

Submission to Parliamentary Inquiry

To: Inquiry into Strata Titled Insurance

From: Ramon and Linda Tuck

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Property: [REDACTED]
[REDACTED]
[REDACTED] Body Corporate [REDACTED]

Number of Units: 8 units in total
All units are two bedroom units over two stories.

Constuction Date: Completed in early 1980's to current cyclone requirements
Besser block with tin roof

Levies 2009/10: Administration Fund \$10292 or \$1286.50 per lot entitlement
Sinking Fund \$3000 or \$375.00 per lot entitlement
Total: \$13292 or \$1661.50 per lot entitlement

Insurance: Premium to November 2009 - \$1,932.43

Building Valuation - [REDACTED]

Levies 2011/12: Administration Fund \$12514 or \$1564.25 per lot entitlement
Sinking Fund \$2400 or \$300 per lot entitlement
Total: \$14914 or \$1864.25 per lot entitlement

Insurance: Premium to November 2011 - \$5039.05

Building Valuation - [REDACTED]

Since the AGM was called the insurance premium renewal has arrived with the following details.

[REDACTED] - \$13,850.89

[REDACTED] – Unable to Quote in Far North Queensland

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[REDACTED] - Unable to Quote in Far North Queensland

[REDACTED] - only quote if building is greater than 75% holiday let and managed by a professional hotel chain.

[REDACTED] – Declined to Quote due to age of the building, pre 1985

[REDACTED] - \$8152.70

The owners will now face a further increase in the levies by \$3113.65 or \$389.20 per owner.

Increase in Levies: Levies 2009/10 - Total: \$13292 or \$1661.50 per lot entitlement

Levies 2011/12 – Total: \$14914 or \$1864.25 per lot entitlement

Increase in 2 years - \$202.75 per lot entitlement.

Add in the known increases of \$389.20 per lot for the renewal, this brings the total increase to each owner at \$591.95 per annum.

Insurance Increases:

To highlight the effect the increases in insurance have had on this complex, I will break down what the insurance component in 2008/09

Total Premium	\$1,932.43
Cost to Each Unit	\$241.55 per annum

The same equation using the premium received for 2011/12

Total Premium	\$8,152.70
Cost to Each Unit	\$1019.08 per annum

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 was no claim lodged for damage via TC Yasi.

Resale Values:

At the peak of the market, prior to the GFC units of a similar size, design and finish in the Manunda and Whitfield area were selling for up to \$240,000.

The sales market has essentially collapsed and the selling values range from \$110,000 up to \$150,000.

Rental Returns:

Manoora is a centrally located suburb of Cairns. It is approximately 5 km to the City, with shops and facilities all within walking distance of this complex. These units are ideal for some one looking for a clean, conveniently located unit but still on a budget. For these reasons we were renting these units for up to \$240 per week. The average rent for a fully furnished, two bedroom, well presented unit ranged from \$210 to \$220 per week.

As the Cairn economy has suffered, the vacancy rate has dramatically increased whilst the rent achievable has dropped off. Some of these units have rented for as low as \$180 per week. The average is now \$200 per week.

Insurance Renewals:

The insurance premium for the 2008/09 year was \$1932.43

The insurance premium for the 2010/11 year was \$5039.05

The insurance premium for the 2011/12 year was \$8152.70

The cheapest quote was with [REDACTED] but as they don't have a catastrophe allowance, we had to increase the sum insured to be sure we had the correct level of cover.

Of particular interest is the fact that this complex has only a \$100 excess where as many other complexes have up to a \$25,000 excess.

Financial Impact:

The owners are facing large increases and are trying to balance the increases with the maintenance that needs to be done. The sinking fund was reduced from \$3000 to \$2400 per annum in an effort to off set these increases. This is not sustainable and the owners will need to look to increase the sinking fund contributions again in the coming years or face large special levies.

The financial pressure has been placed on all owners, and we are starting to see arrears that have not occurred before.

Summary:

This complex in some ways is fortunate that the insurable value is under the \$5 million cut off mark for [REDACTED]. Due to the age of the building, the owners fear that they will not be able to obtain insurance in the next few years.