

INSURANCE PREMIUMS 2011, 2012 AND BEYOND

████████████████████ has 21 apartments owned by small individual investors and holiday let by a resident manager.

In May 2010 our insurer ██████ refused to renew our insurance policy. The reason given was that they were “overweight in risk in Northern Queensland”.

The apartments were built in 1987 and have a history of a very low number of minor insurance claims, none related to significant weather events.

Our insurance premium budget for the year ending 2011 was \$11000, an increase from \$6850 in 2010.

Only one insurer, ██████, was prepared to offer cover in 2011 because of restrictions such as the age of our building, percentage of apartments which are holiday let and a building valuation in excess of \$5 million. ██████ initial offer was an annual premium of \$61,940 being \$50,940 over our budget.

The strata managers, individual owners, committee members, and on-site managers independently sought alternative quotes and advice from all possible sources including 3 brokers, the insurance ombudsman and all individual insurers recommended by his office.

Although our budget allowed for a substantial increase in premium, an increase of \$55,090 was not foreseeable. We had no option but to renew for 6 months.

The 6 month premium initially offered by ██████ was \$32000. After receiving a second quote from ██████ through a different broker the premium was reduced to \$29,000. An annual difference of \$6000.

At the end of the 6 month term in October 2011 the annual premium which was first quoted as \$61940 was reduced to \$41132 as the result of further negotiations with ██████.

We already have distressed owners who at this early stage are having great difficulty paying their levies. As the full effect of levy increases becomes felt, it is very likely that the number of financially stressed owners will increase.

There is little prospect of owners being able to sell their apartments if they are unable to meet their commitments. The current depressed holiday apartment market with a high volume of mortgagee and distressed sales, low sales volume and prices below those paid in 2007 means negative equity is distinctly probable.

At this time it appears more likely that insurance premiums will be higher rather than lower when renewal becomes due at the end of October. Our budget provides for an increase to \$62000.

As a result annual levies to owners have increased from \$4300 in the financial year ended 2011 to \$8819 (including special insurance levy) for the financial year ending 2012.

Insurance is obviously not the only cost that is increasing dramatically while income remains static at best, but it is the most significant problem.

It appears that the area north of Rockhampton is bearing a vastly disproportionate insurance burden as a result of extreme weather events in Brisbane, the southern and western states and New Zealand. The lack of competition in the area is obviously a big factor and needs to be addressed urgently.

Holiday apartments predominately owned by smaller individual investors play a large part in the success of the tourism industry in the area and the revenue it supplies. The negative effects of such major insurance increases to this sector will have a serious impact on the wider economy of the area unless action is taken.

Gay Lyndon

Owner and Committee Member