



**unitcare**  
**services**  
PEACE OF MIND FOR UNIT OWNERS  
**Fact Sheet**

In this fact sheet we look at some of the issues around residential insurance in Strata & Community Titled groups. Please note that Community Titles come in two forms. One unit above another on a lot (strata division) and a single unit on a lot. See [www.unitcare.com.au/bp\\_community\\_boundaries.html](http://www.unitcare.com.au/bp_community_boundaries.html) for more detail.

Here we are covering the 1st two types of titles, strata and strata division (community title). We will use the modern term for unit groups and refer to all as body corporates.

Body corporates are required by law to ensure that they always have in place sufficient insurance to replace all the common property. Common property for these body corporates is defined under both the Strata and Community Titles Acts as ...

- (a) where a boundary is defined by reference to a wall or fence—the boundary is the inner surface of the wall or fence;
- (b) where a boundary is defined by reference to a floor—the boundary is the upper surface of the floor;
- (c) where a boundary is defined by reference to a ceiling or roof—the boundary is the under surface of the ceiling or roof.

Common property includes the walls and floors (excluding the owner's contents), the boundary fences, including those between the units, roads, the electricity and water supply and sewer, the inside of units including the owner's walls. All of the fixtures and fittings inside the units such as: kitchen cabinets, tap ware and benches, fixed air conditioners are considered to be part of the building.

Insurance policies cover prescribed events: The Insurance Contracts Act 1984 (regulations) includes in its prescribed events - fire or explosion, lightning or thunderbolt, earthquake, housebreaking, theft, or an attempt to commit theft or burglary, a deliberate or intentional act, bursting, leaking, discharging or overflowing of fixed apparatus, fixed tanks or fixed pipes used to hold or carry liquid of any kind impact by or arising out of the use of a vehicle (including an aircraft or waterborne craft).

**Improvements:** The Corporation and/or its owners may undertake improvements to the buildings and common property, e.g. bedroom built-ins, a Corporation BBQ, pergolas or owners upgraded kitchens and bathrooms. These improvements need to be insured. Owners, therefore, must advise the Corporation of any substantial works undertaken in their units. The Corporation must keep the insurance company informed of any changes to the common property or to individual units.

**Replacement value:** This not only means the cost of rebuilding but must also include the cost of demolition, council and engineering costs amongst other charges. This value excludes the land cost, that is, it is not related to the selling or real estate value of the units.

**Hint:** Don't rely on any increase your insurance company suggests. This is no substitute for a valuation.

**Other body corporate insurance.** Legislation requires a minimum of \$10 million of public liability cover along with a minimum of \$50,000 of Fidelity cover. See page 2 for more details in our checklist.

What does body corporate insurance typically NOT cover?

Body Corporate insurance does not cover an owner or tenant's contents or personal injury whilst in the unit. Policies may also list certain exclusions, such as coverage against landslip or flood damage.

Owners and tenants need to be sure that they have appropriate contents cover for their belongings and public liability.

**Best Practice:** Valuations: It is strongly recommend that all Corporations obtain a professional replacement valuation at least every 5 years. If your group refuses to do so we recommend that this refusal be noted in the meeting minutes, this might include the names of those in favour and those against. In this case, if a group is underinsured, you have done your best to alert them to the need for a valuation. By doing this, the owners voting against the proposal have knowingly accepted liability. You may want to seek legal advice and have your group put on formal notice for breaching the legislation.

**Useful Links:**

- [www.unitcare.com.au/bp\\_strata\\_boundaries.html](http://www.unitcare.com.au/bp_strata_boundaries.html)
- [www.unitcare.com.au/bp\\_community\\_boundaries.html](http://www.unitcare.com.au/bp_community_boundaries.html)
- [www.unitcare.com.au/bp\\_community\\_introduction.html](http://www.unitcare.com.au/bp_community_introduction.html)
- [www.unitcare.com.au/bp\\_strata\\_introduction.html](http://www.unitcare.com.au/bp_strata_introduction.html)



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# Insurance Checklist

We strongly suggest that you discuss with your group/fellow owners the need to ensure that your property is adequately protected.

The following checklist may be of some assistance.

Valuations. Discuss with your fellow owners the adequacy of their sums insured, and find out when was the last time a qualified valuer reviewed their property. Remember that the Council valuation is an estimate of retail sale price of the unit, NOT the cost to demolish and rebuild.

Review insurance covers and options. Do a stocktake with your fellow owners on whether your group have all the necessary insurance cover in place to protect their property.

- Common property - for Strata Titles and Strata Division Community Titles groups this includes all the buildings and improvements.
- Public Liability over all common property. Liability in Tort: Is when a person or party has the right to sue the Corporation for injury or damages. If, for example, a person fell down a common stairway due to badly damaged concrete steps then they, their family or estate, would be entitled to commence legal action. Minimum cover in South Australia is \$10 million.
- Fidelity. This is cover against the theft of Corporation funds. In S.A. this is a required cover. The minimum required is \$50,000. Groups with no funds are exempt.

Safety checks and inspections. Has your group undergone a fire safety inspection in the last 12 months, if your property was constructed with aluminium composite panels, and if your property complies with window safety devices requirements. For broader issues the following document may be useful ..

[www.unitcare.com.au/pdfs/property\\_checklist.pdf](http://www.unitcare.com.au/pdfs/property_checklist.pdf)

Risk mitigation. Discuss with your fellow owners if you have any risk mitigation steps in place that could improve the cover and premium offered, including sprinkler systems, fire management plan, annual property inspection for hazards.

Office Bearers. Discuss at your next general meeting the need to provide officer bearer insurance. This covers your officers if they are sued whilst undertaking their roles.

Contents or landlords' insurance. Residential and commercial strata/community title (strata division) insurance only provide general insurance cover for the building, common area contents, and shared property. To protect personal possessions, owner occupiers should consider taking a separate contents insurance policy. For those who let their property, landlords' insurance would be required to provide coverage for loss of rent as a result of damage, departure of the tenant, default by the tenant, legal expenses, public liability, and government audit costs.

In order to determine the correct amount of cover, the body corporate committee should obtain a full building valuation at least every 5 years (or as often as may be required by local legislation). The limit of cover should also be reviewed each year (in between valuations) to take account of inflation in the cost of building and repairs.

## Useful Links:

[www.unitcare.com.au/pdfs/property\\_checklist.pdf](http://www.unitcare.com.au/pdfs/property_checklist.pdf)

Also see page 1

Our thanks to CHU Insurance for some of this content