THE INDEPENDENT VOICE OF STRATA OWNERS

Strategies to reduce insurance premiums

Introduction

Our guides aim to spark discussion and encourage use of fact-based information.

This guide provides suggestions for reducing insurance premiums on cover taken for the scheme.

Myth Busting

Myth: The insurer decides the terms

Fact: Simple tactics can enable you to negotiate for a favourable outcome

Myth: The Manager / Agent decides on a shortlist

Fact: There are many reputable brokers who can offer comparison quotations in addition, or instead of, the companies suggested by your agency

Myth: Owners as individuals have no effect on premiums

Fact: Premiums are directly related to risk – every owner can contribute to good maintenance, which lowers the chance of claims

Understanding the factors

Risk – there can be a number of reasons why premium could rise – a defect repair, market conditions, the age of the building, or the history of claims.

The premium is directly related to the likelihood of a claim and its scope, so reduce the chance of a claim and the extent. For instance, avoid an emergency flooding situation by conducting regular flexi-hose inspections and encouraging owners to do the same.

If defects rectification is influencing the situation, and it is almost complete, there may be an option to take out short-term cover (3 – 6 months) until completion. Then renegotiate from a stronger position.

Bear in mind **transparency and communications** with insurers *and* owners. Decisions and discussions about premiums tend to be more factual and productive if owners are kept informed (at a high level) about what is happening with insurance. Crucially, this makes clear the need for funds to be raised so that common property can be maintained.

Strategies

- Utilise an ethical broker, such as OCN trusted partner **Strata Fair**
- If you are negotiating directly, reach out to residents (tenants or owners) who have professional experience and can offer tips on negotiation approaches
- Ask about the effect of higher excesses, policy restructuring, or selective coverage reductions
- Be absolutely clear on what offered policies cover – are any items unnecessary? Breaking up the components of the policy may reveal savings; beware that some insurance elements are compulsory
- Keep up with maintenance – many strata insurance claims are a result of poor maintenance; provide a clear maintenance plan, which shows that the OC is methodically carrying out its legislated maintenance responsibilities and has a proactive approach, e.g. inspections of drainage pits and pipes, to ensure no blockages
- Demonstrate how previous issues have been acted upon. For example, if an issue with the roof was noted at last renewal, providing an informed update on progress of it may provide the insurer appropriate satisfaction that issues are being addressed
- Avoid making small claims (more claims tend to mean higher premiums).

Savings in other areas

Complement efforts to reduce premiums by targeting more aspects where money can be saved.

Ensuring LED lighting has been fitted where possible, or installation of high-efficiency HVAC systems can mean a huge reduction in power costs. Likewise, a free or minimal cost water inspection may significantly lower water rates.

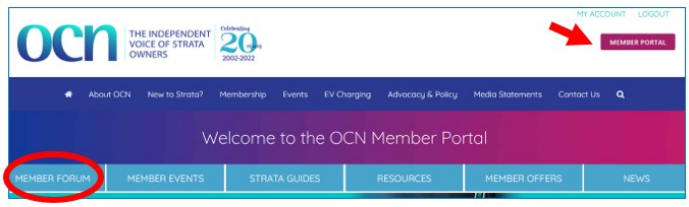
Investing a little time in friendly conversation and establishing communication channels to create a strong community is proven to impact –

- the size of repair costs – faults are spotted and reported earlier (prevents emergency call-outs)
- rates paid for bin services can be moved to a lower bracket (more recycling enables reduction of high-cost bins through utilisation of low-cost or free bins)
- both of the above reduce the number of cleaning hours required, or make them more effective in maintenance cost-reduction.

Evaluate service contracts for cleaning, maintenance, landscaping, etc. Chat to people living in similar schemes for council assistance they have accessed and check for deals such as those on the OCN Partners Directory.

Check with the Strata Manager for ideas specifically suited to your scheme. Many have their own websites and guides, along with experienced staff who have assisted other schemes.

OCN Member Forum



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- click MEMBER PORTAL
- click Member Forum (on the left)
- read the guidelines and click the Member Forum button
- scroll to the bottom and complete the Topic Title + your query (no need to worry about topic tags); mention the state you live in
- remember to click SUBMIT at bottom right.