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TO: HOUSE STANDING COMMITTEE ON SOCIAL POLICY AND LEGAL AFFAIRS
INQUIRY INTO RESIDENTIAL STRATA INSURANCE

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INQUIRY INTO RESIDENTIAL STRATA TITLE INSURANCE

As a landlord with 40 years experience (current property portfolio of 4 strata rental units) I wish to advise the committee that rental properties are no longer a viable proposition. I also wish to advise that by Governments at all levels not addressing the issue of associated costs, of which strata insurance is a major contributor we as a nation will in due course face a more serious and escalating housing crisis.

This shortage cannot be met by continuing to build more public housing, which besides being terribly expensive is unsustainable, and the tax-paying public will in due course realise the true cost of public housing when compared to the private rental market. Also politicians cannot continue the spin that rent rises are the fault of greedy landlords, even the thinnest veneer of scrutiny will reveal that escalating insurance costs and Government induced tax and cost pressures are behind rental increases

In recent months insurance on our strata properties has risen to unsustainable levels, initial increases on existing policies rose 400%, however by changing companies in two cases we limited the rise to 100%, with the remaining two we just accepted the rise as we had limited options.

The political response to this crisis has been pathetic, it went from an initial response by high profile politicians to name and shame insurance companies, (which never happened) to the current response of a parliamentary committee of inquiry. It is of particular note at this time some 12 months after the cyclone and well into another cyclone season, citizens are still living under tarpaulins whilst waiting for insurance claims to be settled.

Residential strata title insurance must be addressed and lowered to an acceptable level and the only real option is for the Federal Government to enter the market itself, it did previously, albeit at State level, before the quick fix financial gains associated with privatisation became paramount and too lucrative to ignore, so it can be done again, it just needs common sense initiatives, to be implemented by statesmen with a real interest in our nations future.

The most logical point of entry is at the re-insurance level which is usually covered by overseas insurance giants of the industry, they are certainly not running their businesses at a loss, consequently why not cut out the middleman and as a nation use our Federal cash or superannuation reserves as a source of funding, thus keeping our wealth in Australia.

In conclusion as an initiative to address this current crisis it is recommended that the investigative committee as a matter of urgency pursue the option of the Federal Government entering insurance at the re-insurance level and the State Governments re-introduce their own insurance companies. This will ensure fair and competitive costs.

Yours sincerely

Brian K. Bailey