

# General Insurance Information

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# Table of Contents

01

DEFINITIONS &  
REVIEW OF COVERS

3

02

IMPORTANT  
INFORMATION

6

03

EFFECTS OF  
DISCLOSURE MATTERS

7

04

BENEFITS OF BAC  
INSURANCE BROKERS

9

05

STRATA MANAGER  
REMUNERATION &  
LEGISLATIVE REQUIREMENTS

10

# Definitions & Review of Covers

Set out below are the main policy covers offered under your Strata Policy, along with:

1. A general definition
2. What you are currently insured for, and most importantly;
3. BAC's general advice recommendation

It is imperative that you review each section and your current policy limits, to ensure they reflect your requirements. This avoids the potential for underinsurance or uninsured losses.

If any changes are required, please advise our office so that we can either obtain a quotation for you or, increase the cover in line with your requirements.

## BUILDING AND COMMON CONTENTS

Cover is provided for accidental loss or damage, resulting from perils such as fire, storm, lightning, explosion, theft, water damage, vandalism and breakage of glass etc.

BAC recommends that a Valuation is obtained from a professional Valuer, to ascertain the correct and full replacement and reinstatement value of your property.

## LOSS OF RENT AND TEMPORARY ACCOMMODATION

Covers lot owners in the event their unit is deemed unliveable or uninhabitable, following an insured event (i.e. fire, water damage etc.).

The policy covers Loss of Rent (for investment property owners) and Temporary Accommodation (for owner occupiers), up to the sum insured selected.

We highlight that no cover is provided for any tenant's relocation expenses. Generally speaking, the sum insured is calculated at an arbitrary figure of 15% of the Building sum insured.

The cover provided under the policy is shared amongst all lot owners, similar to that of your building sum insured. Once the sum insured has been exhausted, compensation under the strata policy will cease.

Many factors need to be considered when reviewing rental values and the construction period it takes to rebuild.

Factors which are attributed to the delay in rebuilding may include:

- Delays resulting from council approvals and compliance with government regulations
- Typical delays in rebuilding due to unforeseen construction issues
- Catastrophes or multiple losses in the one area which have an effect on supply and demand

BAC recommends that a professional be engaged to ascertain the rental value and the reconstruction period to cover the entire rebuild. Taking into consideration the above factors, your current sum insured may not be sufficient in the event of a total loss.

## PUBLIC LIABILITY

Covers property damage and/or personal injury to a third party. The law requires that each Strata and Community Title entity carries a minimum of \$20 million cover.

Establishing an adequate sum insured can prove difficult, as the quantum of a liability claim cannot be measured or predicted.

You will only know after a claim has occurred, if you have adequate protection or if a special levy needs to be raised to cover any shortfalls.

BAC recommends you insure for the maximum limit available or as much cover as can be afforded. Most Strata insurers can provide Liability cover up to \$50,000,000, at a reasonable cost.

## OFFICE BEARERS LIABILITY

Covers unintentional wrongful acts, errors or omissions made by a committee member.

It is important to understand that the Office Bearers section of your policy is a "Claims Made" policy. This means you are only covered for claims or circumstances which are notified (in writing) and reported to the Insurer, during the policy period.

Establishing an adequate sum insured can often prove difficult, as the quantum of a claim cannot be measured or predicted.

In the event of a claim, committee members could become personally liable for a shortfall in cover. This is not a position BAC or a committee member would ever like to see themselves in.

A committee member may become personally liable for their unintentional acts, errors or omissions. To protect your personal assets, BAC recommends you insure for the maximum limit available. Most Strata insurers can provide Office Bearers cover up to \$20,000,000, at a reasonable cost.

### **VOLUNTARY WORKERS**

Provides compensation to anyone who is injured whilst voluntarily (meaning without any form of remuneration) working on behalf of the insured.

Additional benefits may include loss of wages, domestic assistance and travel expenses, up to the limits specified in the respective insurer's policy.

Most insurers provide the following maximum limits:

- \$200,000 capital benefit for death and permanent disability
- \$2,000 weekly benefits for loss of earnings following total or partial disablement.

BAC recommends you retain the current maximum limit provided by your insurer.

### **FIDELITY GUARANTEE**

Covers the insured for fraudulent misappropriation of funds, including securities or tangible property.

