

LOWENSVLEI
INSURANCE BROKERS

The Trustee's Practical Guide to Sectional Title Insurance

A better plain-English guide for trustees, managing agents and body corporates who want stronger renewal decisions, cleaner claims administration and more confident insurance oversight.

Prepared for trustees, managing agents and body corporates

Lowensvlei Insurance Brokers | info@lvinsurance.co.za | 022 485 7058

Important note

This guide is general information only and is not legal advice, financial advice or valuation advice. Sectional title schemes should obtain advice from suitably qualified insurance, legal, valuation and property professionals where required. Policy wording, underwriting rules, legislation and scheme rules may change, and each scheme must be reviewed on its own facts.

How to use this guide

Use it before your next renewal, AGM, claim or insurance review. The guide is designed to help trustees ask better questions, keep better records and understand the main insurance risks affecting the body corporate.

What is new in this improved version?

- More practical guidance on who pays excesses, geyser claims, water damage and owner communication.
- A clearer renewal workflow for trustees and managing agents.
- More detailed AGM preparation notes and sample questions.
- Claim documentation packs and checklists for common body corporate claims.
- A plain-English section on fidelity cover, public liability and replacement valuations.

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PART 1

The trustee insurance map

Trustees do not need to become insurance experts, but they do need to understand enough to make responsible decisions for the body corporate.

In practice, trustees should know what the scheme insures, what owners insure themselves, how replacement values are determined, who deals with claims, and what questions must be raised before renewal.

Seven things trustees should always know

- Where the latest policy schedule, wording and renewal terms are stored.
- When the last replacement valuation was completed and whether it was presented to members.
- The major excesses, especially geyser, water damage, storm and impact damage excesses.
- The liability limit and whether common property risks are being managed.
- The fidelity cover limit and whether it reflects scheme funds and reserves.
- The last 12 to 36 months of claims history and any recurring claim patterns.
- Who is responsible for claim communication: trustee, managing agent, broker and insurer.

Trustee takeaway

The goal is not to memorise policy wording. The goal is to know what to check, what to ask, what to record and when to get proper advice.

Insurance documents trustees should keep in one place

- Current policy schedule and wording.
- Latest replacement valuation and replacement value schedule.
- Renewal invitation, quotation and comparison notes.
- Claim history report and any loss ratio information.
- List of excesses and endorsements.
- Minutes showing insurance decisions at trustee meetings and AGMs.
- Contact details for broker, managing agent, insurer and emergency contractors.

PART 2

The three core insurance pillars

Most sectional title insurance discussions can be simplified into three pillars: buildings, liability and fidelity.

Pillar	What it does	Trustees should check
Buildings cover	Protects insured buildings and improvements that fall under the body corporate insurance responsibility.	Replacement values, policy limits, insured perils, underinsurance and excesses.
Public liability	Protects the body corporate against certain third-party injury or property damage claims connected to common property.	Liability limit, common property hazards, contractor risks and maintenance records.
Fidelity cover	Relates to loss of scheme funds through fraud or dishonesty by people who may access or control scheme money.	Reserve funds, investments, operational budget, managing agent arrangements and limits.

Additional policy areas to understand

- Geysers and water damage wording, limits and excesses.
- Trustee liability or directors and officers type cover, if included or separately arranged.
- Machinery, access control, gates, lifts, pumps, solar, batteries or other special equipment.
- SASRIA or other catastrophe extensions where applicable.
- Loss of rent, alternative accommodation or temporary accommodation benefits, if applicable.

PART 3

Buildings, replacement values and underinsurance

Building insurance should not be based only on market value or municipal value. The important question is what it would cost to rebuild or reinstate the insured buildings and improvements after an insured event.

Why replacement values matter

- Construction costs change over time.
- Professional fees, demolition, debris removal and compliance costs may need to be considered.
- Common property improvements can be missed if the valuation is too narrow.
- Underinsurance may only become obvious after a major claim, when it is too late to fix.

Trustees should ask the valuer or broker

- Does the valuation include all buildings and improvements the body corporate must insure?
- Are exclusive use areas or improvements dealt with correctly?
- Are professional fees, debris removal and escalation considered?
- Does the insurance schedule match the valuation schedule?
- What changed since the last valuation, and why?

Practical note

Prescribed management rule guidance is commonly applied to require updated replacement valuations at least every three years and presentation of the valuation information to the members at the relevant AGM. Trustees should check the current rule wording and the scheme's own rules.

