Is your cover adequate?

The questions to ask before you renew, not after a claim.

Under-insurance is discovered at the worst possible moment, and by then the corporation meets the shortfall itself. Work through this before renewal with the policy schedule in front of you. Statutory minimums below are South Australian; the adequacy questions apply anywhere.

YOUR POLICY

Corporation or scheme	
Insurer and policy no.	
Renewal date	
Sum insured (building)	
Date of last valuation	
Reviewed by / date	

THE STATUTORY MINIMUMS (SOUTH AUSTRALIA)

- [ ] **Building, full replacement cost.** Strata corporations under s 30 of the Strata Titles Act 1988; community corporations under s 103 of the Community Titles Act 1996. Cover must extend to demolition, site clearance and professional fees.
- [ ] **Public liability, at least $10 million.** For strata this comes from regulation 14(1) of the Strata Titles Regulations 2018, which lifts the $5 million floor written in s 31(2) of the Act. For community corporations the $10 million sits directly in s 104(2).
  Check the regulation, not the Act. A schedule still showing $5 million is below the current requirement.
- [ ] **Fidelity guarantee: the higher of $50,000 or your maximum total bank balance at any time in the preceding three years.** Regulation 14(2)(a) for strata, regulation 16C(a) of the Community Titles Regulations 2011 for community. It is a test, not a flat figure.
- [ ] Exemptions differ between the Acts. Strata corporations with no administrative or sinking funds are exempt. Community corporations are exempt where common property buildings are insured for no more than $100,000, or in a two-lot scheme with no funds.

THE ONE TO GET RIGHT

Fidelity cover is a calculation, not the $50,000 on the renewal notice.

Work out the highest total balance across all corporation accounts at any point in the last three years. If it exceeds $50,000, that is your minimum. A corporation that banked a special levy almost certainly needs more. This is the requirement most often stated wrongly, including in published guidance.

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IS THE SUM INSURED STILL RIGHT?

- [ ] Valuation is no more than three to five years old, and post-dates any building work.
- [ ] Sum insured reflects current construction costs, not the figure indexed forward from an old valuation.
  Indexation has lagged real building costs badly in recent years. Indexed is not the same as valued.
- [ ] Cover includes demolition, debris removal, architect and consultant fees.
- [ ] Cover allows for rebuilding to current standards, not the standards the building was built to.
- [ ] Common property improvements are included: fencing, carports, driveways, landscaping, pool, lifts.
- [ ] Loss of rent or temporary accommodation cover, and for how long.
- [ ] Office bearers liability, if the committee is exposed.
- [ ] Machinery breakdown, catastrophe and flood: included, excluded, or sub-limited.

EXCESSES, EXCLUSIONS AND THE FINE PRINT

- [ ] Standard excess, and any higher excess for water damage, storm or earth movement.
- [ ] Exclusions the committee has actually read, not assumed.
- [ ] Any condition requiring maintenance, inspection or certification to keep cover valid.
  Failing to service fire equipment can void the part of the policy you most need.
- [ ] Commission or benefit received by the manager or broker on this policy, disclosed in writing.

ACTIONS

Valuation to be obtained by ____________________

Sum insured to change to ____________________

Fidelity figure calculated as ____________________

Gaps to raise with insurer ____________________

To be tabled at ____________________

Two rights worth using. Any owner, prospective owner or mortgagee may inspect the corporation's current policies, and the corporation has five business days to comply: s 32 of the Strata Titles Act 1988, s 108 of the Community Titles Act 1996. Community lot owners whose building provides support or shelter under an easement must insure it themselves under s 106, with a maximum penalty of $15,000 for failing to do so. This is a review tool, not insurance advice, and does not replace a valuation or a conversation with a licensed broker.

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