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YSP Podcast Transcript: 470 - The "Soft Market" Advantage: How to Secure Better Insurance Cover Now

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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, strata lawyer Amanda Farmer and my guest this week is Edwina Feilen from Asset Inspect. With nearly 30 years experience spanning the insurance and finance industries, Edwina has worked with a wide range of clients including insurers, brokers, commercial, government and private enterprise.

Edwina was a member of the SCA New South Wales Board in 2024 and 2025, serving on the Strata Services Committee promoting best practices across the sector. Edwina spent the past 16 years at Sedgwick, the world's largest claims management company, and has recently joined the Asset Inspect team as Head Growth and Partnerships. In our chat today, Edwina and I are talking about the importance of pre loss risk profiling.

Edwina's going to explain for us what that one means with a reminder that many risks are preventable and addressing them proactively does actually save our buildings money in the long run. I'll take you over now to my chat with Edwina Feilen.

Edwina Feilen, welcome to the show.

Edwina Feilen: Thanks so much. I'm glad to be here, Amanda.

Amanda Farmer: Edwina, in the bio provided for you ahead of our chat, it said that you have a 360 degree perspective when it comes to strata. Let us know, what does that mean? What is your strata story?

Edwina Feilen: Well, essentially it means that I can appreciate the different angles when it comes to understanding the different viewpoints of strata and what makes up strata communities and the sector more broadly. So if I put my owner hat on, as an owner, I'd say I would want to live in a community that puts the needs of that particular community first.

My preference would be to live in a harmonious community, but that's sometimes a bit challenging in our world. Yes, that's right. And one that's financially stable and importantly has a committee and an owners corporation that's proactive and manages that building efficiently and effectively. So they'd be addressing things like maintenance, capital works and of course insurance, which is a lot of what we'll talk about today. If I look at it from a tenant, because I'm a tenant as well, I want to know that my community is a safe and healthy community for me and my family.

So I want to know that it's going to put everyone in the owners corporation and the residents front of mind that you can rely on your neighbours and basically you live in an environment that takes care of its common property and the assets. Because the last thing I want is to be out on my ear because that particular building becomes inhabitable or there's a problem from a secretarial perspective which I have served in that role for various years on various properties.

I think it's important that we have a committee that works together in the best interests of the OC and puts the needs of the owners corporation first and takes away from. It's all about me as an individual owner in that particular community. Again, this is a bit tricky, but having an educated and proactive individuals working together in consultation with their strata manager to meet regulatory requirements and compliance legislation makes a better and more connected community, shall we say.

And I guess finally, which is the seat I sit in today as I speak to you is as a service provider. So I really understand what happens when things go wrong, both from a financial and an emotional consequence, what that does to owners and often it can be quite heartbreaking. So yes, so that's my 360 degree view on things.

Amanda Farmer: Well, we definitely have a well rounded strata guest here today. Thank you, Edwina. So you've been an owner, a tenant, a committee secretary. Yes, you are here today in your capacity as a service provider and I know you've recently moved from the insurance claims space into what I understand you call the pre loss space and we're going to talk a little bit about what that means. But what was it that you were seeing in the claims space that convinced you? Owners need to get more proactive when it comes to their insurance.

Edwina Feilen: So whilst majority of today's discussion will be about residential strata, I'd just like to say that Asset Inspect, who I sit with, is a expert in the pre loss space. It relates to all kinds of commercial and hard to place risks which include all elements of strata. So commercial, residential and industrial risk profiling principles can be applied to any asset class, not just strata, when it comes to the insurance placement process.

So in my previous role I was heavily involved in identifying building defect issues, cladding, waterproofing, all those sorts of things. And whilst they're not claimable from an insurance perspective, they can have significant impacts on how insurers look to insure particular buildings. So it's not uncommon for owners to be reactive in addressing building related issues. That was my personal experience. A more proactive approach, I guess, is what we all would like, but it ensures the longevity of the building, the insurability of the building and most importantly for many owners, the value of that particular building.

I think from a proactive standpoint, we all need to take a little bit more ownership and accountability. When I look at it from with my owner's hat on. So the home is the largest investment that most individuals will make in their lifetime and the last thing you want to be as an owner is having out of pocket expenses for preventative measures that can quite easily be put in place in a lot of situations.

