



SECTIONAL TITLE INSURANCE - RECORD OF ADVICE

Trustees are required to ensure the following cover:

- 1) Buildings Policy (prescribed rule 29.1)**
- 2) Property Owners Liability & Trustee Indemnity (prescribed rule 29.2(a))**
- 3) Fidelity Cover (prescribed rule 29.2(b))**

1) Buildings Policy

Addsure, as insurance brokers and financial advisors, specialize in sectional title property insurance and it is Addsure's opinion that Sectional Title, Share block and Homeowners Association properties should be insured with one of the available products best designed to suit their specific insurance requirements. These specifically designed products for community schemes fit in well with the requirements of the Sectional Titles Act and more specifically Prescribed Management Rules.

Financial services providers and intermediaries are required to provide you with certain statutory information and written advice. Our letter of introduction, a copy of our FSB license and original policy documentation including alternative quotations where applicable will be handed to your managing agents and will be available from them or us for viewing upon request.

Alternative Buildings Policy Quotations

Addsure will always provide alternative quotations for buildings policies on request or at strategic times such as policy renewal in order to empower the Trustees to make a well informed insurance decision. Alternative quotations provided by Addsure are comparable with existing cover and policies compared are designed to meet with the requirements of sectional title legislation as far as possible. Quotes are valid for 30 days, subject to satisfactory claims history and risk survey in need. It is important that Bodies Corporate Members and their Managing Agents pay careful attention to premium rates, limits of indemnity and excess structures (first amounts payable by insured in event of a claim) when considering terms and conditions being presented by the various Insurers.

As of 29th November 2008, the Sectional Titles Act is amended, wherein rule 29(4) dramatically impacts on application of excesses. "The owner of a section is responsible for any excess payment in respect of his/her section.....unless the Body Corporate has by way of a special resolution* determined that they will cover excess payments in respect of specified damage"

Read more about this rule: <http://www.addsure.co.za/responsibility-for-insurance-excesses/>

A sample special resolution* can be downloaded from our website – note that this should be altered / edited /to suit your body corporate's needs.

<http://www.addsure.co.za/wp-content/uploads/2014/07/Adddsure-29-4-Resolution-sample-template.pdf>

Property Valuation

With regard to the sum insured, the trustees should be aware that the determination of the replacement costs is the trustees' responsibility and should be dealt with very carefully.

We strongly suggest that your insured values be determined by way of employing the services of an independent professional valuer. The professional valuation should be completed every 2nd or 3rd year depending of the size and nature of the scheme.

Our booklet, The Sectional Title Insurance Guide (hardcopy), has been sent to you and is also available from our website at <http://www.addsure.co.za/wp-content/uploads/2014/02/Addsure-Booklet-2011-Sectional-Title.pdf> provides insight into the valuation and schedule of replacement values, a trustee responsibility. The schedule of replacement values should be correctly prepared. More about the schedule of replacement values can be found at <http://www.addsure.co.za/resources-media/dealing-with-the-schedule-of-replacement-values/>.

Average

It is important for the insured (body corporate) to be aware that the current policy includes the "Average Clause" which entitles the Insurer to apply average in the calculation of any claims settlement. If such a calculation establishes that the property is underinsured at the time of the loss then in terms of Average the insured will bear a ratable share of the loss. In light of this, it is imperative that the policy sum insured is an accurate calculation of the replacement value of all property insured.

An explanation of how the average clause works can be found on our website at <http://www.addsure.co.za/the-danger-of-being-under-insured/>.

Cover Restrictions and Exclusions

The policy concerned and recommended is a specifically designed sectional title policy. We must advise however that the following covers are optional but NOT automatically included:

- i. Subsidence and landslip: Some Insurers are now including 'Limited' Subsidence and Landslip cover in their standard policy, however policy wordings for this limited cover should be carefully scrutinized to ensure that cover provided meets with the Insured's' needs and requirements.
- ii. Geysers: Most insurers impose specific limits of indemnity on geyser replacements according to the geyser capacity. It is vital that all Body Corporate members, their tenants and Managing Agents familiarize themselves with these limits as insurers will only provide cover up to the limit of indemnity. If a plumber/contractor charges more than the limit of indemnity, the insured will be responsible for the difference in addition to the relevant excess payable. We recommend that a "claims procedure" be put in place. More about geysers at <http://www.addsure.co.za/geyser-the-most-common-claim/>
- iii. Retaining Walls: Cover under the peril of storm, wind, water, hail, snow damage to retaining walls is specifically excluded. In the event that the Property has retaining walls (any wall retaining soil or where ground level on one side differs from ground level on the other side) and such cover is required, application for this cover may be made. Insurers will require an Engineering Stability Report

before granting cover. Payment of an additional premium should be expected. More about retaining walls at <http://www.addsure.co.za/resources-media/retaining-walls-and-insurance-2/>

