

STRATA LIFE AUTUMN 2016

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Welcome to Strata Life

What are your expectations this Easter? Eggs Chocolate Celebrations! The list goes on, and will be different for each of us, although the one thing we all have in common is that our expectations are built on our needs, our knowledge and our experiences.

That's why we bring Strata Life to you, to address your needs and provide the knowledge to give you the best experience when it comes to protecting your investment and enjoying where you live.

Understanding what is expected of you as an Owner/Occupier/Investor within a strata complex, makes it easier for you to meet these expectations. In turn it's easier too for you to set, communicate and monitor shared understandings of each other's responsibilities and accountabilities with all those supporting you; other owners, occupiers, contractors, OC managers.

You can stay informed also of the obligations of your OC, and be in a better position to make more informed decisions, just by sharing in the trusted advice that we include from our industry experts.

Learn how to make your insurance valuations work for you with CHU. Discover tips for managing your on-site contractors with Ebix Trades Monitor. And find out why your OC's decision to engage a professional SCA Strata Manager to manage your OC is the MOST important decision you've made!

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Rob Beck,
GENERAL
MANAGER
SCA (Vic)



Insurance Valuations – are they doing the job for you?

Owners Corporations (OC) should be asking themselves whether their main assets are likely to be fully covered by insurance in the event of a disaster and if they are not, who would be held responsible.

Valuations for insurance purposes

"The law requires that buildings are insured for '*at least*' the value of the amount indicated by the last valuation AND the insurance in place is for '*...full replacement value...*' This second point is often inadvertently over looked or '*assumed*'." "For an OC, or the OC Manager with full delegated authority for insurance, to fulfil their legal obligations, they must ensure both these requirements have been met." "Failure to discharge either will leave you exposed to prosecution and fines for breach of law." says Alan Ferre – Regional Manager CHU Vic, Tas and SA.

All valuations make assumptions to arrive at the 'Recommended Sum Insured' amount which is why there is no cast iron guarantee that ALL costs will be picked up. The valuation provides a minimum figure at one point in time, is a *recommendation* only, and will contain a number of assumptions and 'unknowns', including:

- **The type of disaster:** For example, reinstatement and replacement costs will vary following a major bush fire as opposed to a localised single building fire or an earthquake striking at the heart of a major city.

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Often, there's a dangerous assumption that the valuation covers all these scenarios but this is simply not the case.

- **Reinstatement time underestimated:** Often, there's a dangerous assumption that the valuation covers all these scenarios but this is simply not the case. It's worth checking that your instructions to the valuer are clear and complete and:

 - Includes cover for the buildings, common area contents, professional fees allowance, fire extinguishment costs, removal of debris and each lot's fixtures and improvements
 - Covers the known and anticipates the undisclosed e.g. upgrades to fixtures and improvements for every lot within your strata block
 - Considers any environmental hazards, planning/restrictions or dangerous materials which may prevent the building being rebuilt or delay the rebuilding process
 - **Anticipates the rise in costs of labour and materials:** remembering that the rise in rebuilding costs outstrips the rise in CPI by almost double.
- **The time that lapses following a major disaster and the re-build of a building to a fully functional state can extend to three or four years. Yet, many valuations only provide for an escalation in costs for 18 months, allowing for an additional 10% or 15%.**
- **Compliance:** Adhering to newly introduced local planning laws and building codes will often mean new and unforeseen additional costs not originally included or known at the time of the valuation.
- **Escalation of costs:** The cost of building materials and labour often outstrips that of the Consumer Price Index (CPI) which has increased by almost twice the rate of CPI since 2003. And following a major catastrophe, statistical evidence shows that building and labour costs spike considerably, often doubling.
- **Undisclosed additions:** Lot owners will upgrade major areas such as their kitchens and bathrooms but not necessarily notify their Owners Corporation Committee.

Also,

- **That a valuation is carried out frequently:** while the legislation sets the minimum requirement of every five years, it is recommended a valuation be updated every two to three years or as circumstances require.
- Your Building Sum Insured amount is reviewed each year between valuations.

