

## RESIDENTIAL STRATA PROPERTIES - WHO INSURES WHAT?

At Honan, we often receive queries from lot owners about what their strata insurance policy covers. For example: *is water damage to the carpet in an apartment covered by the building insurance? Can a tenant's damage to the front door of a property be claimed on the strata policy? Is a cracked glass cooktop covered by the Body Corporate policy?* To help avoid duplicating insurance cover and identify risk exposures, this article looks at building and contents items for residential properties and outlines who is responsible for what - the Body Corporate, landlord/lot owner, or tenant.

### WHAT IS STRATA INSURANCE?

The insurance that a Body Corporation takes out to cover the building, common property, and common area contents of the strata plan. In Australia, the Body Corporation must hold strata insurance that complies with the relevant state or territory legislative requirements.

### HOW IS A BUILDING DEFINED?

As the old saying goes, if you turn the building upside down, what falls out is the contents, and what stays in is considered the building. While this is a fairly good rule of thumb, it is important to check the meaning of **building** as defined in the relevant strata legislation depending on where your building is situated. \*See the relevant Act for your location at the end of this article. For example, in Victoria [The Owners Corporations Act 2006](#) states a **building** includes—

*(a) a structure and part of a building or a structure; and*

*(b) walls, out-buildings, service installations and other appurtenances of a building; and*

*(c) a boat or a pontoon that is permanently moored or fixed to land.*

### WHAT DOES STRATA INSURANCE COVER?

Strata insurance typically covers the building, common property, and common area contents in the event of **sudden/unforeseen accidental loss or damage**. In every case, coverage will depend on the cause of damage and if it is classed as an **insurable event**.

A couple of examples are as follows:

- Storm damage
- Fire
- Resultant water damage from a burst pipe/apparatus
- Impact damage
- Vandalism
- Malicious damage
- Theft

Each policy has exclusions, and as such, it is important to read and understand your insurer's Policy Wording and Product Disclosure Statement. Some general exclusions across the market are (but are not limited to): wear & tear, corrosion, faulty workmanship, defect, and/or maintenance-related. Certain strata policies include an extension of cover for loss of rent/temporary accommodation to assist owners if their lot becomes inhabitable during an insurable event.

## WHAT AM I RESPONSIBLE FOR INSURING?

Strata insurance protects the Corporation against any third-party claims for personal injury and property damage. Claims that arise **inside** the lot relating to damage to the contents and or liability are the property owner and tenants' responsibility.

The lot owner is responsible for ensuring the lot is well maintained and safe for the tenant and their guests. Examples of claims arising from **negligence by the lot owner** include failing to repair a piece of carpet that has come loose resulting in the tenant or their guest sustaining an injury, and damage to a step or balustrade on the staircase, resulting in the tenant or their guest sustaining an injury. A **tenant** can be held responsible for failing to maintain a safe environment for anyone who may come onto the lot, such as failing to clean up a spill resulting in someone onsite slipping and injuring themselves. In most instances, the lot owner and tenant will both be brought into the claim until negligence is determined.

If you are found to be at fault and you do not have public liability insurance, you are responsible for the cost of defending the claim, damages awarded to the claimant, and the claimant's legal costs.

## WHAT IS CONTENTS INSURANCE?

How the lot is occupied will determine the type of contents insurance that best suits your needs. If you own and occupy the lot, a Householders Contents Only policy will be relevant to you, whereas if the lot is leased to tenants, a Landlords' policy would be appropriate. As a landlord, contents insurance covers your public liability inside the lot as well as the cost of repairing or replacing your possessions and furnishings such as carpets, blinds, whitegoods/ appliances not wired in. **The cover does not extend to the personal property of the tenant or their guests. If you live in a rental property, you can take out a Householder's Contents policy.**

## LANDLORDS' INSURANCE

Landlords not only need to consider how they protect their **premises** but also the **income** they receive from their tenants. Landlords' insurance provides the option to extend cover for Rental Loss. The two types of covers are:

1. **LOSS OF RENT** is where an insured event occurs (e.g., burst pipe) and damage to the premises has rendered it uninhabitable. This section will cover the lost rent until repairs are completed.

