

30 May 2014

Manager  
Insurance and Superannuation Unit  
Financial System and Services Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Via Email: [insuranceconsultation@treasury.gov.au](mailto:insuranceconsultation@treasury.gov.au)

**SUBMISSION: SCA (Qld) Feedback and Comments on Addressing the High Cost of Home and Strata Title Insurance in North Queensland Discussion Paper:**

Dear Sir / Madam,

SCA (Qld) is a non-profit, professional organisation for bodies corporate, community managers and suppliers of services to the body corporate industry in Queensland. Our 640 Queensland members include businesses and individuals, which provide professional services and support to enable Queensland's 42,300 bodies corporate representing 390,000 lots to function efficiently and equitably. SCA (Qld), through its predecessor CTIQ, was established in 1984.

The core objectives of SCA (Qld) include

- representation on body corporate and community title issues to Government
- educating the general community on strata management and lifting the profile of the profession
- provision of on-going professional educational development to its members
- facilitating relationships between members, government, sponsors and suppliers of services; and
- the establishment and maintenance of professional standards of practice for SCA (Qld) members.

As there is no choice for strata title property owners with the legislation clearly stating the need to insure common property. It is a relief to see that the Government has listened to our and other stakeholder feedback to send positive signals and actively help.

**SCA (Qld) feedback and comments to "Addressing the high cost of home and strata title insurance in North Queensland – Discussion Paper".**

We see merit in the engineering assessments and its provision of better information to insurers which will enable them to set premiums that more accurately reflect individual property risks. The assessments will also help residents of strata-title properties to be fully aware of the risks to their properties from natural disasters. This aims to provide bodies corporate with an opportunity to take necessary action to mitigate those risks and reduce

their risk assessment by insurers, and ultimately reduce insurance premiums in some cases.

Establishment of an insurance comparison website could reduce search and transaction costs for consumers and allow consumers to make more informed decisions about their insurance purchase.

These two initiatives have the ability to help the North Queensland strata insurance market back on its feet after a handful of tough and disappointing negative experiences.

As stamp duty has risen from 7.5% to 9% in July 2013 this has not helped the North Queensland property market at all and in addition to the above feedback SCA (Qld) would also like to reiterate our position as submitted to the Hon Tim Nicholls, QLD Treasurer dated 11 April 2014 regarding stamp duty and GST and their impact on North Queensland strata. Please see accompanying letter to the Hon Tim Nicholls.

SCA (Qld) appreciates the opportunity to provide these comments and feedback.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Simon Barnard', written in a cursive style.

Simon Barnard  
President

11 April 2014

Hon. Tim Nicholls MP  
Queensland Treasurer and Minister for Trade  
GPO Box 611  
Brisbane QLD 4001

Dear Treasurer

**RE: Budget Request – Moratorium on Stamp Duty**

Strata Community Australia (Qld) (SCA Qld) is the peak Queensland body for the strata title and body corporate sector, representing at least 70% of the 400,000 strata titled lots in Queensland. SCA (Qld) members manage property worth an estimated replacement value of \$80billion.

As the representative body, SCA (Qld) speaks on behalf of the body corporate management sector including those who provide products and services to an industry that grows significantly as medium and high density housing are the solution to an influx in population and city housing demands. More than 1 million Queenslanders live in strata titled properties across the state.

Recent reports on a potential increase in stamp duty or GST are of great concern to SCA (Qld) and its member's who represent owners of strata titled properties. In recent years, natural disasters in South East Queensland and North Queensland have caused an influx in insurance premiums disproportionate to any other increases. The stamp duty increase from 7.5% to 9% imposed from July 2013 further added to higher insurance costs to strata property owners.

SCA (Qld) urges Treasury to consider a two year moratorium on stamp duty insurance in North Queensland to relief owners of the financial pressure they are under.

**Background**

In the two year period between 2011 and 2013, base premiums have increased by between 20% and 30% on average across the state. An enquiry by the Federal Government<sup>1</sup> conducted in 2012 revealed insurance premiums had risen steadily since 2010 and got worse after Cyclone Yasi. North Queensland has in fact experienced 100-200% increases on average and two years later the pressure is still ongoing as we know from member submissions.

**Table 1 Comparison of north Queensland average strata insurance rates (2010-2011)**

	Average Annual Premium (\$)		Percentage increase	Average Annual Premium Per Strata Unit (\$)		Percentage Increase
	2010	2011		2010	2011	
Cairns	18,310	36,300	98%	605	1,120	85%
Airlie Beach	22,068	61,805	180%	848	2,210	160%
Townsville	16,615	48,211	190%	1,007	2,116	110%

Source ICA, submission 380, p. 5.

