

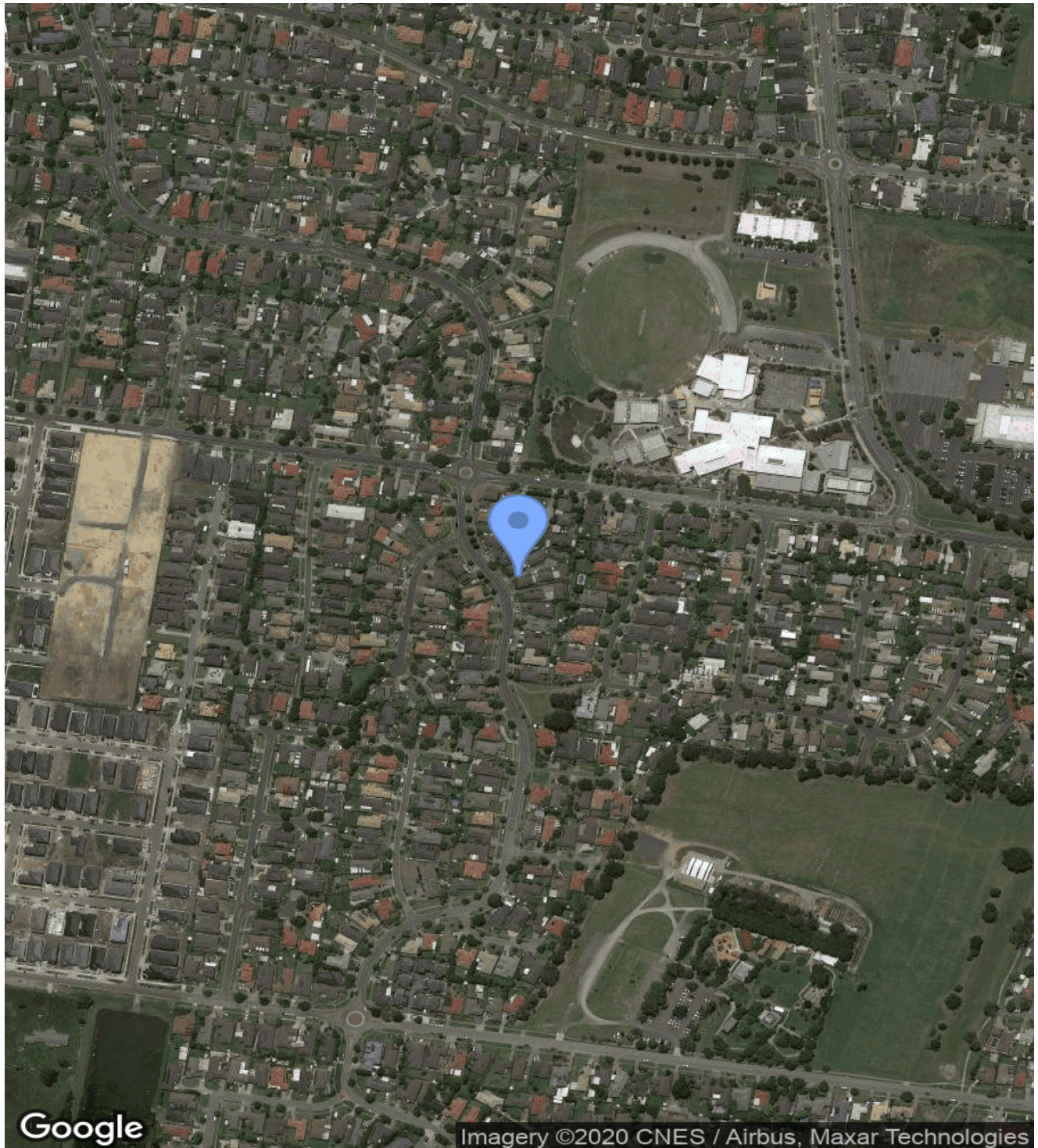


# INSURANCE REINSTATEMENT & REPLACEMENT REPORT

100 Sample St, Melbourne, VIC, 3000  
PS 123456K



## Property Location



## Schedule 1


Instructions		
Item 1	Your instructions were received by us on	20/08/2020
Item 2	Our Assessment was compiled on	4/09/2020
Item 3	Person who authorised report "the authorising party"	
Item 4	Name of Company "the authorising party"	
Item 5	Assessment Compiled by	
Item 6	Assessment Checked by	

Property Details		
Item 7	Address of Property:	100 Sample St, Melbourne, VIC, 3000
Item 8	Plan of Subdivision No	PS 123456K
Item 9	Property Description:	Six single-story Class 1a units with private garages. Masonry construction with pitched tile roofing. The units share a common concrete driveway. Site consists of landscaping and planting.

