



Window Lock Update

NSW Fair Trading has made some changes to its fact sheet on window locks. Originally the fact sheets said the only obligation on owners corporations was to install the window locks but there was no responsibility to inspect and maintain them.

Recently it appears that this has changed with the fact sheet now reading as follows:

"In strata schemes, the maintenance and repair of window safety devices is the responsibility of the owners corporation. However, the owners corporation can adopt a common property rights by-law which confers the right and obligation to install and maintain any locking or safety device to individual lot owners. Landlords should check with their owners corporation if this by-law has been adopted."

The fact sheet can be found on the NSW Fair Trading website [here](#).

Common Property vs. Not Common Property

ENTRANCE

COMMON PROPERTY	NOT COMMON PROPERTY
Door Locks – Original	Door Locks – Additional
Entrance Door and closer	Keys, security cards etc.

FLOORS

COMMON PROPERTY	NOT COMMON PROPERTY
Original floor tiles and associated waterproofing, floorboards and parquet flooring Installed before registration of Strata Plan	Floor tiles, floorboards and parquet flooring Installed after registration of the Strata Plan
	Internal carpets, vinyl flooring or cork tiles

CEILINGS

COMMON PROPERTY	NOT COMMON PROPERTY
Plastered and vermiculite ceilings and false ceilings installed before registration of the Strata Plan	Paintwork and false ceilings installed after registration of the Strata Plan

ELECTRICAL

COMMON PROPERTY	NOT COMMON PROPERTY
Air conditioning systems - serving more than one lot	Air conditioning systems, serving only one lot, if contained within the lot
Fuses and fuse board in the meter room	Fuses and fuse board within the lot
Intercom handset and wiring serving more than one lot	Intercom wiring serving only that lot
Light and power wiring in common property walls and serving more than one lot	Light and power wiring within an internal wall; light switches and light fittings inside the lot
Power point socket located on Common Property	Power point socket within a lot
Smoke detectors connected to the fire board in the building	Smoke detectors within the lot that are not connected to the fireboard in the building
Any wiring for TV, cable TV, telephone, internet etc., within Common Property walls	Any wiring for TV, cable TV, telephone, internet etc., within the lot including service sockets
	Stoves, dishwashers, insinkerators

PLUMBING

COMMON PROPERTY	NOT COMMON PROPERTY
Ducting covering stack	Toilet, bath, hand basin and shower screen
Floor drain	Cabinet and/or mirror
Main stop valve	Pipes under sink, laundry tub or hand basin
Pipes within Common Property Wall, floor or ceiling	Waste in bath sinks and tubs
Stormwater pipes	Dampness in a lot coming from within the lot

WINDOWS

COMMON PROPERTY	NOT COMMON PROPERTY
Flyscreens install before registration of the Strata Plan	Flyscreens install after registration of the Strata Plan
Original Lock	Additional lock
Sash cord with window seals	Window lock keys

BALCONY

COMMON PROPERTY	NOT COMMON PROPERTY
Door, windows and railings	Pavers
Tiles and associated waterproofing affixed before registration of the Strata Plan.	Tiles affixed after registration of the Strata Plan
Planter boxes shown on the Strata Plan	Planter boxes not shown on the Strata Plan

CAR PARKING

COMMON PROPERTY	NOT COMMON PROPERTY
Carports	Door controller remotes
Garage doors, hinges and lock if shown as a thick line on the Strata Plan	Garage doors, hinges and lock if shown as a thin line on the Strata Plan
Line marking	Light-fittings inside the lot
Water dripping onto a car and likely to damage car paintwork	

GENERAL

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COMMON PROPERTY	NOT COMMON PROPERTY
Exhaust fans or communal ducting	Exhaust fans inside the lot
Hot water service serving more than one lot	Hot water service serving only one lot
Painting external to a lot	Internal painting
Common Property walls	Internal walls
Skirting boards and architraves on Common Property walls	Skirting boards and architraves on Internal, Non-Common Property walls
Tiles and associated waterproofing affixed to Common Property walls before registration of the Strata Plan	Tiles affixed to non-Common Property walls within the lot.
Letterboxes within Common Property	Letterbox within the lot
	Dishwasher and stove

This summary is a guide only

For specific issues, contact Integrity Strata

www.integritystrata.com

Category Archives: NSW Building Cladding Crisis: Insurance

[Source: Posted on March 15, 2018 by Chris Kerin](#)

There has been a huge amount of publicity around non-compliant building cladding but what does it all mean?

