



## Reinstatement & Replacement Insurance Report

10 Sample Street Suburb VIC, 3800 (PSXXXXXX)

- ✓ 30+ Years Experience In Reporting Services
- ✓ Our Quality Reports Make Roscon The Number 1 Choice
- ✓ We Conduct Onsite Audits Including Photos, Not Desktop Audits
- ✓ ISO 9001 Accredited Systems & Procedures
- ✓ Domestic Unlimited Builders (DB-U 13329)
- ✓ Commercial Unlimited Builders (CB-U 4272)
- ✓ Member - MBAV Platinum Master Builder
- ✓ Member - Strata Community Australia
- ✓ Member - Australian Institute of Project Management
- ✓ Member - The Real Estate Institute of Australia

## Roscon Property Services

Roscon Property Services is the first property services provider to introduce central streamlined systems integrating property maintenance and quality controlled reporting services accredited by International Certifications, dedicated to support Owners Corporation managers.

Since 1987 we have evolved from our history of developing and constructing prestigious residential and high profile commercial/ industrial landmark projects. We have extended our service capabilities through our extensive construction, strata management and professional property services experience gained over 25 years, and filled the void between three property industries.

Built on solid foundations our clients rest assured in the comfort of knowing they're supported by Registered Building Practitioners, qualified professionals, fully insured and committed in protecting their responsibility to valued clients.

## Mission Statement

"It is the policy of Roscon Property Services to deliver property Maintenance services to its clients in the most efficient and timely manner while respecting legal and statutory requirements. Roscon Property Services Pty Ltd operates under ISO 9001-2000 in the completion of its services. All staff & sub-contractors are expected to work according to our policies and procedures. The system employed by Roscon Property Services Pty Ltd is reviewed annually in order to ensure its consistency".

## Instructed By

<b>Name</b>	
<b>Title</b>	
<b>Company</b>	
<b>Address</b>	

## Inspected & Compiled by

Action	Name	Date
<b>Prepared By</b>		
<b>Reviewed By</b>		
<b>Approved By</b>		
<b>On Behalf Of</b>	Roscon Property Services	
<b>Version</b>	v7.8	

00 Month 2019

Dear Name,

Thank you for using Roscon Property Services Pty Ltd for your Reinstatement & Replacement Insurance Report. I have attached a copy of the report that has been compiled by our experienced team.

Our combined industry experience and qualifications as registered unlimited building practitioners and licensed estate agents ensures that your insurance reinstatement and replacement valuations are the most comprehensive in the industry. We use the most recent data available from the valuer general's office and the Real Estate Institute of Victoria REIV to crosscheck all our valuations, this data is only made available to licensed estate agents and registered sworn valuer's.

The Owners Corporation Act & Regulations places accountability on the Owners Corporations, their elected committee and appointed manager, to ensure that your building is insured for its full replacement value.

Our research & data shows that 80% of non-prescribed owner's corporations are under insured, with 10% insured for the correct amount, 5% insured for almost half and 5% are insured for more than the correct amount. The best investment an owner's corporations can make is to insure their asset for the correct amount.

The teams at Roscon Property Services Pty Ltd are available to assist you with any and every essential safety measures concern that may eventuate and look forward to your call.

Thank you for your continued business.

Yours Sincerely

**Roscon Property Services Pty Ltd**



Paul Cummaudo  
Managing Director  
AREI, RBP, CRE, Licensed Estate Agent  
Registered Building Practitioner DB-U 13329, CB-U 4272  
Member REIV, MBAV, SCA, NCTI

