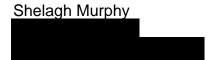
Thursday 22nd December 2011



House of RepS Standing Committee on Social Policy and Legal Affairs INQUIRY INTO RESIDENTIAL STRATA TITLE INSURANCE

Via email: spla.reps@aph.gov.au
CC: warren.entsch.mp@aph.gov.au

Submission regarding the unsustainable and massive increases in Body Corporate Insurance.

PROPERTY ONE -

- 1 I purchased a small 2 bedroom, 1 bathroom 89sq metre unit in order to downsize from my current apartment home (that consists of 3 Bedrooms and 2 bathrooms)
- The insurance when I investigated initial purchase of this small, old property in April 2011 was approximately **\$11,000** for that year via the Body Corporate Brokers.
- Attached is the invoice for May 2011 May 2012 financial year showing an increase of approximately 75% to \$19,566.56. This includes GST of \$1655.72 and Stamp Duty of \$1353.60 A huge increase but almost within acceptable boundaries.
- The 'best' available insurance for this same property for 2012 -13 is now a 700% increase since 2010-11 and a 350% increase on 2011-12 to a massive \$78,479.97 Including GST of \$6,637.81 and Stamp Duty of \$5463.82. (Copy attached)

Only will now accept insurance cover for Bodies Corporate where the property is valued at over \$5million. To have this property revalued down is, apparently, not possible.

These units used to sell for approximately \$200,000. They are now going on to the market from as low as \$130,000 as owners cannot afford to retain them and pay these massive insurance cost of \$2500 per 2 bedroom 1 bathroom unit!

This property – consists of 35 small, low priced (now very low) units. The body corporate fees are now approx \$5000 per unit per year in

order to cover the bank loan that the Body Corporate was obliged to take out to cover this massive, and un necessary, price gouging insurance increase. To comply with legislation the BC is also obliged to have a sinking fund – hence the massive Body Corporate fees... all brought about by massive insurance hikes.

Since 2006 there has been claims of only \$3009. This does not warrant the massive, and unsustainable, increases.

It is legislation that we must fully insure this property. .

There has NEVER been a recorded case in this region of an entire Body Corporate property being demolished.

People are going broke trying to live in their own small homes here. AS investments they are now totally worthless.

As came in several years ago and 'pushed' all other competitors out of the market they are now in a position to rip off many unit owners. To be paying \$2500 insurance (just external – not including contents) for a tiny 2 bed 1 bath unit and carport is ludicrous and most definitely immoral and wrong.

For the government it is obviously a windfall as instead of receiving only \$1956 GST and \$1655 Stamp you will be receiving, from our little complex, \$6637 GST and \$5663 Stamp Duty. Multiplying this out for all the Bodies Corporate that are being hit so hard it is a delectable little windfall.

QUESTION: Why are we obliged to pay STAMP DUTY AND GST??

If this government cannot do anything to alleviate the stress of these massive price hikes then perhaps reviewing this extra 'government' income may assist.

Property Two:

- I still live in this 3bedroom 2 bathroom property built in 1997..

 There are three units in this complex. (This is the one I was planning on moving out of but was unable to sell due to the very dismal economic state of the Cairns economy).
- 2 Insurance for 2010 was \$1400 premium with happily been taking premiums since 1997.
- 3 2011 a fare no longer insuring Bodies Corporate. Best offer was at premiums of \$3500 a 140% increase.
- sent a letter received 21st December to advise that 'WE CAN'T COVER YOU' (copy attached) due to changed underwriting guidelines...

The ONLY cover I have been able to source via a broker is with at approximately \$5800...and this is subject to a 'building survey report'. This is a 400% increase since 2010.

SOMETHING IS GRIEVOUSLY WRONG.

Government needs to either underwrite the insurance where it is a legal requirement to insure properties, or change the legislation.

In Cairns, Tropical North Queensland, life has been financially crippling for many of us for the past 3- 4 years. We cannot sustain these massive price hikes.

I am still endeavouring to sell my property in but cannot due to the economy. I simply can no longer afford to live.

If this price gouging by insurance companies who, despite the recent natural disasters, are still raking in massive profits, is not addressed, then both state and federal governments will be spending a whole lot more money in looking after more impoverished people.

This government needs to address these insurance rip offs immediately and ensure that there is a cap on premiums so that they are affordable.

I, and many of my fellow unit dwellers, are getting desperate. We are in a very serious financial situation here and do need help. Please do something!

Shelagh Murphy (JP) Qualified

Attach:

Insurance Quote 1 – 2011-2012

Insurance Quote 2 – 2012-13

Claims History

Letter declining to continue insurance.