

**Submission To Parliamentary Inquiry
Into
Unsustainable Insurance Premiums in
North Queensland**

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INTRODUCTION

The insurance premiums for Strata Title unit buildings, particularly large complexes and Tourist Resorts, in North Queensland have increased by **200-500%**.

These increases apply to buildings that:

- Have not flooded
- Have not claimed for any cyclone damage (or minimal claims) in the last 5 years (analysis of 35 Units in the Whitsundays)
- Are not affected by bush fires

The reports indicate that properties in Brisbane which did flood have received insurance premium increases of around **36%**.

These excessive increases in insurance premiums are having a devastating affect on areas already affected by the drop in tourism, and are causing mental, physical health and financial difficulties.

As a result the Whitsunday Ratepayers Association formed an Insurance sub committee (QUID) to investigate what could be done, and try to do something about it.

Where in this submission an identity is stated as 'not for publication' the writers of this report have the identification information and it can be provided to the inquiry on request, but is not for publication.

We would like to take this opportunity to thank Senator Jan McLucas, Hon. Warren Entsch MP and George Christensen MP who have taken on this fight at Federal level.

We would also like to thank Senator Ian Macdonald, Senator Brett Mason and Senator Ron Boswell who also responded to our calls for help.

However, there has been no action from **anyone** at State level, although we have lobbied extensively and continually asked for meetings with our local member, Jan Jarratt.

THE MAJOR PROBLEMS

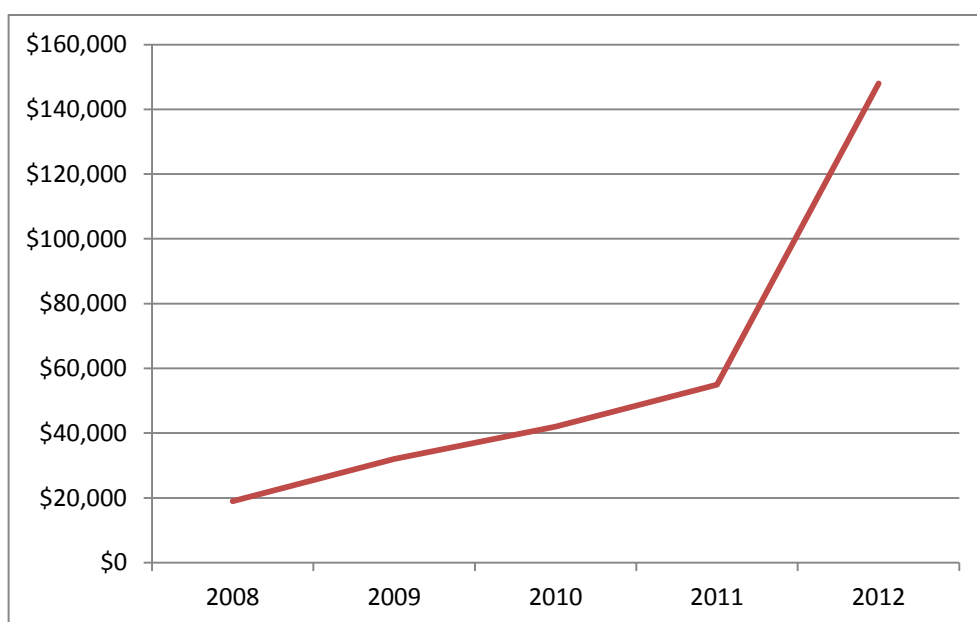
There are four major problems to be addressed:

1. Increases in premiums from 2011 to 2012 in Strata Buildings

Analysis of over 36 complexes in the Whitsunday area show premiums have risen between 200 and 500%. These are properties which have had no, or minimal, claims in the last 5 years.

Analysing four of the newer strata properties in the Whitsundays, insurance rates per household averaged as follows:-

	2011	2012
Case 1.	\$1,575	\$3,000
Case 2.	\$1,000	\$3,240
Case 3.	\$1,760	\$3,600
Case 4.	\$1,150	\$2,777
Case 5.	See Graph Below	



RISE IN ANNUAL PREMIUM for this 1 complex alone!!

From \$18,000 - \$148,000

Where Body Corporate Committees have responsibly budgeted for insurance increases, no-one ever thought the increases would be so high. Therefore, Committees were put in the difficult position of trying to find the extra money in a short period of time. This proved to be impossible for the majority. One complex budgeted \$27,000 for 2010 and the actual was \$40,940.80, they then budgeted for \$80,000 for 2011 and the actual was \$96,501.36.

██████████	2010	\$25,542.30	2011	\$81,996.43
██████████	2010	\$41,533.78	2011	\$87,356.21
██████████	2010	\$88,000.00	2011	\$172,710.92
██████████	2010	\$5,098.96	2011	\$17,684.94
██████████	2010	\$8,000.00	2011	\$22,500.00
██████████	2010	\$40,940.80	2011	\$96,501.36
██████████	2010	\$5,634.00	2011	\$13,389.00
██████████	2010	\$63,000.00	2011	\$121,000.00
██████████	2010	\$17,000.00	2011	\$71,000.00

The primary industry in this region is tourism. Tourists are not only down they are non-existent, the money isn't coming in to pay the huge increases in insurance premiums being asked.

As an example, in 2008 one complex apartment had a net return of \$34,712.90 gross. In 2011 it has decreased to \$26,328.

2. "Commissions" not declared or excessive

The tax invoice for the insurance premium rarely shows the total individual costs associated with it.

Where body corporate managers have to disclose the commission they are entitled to receive to the Body Corporate:

"Section 135 of the Queensland Body Corporate and Community Management Act 1997 regulation 2008"

It would seem brokers do not have to declare how much they are being paid or by whom. They fall under the regulation of the *Commonwealth Corporations Act 2001*.

Even with body corporate managers this amount is declared as a percentage in the management agreement and does not always show on the invoice. Some Committees have no idea they are paying up to 20% (possibly more) of their premium in commissions, as not only is a broker fee charged to the Committee, but commission can also be paid to the broker by the insurance company, and if a Committee is using a Body Corporate Manager to source their insurance then commission is also paid to them.

Quote from [REDACTED]:

"If cover is placed with them (1 of their preferred brokers) we will be paid commission in accordance with our agreement."

Committees change and few look at the agreement to see what kind of percentage it is. AND the agreements actually say:

- I. DISCLOSURE OF COMMISSIONS
Providers of services that pay a commission to the Manager
Name of Company: [REDACTED]
Commission Details: 5 – 20% on base premium

Name of Company: [REDACTED]
Commission Details: 5 – 20% on base premium

Name of Company: [REDACTED]
Commission Details: 5 - 20% on base premium

Name of Company: [REDACTED]
Commission Details: 5 – 20% on base premium

So when you get your tax invoice you don't know whether you have been charged 5% or up to 20% of premium. You have no idea what the base premium amount actually is!!

There is a duty of disclosure for the insured to disclose to the insurer, but no duty of disclosure for other parties to disclose their interest in any policy in actual figures on the tax invoice.

3. Lateness of advice

Body Corporate Committees using Body Corporate Managers have not been given time to arrange EGMs so special levies can be raised in order to pay the increased premiums. Occasionally time has been so tight that it hasn't even allowed the Committee to set up an insurance premium loan.

A Body Corporate Manager has informed us that it has become common practice for Strata Complexes who do not have sufficient Administration Funds, to use the Sinking Fund to pay their insurances. It is an incorrect practice to pay with this fund but the powers-that-be are turning a blind eye. The problem is amplified by insurance firms/brokers/body corporate managers issuing renewal-form policies with no warning, way above what was budgeted for, and in too short a time, often fourteen days or even less, before they are due.

