

STRATA & FLOOD INSURANCE: WHAT DOES IT COVER & DO YOU NEED IT?

Of the many covers available in the strata insurance marketplace, flood insurance is one I find myself answering queries about almost every day, particularly after a day of heavy rain. With wild weather sweeping across the country in recent times (and the likelihood of future weather events occurring), it's vitally important that strata managers and Owners' Corporations understand their risk exposure to flood events, what flood cover involves, and ensuring the appropriate cover is in place.

HOW IS A 'FLOOD' DEFINED?

Before 2012, each insurer in the market had its own definition of flood cover, which made it difficult for consumers to accurately compare and understand the different options available to them. In 2012, the Insurance Council of Australia introduced a statutory flood definition applicable to all domestic property insurance contracts (including Residential & Commercial Strata) to reduce consumer confusion about what constitutes a flood event.

The current definition of Flood is as follows:

The covering of normally dry land by water that has escaped or been released from the normal confines of:

- any lake, or any river, creek, or other natural watercourse, whether or not altered or modified; or
- any reservoir, canal, or dam.

Reference: Section 37B (2) (a) of the Insurance Contract Act 1984 (Cth). Insurance Council of Australia, 2012

In simple terms, if a deluge of rain causes a river, lake, dam, or the like to overflow and the rising of this escaped water causes damage to the property, this would trigger the flood definition in the strata insurance policy, should the Owners' Corporation have this cover in place.

WHAT DOES FLOOD INSURANCE COVER?

Flood Insurance is usually provided as an extension to a standard strata insurance policy. Provided the Owners' Corporation has this extension in place, the strata insurance policy will typically respond to loss or damage arising from the following:

- Damage to the Building, inclusive of common areas and items falling within the definition of building within private lots (e.g., walls, cabinetry, installed fixtures, and fittings)
- Damage to Common Contents
- Loss of Rent & Temporary Accommodation.

Costs will be covered up to either the total sum insured for Building, Common Contents & Loss of Rent/Temporary Accommodation or to the Flood Insurance Sub Limit noted on the policy schedule, whichever is the lower amount.

DO I NEED FLOOD INSURANCE?

If you do not live near a body of water (as described in the flood definition above), then the chances of a flood would be considered remote, and Flood Insurance may not be required. However, should the property be near a body of water, then Flood Insurance is likely to be needed. To find out more and understand the flood risk at your property, you can access the following resources:

- Your local council will have flood mapping available for your area and be able to tell you if you are in a flood zone
- Alternatively, you can refer to the Australian Flood Risk Information Panel
- Contact Honan - we can utilise our internal resources or access our insurer partners' flood mapping to help you understand your risk.

HOW DO I PURCHASE FLOOD INSURANCE?

Within the strata insurance industry, Flood Insurance is offered on a case-by-case basis. This means it is not automatically included in each policy. When a request for flood cover is received by an Insurer, they will review the flood risk (often down to the specific house number on a street and its proximity to bodies of water) and determine whether they will offer flood cover. If the Insurer offers flood cover, they may also charge an additional premium, impose an additional excess, or even impose a limit on the amount of flood cover they are willing to offer (usually lower than the overall sum insured). Not all insurers in the strata insurance market offer flood cover, so ensure you understand if your strata insurer can offer this extension of cover.

WITH YOU ALL THE WAY

Feel free to reach out to learn how your owners' corporation may be impacted by a catastrophic event and what this means for you.

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