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Office of the Clerk Assistant (Committees)
House of Representatives

By Email: committee.reps@aph.gov.au
CONFIDENTIAL SUBMISSION

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CANBERRA ACT 2600

[REDACTED]

Metro Quays Body Corporate submits the following in relation to the inquiry into residential strata title insurance and refers to the following terms of reference in particular to support our submission:

b), c) and e)

Terms of Reference

- (a) The magnitude of the increases in the cost of residential strata insurance over the past 5 years, the reasons for these increases and whether these increases are likely to be sustained;
- (b) The ability of insurers to price risk and the availability of accurate data to allow for this;
- (c) The extent to which there is a failure in the insurance market for residential strata properties either generally across Northern Australia or in some regions in particular, for example due to a lack of competition between insurers;
- (d) Whether consumer awareness of different insurance options should be enhanced;
- (e) The extent to which the nature of body corporate arrangements are contributing to affordability difficulties;

Building Information

[REDACTED] comprises of 92 residential lots. This building was used entirely as a car park until the upper floors were converted into apartments during its redevelopment in 2000. The original car park itself is over 32 years old and is of a concrete structure. The building was commissioned in August 2000 and comprises of a rooftop gym, entertainment area, 25 metre pool and spa and a full sized tennis court. The building is in the most convenient location in the city. On the premium river side apartments have views over the river, [REDACTED] and all the way out to the ocean. On the city side there are views to [REDACTED] and across the city.

From the ground to the 8th floor the car park is privately owned. The ground floor comprises of businesses, a restaurant and retail outlets. The residential property starts on the 9^h floor of the building and comprises of 4 floors of secured parking and 5 floors of residential apartments that sit above. The building is managed by 2 Body Corporate Committee's who work together to maintain the building to a high standard.

[Redacted]
[Redacted]
[Redacted]

Insurance Premiums

Renewal for 2009/10 was	\$ 92,443 + excess of \$20,000
Renewal for 2010/11 was	\$116,224 + excess of \$20,000
Renewal for 2011/12 is	\$221,315 + excess of \$60,000

In the last 12 month period there has been an increase of 139%. The hardship this has caused is unsurmountable. The body corporate have just spent over \$300,000 on maintenance and have an extensive maintenance plan in place. The most recent insurance increase is not justified at \$221,315 with a cyclone excess of \$60,000. Our claims through YASI amounted to \$55,000 and we had a \$20,000 excess. We still have not been paid for our claims.

It is unjust that we have had to endure a 139% increase bringing the average premium of \$900 per lot to now over \$2000 – and within a 6 month window. The ongoing ramifications of this has already caused an increase in body corporate levies and unforeseen hardship to some of our elderly retired residents not to mention those who are investing in the property long term.

Additionally a decline in apartment sales has been seen due to the sudden increase in body corporate fees. The ongoing ramifications of this are already being seen across other parts the state in sales figures that property prices are on the spiralling decline for apartments.

Our maintenance plan is a sound one. From our experience with the same Insurer for the past 3 years we feel the lengths we have had to go to satisfy the insurer are over complicated. The body corporate feels the risk analysis of a building our size is not being carried out correctly and there are too many out of field issues that come in to play that are caused by unqualified engineers and insurance personnel making rash statements that the body corporate has to deal with. As like most other buildings, over the \$5million dollar value, we would like to have a choice of Insurer and not be held to ransom. We have had to employ our own structural engineer who is a professional advisor to the body corporate due to the hoops we have had to jump though with [Redacted].

We feel it is time for the insurance industry to have its own regulator. This would assist with making sure its professionals are qualified to carry out proper risk analysis for the region and in turn do not overreact to extreme weather events that are experienced throughout Australia on an ongoing basis.

We thank you for the opportunity to make our submission.

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