With insufficient funds the Strata Unit Committee has then to organise an EGM (30 days notice) to issue a special insurance levy with thirty days to pay in the hope all owners pay on time. It is wishful thinking on any Committee's part at any time that all unit owners will pay their dues on time, and even more so in such financial times.

Time between quote received and it having to be paid

Case 1	36 hours
████████████████████	9 days
██████████	14 days – after fighting for 2 weeks to get the information

4. No uniformity of the premiums

The Insurance Commission implies this area has been under rated for a few years. This does not explain the discrepancies between strata insurance costs for small and large complexes, and between strata complexes and houses.

A unit in a small complex can get insurance for < \$2,000 per unit per year. A unit in a large complex has insurance premiums of \$3,000 - \$4,000 per unit per year. A house can get insurance for \$1,000 - \$2,000 per year.

The Analysis below is taken from Statistics developed in the Whitsundays

STANDARD HOMES

	Beds	Baths	Type	Approx Value	Premium p.a.
Case 1.	3	2	Modern house	\$460,000	\$1,000-\$1,500
Case 2.	3	2	House	\$1M+	\$2,000-\$2,500

STRATA BUILDINGS

Case 1.	1	1	Ocean views/pool	\$350,000	\$2,500
Case 2.	3	2	Ocean view Penthouse	\$750,000	\$3,500
Case 3.	2	2	Ocean views/pool	\$359,000	\$3,119
Case 4.	3	2	Ocean views/pool	\$550,000	\$3,314
Case 5	4	2	Ocean view Penthouse	\$1M	\$5,458

The only reason for the significant difference that we can see is that there is little, or no, competition by Insurance companies for large complexes. It would appear to be **PRICE RORTING**.

ACTUAL EXAMPLES ARE AVAILABLE ON REQUEST

EFFECTS ON THE OWNERS IN THE WHITSUNDAYS

- 1. Inability to pay body corporate fees**
- 2. Special levies**
- 3. Loans set up to pay Body Corporate insurance premiums**
- 4. Owners either moving out entirely or into different accommodation**
- 5. Mental anguish**
- 6. The effects on marketing properties**
- 7. Reduced purchasing power and rent increases**
- 8. A reduction in the value of Management Rights**

1. Inability to pay Body Corporate fees

Owners who cannot afford the body corporate fees and special levies are defaulting, resulting in the amounts required for insurance premiums not being met. This is leading to additional special levies being issued for payment by those who have not defaulted so insurance premiums can be paid.

Since the units affected cannot be sold, due to the level of body corporate fees, the owners are getting more and more into debt. Owners who have paid their levies are being asked to contribute more to cover the difference leading to additional hardship for them. **This is a compounding issue.**

Figures analysed in October 2011 for [REDACTED] indicated the number of homeowners defaulting on their payments had risen by **30% IN ONE QUARTER.**

More and more strata units are being forced to sell. You only have to open the local property guide to see how many of the properties for sale are now mortgagee in possession. These properties first go to auction where offers are reduced due to the owner's circumstances. This is leading to a reduction in property prices beyond that experienced in other areas of Qld and other states. In the rare cases where a property has sold the amount paid has just covered the mortgage and has not covered the debits of the owner.

Defaults

Case 1	30%
Case 2	66%

2. Special Levies

Special levies and increases in body corporate fees to obtain monies for insurance premiums have already started and this adds more pressure on an already stretched system

The money in the Administration Funds for the large complexes does not cover the increase in insurance premiums being experienced. No-one expected increases of 200-500%, where we believe this has not been the experience of properties in other parts of Qld affected by the floods.

This problem hasn't even been noticed by some strata complexes yet as their insurance policies haven't come up for renewal, it is only going to get worse:

Quote from [REDACTED]:

"I think it will probably be another few months before the real level of difficulty for lot owners resulting from the insurance increase will be apparent."

Case 1	Special levy	\$745 per quarter as well as \$2,400 levies for sinking and admin
Case 2	Special levy	\$3,000 per owner
Case 3	Fees	\$972.29 a quarter to \$1686.65 a quarter
G. Burley	Special levy	\$745 per quarter in addition to \$1,860 levies

3. Loans set up to pay Body Corporate Insurance Premiums

Since the Administration Funds do not contain the amount of money required to pay the insurance premiums and, in a number of complexes it is not feasible to issue special levies for the total amount required in one go, the Body Corporate Committees are having to set up 'Insurance Premium Loans'. These are taken out with Insurance companies (e.g. [REDACTED]) and incur set up costs and interest etc. This is an additional strain on the funds of Body Corporate Committees, although the Insurance companies involved are benefitting from extra benefits and funds.

Quote from [REDACTED]:

"So far the majority of committees, after consulting with the owners, have opted for premium funding and then holding an EGM to approve Special Levies spread over a period rather than a one off."

[REDACTED] [REDACTED] loan for the premium- total additional cost \$5,614.53

4. Owners either moving out entirely or moving into different accommodation

Some owners of units in the large complexes are contemplating renting out their units and moving to different accommodation costing less.

The reason being that they are unable to sell their Properties and in making such moves they can achieve more cash to pay the Body Corporate Fees.

Case 1: Going camping for 6 months in order to put the unit into the letting pool to try and recoup some monies

Case 2: Putting their holiday unit into the letting pool permanently and staying somewhere cheaper on visits to the area

5. Mental Anguish

The effect these premiums are having on the community is being under rated. Owners would sell and move out of Airlie if they could, but they can't as the units are unsaleable.

This is leading to welfare problems and mental anguish.

In some cases the younger owners are having to call on their parents for help, putting additional pressure on the parents. In other cases it is the older, retired person who is suffering:

Margaret Shaw was contacted by an 83 year old woman who was in tears because for the first time in her life she couldn't pay her debts. Her body corporate fees had increased so much due to the insurance premiums she just couldn't do it. She wanted someone to listen to her for help. She refused for her name to be given as she was more than embarrassed, she was humiliated. People don't deserve this.

A considerable number of the units are owned by self funded retirees and their income is being affected. Self-funded retirees have to draw down savings with **No Means Of Achieving Any Additional Income.** If this continues there will be no choice but to make demands on the pension system if costs cannot be afforded and sales take place at below purchase prices.

Pensioners who have to watch their expenditure carefully cannot find the extra money and older people already suffering from depression and anxiety are having their conditions made worse.

Some retirees are even contemplating returning to work as an option to cover increased costs, but the jobs aren't there for them.

All 3 of the people involved in the writing of this report are self funded retirees, living in their units.

In addition, the story isn't even over when insurance has been quoted and agreed, with Insurance companies pulling out at the last minute causing people to be un-insured and having to start again.

We are told that in one instance a Strata complex insuring, for a year, unable to meet the full year's premium as a lump sum, was paying month by month. After two months the Insurance Company cancelled the insurance policy saying they were withdrawing from Strata Complex insurance, and refunded the money.

Details from [REDACTED]:

*[REDACTED] has completely withdrawn from the North Queensland BC insurance market as of 5th December 2011 even to the extent of **not honouring quotes** they already had offered to bodies corporate for renewals in December."*

6. The effects on marketing properties

Due to large increases in body corporate fees, selling units has become extremely difficult. Therefore, financial difficulties which are being experienced by many people already cannot be easily overcome by selling out.

We have spoken to: [REDACTED]; [REDACTED]; [REDACTED]; [REDACTED]; [REDACTED] and others. Some of their comments are detailed below.

One of the major real estate agencies in the area, [REDACTED], states they have seen a 50% drop in enquiries for units, as owning units is too prohibitive. Prices are now at 2004 and in some cases 2002 levels. Even though this may be true strata units are not selling.