Most insurers can provide a maximum limit up to \$200,000, without seeking special approval. Cover may be subject to additional information being provided.

Most insurers will only provide compensation under the Strata policy, if the insured has exhausted their rights and entitlements to compensation under any other fidelity bond or fidelity fund (i.e. the Consumer Fidelity Fund provided under the Property Services Council Compensation Fund – taken out by your Strata Management firm).

BAC recommends you review your accounts and assets to determine if a higher limit is required.

### **CATASTROPHE COVER**

Provides cover for the escalation in reinstatement or replacement cost of your building, following a declared catastrophe by either the Government or Insurance Council of Australia.

The catastrophe cover extension is a "top up", in the event your Building sum insured is exhausted. Generally, your sum insured is calculated at either 15% or 30% of your Building sum insured.

Catastrophe cover is an optional benefit triggered in the event of a declared catastrophe. You will still have your full Building Sum Insured to cover the replacement cost of your building, in the event of a declared Catastrophe. We believe location and surroundings would influence a Committee's decision to effect Catastrophe top up cover.

### **WORKERS COMPENSATION**

Provides cover for employees and is required if the Insured pays annual wages greater than \$7,500 in NSW.

You currently have No Workers Compensation cover under this policy.

Your Strata Manager needs to make separate arrangements for this type of insurance cover, if you are paying annual wages more than \$7,500 in NSW.

### **MACHINERY BREAKDOWN**

Provides cover for Sudden and Unforeseen breakdown to electrical, electronic and mechanical machinery.

There are two types of breakdown cover available in the market place.

- Basic cover, which can be incorporated in your Strata policy or
- Superior Cover this can be affected under a stand-alone Engineering policy.

The basic breakdown cover generally has much lower policy limit i.e. \$100,000 and is usually limited to covering items such as lifts, elevators and escalators, if agreed in writing.

The superior Engineering policy provides blanket cover for all sized moors, with broader cover and higher limits, equal to your Building Sum Insured. This removes the possibility for being underinsured or having unspecified equipment.

The Engineering policy does not apply depreciation to a claim, as opposed to that of the strata policy. The superior policy also extends to loss of rent following an insured breakdown. You will only have Engineering Breakdown cover if shown in this report in a separate schedule.

## TERRORISM

Provides cover in the event your Building has been damaged as a result of a declared terrorist attack by either the Government or Insurance Council of Australia.

The policy type, size and nature of your property will generally determine if this cover is available.

Please refer to the insurer's PDS, or contact BAC if further clarification is required, to understand whether your selected insurer offers this cover.

In light of recent worldwide events, BAC recommends you consider whether Terrorism cover is appropriate. Cover can be obtained, subject to an additional premium.

## FLOOD

Means the covering of normally dry land by water that has escaped or been released from the confines of any lake, or any river, creek or other natural watercourse, whether or not altered or modified; or any reservoir, canal, or dam. Flood does not mean:

- Actions of the sea (high water / high tide or tidal waves), which are events excluded under the Strata policy.
- Storm surge events – depending on the policy, this cover may be included – please refer to BAC to understand whether your selected insurer offers this cover.
- Flash flooding (i.e. storm water and rain run-off) or water escaping from a pipe – these events are covered under the Strata policy.

Please refer to the quotation schedules to understand whether your selected insurer offers this cover.

BAC recommends you investigate whether you are in a flood zone. If so, cover may be available, subject to a substantial additional premium and excess.

## LOT OWNERS PAINT

Covers the repainting costs within a lot, following an insured event.

NSW Strata legislation dictates lot owners are responsible for paint within their lots. Some Strata insurers mirror the legislation however; other insurers provide this as an optional benefit. Please refer to the quotation schedules to understand whether your selected insurer offers this cover.

The Committee should decide whether this benefit is required when selecting an insurer.

## FLOATING FLOORS

Covers the repair / replacement cost of the floating floor within a lot, following an insured event. NSW Strata legislation dictates that lot owners are responsible for temporary floor coverings within their lots, including floating floorboards. Some Strata insurers mirror the legislation by excluding floating floors however; other insurers provide this as an additional special benefit.

Please refer to the quotation schedules to understand whether your selected insurer offers this cover.

## GOVERNMENT AUDIT

Covers the reasonable professional fees incurred by the insured, in connection with an Audit by a government authority.