A range of stakeholders in the residential apartment building sector have indicated concerns regarding the impact non-compliant external cladding materials will have on building insurance policies.

The Insurance Council of Australia (ICA) has indicated that the non-compliant use of building products such as external cladding materials 'critically undermines the ability for an insurer to rely upon the safety and performance of the building'. This directly impacts the insurer's ability to establish their risk exposure which, the ICA stated, influences the setting of insurance premiums.^[1]

The ICA has established a protocol for the identification of residual risk presented by Aluminium Composite Panels. This protocol is reproduced as the Appendix to this Newsletter and recommends the approach insurers should take in relation to whether a

building should be insured or not. However, each insurer is considering the issues individually and is taking their own approaches to underwriting and considering how terms and conditions might be tailored in relation to coverage, pricing and excesses. Consequently, the responses of insurers range from electing not to insure through to applying higher deductibles and premiums.

It should be noted that, in particular, the testing and identification of aluminium composite panels as recommended by the Protocol will be difficult to comply with given the number of buildings required to be tested and the fact that there are currently no more than four places in Australia which can test to AS 5113 (the new Australian Standard for fire propagation on external walls which will come into force in March 2018).

Raising similar concerns, Insurance Australia Group (IAG) noted the non-compliant use of PE cladding has increased in recent years posing a fire risk much higher than other materials available, particularly when paired with equally combustible plastic foam insulation. IAG also commented that these materials are often being used in a way that does not conform with the National Construction Code and Australian Standards, which was a particular concern to IAG as:[\[2\]](#)

- this threatens the safety of customers, employees and the broader community;
- it increases the fire risk of buildings placing upward pressure on premium cost for consumers; and
- non-compliance is a hidden risk. If the insurer cannot accurately assess risk, the uncertainty results in sub optimal outcomes for customers and insurers.

The Owners Corporation Network has also noted there are insurance implications for existing buildings which discover non-compliant cladding material and do not disclose it to their building insurance company. Conversely, the Owners Corporation Network was aware of one building that did disclose and is now unable to get building insurance, leaving all the owners in that building 'jointly and severally liable for any debt'.[\[3\]](#)

In addition, the Australian Institute of Building Surveyors (AIBS) has expressed concern surrounding professional indemnity insurance for building certifiers overseeing the initial building work:[\[4\]](#)

... an emerging area of concern for the regulatory system and consumers is the issue of professional indemnity insurance. The current public debate on external cladding is already having a negative impact, with AIBS recently being advised that some insurance companies are inserting exclusion clauses for external cladding and non-complying building products into their policies.

CHU, the country's largest underwriting agency of strata schemes (it insures 100,000 strata schemes under the QBE brand), has said it has not yet refused insurance to bodies corporate based solely on cladding that does not meet the building code. But the insurer said it had already priced the risk in some buildings as too high to make insurance worthwhile for some property owners. That is, it would be better to spend money on the removal of the cladding rather than pay for annual insurance.[\[5\]](#)

The inability of an owners corporation to obtain insurance has a number of ramifications.

Firstly and most obviously, the need to replace the building with the owners' own funds in the event of a fire.

Secondly and less obvious is the fact that adequate building insurance coverage is a normal requirement of a mortgage and the mortgagee is likely to take action to ensure the asset is protected.[\[6\]](#)

In addition, some valuation reports prepared for lenders and insurers are indicating that some buildings are not fit for purpose and have an increased risk of fire.[\[7\]](#)

Westpac has commenced an audit of developers of all its residential and commercial projects that are under way and is looking to confirm the compliance of all external wall cladding products with the National Construction Code ([View article](#)).

One of the particular problems facing residential apartment buildings is the fact that premiums for building insurance for residential apartment buildings are generally lower than premiums for commercial buildings. That is, premiums on commercial buildings are sufficiently profitable for the insurer to look for solutions to any problems associated with building cladding. However, where the profit margin is slim on a residential apartment building, an insurer has no incentive to accommodate that building and could potentially withdraw coverage entirely.