[REDACTED] advised us that of the strata unit complexes they have on their books, four are bankrupt owners and a further two are going through divorce proceedings due to finances. One can only surmise what number of suicides may occur due to this problem, though the Queensland State Government has shown no concern even at a local level unlike both sides of Federal Parliament.

Of 260 Strata units for sale on their books in the Airlie Beach and Cannonvale area they have sold only 17 units this year, in a market where value has declined 30%.

Another Real Estate Agency spoken with says this year the steady increase of strata units for sale/auction in Nth Queensland has escalated into an avalanche of available units, with no buyers interested. Yet in all capital cities Strata Unit Complexes are promoted as the future way Australians will live. It calls for an evening out of complex insurance Australia wide, or is it the State Government's plan we all live only in Capital Cities?

Yet another Real Estate office informed us that insurance has increased three or four fold so that when prospective Strata Unit clients view properties, the question now is not how much is the unit selling for but, "WHAT ARE THE INSURANCE AND BODY CORPORATE FEES ?" after which the prospective sale becomes a non event. The same office is now receiving five or six Strata Units for sale per month when previously in the boom times it was only four a year.

All Real Estate companies said due to these high Body Corporate fees brought about by increased insurance plus high local Council rates, future investors with negative returns will no longer invest into Strata units in Nth Qld. The agents are now forced to concentrate on selling private houses which have very little increase in their insurance premiums.

7. Reduced purchasing power and rent increases

Insurance premiums for the larger strata complexes are taking up any spare cash, purse strings are being tightened, and resources stretched. Money is not being spent in the community as it is being directed to Insurance Companies.

Businesses are closing and there are now over 30 shops empty in the Airlie Beach main street alone.

When you have a retail shop located within a Body Corporate complex the retail tenants operating on a Net Lease bear the Administrative Levies for the Strata Lot they are associated with. Any changes in the operating costs are passed on to the tenant. Tenants can't afford the increase and shops are shutting.

According to [REDACTED]:

"Increase in operating costs to a retail business in the current economic climate can spell doom to any business."

8. A reduction in the value of Management Rights

Resort Managers are not only having to pay the increases Body Corporate fees on their units, but the value of their businesses is also being affected, and some face a very bleak future.

- a) The only prospective purchasers who are considering buying in the large tourist complexes are owner occupiers. This reduces the number of holiday lets available and therefore, the value of the Management Rights
- b) Since insurance costs have sky rocketed, more owners who normally holiday let their units through Resort Managers are long term leasing them instead through Real Estate Property Managers for guaranteed returns, this also has an immediate effect on the income of Resort Managers

Take [REDACTED] for an example. 25 apartments in a tourist resort. As of 28th November:

Permanent rental or owner occupied:	10 units
Holiday let:	12 units
50/50 owner/tourist:	3 units

This means approx 50% of the units in this resort are now owner occupied or residential, and two others are considering their options.

Research shows those complexes valued at less than \$10M have fewer units for sale, fewer defaults, fewer mortgagee in possession sales than the larger complexes and all because they have lower insurance premiums.

SUMMARY/CONCLUSIONS FROM PRECEDING INFORMATION

It has transpired there is now virtually only one Insurance Company active in the market for Strata Building Insurance Policies over a value of approximately 5M\$.

(This Company is ██████████)

This has led to a MONOPOLY SITUATION and has given rise to Unconscionable Premiums

It has resulted in the following:-

- There are unmanageably high premiums being paid by Strata Title Owners
- There are massive variations in premiums for buildings of similar style and location
- The premiums do not COMPARE WITH STANDARD HOMES OF SIMILAR VALUE

██████ States:

“The insurance industry has traditionally underpriced strata compared to other lines for competitive reasons and this has made it challenging from a profitability perspective. For example, rates in strata have risen an average of 4.5% over the past 5-10 years. Whilst strata premiums have increased significantly they are now on parity with home insurance premiums for buildings of similar values. “

This is clearly not true.

- Commissions may be hidden in Tax Invoices and Quotations which are not transparent
- No consideration is given to prior claims or lack of them

Here are 3 of the worst claim scenarios during the last 5 years:

	CLAIMS (5yrs total)	2011 PREMIUM	2012 PREMIUM
Case 1.	\$27,000	\$30,251	\$117,220
Case 2.	\$8,000	\$15,000	\$38,500
Case 3.	\$6,000	\$8,260	\$16,402

- Governments are collecting windfall Stamp Duties and GST payments for exorbitant Insurance Premiums
- One class of people have been targeted for high premiums (Strata Owners in Properties of a higher value than 5M\$) without any historical evidence of claims to support these premiums
- Owners of units in Strata Buildings are finding extreme HARSHIPS in finding additional monies to pay the premiums
- Governments have gained substantial windfalls of GST and Stamp Duties due to these high Insurance Premiums
- Many Strata Unit Owners have not yet felt the effects of these high premiums simply because their policy has not yet reached its renewal date. Therefore, through 2012 an increasing number of owners will suddenly be shocked by their new enforced insurance payments

Body Corporate and Community Management Act 1997
NOTICE OF CONTRIBUTIONS

Date of Notice	16th December 2011
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Body Corporate for

Account	Period	Due Date	Amount	Discount	If paid by	Net Amount
Admin Fund	01/02/12 to 30/04/12	01/02/12	3,555.72	711.14	01/02/12	2,844.58
Admin Fund Special	Administration Deficit 10-11	01/02/12	666.40	0.00		666.40
Sinking Fund	01/02/12 to 30/04/12	01/02/12	760.24	152.05	01/02/12	608.19
Austar Levy	Austar Levy 2011-2012	01/02/12	121.98	0.00		121.98
Lift Levy	Lift Levy 2011-2012	01/02/12	0.00			0.00
Totals	(Levies include GST)		5,104.34	863.19		\$4,241.15
GST component on gross of \$4,640.31 is \$464.03 or on net of \$3,855.59 is \$385.56						

Please deposit your payment in accordance with the attached payment slip.

SUGGESTIONS FOR GOVERNMENT TO CONSIDER TO ALLEVIATE THE PROBLEMS

- Examine the idea of controlling Insurance Premiums for Strata Titled Owners such that these premiums are in line with equivalent standard domestic homes of similar style and value – Uniformity of Premiums
- Cap Insurance Premium Annual Increases to CPI or other another controllable figure
- Reimburse or credit existing Strata Unit Owners who have already been “Rorted” by excessive premiums due to the timing of their policies

It may be too late to help those who have already lost their homes, but so many others are close to the edge.

- Make easily available all details of “Hidden Commissions” contained in the premium

All interests should be separately declared on the tax invoice.

- Examine the possibility of “No Claims Bonuses”
- Examine the Introduction of Overseas Insurance Companies being allowed to quote
- Insurance Companies should examine the Risk Assessment and charge premiums accordingly – or – have optional additional clauses to cover special cases such as land slip, flooding, ocean frontage/tsunami damage etc
- Examine the Possibility of a State Insurance Company offering reasonable rates – use the windfall GST and Stamp duty to set it up
- Government backed liability

Insurance companies willing to quote could have their liability Government backed, so ensuring they cannot collapse due to a national disaster

- Change State Legislation so buildings do not have to be insured for the full replacement cost where is it feasible not to do so
- Apportion reinsurance penalties across Australia

It would seem reinsurance companies have instigated penalties for North Queensland due to the reoccurrence of cyclones. Australia constantly has disasters, from bushfires and drought to floods and cyclones, there are going to be constant reinsurance penalties. If every penalty was apportioned across the whole of Australia instead of just in the area penalised you would remove the peaks and troughs.

- If Australia can have a mining tax so profits are spread across all areas, Australia can share the reinsurance penalties as well so the pain is spread across all areas. There is no difference.
- Remove the insistence brokers must be used

Some insurance companies will only deal through brokers for strata insurance, which is automatically an increase in the out goings for Body Corporate Committees. Where a committee is willing and able to search for their own insurance, then they should not be made to go through a broker.