At your next Annual General Meeting, establish the last time your strata building was valued, the basis of your instruction to the valuer and compare the protection in place against what's actually needed for full replacement value.

"With a 'soft' insurance market, insurance premiums are getting cheaper and OC's should be looking at this as an opportunity to top up their sum insured to maximise their overall protection" commented Alan.

Any advice provided is of a general nature only. Any decisions on whether to acquire or hold particular insurances should always be based on what is appropriate for your individual strata plan. For full details of CHU insurance, please refer to the relevant Product Disclosure Statement(s) and Policy Wording(s). For copies, contact CHU.

"When discussing your annual budget, remember there are wide variations on the type and extent of protection between various policies in the market place."
 "Reducing cover or cost cutting on these important items could mean the difference between full protection - as required by the legislation, or the lot owners of the OC suffering a significant shortfall in their coverage."

FROM PAGE 1 – ROB BECK,

Just some of the advice shared with you in this edition. Remember though, you can access prior publications of Strata Life anytime, via the [SCA \(Vic\) website](#).

WHY YOUR DECISION TO ENGAGE A PROFESSIONAL SCA STRATA MANAGER FOR YOUR OWNERS CORPORATION WILL BE THE MOST IMPORTANT DECISION YOU'VE MADE!

Your property is one of your biggest investments and it should be nurtured and managed so it increases in value. The value of your strata property depends on the effectiveness of the Owners Corporation and its management. Many owners recognise the value of protecting their investment and enhancing the quality of their living environment by appointing a professional SCA strata manager. Being able to trust in an SCA strata manager to satisfy your Owners Corporations' compliance obligations and address your community needs, is proven value.

Choosing to own, live or work in a strata complex has many benefits.

And utilising the services of a professional manager increases these benefits. As an owner-occupier or investor you should be confident in your decision to appoint a professional SCA strata manager to take the hassle out of complying and meeting the needs of your OC. He or she ensures that a balance of rights and enjoyment of the property is available to all within your shared environment, and helps all occupiers and tenants understand the rules, regulations and legal obligations. Your manager can usually be the voice of common sense and ensure mutual respect within your Owners Corporation.

Your professional manager understands strata living and helps owners sort out issues before they become unmanageable problems.

Here are some real-life examples:

- ✓ **Communicating accurate and timely information pertinent to the activities that enhance and improve your quality of life, such as:**
 - "Your windows are being cleaned today"
 - "The driveway is being repaired - please ensure your cars are out by 8am or you will have difficulty exiting the premises"
 - A meeting is coming up. This is your chance to attend and have your say on when and how much the committee should allocate for painting and other issues.

- ✓ **Helping you comply with obligations under the Owners Corporations Act, minimising your personal risks of exposure:**
 - Ensuring insurance on the buildings remains current
 - Supporting owners through the sale or purchase of lots. Your manager can help you understand what it means to buy into an owners corporation, and what it means to buy into this one in particular
 - Understanding the outgoings for the property and at what intervals, to make sure your property is maintained in tip-top condition.
- ✓ **Helping keep you and your investment safe by ensuring you are always up to date with legislative change and responsibilities impacting on your property ownership:**
 - Advising on the OH&S Act – ensuring your property is safe from slips, trips or falls
 - Advising on Equal Opportunity – ensuring fair access to all
 - Looking after fencing, guttering, downpipes and all other maintenance issues – and advising on who shares in the cost of repairs and replacements that will inevitably be needed
 - Ensuring your money is managed fairly and equitably, by setting accurate budgets. This ensures funds are at hand to pay contractors (and keep them coming back to maintain the site), and paying insurance on time
 - Establishing sinking funds for capital expenses so as to avoid the requirement for large, unexpected one-off levies
 - Making sure every owner receives accurate entitlements to vote and that votes are counted fairly when making decisions that affect your investment
 - Issuing legally compliant notice of meetings to ensure valid decisions are made and all owners are given the opportunity to have a say in the decisions being made. Recording those decisions and informing every one of the details
 - Delivering hassle free convening and conducting of meetings, providing information and accurate reporting in meeting minutes

