SPECIALISED BROKER SERVICES

Sectional Title Insurance

in South Africa – A Trustees' Guide

Responsibilities, Mandatory Cover, Claims, and Risk Decisions Made Clear

Understand Your Responsibilities

Ensure Mandatory Cover

Navigate Claims with Confidence

Make Informed Risk Decisions

Practical guidance for Trustees, Managing Agents and Property Professionals.
Protecting schemes. Protecting communities.

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⚠ **Important disclaimer**

This guide is for general information and risk awareness only and not financial, legal, tax or insurance advice. Cover depends on the insurer, policy wording, exclusions, limits and the facts of each claim. Consult an appropriately authorised financial services provider, representative or specialist broker before making insurance decisions.

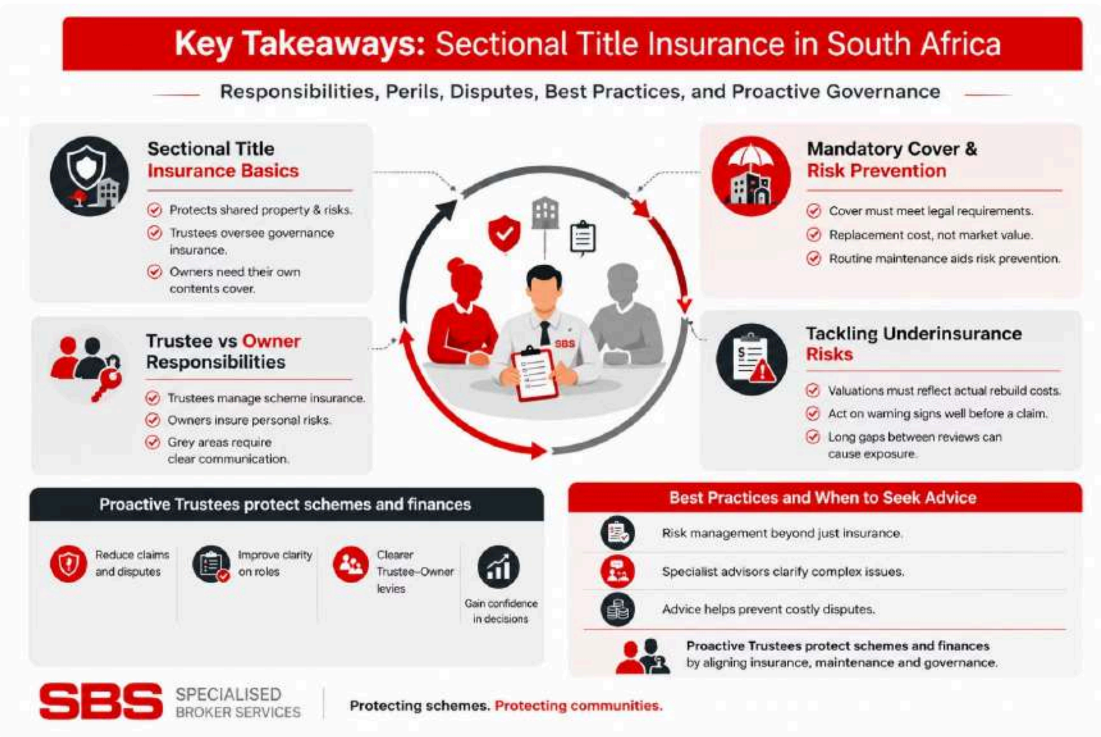
CHAPTER 1

Why Sectional Title Insurance Matters

Sectional title schemes operate under shared ownership, shared responsibility, and shared risk. When insurance is misunderstood, outdated, or incorrectly structured, the financial consequences affect every Owner in the scheme, not just the Body Corporate or Trustees.

Sectional title insurance is not simply a compliance requirement. It is a critical risk-management tool that protects buildings and common property, Owners' financial interests, and Trustees and managing agents against potential liability and the long-term sustainability of the scheme. In South Africa, sectional title schemes are legally required to carry certain types of insurance. However, many schemes remain underinsured, incorrectly insured, or exposed to unnecessary risk due to outdated valuations, misunderstanding what is and isn't covered, or unclear roles between Trustees, managing agents, and Owners.

This guide provides a clear, practical framework for understanding how sectional title insurance works, what is legally required, where the most common risk gaps occur, and how Trustees and managing agents can reduce exposure through informed oversight and decision-making. It is intended to support schemes in asking the right questions and making defensible, well-informed decisions, not to replace professional advice. The purpose of this guide is not only to explain sectional title insurance, but to help Trustees prevent disputes, delays, and unexpected financial impact before they arise. To orient Trustees and Owners from the outset, the infographic below provides a high-level view of how sectional title insurance fits together in practice. It highlights the key building blocks covered in this guide, at a glance. The chapters that follow unpack these elements step by step, providing the legal context, practical examples, and decision frameworks Trustees need to apply this understanding confidently within their own schemes.



CHAPTER 2

What is Sectional Title Insurance?

Sectional title insurance is a policy taken out by the Body Corporate, with wording specifically designed to cover the shared buildings, common property, and the Body Corporate's legal liability, thereby protecting all Owners collectively against insured risks. In simple terms, it is tailored to protect the building(s) and common property that Owners collectively own through the Body Corporate, as well as certain shared risks that can financially impact the scheme.

Unlike a freehold home where one Owner insures everything, sectional title schemes involve multiple Owners sharing responsibility for the property. Insurance is therefore structured to protect the scheme, while individual Owners still have responsibilities for specific personal items and risks.

Why sectional title insurance is important

Sectional title insurance matters because a single incident (such as a fire, burst pipe, or storm damage) can create significant costs for:

- Repairs to the building and common property
- Legal and liability claims involving third parties
- Unexpected levies if the scheme is underinsured or uninsured
- Disputes between Owners and Trustees about responsibility

Good insurance supports the financial stability of the scheme, faster recovery after damage, and protection for Trustees and the Body Corporate in governance-related decisions.

What is the difference between sectional title insurance and personal insurance?

A common misunderstanding is that "the Body Corporate insures everything." Sectional title insurance is typically focused on scheme-level responsibilities, while Owners may still need their own cover.

Body Corporate's Insurance	Owner's Insurance
Aimed at protecting the building structure and shared areas, and meeting scheme-level obligations.	Usually aimed at protecting household contents, personal valuables, and certain personal liabilities.

This distinction is an important area for Trustees and managing agents to communicate clearly, because confusion here often leads to complaints and claim disputes.

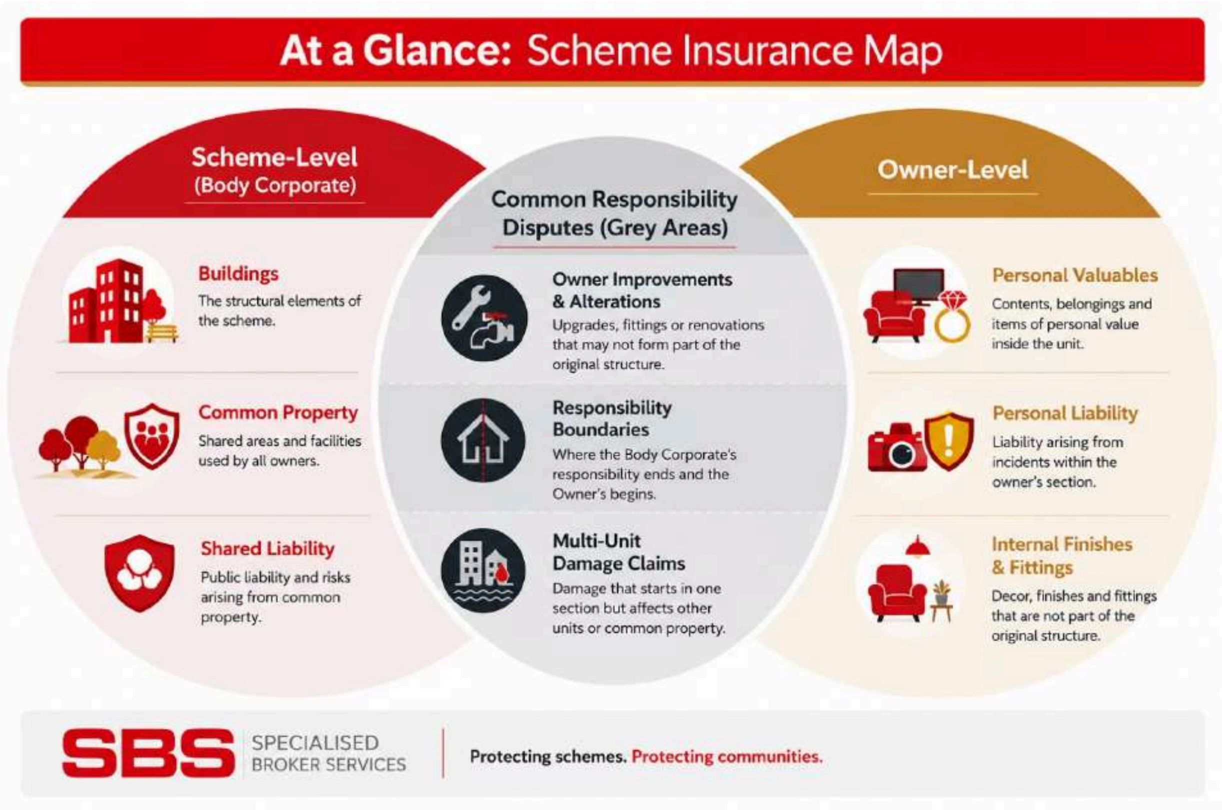
Who arranges sectional title insurance?

