Insurance Procedures

1.0 Insured Values of Units

1.1. The trustees determine the replacement value of the buildings as a whole, usually by arranging a professional valuation every three years. Such valuation is normally based on the standard finishes per developer specifications. These values are presented to the owners and are approved or amended at the Annual General Meeting (AGM) every year.

1.2. If an owner has made further improvements to his or her section, he or she can have the sum increased accordingly. For example, if the owner feels that the value determined for his or her unit is too low, especially where further upgrades have been made, the owner should send an instruction in writing (preferably email) to the nominated trustee or managing agent requesting such increase.

1.3. Prescribed rules provide that an owner may, at any time, increase the sum insured of his or her unit.

1.4. When an owner applies for a bond from a financial institution or bank, they enter into an agreement and usually give the bank the power to insure the buildings. The bank will usually request that the sum insured match the amount of the bond and this is often much higher than the replacement value. The insurer will treat this as an additional amount for the additions column as the bank's request is, in reality, the owner's request by proxy.

1.5. Thus, the amount in the additions column is either at the owner's request or the owner's bank request.

1.6. A mistake often made by trustees or managing agents is to add improvements to owners EUA (Exclusive Use Areas) such as swimming pools or awnings, as additions and so increase the unit value. Technically, this is incorrect as the EUA is common property and by adding the common property improvement to the one unit, it can potentially distort the individual unit value. A separate recovery should be made for EUA improvements.

2. Procedure when lodging a Claim against the Policy

2.1. In the event of a claim against the insurance policy, the owner or representative of the owner can collect the claim form from the Estate Manager's office, or request that the claim form be emailed to them. The owner's representative must provide proof that the owner has agreed to the application.

2.2. The claim form for an insurance claim must be completed within 1 week after being informed of, or noticing any damage to the property. If an owner is away for a period of time and only notices the damage after a period of time a claim must be initiated within 1 week of noticing or being informed of the damage.

2.3. The claim form must be accompanied with as much proof as possible, substantiating the extend of the damage. Photographs of the damage would be useful to support the claim.

2.4. Two quotations must be obtained for repairs, plumber's and water leak reports. These cost invoices must either be attached to the claim form to substantiate the cost of the damage or must be filled as soon as available.
2.5. Once the claim form has been filled in by the owner, the form and supporting documents must be filed at the Estate Manager's office or emailed to him.
2.6. The Estate Manager may be requested to assist the owner, for instance, by recommending certain contractors normally used or advising on building particularities. The responsibility however remains with the owner to complete all documentation timeously and correctly.
2.7. The Estate Manager will send an email to the owner acknowledging receipt of the claim form.
2.8. The Estate Manager will personally visit the apartment to confirm that the damage did occur and that the claim form correctly reflects the damage. The Estate Manager will add value to the claim by making an assessment as to what caused the damage. The Estate Manager must also ensure that all the supporting documentation is attached.
2.9. The Estate Manager will forward the claim form and attach the findings that were observed at the apartment via electronic means to the Trustee dealing with insurance claims and the Managing Agent.
2.10. The Insurance Trustee will evaluate the claim against the findings of the Estate Manager. The Trustee may request further details from the owner or the Estate Manager until he/she is satisfied that the claim is valid and can be processed. In the event that the applicable Trustee is not available the Chairman will either appoint an alternative Trustee or deal with the claim personally.
2.11. Once the Managing Agent receives this confirmation from the Insurance Trustee, the claim form and supporting documents can then be forwarded to the Insurance Broker for processing.
2.12. Any further correspondence will then be between the Insurance Broker and the owner. The Managing Agent and the Estate Manager should be copied in on all correspondence.
2.13. ***Loose contents within the apartment are not covered under the insurance of the building.***

3. Process if more than one Owner is Involved

3.1. On many occasions, more than one owner could be involved when damage occurs. A typical example would be when water from a burst geyser in one unit, leaks into another unit and causes damage to that unit.
- The cause of the damage must be determined by the owners before a claim can be lodged.
- Should the owners be unable to identify the cause of the damage, they should involve the Estate Manager together with a qualified plumber/leak detector to make an assessment of the damage.
- The Estate Manager must then issue a report specifically determining the cause of the damage.
- This report should be presented to the Insurance Trustee for his/her consideration and input.

- If the cause of the damage emanates from Common Property, the Estate Manager must immediately decide on how to rectify the problem and proceed with the repairs.
- If the cause of damage emanates from a particular unit, the Estate Manager might request one or both parties to conduct further investigations to determine the cause of the problem.
- Once the cause of the damage has been established, the owner of that particular unit would need to complete a claim form, accompanied by supporting documentation and submit it to the Estate Manager.

3.2. If the damage is caused from a neighbour's unit, the Estate Manager will indicate that the damage is caused from the neighbour. The Estate Manager will request the specific owner to rectify the cause of the damage immediately as it is causing damage to the neighbour. All correspondence in this regard must be forwarded to the Insurance Trustee and the Managing Agent. If no reply is received within 5 days a second reminder is forwarded to the specific owner to correct the cause.

