

Quick Guide

Commercial Strata Insurance Plan Benefits



CHU

The Specialists in Strata and
Community Title Insurance

Legislation in each Australian State sets out the minimum insurance requirements that must be adhered to by strata schemes. The Body Corporate has a duty not only to insure but also to make certain that the insurance policy they affect conforms to the minimum legislative requirements.

Insurance for strata and community schemes has been CHU's sole focus for over thirty years and our policies are constantly updated as changes in legislation, or other developments, occur. For this reason you are assured that in arranging insurance under our 'Commercial Strata Insurance Plan' the cover provided complies with each State's minimum requirements.



In addition to the legislative minimums, the Plan also includes important complementary covers plus a range of additional, special and optional benefits that provide protection against other events or happenings that have the potential to erode or eliminate the vested interests of Lot Owners.

Ten policy sections are available under the Plan and this guide is a summation of the cover benefits only. Other than where monetary or percentage limits are shown, the amount payable under any policy section will not exceed the sum insured applying to that policy section. It is important to refer to the Product Disclosure Statement, Policy Wording and Schedule for full details of the terms, conditions and exclusions that make up the insurance contract.

Policy 1 – Insured property

What is insured?

The Building and Common Area Contents are covered against ACCIDENTAL LOSS OR DAMAGE on a replacement (new for old) basis up to:

- ▶ The sum insured for buildings and
- ▶ 1% of the building sum insured for common area contents

Cover applies to the insured property while at the situation or while temporarily away from the premises (e.g. for repairs, etc.).

The term 'accidental loss or damage' includes, but is not limited to, events or happenings such as:

- ▶ Fire, lightning, explosion, storm, water, earthquake, aircraft, riot and civil commotion, malicious damage, vehicle impact, theft, vandalism, glass breakage PLUS
- ▶ Any other event or happening that is not specifically excluded (e.g. flood, wear and tear, corrosion, vermin)

The exclusions are clearly set out in the policy.

Additional Benefits

The cover automatically includes the following benefits in the sum insured:

- ▶ Cost of architects and professional fees involved in repair or replacement
- ▶ Cost of removing insured debris
- ▶ Emergency cost of minimising losses - prior consent required if costs are likely to exceed \$2,000

- ▶ Cost of fees or imposts imposed by a Statutory Authority for consent to rebuild
- ▶ Cost of legal fees incurred in making submissions to Statutory Authorities following loss or damage
- ▶ Cost of repairing storm damage to gates and fences
- ▶ Cost of temporary protection and safety following an insured event - prior consent required if costs are likely to exceed \$5,000
- ▶ Tsunami damage (i.e. a tidal wave caused by an earthquake)
- ▶ Damage caused by police or emergency services during the lawful pursuit of their duty

Special Benefits

The following benefits are automatically included, in addition to the sum insured:

- ▶ Claim preparation costs and fees incurred with our consent - up to \$30,000 (This benefit applies to all policies other than Policies 4 and 9)
- ▶ Loss of rent (tenanted Lots), cost of temporary accommodation (owner occupied Lots) if a Lot is rendered uninhabitable by an insured event, infectious disease, murder, suicide or failure of supply services – up to an amount equal to 15% of the sum insured
- ▶ Cost of reletting tenanted Lots following a claim – up to \$1,500 a Lot
- ▶ Hire of an alternative meeting room following a claim – up to \$5,000
- ▶ Lot Owner's contributions and fees required to be paid following an insured event - up to \$2,000 a Lot

