

Strata buildings across Australia increasingly face a range of building defects, from minor cosmetic issues to major structural concerns. This guide helps brokers and strata committees understand defect types, what they mean for insurance, and how proactive management can support better outcomes and fairer access to cover.

What are building defects?

A building defect is anything in a strata property that isn't built correctly or isn't functioning as intended. Defects range from small cosmetic blemishes to serious structural issues that can impact safety, amenity, compliance, or insurability. Understanding the type of defect helps clarify urgency and the right pathway forward.

Types of defects

Cosmetic defects

Superficial issues affecting appearance only. Examples include chipped paint and hairline plaster cracks. These pose no material risk and generally do not impact insurability.

Minor defects

Issues affecting amenity or appearance but not structural integrity, such as minor water staining or non structural cracks. These represent low risk but require monitoring and generally do not impact insurability.

Major structural defects

Significant issues that may impact safety or structure, such as slab cracking, foundation movement, or water ingress affecting structural elements. These require prompt rectification and may impact insurability if unmanaged.

Why defects matter in strata insurance

Understanding defect types is the first step. The next is recognising how they impact risk, remediation priorities, and the insurance process. Defects are increasingly common, and approaches to defect affected buildings vary across the market. Defect disclosures often create underwriting challenges, and responses can differ depending on information available and an insurer's operational appetite at the time.

Vero's approach is to look beyond the presence of a defect and instead assess the actual risk, the control measures in place, and the Owners Corporation's commitment to remediation. This ensures a fairer, more transparent evaluation for brokers and their clients.

A shared approach to managing defect risk

The following framework supports collaboration between brokers and strata committees to assess, manage and control defect risk.

Guiding questions

Qualifying the defects

- What defects have been identified?
- Has a qualified engineer or building consultant assessed them?
- How recent is the report? Ideally within 12 months.
- Have any claims or incidents occurred due to the defect?

Quantifying the risk

- Is there potential for an insurable loss?
- What is the likely severity?
- What are the likely types of losses expected?
- Has a Building Order, Fire Order or Direction to Rectify been issued in relation to the defects?

Mitigation and control

- What interim risk controls are in place?
- How are these controls monitored and enforced?
- Are emergency protocols documented and communicated?

Rectification and governance

- Is there a formal rectification plan?
- What work has already been completed?
- What work is outstanding?
- Is the timeline for the outstanding work achievable?

Key elements of a strong defect submission

- A recent Building Inspection Report or Defects Report
- Evidence that the Owners Corporation is actively engaged in managing the risks, including:
 - A rectification plan with milestones and timelines
 - Evidence of interim risk controls
 - Evidence of emergency protocol in place.

How Vero provides support for strata properties

Vero assesses actual risk rather than applying broad operational filters. We recognise proactive risk management, provide clarity on required controls, and partner with Owners Corporations before, during and after remediation.

Key takeaways

1. Not all defects are equal.
2. Proactive risk management drives better outcomes.
3. Vero partners rather than penalises.

For support with defect related risks, or guidance on a complex submission, speak with your Vero Strata Underwriter or BDM, we're here to help.



[vero.com.au/specialty-lines](https://www.vero.com.au/specialty-lines)

Insurance issued by AAI Limited ABN 48 005 297 807 trading as Vero Insurance (Vero). Read the Product Disclosure Statement and Policy Wording before buying this insurance. Go to www.vero.com.au for a copy. Target Market Determination is also available. This advice has been prepared without taking into account your particular objectives, financial situations or needs, so you should consider whether it is appropriate for you before acting on it.

The information is intended to be of a general nature only. Subject to any rights you may have under any law, we do not accept any legal responsibility for any loss or damage, including loss of business or profits or any other indirect loss, incurred as a result of reliance upon it – please make your own enquiries.

V11636 25/05/26 A