Item	Question for trustees	Checked
Valuation date	Do we know when the last professional insurance replacement valuation was completed?	
Valuation scope	Does it include all buildings and improvements the body corporate must insure?	
Policy schedule	Does the policy sum insured match the approved replacement value schedule?	
AGM record	Was the replacement value schedule presented to members and properly recorded?	

PART 4

Common property vs owner responsibility

A common source of disputes is whether damage falls under body corporate insurance or the owner’s own insurance responsibility.

Owners usually still need their own insurance

The body corporate policy does not automatically cover everything inside a unit. Owners may still need contents insurance, personal liability cover and additional cover for improvements or assets not included in the body corporate policy.

Questions to ask before confirming cover to an owner

- What exactly was damaged?
- Is the damaged item part of the building, common property, an exclusive use area, an improvement, or owner contents?
- What caused the damage?
- Is the cause sudden and accidental, or maintenance-related?
- Which excess applies and who is responsible for it?
- Is the claim subject to a limit or exclusion?

Trustee warning

Trustees should avoid informal personal-insurance advice. Provide scheme-level insurance information and refer owners to their own broker for contents, personal liability and private asset cover.

Area	Usually body corporate focus	Usually owner focus
Buildings and common property	Building structure and common property insured by the scheme policy.	Owner improvements if not included or not declared correctly.
Contents	Usually not covered by the body corporate policy.	Furniture, appliances, personal belongings and moveable items.
Liability	Common property liability risks.	Personal liability and private activities in the owner’s section.

PART 5

Geysers, water damage and excesses

Geyser and water damage claims are among the most common sectional title insurance pain points. They are also the claims most likely to create tension between owners, trustees, managing agents and insurers.

Geyser claims: what trustees should check

- Which section the geyser serves.
- Whether the geyser is covered under the body corporate policy.
- The geyser limit, replacement limit and installation conditions.
- Whether resultant water damage is treated separately.
- Which excess applies and who is responsible for it.
- Whether the claim involves maintenance, wear and tear or an insured event.

Who pays the excess?

There is no one-line answer for every scheme. The policy wording, scheme rules and facts of the claim must be checked. In many section-related claims, the owner connected to the affected section may be responsible for the applicable excess. Claims involving common property may be treated differently.

Water damage claim pack

- Photos of the source of water and the resulting damage.
- Plumber's report identifying the cause.
- Repair quote or invoice.
- Date and time damage was discovered.
- Details of affected units or common property.
- Emergency steps taken to prevent further damage.
- Communication records with owner, trustees and managing agent.

Trustee communication tip

Do not tell an owner that the insurer will pay until the insurer has assessed the policy wording, cause of loss, excess, limits and documentation.

PART 6

Public liability and trustee decision risks

Public liability cover protects the body corporate where it may become legally liable to pay compensation because of injury, death, illness or damage connected to common property, subject to policy wording.

Common public liability examples

- A visitor slips on a wet common property walkway.
- A common property gate damages a vehicle.
- A falling branch, tile or building element injures someone.
- An access-control, lift, stairway or parking-area incident creates a claim.
- A contractor or visitor alleges injury connected to the condition of common property.

Trustees should review

- The public liability limit and whether it was considered by members.
- Any exclusions, excesses or special conditions.
- Whether common property risks are being maintained and recorded.
- Whether contractors carry their own liability cover.
- Whether incident reports and maintenance records are kept.

Trustee liability is a separate conversation

Public liability cover is not the same as trustee liability cover. Trustees should ask whether the scheme has cover for trustee decision-making risk, what the limit is and what exclusions apply.

PART 7

Fidelity cover and scheme funds

Fidelity cover protects body corporate funds against certain losses involving fraud or dishonesty by people who handle or control scheme money, subject to policy wording and legal requirements.

Why this matters

Many schemes hold operating funds, reserve funds, special levy funds and investments. If funds are misappropriated or stolen, the financial impact can be serious and may result in special levies or delayed maintenance.

Trustees should ask

- What is the current fidelity cover limit?
- Does it reflect the scheme's investments, reserves and operating budget?
- Does the policy cover trustees, managing agents, employees or agents who handle scheme funds?
- Are there conditions about bank mandates, approvals or fraud prevention controls?
- Does the managing agent have separate cover, and does it protect this specific scheme?
- Was the fidelity amount considered by members at the AGM?

Control still matters

Fidelity insurance is not a substitute for proper financial controls. Trustees should still ensure proper bank mandates, payment approvals, financial reporting, audit processes and managing agent oversight.

