

From: [REDACTED]
Sent: Wednesday, 11 January 2012 2:50 PM
To: [REDACTED]
Subject: Inquiry: Strata Title Insurance

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

PO Box 6021
Parliament House
Canberra
ACT 2600

11 January 2012

Dear Committee,

Re: Inquiry into Residential Strata Title Insurance

1. My wife and I, are age pensioners, and live in a unit within a three storey block of 47 units in [REDACTED].

Since we took up residence in 2002 we have been subject to increases in the insurance premium each year. In the first few years these increases were reasonable and we were able to budget for them.

Over the last two years there have been large increases in the insurance premium each year, with an extraordinary increase in 2011, (details below).

These increases have caused much concern as to the viability of us being able to continue to pay the premiums from our pension and the possibility of having to purchase a property inter- state.

2. Body Corporate Building Insurance Premium history:

2001/2002 \$15953: 2003/2004 \$15620: 2005/2006 \$16700: 2006/2007 \$22500:
2008/2009 \$19740 (decrease due to introduction of \$5000 excess clause)
2009/2010 \$21115: 2010/2011 \$25000: 2011/2012 \$87000: 2012/2013 \$??????

The premium for 2011/2012 was originally quoted at \$107000 but was able to be reduced by accessing another broker, using the same insurance company, [REDACTED], as the former broker [REDACTED] received a high amount of commission boosting the premium.

It appears that a commission of some 20% payable to the broker is not uncommon. It is not confirmed that there may be TWO tiers of commission involved

This brokers fee is an unacceptable amount when premiums are escalating, and are really out of proportion to the amount of work undertaken by any broker. It follows on from the current practice common in the Real Estate industry.

3. Cyclone Yasi posed a considerable threat to North Queensland and Far North Queensland during early 2011. However damage to residential high-rise apartments in Townsville was mitigated by the prevailing building regulations which were introduced some years ago. There were few claims from these developments indicating that the level of RISK is not proportionate the the rise in [REDACTED] premiums.

Our building, being only three storeys and facing the sea on top of a hill had minimal damage, but the necessary hire of scaffolding in order to repair guttering and facia boards contributed a large [REDACTED] percentage of the total claim of \$23000.

4. In 2010 our building valuation was assessed by one quantity surveyor at \$25 000 000, yet another valued it at \$19 000 000. This was fortuitous as the number of insurance providers offering strata [REDACTED] title insurance at this time became very much depleted; some companies offered insurance to complexes with valuations under \$5 000 000, while others offered insurance to those under

\$15 000 000. There were only two companies remaining which were prepared to accommodate complexes over \$20 000 000, [REDACTED] and [REDACTED].

Our insurance premium for the valuation of \$25 000 000 was quoted at \$57 000, yet we were able to negotiate a reduced premium on the lower valuation of \$19 000 0000, this being \$25000.

5. Now there are only two insurance companies standing in the market for strata title insurance, [REDACTED] (together with its subsidiaries) and [REDACTED]. From anecdotal evidence it has been advised that if one has not been insured previously with [REDACTED] then they are not prepared to insure new applicants, they have in fact withdrawn from this market leaving only one insurer, [REDACTED], to monopolise [REDACTED] this ever

increasing market.

6. Apart from our own predicament the high cost of insurance will affect both prospective buyers of strata title property and the rental market where owners will have to increase rents in order to cover overheads. The apartment market in Townsville is currently saturated with property that is up for sale.

Suggestions:

As the Body Corporate is, by law, obliged to take out building insurance in order to protect the owners then the State which enacted this law has a duty to involve itself in finding solutions to the problem of escalating premiums.

This problem could be solved with a number of supporting ideas:

Allow Bodies Corporate to use their Sinking Funds to undertake repairs when necessary and levy their owners an extra amount in place of paying the insurance premium. This would enable the Sinking Fund balance to increase over time. As previously stated " with the current building regulations in place little damage was experienced in all the strata title establishments in Townsville during the category 3 cyclone of 2011"

Properties in a natural-disaster zone should be supported by the State Government, and it could purchase reinsurance in bulk, more cheaply. Also the State could set up its own State Insurance office and provide insurance to residents in strata title establishments at a more reasonable cost.

Federally, could something be done to encourage more players in the market, both nationally and internationally? This might just reduce the monopolistic situation which prevails currently and by doing so introduce competition, once again, in the industry.

Anthony Sharp

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