

To: House of Representatives Standing
Committee on Social Policy and Legal
Affairs.

Submission to Inquiry into Residential Strata
Title Insurance

From: [REDACTED] Body Corporate
Committee

[REDACTED]

30th January 2012

Purpose:

- To highlight the massive increase in strata title insurance and its impact on current owners.
- To predict the likely outcome to repairs and maintenance, future investment and resale and tenancy implications as a result of insurance premium increases if they are to continue to rise at the current rate.
- To seek government assistance to restore and maintain the viability of strata title ownership and investment.

Background:

██████████ is a three level residential complex with six three-bedroom and four two-bedroom apartments situated in Cairns city, ██████████

It is eight years old, solidly built to cyclone standards, protected by cyclone shutters, free of any cyclone hazards and very well maintained.

At present, 60% of the apartments are owner occupied; the rest tenanted.

There is no on-site manager.

██████████ Body Corporate Committee attends to day to day matters on site on a voluntary basis.

████████████████████ are our management administrators.

Insurance history for the last five years:-

Our building insurance is arranged by [REDACTED] via [REDACTED].
The policy is written through [REDACTED] via [REDACTED].

Cost of premiums for the last five years:-

2007	\$3,649.80
2008	\$4,748.95
2009	\$4,543.67
2010	\$5,376.88
2011	\$9,260.83
2012	\$19,156.92 (initial quote) \$16,023.87 (revised quote)

The breakdown of the last quote:-

Premium	UW Levy	Fire Levy	GST	Stamp Duty	Broker Fee	Total
\$13,355.49	\$60.00	\$0.00	\$1,356.55	\$1,101.83	\$150.00	\$16,023.87
Building	\$3,614,187					
Public liability	10,000,000					
Office bearers	1,000,000					
Voluntary worker	200,000					
Basic excess	500					

Claims history for the last five years:-

A total of seven claims with five payouts.

Total payouts \$6,647.87

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Issues:

In September 2011 we received our policy renewal notice from [REDACTED]. The renewal premium represented a jump of 207% from last year.

[REDACTED] advised optional quotations were sort from [REDACTED] and [REDACTED]. [REDACTED] was unable to provide a comparable quote based on current sum insured. [REDACTED] declined to quote due to embargo.

I attended the Natural Disaster Insurance Review Forum in Cairns on 14th November 2011.

A number of speakers stated that [REDACTED] were, in effect, the sole insurers in North Queensland. Competition is non-existent.

Nevertheless, I sought quotes from other brokers. Three were contacted. One replied.

[REDACTED] forwarded a quote from [REDACTED] for \$16,446.00.

The same day I received the quote from [REDACTED], [REDACTED] forwarded a revised quote of \$16,023.87. There was no explanation why their initial premium was reduced. The revised quote represents a 185% increase from last year's premium. As the due date was looming, we accepted the revised quote.

Implications:

Owners have been hit with a special levy to cover the increase in premium this year. Eighteen days before Christmas, three-bedroom unit owners received a bill for \$1,365.70 to be paid by January 7th 2012.

Body corporate levies for 2012 have been increased to reflect the rise in insurance (up 155%).

[REDACTED] does not have an on site manager. We have no choice but to trim the Body Corporate budget. The garden maintenance contract has been cancelled; the pool maintenance hours have been reduced and some necessary repairs and maintenance have been put on hold.

These measures will have an impact on the upkeep of the building and resale value for owners. Owners are now looking at the viability of long term prospects as permanent residents.

But who will want to buy into a residential complex that cannot be maintained properly and has high body Corporate fees?

Current investment owners will have to increase rents. Prospective investors will not be interested in property with high fees and charges.

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Problems we face:

* Insurance is mandatory

- * We have no competition in the insurance market
- * Our premiums increase is becoming unsustainable
- * Our premium is exorbitant in spite of minimal claims history and the fact that
- * [REDACTED] is cyclone proof and received no damage from Cyclone Yasi.

Recommendations:

The Inquiry:

- * investigates the current market and industry practices available to North Queensland strata title holders
- * instigates means to ensure a competitive choice in the insurance market place
- * considers legislation by federal or state governments
- * considers the establishment of a government insurance scheme if competition remains unavailable
- * considers the impact of GST and Stamp Duty on the total cost of premiums for strata title holders and investigates ways of reducing these costs
- * moves to require insurance companies to thoroughly assess individual properties prior to setting premiums with preference given for on site inspections

Submitted by

Date: 9th January 2012

Ian Jamieson
Chairperson Body Corporate