Sectional title insurance is typically arranged under the Body Corporate, guided by Trustees (governance responsibility), a managing agent (administrative support), and a specialist broker or advisor (insurance structuring and guidance). The most effective schemes treat insurance as an ongoing governance item, rather than a once-a-year renewal task. This ensures cover stays aligned to real replacement costs, building conditions, and the scheme's risk profile.

What does sectional title insurance usually protect in a scheme?

At a high level, sectional title insurance is commonly structured to protect:

- The building(s) and fixed structures within the scheme;
- Common property, including shared areas and infrastructure; and
- Certain shared risks that could result in significant financial exposure for the Body Corporate.



Trustees should be able to answer these questions at any time:

- Do we have appropriate scheme-level cover in place?
- Is the insured value based on current replacement costs?
- Do Owners clearly understand what they must insure separately?
- Are we actively managing risks that could affect claims?

⚠ If the answer to any of these is unclear, the scheme is likely carrying avoidable risk.

1

What is sectional title insurance?

It is insurance arranged for the Body Corporate to protect the scheme's shared assets and responsibilities, such as buildings and common property.

2

Does sectional title insurance cover everything?

No. Owners often still need their own insurance for contents and certain personal risks. Trustees should communicate these boundaries clearly.

3

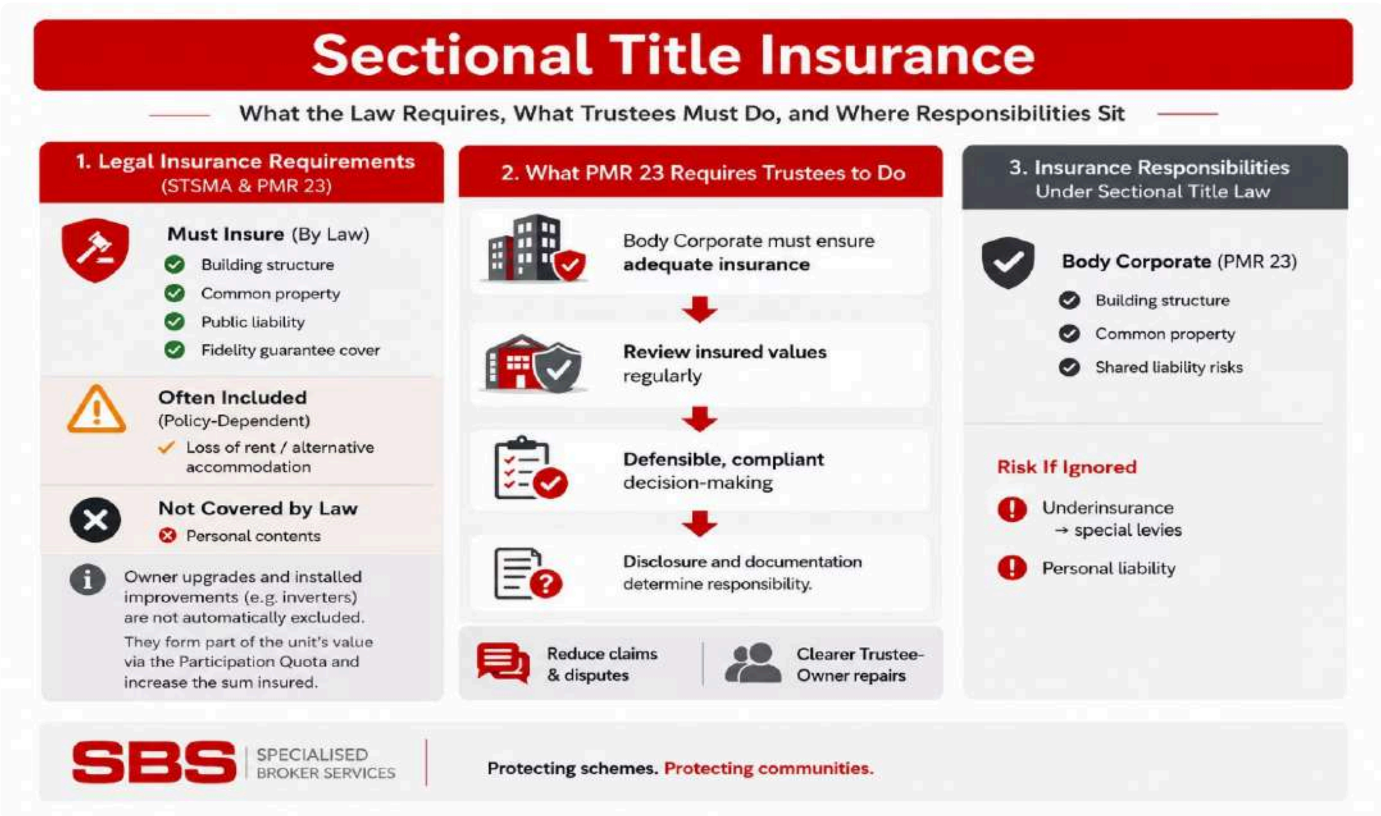
Who is responsible for sectional title insurance?

Trustees oversee scheme-level insurance governance, typically supported by a managing agent and specialist insurance advisor.

What Insurance is a Body Corporate Required to Have?

In South Africa, sectional title schemes are governed by legislation that places specific insurance responsibilities on the Body Corporate. These requirements exist to protect both the scheme and its Owners from financial loss arising from damage to shared property and common assets.

At a minimum, the Body Corporate is required to ensure that the scheme is insured against material risks that could impact the buildings and common property. This obligation is not optional; it is a core governance responsibility of the Trustees acting on behalf of all Owners.



In South Africa, sectional title schemes fall under the Sectional Titles Schemes Management Act (STSMA) and the Prescribed Management Rules (PMR 23), which require the Body Corporate to ensure that the scheme has appropriate insurance in place. This means Trustees should ensure the scheme maintains insurance that appropriately protects Owners against significant scheme-wide financial exposure and supports the scheme's ongoing sustainability.

While policy wording differs between insurers, Trustees should ensure the scheme's insurance policy is structured to address the following core areas typically expected in sectional title schemes:

The minimum insurance areas schemes should have on the radar

Building Insurance

The insured replacement cost of the buildings and fixed structures.

Public Liability Cover

Liability risks arising from common property and shared areas.

Fidelity Guarantee Cover

Protection against defined risks linked to misappropriation or dishonest acts.

Trustee Indemnity

Support for Trustees acting in good faith within their governance role.

Depending on the insurer and policy structure, schemes may also include cover for loss of rent and/or machinery breakdown, where this is relevant to the scheme's exposure and has been specifically selected.

⚠ This is where many schemes underestimate risk: when one of these areas is missing, outdated, or poorly understood, the exposure only becomes obvious when a claim, dispute, or levy shock lands on the Trustees' desk.