✓ **Providing support and guidance in times of need - having a professional on the other end of the phone during business hours (and many times after hours too), to receive, liaise and resolve strata problems for owners and residents:**

- *Having access to a person who will listen and assist in times of emergency - water entering the apartment, lost keys or additional keys required, when windows break, when lights go out in the hallways, and even what we hope is the rare occasion, when a fire breaks out, when property is broken into or when protection from the elements is in demand*
- *When owners want action to be taken to limit the inconvenience, disruption or discomfort being felt by the inappropriate actions of other residents – loud music at unacceptable hours, storage of hazardous items on common property etc.*

✓ **Your professional SCA strata manager is your ready access to expert advice and well managed funds:**

- *Assisting owners understand the maintenance requirements of their building, from cleaning and gardening, to maintenance of lighting, lifts, pools, central heating/cooling plants, fire equipment and services to name just a few - Guiding adequate budgeting to allow preventative, ongoing and proactive repairs and maintenance to keep equipment and the property in working order*
- *Preparing invoices and chasing arrears to fund the budget and ensure owners who do pay aren't unfairly disadvantaged*
- *Presenting details of the state of the OC's accounts routinely for transparency and continual monitoring of funds*

**YOUR SCA
VALUE
PROPOSITION**

- ✓ Receive expert guidance
- ✓ Increase your strata knowledge
- ✓ Protect your investment

- ✓ Safeguard your fees
- ✓ Save \$
- ✓ Minimise your risks

How would you improve the laws on strata management?



Owners and managers in strata communities are being asked to contribute ideas to the Victorian Government's Consumer Property Law Review.

This wide-ranging review includes the *Sale of Land Act 1962*, *Estate Agents Act 1980*, *Conveyancers Act 2006* and *Owners Corporations Act 2006*, and is being undertaken to ensure that legislation continues to meet the needs of the modern market.

Several issues papers are being released for public consultation, with two of these being particularly relevant to owners of strata title property:

- **Conduct and institutional arrangements for estate agents, conveyancers and owners corporation managers:** open for consultation until 11 March 2016.
- **Owners corporations:** open for consultation until 29 April 2016.

For more information and to make a submission, please visit www.consumer.vic.gov.au/consumerpropertylawreview.



**Help us improve
Victoria's consumer
property laws.**

consumer.vic.gov.au/consultations

Taking Defects to VCAT

Terry O'Donoghue, Buildcheck Engineers and Building Consultants

Owners Corporations are more and more frequently heading to VCAT to have defective building works resolved. You will need to invest time, money and patience.

To gain a greater understanding of the likely process times and costs, will no doubt assist you and your OC to alleviate some of the frustration that may be experienced during the defect process.

You can also save time, money and grey hairs by ensuring you engage the right specialist at the right time for the right advice. Allowing you to make better informed decisions, before it's too late.

The Check List below aims to assist you understand what's necessary to establish realistic expectations and engage in an efficient process. Keep in mind though that not all buildings or defect claims

are the same and they may each vary by building size and the type and complexity of each issue. The following is based on a typical 4 – 5 storey building with multiple problems including water.



