

# Owners Corporation Network

**Welcome**

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**The Specialists in Strata and  
Community Title Insurance**





## 5 things you should know about protecting your assets



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\*insurance protection factor

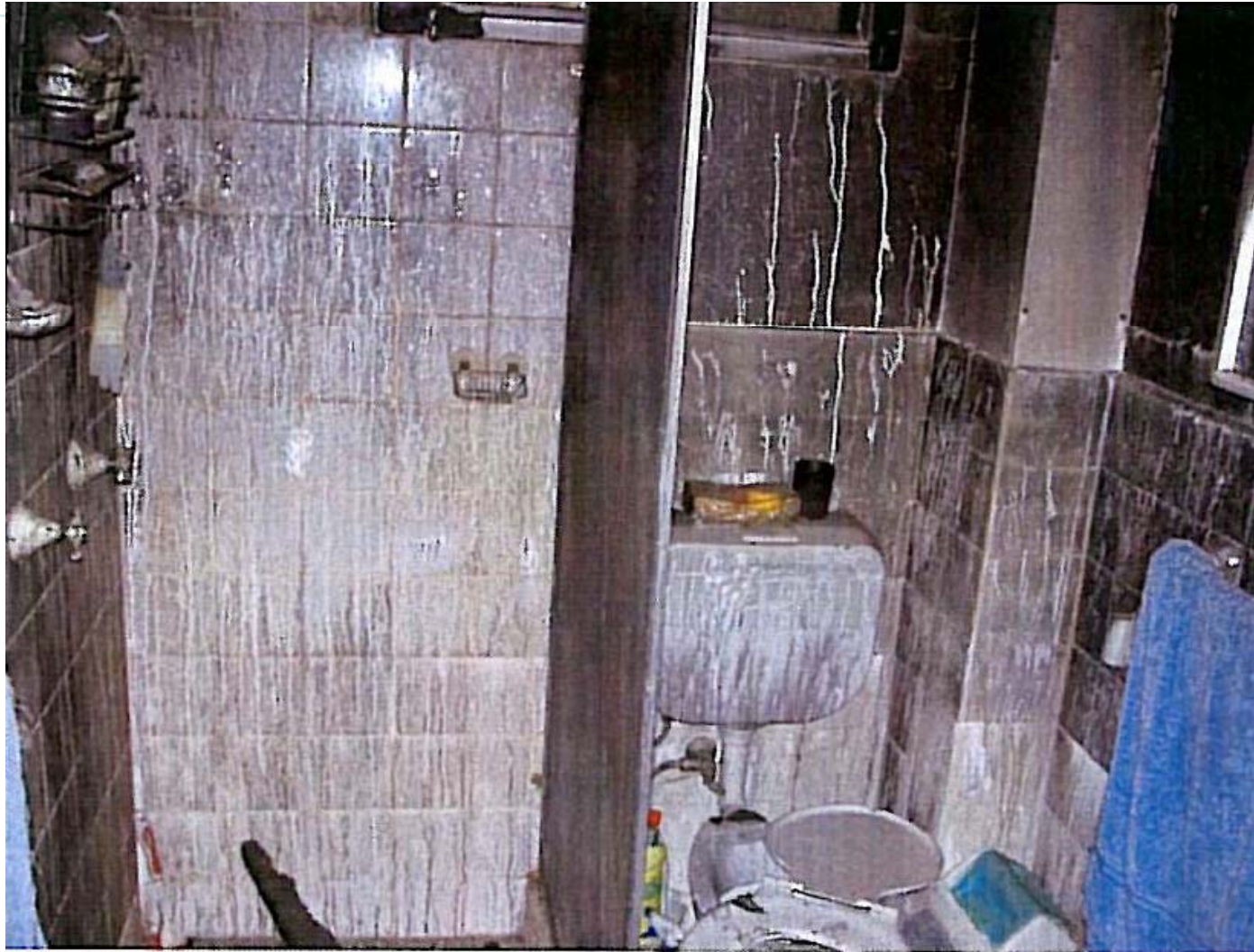
# Today's Talk

1. What's covered by the OC's insurance?
2. How do I avoid 'gaps' in cover?
3. What are the real dangers?
4. How can I ensure I'm protected?



