

TO: Committee Secretary  
House of Representatives Standing Committee on  
Social Policy and Legal Affairs  
PO Box 6021  
Parliament House  
CANBERRA ACT 2600  
AUSTRALIA

From: Phil Laycock

[REDACTED]  
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[REDACTED]

## **Submission to the Inquiry into residential strata title insurance.**

I am writing this submission in my capacity as Chairman of the Body Corporate [REDACTED]  
[REDACTED] My wife and I have owned a unit within this complex since  
March 2010.

I would like to make the committee aware of the significant increase over the last 3 years to the cost of insurance that this Body corporate is required to maintain. This is a situation common to all Body corporate throughout North Queensland.

This rise in insurance costs is excessive and making the cost of owning a strata title property in cyclone risk areas of North Queensland unaffordable for many existing owner occupiers and economically unsustainable for investors. The impact these increased costs will have on rental prices along with the potential impact this has on housing affordability for the wider community should be other concerns considered by this committee.

[REDACTED] is a simple 2 story, 6 unit complex of besser block construction with shared walls. The complex was built in 1995 to the modern cyclone standard building codes required by Local and State Government authorities. The complex is located above the level of any flood risks as identified in the local government supplied flood maps.

The Building and common property value insured is \$2 146 000. Market Value of the individual units is approximately \$190 – 200 00. Rental returns for those units rented are between \$200 and \$220 per week. Council rates are approximately \$1800. Body corporate fees are \$980 per quarter and are expected to rise significantly at the March 2012 AGM due to the significant increase in the cost of Insurance.

For the period December 2009 – December 2010 our insurer was [REDACTED] and the cost of insurance was less than \$5000.

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For the period December 2010 – December 2010 our insurer was [REDACTED] and the cost of insurance was approximately \$7000.

For the period December 2011 – December 2012 we obtained an insurance quote from [REDACTED] of \$17 318.24 which included a \$10 000 named cyclone excess. This is an increase of over \$10000 in a 12 month period with the addition of the named cyclone excess.

The Body corporate managers we employ were able to supply us with 2 other quotes for \$13 339.62 [REDACTED], included a \$10 000 named cyclone excess) and \$10 761.35 from [REDACTED] with a \$100 named cyclone excess.

The Body corporate chose to accept the quote from [REDACTED] for \$10 761.35. [REDACTED] Residential is now the current insurer of the property.

I would like to pass on the Body corporate concerns that insurance costs such as those discussed above are excessive when the building standards (cyclone rated); construction materials and methods and location (above flood threat levels) of this property are considered in the context of risk to the insurer.

Further increases to the cost of insurance would be unsustainable for the unit owners when the unit market values, rates and the socioeconomic realities of the owners and occupiers are considered.

I would like to encourage the committee to consider making recommendations that will contribute to reducing or at the least stabilizing insurance costs to residential strata title in cyclone risk areas.

I would like to suggest general concepts of:

- a. A Reinsurance pool supported by state and federal governments to be established for insurers to access in the event of floods and cyclones.
- b. Extending the Australian Reinsurance Pool Corporation to provide reinsurance cover for floods and cyclones.
- c. If a or b were to occur the insurance costs to Body corporates are to be lowered by their insurers recognising the reduced risk to excess losses by insures and their underwriters.
- d. Regulation to require insurers to recognise cyclone rated building standards and flood risk when calculating insurance premiums.

Thank you for the opportunity to contribute to this inquiry.

Yours sincerely

Phil Laycock

Chairman, [REDACTED]