

Quick Guide

Community Association Insurance Plan Benefits



CHU

The Specialists in Strata and
Community Title Insurance

While the names for community schemes vary between States, as do their respective Acts, a community scheme provides a framework for the sub-division of land into:

- ▶ Lots used for residential, commercial, or industrial purposes; together with
- ▶ Association, community or common property

Lots (i.e. the land and improvements thereon) are the personal property of individual entities, commonly known as Lot Owners, who are responsible for the care, custody and control of their Lot including the improvements thereon.

Association, community or common property is jointly owned by all Lot Owners and responsibility for its care custody and control is entrusted to the community scheme through its Body Corporate.

Legislation in each Australian State sets out the minimum insurance requirements that must be adhered to by community schemes in respect of the association, community or common property. The Body Corporate of a community scheme has a duty not only to insure but also to make certain that the insurance policy they effect conforms to the minimum legislative requirements.

Insurances associated with Lots and the improvements thereon are the responsibility of each individual Lot Owner unless there is a legislative requirement to the contrary. For example the Queensland Act requires the community scheme to arrange insurance on behalf of Lot Owners where the building on any one Lot has a common wall with a building on an adjoining Lot.

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 'Community Association 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.

Our Community Association Insurance Plan not only caters for the insurance needs of community schemes but also for the building insurance of Lot Owners associated with that scheme. Three types of property ownership may be insured under the Plan – they are:

- ▶ Buildings, other property and services owned by the community scheme – referred to as Community Property
- ▶ Buildings owned by Lot Owners which are used for residential purposes – referred to as Homes
- ▶ Buildings owned by Lot Owners which are used for commercial, office or industrial purposes – referred to as Commercial Buildings

Homes and Commercial Buildings that do not form part of a community scheme cannot be insured under the Community Association Insurance Plan.

Eleven 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.

Insured property

Policy 1 – Community Associations

Part A of Policy 10 – Lot Owners Homes

Part A of Policy 11 – Lot Owners Commercial Buildings

What is insured?

Community Property, Homes and Commercial Buildings are covered against ACCIDENTAL LOSS OR DAMAGE on a replacement (new for old) basis up to the sum insured.

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:

- ▶ Loss of community income, loss of rent (tenanted buildings), cost of temporary accommodation (owner occupied buildings) if a building 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 or buildings following a claim – up to \$1,500
- ▶ 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
- ▶ 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
- ▶ 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 discharging a mortgage if a building is not replaced following a loss – up to \$5,000
- ▶ Cost of boarding pets or security dogs if a lot or building 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 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 (floodwater is not covered)

Special Benefits limited to Policy 1 - Community Associations

- ▶ Claim preparation costs and fees incurred with our consent - up to \$30,000 (This benefit also applies to Policies 2, 3 and 5 to 8)
- ▶ Hire of an alternative meeting room following a claim – up to \$5,000
- ▶ Alterations or extensions commenced during the period of insurance – up to \$100,000
- ▶ Additional environmental improvements installed following a claim – up to \$10,000
- ▶ Lot Owner's contributions and fees that are uncollectible following an insured event – up to \$2,000 a lot

- ▶ Loss of money while in the custody of an office holder or association manager - up to \$10,000
- ▶ Loss of or damage to personal property of others while in the Body Corporate's legal control – up to \$10,000
- ▶ Cost of replacing records lost or damaged by an insured event – up to \$50,000

Special Benefits limited to Part A of Policy 10 - Homes

- ▶ Claim preparation costs and fees incurred with our consent - up to \$10,000 (This benefit also applies to Parts B, C and D)
- ▶ Cost of emergency accommodation incurred if a resident Lot Owner's home is rendered uninhabitable by an insured event – up to \$1,500
- ▶ Alterations or extensions commenced during the period of insurance – up to \$100,000
- ▶ Cost of removal/storage of Lot Owners' contents necessarily incurred by an insured event
- ▶ Lot Owner's contributions and fees required to be paid following an insured event - up to \$2,000 a lot
- ▶ Additional environmental improvements installed following a claim - up to \$2,000
- ▶ Funeral expenses if a resident Lot Owner/family member dies as a result of an insured event - up to \$5,000
- ▶ 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

