SUBMISSION NO. 138

Submission to Parliamentary Inquiry

To:	Inquiry into Strata Titled Insurance
From:	Ramon and Linda Tuck [redacted]
Property:	[redacted]
Number of Units:	16 units in total All units are one bedroom town houses built in a loft style. They are approximately 55 square metres internally.
Constuction Date:	Completed in 1989 to current cyclone requirements Besser block with tin roof
Levies 2007/08:	Administration Fund $18,580 or $1161.25 per lot entitlement Sinking Fund $7,000 or $437.50 per lot entitlement Total: $25,580 or $1598.75 per lot entitlement

Insurance:	Premium to August 2008 - $3,981.50
	Building Valuation - [redacted]
Levies 2011/12:	Administration Fund $26,796 or $1,674.75 per lot entitlement
	Sinking Fund $7,000 or $437.50 per lot entitlement
	Total: $33,796 or $2,112.25 per lot entitlement
Insurance:	Premium to August 2012 - $9,544.40
	Building Valuation - [redacted]
Increase in Levies:	Levies 2007/08 - Total: $25,580 or $1598.75 per lot entitlement
	Levies 2011/12 – Total: $33,796 or $2,112.25 per lot entitlement
	Increase in 4 years - $513.50 per lot entitlement.

Insurance Increases:

To highlight the effect the increases in insurance have had on this complex, I will break down what the insurance component in 2007/08

Total Premium	$3,981.50
Cost to Each Unit	$248.84 per annum

The same equation using the premium received for 2011/12

Total Premium	$9,544.40
Cost to Each Unit	$596.52 per annum

Analysis of Increases:

In the four year period, the actual cost increases per lot entitlement for just the insurance has increased by $596.52 per lot entitlement.

In the four year period, the actual cost increases to the owners per lot entitlement has been $513.50.

In this complexes case, we have actually trimmed off $83.02 of the administration budget in 4 years. This is not sustainable for the complex long term as we are delaying maintenance and upgrading work. The committee has done this to relieve some of the financial pressure on owners.

History of Claims:

This property has made very few claims since construction was completed. Any claims have been of a minimal nature such as broken glass. There was one claim for a kitchen via water damage but generally this is not of a significant nature.

Building Valuation:

Legislation was brought in by the Queensland Government and each body corporate must get a valuation for insurance purposes every five years.

A report was completed by [redacted] Co in February 2010. The value was [redacted].

This equates to [redacted] for each unit.

It must be noted that the construction is of a basic nature, the besser blocks have not been rendered externally or internally. The finish of the kitchen, bathrooms and general fixtures and fittings are of a basic quality.

Resale Values:

At the peak of the market, prior to the GFC units of a similar size, design and finish in the Manunda and Whitfield area were selling for $165,000.

The sales market has essentially collapsed and the selling values range from $85,000 up to $120,000.

Rental Returns:

[redacted] is located approximately 6 kilometres from the Cairns City area.

This unit block is well located in a quiet area with easy access to the city. They are in demand as they are slightly larger than a regular one bedroom unit. They also have the added benefit of a carport at the front door and a court yard to the rear.

For these reasons we were renting these units for up to $180 per week.

As the Cairn economy has suffered, the vacancy rate has dramatically increased whilst the rent achievable has dropped off. Some of these units have rented for as low as $160 per week.

Insurance Renewals:

The insurance premium for the 2007/08 year was $3981.50

The insurance premium for the 2009/10 year was $3844.46

The insurance premium for the 2010/11 year was $4919.20

The insurance premium for the 2011/12 year was $9544.40

The cheapest quote was with [redacted] but as they don't have a catastrophe allowance, we had to increase the sum insured to be sure we had the correct level of cover.

Of particular interest is the fact that this complex has only a $100 excess where as many other complexes have up to a $25,000 excess.

Financial Impact:

When completing the budgets for the next financial year, I have had to bear in mind the financial position we place owners in by increasing the rents, especially in this current economic environment.

The reality is that their units are worth up to $40,000 less than what they were just four years ago, but the running costs have increased by $513.50. To complicate it further the achievable rents have actually lowered.

Summary:

This complex in some ways is fortunate that the insurable value is under the $5 million cut off mark for [redacted] The next quote we could obtain for this financial year was over $14,000. The concern I have as an owner is that these increases will not stop in the coming years, and this added financial burden will be too much for some owners.

Although we do have money in the sinking fund, I believe we should be setting more aside for future works. The building is now over 20 years old and we need to start having money ready for new gutters and new roofing. The building also needs to be repainted and the cost of this has increase substantially due to the change in Workplace Health and Safety laws. We currently only have enough to repaint the building, with nothing left in reserve.

As the Chairperson, and an owner I am reluctant to increase the levies any higher as the burden will be too much for many owners.