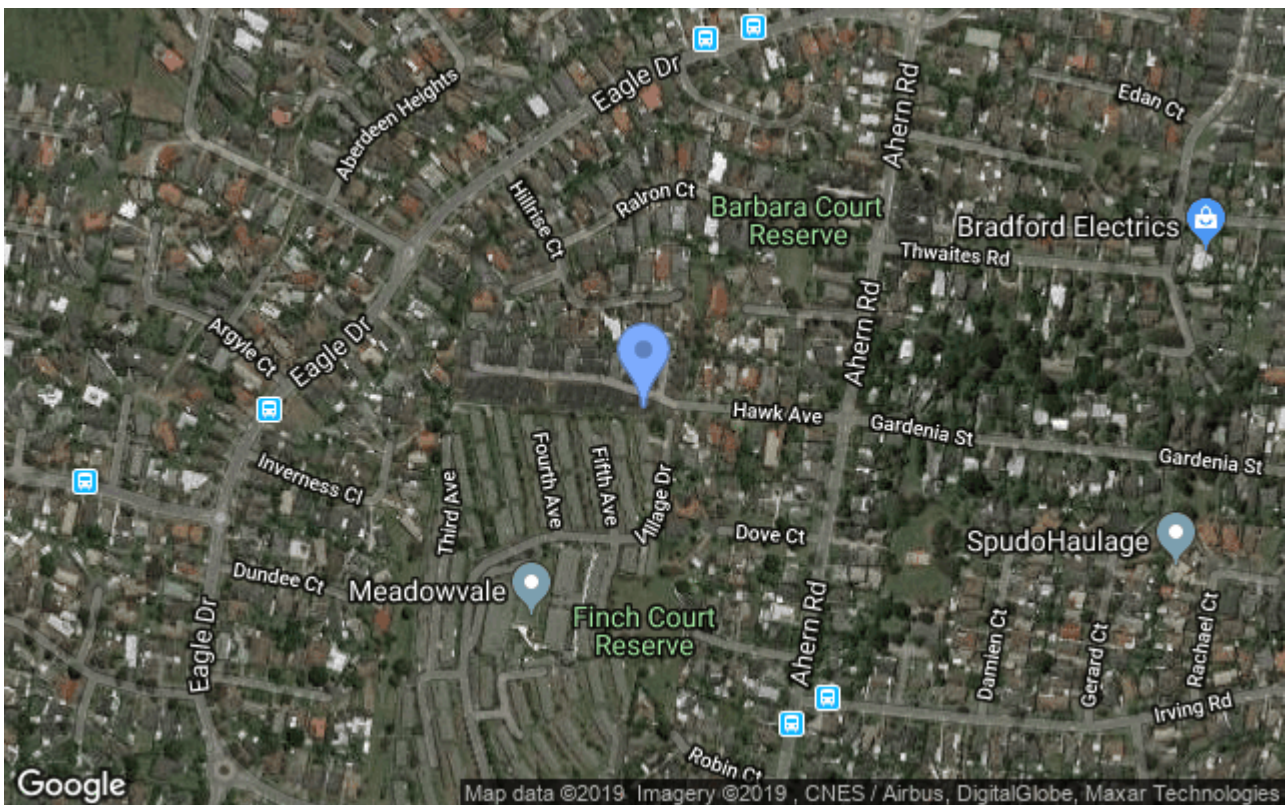
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## 1. Property Description

### 1.1 Location

#### 10 Sample Street Suburb VIC, 3800



### 1.2 Inspection Notes

This property consists of the following:

- Forty residential houses
- Brick veneer, single storey houses with garages
- Tile roofing and aluminium framed windows
- Common concrete roadway with kerb and channel
- Landscaping and planting

## 1.3 - Building Photos



## 1.4 Development Details

Building Constructed	
Pre 1994	<input type="checkbox"/>
Post 1994	<input checked="" type="checkbox"/>

Building Class	Description	
1	Single Dwelling, Boarding House, Guest House or Hostel	<input checked="" type="checkbox"/>
2	Building Containing Sole-occupancy unit (e.g. apartments, blocks or flats)	<input type="checkbox"/>
3	Backpacker accommodation, residential parts of hotels or motels, residential parts of schools, accommodation for the aged, disabled or children.	<input type="checkbox"/>
4	Single dwelling in a Class 5, 6, 7, 8, or 9 building such as the caretaker's residence	<input type="checkbox"/>
5	Offices for professional or commercial purposes	<input type="checkbox"/>
6	Shops or other buildings for sale of goods by retail cafes, restaurants, milk bars, dining rooms, and bars	<input type="checkbox"/>
7	Buildings used for car parks, storage or display of goods	<input type="checkbox"/>
8	Laboratories or buildings for production or assembly of goods	<input type="checkbox"/>
9	Public buildings such as health care buildings or assembly buildings, nightclubs, bars etc	<input type="checkbox"/>
10	Non-habitable structure including fence, carports, antenna, etc.	<input checked="" type="checkbox"/>

