

# CLAIMS PROCEDURE FOR STRATA MANAGERS

## GENERAL GUIDELINES

### Appointment of a Loss Adjuster or Panel Repairer

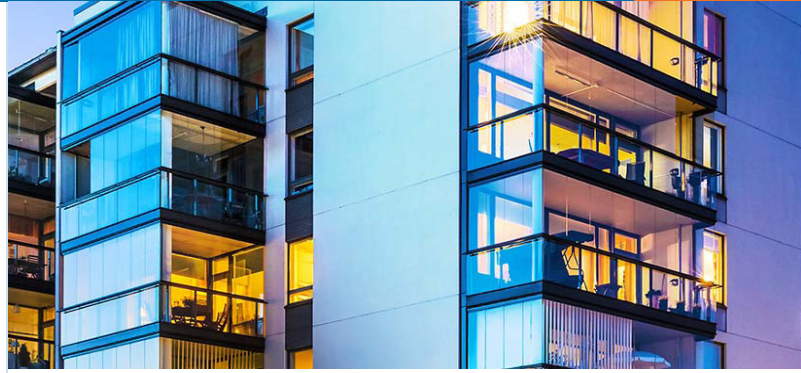
- A loss adjuster or panel repairer is engaged by and represents the insurer. Its role is to manage the claim on the insurer's behalf. It will determine if the loss is covered and ensure the cost of repair/replacement is fair and reasonable and the claim is managed promptly.
- The insurer appoints a loss adjuster or panel repairer at its discretion, and not at the request of the insured, based on the description of the damage it receives.
- A loss adjuster or panel repairer may be appointed if the damage exceeds \$5,000, if a claim is considered "suspect" or where indemnity is difficult to determine. Each insurer has different limits and will make a decision based on what's presented to them.
- If the insurer chooses not to appoint a loss adjuster or panel repairer, it may ask the insured to obtain a quote or if required, a second comparison quote.
- If a strata scheme specifically wants a loss adjuster or panel repairer to be appointed, you must tell us why this is necessary. You'll need to provide a good description of the damage, the number of units involved and any other relevant information.

### Emergency situations

- You must notify BCB immediately about any claim where:
  - there could be a danger to people
  - a unit is uninhabitable/unlettable due to the claimable damage
  - there may be a liability exposure to the strata scheme.
- We'll evaluate the claim and provide the strata scheme with further instructions.

### Claims (excluding glass) under \$3,000

- The strata scheme or lot owner may approve their own repairs for minor damage but must also take steps to substantiate the extent of the damage.
- You should submit a tax invoice with a completed claim form, photos of the damage and an invoice showing the cause has been fixed, if applicable.
- Insurers don't appoint loss adjusters to minor claims. It will decide if the loss is covered once the claim is lodged.
- If the insured wants the outcome of a minor claim to be determined before deciding to carry out repairs, then you should submit the claim form, photos of the damage and cause invoice, if applicable to BCB.
- BCB will lodge it with the insurer and request a repair approval.
- Insurers generally don't offer cash settlements for claims but may consider it if the insured is upgrading at its own cost and using the approved funds in the upgrade. However, the claim settlement for the approved amount will be made once the insurer receives the final tax invoice.
- This does not apply in emergency situations.



### Where a person or party is responsible for the loss

- The insurer has the right to seek recovery from a person responsible for a loss, generally where the incident is the result of negligence. In such cases, you must provide names and contact details to the insurer.
- If a unit is tenanted, and the tenant causes damage (that's not accidental), the insurer may try to recover its costs from the tenant, if it believes the tenant has been negligent or committed a malicious or intentional act.
- If the tenant holds a contents policy, its insurer will provide cover under public liability.
- For impact claims by motor vehicles, the following must be provided.
  - A vehicle description including the registration number.
  - Driver name, licence details and contact information.
  - Owner's name and contact information.
- Where there's an avenue for recovery, insurers will request two quotes to substantiate the loss to the third-party insurer. Where possible, you should provide insurance details for the third party's cover.

**All claims involving malicious acts, vandalism, theft and lost property must be reported to the police if the amount exceeds \$500 and/or there's a chance of recovery from the perpetrator. You must provide the insurer with a Crime Report Number.**

### Contact details

- Always provide contact details for a person who can provide access to the affected unit(s) with the claim submission in case a loss adjuster or panel repairer is appointed.

