

Submission to Parliamentary Inquiry

To: Inquiry into Strata Titled Insurance

From: Ramon and Linda Tuck

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Property:

[REDACTED]

[REDACTED]

[REDACTED]

Number of Units: 32 units in total – all town house styled units

12 being one bedroom, 52 square metres in size – two lot entitlements

20 being two bedroom units 78 or 84 square metres in size – three lot entitlements

Construction Date: Completed in 1989 to current cyclone rating code

Besser block with tin roof

Levies 2007/08: Administration Fund \$30,046 or \$357.69 per lot entitlement

Sinking Fund \$19,425 or \$231.25 per lot entitlement

Total: \$49,471 or \$588.94 per lot entitlement

Insurance: Premium to April 2008 - \$4,973.68

Building Valuation - [REDACTED]

Levies 2011/12: Administration Fund \$42,160 or \$501.90 per lot entitlement

Sinking Fund \$18,000 or \$214.29 per lot entitlement

Total: \$60,160 or \$716.19 per lot entitlement

Insurance: Premium to April 2012 - \$14,956.30

Building Valuation - [REDACTED]

Increase in Levies: Levies 2007/08 - Total: \$49,471 or \$588.94 per lot entitlement

Levies 2011/12 – Total: \$60,160 or \$716.19 per lot entitlement

Increase in 4 years - \$127.26 per lot entitlement.

Insurance Increases:

To highlight the effect the increases in insurance have had on this complex, I will break down what the insurance component in 2007/08

Total Premium \$4,973.68

One Bedroom \$118.42 per annum

Two Bedroom Unit \$177.63 per annum

The same equation using the premium received for 2011/12

Total Premium \$14,956.30

Bedsit \$356.10 per annum

Two Bedroom Unit \$534.15 per annum

Analysis of Increases:

In the four year period, the actual cost increases per lot entitlement for just the insurance has increased by \$118.84 per lot entitlement.

In the four year period, the actual cost increases to the owners per lot entitlement has been \$127.26

As you can see, all other expenses have been limited. The increases over 4 years are \$8.42 for everything other than insurance. We have done this by cutting maintenance costs and dropping down the sinking fund contributions.

History of Claims:

This property has made a few claims for kitchens that have been damaged via water leaks. There have been no large cyclone damages in the 10 years I have been associated with the property, and no claims for TC Yasi.

Building Valuation:

Legislation was brought in by the Queensland Government and each body corporate must get a valuation for insurance purposes every five years.

A report was completed by [REDACTED] in February 2010. The value was [REDACTED].

This equates to [REDACTED] for each one bedroom town house and \$169,642 for the two bedroom units.

It must be noted that the construction is of a basic nature, the besser blocks have not been rendered externally or internally. The finish of the kitchen, bathrooms and general fixtures and fittings are of a basic quality.

Resale Values:

At the peak of the market, prior to the GFC units of a similar size, design and finish in the Manunda area were selling for

One Bedroom Townhouses - \$165,000

Two Bedroom Townhouses - \$240,000

A combination of the GFC, slowing of the economy and high employment saw the values drop. This has been compounded over the past 18 months with the increases in body corporate levies.

Similar properties have sold recently for

One Bedroom Townhouses - \$85,000 - \$125,000

Two Bedroom Townhouses - \$140,000 - \$165,000

Rental Returns:

This block is in a good location as it is close to the city, shops and transport. When tourism was going well, we had extra demand from people working at the Colonial Club to rent the apartments. With the slowing of this sector and the collapse of all the major builders we have seen vacancies extend over a month. The rents for a fully furnished well presented unit were

One Bedroom - \$175 – \$190 per week

Two Bedroom - \$210 – \$240 per week

As the market has dropped, this has affected not just the vacancy rate, but the rental return. This now is

One Bedroom - \$160 - \$170 per week

Two Bedroom - \$195 - \$210 per week.

Insurance Renewals:

The insurance premium for the 2007/08 year was \$4,973.68

The insurance premium for the 2009/10 year was \$6,244.17

The insurance premium for the 2010/11 year was \$11,037.16

The insurance premium for the 2011/12 year was \$14,956.30

When the premium was received for the 2011/12 year the only quote we could obtain was through [REDACTED].

Financial Impact:

Of all the body corporates we are involved with, this appears to be one of the least affected to date. As the Chairperson of the body corporate, I am actually very worried about the renewal that is due to arrive in April 2012.

There is just one insurer that we can get a quote from this year, and at this stage there is no reason to believe this will change. I am expecting a further increase of \$10,000 to \$14,000 based on all the other policies I have seen come in at other complexes.

Further we only have a \$5,000 named cyclone excess currently. I anticipate this also to increase to at least \$10,000 but very probably higher.

Summary:

The committee has been very proactive at this complex for the past ten years. We have completed much of the maintenance and upgrading required, and a regular maintenance schedule is in place.

We currently have just over \$24,000 in the sinking fund. Given this complex is now over 20 years old, we should have more in the fund than this. The roof and gutters will start to need to be replaced and we simply will not have the funds to do this work.

Already we have dropped the sinking fund contributions down by \$1425 per annum, and as more increases come in the pressure is being placed on the committee to further reduce costs. To do this we will have to reduce the sinking fund contributions as well as gardening, maintenance and general work that should be done such as pressure cleaning.

This is not an option the committee currently wish to explore, but if the premiums continue to rise up we may have little choice. As it is now, the level of arrears has increased to the highest levels I have seen in the past ten years.