ACTUAL CASE HISTORIES

These Case Histories have been transcribed from Original Correspondence sent by Strata Unit Owners in The Whitsundays and have not been edited

The case histories in this report range from a distraught 83 year old who is too frail to either understand the position or to deal with it, all the way down to 1st home buyers who were scraping money together to get a home in the first place. The effects on their lives are unsustainable but nevertheless are continuing, and the insurance premium increases are effecting a greater and greater number of home owners as time passes.

[REDACTED]

Name: John & Diana Rowley

Correspondence:

From: **John & Diana Rowley** [REDACTED]

Date: Sun, Dec 18, 2011 at 7:07 PM

Subject: RE: Insurance Call To Action

Dear Margaret,

In reply to your request for information regarding the impact the recent massive building insurance premium increase has had on us, please find below a summary of facts and feelings. I am more than happy to have my name published as I don't believe in hiding behind anonymity.

Financially Unable To Occupy Our Own Unit

We purchased our unit in February of 2005 with the intention that we would occupy the unit after I retired from work. At the time of our purchase the annual building insurance premium was around \$6-7,000 if I remember correctly. In our wildest dreams we did not envisage seeing an \$80,784.66 premium 6 years later.

As we are now self funded retirees on a small pension, we have to work to a relatively tight budget. In early 2012 we intended to shift to our unit and live in it and as part of the financial planning we had allowed in our calculations for the exorbitant and greedy (or so we thought at the time) 2010-2011 insurance premium of \$25,542.30 to be increased by a reasonable margin of 20-25% given the spate of natural disasters that had occurred recently. When the 2011-2012 premium arrived and showed a tripling of the premium, that additional cost, when passed on to us as unit owners, meant that we can no longer occupy the unit in 2012 as planned but rather leave it in the rental pool in an attempt to cover some of the additional operating costs.

Possible Forced Return to the Workforce

To forefill our desire to live in our unit I may have to pursue employment to earn additional funds to cover the increased costs. As I have been retired for a couple of years, and am 65 shortly, I am very concerned about my ability to get employment in a very depressed local employment market. My past employment was in the resources sector and while there may be an avenue for employment there, drive in drive out or fly in fly out positions are very arduous at my age. Also, regardless of all the government hype about it being illegal to not employ people based on age, gender, race etc, mines do not like employing "older" staff.

Unable to Sell Unit

When I contacted a number of real estate agents about selling the unit and shifting south of what I call the Insurance Company Rip-off & Greed Line (Mackay), I was informed that I would be hard pressed to get the same price that we purchased the unit for in 2005. A depressed market and very high, by southern standards, body corporate/insurance costs where the reason given for not achieving my 2005 buying price. One real estate agent said to me that southern investors were also concerned that the "greed" of the insurance companies would

manifest itself in more large increases in premiums next year and that north Queensland was a no go zone for investment in strata titles.

Same Broker, Same Unit, Same Insurance Risks, Different Premium Increases

Our unit contents insurance premium for 2010-2011 was \$343.96 while for 2011-2012 it is \$492.19. This is an increase of 43% which in itself is a huge lump to swallow. While I realise that the insurance broker would not necessarily go to the same insurance company for building insurance as he would for contents insurance, why has the building insurance tripled while the contents insurance has been increased by a “mere” 43%? Our unit contents are at the same risk as the building so this massive building increase beggars belief.

Between a Rock and a Hard Place

Fortunately my wife and I can live with my elderly mother on a temporary basis but in reality we are between a rock and a hard place. We can't sell our unit unless we “fire sale it”, we can't afford to live in it and the rental income does not cover the costs to run and maintain the unit. Seeking employment appears the only way out of our predicament.

Regards

John Rowley

For: J & D Rowley



[REDACTED]

[REDACTED] have 25 units spread across 7 separate buildings, only 1 building has a lift, and all have lock up garages. We cannot flood, being towards the top of the hill. We're built to cyclone standards, only 1 building is over 4 storeys (the rest are 3) and we share a pool. Yet the State Government insists on insurance cover for the TOTAL replacement value of all 7 buildings even though they set the cyclone proof standards in the first place. The likelihood of all 7 buildings being devastated in one go is more than remote.

Name: Margaret Shaw – Treasurer

My husband and I reside at [REDACTED]. Whilst we sometimes go camping around Australia for 4 months at a time, next year we have decided to be away for 6 months instead. This allows us to pack up our personal belongings and store them and either have someone take a 6 month furnished rental, or join the letting pool for our apartments. Either way we hope to raise part of the \$14,000 - \$16,000 in body corporate fees we are now experiencing on our own home. Although it may seem a lot of work, we are self funded and the extra income is needed as it is costing us \$300 per week approx to live in our apartment which doesn't have a mortgage, and this is for body corporate fees (including strata insurance) and rates alone. We don't like the idea of someone living in our own home but it is either leave home and have someone rent it, or find employment enough to cover the fees.

We are now stretched to the limit and although my husband turned 72 this year he has continued to work part time up to December 2011, and we have never claimed a pension. He has now had to fully retire, and with the financial situation the way it is, the huge reduction in the value of our assets (which we can't sell), and our insurance increases not only on our own home but also on our investment property we have decided to make an appointment at Centrelink to see whether he qualifies for a part pension, something we never thought we would have to do.

We will not be the only ones doing this as this situation is difficult to say the least.

Name: Lindsay & Leigh Smith

Our apartment in [REDACTED] is our holiday home for around six months of the year, or has been in the past. Now we have decided to either rent the apartment on a permanent rental or leave in the letting pool, and we will stay somewhere cheaper when we visit the area.

[REDACTED]

Name: Withheld

Two young men own a [REDACTED]. It is currently rented for \$420 per week. Their out-goings in body corporate fees and rates alone is just under \$300 per week. With their mortgage on top they are making a big loss and they are unable to pay their body corporate fees. Their mother is paying them on their behalf, which is putting an even greater pressure on her.

Whilst we're lucky at the moment that [REDACTED] has no defaulters yet I do not know how long this will continue for. Our insurance has gone from \$25,000 to \$81,000 and I have no idea what to budget for next year.

This has become an impossible and desperate situation.

[REDACTED]

Name: Basil Diethelm

Type of property: 2 bedrooms, 2 bathrooms, ocean view, tourist complex with pool
25 apartments valued at [REDACTED]

Situation:

[REDACTED] was bought for \$420,000 in 2004. Mr Diethelm is now trying desperately to sell it. The property has been reduced in price several times and is now on the market for \$359,000 – he would consider any offer.

A number of people have been to view it but all prospective buyers have turned down the property based on the level of Body Corporate fees which have had to increase significantly due to the increase in insurance premium from \$25,000 to \$81,000.

The situation has also been compounded by the banks. According to [REDACTED]:

"We have heard from a few people lately who have been looking at Units in this area that the banks are currently not lending on any complex of more than 6 units because they are generally holiday let complexes and the holiday let income is sporadic at the moment. The banks don't take any notice of the fact that a particular unit might be in permanent rental, they just look at the Body Corp disclosure statement and if the description is 'accommodation' and they are more than six units in the complex - that's the signal they act on to refuse finance. One potential buyer in particular has tried to get finance for three different units in Airlie Beach and each time the bank turned him down on the grounds described above."

----- Original Message -----

From: [REDACTED]
To: Margaret Shaw
Sent: Monday, January 02, 2012 11:49 AM
Subject: Insurance Premiums

The recent huge increases in body corporate insurance in the Airlie Beach, [REDACTED] complex, have created a situation where body corporate fees have sky rocketed .