Also many of the mechanisms are already there to do that. We just don't necessarily leverage them effectively or efficiently. So strata, whilst it's often the more affordable housing option for many that want to get into the housing market, unless the owners corporation effectively proactively manages that asset and acknowledges their issues and addresses them, then we won't see that happen. So that's why I believe being proactive is essential and having a better community and better buildings.

Amanda Farmer: And we're definitely going to get into what some of those proactive things are that our owners corporations can be doing. But I want to touch on this pre loss idea and pre loss risk profiling that I understand Asset Inspect does. So what exactly is that and why does it matter for our strata buildings?

Edwina Feilen: So what it is is it as a risk profile provides an overview of an asset and its characteristics for the purposes of obtaining insurance. Essentially that's what it is in a nutshell. So when an insurer looks to insure a building, they want to understand certain criteria and that determines what buildings they may wish to insure in the first place, how much premium they charge, the deductibles and excesses that they may apply, and any other special conditions that they want to I guess impose on that particular policy.

So it's worth mentioning that with mixed use buildings, which we see more and more of in the current environment coming into the market, it can impact who's responsible for paying what portion of premiums. So whether that's the residential or the commercial lots. So I think this is something that a lot of our listeners won't be aware of. So commercial tenancies such as cafes, restaurants, supermarkets, tobacconists, convenience stores, all those sort of amenities which are I guess are nice to have, they can have a significant cost impact on the residential side.

So in a high risk tenancy situation, so those tenancies for example, are high risk, the contribution for a larger portion of the higher premium that is generated because you've got a high risk tenancy may actually fall to the residential lots to cover the cost of those premiums in their levies. If you don't work with your strata manager effectively to ensure that they're accounted for by the appropriate lots, whether that be the residential or the commercial side of things.

Amanda Farmer: Okay, so if you're in a building that has shops downstairs, it can be really convenient. You can pop down and grab your dinner for the evening. There's a Thai restaurant down there, get some takeaway. But there might also be, look, let's just say a tobacconist. And because of the existence of that tobacconist, insurance premiums are through the roof. So being aware that that's the reason why, because there might be something that you can do about it. Is that the case?

Edwina Feilen: Well, ultimately, yes. So you'll be able to talk to your strata manager. Again, depends on how your particular strata plan is set up. And if you have a tobacconist that comes into your strata plan and that sees a significant spike in your insurance premiums, it may very well be the responsibility of that tobacconist or the owner of that particular lot to take on the cost of that additional premium. And so it's spread as it should be. Residential lots pay X dollars and commercial lots pay Y dollars.

Amanda Farmer: Yes. So I think what you might be touching on there, just off the top of my head, is a provision, at least now, New South Wales legislation that does allow for owners corporations, to on charge the cost of an increased premium to a lot owner, where the increased premium is the result of that owner's use of the premises. So there is a framework in our legislation for doing that. So great tip there about being aware of that and then chatting to your strata manager about how you might be able to achieve that for your community.

Edwina Feilen: Exactly. And so in terms of the actual risk profiling activities. So at asset inspect, there's three core services that we provide and a lot of our insurers will want to understand this information. So one's the risk survey. So a risk survey is completed by a risk surveyor, they go out to site and they capture a wide amount of information about that particular asset, ranging from the building construction and overall condition, fire safety systems, housekeeping, security, and in strata, in particular, public life liability as well, they use a range of technology to capture information on site.

We do also use drones. So that allows us wherever possible, to look at the roof condition, guttering, and importantly, the surrounding environment can also play a major part there. Then there's the replacement cost reports. So these are reports that are put together using experts called quantity surveyors, estimators and valuers. So they provide information about what the replacement cost of a building should be in case there's a significant loss or a total loss.

So one of the other things that I come across a lot is that people don't understand the difference between market value and insurance valuation or replacement cost. So the market value is essentially what you pay for your unit, but the replacement cost is actually what it physically will cost to rebuild that in the case of a large or significant or total loss. And lastly, the last service we provide, and we're seeing more and more of this from insurer requirements, is the need for thermal scans of electrical switchboards.

So a lot of insurance, as I said, they'll put certain additional requirements on your policy. So they might say you have to get a thermal scan done of your electrical switchboard on an annual basis to prevent against fire. Again, there are best practice ways that this needs to be done. So it needs to be done by an electrician and qualified thermographer. So you need to have those right qualifications.

