

Is Flood Insurance Mandatory for Bodies Corporate



Commissioner's Common Ground Newsletter June 2025

The body corporate must be insured for damage from water which may include floods or flooding.

You will need to check whether flood damage is included in your policy and if not, you will have to ask for it to be added if required.

To add flood cover to the body corporate's building insurance, you need to ask the committee to include it in the next annual insurance policy.

If it is a restricted issue for the committee, it can be decided by ordinary resolution at a general meeting.

If the committee will not consider your request, you can source an alternative insurance policy which includes flood cover and propose a motion at the next general meeting where annual insurance is considered.



**TOWER
BODY
CORPORATE**

BODY CORPORATE INSURANCE OBLIGATIONS AND FLOODING

REQUIRED INSURANCES

A body corporate is required to insure the following items to the full replacement value:

- the common property;
- the body corporate assets; and
- each building which contains a lot included in the scheme, to the extent that the building is scheme land

REQUIREMENT TO INSURE FOR WATER DAMAGE

- A policy taken out under these building, common property and body corporate asset provisions must:
 - include damage;
 - include costs incidental to the reinstatement or replacement of insured buildings, including the removal of debris and the fees of architects and other professional advisers; an
 - provide for the reinstatement of property to its condition when new.

■ Damage is defined to include...*damage from earthquake, explosion, fire, lightning, storm and water...*

■ ***Does water damage (which the body corporate must insure for) extend to damage caused by flood?***

MIXED ORDERS

Beach Meet [2018] QBCCMCmr 39:

The fact is, it is not a legislative requirement that flood cover be obtained and in any event, flood cover is not available for the scheme at the present time in the present circumstances.

Park Square [2023] QBCCMCmr 7:

There is no such obligation within the Act or the Standard Module to take out and maintain insurances that specifically cover damage caused by flooding. If it was the intention of the legislation to place such a requirement on the respondent, it would have been clearly stipulated as with the abovementioned insurances

MIXED ORDERS

Winnipeg Grange [2013] QBCCMCmr 278:

Section 110 of the Small Schemes Module states that damage means, among other things: “... lightning, storm, tempest and water damage ...” While flood is not specifically mentioned I am satisfied that “water damage” covers damage from water in different ways and includes flooding...

...I am satisfied that it is unreasonable for the body corporate to fail to obtain flood insurance in an area recognised as a flood risk.

Lake View [2022] QBCCMCmr 248

There is no specific mention of flood cover in the legislation. The adjudicator in Beach Meet noted that flood cover is not a legislative requirement, but that was in circumstances where exhaustive attempts had been made to obtain alternative insurance cover and the adjudicator was not satisfied that flood cover was available. My view aligns with that of the adjudicator in Winnipeg Grange that “...“water damage” covers damage from water in different ways and includes flooding”.

The body corporate’s insurance must cover damage from water to the greatest practicable extent. If the body corporate had a choice between insurance that included flood cover and insurance that did not, it did not insure against water damage to the greatest practicable extent by choosing the policy without.

WHAT IS THE POSITION?

The Body Corporate must obtain flood insurance which is sufficient to restore the building to its condition when new in circumstances where:

- the Scheme is located in an area identified as a 'flood risk' (such that it would be unreasonable for the Body Corporate to not obtain flood coverage); and
- a policy with flood coverage is available to the Body Corporate

WHAT HAPPENS IF THERE IS NO FLOOD COVER?

Section 198 of the Standard Module provides:

The body corporate is liable to pay any contribution that has to be made to the cost of reinstatement or repair because the reinstatement insurance is not for the full replacement value of the insured property.

Accordingly:

- the Body Corporate is liable to contribute towards the reinstatement or repair of the building, where it has not insured the building against flood for its full replacement value; and
- lot owners may hold the Body Corporate liable for costs to rectify damage to a lot caused by flood (other than damage to which the Insurance Exceptions apply), unless an insurance policy with flood damage was not available to the Body Corporate.

Summary

- the body corporate must obtain flood insurance which is sufficient to restore the building to its condition when new in circumstances where:
 - the scheme is located in an area identified as a 'flood risk'; and
 - a policy with flood coverage is available to the body corporate;
- the body corporate has an obligation to maintain and rectify common property;
- lot owners have an obligation to maintain and rectify their lots; and
- to the extent that insurance does not cover the costs to reinstate lots included in the building, the body corporate must contribute towards the shortfall of any reinstatement and repair costs (unless the body corporate was unable to secure an insurance policy with flood damage included).



**PROTECT THE WHOLE BUILDING
— NOT JUST SELF-INTEREST.**



Strata
Insurance
SOLUTIONS

HOW IS FLOOD COVER OFFERED IN THE MARKET?



