Dr John White
A/G inquiry Secretary

Dept of the House of Representitives
Standing Committee on Social Policy & legal Affairs

[redacted]
11/1/12

Dear Dr White.
The following is a letter to Mr Warren Entsch raising my concerns in regard to strata titled insurance issues.
I hope this submission to your committee can form part of your enquiry.
In addition to the letter a few more points that convince me the insurance industry are gouging are as follows.
Their excuse for raising premiums in the extreme, due to natural disasters in QLD are fairly limp.
Our policy premium in 2005-2006 was $5,384 Almost the same since new in 2002.

2006-2007	$12,000	Some companies leave the market
2007-2008	$12,000	
2008-2009	$ 26,600	I think now only one company.
2009-2010	$35,000	
2010- 2011	$44,000	just under $40k in 5 years & NO CLAIMS.

ALL PRIOR TO FLOODS & CYCLONE YASI HOWEVER SOME INCREASE FROM CYCLONE LARRY.

2011-2012	$51,250

It's also interesting to note that the majority of buildings effected by these events were single stand alone OLD dwellings.Almost none were strata titled complexes of significance.
Our complex of 26 units grouped in modules of 2 is cyclone rated & above flood levels.
The current policy reflects a southern states licensed valuers assessment of full replacement value of $10 million.That equates to each unit being worth $385,000 with no land content.
Sale prices within the complex over the last 12 months have ranged from $300,000 thru to $375,000. All obviously including land.
All units are the same with a built area of 125m2. Local builders are confident of replacing the same at a rate of around $1,500m2 or $187,500 ($200,000 less than the valuers guess!)
This is one of the major factors inflating premiums as our policy MUST be replacement value based purley on very poor valuation methods that actually don't reflect local costs & situations.

<u>Subject : Body Corporate insurance</u>

Hello Mr Entsch,
I read recently where you had brought the ACCC into the topic of BC insurance.I thought that was an extremely positive move which will assist in placing pressure to have what is clearly a terrible impost on the recipients of the outrageous policy premiums.
These excess premiums are having a huge negative impact on real estate people trying to make a living selling home units etc, mum n dad investors & the high rack rate for holiday accommodation which affects our tourism.
However, without bashing the insurance companies altogether,I believe the excessive premiums are actually a direct result of the state insurance legislation.

Currently it is a legal requirement for Body Corporates to insure the property for ***"full replacement value".***
This "one size fits all " policy is just inequitable & is contributing to insurance companies assessing their total risk exposure.
If a body corporate cannot secure correct insurance then they are acting illegally by continuing.If things don't change then there will be lots of tears.
It's plain to see that properties that are to comply with a community title scheme act vary immensely in their size,design,constructional fibre etc.It would be fair to say that the majority of these complexes have been designed & constructed to specific cyclone resistance. They arn't about to be blown over.Most damage occurs by flying objects or falling trees. Are unit complexes more at risk of this than any other form of building.I think not.
We don't experience earthquakes & flooding is generally localised to a particular area of a community.Fire can cause enormous damage however to expect to lose a total dwelling complex in one fire is not really a probability or if so a rareity.
There are highrise buildings,smaller lowrise complexes,individual stand alone buildings on one allotment.All with varying degrees of exposure to catastrophy & all with varing degrees of opportuhity for community protection services to deal with the scale of any threat.
As an example,the complex where I live is made up of 26 two storey villas in groups of 2 spread over around 3 acres.Each building is surrounded by driveways,lawn & tropical gardens.It is not in a flood zone & has been built to cyclonic standards.
Each villa would cost around $187,500 to build today plus land.Around $6.5 million.
The body corporate was by law , required to have a professional quantity surveyor (from southern states) provide an assessment of total replacement value for insurance purposes.Their assessment was just over $10 million.This sum is so far from reality & with so much "arse covering"its just not funny.
Problem being the body corporate was obliged to adopt the higher figure & then of course pay an inflated insurance premium.Fact came up that the only insurance company willing to insure would not do so on a value over $10million.The body corporate had to break the law & reduce the value enough to comply. Ridiculous!!!
The concept that this total complex would be wiped out entirely is just absurd.
There are many other comparible examples.
Like any business, insurance companies want to gain business & make a profit.They certainly are not going to decline a viable market.
If the legislation were changed to allow insurance companies to assess their own risk on a particular property,rather than from the current system then I believe more companies would re- enter the market creating competion & most likely a reduction in premiums.
No need for government enquiries,studies etc just some common sense.

Thanks for reading my letter.

Regards

Ian Campbell