

**Addressing the high cost of home and strata insurance title insurance
in North Queensland
Submission by the Financial Rights Legal Centre**

The Financial Rights Legal Centre (*formerly known as the Consumer Credit Legal Centre (NSW)*) is a community legal centre that specialises in helping consumer's understand and enforce their financial rights, especially low income and otherwise marginalised or vulnerable consumers. We provide free and independent financial counselling, legal advice and representation to individuals about a broad range of financial issues. Financial Rights operates the Credit & Debt Hotline, which is the first port of call for NSW consumers experiencing financial difficulties. We also operate the Insurance Law Service which provides advice nationally to consumers about insurance claims and debts to insurance companies. Financial Rights took over 20,000 calls for advice or assistance during the 2012/2013 financial year.

Financial Rights also conducts research and collect data from our extensive contact with consumers and the legal consumer protection framework to lobby for changes to law and industry practice for the benefit of consumers. We also provide extensive web-based resources, other education resources, workshops, presentations and media comment.

Thank you for the opportunity to comment on the Australian Government's Discussion Paper 'Addressing the high cost of home and strata title insurance in North Queensland.' This submission has been informed by our extensive experience working with consumers of insurance through the Insurance Law Service, a national legal advice hotline run by the Financial Rights Legal Centre.

General comments

Our submissions below address the questions in the Discussion Paper. We wish to make the general comment that we are concerned that many Queenslanders appear to be unable to access home insurance at all. This may be for a range of reasons. Our anecdotal evidence from callers seeking advice during the serious flood event which occurred after the catastrophic January 2011 floods was that many Queenslanders did not have insurance. This was for a number of reasons including: previous damage had not been repaired, they were rejected for insurance and they could not afford it after the previous flood.

We recommend that any enquiry specifically seek data from the insurance industry on access to insurance and regions where there is a low take-up of insurance.

We also strongly advocate for the government to implement the recommendations of the NDIR in relation to addressing the affordability of flood insurance in high risk regions.

Specific Responses to Focus Questions

1. The government has committed to identifying (in dollar terms) measures that offset the cost imposed to business of any new regulation, what suggestions do you have for how the regulatory compliance burden of any option in this discussion can be reduced?

No comment

Competition

2. Is Home and/or Strata insurance in North Queensland unaffordable, having regard to the price compared to the risk insured?

No comment

3. What impact is the high cost of insurance in North Queensland having on the local economy?

No comment

4. Is there a lack of competition or contestability In the North Queensland property market? Is it driving higher prices?

Insurance prices throughout Australia can vary depending on the actuarial and statistical data held by the insurer. For example, an insurer may price premiums on a suburb level rather than an individual property level. There is a benefit to shopping around in some regions. Some consumers will benefit from using insurers which take into account specific hydrological data about their property (and price lower accordingly). Alternatively, where a specific property is assessed as high risk for its individual topography, a suburb based premium could be more competitive. In some regions this does not occur because there are fewer insurers, or a higher peril.

As a consequence in higher peril areas with fewer insurer competition and contestability are likely affected.

Case study 1 – Failure of contestability in North Queensland

Sally lives in North Cairns. Her property was built in the 1940's and is located in the White Zone outside the Storm Tide Zone as advised by her Local Council. Since buying the property and after Cyclone Yasi, Sally made some structural changes to the property and was advised by her builder that it was now "cyclone rated". She was insured for Storm, but not Storm Surge or Flood, and her premiums were \$5,000 per annum. She was happy with her policy in light of the property modifications. In early 2014 at renewal time, the insurer wrote to her and declined to renew her insurance policy on the basis her property was an "unacceptable risk".

Sally rang them and told them about the building works and that she was zoned in the White Zone. The insurer did not change its position, and continued to refuse to renew the policy.

Sally rang around other insurers, each time telling them at the point of sale about the works undertaken and that she was in the White Zone. No insurer would offer a policy of insurance to her.

Eventually, she contacted a broker, who arranged insurance for her at a higher price, so she would not be left completely uninsured.