Step	Process	Timeline	Approx. Cost
1. Owner Complaint	OC to obtain consultant quotes and review	Feb 1 Feb 21	
2. Initial Report	Engage Engineer or consultant <ul style="list-style-type: none"> • May be different to VCAT Expert • Based solely on observation, opinion and experience. • No review of drawing or contracts • Access to be arranged • Report to Solicitor for review 	Feb 28 March 15 April 7	\$3,000 to \$5,000
3. Solicitor Review	Assess: <ul style="list-style-type: none"> • Insurance • Warranties • Contract • Builder - still trading? Review cost / benefits of VCAT action with committee, solicitor and expert (if selected).	May 7	\$3,000 to \$4,000
4. OC Review	Decide - VCAT or Maintenance	May 15	
5. Solicitor To Instruct	Select Expert or short list to quote: Review skills required: <ul style="list-style-type: none"> • Structural • Waterproofing • Noise • Fire • Ability to Scope/design • Ability to cost • Ability to perform in VCAT • Review quotes and engage 	May 21	\$1,000 to \$1,500
6. Property Inspection	Scheduling—maybe 40 plus apartments Expert Lead time 2 months Inspection - 16 hrs	June 15	\$4,000 to \$5,000
7. Testing	Water testing or Destructive testing required.	Aug 15	\$3,000 to \$5,000
8. VCAT Report	Review Drawings/Contract/Specs - 8 hrs Prepare Report - 24 hrs Prepare costings - 8 hr	Aug 28	\$13,000 upwards

A GUIDE TO CONTENTS INSURANCE FOR STRATA PROPERTIES

Lidia Siljanoski, Broking Operations Manager | Private Client

A common misconception of living in a unit or apartment complex is the assumption that Strata Insurance will also provide cover for the contents within each unit. Unfortunately, this is not the case.

When living in a Strata property, a separate Contents Insurance policy is essential. Whilst Strata Insurance will cover the building, common property and legal liability in the common areas of the property, **it does not cover the contents or liability within your property.**

There are a number of important things to consider when finding a Contents Insurance policy that's right for you:

1. Don't Undervalue Your Possessions

Most people underestimate the actual value of their belongings, remembering big-ticket items such as furniture and electronics, yet forgetting smaller items like kitchen appliances and clothing. Large quantities of small items quickly add up, often surpassing the dollar value of more expensive possessions.

The easiest way to avoid underinsurance and ensure an accurate "sum insured" estimate is to use a **comprehensive contents insurance calculator.**

2. Valuables

In most policies, items such as jewellery, fine art and antiques are subject to sub-limits – the maximum value you are insured for. It is worth noting that sub-limits tend to differ between insurers. To ensure your valuables are covered for the appropriate amount, ask your insurance broker to assist in finding a policy that best suits your needs.

In general, policies will enable you to separately specify your valuable items on the policy, this will help to ensure they are covered for a suitable amount.

Remember to have high-value items valued regularly - replacement costs can often change over time and it is important your Sum Insured reflects the true value.

Additionally, check that items such as laptops and mobile devices are insured. Sometimes these are not automatically covered unless named on your policy. The same can apply to sporting equipment or musical instruments.

3. Accidental Damage v Defined Events

We highly recommend taking out an Accidental Damage contents policy over a Defined Events one. There is a **substantial** difference in what each covers, which could affect the outcome of any claims you make.

4. Lowering Your Premium

Your property's security measures are a significant factor insurers consider when calculating your premium. Many insurers stipulate minimum security requirements in their conditions depending on the value of your belongings.

Implementing security measures such as deadlocks, key-locked windows and monitored alarm systems can reduce your insurance costs, as they help to reduce the risk exposure to your contents.

Additional Advice On Contents Insurance:

1. Inform your insurance broker about **significant new purchases** to ensure they are adequately covered, and remember to review your contents Sum Insured at each renewal.
2. Check whether **stored contents** are covered under your policy. This usually isn't the case, and your insurance broker will need to negotiate this point with the insurer to ensure your valuables are protected.
3. **Domestic workers** e.g. nannies, gardeners, cleaners are not automatically covered under a contents policy should they injure themselves whilst working for you. In some circumstances **Workers' Compensation cover** is compulsory. Always check with your local Workers Compensation Authority or speak with your insurance broker.

DEFINED EVENTS POLICY

A Defined Events policy only covers specific events such as fire, theft or natural disasters.

ACCIDENTAL DAMAGE POLICY

Additional to events covered in a Defined Events policy, an Accidental Damage policy provides cover for accidental damage to your contents.

