

**From:** [REDACTED]  
**To:** Committee, SPLA (REPS);  
**Subject:** Australian Federal Govt Strata Title Insurance Premiums  
**Date:** Monday, 16 January 2012 2:54:56 PM

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Dear Sirs

On behalf of Committee, I write as Chairman of a Body Corporate covering a 60 suite strata title complex/resort in Palm Cove, Far North Queensland.

Having recently read of the Federal Govt enquiry and a call by the Committee Chair, Don Perrett for further submissions, I believe it is incumbent upon me to also raise concerns in regard to the exorbitant "hike" in insurance premiums for CTS/strata properties in Queensland, in particular.

In saying that, we all know too well and acknowledge the tragedies and disasters that have impacted the state in recent times and the costs borne by insurers. However, the practice of penalising every Body Corporate or strata title property is grossly unfair, particularly when some resorts and properties, such as the one I represent, has never had a major claim, despite the tens of thousands of dollars we contribute yearly in premiums.

As an example of premiums, the property has an estimated value of AUD30m. It is built of solid concrete with an iron roof in accordance with cyclone building code – and like many of the buildings along the esplanade in Palm Cove, it was designed by award winning architect, Leigh Rattcliffe. The construction style and methods in effect guarantee it to be cyclone proof and it has withstood all weather conditions, including cyclones, for more than the past 15 years.

Annual premium in 2009 was approximately AUD60k, that subsequently increased to AUD72k before being held to a marginal increase last year. We are about to renew cover effective mid February and premium estimates to hand suggest the cost will be around AUD120k. Added to this conundrum is the fact that in FNQ only **ONE** insurer offers cover – that being [REDACTED] and as a consequence strata title owners and Body Corporate members have absolutely no alternative. What that means is that no matter which "broker" is used to source a quote – the premium base quote will ALWAYS be the same because there is no competition and [REDACTED] have no desire or reason to move. That then results in the only "variable" being the amount of commission a broker is prepared to concede to win the business.

As indicated by others in their submissions, strata title owners of investment properties have for many years carried loss on rental returns as well as diminishing capital value. Each owner entered the market based on extensive research and fact finding of the Australian and Queensland tourism market over

many years. Owners are often retirees or couples who saw such investment as a wise “retirement strategy”. Very few owners retain their properties for the sake of making profits. As things currently stand, a majority of owners face re-sale loss of tens or hundreds of thousands of dollars.

Without the contribution offered to tourism by strata title owners, the tourism and accommodation industries in this country would flounder.

On behalf of our Body Corporate members I call upon the enquiry members to look for ways and means of reining in the absurd insurance costs being dumped on owners – particularly those properties where claims have been non-existent or minimal. We do not need a “*one size fits all approach*” where the insurance industry can generalise in providing excuses and reasoning to attempt to justify excessive premiums.

We also need to see some effective means of ensuring investment in strata title properties offers some tangible benefits to owners, in lieu of year after year of negative returns.

I trust the issues I have outlined above will be given due consideration

Sincerely

**Neil Pickering**

Chair – 