It currently impossible to sell a quite beautiful apartment , even at a reduced asking price to compensate for the increase corporate fees on disclosure statements .

It has also been pointed out by real estate agents that banks are currently reluctant to loan money on these apartments.

This insurance "cash grab " is almost immoral . it has made my asset essentially worthless and unsaleable. This investment was intended as my retirement funding in order to be a self funded retireethis now worthless asset will sadly force me to fall on government funded pension to survive in the years ahead. I will soon have no option but to default on corporate fees before long unless the insurance situation is corrected to a normal premium .

I find it hard to believe that insurance companies are within the law to demand such outrageous increasesespecially when no damage or claims have been made on the property. I have been told that after '911' no such demands were made in New York , neither are they made in Florida USA where there is annual hurricane related damage .

Correspondance:

Subject: [REDACTED]
Date: Tue, 22 Nov 2011 14:23:09 +1000
From: [REDACTED]
To: Basil Diethelm – [REDACTED]

OK – I have checked out the Body Corp Disclosure Statement (that legally we have to supply to a buyer) and it does come to almost \$14,000 pa as it stands. Unless we had some letter from [REDACTED] or perhaps the Body Corp Secretary/Treasurer (Margaret Shaw??) it will be difficult to demonstrate to the buyer that it will be cheaper in the near future, as it may not be.

By my reckoning, even if there was no lift levy at all, the fees would still be around the \$12,000 mark and that's always going to be a bit of a hurdle. (Just got your phone call re the letter explaining why the fees have risen – look forward to getting that in the mail).

The buyer really loved the unit and was keen to make an offer until he totalled up the various B/Corp amounts. We believe his offer was going to be about \$15,000 to \$20,000 below the list price of \$389,000. Now.....even if we said to him that you would discount the price by 2 years worth of B/Corp fees, we might still be some distance apart since I think he would have been expecting to pay around the \$375,000 mark although he has not actually stated that.

We would be reluctant to offer him any sort of discount until he has first made a written offer and to convince him to do that, I think we will need to be able to demonstrate to him that the fees will be lower in the very near future. Hopefully the material you send me will help.

Any thoughts???

Regards,

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

From [REDACTED]
To: Prospective purchaser
Sent: Friday, 25 November 2011 11:36 AM
Subject: [REDACTED]

Thanks for calling me on Monday regarding [REDACTED].

Naturally the vendor was disappointed to hear that although you liked the unit, the Body Corp was an issue! I have suggested to him that he might like to consider assisting a potential buyer by reducing the price further or perhaps picking up the tab for the Body Corp for the next two years until the reductions in Body Corp fees take effect. The lift levy for example is about to be reduced when they appoint a new service contractor and the building insurance may also soon reduce considerably depending on the inquiry.

If the vendor was to do either of those things would you be interested in negotiating a deal?

Regards,

[REDACTED]

Date: 25 November 2011 7:35:37 PM AEST

To: [REDACTED]
From: Prospective purchaser

Subject: Re: [REDACTED]

[REDACTED]

Thanks for your note, yes I would appreciate a more complete explanation of the present and future body corporate fees I found it hard to consider what was in the disclosure statement as a good investment proposal, I am looking for an investment with a reasonable return not as a tax loss as some investors might.

By the time you add the Admin fund, Sinking fund, Lift Levy & Austar plus rates plus letting fees there would be nothing left of the \$450.00/week rent ! I can't say that I would reconsider yet until I have full and complete information on my costs.

I will be back in Airlie Beach for Christmas from 24 Dec to 30 Dec at which time I might consider looking at the proposal again, in the meantime any further info can be sent to me at this address.

Date: 25 December 2011 11:33:02 AM AEST

To: [REDACTED]

Subject: Re: [REDACTED]

[REDACTED]

Thanks I am now in Airlie Beach until 30 Dec however I feel that [REDACTED] is not for us due to the high Costs.

Regards

----- Original Message -----

Name: Withheld [REDACTED]

To: [REDACTED]

Sent: Saturday, December 31, 2011 2:09 PM

Dear M.

I wasn't going to send this email because we don't really want people knowing what a terrible situation we are in, but then I thought if I don't tell you then you can't help us. So here goes:

TO WHOM IT MAY CONCERN

I resigned from my job last year, estimating that I would be able to semi-retire and begin to enjoy the fruits of my years of full time employment. Unfortunately this has been impossible due to the huge hike in insurances to maintain my unit in Airlie Beach. I had planned a holiday this year as well, however this has been cancelled. Now I am back working longer hours, just to keep myself suitably housed. Sadly, recreation is a thing of the past! Consequently I will miss out on a trip to see my family, as I cannot afford the expense. Please help me to afford living, by reducing the insurance nightmare!!

Tired and worried.

██████████

Name: Lester Riley

Situation:

The number of defaulting owners in this complex has **increased by 30%** since September following the new body corporate fees which included the new insurance premium: Total Insurance Premium now \$121,000 p/a in a Complex of 10 Town Houses and 30 Units (40 Owners in Total)

Case 1.

Owner in arrears by \$8,000 and cannot pay the body corporate fees. The owner has offered the Committee \$1,000 down and rest after selling the unit. The Body Corporate Committee was unable to accept payment plan – they are not a Finance Company, so the unit was forced to go to auction and the owner is in hands of Debt Collectors. At Auction there was not ONE BID.

Case 2.

Owner in arrears by \$4,000 and cannot pay the body corporate fees. The owner has offered the Committee \$500 per month until paid off. This amount is less than the monthly body corporate fees so the Body Corporate Committee was unable to accept the payment plan. The owner is now in hands of Debt Collectors.

Case 3

Another two units bought just prior to the increased insurance premiums are now for sale. The increased insurance, and therefore, increased body corporate levies, means the owners' commitments have blown out of all proportions and they cannot now meet the mortgage or the levies.

Case 4

75 year old man and wife who are self-funded retirees

- a. Investments already fallen due to WFC
- b. Interest Rates continuing to fall
- c. Body Corporate Fees Increased by \$8,000 per annum due to High Insurance Premiums
- d. Can't sell Unit due to Body Corporate Fees
- e. No means of recovering any Insurance Premium
- f. Cannot travel to visit Grand kids overseas and Perth
- g. Ultimately, Centrelink will see increasing requests for Pension Increases

Savings have just been eroded by Greedy Insurance Company – tantamount to THEFT

[REDACTED]

Name: Rhonda Johnston
Type of property: 2 bedrooms, 2 bathrooms, residential townhouses
10 townhouses valued at [REDACTED]

Correspondence:

From: [REDACTED]
Sent: Thursday, 24 November 2011 10:21 AM
Subject: Insurance outrage

To Whom It May Concern,

I wish to add to the increasing number of people who are being held to ransom by excessive insurance premium hikes that are completely unjustifiable. I am a unit owner in a small complex in Cannonvale. Our region was struck by 3 cyclones last year but our building and to my knowledge all others in our area escaped any structural damage. I am a local real estate agent, so I go to a large number of properties in our area on a regular basis.

Our premium after the event though did not escape – Our premium for the complex for the **2010 – 2011 period was \$5098.96 for the year.**

Our premium **for 2011 - 2012 is \$17684.94.** That is an increase of \$12585.98 which is an increase of 288%. If any other goods or service was to rise by this amount it would have to be justified. The insurance companies have been making money from people for years, and now they have had to pay up for the severe weather pattern that Queensland experienced. Well that is what their product is for. It is not for taking for years and then if something happens to charge everyone in the country for their one year of extreme claims. This defeats the whole purpose of insurance in the first place. The government needs to act immediately to stop this greedy grab at Australians hard earned money.