Typical Perils the Scheme Must Insure Against

In addition to ensuring that buildings are insured at the correct replacement value, the Body Corporate is required to insure the scheme against material risks that could cause damage to the buildings and common property. While the exact wording and scope differ between insurers and policies, sectional title insurance in South Africa is typically structured to respond to major physical damage events that could materially affect the scheme. These commonly include events such as:

Fire

Lightning

Explosion

Malicious Damage

Subsidence and Landslip

Where required by lenders, local authority requirements, or the scheme's risk profile.

Storm Damage

Including wind and weather-related events.

Burst Pipes & Water Damage

The purpose of insuring against these events is to ensure that the scheme can be reinstated after a significant loss, without placing sudden financial strain on Owners through special levies or emergency funding. Trustees are not expected to memorise policy wording, but they are expected to ensure that the scheme's insurance programme addresses the material risks relevant to the buildings and environment in which the scheme operates.

Why legal insurance requirements exist

The purpose of mandatory insurance requirements is to protect the financial interests of Owners within the Sectional Title Scheme, ensure the scheme can recover after significant damage, reduce disputes between Owners, Trustees, and managing agents, and support the long-term financial sustainability of the scheme.

Without adequate insurance in place, a single event (such as fire, flooding, or storm damage) can place severe financial strain on Owners and potentially expose Trustees to governance challenges.

What "replacement value" means in practice

An important legal concept in sectional title insurance is replacement value.

Replacement value refers to the estimated cost to rebuild or reinstate the buildings and fixed structures as they exist today, not their market value and not the original construction cost. This is one of the most common areas where schemes unknowingly expose themselves to underinsurance, often only discovering the gap after a claim highlights the shortfall.

Market Value ≠ Replacement Value

Market value is influenced by location and demand, not rebuild cost.

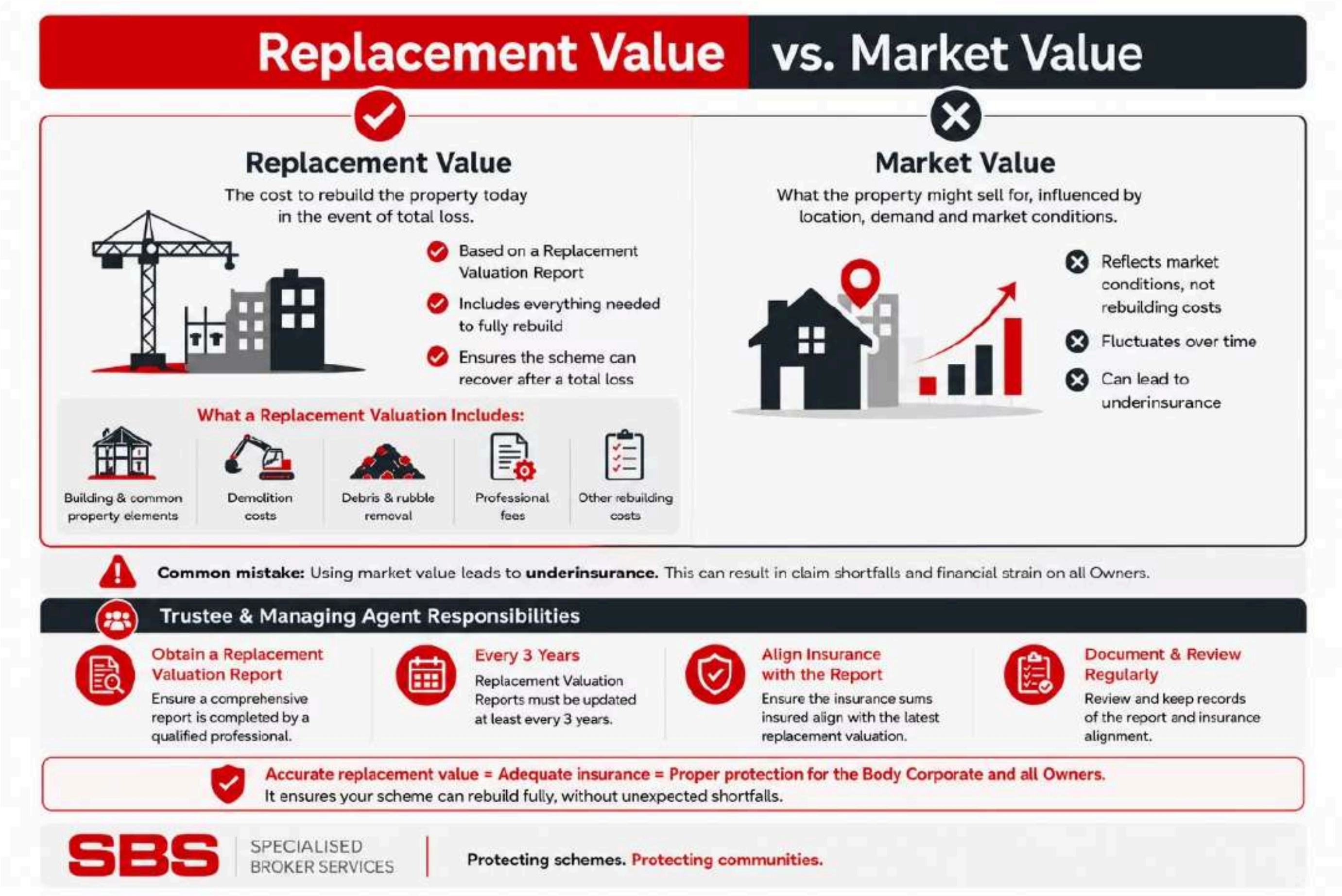
Underestimating Leads to Underinsurance

Underestimating replacement value can lead to underinsurance and partial claim settlements.

Underinsurance can result in partial claim settlements and shortfalls.

This is often only realised when a claim is partially settled.

Trustees are therefore expected to ensure that insured values are reviewed regularly and reflect realistic rebuilding costs.



What assets fall under Body Corporate responsibility?

While the exact scope can vary by scheme, Body Corporate insurance responsibility generally relates to assets that are structurally part of the building, shared or jointly owned by Members, and essential to the functioning of the scheme. This includes common property and fixed components that Owners collectively rely on, rather than personal or movable items owned by individuals.

The key principle is this: If the scheme owns it collectively, the scheme must consider how it is protected.

Trustees are not expected to be insurance experts, but they are expected to act in good faith, take reasonable steps to protect the scheme's assets, and seek appropriate professional advice when needed.

Trustee responsibility and governance risk

Failure to meet insurance obligations can expose the scheme to financial shortfalls after a loss, Owner disputes and complaints, and governance scrutiny or liability concerns. For this reason, insurance should form part of regular Trustee discussions, not just an annual renewal exercise.

Common misunderstandings Trustees should avoid

Some of the most common issues arise when:

- **Replacement values are not reviewed regularly**
- **Insurance is treated as a "tick-box" compliance item**
- **Owners assume the Body Corporate covers personal risks**
- **Trustees rely on outdated valuations or assumptions**

Addressing these gaps early helps prevent costly problems later.

Is sectional title insurance legally required?

Yes. The Body Corporate must ensure the scheme is insured as required under STSMA (Sectional Titles Schemes Management Act) and the PMR 23 (Prescribed Management Rules).

What does replacement value mean in sectional title insurance?

Replacement value refers to the estimated cost to demolish damaged structures, remove debris and rubble, and rebuild or reinstate the buildings and fixed structures at today's costs. It is based on a Replacement Valuation Report, not the market value of the property.

Who is responsible for making sure the scheme is insured correctly?

The Trustees, Chairperson and Managing Agent play an important role in ensuring that the scheme's insurance information is accurate and up to date. Ultimately, the broker, as the advice-giving specialist, is responsible for recommending appropriate cover based on the information provided by the scheme.

CHAPTER 4

What Does Sectional Title Insurance Generally Cover?

Sectional title insurance is designed to protect the scheme, rather than individual lifestyles or personal belongings. Its purpose is to safeguard shared assets and responsibilities that affect all Owners collectively. At a high level, sectional title insurance is typically structured to protect the physical building structures within the scheme, common property used or owned jointly by members, and certain scheme-level risks that could cause significant financial loss. The guiding principle is simple. If the damaged item forms part of the building structure, common property, or fixed scheme infrastructure, it will usually fall under the Sectional Title policy for consideration. Damage limited to an Owner's personal contents, movable items, or undeclared private improvements will usually fall outside the Body Corporate's standard cover.