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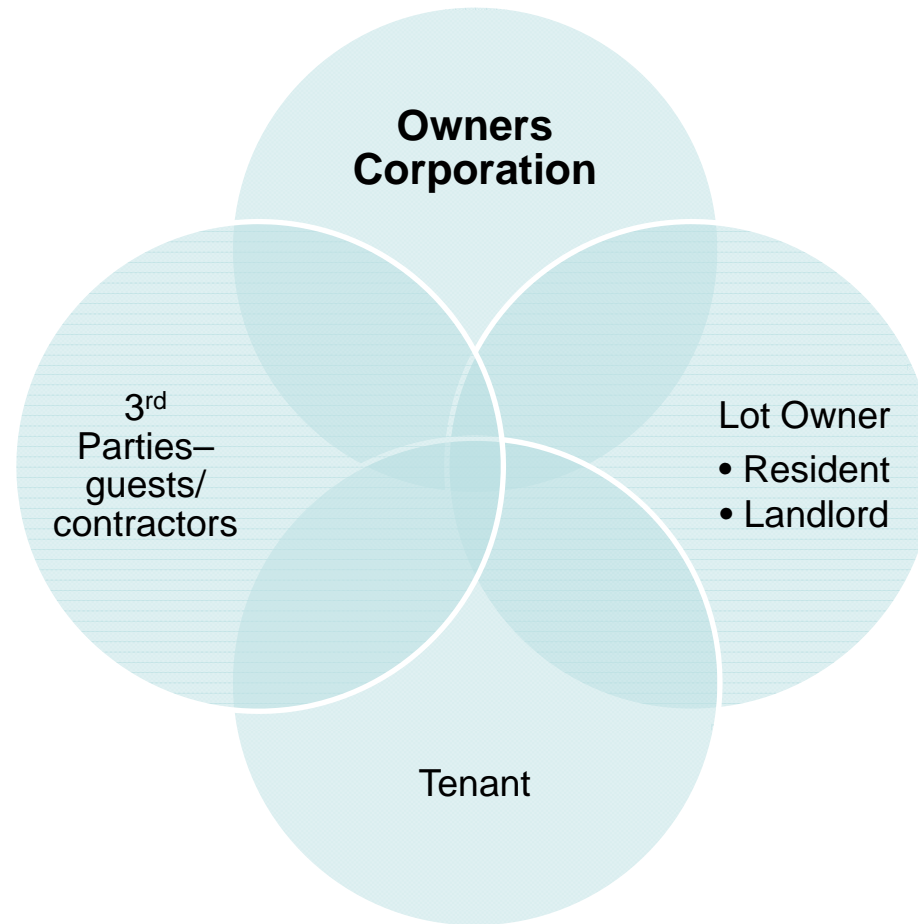
So whose problem will it be?



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# Who is responsible?

The relationship of responsibilities matrix



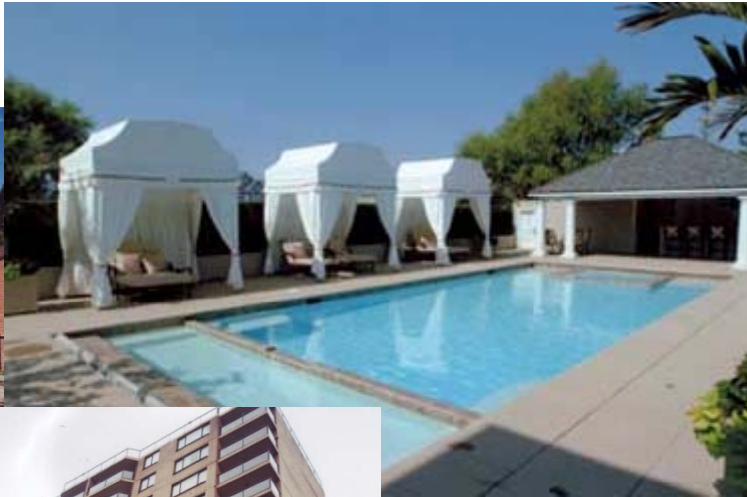
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# Legislation reveals what's covered

- 1) The Strata Schemes Management Act 1996 (SSMA)
  - What does the building to be insured constitute?
  - Reinstatement & Replacement Insurance.
  - Implications/exposures for OC's and/or lot owners.
  
- 2) Additional Insurance requirements for OC's & lot owners.