An on site electrician or a regular electrician that might service that particular building won't necessarily understand the insurance requirements to comply with what's needed for that particular kind of scan. So the right approach is really important. So risk survey, replacement cost and thermal scan will see a complete picture of a risk profile and what insurers are looking for.

Amanda Farmer: So these are then reports that a building can pass on to their insurer to get, number one, maybe insurance and number two, maybe a reduced premium, more accurate coverage. Is that kind of how all this plays out?

Edwina Feilen: Yes, exactly, exactly. Like sometimes insurers won't even offer the cover if they're not given the correct sort of information about a particular asset. As I said, different insurers will have different appetites for different kinds of buildings and assets they wish to insure. So yes, so it's really important to collect that information. Work with your strata manager who ultimately will hand that to the broker. Once the broker has that information, they can then shop the market and find the best option for you and your building.

Amanda Farmer: You spoke about underinsurance, Edwina, and how there is a misunderstanding about the difference between market value and the replacement cost. What is that difference? What is it the buildings are not taking into account when they are getting insurance and why are they ending up underinsured?

Edwina Feilen: Okay, so there are various things that contribute to underinsurance. It's quite complex area, but some of the things that we see regularly, and this is right across the board, is asset owners. In this instance, owners, corporations holding outdated valuations. So currently there is a national requirement in many states and territories to work on a five year valuation cycle. Most experts and valuers will say a two to three year cycle is more realistic. The consequences are when you do work to a five year valuation.

We've seen a lot of rapid cost increases in building materials labor costs. So therefore you get a dramatic jump which suddenly increases insurance premiums. And it often prompts body corporates and strata owners to reject a newer or higher valuation. They'll look to seek that CPI type incremental indexation increase, which is often insufficient in keeping up with construction cost growth. So owners corporations not understanding the difference between the two as we're talking about is building replacement cost is based on the building price index, which actually sits and runs parallel to CPI, but it's actually 5 to 6% annually.

So to keep premiums low, we'll sometimes see owners look to keep their sum insured low. So I'll give you an example and this is extreme, but bear with me. So let's say your building is actually worth \$10 million, but you haven't had a replacement cost done for five years. And so currently your insurance is for 5 million. So you go ahead and you pay premium on \$5 million, then you have a significant problem because then if you have a large partial loss or a total loss, let's use the total loss example, and you lose that asset, you're not actually insured for \$5 million.

You're actually insured proportionately for the premium you paid. So therefore if you had a total loss in that scenario, you may only receive back a response of 2.5 million. So if you don't bring your replacement costs up to where they should be in line with the actual cost of the building price index, then you could find yourself significantly out of pocket.

Amanda Farmer: Okay, that's scary. It's not the first time that I've heard this advice that buildings should be getting these valuations done regularly and indeed focusing on that full replacement costs. I mean, we're talking about things like having to do partial demolition, having to do rubbish removal, having to get architects and designers back in to assist with the rebuild, all of these extra costs that you don't necessarily think about when you're looking at, okay, well how much is the building worth? That's not what we insure for.

I imagine, Edwina, when asset inspectors going in and doing these surveys and these reports and you got your drones in there and you're looking in detail at the building, you come up with some things that owners can do, committees can do straight away, perhaps to reduce their risk profile to make them more attractive to insurers. What are some of those things can you share with us preventable risks, perhaps, that you're identifying in buildings through these inspections?

Edwina Feilen: So in the residential strata, the most common preventable risks that we see, a lot of them are housekeeping related. So potential trips hazards, fire ignition risks, fire loading and fire spread, particularly in car parks, fire stairs and walkways. Another one which we see a lot of in the defect space.

But in general, again, housekeeping is improper maintenance of fire equipment. So access to fire equipment when needed. We often find that these areas, like hose reel, cupboards, stairwells, are being used for inappropriate storage. And so that makes it very hard to respond to these emergency situations when you're not doing that basic housekeeping. Another thing just in relation to fire safety, in February 2026, as I'm sure some of your audience will be aware, we'll see the national introduction of the Australian Standard AF 1851.

So this standard will require OC's to prove the maintenance of fire suppression systems. And in New South Wales it's actually going to be mandated, so insurers will be watching for this. So being proactive and working with your strata manager here is going to be essential because February, literally, let's face it, is just around the corner. There also might be a little bit of a misconception around the current Annual Fire Safety Statements.