Why coverage boundaries matter

These boundaries are important because damage inside a specific unit does not automatically affect all Owners. The key question is not only who is affected financially, but whether the damaged item forms part of the insured building or scheme property. This is why clear records, approved improvement documentation, and accurate sums insured are essential. Many disputes in sectional title schemes arise not from lack of insurance, but from misaligned expectations. Problems often occur when Owners assume the Body Corporate covers personal items, Trustees assume Owners have insured certain risks themselves, and claims arise that sit in a "grey area" between scheme and Owner responsibility. Clear understanding of boundaries helps reduce claim disputes, prevent levy shocks, and improve communication between Trustees, managing agents, and Owners. It also protects the long-term insurability of a sectional Title.

What sectional title insurance is not designed to cover

Sectional title insurance is not intended to replace personal insurance. In most schemes, it does not exist to protect household contents or personal belongings, personal valuables or movable items, and individual lifestyle risks unrelated to the building structure. This is why Owners are often advised to consider their own insurance arrangements alongside the scheme's cover.

Improvements, alterations, and grey areas

This is one of the most common areas where schemes unknowingly expose themselves to risk, particularly when improvements or alterations are made within a section without clear disclosure issues can arise when Owners' upgrades to finishes are made without informing the scheme, Trustees are unaware of non-standard fittings or features, or there is uncertainty over whether an item is "structural" or "personal". This reinforces the importance of clear scheme rules and communication, regular reviews of insured values, and open disclosure between Owners and Trustees.

Additional operational clarification on upgrades and disclosure

Where Owners make improvements or upgrades to their sections, these changes should be formally disclosed to the managing agent and, where applicable, the scheme's insurance advisor or broker. This allows scheme records to accurately reflect changes that may affect replacement value and risk exposure. Undisclosed upgrades are one of the most common sources of insurance and levy disputes. When improvements are not recorded, the scheme may unknowingly insure only the original standard, creating gaps between actual reinstatement cost and insured value.

Depending on the nature and extent of the improvement, adjustments to Participation Quotas or levy allocations may apply, as added value can influence how insurance premiums are apportioned across the scheme. Trustees are therefore encouraged to ensure that disclosure, documentation, and professional guidance form part of any approval process for upgrades or alterations.

Why underinsurance becomes a real risk here

When coverage boundaries are unclear, underinsurance can occur without anyone realising it. For example:

- A scheme may insure standard building costs, while significant upgrades exist
- Replacement values may not reflect the current condition of the buildings
- Claims may be settled proportionally if insured values are too low

> For that reason, professional guidance and regular reviews play a critical role in scheme governance.

Trustee responsibility vs Owner responsibility

A healthy scheme operates on shared understanding: Trustees focus on protecting shared assets and governance obligations, and Owners focus on protecting personal belongings and individual risks.

1

Trustees

Focus on protecting shared assets and governance obligations.

2

Owners

Focus on protecting personal belongings and individual risks.

Neither role replaces the other; they work together. When both parties understand their responsibilities, claims processes tend to be smoother and less contentious.

Does sectional title insurance cover everything in my unit?

In most cases, it generally protects scheme-level assets. Owners often need separate cover for personal belongings and certain individual risks.

Why do claims get disputed in sectional title schemes?

Disputes usually arise from unclear boundaries between Body Corporate and Owner responsibilities, not from lack of insurance.

Who decides what the scheme insurance should protect?

Trustees oversee scheme-level insurance decisions, often with input from managing agents and specialist advisors.

CHAPTER 5

Why Responsibility Clarity Matters in Sectional Title Schemes

The responsibility distinctions outlined below reflect how sectional title insurance is generally structured in practice; however, actual responsibility and cover will always depend on the specific scheme rules, policy wording, and circumstances of a particular loss.

A common source of conflict in sectional title schemes is uncertainty around who is responsible for what. When responsibilities are unclear, even minor incidents can escalate into disputes, delayed claims, and unexpected financial pressure on Owners.

Clear role definition supports better decision-making, faster claim resolution, stronger trust between Owners and Trustees, and reduced governance and compliance risk.

What Trustees are responsible for

Trustees act on behalf of the Body Corporate and carry a governance duty to protect the scheme's shared interests. In relation to insurance and risk management, Trustees are typically responsible for:

- Ensuring the scheme has appropriate insurance in place
- Overseeing insured values and regular reviews
- Acting in good faith when making insurance-related decisions
- Seeking professional advice where necessary
- Communicating clearly with Owners about scheme-level responsibilities

Trustees are not expected to manage individual Owner insurance needs, but they are expected to ensure that the scheme's collective exposure is addressed.

What Owners are responsible for

Owners retain responsibility for their own personal risks within the framework of the scheme. This often includes:

- Personal belongings and household contents
- Understanding how scheme insurance interacts with personal cover
- Individual lifestyle-related risks
- Informing Trustees or managing agents of significant alterations or improvements and when claims arise

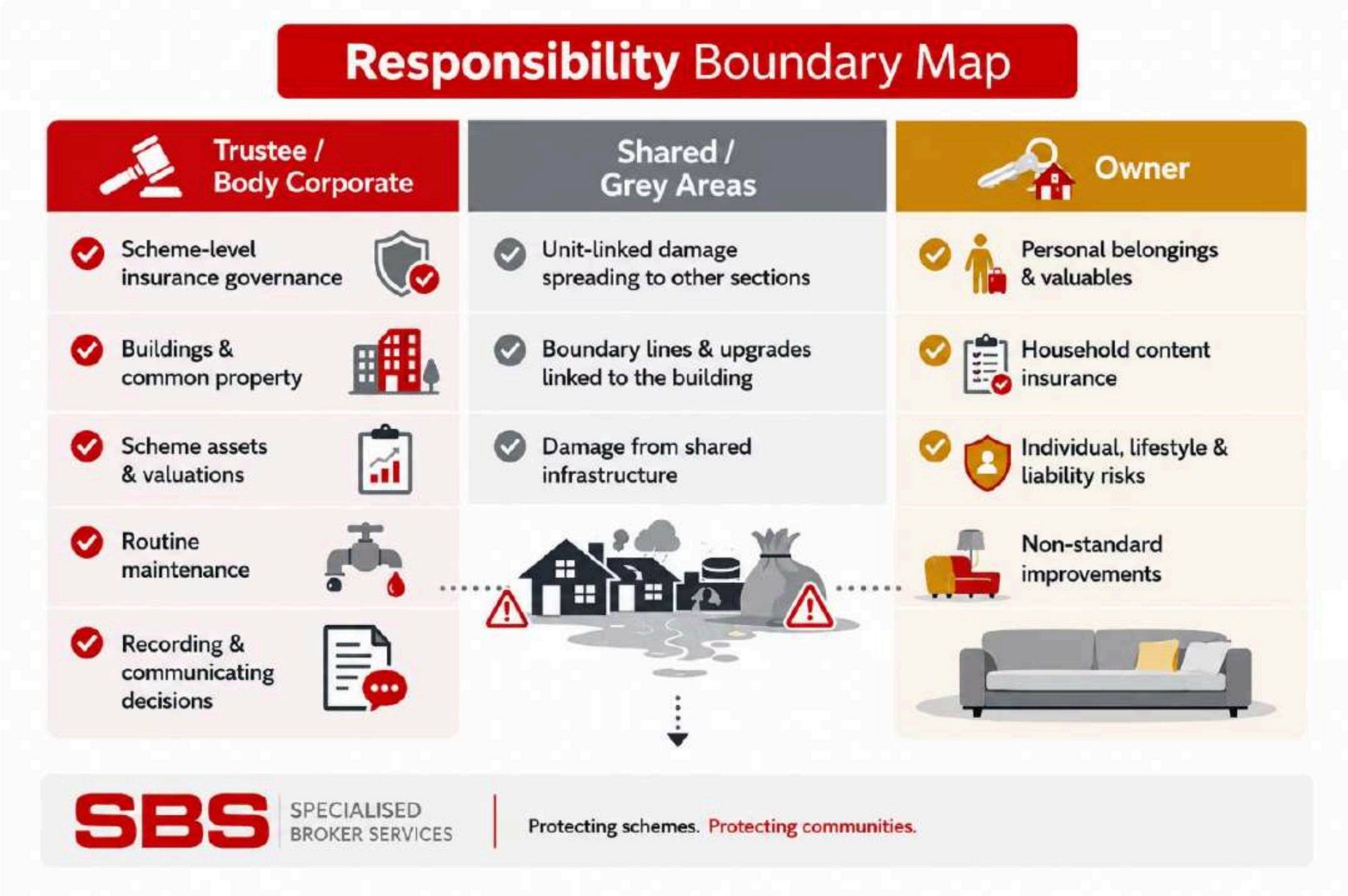
Owners who clearly understand their responsibilities are less likely to experience claim disputes or unexpected financial outcomes.

