

IS YOUR STRATA BUILDING UNDERINSURED?

Recent escalations in building prices mean that if your building has not been valued in the past 2 years, there is a likelihood it is underinsured.

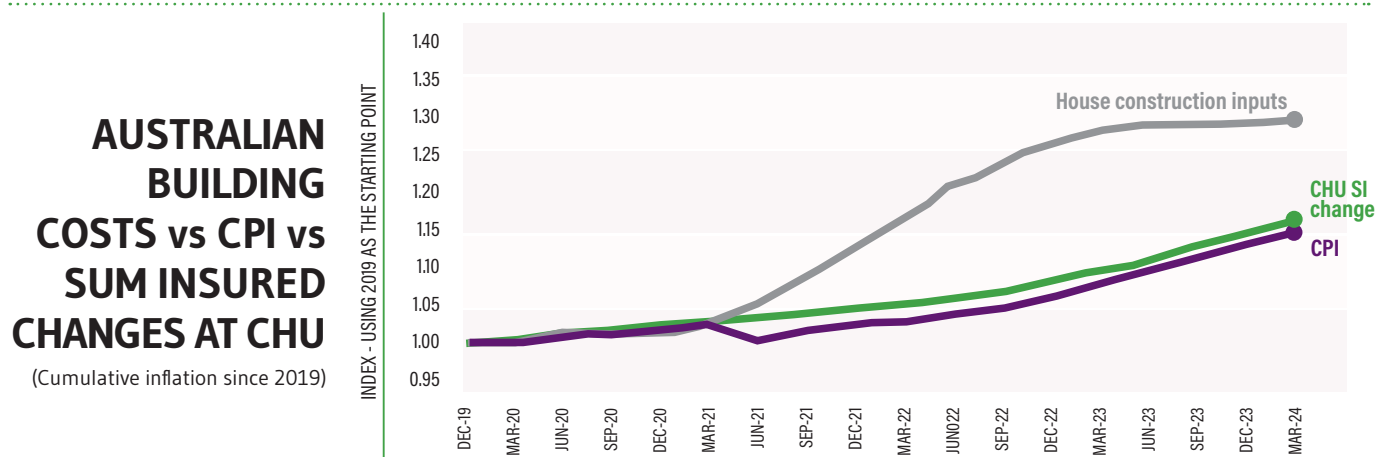
Whilst it is commonplace for insurers to communicate the importance of adequate levels of insurance, this message is more critical than ever given the events of the last 3 years has led to contractor shortages and soaring inflationary costs across the construction sector.

It is generally well known in the strata building insurance industry that:

- There is a need to insure for full replacement and reinstatement value;
- Include removal of debris, professional fees and an allowance for cost escalation over a period of time; and

- In most states and territories, there is a requirement to obtain a valuation at least once every five years.

The figure below demonstrates how sharply the cost of construction inputs has risen since 2019 and is still outpacing CPI. Most of the inflation growth occurred during 2021 and 2022 and has now since stabilised. However when you overlay CHU's actual sum insured profile from across it's strata portfolio, it is clear that sums insured have not kept pace and still have a lot of catching up to do.



Regardless of specific strata legislation across Australia, it is important to ensure that the bodies corporate will have adequate protection for their single biggest asset.

Frequency of catastrophe events continues to rise, which could mean the chances for an insured to suffer a loss are also on the increase. CHU implores all Bodies Corporate to:

- Review when their building sum insured was last updated
- Obtain a current valuation
- Review what level of indexing applies to their sum insured on renewal in between updated valuations, to ensure they are not falling behind

For any further information please do not hesitate to contact your Business Development Manager or CHU office.

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