ILS helped her dispute the insurer's refusal to renew, by requesting written reasons under s75 of the Insurance Contracts Act. Shortly after ILS raised the written dispute, the insurer changed its mind and offered Sally a policy at the same price as it was the year before.

Sally was disheartened as ILS had not done anything more than what she had previously done apart from quoting a section of the Act and using legal letterhead. She was still in completely in the dark about the reasons for their original decision to decline to cover her, or indeed why this was later reversed. She chose to remain with her new insurer out of dissatisfaction.

On the basis of our clients' experience in Cairns and similar client reports across all forms of insurance, consumers have difficulty contesting premium pricing by insurers (despite section 75 of the ICA). Even when consumers do all the rights things, they face impediments due to lack of competition and a lack of transparency as to the basis of an insurer's pricing decision. It is commonly accepted that insurers' premium pricing information is "commercially sensitive" and if pricing is known it would somehow detrimentally affect their ability to compete. This guarded approach leads to consumer suspicion, misunderstanding and sensitivity to change. It undermines the insurance industry's credibility in being consumer focussed and drives the perception of gouging.

The following case studies demonstrate the lack of information and explanations that insurance companies provide to customers about changes to premiums. Many of these case studies come from our Insurance Law Service email inquiry form. Identifying information has been removed for this submission, but the content comes directly from each consumer's email.

Case Study 2 - Consumer awareness as to premium (ILS email inquiry)

We have just received our renewal notice a while ago while discussing contents insurance we had been told that we were over insuring our contents which would be costing us more to insure so we rang INSURER and arranged to bring the figure down from \$80,000 to \$45,000, while on the phone we also changed our address details from QLD to NSW. This is when problems started we were told we live in a high risk area so it will cost us more. (we spoke to neighbour they claim rubbish) then our renewal came we had reduced the amount of cover we needed yet the renewal was going to cost us \$85.00 more than it did when we had double the amount my wife was told that it was because the government in different state charge more than others it is not the insurers fault but the government I realise that Australia is not one country but several all run by different people and we need passport it travel from one state to another. so is it true is there a cost hike caused be governments?

Case Study 3 - (ILS email inquiry)

My insurance premium for my investment property and my house insurance have gone up 600% in the last 4 years, this company said there is nothing they can do for us and you will find the same quotes

elsewhere so I wouldn't even try. My investment property is the problem, as we have fixed the first one. The problem is the [address in SUNSHINE COAST QLD]. the last years premiums were \$347 a month. I could no longer afford this and tried a few insurance companies to see if they could help. I recently had to cancel my policy with INSURER1 and joined INSURER2, their charge was \$90.00 a month. i feel like I've been ripped off and would like to make a claim, if i look back at the other house premiums and they were as bad so there might be a case there as well. can you please help ??

Case Study 4 - Lack of transparency in premium pricing (ILS email inquiry)

My car insurance policy is \$700 more expensive because of my address. The "a" after my street number is causing the problem. I own a free standing house with my own title. There are 3 homes with the same issue in this street.

Case Study 5 - (ILS email inquiry)

Between one policy renewal schedule and the next, my excess increased from \$100 to \$500. My concerns are these:

1. The extent of the increase is 500%. This seems excessive and unreasonable, to say the least.
2. The only notification of the increase was a one-liner in the wording of the schedule itself, and a note at the foot of the reverse of the schedule. There was no prior notification warning of the increase - no letter warning that this might be coming. In my view, INSURER has acted in bad faith in not pre-announcing such a significant increase and therefore failing to allow its customers to consider their continued association with INSURER.

Renewal schedules come out as a matter of course; but a 500% increase in excess is something so out of the ordinary that it should have been flagged separately, and well in advance.

Had I not heard a INSURER Customer Service officer mention in passing a few days ago that the excess had increased by 500%, I would have been in the dark.

Case study 6 - Unexplained decrease in premiums

Matthew has an apartment in Queensland. He was paying contents insurance of \$740 in 2012, and then \$841 in 2013 but his renewal this year was for \$231; a reduction of \$500 and over 50%. He rang them and asked what the reason for the reduction was and the insurer has told him they can't tell him. Now he wonders whether they calculated it correctly before and whether he has been overcharged. He worries he may not be covered for events and is now suspicious.

