



The Secretary
House of Representatives Standing Committee on Social Policy and Legal
Affairs
PO Box 6021
Parliament House, Canberra ACT 2600

15th December 2012

*****PLEASE NOTE:** If the committee accepts my submission, may I please request that the committee does not publish or disclose my name or address and contact details in any publications. Thank you. – [REDACTED] *****

Dear Sir/Madam

**RE: House of Representatives Standing Committee on Social Policy and Legal
Affairs – Inquiry into residential strata title insurance**

This submission is intended for the above [House of Rep's Standing Committee's enquiry into Strata Insurance](#) (i.e. Body Corporate insurance).

Last December, I wrote to my local federal member, Warren Entsch, concerning my experience with strata insurance since Cyclone Yasi, which crossed the far northern Queensland coast in February 2011.

I reside in and own one of two units in Cairns which share a common driveway and has been registered as a Community Title Scheme. Both buildings were constructed in 2000, bearing external walls constructed with James Hardie timber and concrete cladding. Because the architectural plans for the buildings were done in Building Format Plan, both unit owners are compelled to insure all of the property under a single strata insurance policy.

In November of last year, I received a letter from my current insurer, [REDACTED], that I would not be invited to renew my current strata insurance with them, which expires on 25th January 2012. They informed me that this was due to a re-writing of their insurance guidelines last year, evidently since cyclone Yasi.

As I understand, [REDACTED] is no longer prepared to consider insuring properties in my area unless they are of “massive” and/or “solid” structure, e.g. fully brick or concrete.

When approaching a local insurance broker in my area, I was originally presented with three options for alternative insurers. This was quickly whittled down to one. One of the insurers was not prepared to take on any new insurance of properties in my area, i.e. they were only prepared to consider re-insuring existing customers.

I was informed that the second option was adopting the same approach as my current insurer – namely that they were only prepared to consider massive solid structures. So that left me with only one alternative on offer from the broker. Fortunately the quoted premium was not much of an increase compared to my current premium.

I have followed developments publicized in my local newspaper last year, concerning strata insurance premiums in Cairns skyrocketing in price – plus at least one major insurer reportedly pulling out of the market in my area, e.g. [REDACTED]. It renders me feeling VERY nervous about both my and my neighbour’s ability to feasibly insure our properties in Cairns in future years. How can strata housing owners in Cairns comply with state regulations if strata insurance becomes highly unaffordable, let alone unavailable in terms of very limited choices for insurers.

As it stands, there are now limited choices now for strata insurance in Cairns. And my understanding is there is little or no flooding cover up here. Apparently, flooding cover, for the most part, was not available with any of the options presented to me. In fact if I recall correctly, I think I was informed by the broker that flooding cover was generally not available north of about Sarina (near Mackay). One insurance product I examined had cover for flash flooding which was limited to 50% of the “Sum Insured” on the policy. As yet, I haven’t examined the policy’s definition of flash-flooding.

In this regard, the enquiry into strata insurance in northern Australia dovetails with the other House of Rep enquiry into insurance operations during disaster events (e.g. Brisbane flood last year). Clearly, flooding cover needs to be made available to northern Australian area, and at an affordable cost. And there does need to be a standard definition adopted for flooding.

I have heard one rationale offered for lack of flood cover up here has to do with lack of flood mapping data available. Evidently this would need to be addressed in the “natural disasters” enquiry

One other point.

It’s interesting to note that my current insurer was quoted in a Townsville newspaper article last year as saying:

‘[REDACTED] is committed to our customers in FNQ and we will be there to support them in the long term - we won’t take the easy option and walk away.

(**Source:** *Townsville Bulletin*, 6th August 2011 – article headlined: “*Strata cover up 300pc*” by Tony Raggatt - LINK: http://www.townsvillebulletin.com.au/article/2011/08/06/255031_business.html)

Well, based on my experience with [REDACTED], that’s exactly what they did. They walked away.

Even though strata insurance may be considered ‘high risk’ in areas like Townsville and Cairns, that makes it no less necessary for less cyclone-prone areas. And if that renders strata insurance expensive for far north Queensland residents, then there needs to be assistance and subsidy made available so that we can get the insurance that we need – especially if flooding cover is to be included.

Yours faithfully,

[REDACTED]
[REDACTED]
[REDACTED]