

The Secretary *16th January 2012*
House Standing Committee on
Social Policy & Legal Affairs
Per email to spla.reps@aph.gov.au

Dear Sir/Madam,

Re: Inquiry into residential strata title insurance

[REDACTED]
SUBMISSION FOR INSURANCE INQUIRY

In 2011, the Body Corporate for [REDACTED] experienced a very substantial and unexpected increase in building insurance cost.

That very substantial insurance premium increase (252% in 2011 versus 2010) has placed an unsustainable financial burden upon all owners of apartments at [REDACTED]. In fact currently there are three of the fifteen apartments at [REDACTED] for sale with little likelihood of any being sold at other than a heavily discounted price. The Body Corporate believes that this situation is due to the sudden emergence of local buyer resistance, which it is believed to be directly caused by the dramatic escalation in the cost to the Body Corporate of its building insurance.

The [REDACTED] Body Corporate considers that it is more likely than not that for the most part opportunistic insurance pricing has occurred due to the complete absence of competition amongst insurers for strata property insurance for buildings, such as [REDACTED], with sum insured values exceeding \$5 million, there being only one insurer [REDACTED] prepared to offer strata property insurance to the [REDACTED] Body Corporate.

In 2010, the Body Corporate paid \$15,516.90 for their insurance premium for building insurance with [REDACTED].

The Body Corporate budgeted in 2010 for their 2011 renewal in the amount of \$17,067.69 as they were expecting a no more than moderate increase in their insurance premium in the following year.

However, when the renewal for the period 14.02.11 to 14.02.12 was received, [REDACTED] quoted a renewal price of \$61,614.47 (300% increase). An alternative quote was provided by [REDACTED] for \$35,193.93. As the Body Corporate did not have sufficient funds to pay the full 12 month premium, it accepted a six month quote from [REDACTED] for \$17,512.92.

The Committee did attempt to obtain alternative quotes for the Body Corporate insurance from numerous parties, however were unsuccessful in their attempts.

After the six month period lapsed, the renewal amount quoted by [REDACTED] for the period 14.08.11 to 14.02.12 was \$25,678.39 or for a 12 month period for \$50,849.21. [REDACTED] provided an alternative quote of \$59,256.14 subject to survey within 90 days of inception. In total for the 12 month period, the insurance increased by \$26,123.62 above what was expected when the budget for insurance was approved by the Body Corporate.

The Body Corporate has now received their further 12 month renewal from [REDACTED] in the amount of \$54,578.45 for the period 14.02.12 to 14.02.13. The broker has also advised that [REDACTED] no longer offers six month renewal terms. No alternative quotes have been able to be obtained by the broker or the committee.

Pursuant to the Body Corporate and Community Management Act, Section 178 states that the Body Corporate must insure for full replacement value the common property and the Body Corporate assets. Therefore, it is a mandatory requirement that the Body Corporate remain insured, despite the financial burden this is placing on owners.

The owners are now each required to pay \$1091.56 to \$6,549.36 per annum for insurance. Previously, the owner's contributions towards the insurance were \$310.32 to \$1861.92 per annum. This being dependant upon the different interest schedule entitlements of the units.

Therefore, the Body Corporate is forced by law to accept the quote from [REDACTED] to ensure that they comply with the Body Corporate legislation and insure their building to protect their asset.

Yours Sincerely

Original signed letter being mailed to you today

Trevor Guest
Chairman of [REDACTED] Management Committee
Body Corporate [REDACTED]

[REDACTED]