



**Australian Resident Accommodation
Managers' Association**

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RE: ARAMA response to ACCC issues paper for Northern Australia insurance inquiry

ARAMA National Ltd is a not for profit peak industry association which represents members that are involved in ownership of management rights or are involved professionally in the management rights industry as resident managers, professional advisors and specialist suppliers to the industry and its participants.

The majority of ARAMA members particularly those who are referred to as resident managers or building managers are also unit owners in community title schemes in Northern Australia and are therefore members of their respective body corporate. This means that they are also lot owners who contribute their own funds to the levies required to provide for common area insurance in community title schemes which is a compulsory requirement.

ARAMA has members based in Western Australia, Northern Australia and Queensland and while the nomenclature varies from state to state we will use Queensland terminology throughout this submission as most of ARAMA's members operate in Queensland.

As 24/7 operators, resident managers continue to play a vital role in the successful development of density living growth in strata title communities which is now so much a part of modern Australian cities and towns. Resident managers are directly responsible for the operation, care, maintenance and safety of billions of dollars of investment property and the residents and visitors to these complexes.

We have been pleased to examine the issues paper and our comments reflect the serious approach that ARAMA members take towards the responsible and harmonious management and administration of the properties and people impacted by common area insurance. ARAMA recognises the important need for common area insurance as part of the risk management matrix in community title schemes.

ARAMA has encouraged its members to make direct submissions to the Issues Paper and we expect that many will do so. The ARAMA CEO personally attended the Mackay ACCC Forum on the 6th of December 2017. Further to this a follow up teleconference meeting was conducted with ACCC representatives on the 14th of December 2017. The ARAMA submission further supports the comments made by the CEO during these two occasions.

ARAMA wishes to congratulate all of the ACCC representatives who have contributed to this process and in particular the organising group who have facilitated this issues paper and attended the public forums. ARAMA is grateful to be invited to have input into this review and we offer our continued commitment towards best practice governance in community title schemes.

ARAMA believes that Government should concentrate its efforts on what it can control as opposed to what it cannot control (e.g. Overseas Owned Insurance Underwriters pricing policy). If Government continues to insist that the common areas of Strata Titled properties be compulsorily insured, then it should seriously consider examining the various ways in which it can assist Bodies Corporate to access cheaper insurance. Here are some suggestions: -

- Facilitate the removal of GST on insurance premiums for Northern Australia
- Facilitate the removal of stamp duty and any other government fees and taxes on insurance premiums for Northern Australia or
- Facilitate a Government rebate equivalent to the total cost of Government fees and charges
- Mandate that Body Corporate Managers and brokers are no longer able to charge a % commission or receive any kind of reward or success payment based on a % of the insurance premiums for the facilitation of Insurance on behalf of a body corporate.

It is not uncommon for Body Corporate Management companies to receive a commission of up to 30% of the total cost of insurance. This can amount to tens of thousands of dollars per scheme in insurance commissions. This % commission actually rewards body corporate managers for no activity. Rewards should be based on activity and Body Corporate Managers and Brokers should be required to submit a clear fixed hourly rate for activity in relation to the administration of body corporate insurance.

If all of these initiatives were put in place, then this could potentially save the scheme over 1/3rd of their common area insurance costs.

There is clear evidence of geographical discrimination in relation to strata title insurance in Northern Australia. There should therefore be serious consideration given to apply these particular cost savings initiatives in schemes which are located in Northern Australia.

Failing the above, Government should seriously consider removing the requirement for community title schemes to compulsorily obtain common area insurance thereby allowing the body corporate (by way of general meeting) to accept part or all of the insurance risk.

Kind regards

Trevor

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