

Inspect! Or expect the asset-owner cover-up!

If you followed the Manly balcony collapse saga, you'll know that ACRA has been pushing for mandatory inspections of home unit buildings, so that the responsibility of maintaining them is not left solely in the hands of owners.

A former academic has publicly argued that the fuss over the potential for balcony collapses is a "storm in a tea cup" and that, on balance, owners can be relied on to act in a responsible manner.

However, history shows that, faced with large repair bills, **many owners choose to have major structural problems covered over rather than properly investigated.**

Prop or proper?

As proof, consider a legal wrangle raging over the repair of another strata property between a handful of owners who were prepared to spend the necessary money on repairs and the majority who were happy to let things be.

The responsible owners, at their own expense, commissioned concrete tests and engineers' reports, resulting in the balconies on the building being propped until such time as repair work could be done.

Despite this, there is still a dispute, now over the *timing* of the repairs, with many within the owners corporation believing that the work is not essential and can wait.

So, the dispute goes on. The lawyers get richer and the building continues to fester. (At least, propping has made things safe for the time being.)

No cure to insure

But there's more. **If owners are aware of problems with their building and don't address the associated risks, will this void their insurance?**

If the answer to this question is "yes", then the loss suffered by the individuals in a home unit building is potentially far greater than the cost of the rectification work that they seek to avoid.



PRIOR REPAIR FAILED TO HALT INSTEAD JUST HID THE CORROSION

Everyone knows that insurance companies are upping their premiums while reducing their risk and Home Owners Warranty insurance on repairs to home unit buildings hasn't been spared.

Premiums up 10x

Till recently, the premium on an insurance policy taken out by a contractor to cover a typical home unit repair (say a contract worth \$350,000 for a 20 unit complex) might have cost \$2,000. Today, it might cost \$20,000 to \$30,000!

Further, the risk has been reduced to where the policy can only be called upon if the contractor simply can't be called to account (ie, he's skipped the country or is dead). Even then, to get the cover in the first place, he has to provide security (say, a mortgage over his house) to the insurer, who is likely to recover his costs in any case.

Cover-up cheaper

So, if it was hard to get home unit owners to act responsibly in the past, it's clearly now even harder. The cost of repairs to buildings jumped 10% with GST and the added hike in premiums puts the price up sky high. And to make matters worse, there's virtually no perceived (or possibly even real) benefit that flows from these added burdens.

Given this, ACRA won't stop fighting for mandatory building inspections.

To have your say on this issue, to give support or suggestions, go to our website and click "Your say" on the home page. ■