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Subject: Bodies Corporate under-insured by up to 78%

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Gold Coast Building Under-Insured by 78%

The new requirement for all Bodies Corporate to have their Insurance Valuations updated every five years has uncovered an enormous amount of Queensland buildings that are under-insured (some by up to 78%), in storm prone areas like The Gap, Gold Coast and North Queensland. Owners of these buildings are potentially running the risk of receiving a cheque of as little as 22% of any claim, potentially leaving families bankrupt and homeless.

Solutions ie's, Managing Director, James Freestun, commented; "We recently valued a building at the Gold Coast that was under-insured by 78%. The business operating out of the building was dealing with industrial chemicals and the original building sum insured would not have covered replacing the bricks to rebuild the structure."

"Typically we've found the level of under-insurance in strata buildings varies between 16% and 34%, meaning that if a claim is placed for a building only a proportion of it would be dispersed due to the insurance companies' averaging clause" Freestun said.

"The most frequently overlooked problem with under-insurance in the strata industry is your policies' averaging clause. If a building was insured for \$2,000,000 but in the event of a total replacement it would cost \$3,000,000 to re-build, the averaging clause would mean a payout of only two-thirds of any claim. So if there was a \$100,000 claim for flood damage only \$66,666 would be paid out, leaving \$33,334 unaccounted for", he said.

Many building owners only insure their buildings for what the building is worth, when in actual fact on average an extra 30% should be added to the buildings value in order to have the correct total

replacement cost of the building sum insured.

Freestun stated, "Inexperienced Valuer's often don't take into account debris removal, planning and council costs, replacing new for old, as well as time and accommodation costs while the building is replaced."

"Market prices also have a huge affect on replacing materials. Recently in Queensland building costs have gone through the roof", he stated.

Another common cause of under-insurance stems from valuations not being updated frequently. A representative for one of the three big insurance companies in Australia commented, "I would suggest that those responsible for building insurance increase their sum insured by 10% every year, and have an insurance valuation done preferably every 3 years or whenever there is a material change made to the property."

"An increase in Strata Insurance from \$2m to \$3m would probably result in an increased premium of much less than one third, so it's proportionately better value anyway," he said.

If one of your buildings was to be totally or partially destroyed and not insured for its rightful amount, owners, tenants and any businesses operating on site would be severely affected. Furthermore, according to the Insurance Council of Australia's 'Year in Review - 2007' almost 35,000 households had a zero expenditure on insurance.

The Body Corporate and Community Management Regulation 2008 was introduced in August 2008, and states that all buildings Insurance Valuations must be updated every 5 years effective from August 30, 2009.

With the likelihood of more storms to hit Queensland this summer it is essential that your buildings have been appropriately valued in order for your owners to receive appropriate payouts if an insurance claim needs to be made.

There's never been a better time to get up to date with your Insurance Valuations in order to have your buildings comply with the Regulation by August 2009. Call us today for an obligation free quote or to place an order.

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