

## Submission to Parliamentary Inquiry

To: Inquiry into Strata Titled Insurance

From: Ramon and Linda Tuck

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Property:

[REDACTED]

[REDACTED]

[REDACTED]

Number of Units: 26 units in total

24 being bedsit units 49 square metres in size

2 being ground floor units 84 & 85 square metres in size

Constuction Date: Completed in 1992 to high cyclone rating code

Besser block with tin roof

Levies 2007/08: Administration Fund \$24,846 or \$407.30 per lot entitlement

Sinking Fund \$10,000 or \$163.93 per lot entitlement

Total: \$34,846 or \$571.23 per lot entitlement

Insurance: Premium to September 2009 - \$5,676.57

Building Valuation - [REDACTED]

Levies 2011/12: Administration Fund \$42,546 or \$697.48 per lot entitlement

Sinking Fund \$10,000 or \$163.93 per lot entitlement

Total: \$52,546 or \$861.40 per lot entitlement

Insurance: Premium to May 2012 - \$20,061

Building Valuation - [REDACTED]

Increase in Levies: Levies 2007/08 - Total: \$34,846 or \$571.23 per lot entitlement

Levies 2011/12 – Total: \$52,546 or \$861.40 per lot entitlement

Increase in 4 years - \$290.17 per lot entitlement.

One bedroom with two lot entitlements - \$580.34 increase

One bedroom with three lot entitlements - \$870.51 increase

Ground floor units with four lot entitlements - \$1160.68 increase

Insurance Increases:

To highlight the effect the increases in insurance have had on this complex, I will break down what the insurance component in 2007/08

Total Premium \$5,676

Two Lot Entitlements \$186.10 per annum

Three Lot Entitlements \$279.14 per annum

Four Lot Entitlements \$372.19 per annum

Now I will do the same equation using the premium received in 2011

Total Premium	\$20,061
Two Lot Entitlements	\$657.73 per annum
Three Lot Entitlements	\$986.60 per annum
Four Lot Entitlements	\$1315.47 per annum

#### Analysis of Increases:

In the four year period, the actual cost increases per lot entitlement for just the insurance has increased by \$235.00 per lot entitlement.

In the four year period, the actual cost increases to the owners per lot entitlement has been \$290.17.

As you can see, all other expenses have been limited. The increases over 4 years are \$55.17 for everything other than insurance, which would be expected.

#### History of Claims:

This property has made very few claims since construction was completed. Any claims have been of a minimal nature such as broken glass. There have been no claims of a significant nature. No claims were lodged due to damage from TC Yasi.

#### Building Valuation:

Legislation was brought in by the Queensland Government and each body corporate must get a valuation for insurance purposes every five years.

A report was completed by [REDACTED] in February 2010. The value was [REDACTED].

This equates to [REDACTED] per unit, if divided equally.

It must be noted that the construction is of a basic nature. The finish of the kitchen, bathrooms and general fixtures and fittings are of a basic quality.

#### Resale Values:

At the peak of the market, prior to the GFC units of a similar size, design and

finish in the Manunda area were selling for

One Bedroom Units \$160,000

The Cairns economy has been hit very hard, with unemployment rates being the highest in Australia at over 13%. All our major builders collapsed and the economy is still struggling to recover. Currently there are units of similar, size, design and finish in the Manunda area that have sold for the following:-

One Bedroom Units \$76,000 – 100,000

#### Rental Returns:

Manunda is located approximately 4 kilometres from the Cairns City area. The unit block is located within easy walking distance to Raintrees Shopping Centre and TAFE. There was a large building boom that occurred between 1989 and 1995 in this area. [REDACTED] only has 26 apartments. The surrounding complexes are of a similar design and number between 20 and 44 units in each. This area is popular with people looking for a clean, safe environment that is close to amenities, close to the City but still affordable.

Prior to the GFC rentals for a fully furnished one bedroom unit that was well presented, fully furnished, air conditioned and security screens were renting for \$170 per week. It was possible to achieve slightly higher, but at \$170 per week we had no issues with reletting the properties and more importantly to investors no vacancies.

Since the GFC up until today, the bottom end of the unit market has been severely affected. We recently had a unit in [REDACTED] become available. It was advertised in the Cairns Post on Wednesday and Saturday, as well as having it listed on [www.realestate.com.au](http://www.realestate.com.au). This unit was advertised at \$160 per week, and it sat vacant for a few weeks with very little interest. Some have rented as low as \$150 per week.

#### Insurance Renewals:

The insurance premium for the 2007/08 year was \$5676.

The insurance premium for the 2008/09 year was \$6018.

The insurance premium for the 2009/10 year was \$6878.

The insurance premium for the 2010/11 year was \$9559.

The insurance premium for the 2011/12 year was \$23478.

After accepting a \$25,000 excess, the premium was reduced to \$20,061.

When the premium was received for the 2011/12 year, we received a quote

from [REDACTED] for \$35,959.

[REDACTED] Unable to quote in Far North Queensland.

[REDACTED] was \$23,478 with a \$10,000 named cyclone excess.

[REDACTED] \$19,938.90. This policy was not taken as they only insure up to \$5 million and they do not have a catastrophe allowance. Our building, once this allowance was added in would take us over the \$5 million. We could take it, but ran the risk of being under insured.

[REDACTED] No longer insuring any new business in Far North Queensland

[REDACTED] Do not insure in Far North Queensland.

[REDACTED] – do not insure in Far North Queensland

[REDACTED] – Do not insure in Far North Queensland

[REDACTED] – Do not insure in Far North Queensland

[REDACTED] p – Do not insure in Far North Queensland

[REDACTED] – Do not insure in Far North Queensland

[REDACTED] – Do not insure in Far North Queensland

[REDACTED] – Do not Insure in Far North Queensland

#### Summary:

We have seen increases of a significant nature each year in our levies for the past four years. At this stage we are not confident that this is the end of the increases, and must brace for more.

I am seeing more owners getting into financial difficulty and although I try to be as compassionate as possible, the Act states that if an owner becomes more than 2 years in arrears with their levies then the Committee must take action. This action is essentially to recover the debt, and this could mean the sale of the property via the Courts. This is the last resort, but at a point I have no choice legally than to go down this path.

In the 11 years I have been involved with body corporates I have never been faced with this. However, in the past year I have four owners at different buildings that are very close to this.

With rents falling, vacancy rates increasing and the length taken to find a new tenant this has all added to the financial burden. These factors alone could have been worked through, but with substantial increases in the body corporates this has pushed many over the edge.