

Quick Guide

Community Association Insurance Plan



CHU

The Specialists in Strata and
Community Title Insurance

CHU Underwriting Agencies Pty Ltd (AFS Licence No: 243261) is an underwriting agency acting on behalf of the insurers:
QBE Insurance (Australia) Limited ABN 78 003 191 035 (AFS Licence No: 239545) QBE Workers Compensation (NSW) Limited ABN 95 003 195 604

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 (ie 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 unto 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 twenty 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 and special 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.

Eight policy sections are available under the Plan and this guide is a summation of these covers. 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.

Policy 1 – Community property, homes, 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 (eg 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 (eg flood, wear and tear, corrosion, vermin).

The exclusions are clearly set out in the policy.

Additional Benefits

The cover on Community Property, Homes and Commercial Buildings 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
- ◆ Claim preparation costs and fees incurred with our consent
- ◆ Emergency cost of minimising losses
- ◆ 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
- ◆ Tsunami damage (ie a tidal wave caused by an earthquake).

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, failure of supply services, or an infectious or contagious disease – up to an amount equal to 15% of the sum insured
- ◆ Alterations or extensions commenced during the period of insurance – up to 10% of the sum insured
- ◆ Reward for an arson conviction – up to \$5,000
- ◆ Fusion of electric motors – up to 4 kw's
- ◆ Exploratory costs in locating source of burst pipes
- ◆ Replacement of defective parts – up to \$500
- ◆ Cost of removing fallen trees that have caused damage to insured property – up to \$2,000
- ◆ Fire extinguishing costs
- ◆ Cost of replacing trees, shrubs or plants damaged by fire, explosion, earthquake, malicious acts, theft or impact – up to \$1,000
- ◆ Cost of discharging a mortgage if a building is not replaced following a loss – up to \$500
- ◆ 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 \$5,000
- ◆ Cost of replacing Title Deeds that are lost or destroyed – up to \$500.

Benefits that apply to Community Associations only.

- ◆ Lot Owner's contributions and fees that are uncollectible following an insured event – up to \$1,000 a lot
- ◆ Loss of money while in the custody of an office bearer or community scheme manager – up to \$5,000
- ◆ Loss of or damage to personal property of others while in the Body Corporate's legal control – up to \$5,000
- ◆ Cost of replacing records lost or damaged by an insured event – up to \$5,000.

Benefit that applies to owner-occupied Homes only.

Cost of emergency accommodation incurred if their home is rendered uninhabitable by an insured event – up to \$600 a home.

Benefits that apply to owner-occupied Homes and Commercial Buildings only.

- ◆ Cost of re-keying or recoding locks if keys to a building are stolen from within the building – up to \$1,000
- ◆ Cost of modifying a building if the owner-occupier becomes a paraplegic or quadriplegic as a direct consequence of insured damage happening to the building – up to \$10,000
- ◆ Cost of boarding pets or guard dogs if a building is damaged by an insured event – up to \$500 a lot.

Optional Benefits

These benefits apply to Community Property only.

- ◆ Provision for extra expenses necessarily incurred to maintain services provided by the Body Corporate at the time of a loss. Cost of accountant's fees to certify such expenses is also included
- ◆ Cost of replanting or re-establishing grassed sport playing surfaces damaged by a cause not excluded (eg 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

- ◆ Commercial Buildings are subject to an 80% co-insurance clause if any loss is greater than 10% of the sum insured. Co-insurance does not apply to Community Property or Homes
- ◆ 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.

Policy 2 – Legal liability

What is insured?

Policy 2 indemnifies:

- ◆ The Body Corporate as owner of Community Property
- ◆ Lot Owners as owners of Homes
- ◆ Lot Owners as owners of 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.

Benefits that apply to Community Associations only.

- ◆ 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.

Benefit that applies to Community Associations and Commercial Buildings only.

- ◆ Car parks owned or operated at the situation.

Special Benefits

The following benefits apply to Community Associations only. They are automatically included up to their nominated amount.

- ◆ Legal expenses incurred in appealing against an improvement or prohibition notice brought under any workplace, occupational health, safety or similar legislation – \$100,000
- ◆ 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 – \$20,000. This benefit does not apply if indemnity is otherwise provided under Liability to Others or Office Bearers Legal Liability Policies.

Policy 3 – Voluntary workers

What is insured?

Policy 3 applies to Community Associations only. It provides compensation to a person who sustains bodily injury while voluntarily working (ie without reward or remuneration) on behalf of the Body Corporate. Benefits apply to persons over the age of 12 years.

Benefits

- ◆ Accidental death – \$100,000
- ◆ Loss of two hands, feet or eyes – \$100,000
- ◆ Loss of one hand, foot or eye – \$50,000
- ◆ Loss of income (if the worker is a wage or salary earner) – up to \$1,000 per week for 104 weeks
- ◆ Cost of domestic assistance – up to \$500 per week for 10 weeks
- ◆ Travel expenses necessarily incurred – up to \$1,000.

Policy 4 – Workers compensation

What is insured?

Policy 4 applies to Community Associations only. It 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.

Policy 5 – Fidelity guarantee

What is insured?

Policy 5 applies to Community Associations only. It provides protection up to \$40,000 against the fraudulent misappropriation of Body Corporate funds or tangible property.

Special Benefit

- ◆ Cost of auditors fees to support and validate a claim – up to \$2,500.

Policy 6 – Office bearers legal liability

What is insured?

Policy 6 applies to Community Associations only. It 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.

Additional 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 other than lifts, elevators and escalators. If cover is required for these excluded items an application must be submitted.

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 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.

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 (eg an earthquake or cyclone) or
- ◆ other loss that occurs to insured property not more than 60 days thereafter.

Special Benefits

The benefits shown below 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.

Benefit that applies to owner-occupied Homes and Commercial Buildings only.

- ◆ Escalation in the cost of temporary accommodation.

Benefit that applies to owner-occupied Homes only.

- ◆ Cost of compulsory evacuation of owner-occupiers.

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:
 - i the cost to replace the building immediately prior to the happening of the catastrophe, or
 - ii the sum insured on the building under Policy 1.