E.g. If you accidentally spill paint on the carpet or drop your television these items would be covered.

For further advice on Contents Insurance visit www.whitbread.com.au

This article is general advice only. It is not intended to be personal advice and you should not rely on it as a substitute for any form of personal advice. Please contact Whitbread Associates Pty Ltd ABN 69 005 490 228 Licence Number: 229092 trading as Whitbread Insurance Brokers for further information or refer to our [website](http://www.whitbread.com.au)

Key things to remember about contents insurance



Strata insurance does not cover the contents or liability within your property



Check that your contents policy extends to personal property e.g. smart phones, bikes



Regularly review your contents sum insured



Check policy limits for items such as jewellery



Avoid underinsurance, use a contents calculator to estimate your sum insured



Make sure you have an accidental damage policy



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Tips for Contractor Management

Russell Kelleher, Ebix Trades Monitor

You wouldn't expect that you need to tell your contractors how to do their work right? You simply need to engage them and let them identify what's not working and what needs to be done to carry out repairs. But are you aware of what to do to make sure safeguards are in place to protect you and your OC from shoddy contractors?

So that your OC isn't exposed to avoidable risks, here are some tips on what to check to know if your repair and maintenance contractors meet their compliance obligations.

- Check the handyman or plumber's ABN before every job. It's as simple as typing 'ABN Lookup' into Google.
- You may have engaged the same contractor for years. How do you know if their ABN matches accurately with their licences and insurance certificates?
- Without you knowing have they changed their business entity from sole trader to company or partnership? Are they trading legitimately?

- Are you aware your electrician must hold a contractor's licence and worker's licence?
- Are your plumbers and gardeners insured to carry out the work they are doing?
- Do you know what insurances you should be asking for from your pest control contractor?
- Do you store all of your contractors' licence and insurance certificates in one place?
- Do you store the documents for the length of time required under legislation?
- Do you have a good system in place to track the insurance expiry dates of all your contractors?
- Who is responsible for maintaining your contractor management system?

To assist you there are independent contractor management companies that focus on compliance document tracking specifically for the Owners Corporation industry. As is the practice of Ebix Trades Monitor, these companies are usually in daily contact with contractors to obtain their documents and are experienced in document verification. Some of these companies operate hosted software that integrates with the OC Manager's strata software and updates their creditor compliance codes in a matter of minutes. This offers a number of advantages for OC Managers and ultimately you, their clients. By engaging such external specialists an OC minimises their potential exposure to risk.

Find out from your OC Manager what system they use to track the compliance documents of contractors engaged on your site. It will offer you peace of mind knowing that a sound system is in place.

Visit www.tradesmonitor.com.au to find out more about contractor management.



Risk is a fact of life but SAFETY ALWAYS COMES 1st

Risk management is the most important issue for any modern plumbing business. With every job, large or small, the three main considerations are:

1. **Safety risk** (how do we go about our work without injury to ourselves or the public)
2. **Technical risk** (how can we achieve the result the client needs and meet industry standards)
3. **Commercial risk** (how do we know we will get paid on time and make a profit)

Plumbing is a profession involving high health and safety risks. Not least of these is working from heights.

In balancing the needs of clients and the need for safety there can be some instances where high costs come into play for a minor maintenance task. In a worst case scenario, these costs get repeated twice or three times before a final result.

Good will and owner losses are often on the line in these cases so we try to follow a strict procedure:

1. **Gather as much history as possible**
2. **Inspect at lowest cost within safety limits**
3. **Do a basic 'test and treat' to suspect faults**
4. **Communicate options and associated costs**
5. **Increase elimination efforts as required**



SHOULD I STAY OR SHOULD I GO?

To understand the height safety analysis plumbers carry out, below is the hierarchy of controls used as far as is reasonably practicable - usually it's a combination.

THINK SAFE/ WORK SAFE

We have seen on many occasions where we have quoted works and others proceed, without meeting OH & S standards. For Example—Accessing gutters via a 3 storey ladder.