- The cause of the damage must be determined by the owners before a claim can be lodged.
- Should the owners be unable to identify the cause of the damage, they should involve the Estate Manager together with a qualified plumber/leak detector to make an assessment of the damage.
- The Estate Manager must then issue a report specifically determining the cause of the damage.
- This report should be presented to the Chairman of the Trustees for his consideration and input.
- If the cause of the damage emanates from Common Property, the Estate Manager must immediately decide on how to rectify the problem and proceed with the repairs.
- If the cause of damage emanates from a particular unit, the Estate Manager might request one or both parties to conduct further investigations to determine the cause of the problem.
- Once the cause of the damage has been established, the owner of that particular unit would need to complete a claim form, accompanied by supporting documentation and submit it to the Estate Manager.
- If the damage was not deemed to be an insurance claim, the Owner of that unit must carry the cost of the investigation and the cost of repairs to the neighbouring unit/s.

3.3. The Managing Agent or the Estate Manager will request the specific owner to rectify the cause of the damage immediately. All correspondence in this regard must be forwarded to the Insurance Trustee and the Managing Agent. If no reply is received within 7 days, a second reminder is to be forwarded to the specific owner to correct the damage.

3.4. If no action is received from the neighbour within 14 days, the case is handed over to the Managing Agent, who will start a formal mediation process between the owners. This process could start with a formal meeting between parties where after the legal process could be determined going forward. The Body Corporate will not intervene between parties to resolve their differences.

3.5. If no action is received from the neighbour within 14 days, the case is handed over to the Managing Agent who will start a formal mediation processes between the owners. This process could start with a formal meeting between parties where after the legal processes could be determined going forward. The Body Corporate will not intervene between parties to resolve their differences.

3.6. The Body Corporate will pay for all investigations done/initiated by the Estate Manager/Chairman. If the Estate Manager/Chairman was judged to have made an incorrect call/decision during the above process, the cost of the investigation will be carried by the Body Corporate. If the call/decision was correct and the damage was not deemed to be an insurance claim, the Owner must carry the cost of the investigation and the repairs to the neighbouring unit/s.

4. Process when Estate Manager inspects Damage

4.1. The Estate Manager must avail himself/herself that the damage was caused by an occurrence. For instance, leaking pipes caused by general degradation over time does not qualify for and insurance claim.

4.2. The Estate Manager must confirm that the damage is correctly represented in the claim form and supporting documentation.

4.3. The Estate Manager must indicate whether the damage has caused structural damage to the building, which may affect other owners.

4.4. The Estate Manager should determine or confirm what the cause of the damage is.

4.5. It damage is caused from Common property the Estate Manager must immediately rectify the problem.

5. Relevant Extract from the Sectional Title Schemes Management Act, No. 8 of 2011

5.1. Relevant definitions

- ‘‘common property’’, in relation to a scheme, means—
  (a) the land included in the scheme;
  (b) such parts of the building or buildings as are not included in a section; and
- ‘‘section’’ means a section shown as such on a sectional plan;

5.2. Functions of bodies corporate

- A body corporate must perform the functions entrusted to it by or under this Act or the rules, and such functions include—
- to establish and maintain an administrative fund which is reasonably sufficient to cover the estimated annual operating costs—
- for the repair, maintenance, management and administration of the common property (including reasonable provision for future maintenance and repairs);
- to maintain all the common property and to keep it in a state of good and serviceable repair;

5.3. Powers of bodies corporate

- The body corporate may exercise the powers conferred upon it by or under this Act or the rules, and such powers include the power—
- where practicable, to establish and maintain on the common property suitable lawns, gardens and recreation facilities;

5.4. Duties of owners

- An owner must—
- repair and maintain his or her section in a state of good repair and, in respect of an exclusive use area, keep it in a clean and neat condition;

5.5. Obligation to maintain

- Notwithstanding that a water-heating installation forms part of the common property and is insured by the body corporate, a member must maintain, repair and, when necessary, replace such an installation which serves that member's section or exclusive use area; provided that where such an installation serves sections owned or exclusive use areas held by more than one member, the members concerned must share the maintenance, repair and replacement costs on a pro-rata basis.
- If despite written demand by the body corporate, a member refuses or fails to
- *5.5.3*carry out work in respect of that member's section ordered by a competent authority as required by section 13(1)*(b)* of the Act; or
- repair or maintain a section owned by that member in a state of good repair as required by section 13(1)*(c)* of the Act; and that failure threatens the stability of the common property, the safety of the building or otherwise materially prejudices the interests of the body corporate, its members or the occupiers of sections generally, the body corporate must remedy the member's failure and recover the reasonable cost of doing so from that member; provided that in the case of an emergency, no demand or notice need be given to the member concerned.

5.6. Contributions and charges In terms of Management Rule 25 (2) (4) the body corporate is also permitted to recover any legal costs incurred in the enforcement of these rules.

- A member is liable for and must pay to the body corporate all reasonable legal costs and disbursements, as taxed or agreed by the member, incurred by the body corporate in the collection of arrear contributions or any other arrear amounts due and owing by such member to the body corporate, or in enforcing compliance with these rules, the conduct rules or the Act.

Estate Manager's Report on Damage

Date of Inspection: _____

Apartment No: _____

Extent of damage:

_____

_____

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_____

Cause of the damage:

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Structural damage

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Damage to common property or caused by Common Services

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Signature: Estate Manager