2. **RENT DEFAULT** is where the tenant fails to pay rent in accordance with a rental agreement. A claim can only be triggered once the Insured has taken all reasonable steps legally available, under the Residential Tenancies Act or other relevant legislation, to remedy non-payment and evict the tenant.

When selecting Rent Default, it is important to refer to the policy conditions relating to the cover. Most policies have a condition that requires a signed long-term lease agreement in place with the tenant and no rental arrears at the policy's inception. Undisclosed details which may increase the risk for the insurer may impact coverage. Failure to advise may result in the insurer refusing cover in the event of a claim.

## STRATA OR CONTENTS?

We often receive questions about whether floating floors and air conditioning units are covered by strata or contents insurance.

**Floating floors** are generally considered a contents item. However, some strata insurers offer floating floors within the unit as optional coverage on the strata policy. For most insurers, floating floors are defined as *laminated, veneered, or similar type flooring not fastened to the sub-floor but held in position by its own weight with or without skirting at perimeter walls.*

**Air conditioning units** are classified on a case-by-case basis. Typically, if the air conditioning unit is a permanent fixture (i.e., ducted air conditioning), it is considered part of the building and would fall under the strata policy. However, In Queensland, air conditioning (fixed or mobile) is excluded from the strata policy. It is important to check the relevant Product Disclosure Statement (PDS) and Policy Wording to ensure that you are adequately covered. If you are unsure, we are happy to review your policy.

## BREAKING IT DOWN – STRATA, LOT OWNER, OR TENANT?

ITEM	STRATA	LOT OWNER	TENANT
<b>BUILDING STRUCTURE</b> <ul style="list-style-type: none"> <li>• Walls (exterior &amp; interior), lifts/stairways, floors, wiring, pipes, ceilings, windows.</li> </ul>			
<b>COMMON PROPERTY/AREAS</b> <ul style="list-style-type: none"> <li>• Driveway/carpark, pool, communal BBQ, gym/spa, garden, courtyard/rooftop, lobby/entrance.</li> </ul>			
<b>REMOVABLE ITEMS/FITTINGS ON COMMON PROPERTY/AREAS</b> <ul style="list-style-type: none"> <li>• Gym equipment, lounges, carpet, artwork, internal letterboxes.</li> </ul>			
<b>PERMANENT FIXTURES WITHIN THE UNIT</b> <ul style="list-style-type: none"> <li>• Showers, doors, built-in ovens/built-in cooktops, built-in wardrobes, kitchen units (excluding dishwashers), fixed floors (i.e., timber, tiles, etc.)</li> </ul>			
<b>REMOVABLE ITEMS/FITTINGS WITHIN THE UNIT <u>BELONGING TO THE LOT OWNER</u></b> <ul style="list-style-type: none"> <li>• Non-fixed flooring (i.e., carpets, floor rugs), internal window coverings (i.e., curtains/blinds), furniture, household appliances (i.e., dishwashers, washing machines, and dryers), personal possessions (i.e., jewellery, electronics, artwork, etc.)</li> </ul>			
<b>REMOVABLE ITEMS/FITTINGS WITHIN THE UNIT <u>BELONGING TO THE TENANT</u></b> <ul style="list-style-type: none"> <li>• Non-fixed flooring (i.e., floor rugs), internal window coverings (i.e., curtains/blinds), furniture, household appliances (i.e., dishwashers, washing machines, and dryers), personal possessions (i.e., jewellery, electronics, artwork, etc.)</li> </ul>			
<b>ISSUES RELATING TO TENANT</b> <ul style="list-style-type: none"> <li>• Damage, Rent Default (legal costs associated with taking action).</li> </ul>			
<b>LEGAL LIABILITY WITHIN THE UNIT</b>			
<b>LEGAL LIABILITY ON COMMON PROPERTY</b>			

\* The definition of a 'building' varies depending on the location. See below for the definition in your state or territory:

SA - [The Strata Titles Act 1988](#)

QLD - [Body Corporate and Community Management Act 1997](#)

TAS - [Strata Titles Act 1998](#)

VIC - [The Owners Corporations Act 2006](#)

WA - [Strata Titles Act 1985](#)

ACT - [Unit Titles \(Management\) Act 2011](#)

NT - [Unit Title Schemes Act 2017](#)