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## YSP Podcast Transcript: Episode 341. The strata insurance disrupter we've been waiting for?

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**Intro:** Welcome to Your Strata Property, the podcast for property owners looking for reliable, accurate, and bite-sized information from an experienced and authoritative source.

**Amanda Farmer:** Hello and welcome to this week's podcast episode. I'm your host, Amanda Farmer, and my guest this week is Robin Johnson. Robin is the founder and CEO of Hutch Underwriting, an innovative new entrant to the strata insurance market. Robin is an experienced insurance executive who has started, bought, and grown regulated insurance companies in Australia, Singapore, and Malaysia for some of the world's largest insurers. He and his business partner, Dominique, started Hutch earlier this year, 2022, with the mission of providing better value insurance by harnessing the power of technology. As you'll hear us discuss in this chat, Hutch's new residential strata insurance policy is the first to offer our owners corporations and body corporates protection from the latest wave of cyber crime in Australia. I'll take you right on over now to my chat with Robin Johnson.

Robin Johnson, welcome to the show.

**Robin Johnson:** Thank you, Amanda. Nice to be here.

**Amanda Farmer:** Robin, let's start with a little bit of background. Would you mind sharing maybe some personal background? How did you come to be in the insurance space, and now being in the strata space? Let us know if you've got any particular connection to strata.

**Robin Johnson:** Well, actually, I do have a strata insurance connection that goes back quite a long way. Where, I was living in an apartment in London, and decided to lay... In my early twenties, decided to lay a wooden floor over a long weekend. And put a nail straight through a water pipe, late at night. Went to bed, didn't think anything of it, didn't realise. I did hear a bit of a clinking sound. And I went to bed, and I woke up the next morning to my neighbour knocking on the door. And I asked him in for a cup of tea, as you do. And he said, "No, no, no, I can't come in. But I only popped round to tell you that you've flooded my flat." I was on the top floor and I'd flooded the entire building. But, happily, insurance did pay out. But that isn't how I came to be doing this.

**Amanda Farmer:** I do love that story though. The strata managers who are tuning in will be going, "Oh, laying a timber floor over a weekend. Yes, we've heard that before." I'm not sure that we're nailing in our timber floors anymore, so we don't have to worry too much about pipes, maybe depending on the age of the building.

**Robin Johnson:** Yes. But, no, I fell into insurance. I actually started my career in tech in London in the late '90s. And worked in tech through the dot com boom and bust. And then, after the bust, all the tech companies moved out of London to the M4 corridor. And I was working from home and incredibly bored. And so I was looking for something a bit more sociable. And I got introduced to AIG, who at the time was one of the biggest companies in the world, let alone insurers in the world. And I spent a decade working for them. They sent me all the way around the world. They put me through an MBA at INSEAD. They sent me to Malaysia, where I started a retakaful for them. And they let me run sales for them, all the way across Asia. And then, I guess nearly 10 years ago, I left them to go and join what would become AXA XL. And I ran Singapore for them, and then came down, and basically set them up down here.

And then I left a couple years ago to start this business, which was not great timing with COVID. It really got quite slowed down by COVID, and how COVID impacted the insurance market so severely. But we're finally live.

**Amanda Farmer:** Yes, well, that's why we're having this chat. Let us know about Hutch Underwriting, what are you doing over there?

**Robin Johnson:** Yes, so we're a Lloyd's cover holder and we're writing... At the moment, we're almost entirely focused on strata. We've just launched a fully digital product in strata. We do write some construction insurance, but we're not live with our digital product yet. We're launching that in early next year, hopefully March or April of next year. And we like both the strata market and



Demystifying the legal complexities of apartment living.

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the construction market for really the same reasons, that it's got really similar, very strong fundamentals. Population growth is driving growth in both of those markets. Strata's about one and a half billion dollars in premium at the moment. And construction is probably a lot more. There's not great stats on construction insurance premiums, but what we do know is it's 10% of the economy, so it's a big market.

And I guess, in both of them, there's similar dynamics, where you've got dwindling competition and not great outcomes for customers as premiums increase. And similar issues with very high barriers to entry for insurers, because a lot of the premiums are very low and there's very high volume. So you really need really strong operational capabilities to write business, which obviously is a barrier to entry. And then, lots of complex issues around how climate change is impacting both markets, inflation, labour shortages, supply chain issues. All the stuff that makes everything a bit painful at the moment. But I think, in both markets, there's just huge potential for new entrants to come in and innovate and create value. And that's really what's excited us about it.

**Amanda Farmer:** Robin, you've said there that there are not great outcomes in the strata insurance market. Can you speak a little bit more to what you mean?

