

ELEVATION

Welcome

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

In the first edition of Elevation we introduced you to our new Ernst website (www.ernstbcm.com.au) and the addition of a new Client Resource Centre. We continue to grow this area to ensure our clients are kept up to date with current news and industry trends. Our clients have requested more information on general strata issues as well as information regarding the role of the committee, strata living tips and how to run a successful AGM. Therefore we have added an 'Information Library' which has a record of articles from Elevation as well as other industry

sources 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



**BODY CORPORATE
MANAGEMENT**

Setting the Standards in Strata

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 Ernst'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

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Question

How do the new asbestos laws affect our property and how are they different from previous requirements?

Answer

From January 1 2012 new changes to the Asbestos Management Code will take effect across all states of Australia. The new national law applies to all commercial buildings, including all bodies corporate with common property areas that are deemed workplaces built prior to December 31, 2003. These properties will require an inspection for Asbestos Containing Material (ACM).

What is required?

All bodies corporate built prior to December 31 2003 will now have to provide proof of an asbestos inspection and subsequent asbestos register even if the inspection results are negative.

Responsibility:

The new legislation outlined changes in the definition of who is responsible for meeting the new requirements. Responsibility will fall on: the body corporate, the person managing the property and the person carrying out demolition or refurbishment work.

Penalties:

Failure to comply will attract fines of up to \$60,000 or six years imprisonment.

How are the new requirements different from previous requirements?

Requirements under model WHS Regulation 2012	Requirements under the WHS Regulation 2008
Registers will be required for workplace buildings built up to December 31, 2003.	Currently Queensland has a January 1, 1990 cut-off date for workplace buildings to have a register.
Asbestos management plans and training will be required for naturally occurring asbestos.	No equivalent under the current Regulation in Queensland.
Persons conducting a business or undertaking (PCBUs) will have to provide health monitoring for certain workers involved in removal or other asbestos-related work.	No equivalent under the current Regulation in Queensland.
Specific requirements (eg: identification and removal of asbestos before demolition work commences) will be demanded of PCBUs involved in demolition and refurbishment of structures and plant built or installed before December 31, 2003.	No equivalent under the current Regulation in Queensland.
There will be a requirement to notify the regulator of any licensed asbestos removal work, demolition of a pre December 31 2003 structure or plant in an emergency and when asbestos fibre levels exceeding 0.02 fibres/ml during Class A asbestos removal work.	No equivalent under the current Regulation in Queensland.
There will be a new licence category for individual asbestos assessors required for clearance inspections, clearance certificates and air monitoring for Class A asbestos removal work.	No equivalent under the current Regulation in Queensland.
For Class B asbestos removal work, an independent competent person will be required to complete a clearance inspection and clearance certificate following the work.	No equivalent under the current Regulation in Queensland.

How do Bodies Corporate become compliant?

If your body corporate was built before 31st December 2003, an Asbestos Inspection Report and subsequent Asbestos Register must be obtained. This report will identify if your body corporate has any ACM in it. If no ACM is found then nothing further is required.

If ACM is found an Asbestos Management Plan will be required. The asbestos management plan will provide vital information to occupiers within a building about the management of the ACM and must also be provided to contractors working within the building to advise them of the condition and location of any ACM.

Ernst will be contacting all bodies corporate that this new legislation applies to and will work with these committees to ensure all our clients are compliant with these new laws. If you have any questions please contact your Body Corporate Manager.

SOURCE: www.deir.qld.gov.au/workplace/publications/safe/sep11/asbestos-management/index.htm

New transitional arrangements have been put in place that will affect buildings constructed between 1 January, 1990 & 31 December, 2003.

The grace period means that these buildings can put up motions for asbestos compliance throughout 2012 and ensure any required Onsite Asbestos Registers and Asbestos Management Plans are in place before June 30, 2013 when the transitional period ends.

* Ernst Body Corporate Management offers the Elevation Newsletter to clients to assist in updating them on company and industry news. The content within this newsletter is of a generic nature and may not be applicable to all bodies corporate. Ernst Body Corporate Management attempts to provide the most up-to-date and accurate information for its clients, however we strongly recommend that Individuals and Committees seek further advice before acting on any information in this newsletter.