

Finance and Insurance

Overview

The Executive Committee is responsible for overseeing the management of the corporation's finances. New rules governing responsible financial management serve to provide enhanced protection and quality control over this important function.

Mandatory Audits

From 1 November 2020 it will be mandatory for an Executive Committee of a Units Plan with more than 100 units, or an annual budget of more than \$250,000, to have the financial records audited before the Annual General Meeting each year. The Executive Committee must provide a copy of the audit opinion to the owners corporation at the Annual General Meeting. This will apply to all relevant units plans from the second Annual General Meeting held after 1 November 2020.

Insurance – Risks

The risks that an Owners Corporation must insure against is expanded and clarified from 1 November 2020. The expanded risks include (among other things) the damage that is commonly caused by bursting, leaking and overflowing of boilers, water tanks, water pipes and associated apparatus as well as impact damage by vehicles.

It is also clarified that the corporation must insure against the costs incidental to the reinstatement or replacement of the insured building, including the cost of removing debris and the fees of architects and other professional advisers.

Insurance – Developer

For a brand-new development, the legislation reforms require that if the developer owns all units (as is the case immediately following the registration of the Units Plan before settlements have occurred), it is the developer who must take out insurance on behalf of the corporation. This ensures that appropriate insurances have been placed for the owners who inherit the building following settlement.

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Insurance – Lodgment of Claims & Excess

Newly created section 100A of the Act establishes that the owners corporation is responsible for lodging claims and paying the applicable excess (unless the building is part of a stratum sub-division).

However, a further provision to the legislation has been introduced establishing that a regulation can be made to address matters including;

- Payment of excess
- Notification by owners regarding improvements made to their units
- The proportion of premiums payable by particular owners via levy contributions
- Building valuations

The effect of this is that the relevant Minister can add to the regulations from time to time to address these specific matters without requiring an Act of the Legislative Assembly

References

Unit Titles (Management) Act 2011 (as amended) (www.legislation.act.gov.au)

- Schedule 2, 2.2 [Executive committee must present financial statements](#)
- Section 100 [Building insurance by owners corporation](#)
- Section 100A [Lodgement of insurance claims](#)

