

Submission to the Inquiry into Residential Strata Title Insurance

To:	Parliamentary Inquiry on Strata Titled Insurance
From:	Tomasz (Tom) M Michalak [REDACTED] [REDACTED] [REDACTED]
Location of Property:	[REDACTED] Bungalow
Number of Units:	6
Comments:	<p>As an investment property owner, I am of the firm view that the recent increases in costs of strata title insurance in Far North Queensland are completely unacceptable and unreasonable. My property was not damaged in any way, shape or form in any of the 'natural disaster' events of 2010 / 2011; In fact, I have made zero claims on my insurance for this property of any type at all since I bought it in 2007. If we use Cyclone Yasi as an example, the worst that occurred around Cairns CBD where my property is located was a few small trees branches down, which (as far as I know resulted in no damage to property) and therefore hardly warrants a several fold increase in insurance fees.</p> <p>I am fully cognisant that, where numerous or sizeable claims have been made, one's risk profile changes and thus insurance costs should increase. However, in light of the above facts (no claims), the 'blanket increases' being applied right across massive areas in Far North QLD regardless of whether they were affected by any natural disasters, and in the absence of individual claim risk profile changes are completely unjustified. My 'perfect' insurance history should, if anything, result in notably DECREASED fees.</p> <p>Furthermore, the fact these increases are so ridiculously high adds weight to the argument that it is simply an unscrupulous money grab by an insurance firm / consortium that is very unethically exploiting what is best described as a monopolistic market for insurance in these areas.</p> <p>The government has an obligation to ensure that monopolistic markets are carefully monitored for unethical behaviour, and, wherever possible, to encourage an open, competitive market for the provision of goods and services in Australia. In both these respects, the government is failing in its duties.</p> <p>Investment properties such as mine provide low cost housing for people who may be unable to purchase a home themselves. My property is not positively geared – I already meet substantial additional costs above the rents that I am able to charge, especially with the economic downturn, which has severely affected the Cairns area. If I were to attempt to pass on these ludicrous insurance fee increases to my tenants (which is what can normally be done with 'fair' increases – the property owner absorbs a proportion of the increase, and passes on a proportion to the tenant), I would be reprimanded by the RTA for</p>

'unreasonable increases'. Why is the same not being done now for the insurance situation? There is no feasible way that an insurance firm could possibly reasonably justify the increases that have occurred in insurance fees for my property (Insert figures?).

Cairns has enough problems to solve on the economic front, having been hit very hard by the GFC, given it is a tourist based area and so on. It does not need corporate fat cats hurting it more with their attitude of 'we control the market; we can charge what we like, regardless of not having adequate justification'.

No insurance 'company' – no matter how large and seemingly untouchable – has the right to use exploitative unethical market practices disguised as increases due to 'natural events' or the like. The government absolutely must intervene in this case; it is its duty to protect consumers from this sort of behaviour.