- iv. Non Standard Construction: such as thatch roofs/lapas and other non-standard construction items such as wooden huts, other independent wooden structures and highly unusual or unique items such as murals or mosaics. Insurance cover for these types of items should be specifically requested. More on Thatch can be read at <http://www.addsure.co.za/thatch-construction-insurance/>.
- v. All Risks: Some insurers are providing limited cover for external fixtures and fittings, however All Risks cover should be considered for any fixture or fitting located in the open that may potentially be subject to theft, attempted theft or malicious damage. Such items include the following - external fixtures & fittings - e.g. theft of gate motors, air-conditioning units, security surveillance camera equipment, intercom systems, electric fencing, satellite dishes and aerials.

Common Property: (Mainly but not limited to)

- i. Entrance halls, passages, lifts, steps and staircases and all other fixtures and fittings such as fire extinguishers, fitted carpets, transformers, stand by generators, air-conditioning, boilers, water pumps, borehole motors, etc.
- ii. Gate entrances/structures, gate motors, gates, posts, surrounding walls (except dam walls), fences (excluding hedges), electric fences, brick/tar/concrete/asphalt paves/roads/path ways, patios, parking areas, outside poles and lights on poles, flood lights, antenna systems, etc.
- iii. Recreational facilities such as swimming pools (including filtration plant/machinery), tennis courts, squash courts, sauna/spa baths/Jacuzzis, etc.
- iv. Communal amenities such as laundries, gymnasiums, crèches, home theatres, facilities,
- v. Under ground and above ground Electrical- and sewerage systems (up to Authority connections),
- vi. Security systems including security cameras, intercom systems,
- vii. Communal garages, shade nets and store rooms.

Contents (Mainly but not limited to - and if stated in the policy to be included)

All property/equipment related to facilities such as laundries, gymnasiums, home theatres, crèches, etc., the property of the Body Corporate or for which the Body Corporate is responsible. Such equipment will be regarded as common property and included in the sum insured for common property. However, most insurers do not wish to include an item for contents on the buildings policy and alternative arrangements should be made.

2) Property Owners Liability & Trustee Indemnity

Prescribed Management Rule 29.2(a) deals with this aspect. This cover is intended to protect the body corporate against claims being made against it.

This is usually dealt with by way of a section included under the buildings policy however, the needs of each body corporate, especially commercial risks, should be looked at more carefully. Separate additional liability policies are available where needed. There are important differences in wordings and extra care should be taken by trustees when considering switching from one insurer / policy to another. See <http://www.addsure.co.za/liability-occurrence-vs-claim-made-basis/> for more.

3) Fidelity Cover

This very important area of fiduciary responsibility is most often overlooked. Prescribed Management Rule 29.2(b) puts the onus on the trustees to ensure that a general meeting decides on how much, if any such cover should be purchased. It is important to note that most buildings policies include very limited cover which in most cases does not meet the requirements of the management rules. The Estate Agents Affairs Board Fidelity fund Certificate of the managing agent is also not reliable enough.

A general meeting needs to pass an ordinary resolution and Addsure has the Fidcure® product specifically designed for this need. Specific and separate advice around this important rule will be needed.

More about this can be found at <http://www.addsure.co.za/why-some-bodies-corporate-neglect-fidelity-cover/>

Workshops and Training

Addsure offers to present workshop training / guidance to owners and trustees at workshops from time to time. A booklet named "The Sectional Title Insurance Guide" which advises you step-by-step procedures that your body corporate should follow is also available free of charge to Addsure Clients and Business Associates. Should you not have received a copy please contact your managing agent. As mentioned above, this can also be downloaded from our website.

Compliance with National Building regulations and Standards

Owners/trustees should take all reasonable care with regard to legislation as applies. Particular care should be applied to geyser/water heating appliance installations, gas appliance installations and electric fence installations and to ensure that they are 'compliant' by way of certification by the installing contractors.