Risk	Trustee action	Document to keep
Large reserve funds	Review fidelity limit after annual financials and budget.	AFS, budget and cover calculation.
Managing agent controls	Ask for proof of cover and cancellation notice protections where relevant.	Managing agent fidelity proof and policy note.
Payment approvals	Keep dual approval and mandate records.	Bank mandates and trustee resolutions.

PART 8

Claims workflow and documents

Good claims administration starts before the claim. Trustees should have a simple claim workflow so owners know what to report, who to contact and which documents are needed.

Suggested claims workflow

- Step 1: Make the area safe and prevent further damage.
- Step 2: Capture photos and basic incident details.
- Step 3: Notify the managing agent, broker or insurer according to the scheme process.
- Step 4: Obtain contractor reports, quotes and invoices.
- Step 5: Confirm policy position, excess and responsibility before promising payment.
- Step 6: Track claim number, settlement, repair completion and excess recovery.
- Step 7: Record claim outcome for renewal review.

Claim document checklist

Item	Question for trustees	Checked
Incident details	Date, time, location, affected unit or common property, and clear description of what happened.	
Photos	Before repair photos showing source and resulting damage.	
Reports	Plumber, electrician, contractor, security or assessor report where relevant.	
Financials	Quotes, invoices, proof of payment and settlement note.	
Communication	Emails, WhatsApps or minutes showing owner/trustee/managing agent communication.	
Policy details	Policy schedule, excess, claim number and insurer response.	

PART 9

Insurance at the AGM

Insurance should not be treated as a quick agenda item. Trustees should prepare a short insurance summary before the AGM so members understand what is being approved.

The AGM insurance pack should include

- Current policy schedule and renewal premium.
- Replacement valuation and replacement value schedule.
- Summary of claims history and any recurring issues.
- Major excesses and any changes since the previous year.
- Public liability and fidelity cover limits.
- Any broker recommendations or insurer conditions.
- Owner reminder about contents insurance and excess responsibility.

Suggested AGM wording for trustees

“The trustees have reviewed the body corporate insurance schedule, renewal terms, replacement value information, major excesses, public liability limit, fidelity cover and recent claims history. Members are asked to consider and approve the extent of cover and replacement value schedule, subject to any changes noted in the meeting.”

Questions owners may ask

- Why did the premium increase?
- Why did the building sum insured change?
- Who pays the excess on geyser or water damage claims?
- Does the policy cover my contents or improvements?
- What claims happened during the year?
- What can trustees do to reduce repeated claims?

PART 10

Renewal review framework

A renewal review should not only compare premiums. It should check whether the policy is still appropriate for the scheme’s risk profile, claims history and replacement values.

The five-step renewal review

- **Collect:** policy schedule, wording, renewal terms, claims history, valuation and budget.
- **Check:** values, limits, excesses, exclusions, endorsements and special conditions.
- **Question:** ask the broker to explain changes and highlight risks.
- **Decide:** trustees prepare recommendations and record decisions properly.
- **Communicate:** explain important changes to owners before or at the AGM.

Red flags before accepting renewal

- No recent replacement valuation.
- Large water damage or geyser claim frequency with no risk-control discussion.
- Major excess increases not explained to trustees.
- Fidelity cover not reviewed against scheme funds.
- Public liability limit unchanged for many years.
- Unclear process for claim payments and excess recovery.
- Owners not told what they must insure themselves.

Item	Question for trustees	Checked
Premium	Has the premium changed materially, and do we understand why?	
Values	Are replacement values current and aligned with the schedule?	
Excesses	Have major excesses changed?	
Claims history	Have repeated claims or risk trends been discussed?	
Broker service	Does the broker provide practical support, not only a quote?	

PART 11

Owner communication guide

Many insurance disputes can be reduced by explaining the basics to owners before claims happen. Trustees should communicate clearly, but avoid giving personal advice beyond the scheme's policy position.

Owner note: body corporate vs personal cover

“The body corporate insurance policy is arranged for scheme-level insurance requirements and insured property. It does not replace each owner’s own household contents, personal liability or private asset insurance. Owners should speak to their own broker about their personal cover needs.”

Owner note: claim excesses

“Insurance excess responsibility depends on the policy wording, scheme rules and claim circumstances. In some section-related claims, the affected owner may be responsible for the excess. The trustees or managing agent will confirm the position after the claim facts and policy wording have been checked.”