Period		
Item 10	Start Date	14/10/2020
Item 11	End Date	14/10/2021

Property Insurance Reinstatement Cost Assessment		
Item 12	Date of Reinstatement Assessment	14/10/2020
Item 13	Cost of Building/s Reinstatement	\$ 1,585,974
Item 14	Demolition and Removal of Debris	\$ 123,344
Item 15	Professional Fees	\$ 88,103
Item 16	Escalation Cost over Reinstatement Period	\$ 67,736
Item 17	Total Cost of Reinstatement	\$ 1,865,156
Item 18	Estimated Rental Loss Temporary Accommodation (refer to Clause 9 & 9.1)	\$ 279,773
Item 19	Total Reinstatement Period "Months"	25

Details of Assessment		
Item 20	as at 14/10/2020	
	Excluding GST.....	\$ 1,695,596
	Including GST.....	\$ 1,865,156



**budget Vals**  
INSURANCE REINSTATEMENT

Our Assessment and findings are valid for 90 days from the date shown in **Item 2** in the **Schedule 1**. This Assessment is to be read in conjunction with our 'Terms of Engagement' and 'Reinstatement & Replacement Insurance Assessment Wording'.

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## Reinstatement & Replacement Insurance Assessment

### About Budget Vals

Thank you for using Budget Vals for your Reinstatement & Replacement Insurance Assessment. We have completed the Assessment which 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 valuation is accurate. 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 **PRICE POLICY** at Budget Vals "If a competitor has a cheaper quote.. we'll beat it by 10% GUARANTEED" Just provide us evidence of a cheaper quote. Thank you for your continued business the team at Budget Vals Pty Ltd

### Instructions

Our instructions were received on the day appearing in **Item 1** in the **Schedule 1** our Assessment was completed on the date appearing in **Item 2** in the **Schedule 1** the person named **Item 3** in the **Schedule 1** from the organisation shown in **Item 4** in the **Schedule 1** the Assessment was prepared and compiled by the **Consultant** shown in **Item 5** in the **Schedule 1** and reviewed by the person shown in **Item 6** in the **Schedule 1**.

### Assessment Scope

This Assessment has been prepared, on a visual review of the documentation supplied to us on your instructions, whether in writing, via our online portal or verbal, provided by you. The Assessment has been compiled from data and information provided to us or obtained by us on your behalf. The Assessment is non-visual which means we have not inspected the property.

### 1. Property Information

- 1.1 Location of the property is shown in **Item 7** in the **Schedule 1**
  - 1.2 Plan of Subdivision number is shown in **Item 8** in the **Schedule 1**
  - 1.3 Description of the Property is shown in **Item 9** in the **Schedule 1**
  - 1.4 The period of Assessment is shown in **Item 10 & 11** in the **Schedule 1**
- Building photos or site aerial views which have been obtained by us using online aids such as Google Earth, Google Maps, Near Maps or any other online sites we deem appropriate in carrying out the Reinstatement & Replacement Insurance.

### 2. Reinstatement & Replacement Valuation

The Date of Reinstatement, the Plan of Subdivision Number, the Cost of Building/s Reinstatement, the Demolition and Removal of Debris, the Professional Fees, the Escalation Cost over Reinstatement Period, the Total Cost of Reinstatement, the Estimated Rental Loss & Temporary Accommodation (refer to Clause 9 and 9.1), the Total Reinstatement Period, the Date the Cost becomes effective are all shown in **Items 12 to 20** in the **Schedule 1**

### 3. Statement of Purpose

This Reinstatement Cost is provided to assist the property owners to obtain quotations for insurance of their property from insurance brokers and/or insurance companies. Budget Vals 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

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, the apartment or other structures on the land and or 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

#### 4.1. Reinstatement Costs

The cost 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 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

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 from the Strata Plan of Subdivision.
- 4.2.4. From building photos or site aerial views which have been obtained by us using online aids such as Google Earth, Google Maps, Near Maps or any other online sites we deem appropriate.

