

## **SUBMISSION NO. 95**

*I would like the opportunity to address the committee at the public hearing relating to its enquiry into the affordability of residential Strata Title insurance.*

*On Monday 30<sup>th</sup> January 2012 at Sebel Hotel 17 Abbott St Cairns.*

*Submission*

*I include the following submission for the consideration of the committee.*

*Garry Masters.*

*Apartment owner.*

[REDACTED]

[REDACTED]

## Submission

Relating to Strata tiled residential apartment Insurance and the impact the current premiums have on [REDACTED]

### Insurance premiums for above apartments between 2009 – 2010 & 2011/12

<i>COL 1</i>	<i>COL2</i>	<i>COL3</i>	<i>COL4</i>	<i>COL5</i>	<i>COL6</i>
<i>Insurance Valuation Complete Building.</i>	<i>Average Insurance Valuation Per apartment.</i>	<i>Average Market Value Per apartment.</i>	<i>Total Premium For Complete Building.</i>	<i>Average Premium Per apartment.</i>	<i>Increase In annual Premium.</i>
<b>1.11.09 to 1.11.10</b>					
\$7,270,000	\$484,000	\$285,000	\$9800	\$653	
<b>1.11.10 to 1.11.11</b>					
\$7,570,000	\$504,000	\$280,000	\$18,500	\$1233	<b>90%</b>
<b>1.11.11 to 1.11.12</b>					
\$8,000,000	\$533,000	\$275,000	\$36871	\$2458	<b>99%</b>

### Basis for insurance

The legislation for insurance for residential Strata Titled property directs insurers to assume a property has suffered a total loss and as such a 100% replacement value has to be assumed for the purpose of arriving at insurance premiums.

To achieve a 100% replacement cost the insurers require a building quantity surveyor to establish replacement cost.

To arrive at replacement value the following costs are taken into account.

- 1. Demolition of remaining parts of the building.**
- 2. Cost to reclaim the site and prepare same for rebuilding.**
- 3. Headwork's and local council fees.**
- 4. All other fees relating to services to be provided to the new building.**
- 5. Cost of the materials and labor to rebuild.**
- 6. Cost of landscaping and roadwork's on site and gaining access to site.**

**When the final replacement cost is known the insurers use this figure to arrive at a premium. Each year CPI is added to the final replacement cost of the building to use as a basis for the next years premium calculation.**

**You will see when comparing the average price per apartment for insurance purposes shown in column 3 with the actual market value per apartment shown in column 4 that there is a disparity, year by year with market values being substantially lower than insurance values which are used for calculation of premiums. Between 2009 and 2011/12 the value per apartment for insurance purposes is 70% to 90% higher than the market values of the same apartments.**

**The legislation is badly flawed and gives the insurer the opportunity to base premiums on highly inflated values. This coupled with premium gouging by the insurers is a major contributor to the rise in Strata Titled insurance premiums which are being charged today. Add the blatant greed of the insurers to this and the result is insane premiums being charged today.**

**The government needs to make changes to the act and at the same time allow insurers worldwide to enter the market place.**

**Residential Strata Title owners need flexibility to insure a building for a value agreed upon by the Strata Title owners each year assuming a loss based on 40-60-80 & 100%**

**The 40-60 & 80% premiums would not have to include all of the items which form the basis for building values under the current legislation.**

**It is indeed a rarity that a building constructed in the past 40 years in Queensland and build to our cyclone ratings could suffer a 100% loss from any act of nature which is a known occurrence in a given region of Queensland if not Australia.**

Yours faithfully

Garry Masters.