In the light of the above, some buildings are simply removing the cladding and not replacing it.

Naturally, some building owners will consider simply not informing their building insurer of the fact that there are Aluminium Composite Panels on their building. This approach is flawed given insurance coverage may be voided by failing to disclose such a material fact. Further, some insurance policies have exclusions that apply if the building does not comply

with the Building Code of Australia.

Buying property can be very expensive and for some people will involve large sums of unexpected fees.

It's important to avoid this as much as possible by educating yourself around what you've purchased, and the related ongoing costs involved.



1. Proposed fees

One of the most crucial points to consider when buying off-the-plan is the proposed fees. These cover the cost of electricity, insurance, maintenance and repairs. Aside from factoring this ongoing expense into your budget, it's worthwhile comparing the fees to other similar properties.

2. Mortgage repayments

Investors and owner occupiers need to buy a property that will suit their budgetary requirements. For example, if they have a small disposable income, they could target properties with higher rental yields, as this will help cover the mortgage repayments. For people with larger disposable incomes, though, they don't necessarily need to target properties with higher rental yields.

3. Maintenance costs

Don't forget the costs to maintain your own apartment. Investors and owner occupiers should have some buffer funds set aside for annual maintenance costs, whether it be for a yearly gutter clean before winter, to repair or replace an ageing fence or for a fresh coat of paint.

4. Property management fees

The cost of utilising a property manager will vary from company to company, however, they shouldn't be chosen based purely on price. A cheaper property manager probably won't provide a proactive service to optimise your assets. If you need assistance, the PICA Group can provide names of reputable property managers.

5. Strata management

Apartments and townhouses will often require investors and owner occupiers to pay fees

for managing the common property. Strata managers are experts in their field and act as a relationship manager between all owners and common property. The money is used to maintain areas within the complex, such as lifts, pools and gardens, so the more features within the complex the higher the fees will typically be. Investors should consider these additional costs in their budgets when planning their next purchase.

The cost of maintaining an apartment and common areas can be high if your building maintenance requirements are not properly assessed, but with careful planning and preventative measures, your ongoing costs can be considerably reduced.

Find out who is responsible for what

Don't spend your time or money working on common areas of your building, such as hallways, gardens, pools and the gym, without first finding out who is responsible for the upkeep of those areas.

Typically, the committee will be responsible for maintaining all common areas in your property, as you're already contributing towards the cost of their upkeep through your fees or levies. So you'd be throwing time and money away by spending your own cash to fix issues in those areas or making any improvements yourself.

Instead, if there is something in your building that you feel could be improved, or if you see something that needs to be repaired or cleaned, let your strata manager know so they can organise the necessary quotes and approvals.

Learn what to look for

For the things within your apartment that you're responsible for, such as your appliances, flooring and electrics, schedule regular checks and keep an eye out for any signs of wear and tear. If you address any issues early on, rather than waiting until something breaks down, it will save you money in the long run.

Things such as plumbing and electrics should be left to qualified technicians, but there's no reason you can't do the more basic jobs yourself, such as giving a room a fresh coat of paint or landscaping in your courtyard. Again, this will save you money, and by keeping your property in an excellent state of repair, you will also ensure that it holds its value if you ever decide to sell.

One thing that puts potential buyers off buying an apartment more than anything is the idea that they will have to do a lot of work in the place before it is liveable, so it pays to keep on

top of things when it comes to maintenance and repairs.

Research new builds

When purchasing off the plan or in a newly completed development, be mindful that new build apartment blocks may have defects that can be costly to fix. Research conducted by the UNSW City Futures Research Centre back in 2012 found that 85% of apartments built in NSW since 2000 have defects.

These results are indicative of the new apartment market across the country, and it's usually the owners who end up footing the bill to rectify the issues, which can add huge costs to your purchase and leave you in negative equity, so research the developer and building you're intending to buy in and speak to the committee to find out if there are any major issues with the building before committing to buy.

These three measures are the best ways to minimise maintenance and repair costs of your apartment in the long term. For more information on apartment living check out these need to knows before buying off the plan, challenges of apartment renos and 8 rules of apartment living to be aware of.



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