### What happened

- The circumstances of the loss must be provided by a person who knows about the incident and has the authority to complete the claim form.
- If there's insufficient detail for the insurer or BCB to determine if the policy will provide cover, the claim cannot be processed. (Statements such as "glass breakage" and "water damage" are not adequate and the claim will be returned.)
- It's important that the insured does not guess what happened. If the cause isn't known, they should write "the cause is not known and there were no witnesses".

- Taking a guess (such as “window possibly broken by stone from a mower”) may result in the insurer seeking more information to identify the culprit in case there’s a chance of recovery.

### Date of loss

- The date of loss must be as accurate as possible. Incorrect dates of loss may delay the claim.
- Guessing a date of loss may also lead to inconsistencies, such as a date that’s after the damage has been quoted.
- The date of loss is used to establish the right policy period, which insurer a claim should be lodged with, as well as determining the age of the damage.
- Where the damage is weather-related (storm/wind/rain/hail/lightning), please provide an accurate date, as some insurers will check the event with the Bureau of Meteorology.

### Claim forms

- Claim forms must be completed by a member of the strata scheme or its authorised representative who knows about the incident.
- The claim form is a legal document that declares all information provided is true and correct.
- BCB doesn’t recommend strata managers complete claim forms unless they have intimate knowledge of the incident or the damage is to common property.

### Personal contents

- Contents items owned by individuals are not covered by residential strata insurance.
- The following are contents items and are not covered. Claims should be referred to the individual’s contents insurer.
  - Carpets within a lot.
  - Personal effects of any description.
  - White goods including dishwashers but excluding ovens, cooktops and range hoods that are electrically wired into the building.
  - Loose furniture items.
  - Air conditioning units servicing only one lot (QLD only).
  - Curtains and window furnishings (excluding wooden shutters).
  - Light fittings (excluding the wiring and ceiling fixture).
  - Any items left in a unit for tenant’s use.
  - Any personal belongings, possessions or furniture owned by individuals.
- No type of motorised vehicle is covered by the policy unless owned by the strata scheme and noted on the policy.
- Floating timber floors may or may not be defined as building, so check each claim with BCB. Insurers vary in their definition of this type of flooring, with some providing limited cover or no cover at all, or some offering it as an option when purchasing the policy. Some consider floating timber floors to be a contents item.

**You should refer to policy wordings for the full definition of building, common contents and policy exclusions.**

### GST (Goods and Services Tax)

- The insurance premium and sums insured include GST.
- You must advise the insurer whether the strata scheme is registered for GST, as well as the ABN and the percentage of Input Tax Credit (if it’s not 100%).
- If a strata scheme is registered for GST, then a settlement will have the GST deducted if the tax invoice being settled has collected GST. The strata scheme is reimbursed the GST when it submits its BAS.
- Any reimbursements made to others from the settlement funds by the strata scheme must be paid inclusive of the GST.
- The strata scheme should identify any invoices submitted for settlement where the supplier isn’t registered for GST to ensure it’s not deducted.

## GLASS

- Glass breakage must be dealt with quickly. Either the panel should be replaced, or the opening boarded up where the glass is an unusual type or shape or where the glass isn’t available immediately.
- Glass breakage can lead to liability issues and/or hazards so the area of the breakage and the surrounding areas that might be affected must be made safe immediately.
- All glass breakage invoices should contain the glass measurements and the type of glass used to quantify the cost invoiced, especially where speciality glass or glazing is required.

### Commercial tenants

- Most commercial tenancy agreements make the tenant responsible for glass breakage and the claim must be referred to the tenant for it to submit to its glass insurer.
- The insurer must be advised if a commercial lot is owner-occupied when lodging a glass claim. If not, the insurer may seek recovery of its costs from the owner.
- If the unit is owner-occupied or where there’s no tenancy agreement in place, the insurer will not seek recovery of costs when a claim is submitted with supporting evidence.
- A copy of the lease agreement is required for a glass claim for a tenanted property. If there’s no provision in the lease that makes the tenant responsible, the strata insurer will settle the claim.