## 2. Reinstatement & Replacement Valuation

### Property Insurance Reinstatement Cost Assessment

10 Sample Street VIC 3810  
PSXXXXXX

### Details of Assessment

<b>Date of Reinstatement Assessment</b>	<b>22-Jul-2019</b>
<b>Cost of Building/s Reinstatement</b>	<b>\$ 10,958,370</b>
Demolition and Removal of Debris	\$ 811,833
Professional Fees	\$ 598,193
Escalation Cost over Reinstatement Period	\$ 1,508,308
<b>Total Cost of Reinstatement</b>	<b>\$ 13,876,704</b>
Estimated Rental Loss / Temporary Accommodation (refer to Clause 9 and 9.1)	\$ 2,081,506
Australian Reinsurance Pool Corporation (ARPC) Terrorism Cover Required (refer to Clause 10)	NO
<b>Reinstatement Period</b>	
Demolition, Documentation and Permit Application Period	12 Months
Construction Period	22 Months
Total Reinstatement Period	34 Months

### Reinstatement Assessment Forecast

	<u>Date</u>	<u>Pre GST</u>	<u>Inclusive GST</u>
as at	<b>22-Jul-2019</b>	<b>\$ 12,615,185</b>	<b>\$ 13,876,704</b>
	22-Jul-2020	\$ 13,220,714	\$ 14,542,786
	22-Jul-2021	\$ 13,855,309	\$ 15,240,840
	22-Jul-2022	\$ 14,520,363	\$ 15,972,400
	22-Jul-2023	\$ 15,217,341	\$ 16,739,075



## 3. Statement of Purpose

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This reinstatement cost assessment is provided to assist the property owners to obtain quotations for insurance of their property from insurance brokers and/or insurance companies.

Roscon Group have not been provided with copies of insurance policies either past or proposed. It is for the parties to the insurance policy to satisfy themselves as to the working of the policy and to the risks covered.

### 3.1 Replacement Cost Versus Market Value

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A replacement cost valuation is based on the cost to rebuild your development with similar quality materials and craftsmanship to that which existed before the loss. It takes no account of land value.

Market value, on the other hand, is essentially the sale price of a property. This includes the value of the land, the house and any other site improvements. Factors that can influence market value include location, views, proximity to schools, shops and transportation, and the condition and style of the development.

## 4. Methodology

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### 4.1. Reinstatement Costs

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The cost assessment envisages total exact reconstruction of the property "as new" and includes allowance for removal of any remains and debris, together with shoring and temporary protection of adjoining buildings where appropriate and upgrading the building to meet current Building Regulations. Professional fees and Council charges are also included.

The cost assessment of the foundations has assumed that sub-soil conditions are such as to permit the construction of normal foundations, while considering the type and location of the building.

The cost estimated for reconstruction including structure, services and finishes, also allows for heritage classifications (where applicable) and additional costs to comply with the requirements of any Acts, Regulations, By Law, Legislation enacted by Government or other Statutory Authority.

Allowance has been made for any cost fluctuations of building materials, services, plant which may be required to be supplied from overseas.

### 4.2. Basis of the Estimate

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The estimate has been based upon dimensions ascertained by a combination of the following methods:

- 4.2.1. From drawings provided to us by you.
- 4.2.2. From drawings already on file.
- 4.2.3. From dimensions and measurements taken on site.

### 4.3. Assumptions

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Our reinstatement cost assessment has been provided on the premise that the building has been maintained in a state of good repair.

## 5. Input Data Definition

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### 5.1. Demolition Costs

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Includes but is not limited to, making safe, demolition including removal of debris, shoring, temporary protection and removal of existing foundations.

### 5.2. Cost to Reinstate the Complete Building

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Costs included are the anticipated construction costs of a building contract as at the date of the policy commencement date. Professional fees and escalation costs have also been included. Construction of the building compliant to current building regulations is included.

