

12 January 2012

Mr Luke Rains
[REDACTED]
[REDACTED]

Inquiry Secretary
Standing Committee on Social Policy and Legal Affairs
Department of the House of Representatives
PO Box 6021
Parliament House
CANBERRA ACT 2600

Dear Sir/Madam

RE: Residential strata title insurance inquiry

I would like to make this submission to the above inquiry having read the Terms of Reference.

This submission outlines my current situation as an owner occupier of strata titled residence and my opinions on the recent insurance increase and my recommendations.

I have enclosed confidential information in the appendix.

Current Situation

I've lived in my mortgaged townhouse (one of ten in the complex) for the past 4 years. I recently received my body corporate fees renewal notice which was due on 01/01/2012 which I have paid. I was very reluctant to pay this renewal notice due to the exorbitant amount I would have to pay on top of my other usual living expenses such as fortnightly mortgage repayments, council rates (due in February), vehicle registration (due in December), electricity and phone, my own contents insurance increasing to name a few.

I am a single person on a single income and believe this amount of \$924.30 for a quarter (just 3 months) is absurd. I'm concerned that this quarterly increase will be sustained for the rest of 2012 and affordability will be out of the question.

I have listed below the quarterly fee breakdown for 2011 with particular reference in bold to the latest quarter and the obvious increase amount of almost 100%.

\$489.90 – Period 01/01/11 – 31/03/11

\$489.90 – Period 01/04/11 – 30/06/11

\$510.00 – Period 01/07/11 – 30/09/11

\$510.00 – Period 01/10/11 – 31/12/11

\$924.30 – Period 01/01/12 – 31/03/12 (\$794.30 Administrative Fund + \$130.00 Sinking Fund)

Opinion

I feel my increase in strata title insurance is completely ridiculous and I have felt powerless (as an owner occupier) to voice any concerns prior to this decision being made. I feel government intervention is required to undo the obvious mistreatment towards unit owners that this has caused. It's hard enough paying for this "dead money" as it is without it doubling.

I feel all your Terms of Reference points are appropriate to my situation if an investigation is to occur.

I believe it is wrong that Queensland unit owners should be forced to pay for insurance company losses, especially in areas that were not adversely affected by the recent natural disasters (Flooding and Cyclone Yasi) like my suburb of [REDACTED] in Cairns. Queenslanders live in a high risk State due mainly to natural disasters and therefore the insurance companies should insure us based on this fact without these increases. These insurance increases are completely unfair especially just after most of us are still trying to get back together after the horror summer last year and then to receive these renewal notices like this in the mail was gut wrenching .

In this situation, body corporate managers are the "meat in the sandwich" and are no doubt receiving complaints from irate unit owners regarding these insurance increases. Body corporate managers respond as if they switch to auto-pilot and only explain why this has happened. This is not the answer unit owners are looking for. Unit owners (like me) need to have reassurance from body corporate managers that they are on our side and prove that they have found the best insurance quote and if we aren't happy with it we should not have to pay a cent of it.

If insurance companies will not provide a quote and increase competition, the reasons for this need to be addressed as a matter of priority. I feel this is one of the main reasons the insurance increase is so high.

Without a more "Australian" solution to this problem, very soon many unit owners will be getting out of the entire body corporate debacle and sell their wasted investment property which will leave many unoccupied units Queensland-wide. There will be no investors to purchase these units again due to excessive body corporate fees (low body corporate fees used to be a good selling point once) and the general feeling that Queensland is not an affordable place to live. Then of course we get cyclones (60% of which cross the coast) and after cleaning up the damage and getting on with our lives we have to find a money tree to pay for insurance increases. I thought this was why many of us already pay insurance and some people for over forty years. Where is all this money going to?

Even if investors take the punt and purchase a townhouse like mine as an investment, the low rental return will not accommodate sustained body corporate insurance increases of 100% over twelve months.

Recommendation

I recommend that all or some of the following improvements/revisions should occur as soon as possible for my own situation and that on behalf of other unit owners across Queensland:

- An investigation is made into the current communication process (from the time of annual insurance renewal) between my body corporate managers and the insurance companies.
- If insurance companies won't provide a quote, they need to provide a reason, particularly if they have provided quotes previously. Investigate why they can't provide a quote.
- Unit owners are given the opportunity to vote at a meeting whether an insurance quote be accepted.
- If insurance increases are to be sustained, there will be many overdue body corporate fees so these should not incur interest on overdue amounts due to the lack of affordability to begin with.
- Increase the number of insurance companies who can provide quotes.
- Investigate whether insurance increases were apparent in the aftermath of Cyclone Larry in 2006. Identify variables from events in 2011 to 2006. Identify what solution worked well then compared to now.

Conclusion

I encourage the Standing Committee to accept my submission and take the necessary steps to reach an integrated solution to this debacle. Without swift intervention many livelihoods will be jeopardised considering unit owners still account for a large percentage of the population. A brief summary on the main points I've covered in this submission are:

- Notable increase in body corporate fees of almost 100% due to increase in strata titled insurance
- Lack of affordability of these insurance increases for a single person over a twelve month sustained period
- Obvious reluctance to pay these insurance increases, particularly if they are sustained
- Reasons for the insurance increase are unacceptable and unfair to the average person
- Investigation is required to identify the flaw in the entire system.

Thank you for the opportunity to submit my views and this submission.

I look forward to hearing from you soon.

Kind Regards,

Luke Rains

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