Flood Cover Approach	Description	Example Insurers
Do Not Offer Flood	No flood cover available at all	QUS, IIS
Optional Cover	Flood offered, but must be selected separately	SCI, SUU, Chubb, Longitude, Hutch, Axis (Residential)
Hybrid (Auto Except High Risk)	Automatically included unless property in high-risk zone	CHU, Flex
Very High-Risk Market	Extremely limited options — local insurers may not offer cover	Market placement required

THE COMMISSIONERS' ORDERS: MY CONCERNS



- Lack of rigorous dispute and legal precedence (commissioner only).
- What happens in no flood zones where flood is automatically offered by some and not covered by others – does it limit BC choice for only the flood options even though not needed?
- Other Cover Benefits – can't just look at water damage “to the greatest practical extent” need to look at other benefits in the policy.
- What is considered practical.
- What is considered reasonable (not perfect).
- Does it establish a precedent that a body corporate breached its obligations under Section 198 (standard module) or other BCCM requirements or is it determining reasonable and practical on a case-by-case basis

Strata insurance must include to the greatest practical extent (among other things) cover for

“...earthquake, explosion, fire, lightning, storm, tempest and water damage...”.

LET’S CONSIDER:

- Action from the sea, high water or tidal wave (water damage).
- Storm Surge (water damage).
- Damage due to warlike activities (fire, explosion).
- Damage caused intentionally (fire).
- Damage indirectly caused by faulty workmanship (all events).

Requirement for cover of damage

The body corporate in a *building format plan* must make sure they are covered for damage such as:

- damage from earthquake, explosion, fire, lightning, storm and water; and
- glass breakage; and
- damage from impact, malicious act, and riot. ([Section 195, Standard Module](#)).

The body corporate must cover common property and assets for full replacement value. For this cover, a policy of insurance must cover “to the greatest practicable extent” damage, the incidental costs for the reinstatement or replacement of buildings and must provide for the reinstatement of property to its condition when new. ([Section 197, Standard Module](#))

The body corporate must have a building insurance policy that covers for “full replacement value” of each building on scheme land. It must provide cover for damage, the incidental costs for the reinstatement or replacement of buildings and must provide for the reinstatement of property to its condition when new. ([Section 198, Standard Module](#))

Flood cover

The body corporate must cover the above items in the insurance. The body corporate must act reasonably when making a decision ([Section 94, Act](#)).

The body corporate may put into place additional insurance on top of what is required under the regulation module ([Section 189, Act](#)).

It would depend on the circumstances of the scheme for whether they could consider taking out a building insurance policy providing better cover which does not include flood cover. An adjudicator's order made for one scheme does not mean that every scheme must have flood cover. It would depend on each scheme's individual circumstances, location and risk. It would depend on the definitions by the insurance company for what is covered under “water damage”.

Choosing a provider

I cannot state whether it is inappropriate or not for the body corporate to take out a policy which includes flood cover if they are located in a no-flood-risk area. Please see Section 94 above about reasonable decisions.

The legislation states the cover must be for full replacement value and the policy must provide cover to the greatest *practicable* extent.

Additional information

General information can be found on our website www.qld.gov.au/bodycorporate. If you have another question submit it [online](#).

Yours sincerely



Information and Community Education Unit
Office of the Commissioner for Body Corporate and Community
Management
Department of Justice and Attorney General
P: 1800 060 119 E: www.qld.gov.au/bodycorporatequestion

Legal Claims Against the Body Corporate **WHAT COVER IS AVAILABLE?**

LEGAL DEFENCE EXPENSES

What it covers:

- Legal defence expenses
- Claims made against Body Corporate
(not claims initiated by BC)
- Most Policies \$50,000-\$100,000

OFFICE BEARERS LIABILITY

What it covers:

- Office Bearers
- Legal defence expenses
- Settlements & Judgements
- Amount Specified in Policy most policies \$1mil - \$5mil
- Exclusion: Failure to maintain Statutory Insurance (some insurers)

PUBLIC LIABILITY

What it covers:

- Legal claims for Property Damage
- \$10mil (min limit per BCCM Act)

Controversial Opinion?

Could Public Liability Cover Legal Claims?

Insuring Clause

If selected and shown in the Schedule, we will insure You up to the Limit of Liability shown in the Schedule for Policy 2, if You become legally responsible to pay compensation for Personal Injury or Property Damage resulting from an Occurrence in connection with the ownership of Your Common Area and Insured Property that happens during the Period of Insurance.

Occurrence

means an Event, including continuous or repeated exposure to substantially the same general conditions, which results in Personal Injury or Property Damage neither expected nor intended to happen by You.

Event

Events means a happening or an incident not intended to happen which occurs during a particular interval of time and causes or results in Damage or series of Damage happening from that one Event, that is claimable under this Policy.

ANALYSING THE INSURING CLAUSE

- There must be **legal liability** to pay **compensation**.
- It must arise from **Property Damage**.
- The Property Damage must result from an **Occurrence**, as defined.
- The **Occurrence** must be **in connection with the ownership of Common Property or Insured Property**.

IS THE CLAIM IN CONNECTION WITH THE OWNERSHIP OF COMMON PROPERTY OR INSURED PROPERTY?

In connection with” is a broad and flexible phrase, requiring only a **connection**, not direct causation. Points to consider:

- Flood waters passed through, common property;
- Are there allegations the condition or maintenance of common property contributed to the flood or The Body Corporate’s failure to act as owner of the common property led to or worsened the damage.

A casual connection but arguably a connection in any case.