Where responsibilities overlap

Some situations naturally sit between Trustee and Owner responsibility. These can include:

- Internal alterations that affect structural elements
- Shared infrastructure that services individual sections
- Damage that originates in one unit but affects others

In these cases, communication and documentation become more important than assigning blame.



> The guiding principle from a Body Corporate's perspective should always be: Protect the scheme first, then resolve individual responsibility fairly and transparently

Best-practice approach for schemes

When responsibilities are not clearly defined, Trustees may unknowingly expose the scheme to risk, Owners may assume protection that does not exist, claims may be delayed or partially settled, or relationships within the scheme can deteriorate. As a result, insurance education and documentation should form part of ongoing scheme governance.

Governance risk when roles are misunderstood

Well-managed schemes typically revisit insurance responsibilities regularly, include insurance discussions in Trustees meetings, communicate boundaries clearly to Owners, and work with specialists who understand sectional title complexity. This proactive approach reduces risk and builds confidence across the scheme.

Trustees frequently use this test during claims discussions and Owner queries to prevent disputes before they escalate:

The Trustee Responsibility Test

How to Decide What the scheme vs the Owner Must Insure

When uncertainty arises about whether something falls under scheme insurance or Owner responsibility, Trustees can apply the following practical test:

Ask these four questions:

1. **Is the item or area part of the building structure or common property?**

   If yes, it is usually a scheme responsibility.

2. **Would damage affect more than one section or shared infrastructure?**

   If yes, it is typically a scheme-level risk.

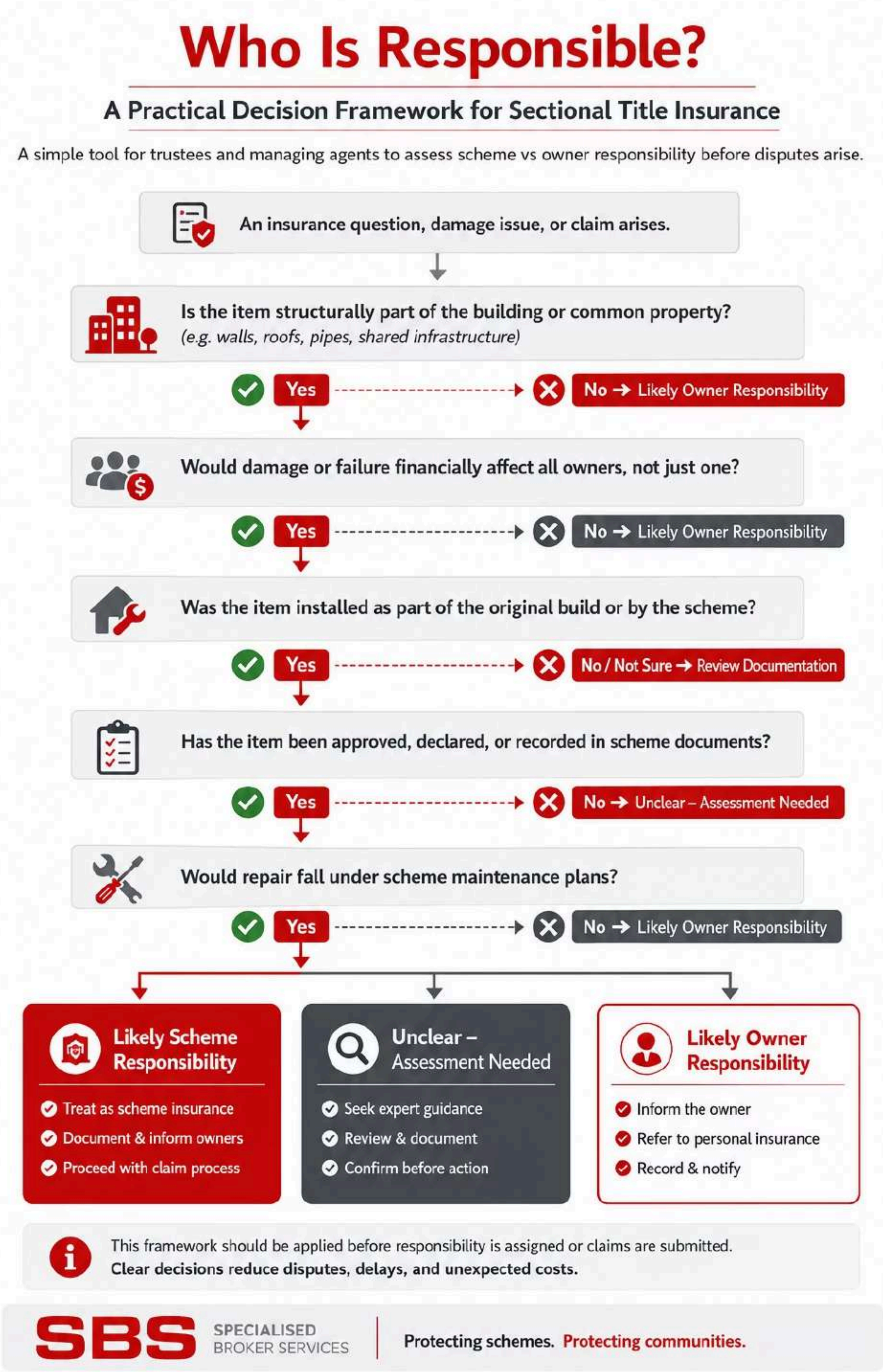
3. **Was the item installed as part of the original building or approved scheme specifications?**

   If yes, it often falls under scheme insurance

4. **Is the item movable, personal, or specific to one Owner's lifestyle or preferences?**

   If yes, it is usually the Owner's responsibility.

⚠ This framework does not replace professional advice, but it helps Trustees and Owners reach clearer, faster decisions and reduces disputes caused by assumption or misunderstanding.



To help Trustees apply these principles consistently, this guide includes a Checklist at the end of the document.

1 Who is responsible for sectional title insurance?

Trustees are responsible for arranging and overseeing scheme-level insurance on behalf of the Body Corporate.

2 What insurance responsibilities do Owners have?

Owners are typically responsible for insuring personal belongings and individual risks not covered at scheme level.

3 Why do disputes happen between Trustees and Owners?

Disputes usually occur when responsibility boundaries are unclear or poorly communicated. Trustees often only realise these gaps once a claim is underway, when time pressure and Owner expectations make resolution more difficult.

CHAPTER 6

What is Underinsurance in a Sectional Title Scheme?

Underinsurance occurs when the insured value of a sectional title scheme is lower than the true cost to rebuild or reinstate the buildings and fixed structures. When this happens, the scheme may not receive enough funds from a claim to fully repair damage after a loss.

Underinsurance is a serious, and very common, systemic risk facing sectional title schemes. It often goes unnoticed until a claim is made and generally arises from outdated valuations, information or review processes, not personal failure. This is why replacement valuation reports should be obtained every three years, while many insurer wordings also include a 10% cover escalation clause to help reduce the risk of underinsurance between formal valuations.

Why underinsurance happens

Underinsurance usually develops gradually rather than suddenly. Common contributing factors include:

- Outdated replacement values
- Rising building and material costs
- Changes or improvements not reflected in insured values
- Assumptions that market value equals rebuild cost
- Insurance being reviewed only at renewal, not as part of ongoing governance

Festive periods, long renewal cycles, or Trustee turnover can also increase the risk if insurance reviews are delayed or rushed.

