



**Australian Resident Accommodation  
Managers' Association**

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## **RE: OCN & 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 Owners Corporation Network of Australia Limited (OCN) is a not for profit peak consumer body representing residential strata / body corporate and community title owners and residents. This is the fastest growing form of residential property ownership in Australia. The growth of this sector raises increasingly important questions over property ownership and governance.

The majority of members of both associations are lot owners in community title schemes 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 & OCN have been pleased to examine the issues paper and our comments reflect the serious approach that both associations take towards the responsible and harmonious management and administration of the properties and people impacted by common area insurance. We recognise 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.

ARAMA & OCN believe 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. A transparent, separate fee for service is fair and will not gross up the premium as do commissions.

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 1/3<sup>rd</sup> 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 saving 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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