Allowance has been made for the current status of construction. The current status of works has a direct bearing on the rates that are being applied /charged to perform the works necessary for the complete property reinstatement as calculated within this report.

### 5.3. Professional Fees

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The following disciplines are allowed within this allowance:

- 5.3.1. Quantity Surveyor
- 5.3.2. Project Manager
- 5.3.3. Architect
- 5.3.4. Structural Engineer
- 5.3.5. Council Fees
- 5.3.6. Building and Design approval
- 5.3.7. Building Services Design
- 5.3.8. Disbursements and sundries, minor fees, for example acoustic and soil testing

### 5.4. Escalation Cost

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This allowance considers an inflation provision is allowed and applied to the base reinstatement cost for the period of demolition, re-documentation and reconstruction. The inflation provision does not take into account abnormal factors that may artificially affect costs of construction, for example earthquakes, floods and tempests.

### 5.5. Goods and Services Tax

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Our reinstatement cost assessment includes:

- 5.5.1. GST Inclusive
- 5.5.2. GST Exclusive

It is recommended that this matter should be discussed with a tax advisor and insurer to determine the appropriate figures that should be adopted.

## 5.6. Time

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Construction, demolition, re documentation periods are expressed as working weeks and are based on current industry agreements of thirty six hours, nine day fortnight.

It is assumed that demolition will be carried out in during the re-documentation period and that a normal period should be allowed to obtain permits and approvals for this type of building.

## 5.7. Cost Assessment as at 22 July 2019

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This figure represents the cost of re-construction with the assumption that destruction occurs on first day of the new policy.

## 5.8. Cost Assessment as at 22 July 2020

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This figure represents the cost of reconstruction assuming destruction occurs on this date, the last day of the insurance period.

## 6. Exclusions

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### 6.1. Excluded From Calculation

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The cost assessment excludes the items listed below:

- Alternative accommodation cost of renting and consequential loss.
- Professional fees incurred to prepare a claim following a loss.
- Costs related to changes in the plot ratio.
- Building variations to the current design.
- Moveable fittings, furniture or equipment.
- Tenancy fit out including office, recreation equipment, catering equipment, furniture, curtains, blinds and ornaments that do not form part of the building.
- Contributions to fit out and tenant incentive costs.
- Trade, advertising signs, logos, etc.
- Works located outside the property boundary including but not limited to in ground drainage.
- Reconstruction finance charges.
- Delays in obtaining approvals due to appeals or other factors.
- Removal of contaminated soil.
- **Unless otherwise informed by Owner/s or the Owners Corporation, fixtures and structural improvements by individual Owners will not be included within our cost assessment. For more information, please see Section 6.3 below.**

### 6.2. Asbestos

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The removal of asbestos and the detection of asbestos has not been allowed for.

### 6.3. Fixtures and Structural Improvements by Owners

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We highly advise that Lot Owners are to provide a value of their expenditure for any fixtures and structural improvements in their apartment however we advise that providing this information is simply good "asset protection" and in their interests. These fixtures and structural improvements are only for items which fall under the inclusion of the **building** as opposed to personal **contents**.

It is beneficial for Lot Owners to be advised that the Owners Corporation is to be made aware of this expenditure amount for the sake of adjusting the insurance cover. When providing this value, the Lot Owners are to ensure they have a clear understanding of what personal contents are in terms of the fixtures and fittings within the lot, for this information, they must contact their relevant insurance provider. For example, CHU.

Most insurance companies give the options for additional cover under a separate policy for "Lot Owners' fixtures and improvements" - this is in effect a 'top-up' cover in case of significant or total loss. For example, at this point in time and referring to CHU's 'Quick Guide - Residential Strata Insurance Plan Benefits' guide, the following is provided under 'Policy 10':

*"Policy 10 covers fixtures and structural improvements installed or upgraded by Lot Owners for their exclusive use against accidental loss or damage as per Policy 1 (Insured Property Building cover) up to a value of \$250,000 per lot if the sum insured under Policy 1 is exhausted by a claim."*

Such a policy will come into effect if some lots have additional value due to additional fixtures / upgrades which are not adequately covered under the full Building Sum Insured (BSI) on the policy overall. However, it should be noted that in our opinion, supplying proof at the time of a claim rather than before is not particularly considered as best practice.