## APPEAL EXPENSES

Covers the costs the insured may incur in appealing an improvement or prohibition notice under any WH&S legislation (or similar).

## LEGAL DEFENCE

Covers the defence costs the Insured may incur in connection with litigation arising out of a Claim brought against the Insured.

## LOT OWNERS IMPROVEMENT

Provides top up cover in the event your Building sum insured has been exhausted. This section will provide accidental loss or damage to your fixtures and improvements (i.e. kitchens & bathrooms).

## LOSS OF MARKET VALUE

Covers the difference between the replacement value of your building and the Market Value, where reinstatement of the damage is limited or restricted by any Act of Parliament, regulation of any municipal or other statutory authority.

Your sum insured can be calculated as a percentage of the building sum insured (20%) or a value agreed by your Insurer.

There are one or two insurers who can provide full or limited cover, subject to an additional premium.

BAC recommends you consider your location and the effect of local council or government restrictions, when considering if Loss of Market Value cover is required. This cover comes at a substantial extra cost.

# Important Information

These Important Notices outline your rights and obligations relating to our Services and in entering into insurance contracts. It is essential that you read these notices carefully and advise us immediately if you need to make further disclosure or have questions about this report and/or important notices document.

## **MAKE SURE YOU COMPLY WITH YOUR DUTY OF DISCLOSURE**

The Insurance Contracts Act 1984 requires that you, and everyone who is an insured under your policy, comply with the Duty of Disclosure. Make sure you explain the duty to any other Insureds under your policy. We do not do this unless specifically agreed in writing.

The duty requires you to tell the insurer certain matters which will help them decide whether to insure you and, if so, on what terms. You have this duty until the insurer agrees to insure you and before the insurer agrees to renew your policy. You also have the same duty before you renew, extend, vary or reinstate an insurance policy. The type of duty that applies can vary according to the type of policy.

If you are providing information for other insureds, you must confirm you have their authority to do so and that the information provided is what they have told you in response to the duty of disclosure obligations.

If you make a misrepresentation, or if you do not tell the insurer something that you are required to tell them, they may cancel your policy or reduce the amount they will pay you in the event of a claim, or both. If the misrepresentation or failure is fraudulent, the insurer may refuse to pay a claim or treat the policy as if it never existed. If we act on behalf of the insurer, you need to refer to the policy which sets out the duty that applies. We will advise you when/if we act on behalf of the insurer.

If we act on your behalf, to assist us in protecting your interests, it is important you tell BAC every matter that: you know; or, a reasonable person in the circumstances could be expected to know, may be relevant to the insurer's decision whether to insure you and, if so, on what terms.

If in doubt it is better to tell us. We will then assist you in determining what needs to be disclosed to the insurer in order to meet your duty.

When you first apply for your policy, the insurer may ask you specific questions relevant to their decision whether to insure you. Before an insurer agrees to renew your policy, you may again be asked specific questions by the insurer relevant to their decision whether to renew your policy. When you answer any questions asked by the insurer, you must give honest and complete answers and tell the insurer, an answer to each question, about every matter that is known to you and which a reasonable person in the circumstances would include in answering the questions.

## **EXAMPLES OF MATTERS THAT SHOULD BE DISCLOSED ARE:**

Any claims you have made in recent years for the particular type of insurance; Cancellation, avoidance of, or a refusal to renew your insurance by an insurer; Any unusual feature of the insured risk that may increase the likelihood of a claim; Circumstances which may give rise to a claim.

Delay between final entry into the policy and original disclosure of information – You need to tell us if you have made disclosure of information in the application process and something has happened that makes the information disclosed inaccurate, or new matters arise that would require disclosure under the duty. You must do this before the policy has been entered into (or renewed, varied, reinstated or extended as applicable).

# Effects of Disclosure Matters

Disclosure forms the foundation of your insurance contract and failure to meet the duty of disclosure can be the catalyst for an inoperable policy. We have highlighted below some common disclosure issues effecting Buildings and Common property owned by the owner's corporation.

## (1) CONSTRUCTION AND REMEDIAL WORKS

We take this opportunity to highlight that most strata policies exclude claims arising directly or indirectly from construction works which exceeds \$200,000, without the Insurers written consent. This limit will vary from policy to policy.