## RESULTANT WATER DAMAGE, BURST PIPES AND PLUMBING/ ROOFING ISSUES

- Resultant water damage is generally covered by insurance, ie the damage caused by the escaping water.
- The cost to repair the cause of the water leak will only be covered if the cause is “sudden and unforeseen” and not excluded by the policy.
- Typical policy exclusions are wear and tear, gradual deterioration, building defects, building movement and poor workmanship. You should refer to the Product Disclosure Statement (PDS) for all exclusions that may apply.
- If plumbing costs are being claimed, the plumber must complete a Summary of Costs form that breaks down the costs and requires the plumber to provide its professional opinion about the cause of the plumbing failure. You can request this form from BCB.

- If plumbing repairs are completed before a claim is lodged, you should provide photos of the repair process, including the item that failed, to help progress the claim.
- Neither the insurer nor BCB can determine who is responsible for paying for a cause to be rectified. The cost usually falls to the party who has the responsibility to maintain the item that has failed. This may depend on what's leaking and whether this is addressed in the state legislation.
- If it's practical to fix the cause before the claim is submitted, then repairs should be carried out and the invoice submitted with the claim to confirm it's been fixed. This applies to simple repairs, such as taps and flexi hoses or where emergency repairs are required.
- If destructive works are necessary to fix the cause, and there's uncertainty about what has caused the failure, you can submit the claim without a cause invoice. You should provide an explanation and take steps to mitigate further loss (such as turning the water supply off).
- All cause rectification invoices should show a breakup of costs, including materials, labour and exploratory, as some policies may cover exploratory or other individual costs.
- If the cause rectification within units requires major works, such as a leaking shower base, the claim must be submitted as soon as possible after the leak is discovered. However, the cause doesn't have to be repaired before the claim is lodged if fixing the cause will be done in conjunction with the resultant damage repairs. If the cause is in a unit that's otherwise not affected by the escaping water (such as the unit above), then the cause can be repaired before the claim is lodged.
- If it's necessary to fix the cause of the leak at the same time as the resultant damage repairs, you should submit the claim before any work begins. BCB will send the claim for further instruction from the insurer.
- It's important for owners to understand what their policy covers and what it doesn't when it comes to water leaks in bathrooms, as it may affect how they undertake the work.

## FUSION

The simple insurance definition of fusion is the "burning out" of an electric motor.

- Claims for small motors can be submitted after the repair or replacement has been carried out.
- For larger motors, the insurer may request a Fusion Repairers Report. This report is completed by the repairer and confirms the motor was unable or uneconomical to be repaired (if the motor was replaced), a breakup of the repair costs including any items, such as consumables, which may not be covered (refrigerants, seals, bearings etc).
- For larger motors, the insurer may require quotes to repair or rewind the motor, as well as a replacement quote. Some insurers may deduct a percentage from the replacement/repair total to allow for items that aren't covered, such as consumables. Others pay replacement costs in full.

**Please note, there may be policy limitations on the size of the motor (capacity), replacement cost and/or the age of the motor that's claimable. You should check this limit when renewing a policy to ensure the policy adequately covers all machinery at the property, otherwise separate Machinery Breakdown cover may be required.**



## CLAIMS REQUIRING ASSESSMENT

- If an incident requires immediate attention, where a property is unsafe, or where occupants have had to vacate, you should verbally advise BCB about the nature of the loss (fire, water etc), the date of the incident, a description of the damage and the number of units involved. You'll also need to provide an onsite contact who can provide access for a loss adjuster.
- BCB will ask for a loss adjuster or panel repairer to be appointed based on the initial advice provided. You don't need to wait for a completed claim form or to obtain quotes where the severity of the situation requires immediate attention.

## LOSS OF RENT AND TEMPORARY ACCOMMODATION

- If claimable damage to the building causes a unit to be vacated because it's unfit for purpose or uninhabitable, the additional policy benefits of Loss of Rent or Temporary Accommodation may be triggered.
- If damage to contents, such as carpets, are the cause of the occupant vacating, these benefits are not triggered.
  - Loss of Rent applies where a unit is tenanted. Any policy benefit is paid to the lot owner and the tenant isn't entitled to alternate accommodation under the policy.
  - Temporary Accommodation applies to an owner-occupied unit. Temporary Accommodation is based on alternate accommodation that's similar to the damaged unit.
- You should immediately notify BCB immediately about any claim where Loss of Rent or Temporary Accommodation may be claimed as insurers rarely consider these costs retrospectively.
- These benefits may be available until the date the repairs are completed, or some insurers may provide cover until the date a new tenant is found if the previous tenants terminated their lease due to the damage. You should check the PDS for more detail.
- A unit doesn't have to be uninhabitable for these benefits to apply, but the unit does have to be unfit for the purpose for which it was intended. For example, the benefits may apply where there are no cooking facilities, or where the only bathroom or toilet is unable to be used, but the unit is otherwise liveable.
- The benefits of Loss of Rent and Temporary Accommodation, as well as other additional policy benefits, may be triggered by several different events. Always check the policy wording to ensure the maximum benefit is applied.



