BODY CORPORATE FOR [redacted]

The Resort known as [redacted]

Submission by the Body Corporate Committee of the Owners to the House of Representatives Standing Committee on Social Policy and Legal Affairs' public hearings relating to its inquiry into the affordability of residential strata title insurance.

SUBMISSION

The Body Corporate and Community Management Act 1997 and its Regulations require a Body Corporate to insure to 100% of its independent professional valuation.

A Body Corporate may not "self insure" or elect to carry part of the risk.

A Body Corporate must revalue its property for Insurance, at least, every five (5) years.

Only two (2) Insurance Companies will insure the subject property due to the following reasons:

- Physical situation of subject property in North Queensland
- Value of property to be insured being well above the guidelines of most insurers.

The following table shows the history of sum insured, and premiums paid, for the past five (5) years.

Period	*Sum Insured*	*Premium*	*Deductibles*		
			Named Cyclone	*Rainwater*	*Other*
31.07.07	*$78,192,042*	*$96,168*	*nil*	*nil*	*$250*
31.07.08	*$78,192,042*	*$112,010*	*nil*	*nil*	*$250*
31.07.09	*$78,192,042*	*$119,303*	*nil*	*nil*	*$250*
31.07.10	*$82,101,644*	*$143,906*	*$82,000*	*nil*	*$250*
31.07.11	***$86,206,726***	***$299,691***	***$83,300***	***$50,000***	***$250***

The increase in premiums paid from 2009 to 2010 of $24,602 was, in part, accounted for by an increase of $3,909,602 in sum insured. However this period saw an addition to the policy of an $82,000 deductible for any "named" cyclone. We are not aware of any that are "unnamed" these days. This deductible was added without any claims history by the subject property

The increase in premiums paid from 2010 to 2011 of $155,785, with an $83,300 deductible for a named cyclone, followed on from Cyclone Yasi. It should be noted that [redacted] thankfully, was not materially affected by this cyclone, neither was any claim made for such. There was minor damage to some apartments from wind and rain for which claims were lodged. Not to be in anyway backward, our insurers have added a further deductible of $50,000 in the 2011 account for rain water ingress.

[redacted], opened in 2004 was built to existing strict building codes and standards to withstand cyclonic conditions, unlike some older properties built to less strict codes and inferior standards of a much earlier period.

This being so, and the lack of any significant claims history for seven (7) years, it does not seem equitable for our Body Corporate to be lumbered with a 108.25% increase in premium in one year

[redacted]

due to events and losses by our insurer in other areas of North Queensland and the State.

This huge increase, when passed on to owners, adds up to a further $2,000 per annum on an already disproportionately high insurance impost to all owners as part of their annual maintenance contributions to the Body Corporate.

Our Insurance Broker, [redacted], has provided a comparable premium quotation for insurance on a notional $82,000,000 resort, say in Mooloolaba, Queensland of $71,000. Even should this be doubled *(to our mind, excessive)* to account for the North Queensland destination and associated weather risks, the resultant figure of $142,000 is a far cry from the $299,691 being charged by the lesser of the two Insurers prepared to quote for this North Queensland business.

Our Body Corporate contends that our owners are being forced to pay an excess in the order of $157,691 to meet corporate losses from other insurance risks which have doubtful or no bearing on the subject property at Palm Cove.

We submit that the Federal Government needs to bring pressure to bear on all Insurance Companies to:

- Charge reasonable and affordable premiums on the subject risk taking account of claims history, building design and construction.
- Encourage all Insurance Companies to participate in the North Queensland market.
- Assist Insurance Companies with suitable incentives, tax or otherwise, to do business in these higher risk areas.

We further submit that both Federal and State Government need to review the Body Corporate and Community Titles Act to explore the possibility of reviewing the requirement to insure to 100% of valuation, permitting Bodies Corporate and Insurers to share a fixed percentage of the total risk, should they so desire.

Without fast acting support from all levels of Government to address this urgent issue, private investors and owner occupiers alike will be forced to re-think their position on holding property in North Queensland as insurance costs alone will mitigate against on-going affordability. While we do understand that there are obvious additional risks associated with insuring properties in this region, we urgently need an insurance option which is both affordable and proportionate to the risk, and not premiums that are outlandish and unable to be substantiated.

For and on behalf of the Committee,

MEL TIPPER,
Body Corporate Chairman

13th January 2012

[redacted]