Rhonda Johnston

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Name: Withheld WS3

Correspondance:

Date: Sat, Nov 26, 2011 at 5:14 PM

Subject: RE: Parliamentary Inquiry into Insurance Premiums in N.QLD

Many thanks for all the effort

In our building 30% are unable to pay the levies. One lady has problems with a son suffering from cancer overseas and a husband who has to work in the Solomons to earn money. All these people who are unable to pay levies are of course also unable to vote.

There have been a couple of hardship cases as evidenced by sales figures - last townhouse to sell was only \$150,000 2 bedrooms and sea views, making this the cheapest in the area. Prior to that I think it was \$180,000.

My unit and my partner's unit have been on the market for over 3 years.

I note that this year the insurance has been quoted as a special levy of \$745 per quarter as well as \$2400 levies for sinking and admin.

The majority of owners are investors and this is a very bad investment which we are unable to sell unless we do a fire sale as some have done above.

As some of the owners live there and want to keep the townhouses looking really good for holidaymakers, we are also up for painting and plant purchases.

As levies now equal the same as rent, no-one wants to buy. No-one wants to buy so owners are stuck with their poor investments. The rent just about covers the body corporate levies. As previously mentioned, no body corp payment, no vote and no voice. Some owners don't mind as it means a tax loss which suits them just fine and these people who are all paying are making it difficult for others who cannot by insisting that the non payers be taken to court.

Name: Withheld WS4

Correspondance:

Date: Sat, Nov 26, 2011 at 5:42 PM

Subject: Re: Parliamentary Inquiry into Insurance Premiums in N.QLD

Yes, we had to have a special levy of \$3,000 per owner just to get us to the end of the year, and arrange for monthly payments instead of a one-up annual payment (this cost us quite a bit extra as was done by another company - not the insurers), and we had to increase our annual premiums for the subsequent year, and we had to switch to having two levies a year (not one) ... all largely or entirely as a result of the big jump in premium we experienced.

The whole process of trying to get alternative quotes - dealing with other potential insurers, etc took more than 2 months of my time this year... and then we ended up having to go with our pre-existing insurers anyway!

And last I heard, only two out of six owners have paid the special levy so we will be up for penalty payments from the finance provider.

Name: Withheld WS5

Correspondance:

On Mon, Nov 28, 2011 at 6:33 AM, > wrote:

Concerning the write up in the Whitsunday Times my husband and myself, are interested in the group you are forming in regard to the issues concerning residential strata insurance.

As we and I am sure many others are on a fixed income these increases came as a very big shock to us when we received our last body corporate fees a jump from \$972.29 to \$1686.65 for the quarter.

We also have received a phone message from a lady named Catherine and will be contacting her tomorrow.

We were at the forum at the Coral Sea and were most impressed with the questions from the floor, but did not feel we were given adequate answers from the chair,

Thank you for listening and Good Luck to us all.

[REDACTED]

1 Dec 2011

To the Honourable Warren Entsch MP,

There has been a lot of discussion and now hopefully action on the changes to the insurance premiums and consequently Body Corporate levies as a result of this years natural disasters that occurred in Queensland.

The increase in insurance premiums has had an immediate impact on the property market. My greatest concern is that we have not seen the real implications as a result of the incredible increases. Only now are now are we starting to see the new levies come through as a result of the Annual General Meetings.

As one of the leading real estate companies in the Whitsundays we are in direct contact with buyers and sellers. From the buyers point of view the new body corporate levies straight away turn potential buyers away from investing strata titled units due to the huge costs involved. We have seen a 50% drop in enquiry for units. One of the greatest concerns is that the current market values for units in the Whitsundays is at 2004 and in some cases 2002 levels. With this pricing level we would expect activity in the market as a result of buyers seeing value. With the new increases I feel that we have not seen the bottom of the market and buyers do not see value yet.

From a sellers perspective the costs associated with owning units are now too prohibitive and in many cases can no longer afford to own. In some cases where body corporate fees are as high as \$14,000 per annum which equates to \$269 per week on top of an existing mortgage. We are already starting to see distressed sales as a result. This inturn will impact again on values.

From a personal point of view it is extremely hard to understand the justification of these significant increase to levies. As a result of the 3 major weather events that the Whitsundays experienced there was virtually no major damage to buildings and infrastructure.

The ramifications for not only the Whitsunday but also other areas in Queensland especially with a high density of strata titled units will be significant.

It is imperative that the State and Federal Government address this serious issue as a matter of priority. The press that the area has received about the bad weather will be nothing in comparison to the press that we will receive about investing in the Whitsundays and Queensland. I can see headlines such as "QLD Strata Investments a Disaster"

I am available to discuss this issue at anytime [REDACTED]

Sincerely,

Rob Taylor
[REDACTED]

----- Original Message -----

From: [REDACTED]
To: [REDACTED]
Cc: [REDACTED]
Sent: Monday, January 02, 2012 11:05 AM
Subject: RE: Insurance Call To Action

Hi Margaret,

There is no doubt that the high insurance premiums that have now been implemented as a direct result of high insurance premiums are affecting the sales of strata titled properties in the Whitsundays. Feedback from buyers is that they are too high and "what will they be in 5 or 10 years time?" A lot of these units now do not return any monies to the owners because as you would know some of them are \$10,000 plus per annum.

It is my opinion that whilst these premiums are as they are now that the strata titled market for sales will stay slow and therefore affect sales prices costing sellers millions of dollars in the long run.

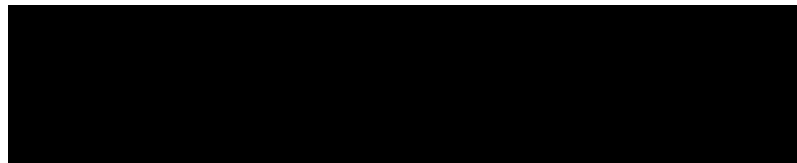
I have no doubt that there will be some body corporates that will not be able to find the funds to pay for the insurance and running costs and will be insolvent.

Of course there are a lot of "owner occupiers" that will not be able to afford to live in their apartments as they have been in the last few years which will mean that there will be more apartments for sale which will effect the long term value of every apartment complex in the area.

I do not have any examples of unit sales that have fallen through but the [REDACTED] has been for sale for 2 years and sold recently for 350 +/- and the BC fees are \$10,000 plus PA. This unit should of sold around \$450,000 even in todays market but because the BC fees are high buyers who can afford this high cash flow property are few and far between.

Hope this helps and call me if you need anything else.

Mark Beale



From: [REDACTED]
To: [REDACTED]
Sent: Monday, November 28, 2011 1:20 PM
Subject: Re: Insurance Call To Action

Good Afternoon Margaret

Brian Parsons Real Estate primary real estate function is Property Management, primarily Commercial / Industrial Property Management.

Regardless; when you have a retail shop located within a Body Corporate complex the retail tenants operating on a Net Lease bear the Administrative Levies for the Strata Lot they are associated with. Any change in the operating costs are passed on to the tenant.

Even a Gross lease, where the expenses are wrapped into the rental payments, will see an eventual increase in rent to cover the increased operating cost to the Landlord.

Needless to say any increase in operating costs to a retail business in the current economic climate can spell doom to any business.

Tourism is down after the cyclones, floods, the GFC from 2008, high Australian Dollar and now the Euro Crisis of 2011 all have created an environment where the small business is being pummelled to death.

Small businesses are the backbone of any economy. The small business person is generally "Ma's and Pa's" who have invested their life savings into their business. They work exceptionally long hours with little or no return. They pay their bills, they pay their taxes but at the end of it they have little or nothing to show for their efforts.

How about giving the quintessential "Little Aussie Battler's" a "Fair Go".