## PUBLIC LIABILITY – PROPERTY AND INJURY/DEATH

- Liability exposure occurs when the strata scheme knows about, or should have known about, issues that may give rise to a claim from a third party for damage to third-party property or injury or death.
- If a strata scheme is aware of any issues, it must take action to fix the problem to mitigate and prevent the likelihood of future loss and claims from third parties.
- When an injury/death occurs, the strata scheme must immediately notify BCB. We'll ask you to complete a Liability Incident Report Form (LIRF) and provide information relevant to the strata scheme's likely liability exposure.
- The LIRF must NOT be given to the third party, or its relatives, to complete. This form is the opportunity for the strata scheme to provide its version of the incident.
- The third party should outline its understanding of the circumstances that caused the loss and how the strata scheme is responsible in its demand.
- The information we request helps establish the strata scheme's exposure if a claim is pursued. We'll also clarify whether the strata scheme is the correct entity to respond to a third-party claim by determining where the incident occurred and whether the strata scheme has responsibility for the maintenance or upkeep of that area.
- Injury claimants have up to three years to make a demand for injuries in most states. Due to the allowable timeframe, collecting information at the time of the incident is very important, particularly where there's valuable CCTV footage, and witnesses who can provide statements and general recall about an event.
- The strata scheme may acknowledge receipt of a claim received from a third party but must not provide any advice or make any admission of liability as this may prejudice the insurer's rights. Any response should be limited to acknowledging what was received and advising that the strata scheme's liability insurer will be notified.
- The strata scheme should respond to any requests from BCB or a solicitor appointed by the insurer as quickly as possible. Liability claims and legal proceedings usually require adherence to timeframes for response.

## AIR CONDITIONING UNITS

- Queensland is the only state that doesn't cover air conditioning units that service individual lots within strata insurance policies. The Queensland strata legislation makes air conditioning units the responsibility of lot owners and therefore any claims must be submitted under their personal contents insurance.
- Air conditioning units that service more than one lot, including in Queensland, are covered by the strata insurance policy.

## THEFT

- Theft of items that are owned, or which are the responsibility of the strata scheme, are covered, however, proof of ownership may be required.
- Any items in common areas that are "on loan" from others, especially if valuable (such as artworks), should be identified to the insurer to ensure cover is provided if stolen (or damaged). Ideally, the strata scheme should have a written agreement with the item owner about who is responsible for its repair or replacement if the worst happens.

- Theft must be reported to the police if the value of the item exceeds \$500 and where the claim will exceed the excess applicable to the claim. You must submit a Crime Report Number (CRN) with the claim.
- Theft of personal belongings owned by occupants isn't claimable under a strata insurance policy.
- Theft of third-party motor vehicles isn't covered by a strata insurance policy.

## EXCESS

The excess is an amount the strata scheme has agreed to contribute towards the cost of a claim.

A claim refers to a single incident. Every incident will have an excess applied, even if more than one incident is reported at the same time.

- The strata scheme determines who pays the excess – either the strata scheme itself, the lot owner or sometimes a combination of both. This is not determined by the insurer or BCB.
- Queensland strata legislation offers some guidance, but ultimately, the strata scheme may determine what's fair to all parties.
- The amount of an excess and reasons for application may vary. Excesses other than a standard basic excess may be applied where there's a history of water damage or a pattern of other types of claims.
- A higher than standard excess may be applied where the property has identified issues that are likely to give rise to a claim or damage, such as building defects.
- Named Cyclone Excesses are applied and triggered by any damage sustained once a cyclone has been named.