Case study 7 – Unexplained discounts

John has insured his cars and homes with INSURER for over 15 years. John rang up to switch his building insurance to landLord's insurance and was told that he should ring back when the rent is known as that may affect the premium. John did so and spoke to another representative; they noted the rental and the new policy price changed. In the course of the call, the representative said "I'll just make sure all your discounts have been applied, for all the policies" after a few minutes they came back and further reduced the policy price plus reduced the price on his other policies. John was irritated, why hadn't the first person done that and he has had these policies for over 15 years. Had they been doing it before?

Risks of group policies

Campaigns such as "One Big Switch" can be misleading or illusory for consumers and are driving consumers to focus on price and not quality, risk or coverage. It feeds the perception that all insurers are overcharging (even when they aren't).

It is our understanding that the insurance coverage obtained in the One Big Switch does not cover flood at all for any region in Australia. This is a concern for consumers who may not be cognisant of their risk to local perils.

We are also concerned about the conversation in the media focussing on price and not coverage. Some insurers may "loss lead" (i.e. a pricing strategy where a product is sold at a price below its market cost) to gain customers, so the price of insurance is not reflective of the true cost of the risk. Some consumers may then switch several times to receive the benefit of the cheaper premium, and if done carelessly may lead to them being uninsured, underinsured or in an unsuitable product as price is the motivation over coverage. Policies are not made equally, for example, some insurers may settle with cash, others by goods from nominated suppliers, or match building materials where others don't.

In our view, insurers should be clearer about the pricing structure and the cost of insurance should be more transparent. If a consumer is aware of component pricing and the various loadings for risk, plus the actual risk they face, price will no longer be the sole motivation but also adequate coverage. If all insurers were required to be more transparent about their pricing competition would be more robust and there would be a fairer playing field for both consumers and insurers thereby enabling useful competition.

5. To what extent is the level of competition or contestability in North Queensland insurance markets affected by uncertainty around the level of risk in the region?

Access to flood mapping data (and information about what that means) is critical for consumers to understand the risk. Many councils provide access to recent mapping, but others do not.

Anecdotally, concerns about previous planning policies may factor into the council's willingness to undertake further flood mapping. The flood risk and cyclone risk in Far North Queensland is largely known and many residents are aware of the risk generally. However, localized risks and mitigations may not be known to them

undermining their ability to be able to contest premiums or an insurer’s decision to accept the risk of their individual properties.

With the instances of natural perils seemingly increasing in numbers and severity, and with current public policy seemingly stymieing climate change action it seems that risk may be increasing without the necessary mitigation strategies being implemented.

Addressing the high cost

6. Do existing insurance comparison websites in Australia adequately enable consumers to compare the features of products offered by multiple insurers

Current comparison websites for home and contents insurance compare some features, but not others.

CANSTAR – home and contents comparison

As can be seen from the above screenshot, the comparison is on price (online discount, monthly premiums, and excess), flood, and 3 features (accidental damage, fusion and underinsurance).

The comparison is ultimately cursory and limited to the listed features. It ultimately requires the person to read their PDS themselves to determine the extent of their coverage. For example:

- i) general exclusions;
- ii) whether the insurer matches materials, and to what extent;

Compare the Market - for car insurance comparison. This site does not provide live quotes.

An example screen shot of some features is as follows.:

Caravan - Loss or Damage Whilst Attached	✗	✗	✗	Limited
Emergency Accommodation	Limited	Limited	✗	✗
Emergency Travel	Limited	Limited	✗	Limited
Genuine Parts Guarantee	✗	✓	✗	✗
Insured's Choice of Repairer	Limited	✗	Limited	✓
Lifetime No Claim Bonus	✓	✗	✓	✗
No Claim Bonus Protection	Optional	✗	✓	Optional
Personal Property Stolen or Damaged	Limited	Limited	✗	Limited
Rental Vehicle After Accident (Excluding Running and Incidental Costs)	Optional	Optional	✗	Optional

The feature comparison is more extensive than the CANSTAR website above, and provides certain clarifications as to the differences in the features between products.