Regards
Brian Parsons
Licensee

From: [REDACTED]

Sent: Monday, November 28, 2011 4:20 PM

Subject: RE: Insurance Call To Action

Hi Margaret,

At this stage of the game, many bodies corporate for which I am appointed the administrator are just finding out about the level of their increase in insurance renewal costs – it, of course, all comes down to the date of their insurance renewal plus there is a considerable difference in the % increase depending on age of building, claims history etc.

As so many lot owners of the properties that I manage are not local and in many cases interstate – they have no idea of what is happening until they are advised at their renewal time, and even then many of them do not realise the implications until the approved Special Levy or increased Administration Fund levies are sent to them for payment. I think it will probably be another few months before the real level of difficulty for lot owners resulting from the insurance increase will be apparent.

So far the majority of committees, after consulting with the owners, have opted for premium funding and then holding an EGM to approve Special Levies spread over a period rather than a one off. They are starting to realise that in addition to this, their Administration Fund levies after their next AGM will be greatly increased to cover the new insurance world.

At this point, any lot owners that are struggling to pay their levies were basically already struggling before the Special Levies were raised – so for sure their situation will only get worse.

Hoping that this helps build up a bit more of a picture.

Kind regards

Margaret Storey

[REDACTED]
[REDACTED]

Name: Withheld WS6

Correspondance:

Sent: Thursday, December 01, 2011 1:29 PM

Subject: Body corp levies Whitsundays

We have owned our two bedroom apartment at [REDACTED], Airlie Beach since 2007. Since our 2008 holiday let return of \$34,712.9 GROSS, this figure has continued to decrease to \$26,328 2010-2011, due to the global financial crisis, the subsequent huge reduction in overseas visitors to the Whitsunday region and to the sensationist reporting on our inclement weather over the last two years during the wet seasons. Businesses are being forced to close their doors – some have been in operation for 20 years in this town, people are leaving in droves to go to the mines for work and despite all this, our body corporate insurance for the complex has risen in **one year from \$8000 to \$22,500!!!!!!....** and this was the best quote...our complex was not even damaged in the cyclone!

The Whitsunday's property market has been struggling since the GFC and the insurance companies have now made our properties almost impossible to sell...We are being hit from every angle. We are trying to hang on but with the diminished returns, body corp and rates alone now costing over \$7000 (let alone all the other costs involved – cleaning, administration, management, advertising, mortgage, GST, credit card commission, maintenance, furnishings, water, etc) we would be lucky to get \$270,000 for our apartment (if it could actually be sold – which would be taking a huge loss!) There is no return left for any would be investors. Something has to be done for the sake of our community, our developers, builders and owners – the insurance costs make it prohibitive to develop strata developments in our area which restricts growth and leads to more job losses and everyone are being held captive by the insurance companies who are going to bury our tourist dependant town and economy!

We really appreciate everything that you are attempting to do and wish you all the best with the parliamentary process!

From: [REDACTED]
Date: Mon, Dec 5, 2011 at 9:32 AM
Subject: Extortionate Body Corporate Insurance

To Whom it May Concern

I am making a submission about the impact of the recent body corporate insurance rate hikes are having on my husband and myself.

We are pensioners living in a unit that we own in a complex at Laguna Quays. Our income is our Centrelink pension and a small superannuation pension that is diminishing daily because of the current financial crisis. We have to watch our expenditure carefully.

This extortionate rate hike is so manifestly unfair in many ways.

No consideration has been given to the position of our unit block which is behind a hill 2 klms from the sea. There has been no inspection by anyone from the insurance company to evaluate our risk. There has been no consideration given to the enormous amount of work done by our Committee in keeping the buildings in good repair and mitigating the dangers of cyclone damage from falling trees. Our buildings are not in any danger of flooding as they are situated on high ground. Our buildings withstood the last cyclone (Ului) with the only damage being caused by falling trees, and this has now been addressed.

These are just a few examples. There are many other personal issues resulting from this rate increase.

This makes our property virtually worthless as no-one is going to want to purchase a unit anywhere north of Rockhampton because of the high rate of insurance, which in turn raises our levies by at least \$2000 per annum per unit. This alone has given us a lot of anxiety. My husband already suffers from major depression and anxiety, and worrying about this situation is making his condition worse.

Our Committee only received the insurance quotation on 21 November, with a due date of 1 December, resulting in no time to address the issue with the owners of units in our complex. The initial quotation we received was about 300 per cent higher than last year. We have since found that we have been over-insured for years and a valuation this year was unearthed and resubmitted for a renewed insurance quote with the result that the premium is still MORE THAN DOUBLE last year's premium not to mention an exorbitant 10 per cent excess for claims brought about by a named cyclone! Of course, there is the Government's 10 per cent GST, Stamp Duty, and Government Audit Costs included in the amount. Surely there is no need for the Government to add to the pain by double dipping or triple dipping.

Where is the justification for drawing a line at Rockhampton? There are more storms in the greater Brisbane area annually than in the north of the State.

Please note that if this is not addressed, there will be many people unable to pay to live in this area, and this will impact directly on the economic future of the whole of north Queensland.

We are not prepared to accept that this is an appropriate reaction by the insurance companies to the recent Queensland disasters. If insurance companies are prepared to take our money year after year, they should be able to absorb the occasional disaster. After all, isn't that what insurance means?

Yours faithfully

JUDITH AND GARY BACKWAY
[REDACTED]

From: [REDACTED]

Date: Mon, Dec 5, 2011 at 9:11 AM

Subject: [REDACTED]

To: [REDACTED]

As our body corp levies are \$1860 per quarter I have been dipping into my superannuation to pay them.

Now the insurance is going to add a special levy on top of that of \$745 per quarter.

It is impossible to sell with levies in this amount and it is impossible to keep because I cannot pay them without difficulty - so what is the answer? We are in a Catch 22 situation. The last unit that sold in this complex went for \$150,000 making it the cheapest unit in town. It was sold because the owners could not afford to keep it at any price.

I noted from the last insurance quote that it includes a massive commission to our managing agent of about \$18,000 - he

magnanimously agreed to only take half of this as he felt it was wrong to profit from our distress!!

The whole body corp issue is at stake here as no-one is going to buy into units that cost as much to maintain as paying a weekly rental.

Gloria Burley

[REDACTED]

Hi Margaret and Lester,

I thought you might like to know the following information in the two emails below. *** from [REDACTED] was at the Coral Sea Resort meeting, and gave me and a few other attendees the information which seemed helpful at the time. I have just emailed her, and unfortunately she wasn't aware of the situation and they have a policy in place with funding organised (but I think not yet paid).

Regards, Yvonne Chaloner
[REDACTED]

From: [REDACTED]
Sent: Monday, December 05, 2011 9:31 AM
Subject: Re: Body Corp Natural Disaster insurance Review

I have just received the following from our Body Corp Manager, Margaret Storey of [REDACTED], which news you no doubt already know. So, it looks as if we stuck with just two choices.

Had you already paid [REDACTED]?

Regards, Yvonne Chaloner, [REDACTED]

I am afraid that the insurance company mentioned by [REDACTED] - [REDACTED], - has completely withdrawn from the North Queensland BC insurance market this week – even to the extent of not honouring quotes that they already had offered to bodies corporate for renewals in December – so it is now just down to [REDACTED] or [REDACTED] at the moment. Sorry to be the bearer of no improvement in the situation at present.

To: [REDACTED]
Sent: Wednesday, November 16, 2011 10:34 AM
Subject: RE: Body Corp Natural Disaster insurance Review

They use [REDACTED].

Our [REDACTED] premium was quoted at \$58K and now is [REDACTED] \$28K. Identical policy word for word.

