

Explanation of Strata 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.