Select states:

I am aware that only products from iSelect General's participating car insurers (only products for which I may be eligible) will be displayed on the results page. It is important that I read and understand the insurer's Product Disclosure Statement before purchasing a policy as the products compared do not compare all features that may be relevant to me.

and in prompts you to nominate features that are important.

Please tell us what features are important to you.

	Important	Not so important
<input type="checkbox"/> ? New Car Replacement	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<input type="checkbox"/> ? Emergency Transport & Accommodation	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<input type="checkbox"/> ? Variable Excess to Reduce Premium	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<input type="checkbox"/> ? Freedom to nominate your preferred repairer	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<input type="checkbox"/> ? Pay by the month option	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<input type="checkbox"/> ? Lifetime guarantee on repairs for as long as you own the car	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<input type="checkbox"/> ? Trailer	<input type="checkbox"/>	<input checked="" type="checkbox"/>

In our experience, consumers are:

- i) price sensitive;
- ii) rarely read the PDS (even when warned and prompted); and
- iii) are unaware of policy limitations and variations in wording until it is time to claim.

The vast majority of ILS's callers are seeking clarification as to their rights and entitlements under their policy wording. Many consumers have had no regard to the policy wording until they have suffered a loss and have claimed. The complaints we hear are often consumers not being aware of the contractual terms of the policy.

Policy wordings can be difficult to compare, as levels of coverage, options and rights can be very nuanced.

For example, the term "Choice of Repairer" in motor vehicle policies can mean significantly different things depending on the insurer. Insurers may advertise heavily that you have a "Choice of Repairer" as a special benefit but "choice" needs to be assessed in context, as it is rarely the unfettered choice of the consumer and is often limited or restricted. It may even carry certain disincentives within the wording itself.

For example:

- **GIO**– You get to choose a repairer only if GIO agrees after they have assessed your car at their assessment centre and the quote is reasonable and cost effective.

- **Coles Insurance** – You get your choice of repairer if the total repair costs do not exceed the quoted repair by the Coles authorised repairer.
- **Shannons** – Your ‘choice of repairer’ policy term allows for adjustments made by the Shannons assessor including the method of repair.
- **Youi** – ‘choice of repairer’ means Youi will pay the fair and reasonable costs of repairs as determined by their assessor to your chosen repairer.

An approach like “Compare the Market” communicates the multitude of differences in policies, for example, a random selection of policies compared on Insured choice of repairer resulted in the following:

Insured's Choice of Repairer	Limited ▲	✘ ▲	Limited ▲	✔ ▲
	<p>Limited, Insurer will appoint a repairer or Insured may choose their own, Insurer will either (a) authorise repairs or (b) decide to have repairs done by an alternative repairer decided by them or (c) pay the Insured the reasonable cost of repairs, - please see Part A page 16 of the PDS</p>	<p>No, Insured may obtain one quote which will be considered by Insurer, - please see page 36 of the PDS</p>	<p>Limited, Insurer will appoint a repairer or Insured may choose their own, Insurer will either (a) authorise repairs or (b) decide to have repairs done by an alternative repairer decided by them or (c) pay the Insured the reasonable cost of repairs, - please see page 6 of the PDS</p>	<p>Yes, Insured may choose a repairer from the Insurer's repairers network or they may choose their own, if the Insured chooses their own repairer the Insurer may require a second quote from a repairer within the network and settlement will be based on either (a) repairs authorised at repairer of Insured's choice (b) payment made to Insured for reasonable cost to repair Vehicle or (c) Vehicle moved to a mutually agreed repairer in which case a rental Vehicle will be provided for 3 days in addition to any other benefit provided under the policy, - please see page 50 of the PDS</p>

The extensive list is comparable to the extensive policy benefits and possibility of nuances, while the other sites still focus largely on the consumer reading their PDS.

However, Compare the Market does not compare prices, or provide sample quotes.