### 4.3. Assumptions

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

### 5. Input Data Definition

#### 5.1. Demolition Costs

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 Reinstatement the Complete Building

The 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 Assessment.

### 5.3. Professional Fees

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

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 include abnormal factors such as artificially affect costs of construction, for example earthquakes, floods and tempests.

### 5.5. Goods and Services Tax

Our reinstatement cost 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

Construction, demolition, professional fees and documentation periods are expressed as working weeks and are based on current building industry agreements of thirty-six hours, nine-day fortnight, however these are subject to change. It is assumed that demolition will be carried out during the re-documentation period.

#### 5.7. Start Date

The figure shown in **Item 17** in the **Schedule 1** represents the cost of re-construction GST Inclusive with the assumption that destruction occurs on first day of the new policy as shown in **Item 10** in the **Schedule 1**.

#### 5.8. End Date

The figure shown in **Item 17** in the **Schedule 1** represents the cost of re-construction GST Inclusive assuming destruction occurs on the date as shown in **Item 11** in the **Schedule 1**, the last day of the insurance period.

### 6. Exclusions

#### 6.1. Excluded from Calculation

The cost excludes the following items:

- 6.1.1. Alternative accommodation cost of renting and consequential loss.
- 6.1.2. Professional fees incurred to prepare a claim following a loss.
- 6.1.3. Costs related to changes in the plot ratio.
- 6.1.4. Building variations to the current design.
- 6.1.5. Moveable fittings, furniture or equipment.
- 6.1.6. Tenancy fit out including office, recreation equipment, catering equipment, furniture, curtains, blinds and ornaments that do not form part of the building.
- 6.1.7. Contributions to fit out and tenant incentive costs.
- 6.1.8. Trade, advertising signs, logos, etc.
- 6.1.9. Works located outside the property boundary including but not limited to in ground drainage.
- 6.1.10. Reconstruction finance charges.
- 6.1.11. Delays in obtaining approvals due to appeals or other factors.
- 6.1.12. 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. For more information, please see Clause 6.3.

#### 6.2. Asbestos

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

#### 6.3. Fixtures and Structural Improvements by Owners

Lot Owners who have made substantial improvements within their own title boundaries are to provide evidence of any value added improvements to their lot by producing details of expenditure used to improve their individual lot, details of fixtures and structural improvements made are also required, however we advise that providing this information is simply good "asset protection" and in the lot owners 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 Owner/s are to ensure they have a clear understanding of what personnel 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 or their Insurance Broker.

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 consider 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

#### 7.1. Included in Calculation

The cost includes the following items;

- 7.1.1. The buildings, common area contents, professional fees allowance, fire extinguishment costs, removal of debris.
- 7.1.2. 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.
- 7.1.3. Reinstatement time following a major disaster and the re-building time it takes to re-establish the building into a fully functional state.
- 7.1.4. Calculated assumptions to cover compliance, adhering to newly introduced local planning laws and building codes.
- 7.1.5. 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.
- 7.1.6. Loss of rent / Temporary Accommodation is estimated at **15%** of the total Cost of Reinstatement estimates for the period owners or tenants are unable to occupy the insured property. This estimate also includes the 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.
- 7.1.7. Where applicable open space contributions in accordance with planning scheme.
- 7.1.8. Builder's margins & property developer's margins.
- 7.1.9. Metropolitan Planning Levy (MPL) included where applicable.

#### Important information

Any decisions on whether to acquire or hold 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.

### 8. Disclaimer

This Assessment is to assist the recipient cover their property for the sums estimated by us for insurance purposes 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, legal representatives and insurers. Budget Vals does not accept any liability, contractual or from any consequences, loss or damage which may arise as a result of any other person acting upon or using this Assessment. It is recommended that a reassessment is conducted at least every three years to maintain the relevant to the fluctuations in inflation, material costs & labour variables. This Assessment is prepared by Budget Vals Pty Ltd for the purpose as stated on the front cover, and its contents are provided only for the exclusive use of the named client. Budget Vals believe that the information contained in this document is correct and that any opinions, conclusions, recommendations and any views expressed in this Assessment are made as at the date of inspection. Budget Vals 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. Budget Vals has no relationship with the entity "the client" that has requested this Assessment and does not owe any duties to their client, the owner's corporation their agents or contractors working on the premises which this Assessment relates.

