

Strata Insurance – Cover Explained, Definitions and Glossary of Terms

Building

This covers the building structure including, but not limited to walls (exterior & interior), roof structures, lifts/stairways, fixed floors, wiring, pipes, ceilings, windows) as well as permanent fixtures within the unit such as showers, doors, built in ovens/cooktops/wardrobes, kitchen units (excluding dishwashers) and fixed flooring such as timber/tiles)

The **Building Sum Insured (BSI)** should always be sufficient to allow for the building to be reinstated to its condition prior to the insured event, including all associated costs (i.e., the value of demolition work, removal of debris, surveying, engineering, and architectural fees, etc.). A professional valuation of all insured property should be obtained by a certified valuer where possible. In the event of a major loss or event leading to complete destruction of a building, if the corporation are underinsured, the shortfall would have to be funded by the owners.

Common Area Contents

This covers content items owned by the corporation in Common Areas (i.e., gym equipment, lounges, carpet, artwork etc.) **NB:** Lot Owners Contents and Personal Belongings are not covered under the Strata Policy. It is the Lot Owners responsibility to insure these items under their own Householders or Landlord's Contents Only policy depending on how the Lot is occupied.

Loss of Rent/Temporary Accommodation

This provides cover for when a unit is deemed uninhabitable. If owner occupied, this section would cover the temporary accommodation for the Lot owner. If the unit is tenanted, the owner will compensate the tenant and in return can claim for loss of rent.

Public Liability

This covers legal liability claims for personal injury and property damage associated with the common property and building structure.

Fidelity Guarantee

This covers the theft of the Corporation's money, securities or tangible property

Voluntary Workers

This covers any individual who sustains bodily injury while voluntarily working on behalf of the Owners Corporation without reward or remuneration.

Office Bearers Liability

This section provides protection to the Owners Corporation Committee Members against claims arising from allegations of wrongful acts, errors or omissions, misstatements and negligence that may occur whilst they fulfil their duties and obligations in the management of the Owners Corporation.

Machinery Breakdown

This covers sudden and unforeseen physical damage which requires immediate repair or Replacement to enable normal operation to continue. This cover is recommended if you have the following:

- Lifts, escalators, motorised gates and doors, sump pumps, air conditioner motors over 5KW.
- Other electrical and mechanical machinery, boilers and pressure vessels and other similar plant.
- Fusion for large Motors

Fusion is the burning out of an electric motor by an electric current. Generally covered under the building section of a strata policy for motors with an output of up to 4-5KW. If you have motors of a higher capacity, you need to consider adding Machinery Breakdown insurance which also includes fusion

Catastrophe

This cover provides an additional level of protection in the event your sum insured is insufficient due to the increase in costs to repair or replace the damaged property and the longer repair period (due to the high demand for supplies and services caused by having so many people accessing them at the same time).

If in place, catastrophe (CAT) cover is only activated when the building sum insured is exhausted, and a CAT is formally declared by the Insurance Council Australia (ICA). CAT cover is an opt-in cover that will provide either a 15% or 30% increase.

Audit Costs

This covers the professional fees the corporation incurs in supplying the auditor with the necessary paperwork.

Legal Expenses

This covers the costs of litigation surrounding the misconduct of the corporation, or dispute with any current, former, or prospective employee.

Workplace, Health & Safety Breaches

This is cover for legal fees, costs and expenses reasonably incurred when appealing improvement notices, prohibition notices or determinations by review committees, tribunals or courts made under any workplace or occupational health and safety legislation.

Lot Owner's Fixtures and Improvements

This section provides additional cover (usually \$250-300k per lot) for fixtures or structural improvements, installed by a Lot Owner for their exclusive use. These items must be permanently attached to or fixed to Your Building so as to become legally part of it. This includes any improvements made to an existing fixture or structure (i.e., Kitchen bench top upgraded from timber to stone). This does not include any contents items that can be removed from inside the lot such as carpets, furniture etc.

Note: when renewing the policy, the building sum insured will need to be reviewed to account for any improvements that have taken place in the previous policy year.

Flood

The standard definition of flood in Australia is: The covering of normally dry land by water that has escaped or been released from the normal confines of:

- any lake, or any river, creek or other natural watercourse, whether or not altered or modified; or any reservoir, canal, or dam.

In simple terms, if a deluge of rain causes a river, lake, dam, or the like to overflow and the rising of this escaped water causes damage to the property, this would trigger the flood definition in the strata insurance policy – however it is important to note, you must have Flood selected on your policy to ensure you have cover in the event of a flood.

Floating Floors

Floating Floors are defined as means laminated, veneered or similar type flooring not fastened to the sub-floor but held in position by its own weight with or without skirting at perimeter walls. Floating floors are generally considered a contents item. However, some strata insurers offer floating floors within the unit as optional coverage on the strata policy. Carpet is also considered a content item and will be covered in the common areas (i.e., common hallways) however, carpet within the unit would not be covered. Carpet within the unit will fall under the contents policy.

Workers Compensation

This covers employees (i.e., full-time building manager/gardener) wages/medical expenses when they have become injured/sick from their work.

Base Premium

The amount of money that is paid for an insurance policy. It is not inclusive of any additional levies and taxes, however it is subject to GST in Australia. **NB** it is inclusive of commission payable to any insurance agent, broker or other intermediary

Insurance Commission

The percentage of premium that is retained by an insurance agent, broker or other intermediary

Excess

An excess is the amount that is paid towards the cost of any claim on the policy. There are different types of excesses including:

- Standard Excess – applies to every claim unless otherwise noted in either the PDS or the schedule
- Imposed Excess – where an insurer changes the standard to a higher amount, usually due to specific risk information or claims history but can be for other reasons as per Underwriter discretion
- Voluntary Excess – In some circumstances an insurer will allow a higher premium to be paid in exchange for a lower standard excess on the policy. This is often referred to as “buying down” the excess

Emergency Services Levy

*Applies only to NSW

An additional Levy charged on top of your insurance premium and paid to the Government to help fund the fire and emergency services

Underwriter Levy

A fee charged by either the Insurer or the Underwriting Agency and retained by them

Broker Fee

A fee that is charged by the broker for their services

Types of Strata Policies

Including but not limited to

- Residential Strata – While each state and territory has different requirements it is mandatory for Strata Title Properties to hold Strata Insurance. To qualify for a Residential Strata more than 80% of the total building floor space must be used for non-commercial purposes
- Commercial Strata – Any Strata Title Property where 20% or more of the total building floor space is used for commercial purposes will only be able to obtain a Commercial Strata policy
- Community Association – This product is suitable for community associations who are part of a registered community plan. Community association schemes are generally comprised of common property, landscapes, and facilities under one land allocation.

Product Disclosure Statement (PDS)

A PDS is a document that must be provided whenever a financial product has been offered and is a type of disclosure document. The aim is to inform customers of key product information including fees, commissions, benefits, risks and complaints handling procedures

NB: It is common for insurers to make small changes to some terms and conditions to a PDS that aren't considered material enough to warrant a creation of a new PDS. When this happens a Supplementary Product Disclosure Statement (SPDS) will be issued and this should be read in conjunction with the PDS