A lot of people think that they capture absolutely everything, but they don't actually report on the maintenance and functionality of the sorts of systems I'm talking about under the 1851. And basically, if you don't take that proactive step, then you could find yourself forking out significant sums of money or not being able to get insurance or not complying with the new legislation. Another one is public liability issues. I think we've talked about these a lot. We find probably in about 80% of our surveys, trip and slip related issues fall hazards in the common areas.

A lot of them are due to lack of maintenance, but some of them also come back to poor design. So there are other things to be aware of. And finally, and this comes up a lot in the strata world is E-bikes and E-scooters. We see a lot of unsafe storage and charging of those personal transport devices, particularly in basement areas. But the positive on all of these is that mostly they can be resolved with small amount of effort and at a low cost.

Amanda Farmer: Yes, I suppose we're always balancing this best practice, proactive approach. Get the report, do the investigation against this concern, this anxiety, perhaps that, "Oh, but then we've got a document that says what's wrong in the building we're all on notice of that," we have to then act because we're told to.

Do you have any thoughts around that, Edwina? You know what your position is on that, what your recommendation is for buildings who might be, you know, reluctant to do these investigations because they don't want to highlight these problems and have to deal with them?

Edwina Feilen: Okay, well, if I put on my owner hat and I have been through large capital works projects and, you know, you have to maintain your asset, putting your head in the sand and pretending it's going to go away is not going to resolve the issue.

I think one of the scariest things that owners face is the cost of rectifying these issues. But ultimately, again, if you want to be able to obtain insurance, it's a statutory requirement. So addressing these things is, I guess, the most proactive way to, one, maintain your building and two, ensure you can meet your regulatory obligations.

Amanda Farmer: Yes, and I've seen it many times over. The longer you wait, the more expensive this work becomes. You know, new laws get introduced as we're hearing again today, and that you then have to comply with, which you might not have had to comply with last year, if you did that work last year.

Edwina Feilen: Yes, I think the cheapest time to fix anything is now. That's what I've always said. I also find that when it comes to the costs involved and the complexities involved in some of these issues, it is a significant sum of money. But again, if you, in five years time, it's not just going to be a more significant sum of money. Your problem is going to be five years progressed down the track and worse. So I definitely think that getting ahead of the game, I think people as well feel, particularly from an insurance perspective, if I don't declare it, no one's going to know about it.

And I sometimes think as owners, we're a little bit counterintuitive. It's going to devalue my asset. What devalues your asset is not addressing the problem. And people that are buying into strata, even though some of them may not be educated, there's a lot more information out there in the marketplace these days, and someone does not want to essentially buy into a lemon. So if you don't continue to maintain your asset, you think, oh, I've bought in, I'm going to build my equity, I'm going to sell it for a profit. You may find that you can't do that. So it's challenging on all fronts.

Amanda Farmer: Yes. And I see that playing out time and again. So excellent advice there. In some of our chats leading up to this recording, Edwina, you used the term in talking to me. Soft insurance market. You said we're in a soft insurance market and that presents some opportunities for our owners. Can you explain to me what a soft market is and what these opportunities are?

Edwina Feilen: So, firstly, insurance works in cycles. So for the last three to five years, from COVID onwards, we've been in what's called a hard market. It's important to tell you what that is. So that's where insurers have less of an appetite to write certain kinds of risk. So those that they would consider high risk or potentially have a loss or potential for more opportunity for a loss, that often means there are less options for consumers.

So less people wanting to offer certain kinds of insurance, including strata premiums are usually higher and there's more restrictions or limits imposed and conditions imposed on those particular policies. The other thing a lot of consumers may not be aware of is a thing called reinsurance. So reinsurance is something where insurers have to insure themselves to protect themselves against the losses that may come down the road. So basically, the more they have to pay in reinsurance or call on reinsurance when there's significant losses or catastrophes, the higher their reinsurance costs are and therefore that gets passed on to consumers, and therefore the higher our premiums are.

So that's important because conversely, in a soft market, which we're in right now, we're seeing insurers have a larger appetite to write certain kinds of risks, so they've loosened the reins a little bit. And we're actually seeing a significant number of players in the market bring strata insurance onto their books, which is great for consumers. So you've got more competition, you've got lower premiums, you've got more customization of particular sorts of cover. So it's a great time for owners to one look at bringing their underinsurance up to where it should be.