The real impact of underinsurance on claims

When a scheme is underinsured, claim settlements may be reduced proportionally, depending on the policy wording, the insurer's assessment, and the scheme's specific risk profile. This means the insurer may only pay a percentage of the total loss. Any shortfall may need to be covered by the Body Corporate's funds or, where applicable, by the affected Owner. For example, if a scheme is insured for less than its true replacement value, even a partial loss can result in significant out-of-pocket costs for the Body Corporate or individual Owners.

Why replacement value reviews are critical

Replacement value is not static. It should reflect current construction costs, changes to building regulations or standards, inflation in labour and materials, and structural changes or upgrades within the scheme. A specialist replacement valuation should be obtained every three years to help ensure the scheme's insured values remain accurate, realistic and defensible. This helps Trustees, Managing Agents and the Body Corporate reduce the risk of underinsurance, particularly in high-risk, older or upgraded buildings.

⚠ Trustees should treat the following as red flags:

- Insured values that haven't been reviewed for several years
- Significant upgrades without corresponding valuation updates
- Rising building costs without insurance adjustments
- Lack of documentation supporting insured values.

These warning signs often indicate exposure long before a claim occurs.

How schemes can reduce underinsurance risk

Best practice for schemes includes:

- Periodic replacement value assessments (every 3 years)
- Documenting changes that affect rebuild cost
- Treating insurance as a governance priority, not an admin task
- Seeking professional guidance when uncertainty exists

Proactive management is far less costly than addressing underinsurance or non-disclosure after a loss.

1

What is underinsurance in sectional title schemes?

It occurs when the scheme is insured for less than the true cost to rebuild the buildings and fixed structures.

2

Why is underinsurance dangerous?

Because claims may be paid proportionally, leaving the Body Corporate or affected Owners to cover the shortfall, depending on the policy wording and claim circumstances.

3

How can Trustees reduce underinsurance risk?

By regularly reviewing replacement values and ensuring insured amounts reflect current rebuilding costs.

CHAPTER 7

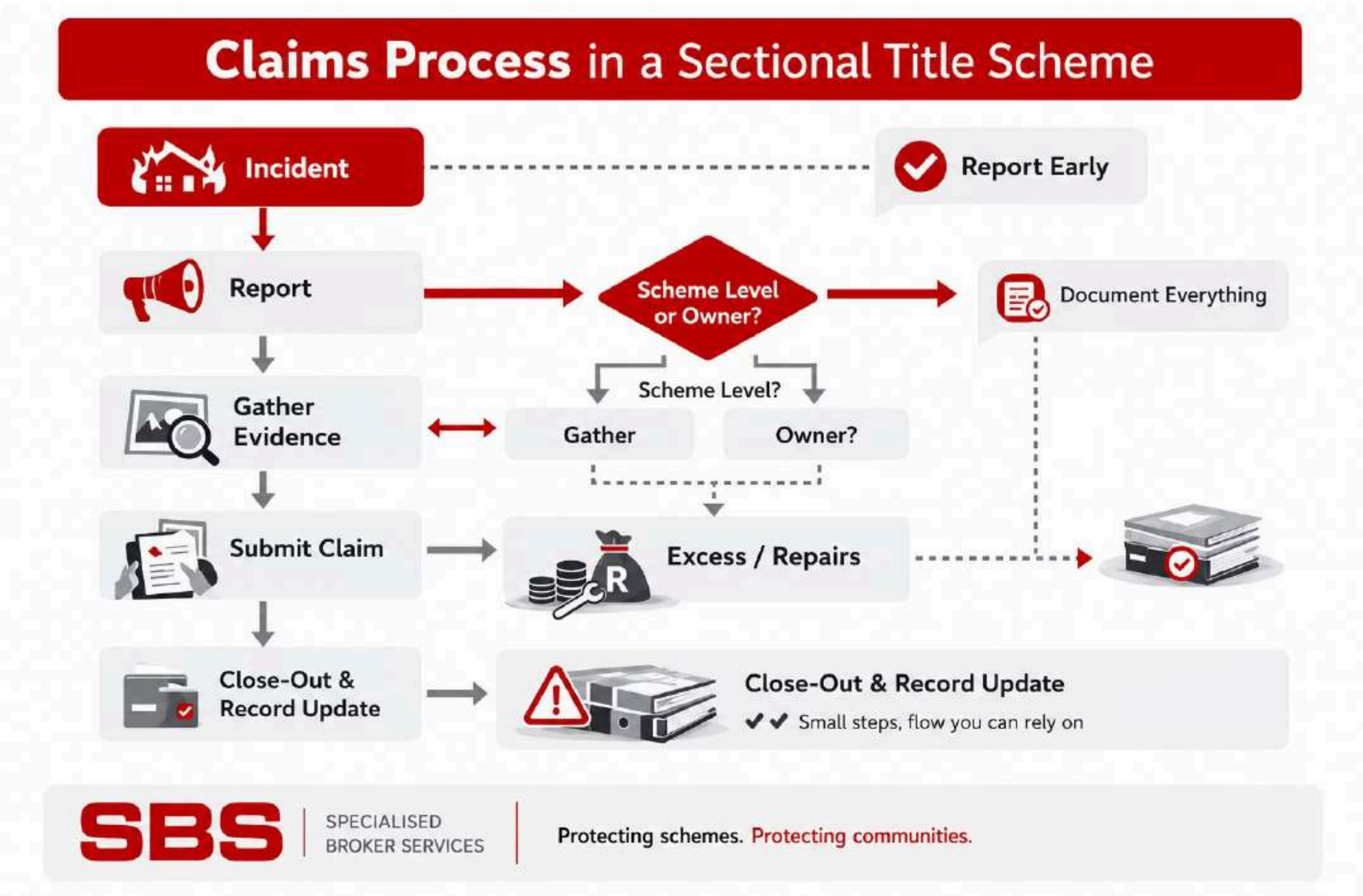
How do Insurance Claims Work in a Sectional Title Scheme?

Insurance claims in sectional title schemes are typically handled at scheme-level, rather than by individual Owners acting independently. This is because damage often affects shared property, multiple sections, or infrastructure owned collectively by the Body Corporate.

When an insured event occurs, the claim process usually involves:

1. **Notify** — Notifying the managing agent or Trustees
2. **Assess** — Assessing whether the damage falls under scheme responsibility
3. **Document** — Coordinating documentation and supporting information
4. **Reinstate** — Managing repairs and reinstatement once a claim is approved

The process is designed to protect the scheme, rather than prioritising individual outcomes in isolation.



Who reports a claim?

In most cases Trustees or the managing agent report claims that affect common property or the building structure. Owners are expected to report incidents promptly to allow the scheme to assess the impact and next steps. Delays in reporting can complicate claims, particularly where damage worsens over time or evidence is lost.

What information is usually required for a claim?

