SECTIONAL TITLE INSURANCE SPECIALISTS

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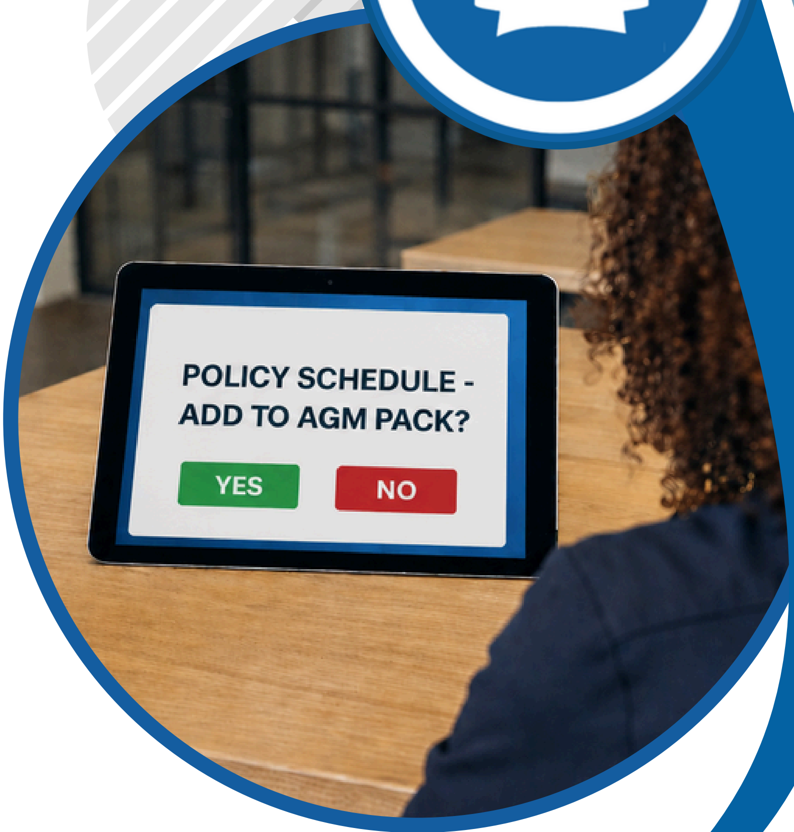
COMMUNITY SCHEME INSURANCE

24 REASONS WHY NOT TO INCLUDE POLICY



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24 REASONS

24 reasons why full insurance policy schedules should not automatically form part of AGM packs

In many sectional title schemes and homeowners' associations, the question regularly arises as to whether the full insurance policy schedule should form part of the AGM pack circulated to owners.

At face value, including the schedule may appear transparent and helpful. However, in practice, broad circulation of full underwriting schedules can create confusion, misunderstanding, administrative difficulties and even unnecessary risk for the scheme.

This does not mean that owners should be excluded from understanding the insurance arrangements of the scheme. Quite the opposite. Owners should absolutely be informed about insured values, major changes, budgeting implications and the general structure of the insurance programme. The issue is rather whether raw operational underwriting documents are the most appropriate AGM communication tool.

Here follows some important brief considerations trustees, managing agents and scheme executives may wish to take into account. Read the blog and video for more.

BLOG AND VIDEO

1. Creates an expectation that the full policy schedule should be included every year.
2. If circulated, the managing agent should either distribute all endorsements and amendments throughout the year to avoid prejudice to owners relying on outdated AGM information, or clearly state that no subsequent updates will necessarily be circulated.
3. Policy schedules often contain sensitive information such as bondholder details, insured values, contact details and occasionally owner-related information.
4. AGM packs are effectively public documents, as they are frequently shared with estate agents, prospective purchasers, attorneys and other third parties.
5. Wide circulation may expose the scheme to fraud or exploitation risks.
6. Competing brokers, sales-driven intermediaries or estate agents may use the information for marketing or canvassing purposes.
7. Policy schedules are often incorrectly distributed instead of the proper Schedule of Replacement Values (SRV) summary generally required for AGM purposes.
8. Certain endorsements, restrictions or underwriting notes, if misunderstood or circulated without context, may prejudice the scheme or create unnecessary alarm amongst owners.
9. Inclusion of lengthy insurance schedules adds unnecessary bulk to AGM packs and often raises more questions than answers, leading discussions down "rabbit holes" unrelated to the actual AGM agenda.
10. Premium discussions without proper context can be misleading, as premiums cannot fairly be evaluated without considering claims ratios, underwriting changes, excess structures, risk profile, reinsurance conditions and policy wording.
11. Policy schedules are highly technical documents and are frequently misunderstood by non-insurance persons, leading to confusion and incorrect assumptions regarding cover.
12. A schedule on its own is incomplete without the full policy wording, endorsements and underwriting conditions, which may create a false impression of cover certainty.

13 Owners may incorrectly rely on outdated AGM documentation months later when lodging claims, despite the policy having changed during the year.

14 Insurance arrangements are primarily operational documents used for administration of the scheme's insurance programme, rather than governance documents intended for broad circulation.

15 The wider insurance information is distributed, the greater the risk of inaccurate summaries or misinformation circulating within owner WhatsApp groups and social media discussions.

16 Disclosure of certain excesses, limitations or underwriting concerns may unnecessarily affect market perception of the scheme when viewed by purchasers or estate agents without proper explanation.

17 In larger schemes, multiple mid-term amendments may occur during the year, causing AGM schedules to become outdated relatively quickly.

18 Trustees may unintentionally be drawn into detailed insurance debates at AGMs which are often better dealt with separately through workshops, insurance presentations or dedicated owner communications.

19 Circulating full schedules can create unrealistic owner expectations that every clause, endorsement or underwriting decision should be individually debated or approved at AGM level.

20 Legislation generally contemplates owners approving insured values and budgets, rather than necessarily receiving or debating the insurer's full operational underwriting schedule.

21 Selective reading of a schedule without understanding underwriting rationale can unfairly damage the reputation of trustees, brokers or managing agents.

22 Policy schedules may contain insurer-specific underwriting terminology, abbreviations or technical language that can easily be misunderstood and create unnecessary distrust or anxiety amongst owners.

23 Excess structures and limitations often evolve in response to claims trends, and isolated disclosure without broader context may encourage emotional rather than informed discussions.

24 A concise insurance summary or explanatory guide is often more useful and owner-friendly than circulating raw underwriting documents.