**Robin Johnson:** Well, I think the strata market, there are great really good fundamentals. But there's also, from a consumer's perspective, there's a lot of issues. And I think, in the last five years, and I don't know how well-known this is, but in the last five years, a lot of the major insurers have withdrawn from strata. So you've seen companies like Hollard exit. AIG, who used to be back in QUS with the MGA, they've exited. Zurich exited five years ago. And there's no new entrants. So there's a lot less competition than there really once was. And there's really only, I guess, five insurers that are actively writing in the market. And I think, when you have that limited competition in any market, the outcomes for consumers are not great. Because you don't get people competing on price. You don't get people competing on innovation, or coverage, or on process. And so we felt that this is, aside from the really positive fundamentals of the market, the competition dynamics make it look really interesting for us. And that's the opportunity that we want to grasp.

**Amanda Farmer:** So what is this fully digital product, this innovation, that Hutch is offering?

**Robin Johnson:** There's two key innovations that we're bringing to market on day one, and we're working on some more. But the first is probably not really going to be very visible to your listeners. But we are enabling insurance brokers to access our product and get a quote in four minutes, instead of four weeks. So, typically, a broker will email a submission to an insurer, and four weeks later they'll get a quote. They can go directly onto our platform. We've completely automated the process. And on 90% of risks, we'll get straight through processing, and get a quote in four minutes. And that's for building sum insureds under 10 million residential strata. And, actually, I should say that probably doesn't sound that impressive but-

**Amanda Farmer:** It does sound impressive to me. A quote in four minutes sounds very impressive to me, when I'm working with buildings who can't get a quote, full stop.

**Robin Johnson:** And that could be the market is slightly dysfunctional in that way at the moment. And so we're trying to address that. And even the smallest insurance broker can access our system. We've got 95% coverage, from day one, of brokers that can access our system. So that's really positive. And we've done that by integrating seven different platforms to be able to make this offer.

And then, the other innovations, we've got complete flexibility around our cover and deductibles. So an insured can choose exactly what they want to buy. If they just want to buy very basic property and liability cover, that's entirely up to them. There's no obligation to buy anything else. But if they want to buy all the whistles and bells, and have the reassurance of complete coverage around Office Bearers Liability and so on, that's all available. Deductibles, we provide quite meaningful discounts if you take a higher deductible, which is a bit of an innovation in the market. It's not typically how insurers work. But we want to incentivise customers to take higher deductibles because we think that's actually very much in their interests. It might sound a little bit contrarian to say that. But what we see is that consumers or customers that have very low deductibles tend to have more claims. And their premium, therefore, goes up. And because insurance has a lot of frictional cost around commissions and taxes, it doesn't

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necessarily work in their interests to be dollar-swapping on small claims.

**Amanda Farmer:** Is the term deductible interchangeable with the term excess? We would pay an excess when making a claim on the policy.

**Robin Johnson:** Correct, yes, that's right. I'm turning into an underwriter here. But yes, we basically incentivise clients to take a higher excess. We'll still provide \$1,000 excess, but there are reasonable discounts if they take a higher excess. And one of the things that we've seen in the market is that if you have three or more claims in five years, it's very, very difficult to get coverage. Because they don't want that profile of client that's constantly having claims. And so, in some ways, it's better to increase your deductible and have fewer small claims. And take out that risk that you might become uninsurable in future.

And then, I guess the biggest innovation in the policy, that customers will see, is that we're offering cyber cover. And it does feel a bit strange to be launching a product in 2022 and to be the first to market with cyber cover because cyber has been an issue for so long. And Australian government stats have basically nearly \$4 billion of losses for cybercrime annually in Australia. And three million Australians falling victim a year. So it's a very real issue and it has been for a long time. I think it's getting a lot more attention at the moment. And definitely, the quantum and the number of claims is going through the roof.

I think, again, Scamwatch reported that cyber scams against small businesses have gone up nearly 300% in the last year. So I think it's very, very relevant cover right now. And we're offering cover for both against cyber fraud, so loss of funds in the event that you fall victim to a cyber fraud, but also for liability. So if you have a data breach, i.e. someone hacks your systems or gets into your emails, and they steal data and you're sued for that breach, then we'll cover you for the defence costs for that breach.

**Amanda Farmer:** So this is cover that's being offered to owners corporations should they get caught up, I suppose, in a cyber event?

**Robin Johnson:** Yes, absolutely. I think the simpler cover to explain is the cyber fraud cover. And I think everybody's familiar now with these invoice redirection scams. Where, you receive an invoice from your whoever, a gardener; window cleaner; builder. And it might be a reissue of an existing invoice or it might be a new invoice. But the really common theme is that the payment details are different. And they ask you to pay the funds into a different account. And I think people need to be really alive to this because it's probably the biggest type of fraud in Australia at the moment. And if you fall victim to that fraud, we will cover your losses up to \$25,000, if you buy the cover.