Owner note: geyser and water damage

“If you discover a geyser or water leak, please take reasonable steps to prevent further damage, photograph the damage, obtain a plumber’s report where possible and notify the managing agent or trustee contact as soon as possible.”

PART 12

Annual insurance calendar

A simple annual calendar helps trustees avoid last-minute renewal decisions.

Timing	Trustee action	Output
3 to 4 months before renewal	Request policy schedule, claims history, renewal concerns and valuation status.	Renewal planning file opened.
2 months before renewal	Review values, claims trends, excesses, liability and fidelity cover.	Questions sent to broker.
1 month before renewal	Compare renewal terms and obtain explanations for major changes.	Trustee recommendation note.
Before AGM	Prepare insurance summary, replacement value schedule and owner communication notes.	AGM insurance pack.
After AGM	Record resolutions, update policy instructions and communicate key points to owners.	Updated insurance records.
Throughout year	Track claims, excesses, repeated issues and maintenance-related losses.	Claims log and renewal notes.

Best practice

Do not wait for the renewal quote before reviewing the policy. The scheme should know its valuation status, claim trends and problem areas before the renewal invitation arrives.

PART 13

Quick checklists

Quick Renewal Review Checklist

Item	Question for trustees	Checked
Replacement valuation	Do we have a recent valuation and schedule of replacement values?	
Buildings cover	Are sums insured adequate for rebuilding and reinstatement?	
Public liability	Is the body corporate liability limit appropriate for the scheme?	
Fidelity	Is the scheme fund exposure properly considered?	
Geysers/water	Are limits, excesses and claim procedures clear?	
Claims history	Have repeated claims or trends been discussed?	
Owners	Do owners understand what they must insure themselves?	
AGM	Is insurance explained clearly in the AGM pack?	
Broker service	Do trustees know who to contact and what documents are required?	

Quick Claim Checklist

Item	Question for trustees	Checked
Safety	Has the body corporate taken reasonable steps to prevent further damage?	
Photos	Are photos available before repairs?	
Cause	Is there a contractor report explaining the cause?	
Costs	Are quotes, invoices and repair details available?	
Excess	Has the applicable excess and responsibility been checked?	
Communication	Have owners and trustees received clear updates?	
Records	Has the claim been recorded for renewal review?	

PART 14

Common trustee questions

Does body corporate insurance cover owner contents?

Usually no. Owners should arrange their own household contents and personal insurance. The body corporate policy generally focuses on insured buildings and scheme-related risks.

Can an owner claim from the body corporate policy?

Sometimes, but it depends on the damaged item, cause of loss, policy wording, scheme rules and excess position. Trustees should check before confirming cover.

Who pays the excess?

It depends on the claim. In many section-related claims the owner linked to the affected section may be responsible, while common property claims may be treated differently.

How often should valuations be done?

Replacement values should be kept current. Prescribed management rule guidance is commonly applied to require formal replacement valuations at least every three years, with the valuation presented to members.

Does fidelity cover replace good financial controls?

No. Fidelity cover is a safety net for certain fraud or dishonesty losses. Trustees still need proper bank mandates, dual approvals, financial records and oversight.

Should claim money go directly to owners?

Usually the body corporate should keep proper control and records of claim settlements, invoices, excess recovery and repair completion. The insurer's process and policy arrangement must be checked.

What should trustees ask the broker at renewal?

Ask what changed, why the premium changed, whether values are current, whether excesses changed, whether claims history is affecting terms and whether liability/fidelity limits remain appropriate.

PART 15

Sources and next steps

Key sources used for this guide

- Sectional Titles Schemes Management Act 8 of 2011 - official South African legislation.
- Sectional Titles Schemes Management Regulations and Prescribed Management Rules, including PMR 23 insurance provisions.
- Community Schemes Ombud Service Act Regulations, including Regulation 15 fidelity insurance requirements.
- Practical industry guidance on sectional title insurance, geyser claims, fidelity cover, claim settlements and replacement valuations.

Documents to send for a free insurance review

- Current policy schedule and wording.
- Latest replacement valuation.
- Claims history for the last 12 to 36 months.
- Current renewal terms, if available.
- Details of major excesses or current insurance concerns.
- AGM date or renewal month.

Free insurance review

Send your current policy schedule, claims history, valuation and renewal month to info@lvinsurance.co.za and request a sectional title insurance review.

Contact

Lowensvlei Insurance Brokers
Email: info@lvinsurance.co.za
Phone: 022 485 7058
Website: lvinsurance.co.za