

**From:** [REDACTED]  
**To:** Committee, SPLA (REPS);  
**cc:** [REDACTED]  
**Subject:** URGENT Submission RE: Inquiry into residential strata title insurance  
**Date:** Sunday, 15 January 2012 7:55:23 PM

---

**TO:**  
**House of Representatives Standing Committee on Social Policy and Legal Affairs**  
**Inquiry into residential strata title insurance**

Dear Sirs

Below please find my submission with reference to the 'Inquiry into residential strata title insurance'.

1. As an owner of 2 strata title properties in far North Queensland (both in the same building) I was horrified when our recent Body Corporate Insurance premiums increased from approximately \$23,000 in 2010 to \$69,000 in 2011. Body Corporate Insurance premiums have been increasing rapidly in any case over about the past 5 years, but the situation has now become untenable for all strata title apartment owners.
2. I am on the Committee of our building and in fact I spent quite a deal of time trying to obtain a number of quotes from various insurance companies and finally found that **ONLY** two companies were *even willing to offer a quote* as the insured value of our building was in excess of \$10,000,000. So we now have a situation where insurers can ask whatever they like as **there is no longer any competition between insurance companies**. Consumers have no control whatsoever now and no freedom of choice, because of the lack of competition between insurance companies.
3. We only had a choice of choosing between 2 quotes, being \$69,000 or \$93,000 for the same insurance cover!
4. We reluctantly accepted the quote of \$69,000 and even so this represented an increase of 300% over and above our insurance premium for the previous year.
5. Our building will now have to have a special levy applied to cover the cost of this unexpected and unwarranted increase and we will naturally have to dramatically increase our future quarterly fees to cover the expected *even higher costs*, that will no doubt be presented

to us in 2012 when we again ask for insurance quotes.

6. There are only 22 units in this building and the increase of an unexpected \$46,000 since last year means that we currently have to find approximately \$2,090 per unit owner to cover the immediate sudden increased costs, as well as perhaps at least twice or three times that amount again next year - or even more!

7. **These unexpected costs have put an heavy and unbearable strain on the finances of all owners in the building and ALSO very importantly and unfortunately mean that the value of all properties in the building has been lowered due to the increased Body Corporate fees that will need to be paid this year and no doubt further increased in the years to come if this situation is not addressed and remedied somehow by the Government in the immediate future.** However, our building is actually just a small example of what has happened throughout Queensland and in far North Queensland in particular, for all strata titled property owners.

8. There have been many examples of buildings who have been even further punished by the rates imposed by their insurers than has our building.

9. Apart from the fact that the costs to live in the building are no longer what one can reasonably expect to encounter, due to the massive increase in strata insurance costs, it means that **a number of owners may be forced to sell - not only in my own building but throughout Queensland;** and when they do so, their sales prices will not even remotely, truly reflect the value of their properties; and they will lose very substantial amounts if they are even able to sell at all. The situation has gone to such a bad level that most properties are in fact unsaleable in the sense that if sold at present they are virtually being given away. Buyers are very frightened and aware of the current Body Corporate insurance costs and of course even more worried as to what the future will bring.

10. If the situation is not remedied immediately, the values of all strata title properties in far North Queensland in particular, will keep dropping further each year.

**11.** When one considers that people who have worked hard all their lives to look after themselves, buy their own properties and NOT rely on government subsidies or 'handouts', will be forced to suffer enormous financial hardship and a loss in value of their properties as well as their

forced sale, this constitutes a **valid reason for the Government to work out a way to subsidise the cost of strata insurance in Queensland and in far North Queensland in particular, urgently!**

12. I am extremely worried as to what will happen next year; and indeed in later years - when perhaps we may have NO insurance company willing to quote at all for our Body Corporate insurance - in view of the fact that only two companies were willing to quote at all this year - even at such a high cost. What will be done about this?

13. Furthermore one can only imagine that there will also be the inevitable risk that the quotes, if offered at all next year, will again increase by similar levels of at least in the region of 300% to over 400% or who knows how much more!

**14. As it is a legal requirement that the Body Corporate must fully insure all strata buildings for full replacement value, there is no solution to this problem unless the Government intervenes to fund the majority of such insurance costs** as it is obvious that the insurance industry does not care what costs are imposed.

15. I repeat - the law requires that all Body Corporates are insured for the *full replacement value* of any building. This means that we are very much over-insuring in the majority of buildings. Modern buildings are now built to strict council requirements to withstand cyclones and they would, even in the event of a Category 5 cyclone, will withstand most of the damage and perhaps in the worst case scenarios will only lose the roof or have partial damage to some apartments from storm damage. But we are being forced to insure for FULL REPLACEMENT value to remove and rebuild the whole building as well other events, such as the cost of living elsewhere for all owners in the building in the event of the need to fully rebuild etc. Even if the lower levels of a building were flooded it would not mean the necessary replacement of the whole building in the majority of cases!

16. The required values for strata title insurance would be more than adequate if they were able to be insured at around 50% of the cost to rebuild.

17. Also the insurance companies refuse to take into account the quality of each building they offer to insure. An old timber building or 'light weight' style of building for instance, should in common sense be much more expensive to insure than a solid well built block of home units, but the insurance companies do not differentiate or take into any

account buildings of a solid nature.

18. In practicality, many buildings, such as the one I live in, are very strongly built and would be extremely unlikely to be fully damaged in the event of any cyclone, for instance. Therefore this should be taken into consideration by insurance companies and the law changed so that individual Body Corporates could be allowed to decide to only insure for partial replacement of the building if they so wish.

19. In the Northern Territory I believe that the Government *substantially* backs the cost of Body Corporate Insurance to take the majority of the cost off home owners and this should be the case in Queensland; and in particular in areas such as far North Queensland that have been most badly affected by recent massive increased costs of strata insurance.

20. It should also be pointed out that in far North Queensland it is a matter of record that although over the past 25 years the general risks of cyclone damage in particular have NOT changed, strata insurance costs have escalated dramatically.

21. Also since 1982 strict cyclone building standards have applied in far North Queensland, but the resultant reduced vulnerability in recent years has not been matched by reduced insurance premiums. Our building standards are in fact the highest in the world. But it would appear that our insurance costs must also be the highest!

22. Furthermore, the insurance premium rates for strata title buildings is disproportionate to the rates offered to private home owners regarding values of the properties insured, i.e., strata title buildings pay a disproportionately higher amount than single homes!

**23. Body Corporate Insurance should be affordable for all and sustainable in the long term.**

24. A further implication that arises from the horrific situation we find ourselves in as strata title unit owners, is that many investors will be forced to sell their properties or will be forced to demand extremely high rents to cover the massive increases in insurance costs. This obviously means that tenants will gradually be forced to pay very much higher rents as an inevitable result of less properties becoming available to rent and the subsequent massive increases in rents as time goes on.

**This is a situation that can only be described as a crisis in every sense of the word.**

**I believe that the Government has no recourse but to ensure as a matter of urgency that this disgraceful situation is rectified immediately, by substantially funding the cost of strata title insurance in far North Queensland and certainly well prior to the next round of Body Corporate Insurances becoming due.**

Yours faithfully

(Mrs) Pauline J Stirgess

[REDACTED]

[REDACTED]