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SUBMISSION NO. 279**FREDERIC and HELEN RICHTER**6th January 2012.

Committee Secretary,
House of Representatives Standing Committee on
Social Policy and Legal Affairs,
P O Box 6021
Parliament House
CANBERRA ACT. 2600
Phone: (02) 6277 2358; Fax: (02) 6277 4427.
Email: spla.reps@aph.gov.au

Re: Inquiry Into Residential Strata Title Insurance.

We understand that the Federal Government has extended the time for interested persons to make submissions addressing the terms of reference to 16th January, 2012

We also see the problems of exorbitant increases in insurance premiums, large increases in rates, water charges etc having an adverse effect on the value of properties in North Queensland and a major disincentive to people considering moving north. The fact that the cost of insurance and other services in the north have increased significantly more than in the southern areas of the State and elsewhere reduces the return on investment and accordingly the real estate value of properties in the north and will not encourage anyone to invest in the North.

My wife and I are trying to be self funded retirees and have several properties in Townsville, Charters Towers and Scarborough and we are losing money because the world wide economic downturn about four years ago greatly reduced the numbers of people wanting to rent, both then and now, particularly in North Queensland. Accordingly, we have had our rents reduced significantly while costs have increased significantly, particularly with insurance premiums. The seemingly never ending increases in interest rates did not help. The recent reductions in interest rates by the Reserve Bank are a very welcome relief.

The severe increases in insurance premiums has really hurt our financial viability. The worst case we know of is [REDACTED] which has 72 units with a replacement value of over \$28 million. Fred is a Committee Member and Treasurer and we have several investment units in our name and associated loans with our bank. There is only one insurance firm willing to insure properties of this size here in the north. The Insurance Premium for the Body Corporate has gone from \$20,153 two years ago to approximately \$121,000 this year. The Body Corporate must, by law, fully cover the property with one insurance policy and it is too difficult to split a Body Corporate into two, to reduce the size of the risk. Even that may not result in significant savings.

[REDACTED] Annual Body Corporate Levies rose from \$2,558.40 (\$49.50 pw) for 2008/09 to \$5,798.46 (\$111.50 pw) for 2011/12 an increase of \$3,230 or \$62.00 pw, because of increase in the insurance premiums. For six months the levies were \$1,729.35 per quarter or \$133.05 per week to try to recover the cost of the increase in premiums. Two years ago these units were very popular costing \$230K to \$260K to purchase and very few were for sale, because the Body Corporate was affordably priced. Now most people are having difficulty paying the increased Body Corporate Levies and other costs. There have been up to 8 units for sale varying from \$185K to \$230K and they are not selling.

We have heard that other Body Corporate Committees have had similar experiences, though most probably do not pay their insurance premiums almost half a year before their Annual General Meeting and have to recover exorbitant increases in two quarters, as was the case at [REDACTED] Based on our

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experience in the last few months, insurance premiums generally are increasing at around 100% per annum. We do not believe that this is appropriate. We certainly can not recover costs by increasing rent because there is not enough demand for rental properties. We hope that you can find some way to alleviate the difficulties being experienced by all property owners north of the Tropic of Capricorn.

The insurance premium hikes also apply to Contents Insurance. The premiums on Content Policies are typically increasing approximately 100% ie by \$300 or more per property this year.

We would be happy to hear from you, should you have any concerns in relation to these matters.

Yours sincerely,

Fred & Helen Richter

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