

Illegal Building Works Costs: Residential Strata Insurance – Comparative Snapshot

This article provides a brief comparison on insurance cover related issues for illegal building works issued by some of the usual strata insurers. The table below is a comparative snapshot that highlights key aspects of this form of cover and more importantly the exclusions across a number of product lines. Since it is likely that your Owners Corporation will have its own Policy Schedule (and Policy wording) you would be well advised to obtain advice about your particular wording and circumstances since the information below operates as a guide only.

	<i>SUU</i> <i>PDS strata-r 0421</i> <i>Prepared on 30 July 2021</i>	<i>CHU</i> <i>PDS QM562-0122</i> <i>Prepared on 30 September 2021</i>	<i>Longitude Insurance</i> <i>PDS</i> <i>21PDSLRS02</i> <i>LONGRSI 11.10-2021</i> <i>Prepared on 27 July 2021</i>
Name of Insurer	CGU Insurance Limited	QBE Insurance (Australia) Limited	AAI Limited t/as Vero Insurance
Agent / Intermediary	Strata Unit Underwriting Agency Pty Ltd t/as Strata Unit Underwriters	CHU Underwriting Agencies Pty Ltd	Longitude Insurance Pty Ltd as authorised Representative of Austagencies Pty Ltd (distributor)
Comment on cover	Under 'Part 2: The Insurance Policy - General	Under 'Policy 1 – Insured Property' the cover	Under 'Section 1 – Property: Physical Loss,

Definitions Relating to All Sections' the definition of building(s) specifically excludes 'illegal installations' (page 5). Building(s) are defined as "anything permanently built, constructed or installed on Your property... [but] do not include: "illegal installations".

Under "Section 1: Building(s) and Common Contents", the insurer "will cover Your Insured Property for and Damage occurring during the Period of Insurance not excluded by this Section." Damage to 'illegal works' are not covered. The PDS states that the insurer "will not replace, repair or pay for any illegal installation of alteration of Insured Property of any kind". (page 16)

Excluding 'illegal installations' is referenced throughout the policy in reference to various different parts of a building which may have illegal works, e.g. internal and external glass.

Additionally, "Section 12 - Lot Owner's Improvements" is subject to the general definitions under Part 2, as above. It serves to exclude 'illegal works' from the definition of 'building works'. (page 45)

specifically states that the insurer

- a) "will not pay for demolition ordered by any Public or Statutory Authority as a result of the owner's failure, or the failure of anyone acting on the owner's behalf, to comply with any lawful requirement or due to the incorrect sitting of the Insured Property;"
- b) "Damage caused by non-rectification of an Insured Property defect, error or omission that You were aware of, or should reasonably have been aware of..."

Additionally, under 'Policy 1 – Claims – how We will settle Your claim', the insurer states that they "will not "pay under Policy 1 as part of the cost of Replacement for the cost to ... rebuild, replace or repair illegal installations".

Similarly, under 'Policy 10 – Lot Owners' Fixtures and Improvements' – Claims – how We will settle Your claim', the insurer states that they "will not pay for the cost to: ... replace or repair illegal installations".

Furthermore, under Policy 10 – Lot Owners' Fixtures and Improvements, it states that the insurer will not pay for the cost to replace or repair illegal installations

Destruction or Damage – 3. Exclusions', the insurer states that they "will not cover physical loss or destruction of or damage to... any installation or alteration of any kind to Your Insured Property where that installation or alteration was required to be approved by council or relevant authority, and such approval had not been provided."

Additionally, under section 3.29(r), the insurer "will not cover physical loss, destruction or damage caused by or arising directly or indirectly from ... demolition ordered by any public or statutory authority as a result of Your failure, or the failure of anyone acting on Your behalf, to comply with any lawful requirement or due to the incorrect sitting of Your Insured Property."

This article does not cover insurance policies for other group title structures such as community title, company title or other types of group title.

Please note this article only summarises some limited aspects of the exclusions for illegal building works. For full policy conditions, exclusions and definitions please refer to the Insurer's Product Disclosure Statement.

An owners corporation may have negotiated its own product, or product terms, which may differ from this summary.

Insurance companies regularly amend and update the insurance terms and conditions and as such the above may not apply.

Please note that there is a statutory obligation to advise the insurer, when taking out or renewing a policy, of any potential claims that may be made or circumstances that may lead to a claim. Most insurance policies also contractually impose this obligation on the insured. Failing to comply may result in insurance cover not applying to costs arising from matters that should have been notified to the insurer.

The above information is not intended to be a substitute for legal advice or a full and proper explanation of the various insurance products and no reliance should be placed on this information until you obtain full and comprehensive advice from a suitably qualified solicitor and insurance advisor about your specific situation and circumstances. The currency, accuracy, completeness and relevance of this information may need to be checked and revised so do not take any action in reliance on this information until you have obtained legal advice from Bannermans about your particular situation.

**Prepared by Bannermans Lawyers
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