Introduction
The Statutes Amendment (Community and Strata Titles) Act 2012 will change the laws (the Community Titles Act 1996 and the Strata Titles Act 1988) governing community and strata titles in South Australia, to take effect from 28 October 2013.

The changes to the community and strata titles laws are designed to improve protections for consumers who buy into or own units in strata and community titled developments. In doing so, they introduce further rights for owners and further obligations for body corporate managers as well as, in some cases, further obligations for community and strata corporations.

The following fact sheet is one in a series of fact sheets that have been prepared to explain the effects of these impending law changes and what they mean for owners and community and strata corporations and for body corporate managers.

Compulsory insurances

Professional Indemnity Insurance for managers
Professional body corporate managers will be required to maintain a policy of professional indemnity insurance providing cover of at least $1.5 million per claim per 12 months.

Fidelity Guarantee Insurance for corporations (*From 27 October 2014)
Community and strata corporations will be required to hold fidelity guarantee insurance, covering the risk of theft or fraud of the corporation’s funds by a manager or other persons authorised to handle the corporation’s funds. Such insurance is sometimes automatically included with community and strata building insurance policies. The amount of the cover is required to be the maximum total balance of the corporation’s bank accounts at any time in the past three years or $50,000, whichever is higher.

All strata corporations that have an administrative or sinking fund will be required to hold the insurance.

The following corporations will be exempt from the requirement to hold fidelity guarantee insurance:
- strata corporations with no administrative or sinking fund;
- 2-lot community corporations with no administrative or sinking fund; and
- community corporations with common property insurance cover of $100,000 or less (on the basis that corporations with minimal or no common property generally collect minimal levies).

*Commencement of this new requirement will be delayed by 12 months to allow corporations time to review current policies and take out this insurance.

Insurance and maintenance of buildings
Currently most strata groups collectively insure buildings because they are common property. Under the changes, the members of a community scheme will also be able to agree to insure some or all of the buildings in a community scheme through the agency of the corporation if they wish (even though the buildings are generally owned by members and are not common property). By-laws can be made to authorise the corporation to arrange the insurance and to collect the premium from the owners according to their lot entitlements.