Source: 'In the Wake of Disasters' Report, p. 25

<sup>1</sup> House of Representatives, Standing Committee on Social Policy and Legal Affairs, 'In the Wake of Disasters. Volume Two: The affordability of residential strata title insurance.' Canberra, March 2012

**The issue**

As opposed to stand alone houses, strata title schemes are heavily regulated with an obligation to take out public risk insurance (for at least \$10million) over the common property. What is more concerning is that a building cannot become insolvent until every owner is insolvent – so the liability for damage is unlimited for each owner to the scheme.

In addition to the legislative requirement to insure the property, there is a lack of competition contributing to high premiums. Only four underwriters are currently active in North Queensland which ensures premiums stay well above the Queensland average.

**In conclusion**

Stamp duty is applied after the base premium has been calculated and the GST has been added. After implementation of a 1.5% increase in stamp duty in 2013 the Queensland government would have achieved an increase in overall revenue due to the already higher insurance premiums. SCA (Qld) feels that while government targets have been reached they are at a dramatic cost to strata property owners.

A further increase of either stamp duty or GST will have devastating effects on the volatile North Queensland property market where selling a strata title unit is becoming increasingly difficult with such high insurance costs. SCA (Qld) urges Treasury to freeze any further taxation affecting the strata title market.

If you have any further questions please do not hesitate to contact me via [president.qld@stratacommunity.org.au](mailto:president.qld@stratacommunity.org.au) or the office on 07 3839 3011.

I look forward to hearing from you.

Kind Regards,



Simon Barnard  
President  
SCA (Qld)

## Appendix - Figures

House of Representatives, Standing Committee on Social Policy and Legal Affairs, 'In the Wake of Disasters. Volume Two: The affordability of residential strata title insurance.' Canberra, March 2012

### Figures from the report are:

- The annual strata premium for an apartment complex at Airlie beach rose from \$4 500 in 2009-10 to \$32 000 in 2011-12, an increase of over 600 percent.
- „ The annual strata premium for a complex in Cairns increased from \$30 000 in 2009 to \$120 000 in 2011-12, an increase of over 300 percent.
- „ The annual strata premium for a complex in Townsville increased from \$37 660 in 2011 to \$160 551 in 2012, an increase of over 300 percent.
- 'A few years ago in 2008 my pro rata insurance contribution was just over \$110 pa and now in 2012 it has increased nearly 700% to a massive \$697 pa. This simply is not sustainable and to my mind I can't understand the rationale of such a suffocating hike in premiums' (Erik Host, submission 161, p.1.)
- '...the insurance for the complex has increased from \$15 580.60 in 2011 to \$46 541.20 in 2012, an increase of 300%.' (Peter & Karen Grabau, submission 300, p.1.)
- '...this property's insurance cost has risen from \$8,507.00...to \$39 554.00. This equates to a 527% increase (Bruce Riley, submission 356, p.1.)
- 'Owners are experiencing extreme financial difficulty due to these increases, so much so that I have seen owners forced to sell at a substantial loss. (Michelle Williams, submission 368, p.1.)
- 'I am writing to advise you of the exorbitant costs associated with the Insurance Premiums that have escalated to over 300-400%...I am a single female home owner and I am UNABLE to afford and maintain the Mortgage, Rates and Day-To-Day Living Costs and utilities due to the INCREASE in Body Corporate Insurance.' (Kym Blackwell, submission 370, p.1.)
- 'People are in a situation where they cannot afford such an increase and will be forced out of their homes but will be unable sell their property because buyers will not pay exorbitant body corporate fees.' (Sue Miller, submission 47, p.1.)
- 'This represents an increase of some 200% which we had no choice but to accept as we are legally required to have the complex insured.' (Colin Gray, submission 29, p.1.)
- '...the increase in premium over last year's premium is 390% from approximately \$39 000.00 in 2011 to \$179 000.00 for 2012' (Warren Pitt, submission 397, p.1.)

### Figures from SCA (Qld) member's clients in North Queensland

- Case study 1:
  - o Built in 2009, Cairns, 95 lots
  - o First year insurance: \$52,585 with excess for named cyclones of \$10,000
  - o 2014/15 premium \$149,801 with excess for named cyclones of \$38,290 [they have also been offered alternate insurance at \$201,578 with a Tropical Cyclone Excess of \$95,000]
- Case Study 2:
  - o Built in 1983, Palm Cove, 12 lots

- 2010/11: \$11,166, \$200 excess
  - 2013/14: \$42,435, \$10,000 cyclone excess
  - 2014/15 \$28,549, \$10,000 cyclone excess - this years has decreased from last year because the underwriter FORGOT to apply the premium for cyclone and had to honour it - so it gives you an indication of the markup/premium being placed on these policies if you even compare last years and this year
  - Both last two years other insurers were unable to quote due to cyclone area
- Case Study 3
- Built in 1994, Port Douglas, 11 lots
  - 2009/10: \$4,483
  - 2013/14: \$11,379
  - Excess: \$1000 per lot (=\$11000)