To: [REDACTED]
Sent: Wednesday, November 16, 2011 9:26 AM
Subject: RE: Body Corp Natural Disaster insurance Review

[REDACTED] have been collecting premiums from everyone for 10 years and every year they put all our money in their bank account and record it as "profit" and pay their shareholders and give themselves a big fat bonus. So when there is a disaster – they want everyone to pay – moving forward.

INSURANCE [REDACTED] Airlie Beach. Nth Qld.

Name: Dave Tindal - Owner [REDACTED]
Chairman Body Corporate Committee, [REDACTED], Airlie Beach.

Correspondance:

The [REDACTED] complex, built in 1992, has a replacement value of [REDACTED] dollars. It is a three storey single concrete construction, where the lower level is car park and there are two residential levels, with a total of seven units. There are no lifts, but one in ground swimming pool. The building set well back from the beach up in the hills out of the reach of floods. The building has withstood several cyclonic storms and has had only one insurance claim, around \$2000 to \$3000, related to a water leak.

None of these facts have been taken into account by any of the insurance companies in arriving at our premium which has risen 137% from \$5,634, November 2010 to \$13,389, November 2011.

The original insurer [REDACTED] when asked to renew [REDACTED] insurance this November 2011, verbally quoted \$24,000, and when phoned a second time to confirm this figure, they revised the premium quote to \$42,000.

By giving ridiculous over inflated premiums this was, for [REDACTED] and other insurance companies, an easy way out of the Strata complex insurance market in North Qld in 2011.

HARDSHIPS. Due to increased insurance premiums in Nth Queensland.

A couple resident in [REDACTED] is now both forced to work. They purchased their unit in 2008 for \$420,000. They are now paying off the mortgage on \$420,000 on a unit whose market value has dropped below \$300,000 due to the world economic recession and in turn a decline in the tourist industry that is Airlie Beach's only industry. The increased insurance premiums and body corporate fees added to their mortgage has caused them obvious depression, no more evident than when they both stormed out of the BC Budget meeting, resigning from the Committee and having since had nothing further to do with the complex, except that it is their only home.

SOLUTION

Unlike both sides of Federal Government, the Queensland State Government has no intention of addressing our over inflated insurance problems, a fact which seems extreme when it is the State Government which passed legislation that all Strata Unit Complexes must be fully insured, unlike private homes. When this issue is raised our local State M.P. Jan Jarrett has not returned any of my phone calls or replied to my emails. The State Government is not prepared to act on this one sided legislation and which is in favour of, and is being FINANCIALLY RORTED by, Insurance companies. The one sided legislation needs immediate attention to protect interests of both Strata Complexes and the too few Insurance Companies prepared to insure in Nth Queensland.

With the insurance premium increases, the windfall for the State Government from the stamp duty, and the Federal Government gains from G.S.T. taxes, these monies could be put towards a Government Insurance company similar to the [REDACTED] that was. Also it needs to be law that all insurance companies share the risks either on a State or Australia wide policy covering Australia-wide fires, floods, cyclones and other disasters.

It is no doubt making it difficult for overseas insurance backers to take on these over inflated Strata Title insurance premiums following the natural disasters suffered worldwide in 2011.

Dave Tindall. 5th December 2011.

From: [REDACTED]
Date: Tue, Dec 6, 2011 at 12:03 AM
Subject: Outrageous Hikes in Body Corp Insurance
To: [REDACTED]

To Whom It May Concern,

I am a resident owner of a town house in a small complex of twelve. The complex was left totally undamaged during the last three cyclones. We had no flooding either.

I need to express my anger at the almost 300% rise in Insurance premiums for our complex. Do Insurance companies have carte blanche on what they can charge? This is totally unjustified and needs to be addressed.

I am also on a fixed income - the age pension - and it's tough enough without greedy Insurance companies making matters worse by hiking up premiums.

An immediate enquiry is absolutely necessary into this situation!

Dale Ivens

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

On Wed, Dec 14, 2011 at 12:43 PM, [REDACTED] wrote:

I can tell you that I bought my 1 bedroom unit in 2009 for \$184,000 and at the time thought it was a huge bargain. Another 1 bedroom unit in our block has just sold for \$168,000 which is absolutely tragic! The units have recently just been painted and all had new carport structures built! There is a similar situation at my partner's unit block, recently a 2 bedroom unit sold for \$145,000 where units there were selling up over \$300,000 not so long ago. All the verbal feedback we're hearing from people is why would you buy a unit with the insurance issue, when you can buy a freehold house pretty cheap at the moment and you don't have to deal with a body corporate and rising body corporate fees?

Cheers,

Warm Whitsunday Wishes,

Danielle Seymour, Marketing Services Manager

[REDACTED]

APPENDIX

1. People or Organisations who have been approached during this situation
2. Insurance Companies who have been asked for Quotations

1. People/Organisations Who Were Contacted During This Situation

Many of the following have been contacted more than once:

- The Premier Anna Bligh
- Jan Jarratt (our State Representative)
- Mike Brunker (our Mayor)
- QTIC
- ABC radio
- Hon. George Cristensen MP (our Federal Representative)
- Hon. Warren Entsch MP
- Archers Body Corporate Managers
- Steve Ciobo
- Langbroek
- Alex Douglas
- Andrew Fraser
- Courier Mail, Australian, all local newspapers
- The Financial Ombudsman
- ASIC
- ACCC
- National Insurance Brokers Association
- Multiple brokers
- Every Insurance Company we could find
- Lloyds of London
- Rachel Nolan
- Tony Abbott
- Julia Gillard
- Wayne Swan
- Campbell Newman
- Natural Disaster Insurance Review
- Commission of enquiry
- Insurance commission
- Ray White and PRD
- NT Government re TIO
- Choice magazine
- Every Qld Senator
- Every major radio station
- Every TV news program plus a few others
- Australian Prudential Regulation Authority

COPIES OF CORRESPONDANCE ARE AVAILABLE ON REQUEST

2. Insurance Companies Who Were Asked For Quotations

Over a period of 3 months Margaret Shaw tried the following insurance companies, without luck, to find alternative quotes for [REDACTED], currently insured with [REDACTED]:

- [REDACTED] Unable to quote unless managed by a major hotel chain & > 75% holiday let
- [REDACTED] Unable to quote with sum insured >\$5M
- [REDACTED] Do not insure in FNQ
- [REDACTED]
- [REDACTED] Unable to quote in NQ
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED] [REDACTED] has completely withdrawn from the NQ BC insurance market from 5/12/11
- [REDACTED]
- [REDACTED] Unable to quote due to moratorium on all FNQ business + unable to quote on sum insured >\$20M
- [REDACTED] Unable to quote in FNQ
- [REDACTED] Not insuring any new business in FNQ
- [REDACTED] – will insure at a rate of 0.4250% but the excess they are applying to the policy is Cyclone Excess: \$100,000 / EQ \$20,000 / 1% / All other losses \$2,500. The premium was the same as [REDACTED]
- [REDACTED]

She went direct to [REDACTED], but they only deal through brokers so she asked her broker to talk to them, [REDACTED] were prepared to take on the latter half of their insurance under a ISR policy, still leaving them with no main insurer.

It is now plainly obvious that all Strata complexes in Nth Queensland have been singled out with inappropriate and over priced insurance premiums, 300%, 400% and upwards, in an insurance market where only one or two insurance companies are quoting, there is no competition. It beggars belief that in the flooded half of Queensland insurance premiums have risen only 36% and in the most severely flooded Gatton area premiums only rose by 65% by comparison.

The biggest increase in insurance premiums has been levelled at complexes that are over twenty units and with a building replacement value of over \$10M.

Domestic homes and smaller complexes are able to search for competitive quotes for their premiums so, although initially seeing increases of double their previous premiums, they are able to get reduced quotes from other companies. This does not apply to the larger complexes