BCCM Fact Sheet – Insurance obligations

Bodies corporate in Queensland have many responsibilities when it comes to insurance. There are 3 main types of insurance that a body corporate needs to hold:

- public risk insurance
- insurance for the common property and any assets the body corporate owns
- building insurance for buildings in schemes that are subdivided by:
    - building or volumetric format plans
    - a standard format plan and contain a wall that is shared by two or more lots.

Note: a building format plan is a form of subdivision that usually applies to multi-storey unit complexes, whereas a standard format plan usually applies to low-rise developments. There are exceptions to both cases, so you should check your plan to see whether your body corporate is required to insure your building. To find the plan for your community titles scheme contact Titles Queensland.

Public risk insurance

A body corporate must have public risk insurance for:

- the common property
- body corporate assets for which it is practical to have public risk insurance (e.g. gym equipment or pool furniture).

Public risk insurance must cover amounts the body corporate could be liable to pay for:

- compensation for death, illness, or injury
- damage to property.

The policy must be at least $10 million for a single event, and at least $10 million in a single period of insurance.

Common property, assets and building insurance

The body corporate must insure, for ***full replacement value***:

- the common property and any body corporate assets
- any required buildings.

This kind of policy must cover, to the greatest practicable extent:

- damage
- costs incidental to the reinstatement or replacement of insured buildings.

Full replacement value

Full replacement value means the cost of returning the insured items or property to an as-new condition. Therefore, the insurance policy must cover, to the greatest practicable extent, damage, and other costs relating to reinstating or replacing the item/property (e.g. professional fees, cleaning costs, or removing contaminated debris).

What needs to be covered

In relation to insurance, the following definitions apply.

Building

A 'building' includes any improvements made to the building and fixtures added to the building, however it does **not** include:

- temporary wall, floor or ceiling coverings, or carpet
- fixtures that can be removed by a lessee or tenant at the end of a lease or tenancy
- mobile or fixed air-conditioning units servicing a particular lot
- curtains, blinds, or other internal window coverings
- mobile dishwashers, clothes dryers or other electrical or gas appliances that are not wired or plumbed in.

Damage

A policy that is required to cover damage must cover, to the greatest practicable extent:

- damage from
    - earthquake, explosion, fire, lightning, storm and water
    - impact, malicious act, and riot
- glass breakage.

Note: flood insurance is not always included in a standard insurance policy. In flood-prone areas, in order to satisfy the requirement that it obtains coverage to the greatest practicable extent, a body corporate may need to investigate whether it can obtain additional coverage for damage caused by flooding.

Insurance valuation

For any building that the body corporate has a responsibility to insure, an independent valuation must be done at least every 5 years. The amount that each owner pays towards the costs of the valuation is proportionate to the amount they pay towards the body corporate insurance premium. As this is a regular expense, the money is collected each year as part of the owners' contributions and paid from the body corporate's administrative fund.

Owner responsibilities

For community titles schemes that are registered under a standard format plan an owner is responsible for insuring their own building if it does not share a common wall with another building. However, the body corporate can take out building insurance on behalf of owners under a voluntary shared insurance scheme.

All owners in all schemes are responsible for insuring their own contents.

Body corporate manager responsibilities

It is common for body corporate managers to organise insurance on behalf of a body corporate. If they receive a commission from an insurance company or broker for doing so, they must give written notice of their commission before the body corporate votes to take out the insurance.

Insurance information

At the annual general meeting, the body corporate must give owners information about its insurance policies and any valuations that have been done.

Insurance details include the:

- name of the insurer
- amount of cover
- type of cover (a summary)
- amount of the premium
- date the cover expires.

Insurance valuation details include the:

- date of the valuation
- determined full replacement value of the buildings.

Further information

The Office of the Commissioner for Body Corporate and Community Management (BCCM office) provides information on the *Body Corporate and Community Management Act 1997* (BCCM Act). General information about most body corporate topics can be found on our website at www.qld.gov.au/bodycorporate, including information about insurance.

You can also contact our Information and Community Education Unit on 1800 060 119 or in writing at www.qld.gov.au/bodycorporatequestion.