



To the House Standing Committee on Social Policy and Legal Affairs.

**RE: INQUIRY INTO RESIDENTIAL STRATA INSURANCE.**

We write regarding our concern for the long-term viability of our industry and for our clients, being over two hundred Bodies Corporate in the Townsville area, due to excessive increases in costs to insure Strata properties in the last three years.

Following the withdrawal of [REDACTED] from the Strata Insurance market in late 2009, the majority of our clients reinsured with [REDACTED], being the most economical alternative at the time. The market was already limited with only three or four insurers available to the Strata market, and the withdrawal of [REDACTED] left only [REDACTED] and [REDACTED] available to most of our clients. At the time, Bodies Corporate moving to [REDACTED] policies endured an increase of approximately 100%, which at the time was a difficult but sustainable expense.

In November 2010, Insurance Brokers notified clients that [REDACTED] would cease to offer Strata Insurance policies to new clients, and from January 2011 we were notified that existing [REDACTED] clients would incur a 350% increase in renewal premiums. The official explanation for the decision was "...over exposure in the Strata Insurance market in North Queensland", presumably due to the mass migration of [REDACTED] clients to [REDACTED]. Strata clients were now left with only two reliable insurers, being [REDACTED] and [REDACTED] whose premiums still reflected a significant increase from 2010.

[REDACTED] became the most economic option for Strata clients in North Queensland; however throughout 2011 they continued to reduce the limits placed on Building Sums Insured, and frequently ceased to quote new business through "embargos" throughout the year. Currently, only building sums up to \$5m can be insured with [REDACTED] [REDACTED] making them unavailable to many medium and larger schemes.

Regardless of which insurer Strata clients in the Townsville area opt for, they are all facing significant increases of up to 350% or more since 2010, and recent advice suggests that this is likely to increase again for 2012 and beyond. In comparison, stand alone "Home & Contents" policies have increased by much smaller margins. Catastrophic events in Australia and worldwide are reported as the reason for the pricing increase, though it is clear that the Insurers less significant regional markets are suffering the highest percentage increases to offset premiums in South East Queensland's more valuable metropolitan areas.

The current insurance situation is not sustainable for Unit Owners in the Townsville area. With some Bodies Corporate paying more than \$1500 per Lot for building insurance, and contents or landlords insurance on top of that, owning a unit in the region is no longer an attractive or even financially viable option. With current market values low, and Body Corporate levies soaring due to insurance premiums, it is also difficult for Unit Owners to sell and escape the rising costs associated with Owning a Unit. Being required by Legislation for Bodies Corporate to be insured, Unit Owners in Townsville are left with no choice but to pay the premiums. Many of these

buildings have had little or no claims history in the last 5 years, and altering building sum and excess also makes very little difference to the premium offered.

In conclusion, we would like to see action from the Government and/or independent bodies to regulate and control the insurance industry to ensure ongoing sustainability in the residential Strata industry. The Government could intervene in several ways without increasing the burden on the wider population:

*Tighter regulation of how insurers price risk:*

- Although situated in a tropical climate, the Townsville area is no more likely to suffer significant damage from insured events. In fact, in recent history severe storms and flooding have been more frequent and more damaging in South East Queensland than in the supposedly high risk Northern regions. In order to maintain lower prices in the more competitive markets, regional customers pay to recover these losses through premiums.
- Insurers are less inclined to offer policies in regional areas due to lower population density, and therefore lower income from premiums (particularly Strata policies). Large scale Insurers should be required to offer their products nationwide to maintain a competitive market.
- Meaningful benefits for clients with little or no recent claims history, and options to increase excess' or alter policy options to reduce the premium.

*Relaxation of Taxes & Duties relating to insurance premiums:*

- A significant portion of each policy is lost to Stamp Duty and GST. The vast increases in premiums translate to increased income for Government, and these savings could be transferred back to the client.

Sincerely,  
JOHN GRIBBIN REALTY PTY LTD  
Body Corporate Division

*Amanda Field*

**Appendix:**

*Comparison of insurance renewals of a random selection of Bodies Corporate in the Townsville area.*

<b><i>Location</i></b>	<b><i># Lots</i></b>	<b><i>2010 Premium</i></b>	<b><i>2011 Premium</i></b>	<b><i>% Increase</i></b>
Hermit Park, 4814	4	\$2,709.05	\$5,214.69	92%
North Ward, 4810	49	\$24,398.58	\$67,024.99	175%
North Ward, 4810	6	\$8,993.83	\$27,462.35	205%
Idalia, 4811	32	\$14,494.00	\$51,505.78	255%
Douglas, 4814	16	\$6,735.89	\$34,525.67	412%
West End, 4810	24	\$12,303.54	\$62,623.37	218%
Rosslea, 4812	11	\$8,648.68	\$42,376.68	390%
Aitkenvale, 4814	3	\$3,392.40	\$4,977.40	47%
North Ward, 4810	3	\$5,748.34	\$14,040.95	144%
North Ward, 4810	3	\$6,420.64	\$10,804.40	68%
Hermit Park, 4814	4	\$3,895.16	\$14,837.00	280%
North Ward, 4810	6	\$8,251.86	\$16,168.94	95%
Pimlico, 4812	5	\$2,417.93	\$5,983.50	147%
Mundingburra, 4812	5	\$3,148.91	\$6,042.80	91%
Douglas, 4814	58	\$20,098.00	\$109,537.00	445%
West End, 4810	22	\$9,509.00	\$26,878.45	182%
Douglas, 4814	33	\$17,257.00	\$63,266.93	266%

\* For all example premiums listed, the Body Corporate renewed with the cheapest quotation.