

# ELEVATION

## Welcome

On behalf of the team at VBCS, we hope you and your family had a safe and enjoyable festive season. As we step into 2012, we enter an exciting time at VBCS with many projects designed to improve efficiencies and enhance our service to clients through greater interaction as well as new self-service products.

Did you know that VBCS has recently updated its website ([www.vbcs.com.au](http://www.vbcs.com.au)) to include the addition of a new Client Resource Centre? The Client Resource Centre has been designed to ensure our clients are kept up-to-date with current news and industry trends. We have included an 'In the News' section which highlights recent media news regarding strata, an 'FAQs' section and more.

Our clients have requested more information on general strata issues as well as information regarding the role of the owners corporation, information on insurance and strata living. Therefore we have added an 'Information Library' which has

a record of articles from Elevation as well as other industry articles we think our clients would be interested in. In addition, we will shortly be introducing 'Committee Training Notes' which are designed to help educate our clients on various strata topics such as conducting effective meetings and preparing for meetings.

This year we are focusing on how to best utilise new technologies to enhance our capabilities of providing a high quality and efficient service to our clients. We are committed to investing in innovative and effective ways of delivering an industry-leading service to you.

I hope you will join us in the excitement and progress of 2012!

Kind Regards,

**Patrik Bruhlmann**  
Chief Executive Officer



**VICTORIA  
BODY CORPORATE  
SERVICES PTY LTD**  
your strata care company

## Budgeting for 2012 Strata Insurance Costs

Insurance has been a common topic lately due to the increase in premiums being felt nationally. CHU, one of VBCS's main insurance providers, has kindly written an article to help both our team members and clients set their expectations when budgeting for insurance costs in 2012.

### CHU

Strata insurance customers around Australia have had to deal first-hand with an unprecedented level of storm and catastrophic events this year. Against this tough economic background, CHU reviewed its pricing and implemented, from 1 January 2012, a structured increase in premiums ranging from 10 to 20 per cent in most cases. We are also applying variable excess amounts on most policies because this helps minimise future premium increases.

Over the last few years, CHU has mostly managed to hold rate increases to single figures as claims increased substantially.

### Weather is a key factor

In 2011, we had the Queensland flooding, Cyclone Yasi, severe storms in Melbourne and bushfires in Perth which have culminated in another expensive year of losses for the Australian market.

Outside of Australia, major weather related events included the tragic earthquake in Christchurch and the devastating Japanese tsunami, both of which left a trail of devastation that is difficult to comprehend. And even more recently, the earthquake in Turkey and the Thailand floods will only add to the insurance losses already seen for 2011.

Premiums are set to rise to sustain the long-term viability of insurers, including strata underwriters.

Factors that have led to these price increases have been well publicised. Some of the main reasons include:

1. An increase in the frequency and size of claims across Australia. Cost of claims in the general insurance industry

has risen by \*52 per cent from \$23.6 billion in June 2010, to \$35.9 billion in June 2011.

2. A 40 per cent increase in the average cost of everyday claims in strata for things such as broken glass, burst pipes, graffiti etc, in the last three years.
3. Re-insurers (insurance company insurers) have increased their premiums significantly to recoup losses paid out on worldwide natural catastrophes, with a flow-on effect of increasing the cost of local insurances.

Historically, strata insurance policies have been underpriced when compared to the risks they cover. Many Bodies Corporate have been paying a third of the premiums paid on average for an equivalent stand-alone home insurance policy. (\*\*Refer to ICA Fact Sheet Oct 2011).

Collective strata insurance remains considerably cheaper than a stand-alone home insurance with a similar sum insured amount, and strata policies remain good value for money.

We endeavour to keep any increases in premium to a minimum but it is important to apply realistic pricing so that CHU can continue to provide the level of service and cover expected from Australia's leading specialist, as well as ensuring the long-term protection and financial security of Bodies Corporate assets and people.

#### Source:

\*APRA Report General Insurance Performance June 2011

\*\*Insurance Council of Australia (ICA) Fact Sheet – Residential Strata Insurance in Australia – [www.insurancecouncil.com.au/Default.aspx?tabid=1915](http://www.insurancecouncil.com.au/Default.aspx?tabid=1915)

[www.insurancecouncil.com.au/Default.aspx?tabid=1915](http://www.insurancecouncil.com.au/Default.aspx?tabid=1915)

### Question

Last year Victoria was affected by many natural disasters (floods and fire) what is my priority in seeking help if I am affected by a natural disaster?  
  
Can my manager help?

### Answer

#### Safety is your immediate priority

Support by emergency services such as the State Emergency Service (SES) may be limited following a disaster, as services are inundated with demands from people affected. Your first priority should be whether you are safe in your immediate environment. If your building is structurally unsound and it is safe to leave, then consider moving immediately to a secure location.

#### When to contact your Manager

Once you are safe, your Manager should be contacted as soon as possible so they can request help from SES. If you cannot reach your Manager, the SES number for Victoria is 132 500.

#### How your Manager can assist

Your VBCS Manager is here to provide you support. They will make contact with your building's insurer in relation to any damage to common property. Some fixtures and fittings may be covered by the scheme's policy dependent on the policy wording. If damage is caused to any fixtures and/or fittings within your lot, please put these in writing to VBCS and we will seek clarification of coverage from the insurer, and correspond with you accordingly.

Generally, the building insurer appoints an assessor to review the damage to the scheme and surrounding areas and, in co-ordination with VBCS, organises repair work. If personal items within your unit are damaged, write down as many details as possible and include any relevant receipts to pass onto your contents insurer for consideration. All owners, whether landlord or occupier, should check the particular conditions of their contents cover to determine any exclusions and whether the insurer offers optional cover for specific events.

## The importance of a good AGM

The annual general meeting of an owners corporation is the most important event for your strata community each year. For most strata property owners, the annual general meeting is the one occasion they will actually participate in the process of managing the affairs of the owners corporation. It is then important that it be a success.

A well-run annual general meeting will create a positive sense of community and encourage strata property owners to participate in the functioning of the owners corporation. People will be more likely to volunteer for service as executive committee members or to undertake specific tasks if the annual general meeting is run well.

At the very least, owners who attend a well-run annual general meeting will be more likely to follow the rules, pay their levies on time and be civil to others in their community if they leave the annual general meeting with respect for the process and respect for the elected leaders of their strata community.

Conversely a 'bun-fight' will do nothing for community spirit. The last thing sensible people want is a hostile living or investment environment because the annual general meeting provided a forum for the disaffected few to poison their community with negative attitudes and unacceptable behaviour.

Experienced strata and community title managers will have seen their share of good and bad strata community meetings. The difference between the good and the bad comes down to three things — attention to detail in the preparation of the meeting, understanding the formal requirements of the legislation concerning the process, and good leadership and

communication skills of the executive and the strata manager advising them.

VBCS has released a 15 page practical guide to help executive committees get the most from the formal process of holding an annual general meeting and to succeed in building a sense of community. For a full copy, please contact [news@vbcs.com.au](mailto:news@vbcs.com.au).

*Article courtesy of Teys Lawyers*

