

Submission to Parliamentary Inquiry

To: Inquiry into Strata Titled Insurance

From: Ramon and Linda Tuck

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Property: ████████████████████
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Number of Units: 8 units in total

Construction Date: Completed in the 1970's
Besser block with tile roof, lowset.

Levies 2007/08: Administration Fund \$7156 or \$894.50 per lot entitlement
Sinking Fund \$5200 or \$650 per lot entitlement
Total: \$12356 or \$1544.50 per lot entitlement

Insurance: Premium to November 2007 - \$1616.04
Building Valuation - ██████████

Levies 2011/12: Administration Fund \$15118 or \$1889.75 per lot entitlement
Sinking Fund \$5200 or \$650.00 per lot entitlement
Total: \$20318 or \$2539.75 per lot entitlement

Insurance: Premium to November 2011 - \$4202.09
Building Valuation - [REDACTED]

This is the figure that was used to prepared the budgets for 2011/12. Since this time, the renewal has come in and it is as follows.

[REDACTED] - \$11,650.89

[REDACTED] – Unable to quote in Far North Queensland

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

[REDACTED] - Unable to quote in Far North Queensland

[REDACTED] - Unable to quote in Far North Queensland

[REDACTED] - Unable to quote in Far North Queensland

[REDACTED] - \$6217.10

This represents a further increase in our insurance costs of \$2015.01 or \$251.87 for each owner.

Increase in Levies: Levies 2007/08 - Total: \$12356 or \$1544.50 per lot entitlement
Levies 2011/12– Total: \$20318 or \$2539.75 per lot entitlement
Increase in 4 years - \$995.25 per lot entitlement.

This however does not allow for the further increase in insurance of \$251.87 for the renewal just paid.

Increase in 4 years - \$1247.12

Insurance Increases:

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

Total Premium	\$1616.04
Cost per Unit	\$202.00 per annum

The same equation using the premium received in 2011

Total Premium	\$6217.10
Cost per Unit	\$777.13 per annum

Analysis of Increases:

In the four year period, the actual cost increases per lot entitlement for the insurance has increased by \$777.13 per lot entitlement.

In the four year period, the actual cost increases to the owners per lot entitlement has been \$995.25. There will be a further minimum increase of \$251.87 next year taking the total increases to owners up to \$1247.12 per annum.

History of Claims:

This property has made very few claims in the past ten years I have been actively involved in it. There have been cyclone claims to my knowledge, and during TC Yasi we sustained no damage.

Resale Values:

At the peak of the market, prior to the GFC units of a similar size, design and finish in the Edge Hill area were selling for between \$210,000 and \$240,000.

When investors now look at this complex, the rental returns are low and the costs high. When you combine the current strata titled levies of \$2539 and Council Rates and contents insurance, the outgoings are approximately \$100 per week.

This has definitely affected the prices achievable and as the rates continue to climb, they will in my opinion drive the prices further down.

Rental Returns:

Edge Hill is a very popular area for rentals. It has the village just up the road, the Botanical Gardens and approximately 4km to the City. We have never had any issues renting units in the location previously.

Since the GFC the vacancies are longer, with one unit in the complex recently being vacant for over six weeks. The rental returns have gone from \$220 - \$240 per week down to as low as \$190 per week.

Financial Impact:

As the Chairperson of the body corporate for [REDACTED], I take any increases in levies seriously. We currently have four owner occupiers in the complex, and increases of any kind do affect them. Investors are equally affected, and in the current climate there is no ability to increase the rents.

Over the past four years we have seen the levies increase by close to \$1000 per annum, and we know that the insurance has increased yet again. Given the age of the building we may soon have no insurers that will give us a quote. The alternative is an excessively high quote which is just not financially within the reach of the owners.