



Council Policy Name: Building Insurance

Responsible Directorate: Engineering and Works Services

Version: Current

1. PURPOSE

1.1. The purpose of this Policy is to outline the City’s approach to building insurance and the treatment of insurance for leased buildings.

2. SCOPE

2.1. This Policy is applicable to all buildings and associated improvements on land owned or managed by the City of Busselton, and to tenants under a community and sporting group lease or a commercial lease agreement.

3. DEFINITIONS

Term	Meaning
Certified Practising Valuer	A person with the required qualifications, training and experience to perform valuation of real property.
Policy	This City of Busselton Council policy titled “Building Insurance”
Service Level Hierarchy (SLH)	A hierarchy developed as part of the Building Asset Management Plan adopted by Council in December 2010, used to determine the level of priority a building is afforded with respect to maintenance and replacement.

4. STRATEGIC CONTEXT

4.1. This Policy links to Key Goal Area 6 – Leadership of the City’s Strategic Community Plan 2017 and specifically the following Community Objective 6.4 Assets are well maintained and responsibly managed.

5. POLICY STATEMENT

5.1. Council seeks to obtain the best value-for-money insurance coverage for each building owned or managed by the City.

5.2. There are four levels of insurance:

- a. **Replacement / Reinstatement:** cost for full replacement of a building to current day standards, including provisions for architects and engineers fees, removal of debris, extra costs of reinstatement, extinguishment costs and miscellaneous structures and equipment.
- b. **Indemnity Only:** the market value of the building. In the event of a total loss, that amount is the maximum amount payable and there is no consideration of replacing or rebuilding the asset.
- c. **Demolition Only:** This value can be set by Council, nominating a value to a certain building based on previous quotations, actual costs or an estimation of the probable costs to demolish it.
- d. **No Insurance:** Council may elect not to insure a building in instances where other insurance cover exists or in circumstances where insurance cover is not necessary.

- 5.3. With the exception of leased buildings, the City will not insure buildings under the value of \$50,000 unless the CEO decides it is necessary, due to special circumstances, to insure a particular building.
- 5.4. All buildings and their associated improvements will be allocated a level of insurance appropriate to its SLH, its current condition and planned future use.
- 5.5. The typical relationship between a building’s SLH and its insurance level is shown in the below table:

SLH	INSURANCE LEVEL
1	Replacement / Reinstatement
2	Replacement / Reinstatement
3	Replacement / Reinstatement or Indemnity (in some cases)
4	Replacement / Reinstatement or Indemnity (in some cases)
5	Demolition
6	Replacement / Reinstatement

- 5.6. To ensure that all building values are consistent with current replacement costs and / or market values, the City will undertake revaluations every three years, to be carried out by a Certified Practising Valuer.
- 5.7. The City’s standard community and sporting group lease and commercial lease agreements require that all buildings and improvements are insured for replacement / reinstatement value, with tenants, subject to paragraph 5.8, required to reimburse the cost of insurance to the City.
- 5.8. Not-for-profit community and sporting groups who lease buildings that are listed with the Heritage Council of WA and have conservation plans are only required to reimburse 50% of the cost of insurance.

6. RELATED DOCUMENTATION / LEGISLATION

- 6.1. City of Busselton Building Asset Management Plan – Service Level Hierarchy

7. REVIEW DETAILS

Review Frequency		3 yearly		
Current Adoption	DATE	12 February 2020	Resolution #	C2002/033
Previous Adoption	DATE	14 September 2016	Resolution #	C1609/234