



STRATA COMMUNITY  
INSURANCE

# Indexation Explained: What Queensland Owners Need to Know

The Strength of **Experience.**

# Your obligations to insure for full reinstatement and replacement value of your strata building

Bodies Corporate (BC's) are required to insure for full reinstatement and replacement value.

Unless a BC has an up-to-date valuation, extra care must be taken to ensure that any movement in building material and labour costs is taken into account throughout the policy period and at renewal.

In addition, costs for removal of debris and any incidental professional costs such as council fees, remuneration of architects, lawyers and other persons need to be included in the reinstatement and replacement value.

## Risks

Without indexation or an up-to-date valuation, a BC runs the risk of underinsuring. This means that, at claim time, full reinstatement and replacement expenses may not be met, leaving the BC out of pocket and liable for any shortfall.

In addition, if the BC is underinsured, they will not have met their statutory obligations under the *Body Corporate and Community Management Act 1997 (Qld)* and its associated *Regulation Modules*, which sets out the legal requirement to insure for full reinstatement and replacement value.

# Strata Community Insurance Indexation Solution

To offset the exposure for BC's and help ensure reinstatement and replacement costs are met, Strata Community Insurance applies indexation by reference to the Cordell Housing Index Price (CHIP) and Cordell Commercial Index Price (CCIP).

The CHIP/CCIP tracks movement in building material and labour costs (currently sitting at around 3%). Using this approach, certain sums insured under your insurance policy automatically increase throughout the year where insured property suffers loss or damage, and renewals are issued in line with the increase applied over the 12-month policy period.

Along with the most up-to-date valuation, Strata Community Insurance believes this is the most reliable method of ensuring your insurance is sufficient to cover claims.

## Indexation Example

<b>Building value =</b> (sum insured at policy inception)	<b>\$2,000,000</b>
<b>Increase after:</b>	
<b>30 days</b>	<b>\$4,931.51</b>
<b>180 days</b>	<b>\$29,589.04</b>
<b>210 days</b>	<b>\$34,520.55</b>
<b>300 days</b>	<b>\$49,315.07</b>
<b>365 days</b>	<b>\$60,000.00</b>
<i>* Based on CHIP/CCIP applied at an average 3% annually</i>	
<b>Building value including Indexation at the end of policy period =</b>	<b>\$2,060,000</b>
Renewal terms will be issued at indexed value to ensure the BC meets their statutory obligations in renewing for full reinstatement and replacement value.	

**For more information on indexation,  
please contact your local Strata  
Community Insurance team.**

*This information is general in nature only and does not constitute financial product advice or legal advice. References to policy terms and conditions are by way of summary only. For full details of policy terms, conditions, benefits and exclusions please refer to the relevant Product Disclosure Statement and Policy Wording, available from Strata Community Insurance.*

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