

Sectional Title Insurance for Owners

Sectional Title Legislation (Sectional Titles Act and Management Rules) sets out the requirements / functions of the body corporate in respect of the insurance.

The body corporate arranges insurance for

- 1) Buildings cover (the buildings as a whole)
- 2) Liability Cover (in respect of common property)
- 3) Fidelity Cover (protecting body corporate against fraud and dishonesty)

1) Buildings Cover:

Let's take a look at some of the insured events pertaining to the buildings that trustees or the body corporate is obliged to insure against:

(i) fire, lightning and explosion;

(ii) riot, civil commotion, strikes, lock-outs, labour disturbances or malicious persons acting on behalf of or in connection with any political organization;

(iii) storm, tempest and flood;

(iv) earthquake;

(v) aircraft and other aerial devices or articles dropped there from;

(vi) bursting or overflowing of water tanks, apparatus or pipes;

(vii) impact with any of the said buildings or improvements by any road vehicle, horses or cattle;

(viii) housebreaking or any attempt thereat;

(ix) loss of occupation or loss of rent in respect of any of the above risks;

It is under item (vi) "bursting" where most of the problems seem to arise!

Your policy may be a Sectional Title Policy with an "ALL RISKS WORDING" or the traditional "PERILS BASED WORDING"

Both will end up covering at least the above eventualities except for retaining walls and other non-standard items.

In order to establish some clarity this issue, let's look at an example of a perils based policy wording which pertains to bursting of pipes:

Example wording from a perils based policy:

Sudden and unforeseen bursting of water tanks, water apparatus (excluding geysers, which are more specifically insured under Section M - geyser Maintenance, and boilers) or water pipes, including damage thereto, but excluding loss or damage to any property caused by or aggravated by;

a) wear and tear or gradual deterioration, rust, corrosion, mildew or damp,

b) subsidence and landslip,

c) the insured's failure to take reasonable precautions for the maintenance and safety of the property insured and for the minimization of any destruction or damage.

So, quite clearly, a leak or drip or something "not sudden" would not be covered, specifically a leak caused by say a "pin-hole" or other deterioration over time.

To summarise in a nutshell:

1) Burst pipe with or without resulting damage

Insurer should pay for the locating, repair of the pipe as well as the "putting back" e.g. re-tiling and replace any other "resulting" damaged areas e.g. ceilings damaged, carpet damaged etc.

2) Deteriorated Pipe / Worn over a period of time / Pin holed

Not an insurance claim - no sudden water damage, loss caused by deterioration.

3) Deteriorated pipe but sudden "collapse" of pipe. Sudden appearance of water running / pool of water / flow of water.

Insurance will only pay for the resulting water damage e.g. the ceiling in flat below that was suddenly damaged. The location of the leak, the repair and the putting back of tiles etc - for the owner or if common property, the body corporate's account.

Common water damage seen as maintenance issues, not insurance matters: bath traps leaking / dripping, shower waterproofing not working well, roots growing into waste pipes and causing damage over time, sealing (silicone beads) needing replacement, rising damp, roofing needing repairs etc.

The above policy wording may well apply to your own freestanding home via your homeowner's policy as well. The same or similar wording may apply. We are very comfortable with this. Believe it or not the insurer is not your maintenance plan but rather your insurer i.e. there to indemnify the insured against a defined event – very clear – something sudden and unforeseen as described above e.g. a fire, explosion, storm, bursting and not as a result of gradual deterioration / wear and tear.

More about buildings cover can be found in Addsure's "Sectional Title Insurance Guide" by clicking here [BOOKLET](#) and more specific content about burst pipes can be found on page 13.

Owners themselves can take extra care in their homes. Preferably use torches and safe lighting and cooking methods during power outages than using open flames such as candles and wick type lanterns. Make sure that flames are extinguished when power and lights return. Switch off heaters when not in the room or when power is lost. Take care with other appliances such as hair dryers, hair irons, irons, pots on stoves etc.

2) [Liability Cover](#)

Trustees must see to it that the body corporate and trustees are sufficiently protected / covered against claims being made against in respect of death, bodily injury and damage to/loss of property.

Trustees and owners take care around the common property, look out for blocked drains, damaged or blocked gutters, cracked / broken paving, broken glass, leaning walls etc. Safety around common property is paramount. Check swimming pool gates, springs, lighting on common property, handrails, balustrades etc. Look out for areas / things which could cause harm to a person, especially children in sectional title environments.

3) [Fidelity Cover](#)

Trustees need to arrange Fidelity cover, cover to protect the body corporate against losses as a result of fraud or dishonesty.

Prescribed / standard rules are very clear on this in that the trustees should see to it that a general meeting decides on how much, if any, fidelity cover is required.

One cannot only rely on the EAAB Fidelity fund as the EAAB fund covers certain circumstances and only really responds after all avenues of recovery are exhausted and that usually takes years. Yes, managing agents must have their fidelity fund certificates, but over and above that, trustees should be arranging the wider cover as prescribed in the rules.

Statistically, bodies corporate are more at risk for events of fraud and dishonesty than fire. Trustees and Owners should pay more attention to this

More about why this rule is so often ignored – see [FIDELITY](#)

Managing Agents should guide / coach / encourage trustees and owners to comply with this rule.

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