So that should we go back into a hard market, which essentially will happen, might not be for three years, might not be for five years, but you will be better placed to continue your insurance, you'll be more realistic about what your premiums will be. And I think factoring the risk profiling, and then we've talked a little bit about today, we should also be forecasting those sorts of activities into our budgets so we can afford to obtain that information that is required for insurers to say, "Yes, I want to take your risk onto our books and I want to offer you that cover," and it will hopefully avoid the bill shock.

So to give you an example, again, if you haven't done a replacement cost for three to five years, you may be already 15 to 20% under what the reinstatement cost of your building should be. If you wait another three to five years and don't address it, you could be 40 to 50% underinsured. So you're not just having to bring your replacement value up to where it should be, but the premiums will align with that. So there'll be a significant increase when we hit that next hard cycle.

Amanda Farmer: Edwina, if we have owners who are tuning in, managers who are tuning in and want to recommend these reports to their clients, what time period should they be looking at? Is this something that needs to be done six months prior to renewal? A month prior to renewal? What's your recommendation for when owners and managers should be reaching out to you?

Edwina Feilen: Well, different insurers and brokers will work differently, but from my perspective, the more proactive you can be, the better. So you'll need to work closely with your strata manager and the broker to obtain that required information to make that insurance placement process as streamlined as possible, right? A replacement cost report or risk survey is something that's normally recommended, as I mentioned earlier, every two to three years. So it's not an annual thing.

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So if you can budget in to do that on a regular cycle like that, you'll already have that information available to you when it comes to the renewal period. So most brokers and insurers will be looking 90 days ahead. But if you can make that an annual thing, it will actually be more beneficial. You can give your strata manager the information, they can take it straight to the broker, and the broker can look around and find the most economical and appropriate policy for your particular building.

In terms of thermal scans, this is an endorsement that, as I mentioned, is required on an annual basis. So you should just make it part of best practice of looking at your buildings. In particular, when it comes to older stock with older switchboards and things like that, it's going to be good practice to make sure that you're de-risking yourself, whether it's for insurance purposes or just the longevity of your building.

The other thing, again, as I stated earlier, it's important to realize that thermal scans have to be done by a qualified electrician and a registered thermographer, using the right approach and the right technology to meet those insurance requirements. But as I say, if it was from my perspective, I would be doing your risk survey and your replacement costs every two to three years your thermal scan annually and not just leaving it to the last minute. When your strata manager comes to you and goes it's insurance time again, we can take some of that ownership back onto ourselves as owners.

Amanda Farmer: Nice. So if we have owners who are thinking about that, wanting to budget for this, maybe want to get a quote from you guys, how much does this stuff cost? Where is the best place for them to go to connect with you and with Asset Inspect?

Edwina Feilen: Okay, well firstly you can go to our website which is asset-inspect.com or you can email me edwina@assetinspect.com.au or ring me on my mobile which is 0439 744 683.

Amanda Farmer: Very kind of you Edwina. Thank you for sharing those details. We'll make sure that those are in the show notes for this episode. Now before I let you go, I'm going to ask you this question. If an owners corporation could just take one immediate step after listening to this episode, a single impactful step to improve their insurance position, what do you say that should be?

Edwina Feilen: Well, what I will say is data is king. So the better prepared you can be with the types of information insurers will ask for when looking to obtain your insurance, the better. Keep it up to date. So if there's changes in tenancies you put in place, risk recommendation, capital works programs, or you go through an insurance claim, giving current and up to date information is really going to be the most proactive way to make sure you get the best outcomes when you're looking for that insurance.

Amanda Farmer: Excellent. Well thank you for joining me today, Edwina, and sharing what Asset Inspect has to offer our owners. Please do reach out to Edwina if this sounds like something you would like to involve your building in or your client buildings if you're a strata manager. Anything you want to leave us with before we move wrap up Edwina?

Edwina Feilen: No, just like to reiterate that being a proactive is the best way forward. I also hope that everyone has a great festive season and a safe and happy one. And yes, you'll see me around in 2026.

Amanda Farmer: Sounds great. I hope to do that. Thanks Edwina.

Edwina Feilen: Thank you.

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