for schemes with a challenging claims history.

As a refresher, here are some of the key drivers behind the rate increases:

- **Below market-rate premiums in previous "soft market" conditions** have led to underwriting losses with the total claims paid amount very close to the total amount of premium collected.
- **Floods, bushfires, and cyclones** have caused catastrophic damage to homes over the last two years at a cost exceeding \$8 billion.
- There are now **fewer specialty strata insurers** in the market, meaning there is less competition and those that remain have narrower risk appetites.
- Increases to the **average cost of claims** due to inflation, labour shortages, and delays in the supply of materials.
- Strata underwriting agencies and their insurers are facing **higher costs when purchasing re-insurance** (insurance for insurers).

## CHECKING UP ON YOUR RISK PROFILE

Alongside rising premiums, strata insurers are examining their renewal portfolios very carefully. They are identifying schemes that have poor risk profiles and asking more questions before they will consider offering renewal terms.

### The additional information insurers are requesting includes:

- Asbestos reports and subsequent asbestos mitigation or removal if required
- Building defect reports and plans of action for rectification of noted defects
- Dilapidation reports and plans of action to rectify identified problems
- Current building valuation reports within the State legislative requirements. Some insurers will not accept valuations that are more than 3 years old
- Completion of insurers' risk requirements within the allocated timeframe. Some insurers are refusing to offer policy renewals unless the requirements have been met
- Aluminium Composite Panels/Inferior Cladding reports with an action plan if the recommendation is to remove/remediate cladding.

## CONSIDERATIONS FOR YOUR NEXT RENEWAL

It is important to note that insurers will not provide renewal quotes if a scheme has an open claim. Often the cause of the claim has not been addressed, so the resultant damage cannot be repaired. This means we are unable to source alternate quotes at renewal. For this reason, we encourage you to do everything you can to have the source of the damage fixed as quickly as possible.

In the past, strata insurers have been more lenient. However, in the current environment, if an insurer declines to renew a policy, then it is extremely difficult for us to find an alternate insurer because we must disclose that the risk has been declined by the holding Insurer. Ultimately, policyholders have a duty of disclosure to their insurer and insurers look favorably on schemes that recognise the issue and provide a plan to resolve it.

We are here to advise and support you. Feel free to reach out at any time to discuss your insurance needs.

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