



Understanding Owners Corporation insurance.



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What does the Owners Corporation Act say about insurance?

What insurance is required for a multi level storey?

- An owners corporation must take out the following insurance:
 - (a) reinstatement and replacement insurance for all buildings on each lot; and
 - (b) public liability insurance



What does the Owners Corporation Act say about insurance?

Public Liability Insurance

- An Owners Corporation must have public liability insurance for any liability of the owners corporation to pay compensation in respect of:
 - (a) any bodily injury to or death or illness of a person; and
 - (b) any damage to or loss of property which is sustained as a result of an occurrence or happening in connection with the common property.
- Public Liability covers the legal liability of the owners corporation. For example, if a resident trips on a trip hazard on common property, they may be able to sue the owners corporation for their medical expenses.
- The Owners Corporation needs to be found negligent in order for the liability section of the policy to be triggered.
- Note: The Owners Corporation liability insurance only covers claims relating to the common property. Owners will need to take out their own liability insurance to cover their lot.



What does the Owners Corporation Act say about insurance

Other types of insurance

- Owners Corporations can also take out a number of other types of insurance such as:
 - Officer bearers' legal liability
 - Fidelity Guarantee
 - Voluntary Workers
 - Catastrophe insurance
- Most of the above come as standard, but you can opt for higher limits if you wish



What is covered?

- The Owners Corporation's insurance does not only cover the common property. It covers the structure of the building.
- A common analogy is that if you take an apartment and shake it, the items that do not move are covered. This means at times there may be claims for items that are private such as air conditioners or fixed cabinets. For these private claims, the person making the claim is responsible for the excess.
- Items that are not generally covered include private contents such as televisions, carpets, curtains and furniture within lots. Owners will need to take out separate contents insurance to ensure they are adequately covered. Public liability is also not covered within individual lots.
- Those that rent out their apartments may also need landlord's insurance. Clients that want information on what insurance they require should be referred to a broker to discuss their individual needs. This is stated on all Owners Corporation Manager's reports at The Knight.



Changes to the Act as of 1/12/2021

Recovery of excess or an increased premium

The act states an OC can levy a lot owner for excess or an increased premium attributable to an insurance claim, if the claim is caused by a culpable or wilful act or the gross negligence of:

- a lot owner
- a lot owner's lessee; or
- a guest of a lot owner or a guest of a lot owner's lessee

Excess can also be recovered when a claim relates solely to a lot owner's lot.

Damage to the common property that is caused by a lot owner or a lot owner's lessee can be recovered where:

- the damage is not covered by insurance; or
- the cost of the damage is less than the excess amount that would have been payable on an insurance claim in relation to the damage.

Noting that these amounts can only be recovered from the **lot owner**. If your tenant or their guest causes damage, you will need to recover this amount from them.



Changes to the Act as of 1/12/2021

Valuations

- Owners Corporations over 2 lots must now get valuations done every 5 years
- You can get them more frequently if you want
- Every 3 to 5 years is recommended
- Valuations do not determine the market value. They determine the cost to replace, repair or rebuild the common property in the event of a total loss. It also includes expenses reasonably incurred such as the removal of debris and remuneration of persons whose services may be required.
- For example, a building is completely destroyed by a major fire. In order to rebuild, the OC needs to engage a contractor to remove the remnants of the burned buildings. They also must hire architects, project managers and other contractors whose services are required to rebuild.



Disclosure

Disclosure to the insurer

- Under the insurance Contracts Act 1984, before an insurance contract is entered into the owners corporation must disclose anything that may affect the insurer's decision to insure.

This includes:

- OH&S risks (especially those identified by a professional)
- Building orders and notices
- Defects
- Anything that may lead to potential legal action against the owners corporation

It is essential that the above items are disclosed. If they are not disclosed and there is a claim, it may lead to the insurer denying it.



Common Issues

Liability claims

Any potential liability event such as person injuring themselves at a property or a person who is threatening to sue the OC should be advised to the broker immediately. The OC should never admit liability as this will void the policy.

Why should we pay when we are not responsible for the claim?

In some instances, an insurer may be able to recover the cost of the claim if a 3rd party is responsible. For example, if a delivery driver hits a garage door causing it to break and we have CCTV and details of the party responsible. These incidents should be claimed on the Owners Corporation's insurance policy.

The manager should provide the broker with any information that may assist with recovery such as witness statements, CCTV, police reports or license plate details. This process can only start once the claim is finalized. In the event of a successful recovery, the claim will be removed from the claims history and will not impact the premium.

Recovery can take some time and is not always successful. It is not a guarantee that the funds will be recovered before the insurance is renewed and the claim may therefore impact the next premium.



How to make a claim

- Insurance@theknight.com.au should be contacted if you wish to make a claim
- If the issue relates to your private property, you will be asked to make the claim and pay the excess
- The Knight cannot tell you if something is claimable or not, it is up to the insurer to determine
- If you are claiming for resultant damage from a leak from the lot above, you will still need to pay the excess
- The Owners Corporation Manager cannot oncharge the excess to the lot above, you will need to pay the excess. You may then try and recover it from the lot above. This is a private responsibility.
- If it relates to criminal damage, make a police report and advise the report number.
- Photos are very helpful to include if possible
- Please note: The Owners Corporation cannot stop an owner from making a claim on the insurance.



Q & A





**Thank you for
attending.**