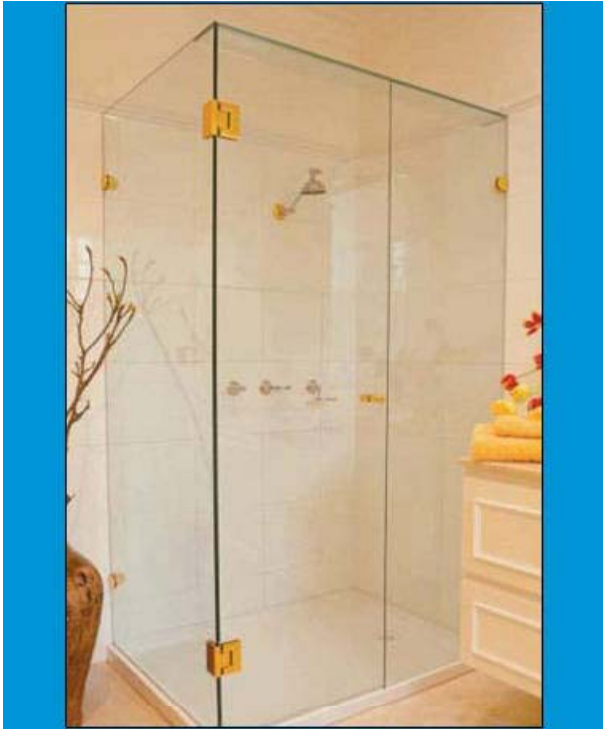


# What is insured or insurable property under the OC's building policy?



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# Common property or not?





# Distinguish between insurance and maintenance

## SSMA Div 1 Section 81

What is the definition of building for insurance purposes?

Understand - items covered by the OC's insurance policy can still remain your (lot owner's) responsibility for maintenance and upkeep.



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# Is it 'fixtures and fittings'? Or Contents?

'Fixtures and fittings' are items included for insurance purposes under the OC's building policy.

Contents items are the responsibility of whoever owns the items to arrange insurance under a contents policy

i.e. OC (common area contents), lot owner & tenant (personal contents),  
landlord (landlord contents).



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# How do you know?

## Apply the '3 Rules' Test

- 1) What was the reason for the installation and does it improve the value of the lot?
- 2) What is the method and degree of attachment to the building?
- 3) Was permission sought/granted from the OC?



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# Apply the '3 Rules' test

Items that comply with the previous test are deemed to be **fixtures** and therefore included as **insurable** items under the OC's insurance policy.

Items that **do not** comply are deemed to be **personal contents** and therefore the responsibility of whoever owns the item/s to insure under a contents policy i.e. lot owner or tenant.



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# So who covers mirrors?

Some property can be deemed to be **either** a fixture or contents item.

1. Does it add value?
2. How is it attached and would substantial damage occur to remove it?
3. Was permission granted?



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# Examples of fixtures and personal contents



# Making sure I'm protected

## SSMA Div 2 Section 82 (2) :

An OC must take out reinstatement and replacement insurance policy for all common property.

- Provide for the re-building or its replacement by a similar building to a state **no worse** than when it was new.
- Includes costs incurred for removal of debris and professional fees necessary to replace, rebuild or repair damaged property. (Can reach as a high as 1/3<sup>rd</sup> of the total rebuilding costs)



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# Valuations

## Buildings

Compulsory for OC's at least once every **five** years for buildings.

Valuations recommended for all OC's every **2-3 years** to ensure correct building sums is insured.

Some insurers have under-insurance (co-insurance) clauses which reduces all claims proportionately by amount of under insurance.



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# Additional Compulsory Insurances

## SSMA Div 3 Section 87:

- Public Liability insurance mandatory requirement \$10M for the common property.
- Voluntary workers covers for unpaid work carried out for the OC

Additional exposure for lot owners (owner occupied & landlords) and tenants – personal liability insurance included under contents policies.



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# Additional Insurances

OC may have additional insurance and may insure any additional interest.

Additional exposures exist for OC's and lot owners which should be considered:

- Office Bearers liability, fidelity guarantee, legal defence expenses, machinery breakdown,

# The Dangers

## As a Lot Owner

- ◇ You have 'unlimited' financial obligations
- ◇ Your personal assets are exposed in the event of a financial shortfall by the Owners Corporation
- ◇ All your assets may not be covered by insurance.

Lot owner/s and OC are separate legal entities capable of being sued in own name.



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# In Summary - 5 points to remember

1. Insurance versus maintenance - Insured property includes Lot Owners 'fixtures & fittings' but not 'personal contents'

i.e. included: underground services, vanities, built in cupboards, building structures, driveways or roadways.

2. Lot owners/tenants/landlords personal effects and personal liability not covered by OC policy - need to arrange separate insurances - contents policy

i.e. Paint, carpets, curtains, blinds etc within the lot.



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# Summary continued

3. Insuring for full, current value - Valuations required for all OC's.
4. Not all Insurance policy wordings are the same.
5. As a lot owner, you have '**unlimited**' financial obligations



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# General Advice Warning

The information contained in this Power Point presentation is general advice only.

All examples given may not reflect the individual circumstances of the Lot Owner, Owners Corporation, or Strata Manager.

For information regarding CHU's specific products please refer to our PDS and Policy Wordings which can be found on [www.chu.com.au](http://www.chu.com.au) or contact our office directly.



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Thank you



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