

Dr Cedric Mortimer

[REDACTED]
[REDACTED]
[REDACTED]

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Spla_reps@aph.gov.au

warren.entsch mp@aph.gov.au

House of Representatives Standing Committee on Social Policy and Legal Affairs

Inquiry into residential strata title insurance

Dear Sirs

I refer to the terms of reference into this matter provided in correspondence by the Honourable Warren Entsch MP

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a) 1 The magnitude of the increase by the following figures for insurance at [REDACTED] (17 units):

2009-10 \$7129.68

2010-11 \$11,740.53

2011-12 \$16,330.00

I understand that the current insurance for [REDACTED] (16 units) is \$48,000!

[REDACTED] is currently insured by [REDACTED] however it is certain that they will not continue with this cover into the future and, since by law we have to maintain cover, we will be obliged to approach [REDACTED] or [REDACTED].

[REDACTED] is covered by [REDACTED] as the only company prepared to give cover, Thus we can anticipate at least a doubling of the cost later this year to a value close to that level.

a) 2 The reasons for these increases are bewildering. We presume that these follow floods and cyclone disasters in the recent past. If this is the case I wish to emphasise that damage to strata property throughout far north Queensland is minimal compared with elsewhere in the state and also when compared to conventional housing.

Strata title, because of its obligation to have insurance, is being targeted and penalised under this obligation as opposed to conventional housing that has experienced far more damage, yet these latter properties are not obliged to have cover.

a) 3 As noted above these increases are certain to be sustained because of the captive market for insurers of which only two companies are available, [REDACTED] and [REDACTED] and together they represent a monopoly. Our efforts to interest further companies have failed.

b) The insurers have every ability to assess risk to strata title based on the resilience of such properties built to cyclone standards and the demonstrated low level of damage to this style of property in recent events. Data is available on the comparatively slight damage to strata title.

Throughout the five year period I have been here no single company has made an onsite evaluation of risk from natural or other causes. Evaluations have been purely arbitrary, yet these should have been essentially on site.

c) There is a failure in the insurance market for residential strata property demonstrated by the fact that only two companies [REDACTED] and [REDACTED] are prepared to be approached for this service. The issue is one of lack of competition since the majority of insurers have withdrawn from the strata title scene leaving a monopolistic situation in which competition does not exist.

d) Consumer awareness is acute since there are virtually no alternative insurance options available. If your committee has to its knowledge the existence of companies other than those mentioned above for strata title in far north Queensland then consumer awareness would be advanced. Sadly, I suspect that we have already seen the full array of available insurers.

e) The body corporates are affected by government regulations and simply pass on the statutory requirements for insurance as well as inflationary trends to the owners.

f) The conclusions a to e provide justification for government intervention since strata title overheads increases, largely due to astronomically raised insurance costs are having a serious effect on housing availability and affordability. The unrealistic insurance costs are causing acute problems for existing residents and deterring prospective ones.

The government is requested to examine under the various acts the issue of insurance competition, and they are requested to cause a wider variety of insurance products to become available for fair charges.

Only the government agencies in their capacity for strata title regulation can, through urgent reform, cause the availability of affordable strata title insurance to become a reality.

Suggestions:

1. That insurance inspections and risk assessment be made on site taking into account general specific data for individual properties as well as the regional history of claims. Such on site assessments should be obligatory.
2. That government provides statutory and fair limits for insurance charges.
3. That municipalities, in their capacity of signing off the satisfactory completion of new units, be caused to be accountable for any subsequent flaws that arise after they have given their quality approval.

Yours sincerely

Cedric Mortimer

Cc The Hon Warren Entsch