- ▶ Cost of removal/storage of Lot Owners contents if their Lot is made uninhabitable by an insured event
- ▶ Travel costs incurred by the owner of a tenanted Lot in visiting their Lot to liaise with a claim adjuster or builder - up to \$250 a Lot
- ▶ Cost of emergency accommodation incurred if a Lot, when occupied by the Lot Owner for residential purposes, is rendered uninhabitable by an insured event – up to \$1,500 a Lot
- ▶ Alterations or extensions commenced during the period of insurance – up to \$250,000
- ▶ Reward for an arson, theft or malicious damage conviction – up to \$10,000
- ▶ Electricity, gas and water charges - increased use following a claim - up to \$2,000
- ▶ Electricity, gas and water charges - use by an unauthorised occupant - up to \$2,000
- ▶ Fusion of electric motors – up to 5 kW
- ▶ Additional environmental improvements installed following a claim – up to \$10,000
- ▶ Exploratory costs in locating source of burst pipes
- ▶ Replacement of defective parts – up to \$1,000
- ▶ Cost of removing fallen trees that have caused damage to insured property - up to \$5,000
- ▶ Fire extinguishing costs
- ▶ Funeral expenses if a resident Lot Owner/family member dies as a result of an insured event - up to \$5,000
- ▶ Cost of re-keying or recoding locks following forcible entry into a lot or building, or the premises of a keyholder or by personal hold-up - up to \$5,000
- ▶ Cost of replacing landscaping damaged by an insured event – up to \$10,000
- ▶ Cost of modifications if a resident Lot Owner becomes a paraplegic or quadriplegic as a direct consequence of an insured event – up to \$25,000
- ▶ Loss of money while in the custody of an office holder or association manager - up to \$10,000
- ▶ Cost of discharging a mortgage if the building is not replaced following a loss – up to \$5,000
- ▶ Loss of or damage to personal property of others while in the Body Corporate's legal control – up to \$10,000
- ▶ Cost of boarding pets or security dogs if a Lot occupied for residential purposes is damaged by an insured event – up to \$1,000 a Lot
- ▶ Cover for a purchaser's legal interest under a contract of purchase/sale
- ▶ Cost of replacing records lost or damaged by an insured event – up to \$50,000

- ▶ Cost of removal/storage of insured property necessarily incurred by an insured event – up to \$10,000
- ▶ Cost of removing squatters – up to \$1,000
- ▶ Cost of replacing Title Deeds that are lost or destroyed – up to \$5,000
- ▶ Cost of removing storm or rain water from a basement or undercroft area – up to \$2,000 (flood water is not covered)

Optional Benefit (NSW only)

Cost of repainting or repapering the walls and ceilings of a Lot if damaged by an insured event.

How are claims settled?

Claims are settled on a replacement basis, which means:

- ▶ The building will be rebuilt or repaired to a condition equivalent to but not better nor more extensive than when it was new and
- ▶ The extra costs necessarily incurred to alter or upgrade damaged property to comply with Statutory Authority requirements

Claim settlements also include provision for:

- ▶ Residual value of any abandoned undamaged insured property or foundations
- ▶ Loss of floor space
- ▶ Loss of land value if permission to rebuild is refused or if only partial rebuilding is permitted
- ▶ Rebuilding on another site

Policy 2 – Legal liability

What is insured?

Policy 2 indemnifies the Body Corporate as owner of the Insured Property and common area for sums they become legally liable to pay for personal injury or property damage arising out of an occurrence that happens at the situation or elsewhere in Australia.

Legislation sets minimum indemnities (generally \$10,000,000) but in view of increasing awards made by the Courts higher indemnities should be considered.

Additional Benefits

The indemnity automatically includes liability arising out of:

- ▶ Bridges, roadways, kerbing and footpaths
- ▶ Car parks owned or operated at the situation
- ▶ Application of fertilisers, pesticides or herbicides
- ▶ Sporting and recreational facilities the Body Corporate hires out

- ▶ Recreational activities arranged by the Body Corporate
- ▶ Services the Body Corporate provides to Lot Owners & occupiers
- ▶ The ownership of watercraft up to 8 meters in length
- ▶ The ownership of wheelchairs, garden equipment and other vehicles not required to be registered

Special Benefits

The following benefits are automatically included:

- ▶ Cost of defending a claim - in addition to the limit of liability
- ▶ Compensation if an Office Bearer, Committee Member or Body Corporate Manager is required to attend a Court as a witness – up to \$250 a day

Policy 3 – Voluntary workers

Who is insured?

Compensation is provided to a person who sustains bodily injury while voluntarily working (i.e. without reward or remuneration) on behalf of the Body Corporate. Benefits apply to persons over the age of 12 years.

Benefits

- ▶ Accidental death – \$200,000
- ▶ Loss of two hands, feet or eyes – \$200,000
- ▶ Loss of one hand, foot or eye – \$100,000
- ▶ Loss of income (if the worker is a wage or salary earner) – up to \$2,000 a week for 104 weeks
- ▶ Cost of domestic assistance – up to \$500 a week for 10 weeks
- ▶ Travel expenses necessarily incurred – up to \$2,000
- ▶ Home tutorial expenses for a full time student – up to \$250 a week for 10 weeks
- ▶ Burial or cremation expenses following a claim for accidental death - up to \$5,000

Policy 4 – Workers compensation

What is insured?