**It is also worth noting that significant lot improvements or additions could be amount enough to require amendments to the lot owner 'liabilities and entitlements' management however this is a matter for the OC to act on.** From an insurance perspective, the overall BSI is required to be appropriate to cover full re-instatement and replacement in the instance of severe damage or total loss and extra policies should be considered as TOP-UP cover, we recommended that you discuss these matters directly with your insurer.

## 7. Inclusions

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### 7.1. Included in Calculation

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The cost assessment includes the items listed below:

- Includes cover for the buildings, common area contents, professional fees allowance, fire extinguishment costs, removal of debris.
- Anticipates the rise in costs of labour and materials - remembering that the rise in rebuilding costs often outstrips the rise in CPI at times by as much as double the CPI.
- Reinstatement time following a major disaster and the re-building time it takes to re-establish the building into a fully functional state.
- Calculated assumptions to cover compliance, adhering to newly introduced local planning laws and building codes.
- Escalation of rebuilding costs and other fees applicable, between the time of the disaster and the time all construction works have been completed and the building is fully functional again.
- Loss of rent / Temporary Accommodation estimates for the period owners or tenants are unable to occupy the insured property, our recommended estimates also take into account escalation costs during the planning and rebuilding phase. This figure is given as a separate value and is not included in the total reinstatement amount.
- Where applicable open space contributions in accordance with planning scheme.
- Builder's margins & property developer's margins.
- Metropolitan Planning Levy (MPL) included where applicable.

#### **Important information**

Any decisions on whether to acquire or hold particular insurances should always be based on what is appropriate for your individual building or strata plan. For further details of your current or any insurance renewal cover refer to your nominated insurer. Always obtain a Product Disclosure Statement(s) and Policy Wording(s) to ensure you are covered for the sum and items stipulated in this report.

## 8. Disclaimer

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The purpose of this cost assessment is for insurance and as such should not be used for any other purpose. The details that are contained within this document are strictly confidential to the owners of the premises, their brokers and insurers.

Roscon Group does not accept any liability, contractual, or other form for any consequences, loss or damage which may arise as a result of any other person acting upon or using this cost assessment.

It is recommended that a reassessment should be performed at least every three years to maintain the assessment relevant to the fluctuations in inflation, material costs & labour variables.

This report is prepared by Roscon Property Services Pty Ltd (Roscon) for the purpose as stated on the front cover, and its contents are provided only for the exclusive use of the named client. Roscon believe that the information contained in this document is correct, and that any opinions, conclusions, recommendations and any views expressed in this report are made as at the date of inspection. Roscon do not warrant their accuracy, and disclaim all responsibility for any loss or damage which may be suffered by the client or any other person, directly or indirectly. Roscon has no relationship with the entity "the client" that has requested this report and does not owe any duties to their client, the owner's corporation their agents or contractors working on the premises which this report relates.

### **Publishers Note**

While every effort has been made to ensure accuracy of the information given in this report, neither the individual who performed the valuation or Roscon in any way accept liability for loss of any kind resulting from the use of the information contained in this report.

## 9. Loss of rent / Temporary Accommodation

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It is important to ensure the amount selected to cover 'loss of rent/temporary accommodation' equates to the amount of rent you would be able to receive for the rental for all lots within the complex. The amount selected must be sufficient to cover the rent that is owed from the time of loss to the complete reinstatement of the building; this is period is commonly referred to as the Total Reinstatement Period which may be found in Part 2 of this report.

### 9.1. Calculation Method for Loss of Rent or Temporary Accommodation

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The figure we provide for 'loss of rent/temporary accommodation' is an estimate, given the information which has been made available to us. We therefore strongly encourage all Body Corporate/Owners Corporations to contact a licensed real estate agent and ascertain the amount of rent that could be obtained for all lots that are within the complex, and then complete the necessary mentioned calculation.

Remember, some insurers cover loss of rent and temporary accommodation in addition to the sum insured. Therefore, you DO NOT include the rental figure in the calculation of the replacement cost of the building. The loss of rent / temporary accommodation figure should be an additional item to be insured.