Special Benefits limited to Part A of Policy 11 - Commercial Buildings

- ▶ Claim preparation costs and fees incurred with our consent - up to \$10,000 (This benefit also applies to Parts B, C and D)
- ▶ Alterations or extensions commenced during the period of insurance – up to \$250,000
- ▶ Cost of removal/storage of Lot Owners' contents necessarily incurred by an insured event
- ▶ Lot Owner's contributions and fees required to be paid following an insured event – up to \$2,000 a lot
- ▶ Additional environmental improvements installed following a claim – up to \$2,000
- ▶ Funeral expenses if a resident Lot Owner/family member dies as a result of an insured event - up to \$5,000
- ▶ 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

Optional Benefits

Optional Benefits limited to Policy 1 - Community Association

- ▶ Provision for extra expenses necessarily incurred to maintain services provided by the Body Corporate at the time of a loss including cost of accountant's fees to certify such expenses
- ▶ Cost of replanting or re-establishing grassed sport playing surfaces damaged by a cause not excluded (e.g. flood, weather, application of fertilisers)

An additional premium is payable for their inclusion.

How are claims settled?

Claims are settled on a replacement basis, which means:

- ▶ The Community Property, Homes or Commercial Buildings 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

Special conditions

- ▶ Cover on Homes and Commercial Buildings is limited to earthquake, vehicle impact, aircraft or storm damage if they are unoccupied for more than 90 days
- ▶ Commercial Buildings are subject to a 70% co-insurance clause if any loss is greater than 10% of the sum insured. Co-insurance does not apply to Community Associations or Homes

Legal liability

Policy 2 – Community Associations

Part B of Policy 10 – Lot Owners Homes

Part B of Policy 11 – Lot Owners Commercial Buildings

What is insured?

These policies indemnify:

- ▶ The Body Corporate as owner of Community Property
- ▶ Lot Owners as owners of Homes and Commercial Buildings

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.

As regards Community Associations, 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
- ▶ Application of fertilisers, pesticides or herbicides

Additional Benefits limited to Policy 2 - Community Associations

- ▶ Car parks owned or operated at the situation
- ▶ 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 7.5 meters in length
- ▶ The ownership of wheelchairs, garden equipment and golf carts

Additional Benefit limited to Part B of Policy 11 - Commercial Buildings

- ▶ Car parks owned or operated at the situation

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, Community Association Manager, Home or Commercial Building owner is required to attend a Court as a witness – up to \$250 a day

Voluntary workers

Policy 3 – Community Associations

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

Workers compensation

Policy 4 – Community Associations

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 Community Property is situated.

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

Fidelity guarantee

Policy 5 – Community Associations

What is insured?

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

Office bearers legal liability

Policy 6 – Community Associations

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

Machinery breakdown

Policy 7 – Community Associations

Part C of Policy 10 – Lot Owners Homes

Part C of Policy 11 – Lot Owners Commercial Buildings

What is insured?

These policies provide protection against unforeseen damage to electrical, electronic and mechanical machinery and plant including lifts, elevators and escalators 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

Special Benefit limited to Policy 1 – Community Associations

- ▶ Cost of hiring a temporary replacement item to maintain a vital Community Association service

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.

Catastrophe

Policy 8 – Community Associations

Part D of Policy 10 – Lot Owners Homes

Part D of Policy 11 – Lot Owners Commercial Buildings

What is insured?

These policies provide 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 15% of the catastrophe sum insured:

- ▶ Extended period of cover for loss of community income, rent and cost of temporary accommodation
- ▶ Cost of removal and storage of undamaged portion of Community Property, Homes or Commercial Buildings

Special Benefit limited to Part D of Policy 10 – Lot Owners Homes

- ▶ Escalation in the cost of temporary accommodation
- ▶ Cost of compulsory evacuation of resident Lot Owners

Special Benefit limited to Part D of Policy 11 – Commercial Buildings

- ▶ Escalation in the cost of temporary accommodation

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 respective sum insured on the building under Policy 1, or Part A of Policies 10 and 11

Government audit costs and legal expenses

Policy 9 – Community Associations

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.

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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