### 9. Loss of Rent & Temporary Accommodation

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 period is commonly referred to as the '**Total Reinstatement Period**' which sums are shown in **Item 18** of the **Schedule 1**.

9.1. Calculation Method for Loss of Rent or Temporary Accommodation  
The figure we provide for '**loss of rent & temporary accommodation**' is based on **15%** of our calculated sum shown as '**Total Cost of Reinstatement**' as shown in **Item 17** in the **Schedule 1**. We therefore strongly encourage all Owners Corporations and individual 'Clients' to contact a '**Licensed Real Estate Agent**' and ascertain the amount of rent that could be obtained for all lots in an Owners Corporation or other individual property and obtain from the said appointed '**Licensed Real Estate Agent**' a written

memorandum which would show all lots individually and the applicable weekly and annual rentals applied to each property. The memorandum and or report from the **'Licensed Real Estate Agent'** should be provided to the insurer if the sum shown on the Memorandum is greater than **15%** of our calculated **'Total Cost of Reinstatement'** as shown in **Item 17** in the **Schedule 1**. 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

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 July 2017:

10.1. Commercial Strata building that is defined to be 20% or more of commercial floor space ratio will attract the ARPC terrorism levy.

10.2. 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:** We haven't made any calculations within this Assessment to determine if your property is required to hold Terrorism Insurance Cover under the ARPC Terrorism Insurance Cover. Budget Vals 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. If you wish us to calculate if your property is required to hold Terrorism Cover or excluded from holding any such cover under the Australian Reinsurance Pool Corporation (ARPC) additional charges apply ask us for a quote.

## 11. Catastrophe

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. Catastrophe-cyclone-ravaged areas have, over the years, reinforced the issue of unintentional underinsurance. The Australian Securities and Investment Commission (ASIC), in their Assessment 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 Assessment 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 **(75%)** seventy-five percent. After the earthquake in Newcastle NSW in 1989, costs had increased by **(35%)** thirty-five percent. After the bushfires in the ACT in 2003, building costs had increased by **(50%)** fifty percent. Preliminary Assessments following Tropical Cyclone Larry in Queensland in March 2006, indicate that building costs had increased by **(50%)** fifty percent. The most recent catastrophe event in Australia where out of control bushfires started in November 2019 initially in NSW and spread to Queensland and later in South Australia and lastly Victoria. On the 2 January 2020 in an unprecedented step the premier of Victoria Daniel Andrews declared a **'State of Disaster'** for six local Government Areas. This was the first time the Victorian Government had used these powers since they were included in the Emergency Management Act 1986 following the devastating Victorian Bushfires in 2009. Insurers received over 4300 claims since the devastating NSW blazes were declared a catastrophe in November, with the disaster spreading to Queensland, South Australia and Victoria. Following these unprecedented fires of mass devastation will cause huge and unpredictable increases in rebuilding costs. 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

atastrophes to **(15%)** fifteen percent. Based on the above information the Owners Corporation or individual 'Clients' will need to determine the appropriate percentage of cover required for their specific situation. A percentage increase of only **(15%)** fifteen percent is totally inadequate, and it would result in a significant financial contribution being required from those individual lot owners or individual 'Clients' affected by a catastrophe, to cover the shortfall.

## 12. Method of Calculations

### 12.1. Area

Budget Vals carries out a non-visual inspection of the property (we do not physically inspect your property) to determine building areas and land area. We rely on the plan of subdivision "POS" and use its scale measurements shown on the 'POS' to be accurate. Lots shown on the "POS" which don't show any building envelopes or boundaries within a lot in this case if Budget Vals is unable to determine from the 'POS' where a lot starts or ends or ascertain the private open space in any particular lot, Budget Vals will determine and estimate the open space or lot building area or other private or common property by reference to maps and other online guides.

### 12.2 Cost Estimates

Budget Vals uses best practice average per square metre cost range for a selection of typical buildings. Budget Vals uses the latest price indicators published by "Rawlinson's 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. Budget Vals also considers 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.

## Publishers Note

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

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**Budget Vals Pty. Ltd.** ACN 637 471 723 ABN 494 565 92040

T: 1800 767 266 | E: [reports@budgetvals.com.au](mailto:reports@budgetvals.com.au) | W: [budgetvals.com.au](http://budgetvals.com.au)

Reinstatement & Replacement Insurance Assessment

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