7. What characteristics should an insurance comparison site have to make it useful for consumers?

An aggregator site should provide a useful tool for a consumer not to just compare price, but prompt them to consider their needs, risks and preferences for the insurance product. A consumer will hopefully then get a suitable product, and will be more likely to make conscious decisions to reduce cover in return for a cheaper product or pay more for a product with better benefits.

Many of the current sites have “related articles” or some built-in mechanism to prompt consumers to consider their risks and consider the various scenarios that they may face; but it requires the consumer to read it. In our experience consumers are likely to focus on the key comparison tool and ignore the surrounding information. For an aggregator to have value in ensuring the consumer is resourcing themselves as to the operation of the product, it should employ a mixture of information and prompting of the consumers needs.

Whilst “big event” information is important (whether or not you are covered for flood or storm surge), other day to day information is equally important; for example, whether materials will be matched, choice of repairer, and how a claim is settled (cash or store credit). Many consumers are just as concerned for minor claims as they are for large.

All aggregator sites should have accessible links to the full PDS wording.

The comparison site should prompt a consumer to think about risk and what, for a multitude of claims, are the comparison points.

8. If insurers were required to provide information to enable simple price and features comparison for insurance products, what would be the compliance cost to business?

No comment

9. Are there any impediments to adopting insurance comparison website model that provides indicative or sample quotes to potential customers to either the home or strata title markets in North Queensland?

No comment

10. Would participation in an insurance comparison website that provides indicative or sample quotes to potential customers result in compliance costs for businesses?

No comment

11. Would the creation of an insurance comparison website that provides indicative or sample quotes and other policy information to consumers be effective in enhancing transparency in insurance markets in North Queensland?

A simple comparison of sample quotes may not be enough to achieve true transparency.

Other factors may affect premium pricing – including individual risk factors like claims history and underwriting issues such as criminal history.

Consumers are sensitive to comparison, as can be seen from the examples in Case Study 2 and 4 above and Case study 11 below. Consumers using comparison websites will often take steps to compare their property with other properties or scenarios.

Consequently, a comparison will be unhelpful as they will not be cognisant of the different pricing methodologies. Competition in insurance is important and consumers shopping around can achieve this to some extent. But, the danger is that as policies are driven to be cheaper and cheaper by market forces the benefits are reduced without the consumer being aware of the consequences as to the level of coverage.

In addition to premium comparison, there should be better explanation as to how premiums are loaded or calculated. Currently, insurers issue “guides” similar to Box 3 of the Discussion Paper that set out in a general way the factors that have been taken into account when pricing the risk, however, consumers rarely link those factors to personal situations and similarly consumers are not aware if it is being done correctly.

The Financial Ombudsman Service has limited jurisdiction to review the incorrect application of premiums. Consumers, however, are at a disadvantage without access to the premium pricing structure and are in a sense reliant in FOS being provided the information to consider whether it is being applied correctly. In our view, this is not a transparent dispute process and lacks accountability.

Premium pricing information needs to be clear, with insurers identifying the costs loaded into the price of the premium and providing information as to what factors and information the insurer has relied on in pricing the premium.

Live quote aggregator

12. What are the risks, if any, associated with live quote aggregator websites?

Case Study 8

ILS caller went to COMPARISON WEBSITE and obtained insurance - he said he read the PDS before obtaining the product through the site.

He then received a copy of the PDS and a certificate of insurance - but he did not read these fully as he read PDS earlier before signing up. He said the certificate of insurance which was attached to an email they sent him set out excess.

He made a claim after an at fault car accident. The INSURER applied all of the various excesses amounting to \$4,000 including \$1800 for basic excess, \$600 because making claim in first 6 months of policy, \$1100 for being under the age of 30, and \$300 because it was a single car incident.

He wants to dispute that - he was not aware of the extent of the excesses that would be applied.

Case Study 9- danger of aggregator in health insurance

Our client made an inquiry about health insurance through a health insurance agency. He gave his info to COMPARISON WEBSITE but definitely said no to signing anything. The COMPARISON WEBSITE used his info and made an application for health policy to INSURER. INSURER then sent him a letter asking him to complete his application but he never did. He never received any cover note or policy certificate of any kind. Six months later our client found out that money has been deducted from his account for the premium totaling \$1300. He wants his money back and his info deleted from their systems.