Proceeding with works over these limits without your insurer's approval, will void any cover for subsequent damage to your Building, Common Contents and your Liability cover.

The following information is required in order to gain approval:

1. Finalised Scope of Works (Summary)
2. Estimate timeframe for completion of the works
3. Contract value or estimate

Your insurance report will specify if your insurer has "Accepted and Noted" your construction disclosure and cover has been extended to allow for the construction works you advised.

We recommend the Owners corporation do not allow any construction works to commence, until this information is provided to our office and we have gained acceptance from your insurer.

## (2) KNOWN DEFECTS

It is important to understand that all policies exclude property damage claims arising directly or indirectly from known defects. This forms part of the standard policy for all insurers.

Insurers may also impose additional special conditions restricting cover. These will be detailed at the bottom of the quotation schedules.

Outstanding defects have a negative impact on your Insurance Contract and is in your best interest to have the items rectified immediately, without delay.

## (3) WH&S - WORK HEALTH AND SAFETY

It is a requirement that any incomplete items within a WH&S report be disclosed to insurers.

Written confirmation will be required once these outstanding matters have been completed.

If you do not intend to comply with certain WH&S items, you must advise our office so that we can obtain the insurers advice and acceptance.

Outstanding WH&S Items have a negative impact on your Insurance Contract and is in your best interest to have the items rectified immediately, without delay.

## (4) COUNCIL FIRE ORDERS

If council orders have been imposed on the owner's corporation, you must notify our office immediately and provide a copy of the order.

If you do not comply with any of the Fire Order items, or act within the Compliance Periods given, you must advise our office so that we can obtain the insurers advice and / or acceptance.

Following your compliance with the Fire Order, we will require a copy of the final Annual Fire Safety Statement, for the insurer's records.

Insurers may also impose additional special conditions restricting cover. These will be detailed at the bottom of the quotation schedules.

Outstanding council orders can have a negative impact on your Insurance Contract and is in your best interest to have the items rectified without delay.

## (5) HAZARDOUS MATERIALS

The fire that destroyed London's Grenfell Tower in June 2017, has brought global attention to the use of combustible materials in buildings.

Combustible building materials are of great concern to insurers and we must be advised if used within your property. These Hazardous materials include, but are not limited to ACP (Aluminium Composite Panelling), EPS (Expanded Polystyrene) and Asbestos..

If any of these materials have been used in your buildings or are located in your buildings, your insurer must be advised immediately.

Should investigations determine Hazardous materials have been identified, we ask you provide BAC with the following information.

- Manufacturer and product name
- Amount of material used (m2) and to be expressed as a % of total exterior surface
- Location of the hazardous material
- Any Reports or results of any testing
- Rectification plan – if any

If Hazardous materials have been disclosed to us, your insurance report will specify that your disclosure has either been 1. "Accepted " or 2. Your insurer requires additional information.

Insurers may increase premiums, impose special conditions, restrict cover or impose increased excesses. These will be detailed at the bottom of the quotation schedules.

### ACP – Aluminium Composite Panel's

Considerable scrutiny is being applied to (ACP), due to its unusual burning behaviour and toxic release of smoke.

Due to the variety of different types of cladding, Government has put in place strict reporting procedures to ascertain the flammability and compliance of the products. Different types of products include :

PE – Polyethylene (highly combustible)

FR – Fire retardant (medium to low combustible)

Honeycomb- aluminium no core (low combustible)

The ICA (Insurance council of Australia) have also categorised ACP in Bands:

Cat A : 30% - 100% Polymer

Cat B : 8% - 29% Polymer

Cat C : 1-7% Polymer

Cat D : 0% polymer

The higher the amount of polymer the higher the risk.

Contact BAC if you require more information on ACP.

### EPS - Expanded Polystyrene

EPS is known as Expanded Polystyrene or foam panelling. It is commonly used in cool-rooms, lightweight internal dividing walls or external walls of buildings.

This is a highly combustible material and must be disclosed to insurers if you have any in your buildings. Contact BAC if you require more information on EPS.

### Asbestos

Asbestos or Fibro Asbestos is a HIGHLY toxic material which commonly used in buildings between 1920 and 1990 for insulation, roofing, eaves, exterior cladding, and other uses. `

In 2004 the product was banned due to its dangerous qualities. Insurers are required to be notified if Asbestos is used in the construction of the building.