Policy 4 indemnifies the Body Corporate for legal liability to their employees under workers compensation legislation applicable to the State or Territory in which the Insured Property is situated.

By law we are not permitted to transact workers compensation cover in Queensland, Victoria or South Australia.

Policy 5 – Fidelity guarantee

What is insured?

Policy 5 provides protection up to \$100,000 against the fraudulent misappropriation of Body Corporate funds or tangible property.

Policy 6 – Office bearers legal liability

Who is insured?

Policy 6 provides protection for the Body Corporate's office bearers should they become legally liable to pay compensation for any wrongful act they make while carrying out the functions of their position.

Special Benefits

The following benefits are automatically included:

- ▶ Cost of defending a claim
- ▶ Provision for any inadvertent late notification of a claim
- ▶ Extension of cover for 30 days after policy expiry date

Policy 7 – Machinery breakdown

What is insured?

Policy 7 provides protection against unforeseen damage to electrical, electronic and mechanical machinery and plant. Lifts, elevators and escalators are covered if they are subject to a current comprehensive maintenance agreement.

Special Benefits

The following benefits are automatically included:

- ▶ Cost of expediting repairs
- ▶ Cost of express or air freight
- ▶ Cost of replacing oil or refrigerated gas
- ▶ Cost of hiring a temporary replacement item to maintain a vital service provided by the Body Corporate

How are claims settled?

The damaged item will be replaced or repaired to a condition equal to but not better nor more extensive than its condition immediately before the damage. No deduction is made for depreciation in respect of parts replaced.

Policy 8 – Catastrophe

What is insured?

Policy 8 provides cost effective protection against the sudden escalation in rebuilding costs that invariably occurs:

- ▶ Due to the happening of a catastrophe (e.g. an earthquake or cyclone) or
- ▶ Other loss that occurs to insured property not more than 60 days thereafter

Special Benefits

The following benefits are automatically included – up to an amount equal to the percentage shown of the catastrophe sum insured:

- ▶ Extended period of cover for loss of rent and cost of temporary accommodation – up to 15%
- ▶ Escalation in the cost of temporary accommodation – up to 5%
- ▶ Cost of removal and storage of undamaged portion of insured property - up to 5%
- ▶ Cost of compulsory evacuation of resident Lot Owners – up to 5%

How are claims settled?

Claims are settled on the basis of the difference between:

- ▶ the actual cost to replace the building and
- ▶ the greater of either:
 - The cost to replace the building immediately prior to the happening of the catastrophe or
 - The sum insured on the building under Policy 1

Policy 9 – Government audit costs and legal expenses

What is insured?

▶ Part A – Government audit costs

Covers professional costs in connection with an:

- Investigation by the Australian Tax Office or other statutory body – up to \$25,000
- Record keeping audit (e.g. by the Office of Business and Consumer Affairs) – up to \$1,000

▶ Part B – Common property health and safety breaches

Covers legal expenses incurred in appealing against an improvement or prohibition notice brought under any workplace, occupational health, safety or similar legislation – up to \$100,000

▶ Part C – Legal defence expenses

Covers legal defence expenses incurred in defending actions arising out of the conduct of the Body Corporate's business, or where the Body Corporate is joined in litigation with another party – up to \$50,000

This benefit does not apply if indemnity is otherwise provided under the Legal Liability or Office Bearers Legal Liability Policies.

Policy 10 – Lot Owners' fixtures and improvements

What is insured?

Policy 10 covers fixtures and structural improvements installed or upgraded by Lot Owners for their exclusive use against ACCIDENTAL LOSS OR DAMAGE - up to \$250,000 a Lot if the sum insured under Policy 1 is exhausted by a claim.

IMPORTANT NOTE: The information contained in this Guide is a summary of cover benefits only, and does not represent the terms of the insurance contract. Please consult the Product Disclosure Statement, Policy Wording and Schedule for full details of the terms, conditions and exclusions, available at our offices or www.chu.com.au

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