## LEGAL DEFENCE EXPENSES

- The cover is for the cost to defend legal action taken against the strata scheme (not individuals) but doesn't include the costs of compensation, fines or penalties of any description.
- The cover usually has a capped policy limit that's written into the policy wording. Once the limit is reached, the cover ceases and the strata scheme is responsible for any ongoing legal defence costs. The cover resets when the policy is renewed, but only for new proceedings received after the renewal date.
- There's no cover for legal costs where the strata scheme begins legal action against others. However, cover may be considered if the party the strata scheme is suing issues a counterclaim naming the strata scheme as the Defendant.
- You should notify BCB immediately about any threat, or likely legal action, against the strata scheme. This is a "claims made" policy and the insurer must be notified within the renewal period when the strata scheme first becomes aware of the threat.
- Legal action includes applications/claims to tribunals, Courts of any level, the Fair Work Commission and the Office of the Commissioner for Bodies Corporate (QLD) or any similar local jurisdiction.
- Claims may be considered where the strata scheme needs to engage legal counsel to defend allegations made against it, other than instances excluded by the policy or where cover may fall under another policy section.

- The strata scheme solicitor must provide an estimate of costs, a costs agreement, a draft defence strategy and a statement of the prospects of success of defending the proceedings. The strata scheme is responsible for paying its solicitor's invoices, and the insurer will reimburse the strata scheme when it receives the invoices.
- The insurer must be notified before the matter is defended and must agree that the matter is defensible before indemnity will be granted.
- Claims for damage to third-party property, injury or death, as well as claims made against individual Office Bearers, aren't covered by this part of the policy.

## CATASTROPHIC EVENTS (CAT)

- The key to successful claims management and orderly outcomes for CAT events is pre-planning.
- Insurers and loss adjusters pre-plan by having panel builders and associations with other firms to spread the load. Loss adjusters come from other states as well as overseas during significant events.
- BCB has a consistent claims process across all states and interstate claims teams assist during these times.
- A strata scheme can pre-plan by having a nominated person onsite at each property to be the CAT Coordinator who:
  - has a list of current owners and occupants and their contact details
  - advises how to access a unit if the owner/occupant is absent
  - is responsible for carrying out a preliminary audit following an event
  - provides the strata manager with information about the number of affected units, the extent of the damage, photos and anything else that's relevant.
- Quickly identifying all damage at a property is important as this will limit the need for a loss adjuster to visit a property multiple times. The time spent unnecessarily revisiting a property each time a new unit is added is better spent coordinating repairers or helping people who have been displaced.
- BCB has a Major Events Report Form (MERF), which you can request. Or, where a known event is about to occur like a cyclone, we'll send this form directly to strata managers in the affected area to distribute to their CAT Coordinators.
- The MERF has a self-evaluation to help us prioritise valuable resources.

## AFTER HOURS EMERGENCIES

- All insurers have after hours emergency contact numbers, which may be a panel builder, loss adjuster or employee.
- BCB also has emergency contacts available on our website, <https://bcb.com.au/after-hours-emergency-contacts/>
- The strata scheme must ensure it takes steps to immediately mitigate further loss. This may mean calling a plumber or emergency service, or making the area safe by calling a builder or cordoning off an area so it's not accessible.
- A strata scheme may contact its own builder or maintenance people to conduct a make-safe. The costs will be reimbursed to the strata scheme if the claim is accepted. We recommend strata managers or the strata scheme have a pre-arranged understanding with a preferred builder for this type of incident, which might not always progress to being an insurance claim.

## GENERAL CLAIMS CONDITIONS

- Don't proceed with any insurable damage repair works, other than works necessary to "make safe", without the insurer's permission.
- Take steps to prevent further loss or damage, for example, call a plumber to fix or turn off leaking water.
- Inform the police immediately if a crime has taken place and provide a CRN with the claim.
- Don't dispose of any damaged property without the insurer's consent. Damaged property may be subject to salvage by the insurer.
- Where a person is responsible for causing damage, under no circumstances should you ask them to pay or contribute toward the cost of repairs or payment of the excess, if the strata scheme intends to claim on its strata insurance. The insurer has subrogation rights to seek recovery in the name of the strata scheme and if the strata scheme has asked for payment or commenced any negotiations with a party responsible for damage, the insurer's right to recover the full amount of the repair costs or expenses may be prejudiced.

The information provided is general. It does not constitute legal advice and should not be relied upon as legal advice. BCB recommends seeking advice from a qualified lawyer on any legal issues affecting you before acting on any legal matter. Whilst BCB endeavours to ensure the content of this information sheet is accurate, it does not represent or warrant its accuracy, adequacy or completeness and is not responsible for any loss suffered as a result of or in relation to the use of this information.

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### QUESTIONS?

Please contact your nearest BCB office for any queries or advice.



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