

SUBMISSION FOR INSURANCE INQUIRY

In 2011, the Body Corporate for [REDACTED] experienced a significant and unexpected increase in their insurance renewal for the Body Corporate building insurance.

In 2010, the Body Corporate paid \$24,673.42 for their insurance premium for Body Corporate with [REDACTED].

The Body Corporate budgeted in 2010 for their 2011 renewal in the amount of \$27,065.45 as they were expecting a normal increase in their insurance premium in the following year.

However, when the renewal for the period 12.09.11 to 12.09.12 was received, [REDACTED] quoted a renewal price of \$91,158.16 which was an increase of \$66,484.74 in insurance. An alternative quote was provided by [REDACTED] for \$90,352.20. The Body Corporate broker did manage to secure a revised quote from [REDACTED] for an amount of \$52,927.50 on behalf of the Body Corporate.

Consequently, as a result of the Body Corporate having insufficient funds in their bank account to pay the premium outright, the Body Corporate was required to enter into a premium funding arrangement with [REDACTED] at a rate of 8.93% to enable the Body Corporate to make monthly payments. This increased the renewal by a further \$4,727.59 to \$57,655.09. The Body Corporate owners have now been required to raise a special levy to ensure their Administrative Fund remains in debit to ensure they can continue to pay their monthly insurance premiums plus their ongoing regular expenses such as gardening, pool cleaning, on-site management fees etc.

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 required to pay \$1081.88 to \$1410.83 per annum for insurance. Previously, the owner's contributions towards the insurance were \$461.76 to \$602.16 per annum. (This being dependant upon the different interest schedule entitlements of the units).

At the time of receiving the quote for renewal of insurance, the Body Corporate broker did attempt to obtain other alternative quotes. However, there are now a limited number of insurers who will insure in this region. Other insurers in the region will not insure unless certain requirements are met i.e. building sum insured falls under \$5,000,000.00. The broker was unable to approach [REDACTED] for a quote as the building sum insured for the Body Corporate property is \$12,573,728.00.

Therefore, the Body Corporate had no alternative than to accept the quote from [REDACTED] [REDACTED] to ensure that they complied with the Body Corporate legislation and insured their building to protect their asset.

Some of the owners are pensioners and now cannot afford to pay up to 50% more for the levies. Nearly 10 % of owners wanted to sell their units, but since there is no market due to the high levies for units. Financial problems will be the result in the near future, especially with older people.

The Secretary for the Committee of
[REDACTED]