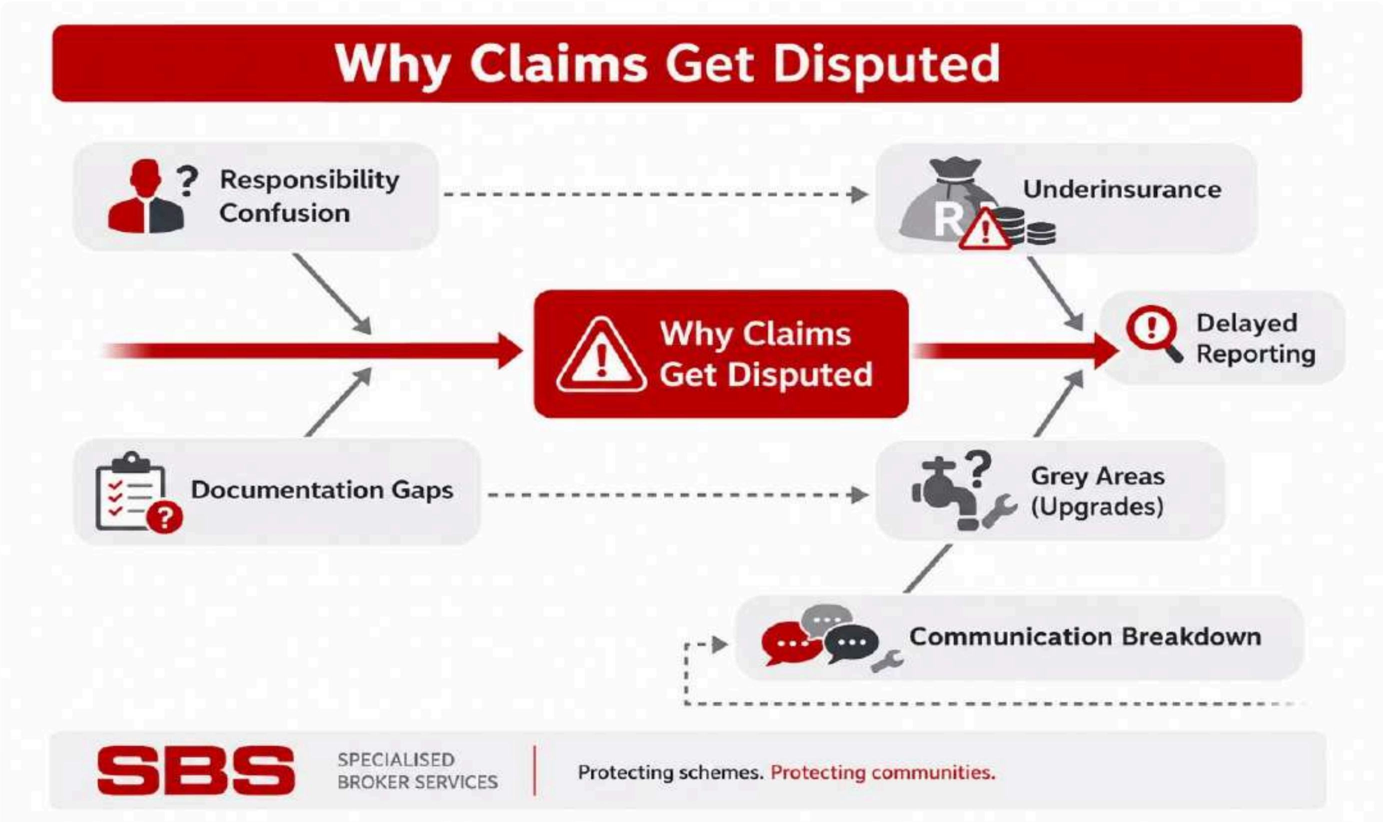
While documentation requirements vary, claims often require a clear description of what happened, the date and circumstances of the incident, photographic or supporting evidence, details of areas affected, and any steps taken to prevent further damage. Accurate and timely information helps prevent delays and disputes.

How claims affect the scheme and Owners

Even when claims are successful, they can still affect the scheme in several ways:

- Temporary disruption during repairs
- Excess payments that may be funded through levies
- Potential impact on future insurance costs

For Owners, this reinforces the importance of understanding how scheme insurance interacts with personal insurance arrangements.



Most disputes arise not from bad faith, but from unclear responsibility boundaries, underinsurance or outdated insured values, misunderstanding of what is insured at scheme-level, or poor communication between parties. Clear documentation, regular communication, and realistic expectations significantly reduce friction. Many claim disputes and delays arise from water damage incidents, particularly geyser failures or burst pipes, where responsibility boundaries and maintenance obligations are often misunderstood.

Best practices for smoother claims handling

Schemes that manage claims effectively tend to encourage prompt incident reporting, keep clear records of insurance arrangements, communicate openly with affected Owners, and seek professional guidance early in complex claims. Claims should be treated as a governance process, not an emergency reaction.

1. **Who submits insurance claims in sectional title schemes?**

   Claims affecting common property or building structures are typically submitted by Trustees or managing agents.

2. **What should Owners do when damage occurs?**

   Owners should report incidents promptly so the scheme can assess responsibility and act.

3. **Why do claims sometimes take time to resolve?**

   Delays often result from documentation gaps, unclear responsibility, or the complexity of shared ownership structures.

CHAPTER 8

Why Risk Management Matters Beyond Insurance

Insurance is a critical safety net, but it should never be the only risk management strategy in a sectional title scheme. Well-run schemes actively reduce the likelihood and severity of incidents, rather than relying solely on insurance to fix problems after they occur.

Effective risk management helps schemes reduce the frequency of claims, limit financial exposure, protect long-term property value, and support stable levies and Owner confidence.

Common risks in sectional title schemes

Sectional title schemes face a combination of physical, financial, and governance-related risks. Common examples include:

Ageing Infrastructure

Deferred maintenance and ageing infrastructure increasing risk over time.

Water Damage

Water damage incidents, including geyser failures and burst pipes.

Weather-Related Risks

Fire, water damage, and weather-related risks.

Communication Gaps

Poor communication between Trustees and Owners.

Documentation Issues

Inadequate documentation or record-keeping.

Building Use Changes

Changes in building use or occupancy over time.

Many of these risks increase gradually, making them easy to overlook without structured oversight.

The role of maintenance in risk reduction

Preventative maintenance is an effective risk management tool available to a scheme. Regular maintenance reduces the likelihood of major damage, helps identify issues before they escalate, supports smoother insurance claims when incidents do occur, and demonstrates responsible governance. Schemes that invest in maintenance often experience fewer disputes and more predictable costs over time.

Documentation and communication best practices

Clear documentation underpins effective risk management. Best-practice schemes:

- Keep records of insurance reviews and valuations
- Document maintenance decisions and upgrades
- Communicate insurance responsibilities clearly to Owners
- Provide new Trustees with structured handover information

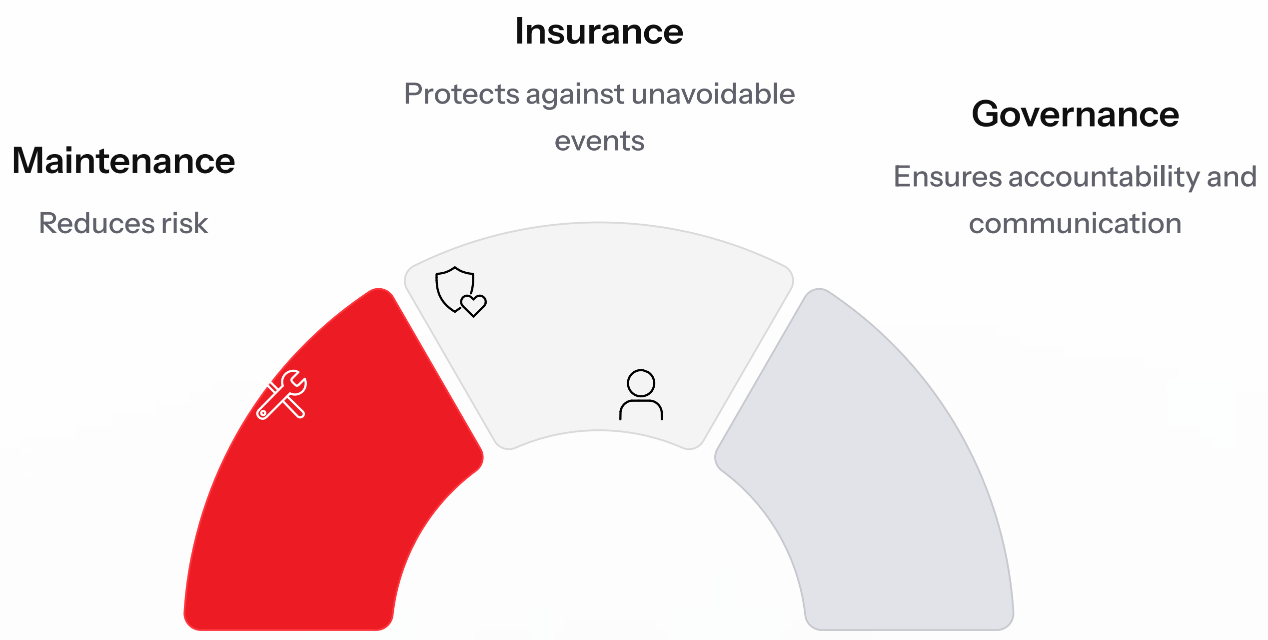
Good documentation not only supports claims but also protects Trustees in their governance role.

Trustee decision-making and accountability

Trustees are expected to act reasonably and in good faith. This does not mean eliminating all risk, but it does mean identifying foreseeable risks, taking proportionate steps to manage them, and seeking expert input when appropriate. A documented decision-making process helps demonstrate responsible governance, even when outcomes are imperfect.