## 10. Terrorism Cover

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The Australian Reinsurance Pool Corporation (ARPC) is a Corporate Commonwealth entity established by the Australian Government under the Terrorism Insurance Act 2003 (TI Act). The role of ARPC is to establish and subsequently provide ongoing administration of a scheme that would provide insurance cover for eligible terrorism losses, involving commercial property, associated business interruption losses and public liability.

Under the ARPC, the scheme that provides eligibility for terrorism cover will be effective from 1<sup>st</sup> July 2017:

1. **Commercial Strata** building that is defined to be 20% or more of commercial floor space ratio will attract the ARPC terrorism levy.
2. **Residential Strata** building that consists of one or more single buildings has a sum insured for \$50 million or more.

Insurance companies will be required to pay a premium to the ARPC and that amount (together with the cost of that part of the cover provided by valuation and administrative costs associated with the Act) is reflected in the premium charged to the property owner.

Refer to the Product Disclosure Statement and Policy Wording available from your insurer for full details of terms, conditions and exclusions and in deciding what cover is appropriate.

**NOTE:** If nominated "Yes" for item ARPC Terrorism Insurance Cover Required in our report see 'Details of Assessment', Roscon advice, that you contact your insurance company to review your insurance policies to determine the coverage options available or to verify whether your level of cover is adequate.

## 11. Catastrophe

Catastrophe-cyclone-ravaged areas have, over the years, reinforced the issue of inadvertent underinsurance. The Australian Securities and Investment Commission (ASIC), in their report on January 2007 on 'making Home Insurance Better' said that the impact of demand surges (which is a substantial increase in costs due to shortage in materials and labour) cannot be adequately reflected in policies with a fixed sum insured.

Furthermore, the ASIC report stated the following:

Mass disasters can cause huge and unpredictable increases in rebuilding costs.

- After cyclone Tracey in Darwin NT in December, 1974, building costs had increased by seventy-five percent.
- After the earthquake in Newcastle NSW in 1989, costs had increased by thirty-five percent.
- After the bushfires in the ACT in 2003, building costs had increased by fifty percent.
- Preliminary reports following Tropical Cyclone Larry in Queensland in March 2006, indicate that building costs had increased by fifty percent;

It is advised by leading insurers that a percentage increase of thirty percent should be added to the value of insurance cover to cover catastrophes. It is a concern that several insurance companies limit the percentage increase to cover catastrophes to fifteen percent. Based on the above information the Body Corporate / Owners Corporation will need to determine the appropriate percentage of cover required for their specific situation.

A percentage increase of only fifteen percent is totally inadequate, and it would result in a significant financial contribution being required from those individual unit owners affected by a catastrophe, to cover the shortfall. As a result, the Body Corporate/Owners Corporation could be fined and prosecuted for underinsurance.

**Catastrophe** means an Event which is sudden and widespread and which causes substantial damage to property over a large area, and as a result of which the Insurance Council of Australia issues a catastrophe code.

## 12. Method of Calculations

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### 12.1. Area

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Roscon carries out a visual inspection of the property but is limited to those areas and sections of the property fully accessible and visible to the Inspector at the time and on the date of inspection. To determine building areas or land area, we have taken some limited measurements onsite to check and compare the measurements against the building boundaries for each lot in the plan of subdivision "POS" provided to us. Lots shown on the "POS" which don't show any building envelopes within the lot if Roscon is unable to gain entry into the private lot/s to ascertain the private open space in any particular lot/s, Roscon will determine and estimate the open space by reference to maps and other online guides.

### 12.2 Cost Estimates

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Roscon uses best practice average per square metre cost range for a selection of typical buildings. Roscon uses the latest price indicators published by "Rawlinsons Australian Construction Handbook" which is updated on a yearly basis. This method provides the base figure in the valuation of buildings. Typically cost estimates are provided when buildings are reinstated on flat land. Roscon also takes into account and makes the necessary adjustments for rebuilding on sloping sites, ground conditions, traffic management, footpath rental during the construction period or other council or authority fees, unusual shapes and other design considerations, such as height and floor levels including allowances for Open Space Contributions payable to Councils if applicable.

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