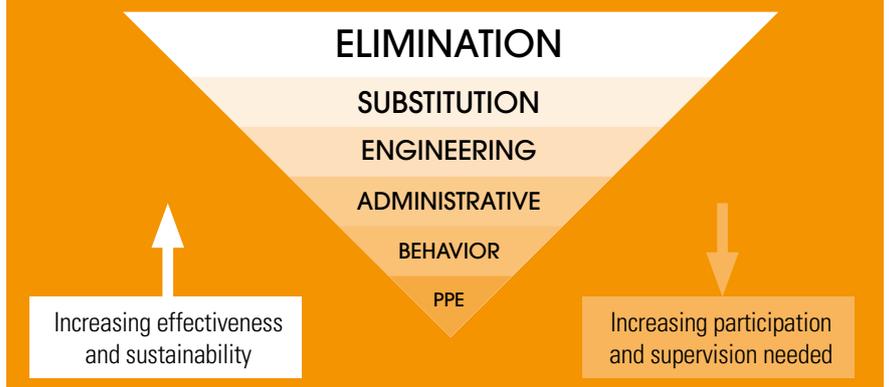
Everyone is responsible for their actions and if unsure refer to the guide below.

ORDER FOR CONSIDERING WHICH SAFETY MEASURE TO USE

1. Work from the ground or a solid construction
2. Use a passive fall prevention device eg. Elevated work platform, guard rail
3. Use a work positioning system eg. Industrial rope access
4. Use a fall injury prevention system eg. Fall arrest harness system
5. Use a ladder and documented administrative measures

HIERARCHY OF CONTROL

Apply the highest level of control commensurate with the risk level - lower value controls may be used in the interim until long-term controls are implemented.





Easter Egg Strata

Recipe: Chatelaine Recipes

A strata is an easy, make-ahead layered dish that's ideal for a large crowd. Whether or not you use leftovers such as ham, it's impressive enough to serve for an Easter brunch.

Ingredients

- 1/2 tsp salt
- 1 bunch asparagus, about 500 g
- 1 1/2 cups diced cooked ham
- 8 slices white or egg bread, preferably day-old
- 4 hard-boiled eggs, peeled
- 4 cups 2% or 3.25% milk
- 8 eggs
- 2 tsp Dijon mustard
- 1/2 tsp salt
- 1/2 tsp freshly ground black pepper
- 1/4 tsp ground nutmeg
- 140-g log creamy goat cheese

Procedure

1. Preheat oven to 180C. Coat a 9×13-inch (3-L) baking dish with butter. Fill a large frying pan with about 1 inch (2.5 cm) water. Add 1/2 teaspoon (2 mL) salt. Bring to a boil over high heat.
2. Meanwhile, snap off or trim tough ends from asparagus. Cut asparagus into large bite-size pieces; to measure about 3 cups (750 mL). Slip asparagus into boiling water and cook, uncovered and stirring occasionally, until tender-crisp, about 2 minutes.
3. Meanwhile, fill a large bowl with ice water. Immediately drain asparagus and plunge into ice water. When asparagus is completely cooled, remove from water and pat dry with paper towels.
4. Place asparagus and ham in a large bowl.
5. Cut crusts off bread, if you like, then slice bread into 1-inch (2.5-cm) pieces. Combine with asparagus and ham. Turn half of mixture into baking dish, making sure it is evenly distributed.
6. Slice hard-boiled eggs into quarters and distribute over asparagus mixture. Cover with remaining asparagus mixture.
7. In a large bowl, whisk milk with eggs, mustard, 1/2 teaspoon (2 mL) salt, pepper and nutmeg. Crumble in goat cheese and whisk to blend in. Some lumps will remain. Pour evenly over asparagus mixture.
8. Bake in centre of 180C oven until edges are golden and a knife inserted into centre of strata comes out fairly clean, from 45 to 50 minutes.
9. Let stand 10 minutes before serving.

Serves 6-8

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STRATA LIFE

Questions? Comments? Articles?

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