Addsure Fee Structure

Addsure charges a fee of R500 (VAT inclusive) for each and every insurance certificate issued on behalf of the insurers to bank/bondholders on behalf of owners. Addsure charges a monthly admin fee of R50 or annual admin fee of R500 to all policies with effect from 01 May 2014. Commission payable to Addsure is as per current regulation. All commissions and fees are detailed in the policy documentation.

Additional Advice and Recommendations

In order to ensure the most comprehensive insurance portfolio for your Body Corporate, the following additional steps are advised:

- i) Policy document: The new policy document should be checked by the managing agent to ensure that all past instructions follow through e.g. noting of bank's interest and risk address.
- ii) Improvements / Renovations: Regular notices should be sent to all owners advising them that they may / should increase their cover where improvements have been made to their sections. (eg. Improvements - installation of additional

- fixtures such as carpets, pools/jacuzzis, etc) (eg. Renovations - refurbishing of kitchen or bathroom)
- iii) Replacement Value Schedules: The trustees / managing agent should properly prepare schedules of replacement costs ahead of Annual General Meetings for careful presentation at the A.G.M, rather than photocopy policy schedules on file.
 - iv) Property in the open: Owners should be advised that items in the open such as air conditioners may be put on an all risk basis if there is risk that parts may be vandalized or stolen.
 - v) Additional property items: Policy insured value must be adjusted when additional items are added to the common property or property improvements are done.
 - vi) Claims procedure: Owners should be advised on the claims procedure and who is responsible for the excess in the event of a claim. Care must be taken to determine when contractors may or may not be authorized to proceed with repairs or reinstatement in a claimable circumstance.
 - vii) Excesses: It is suggested that the management rules be amended to cater for excesses where applicable.
 - viii) Contractors on site: Take care with contractors on site – the body corporate’s insurance does not cover the contractors or loss or damage caused by them on site. It is strongly recommended that the body corporate only allow contractors with Contractors All Risk cover to work on or in the common areas. It is further suggested that compliance in terms of OHS Act be taken seriously.
 - ix) Signage: Proper signage and appropriate disclaimer boards should be prominently displayed at entrances and particularly around swimming pools, visitors parking, stairs etc.
 - x) Firefighting equipment: and/or prevention equipment should be maintained in working order and serviced annually as required.
 - xi) Risk Alteration: Owners and trustees have a responsibility to advise the insurer of any increased risk that would affect the underwriting or premium rate or the cover itself. Examples such as woodworking risk, new thatch lapa, tenant storing flammable or explosive materials on site, section extension or renovation, etc.
 - xii) Policy Conditions: The insured should take note of special conditions in the policy document such as the condition of taking due care and preventable measures to reduce risk.
 - xiii) Maintenance: The buildings should be properly maintained at all times to reduce risk of failing roofs, waterproofing etc, as well as preventing loss or injury around the common areas.
 - xiv) Occupation: Where the occupancy or usage of a section or unit changes, (eg. When there is a change of owner/tenant) the Insurer must be advised without delay as the new occupant and/or occupation may alter the insurance risk. This is of particular relevance to properties used for commercial and industrial purposes. Failure to advise the Insurer may compromise the insurance cover and result in the rejection of a claim
 - xv) Un-occupancy restriction: As soon as a section becomes un-occupied for longer than an uninterrupted period of 30 days, cover is negatively affected in various ways. It is therefore, of utmost importance that un-occupied sections be reported to us to enable us to arrange cover with the insurers.



Brian Addison
Director / Financial Advisor

DECLARATION BY TRUSTEES

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| 1. Addsure has properly introduced themselves to trustees and has made the proper disclosures. | YES | NO |
| 2. All documents are fully completed prior to signature. | YES | NO |
| 3. Quotations and products have been fully explained to the body corporate and/or the managing agent who acts as the body corporate's representative for this purpose. | YES | NO |
| 4. We are satisfied that the policy replacement better covers all owners and trustees. | YES | NO |
| 5. We have received appropriate advice and understand the recommendations given. | YES | NO |
| 6. We acknowledge that we have received focused advice for buildings cover and related risks only. | YES | NO |
| 7. It is the duty and responsibility of the client to inform Addsure of any changes to their factual circumstances as and when they occur. | YES | NO |

Body Corporate Name	Date	Signature Trustee or Managing Agent	Signature Trustee
_____	_____	_____	_____

(two trustees or one trustee and the managing agent to please sign)
Once signed, this should then be scanned and emailed to info@addsure.co.za
Or posted to Addsure, PO Box 963, Milnerton, 7435