Case Study 10

ILS caller was referred to our service by STATE COURT. She used COMPARISON WEBSITE to pick her health insurance, she discovered last year that she's paid \$1500 in extra premiums over last 5 years that she shouldn't have had to pay for. She wants to sue to get this amount back.

The ILS caller is a pensioner, really needs the money and is prepared to go to court.

Case Study 11 (ILS email inquiry)

When getting an insurance quote for my car, and my daughter's car, I noticed that different rates are charged according to what day your birthday is!! That is my birthday is on the 30th of the month, I am charged 8% more than if my birthday was on the 29th or the 31st of the month! For my daughter she was quoted 30% more for her birthday on the 8th of the month than if her birthday was either the 7th or the 9th of the month. After a little investigation I saw that every 3rd birthday is charged more than others. That is 1st and 2nd are cheaper than the 3rd, 4th and 5th cheaper than the 6th of the month etc. I contacted COMPARISON WEBSITE directly and have been dealing with Head of Corporate

affairs. Although helpful his final answer was that it is an algorithm run by the insurance underwriters themselves so he is unable to help me and suggested that I deal with them directly.

ILS has spoken to a number of insured's who have used existing private comparison sites, see case studies 8 to 11 above. Some of which arrange the insurance rather than just providing an information source.

The risks are:

- a) Will the site store the quote or arrange the policy? If the prices vary from the site to the insurer, what are the explanation requirements of the insurer? To what extent will this undermine the usefulness of the site?
- b) Where the insured misunderstands a feature – who bears the responsibility?
- c) Consumers creating “fake” scenarios to test the system and revealing oddities or quirks which they cannot rationalise (see case study 11)
- d) Consumers trying to “beat the system” and reduce premiums by changing answers to disclosure questions or undertaking other questionable tactics, with the ultimate consequence that their claims will be denied.

We note also that there is also a lack of specific regulation of intermediary comparison websites. If this is being promoted as a potential solution, then we recommend that further and detailed regulatory guidance is issued by ASIC. There may also be a need for specific regulation to address some of the liability issues referred to above.

13. What design features should be incorporated into any live quote aggregator to minimise the risks?

An aggregator should not be a mechanism to arrange the insurance. The information needs to be current and up to date to reflect changes in policy wordings, and the quote should be able to be “saved”.

If the wording on the site becomes outdated and the insured enters a contract with misinformation what, if any liability, will the aggregator have?

Questions 14 – 16

No comment.

For all options:

17. Are there any confidentiality and privacy implications that need to be considered in implementing an insurance comparison website?

As can be seen by the above case studies, there may be issues as to alleged misuse of financial information (direct debiting).

In order to obtain quotes, some personal factors like address, and other underwriting information can be required and specific. Consumers sometimes underestimate or fail to appreciate the need for some personal information for underwriting purposes in calculating risk. There is also the risk with aggregators that consumers will “modify” their personal circumstances to obtain a cheaper quote. The risk as stated above is that this *modification* will amount to a breach of the insured duty of disclosure or utmost good faith and claims will be rejected.

The information will need to be secure and confidential.

18. Are there other website options (apart from the consumer information model, indicative or sample quote model, and live quote aggregator model) that would be more appropriate to address the issues identified in this paper?

No comment

Online comparison options and strata title

19. Should an insurance comparison site include a comparison of strata insurance property products?

No comment

20. How can the additional complexities of strata title property insurance be overcome?

No comment

21. Could an insurance price or features comparison website be effective in smaller markets like that for strata title property insurance in North Queensland?

No comment

National Regional specific

22. What are the implications of providing any aggregator for home and contents, and potentially strata title insurance;

22.1. nationally; or

22.2. only for North Queensland or other regions acutely affected by affordability problems?

In our view, and as demonstrated by the case studies which are not North Queensland specific, competition, contestability and transparency in insurance premium pricing is not location specific or insurance type specific.

