

**SUBMISSION TO THE HOUSE COMMITTEE  
ON SOCIAL POLICY AND LEGAL AFFAIRS IN  
RESPECT TO THE INQUIRY INTO  
RESIDENTIAL STRATA TITLE INSURANCE.**

**SUBMITTER:** [REDACTED]

[REDACTED], CAIRNS, QUEENSLAND.

**BACKGROUND:**

[REDACTED] is a five Storey building with an underground car park constructed in 1983. It has four floors each containing for units and the top floor containing two penthouses. The situated at the northern end of the Cairns esplanade and faces an easterly direction some 80 metres from the water.

**INSURANCE PREMIUMS OVER THE LAST 5 YEARS:**

The insurance premium on the building and associated cover in the last five years has ranged from approximately \$6000 to \$10,000. For the renewal due 30 September, 2011, body corporate managers received an offer from the existing insurance of \$44,179.44. That offer was from a broker on behalf of [REDACTED]. A further quote for \$39,517.40 was obtained from [REDACTED]. Approaches to [REDACTED], [REDACTED] and [REDACTED] resulted in each company declining to quote. Subsequent enquiries made by the committee resulted in a quote for approximately \$30,000 on more favourable terms and conditions as to deductibles etc. Needless to say the lowest quote was accepted.

**CONTRIBUTION TO INCREASES BECAUSE OF BODY  
CORPORATE SITUATION:**

It appears that the insurance market have targeted the soft touch of consumers who have no option and all but to insure. Many owners are absentee, 50% in the case of [REDACTED], and may not be fully aware or can be easily convinced with the usual bluff and bravado. Add to that the apathy that permeates our society and, you have a perfect recipe for gouging. One unit holder owns a house and at Kurrimine Beach which area was severely affected by cyclone Yasi. Their insurance premium increased by 30 per cent as opposed to our 300 per cent. One unit holder has timber houses less than 1 kilometre from [REDACTED] and they report an increase of 20%. In our submission the actions of the insurers are questionable at best. At worst, they are in our submission, engaging in unconscionable conduct of the highest degree as well as engaging in abuse of market power notwithstanding all the usual spin that goes with it. For the record,

the last severe cyclone to strike Cairns was Agnes in 1956. There are many cyclones named that do not even have the ferocity of a summer storm in Sydney or Melbourne. Fortunately our climate makes hail storms unheard of.

### **GOVERNMENT INTERVENTION WARRANTED:**

It is submitted that government intervention is most certainly warranted as shown above the industry has failed the market miserably.

### **RECOMMENDATIONS:**

1. If the cost of reinsurance is the problem that the industry claims it to be, the government, through one of its agencies, acts in the place of the reinsurers. Effectively it already does this by making funds and loans available following other natural disasters.
2. That the Inquiry ascertain the number and extent of persons and companies who receive payments and commissions allocated by the insurers. For instance, the professional body corporate managers it is believed will receive a substantial windfall in commissions as a result of the steep rises in premiums.
3. That the government look to underwriting a scheme whereby bodies corporate can contribute to a fund to cover claims of say \$50,000 or less which should have the impact on premiums that similar schemes had in the 1990s when the insurance companies gouged on professional Indemnity Insurance.
4. That the government request the Competition and Consumer Commission to use all its facilities to fully investigate the current situation.
5. It has been suggested by [REDACTED] new insurance broker that more competitive premiums can be gained if groups of bodies corporate band together to increase the asset base thereby presenting a substantial attraction to potential insurers with the added sweetener of the risk being spread over a geographical area.
6. Many unit holders are elderly people who are easily intimidated and live in mortal fear of financial insecurity. Unless the government takes some action in reference to these people many will be forced to sell and end up as a further burden on the government. More importantly, the government, through its agencies, should look to provide an accessible place where these people can gain information and the reassurance that they need to live a life with as least anxiety as possible.

DATED; 12 JANUARY, 2012.

[REDACTED] PAUL WILLIAMS /CHAIR./ [REDACTED]