

Friday, May 3, 2019

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Owners Corporations and Other Acts Amendment Bill Exposure Draft
Policy and Corporate Services
Consumer Affairs Victoria
GPO Box 123
Melbourne VIC 3001

Via email cav.consultations@justice.vic.gov.au

Dear Sir/Madam,

RE: OWNERS CORPORATIONS AND OTHER ACTS AMENDMENT BILL EXPOSURE DRAFT

My name is Anthony Villani, I am the State Manager for Longitude Insurance Pty Ltd. and have been an insurance professional for more than 30 years. Longitude Insurance Pty. Ltd. Will send a submission, in much the same vein as the attaching submission. However I felt it necessary to send my own submission, as I have lived in residential strata for most of my adult life.

I would like to firstly congratulate CAV on its release of the Owners Corporations and Other Acts Amendment Bill [the Bill] and welcomes the further opportunity to provide comment on the Exposure Draft and use our collective industry experience to inform improvements to the Owners Corporations Act 2006 [the Act].

I recognise the need for ongoing change and improvement of legislation, as too the need for a growing sector (owners corporations) to be given the confidence that their affairs are given the utmost consideration.

The bill in effect is to provide confidence in the governance of owners corporations and whilst many of the proposed amendments go a long way to doing this, we feel there are a number of considerations that have not been made and as a result provide our synopsis of these and the ramifications.

I have prepared my submission based on expert knowledge of insurance requirements specifically and the impact this will have on the strata sector. Therefore I have only conveyed my thoughts relating to the 5 "clauses" and 1 suggested adaptation that follows.

Clauses that have been identified as potential concerns, as follows:

1. Clause 18
2. Clause 29
3. Clause 50
4. Clause 51

Clause 18 – In principal we agree with the principal of the amendment to be specifically tailored to tier one owners corporations. However the long term viability of any property and costs to mitigate against future “wear and tear”, should always be considered at the earliest convenience. If a budget is required to be produced on an annual basis, it would be beneficial for a maintenance plan to be established, for all tiers of owners corporations.

Clause 29 – Non requirement of mandatory insurance based on the tier system. This will affect risks with 9 or less lots, which is 90% of the owners corporation market and will have disastrous effects.

We feel this provision will create great uncertainty and confusion within owners corporations. By not mandating the requirement for insurance, unit owners have the ability to opt out, with uncertainty being whether there is co-insured position to correctly reinstate a property, once insurable damage has occurred. In addition there will be uncertainty about the correct Building Sums Insured, to reinstate and replace a property, where although a valuation is required every 5 years; there is nothing to require the unit owner to cover themselves correctly.

The amendment was to provide the ability for single lot subdivisions to take responsibility to insure their own lots. However it defeats this purpose and means insurable property with adjoining walls (e.g. a 2 storey block of 9 flats), may have some lots insured and others not insured.

By not including all owners corporations in the mandatory requirement for reinstatement and replacement insurance on buildings, it in fact makes for uncertainty around the ability of individual lot owners, within the Owners Corporation to rebuild or reinstate their damaged property after an insurable loss.

E.G. Unit 1, 2 and 3 have adjoining walls. Unit 2 is uninsured and a fire destroys the unit; however also causes considerable damage to the integrity of the walls of Units 1 and 3. Units 1 and 3 are insured; however as there is no insurance on Unit 2, neither insurer for units 1 and 3 can complete restorations on the wall, as 50% of the wall is uninsured.

Clause 50 and Clause 51 – We feel the disclosure of commissions needs further exploration.

The overarching effect of the draft changes is to improve owners corporation governance and financial future. A challenge to Owners Corporation, relating to the insurance market is that only the quotation or cover that is being put forward as a submission to the owners corporation is being considered here. Whilst we agree wholeheartedly with the idea of disclosure of fees and commissions, this proposed amendment misses the mark and does not address the underlying challenges relating to insurance quotations provided in competition to an owners corporation.

There are multiple examples in the insurance market where owners corporations are provided a number of insurance quotations as comparisons, only to have the "comparison" quotes/premiums appearing to be more expensive, than the original renewal, because fees and commissions are not required to be disclosed on ALL quotations/renewals.

It is suggested that in all cases where insurance quotes or renewals are provided and commissions earned, that full disclosure of all income (the percentage and dollar value of Commissions and Fees) quoted by the insurance market, be provided to the Owners Corporation. This way they can make a fully informed decision on their insurance requirements.

I sincerely thank the CAV for its tireless work in seeking to improve the owners corporation legislation and the lives of those living within strata. I would also like to thank the CAV, in advance, for considering my submission.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Anthony Villani', with several long, sweeping strokes extending downwards and to the right.

Anthony Villani