**Amanda Farmer:** Yes. It is great timing that we're talking about this because it was only a couple of weeks ago, here on the podcast, I was talking to my often co-host, Reena Van Aalst, strata manager. Who was sharing her experience of precisely that, an event where she received an email to pay an invoice. Bank account details, she was told by who she thought was the contractor, had been changed. "Please direct payment to this account." The payment was made, and the contractor later followed up and said, "Hey, never got that invoice paid. Where is it?" And it came out that this was a fraud event. And I imagine in that situation the owners corporation, if it was found that the owners corporation had some responsibility, some liability, some obligation to correct that issue, then if the owners corporation had the cover, they could rely on that and sort out the payment. Is that how it would work?

**Robin Johnson:** So if the owners corporation has, basically, paid the money to a third party that's defrauded them through cyber fraud, then absolutely, yes, they would be covered. The specific instance I'm not totally familiar with, but all of these cases are kind of the same. And, in fact, when we produced our marketing for this, we wrote a case study that just sounds exactly like what you described, where... And it was written for us by a lawyer, Eden Winokur, a cyber lawyer at another law firm, Hall & Wilcox. And he, basically, described pretty much exactly the same situation and exactly the same scenario. Where, the first you ever hear of these scams is where the actual, real supplier calls you to say, "You haven't paid your invoice." And then you realise, "Oops, got a problem here."

I think the fail-safe for both strata committees and strata managers alike is that they really ought to be when there's a change of

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payment details, it really is best practice now to be calling the third party. And personally verifying, and calling the number that you know, and not the number that's on the email that's just come to you. And verifying with someone that you actually know that they did mean to change the payment details. I do think, being slightly controversial, that this type of fraud could be pretty much eliminated if there were willingness at government and in banks to do so. The reality is that were bank accounts to be attached to ABNs where, when you do a transfer, you note the ABN of the company that you're transferring the money to. If it didn't match up, the transaction shouldn't go through, right? It seems to me to be a relatively simple way to fix this. Perhaps expensive for the banks, but given these government stats of \$4 billion being lost annually, you would think it would be worthwhile the government pressing the banks to actually act on this.

**Amanda Farmer:** Well, that might be something that we see in our future. Robin, you've said that brokers can access your platform. Is there the ability for strata managers to have direct access for committee members, owners, to attempt to get these quotes? Or you're only dealing with brokers?

**Robin Johnson:** No, we only deal with brokers. That's our business model. It is quite complex to offer products directly and to offer them to intermediaries that aren't brokers. I think there is the potential that changes to the law that might come out of this Quality of Advice Review could simplify some of that. But, at the moment, we have no plans to offer products directly.

**Amanda Farmer:** So if we have listeners who are owners, who are strata managers, who are working with a broker, it may be worth their while to have a chat to that broker. And say, "Hey, are you aware of this new product? And is this something you have access to?" I think you said earlier that about 95% of brokers should be able to access your product if they're looking for a second or a third quote or just a quote at all. Because I know so many are struggling to get quotes, then this is another option. And I think you said... Are you the only one in the strata market with this cyber cover?

**Robin Johnson:** Yes, absolutely. We're the first to market with a cyber offering. And I'm sure that our competitors will follow at some point. But, at the moment, it's unique coverage.

**Amanda Farmer:** All right. And to clarify, you're only dealing with building sum insureds of up to \$10 million in residential strata schemes. Would I be right that we're talking low rise there? If building sum insured is more than \$10 million, I would've thought we'd have larger buildings insured for more than that.

**Robin Johnson:** Yes, look, you're not going to find very many high rises under \$10 mil these days. \$10 mil is roughly 80% of the volume in the market, not the premium, but the volume. The average strata only has five and half units. And a five unit strata, nationally, would be worth two and half to three mil in rebuild costs. And, obviously, that's changing rapidly as inflation catches up with us all. But yes, at the moment, we're really focused on that smaller residential strata. We will, eventually, bring product out for the whole market, but we had to start somewhere.

**Amanda Farmer:** Well, it is a good place to start. Welcome. Thank you for innovating, and for offering these options to our owners, our strata managers, our brokers. Where should our listeners go if they want to find out more about Hutch and get in touch with you?

**Robin Johnson:** They can go to our website: [hutchunderwriting.com.au](https://hutchunderwriting.com.au). Or they can look us up on any socials. We're pretty active on LinkedIn, as you can imagine. But I guess the easiest thing to do would be to talk to your insurance broker, or your strata manager, about getting a quote.

**Amanda Farmer:** Thank you, Robin Johnson, for joining me on the show today.

**Robin Johnson:** Thank you, Amanda. Really enjoyed it.

**Outro:** Thank you for listening to Your Strata Property, the podcast which consistently delivers to property owners, reliable and accurate information about their strata property. You can access all the information below this episode via the show notes at

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