Policy documents are complicated and rarely read. Consumers are driven by price points and not necessarily on risk basis or quality basis.

In our view, transparency about what components and risk factors make up policy pricing would strengthen competition nationally.

In absence of more open pricing information, comparison that focuses on features and not just on cost could have a beneficial impact.

The complexity of risk may make it impossible to design a flawless system on a National basis. A small market in such an acutely affected area may be easier to manage and provide consumers with the information as to the insurer (or insurers) who may be willing to insure in the local area. It could also service as a pilot.

Facilitating a site

23. If an insurance comparison website is to be facilitated by government, should it be attached to ASIC or ACCC, another agency, or under contract with a private operator? Would there be any difference in the cost of compliance for business in each of these cases?

The difficulty with government facilitated projects is that they may lack innovation, not be sufficiently resourced to keep up with change in a dynamic market and/or be so risk averse in their delivery model that the information is vanilla and of limited use.

No comment on compliance.

PROMOTING RESILIENCE

24. What, if any, is the role for government/s in promoting resilience in North Queensland?

ILS supports the investment either by government, homeowners or insurers in increasing resilience and implementing resilience projects.

The effect on premium pricing and whether individual resilience factors do get taken into account is, however, critical. As our client experienced (Case Study 1), mitigation and building resilience can only get you so far if the insurer ignores the factors or does not demonstrate how they have factored the resilience and mitigation strategies into pricing.

25. Are there other options for enhancing resilience that should be considered?

No comment.

EXPANDING NORTH QUEENSLAND HOME AND STRATA TITLE INSURANCE MARKETS

26. Would the relaxing of restrictions on unauthorised foreign insurers be likely to result in more insurers entering the North Queensland strata or home insurance markets?

No comment

27. What would be the costs or consequences for locally authorised insurers if unauthorised foreign insurer restrictions were relaxed?

No comment

28. Are there risks associated with relaxing restrictions on unauthorised foreign insurers, and how could these risks be minimised?

Case study 12 – unauthorised foreign insurer

Mr B and his wife purchased a home in Victoria. Their conveyancer suggested that they also get Title Insurance. The premium was \$300. Mr B was covered for risks affecting the ownership of his land, including inter alia, title defects, title claims, land use, and defects. Mr B subsequently went to claim after discovering a defect. The value of his claim is about \$100,000. The insurer has refused his claim and so he went to lodge in internal dispute resolution. The refusal was upheld and he believed he had a good case and the rejection was wrong. He went to lodge in FOS only to be advised that the insurer is

not a member. The insurer, Stewart Title Insurance is a Stewart Title Insurance is an “unauthorised foreign insurer” formerly known as a “Direct Offshore Foreign Insurer”. A “DOFI” may carry on business in Australia without an Australian Financial Services License where it meets certain requirements.

Normally, a financial services licensee, must comply with certain obligations, including maintaining competency, ensuring their financial services are ‘provided efficiently, honestly and fairly’ and taking responsibility for the actions of authorised representatives. Where a licensee provides services to retail clients (consumers), they must also belong to an external dispute resolution scheme. There are exemptions from the need to obtain an AFSL. Some DOFIs may make use of such exemptions and hence will not hold an AFSL.

For example, licensing exemptions apply where: “a person is regulated by an overseas regulatory authority, the provision of the service by the person is covered by an exemption specified by the Australian Securities and Investments Commission (ASIC) and they only provide services to wholesale clients (sophisticated clients).”

It appears that Stewart Title is attempting to take advantage of an exemption provided by ASIC and APRA.

From a consumer perspective, where foreign insurers are allowed into the market as well as ensuring prudential standards consumer complaint handling is also paramount.

Any exemptions or authorisations must require the unauthorised foreign insurer to comply with the General Insurance Code of Practice and mandatory membership of a licensed External Dispute Resolution scheme.

Concluding Remarks

Thank you again for the opportunity to comment on the Australian Government’s Discussion Paper. If you have any questions or concerns regarding this submission please do not hesitate to contact the Financial Rights Legal Centre on (02) 9212 4216.

Kind Regards,



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