Aligning insurance, maintenance, and governance

The strongest schemes treat insurance as part of a broader risk framework:



When these elements work together, schemes are better equipped to handle both routine issues and unexpected events.

1

Why is risk management important in sectional title schemes?

Because it reduces the likelihood and impact of incidents, protecting both finances and property value.

2

Is insurance enough to manage scheme risk?

No. Insurance works best alongside maintenance, documentation, and good governance practices.

3

What role do Trustees play in risk management?

Trustees oversee risk identification, decision-making, and communication on behalf of the scheme.

CHAPTER 9

Why Specialist Advice Matters in Sectional Title Insurance

Sectional title insurance involves shared ownership, legal obligations, and complex responsibility boundaries. While Trustees and managing agents play key roles, there are situations where specialist insurance advice becomes essential to protect the scheme and its members. Specialist insurance advice is not about replacing Trustees' decision-making or the role of professional valuators. It is about helping Trustees, Chairpersons and Managing Agents use the correct information, such as replacement valuation reports, to structure appropriate cover and support informed, defensible governance.

When schemes should seek specialist input

- When insured values have not been reviewed for an extended period
- When the scheme includes older buildings or unique construction features
- When major upgrades, alterations, or repairs have been completed
- When claims disputes or uncertainty arise
- When Trustees change and continuity is at risk
- When Owners raise concerns about what is or isn't covered

In these situations, assumptions can create exposure. Independent guidance helps reduce that risk.

What specialist advisors help clarify

A specialist advisor can assist schemes by helping to clarify scheme-level vs Owner responsibilities, helping to align cover with professional replacement valuation reports, identifying underinsurance risks early, improving alignment between governance, insurance, and maintenance planning, and supporting Trustees with documentation and decision-making rationale. This support helps Trustees demonstrate that reasonable steps were taken to protect the scheme's interests.

The value of proactive advice

Many schemes only seek advice after a loss or dispute occurs. Proactive engagement offers clear advantages:

- Issues are identified before they become costly
- Trustees gain confidence in their decisions
- Owners receive clearer communication
- Claims outcomes tend to be smoother

Early advice is often far more cost-effective than reactive problem-solving.

How advice supports long-term scheme stability

Well-advised schemes tend to experience fewer disputes, maintain more stable levies, recover faster from incidents, and build trust between Trustees and Owners. Insurance, when aligned with governance and risk management, becomes a stabilising force rather than a source of tension.

1 When should a sectional title scheme seek specialist insurance advice?

When insured values are uncertain, responsibilities are unclear, or changes have occurred that affect risk exposure.

2 Why is specialist advice important for Trustees?

It helps Trustees make informed decisions, manage risk responsibly, and demonstrate good governance.

3 Is specialist advice only needed after a claim?

No. Proactive advice helps prevent underinsurance, disputes, and costly mistakes before they occur.

Sectional Title Insurance

Trustee & Scheme Insurance Readiness Checklist

A practical checklist to help Trustees and managing agents identify gaps, risks, and priorities in sectional title insurance governance.

1. Scheme Insurance Fundamentals

- [ ] Does the Body Corporate have scheme-level insurance in place?
- [ ] Is insurance treated as a governance responsibility, not just an annual renewal task?
- [ ] Are Trustees aware of their legal duty to protect shared assets?

2. Replacement Value & Underinsurance Risk

- [ ] Has the scheme's replacement value been reviewed recently?
- [ ] Does the insured value reflect current rebuilding costs (not market value)?
- [ ] Have rising construction and material costs been considered?
- [ ] Are older buildings or unique construction features factored into valuations?

Red flag: Insured values that haven't been reviewed for several years may indicate underinsurance risk.

3. Responsibility Decision Framework — (Trustee Decision Tool)

From a governance perspective, Trustees should apply this framework before deciding whether an issue is a scheme or Owner responsibility.

When an insurance question, damage incident, or claim arises, ask:

1. Is the item structurally part of the building or common property?
2. Would damage to this item financially affect all Owners, not just one?
3. Was the item installed as part of the original build or by the scheme?
4. Has the item been declared, approved, or documented in scheme records?
5. Would repairing or maintaining this item normally fall under scheme maintenance?

How to interpret the answers:

- If most answers are "yes", it is usually a scheme-level responsibility
- If most answers are "no", it is usually an Owner responsibility
- If unclear, the issue should be documented and assessed before assumptions are made

- [ ] Do Trustees consistently apply this framework when questions arise?
- [ ] Are responsibility decisions documented once assessed?
- [ ] Are Owners informed of outcomes clearly and early?

4. Claims Readiness

- ☐ Is there a clear process for reporting incidents and potential claims?
- ☐ Do Trustees and managing agents know who submits scheme-level claims?
- ☐ Is supporting documentation easy to access if a claim occurs?
- ☐ Are Owners encouraged to report damage promptly?

5. Risk Management & Maintenance

- ☐ Is preventative maintenance actively managed?
- ☐ Are ageing infrastructure risks monitored?
- ☐ Are maintenance decisions documented?
- ☐ Is insurance considered part of broader risk management, not a standalone item?

6. Governance & Documentation

- ☐ Are insurance decisions discussed in Trustee meetings?
- ☐ Is there continuity when Trustees change?
- ☐ Are insurance reviews and decisions recorded?
- ☐ Is professional advice sought when uncertainty exists?

7. When to Seek Specialist Advice

- Insured values are unclear or outdated
- The scheme has undergone upgrades or changes
- Trustees are unsure about responsibility boundaries
- Claims disputes or repeated issues have occurred
- The scheme includes complex or higher-risk features

If you answered "No" or "Not sure" to any of the above, your scheme may be carrying avoidable risk.

Best practice: Proactive advice reduces disputes, improves claim outcomes, and supports good governance.

Sectional title insurance works best when:

Responsibilities are clear	Values are realistic	Risks are actively managed	Advice is sought before problems arise

Final Takeaway For Trustees and Owners

Sectional title insurance is not just a compliance requirement; it is a cornerstone of scheme sustainability. When responsibilities are clear, risks are understood, and advice is sought at the right time, schemes are better positioned to protect their buildings, finances and relationships.

The strongest schemes are not the ones that avoid problems entirely. They are the ones that prepare properly, communicate clearly, and review risks proactively before claims occur. Good governance, clear responsibilities, and appropriate insurance protection help Trustees protect not only buildings, but also the long-term stability and trust of the communities they serve.

Protecting Your Scheme Starts with Better Questions

Sectional title insurance can quickly become complex when responsibilities, valuations, governance obligations, and claims processes overlap. This guide was created to help Trustees, Managing Agents, Property Managers, and Owners better understand how sectional title insurance works in practice, where responsibilities typically sit, and which risks require proactive attention before disputes arise.

Every sectional title scheme is different. Building age, maintenance standards, governance structures, upgrades, claims history, and insurer requirements all influence how risk should be approached. For this reason, specialist advice and regular reviews remain an important part of protecting both the scheme and the financial interests of Owners.

SPECIALISED BROKER SERVICES

Protecting Schemes Starts with Better Questions

Practical guidance for Trustees, Managing Agents and Body Corporates

Sectional title insurance becomes complex when responsibilities, valuations, governance obligations and claims processes overlap.

Every scheme is different. Building age, maintenance standards, upgrades, claims history and insurer requirements all influence how risk should be approached.

Regular reviews and specialist guidance help Trustees make informed decisions, reduce avoidable disputes and support long-term scheme stability.

Need Guidance on Your Scheme's Insurance Structure?

SBS specialises in:

- Sectional Title Insurance Structuring
- Insurance Responsibility Clarity
- Risk & Governance Support
- Claims Guidance & Assistance
- Insurance Reviews & Policy Alignment
- Replacement Valuation Process Support
- Underinsurance Risk Awareness
- Trustee & Scheme Communication Support

About SBS

Specialised Broker Services (SBS) is a specialist short-term insurance brokerage with experience in sectional title and Body Corporate insurance solutions across South Africa.

SBS works closely with Trustees, Managing Agents and Body Corporates to help schemes make informed, defensible decisions that support long-term financial stability and reduce avoidable disputes.

Better insurance decisions start with better questions.

SPECIALISED BROKER SERVICES

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Protecting schemes.
Protecting communities.