# Benefits of BAC Insurance Brokers

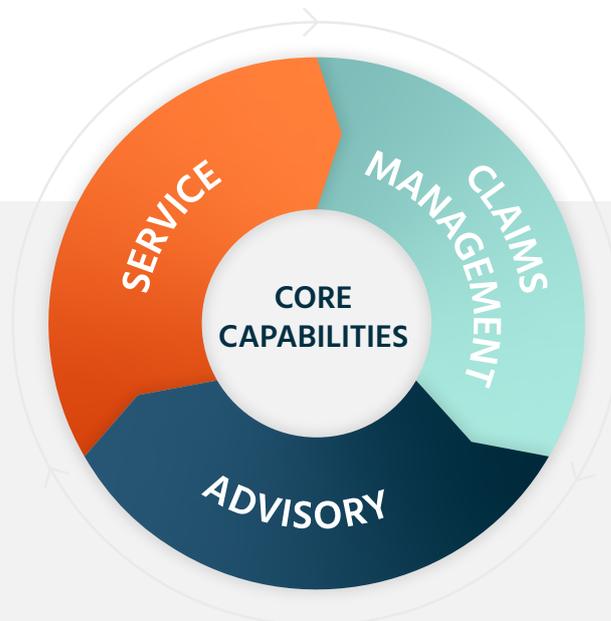
With a longstanding position in the Strata Insurance industry Since 1984, we consider ourselves experts in the field. We have an intricate understanding of Strata, BMC and other multi-ownership development structures, and utilise this experience to provide insurance solutions on a range of engagements throughout NSW.

Established in 1984, BAC is considered one of the leading Strata Insurance Broking Specialists in NSW, placing over \$100 billion in assets annually.

Being a Steadfast Group network and equity broker we also utilise the market leverage, purchasing power and associated benefits, to our client's advantage.

You wouldn't fight a legal dispute without a Solicitor, or lodge your company's tax return without an Accountant? So, why would you arrange insurance without the assistance of a professional Insurance Broker?

By using BAC Insurance Brokers, you engage a specialist Strata Insurance Broker who can save you time, money and give you peace of mind if disaster strikes.



## SERVICE STANDARD

- Prompt response
- Dedicated Service Team
- Collaborative Approach (with the Committee, Strata and Building Manager)

- On-time renewal delivery
- Renewal Negotiations
- Access to over 10 markets
- Tailored Renewal Report

## CLAIMS MANAGEMENT

- Dedicated Claims Department
- Claims Triage Service
- Claims Management

- Claims Preparation
- Claims Negotiation
- Supplier Integration

## ADVISORY SERVICES

- Complex Placements
- Hard to place facilities
- Committee Meetings

- Insurance Policy Review
- Intricate Understanding of Strata Industry

# Strata Manager Remuneration & Legislative Requirements

Your Strata Manager plays an integral role in assisting with arranging your insurance program.

Their involvement includes, but is not limited to the following:

- Discussing your insurance program with you to ensure it meets your legal requirements
- Completing the BAC Pre-Renewal Declaration, which forms the basis of your insurance contract
- Facilitating the decision-making process by holding meetings or otherwise seeking instructions from the Committee about their insurance requirements
- Arranging Valuations
- Acting on your instructions to arrange a new, or renewing, of an insurance contract
- Communicating your insurance requirements to BAC
- Providing you with copies of insurance documents, i.e. Certificate of Currency (on request)

The Strata Schemes Management Act 2015 places a responsibility on your Strata Manager to disclose any insurance commission or remuneration derived from your insurance program. This includes past and future

anticipated earnings.

If your Strata Manager is entitled to receive insurance commission, this amount will be disclosed within the insurance report.

We anticipate your Strata Manager's commission (if received), will likely increase by 10% for the following 12 months, based on the current sums insured and market conditions.

## TRAINING SERVICES

Your Strata Manager has access to the BAC online compliance training program, developed by our legal provider. Your Strata Manager completes this training on an annual basis, or as required.

BAC Insurance Brokers pays \$25 to The Fold, on behalf of each Strata Manager, for the use of the training platform.

This is a cost to BAC and is provided free of charge to your Strata Manager, along with group training sessions.

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