



Managing the Cladding Crisis

From early in the 1990's, aluminium composite panel (ACP) has become a standard material for medium and high-rise buildings across Australia. It revolutionised the building sector by providing a low-cost, aesthetically pleasing skin or layer that was easy to attach to a building's framework.

Benefits of this cladding included its ability to stop wind and rain entering a building, sound and thermal insulation as well as fire resistance. In addition, it was required to meet minimum standards under the Building Code of Australiaⁱ.

In the aftermath of the disastrous Grenfell Tower fire in London on 14 June 2017 and the Lacrosse building fire on 25 November 2014 in Melbourne, questions are now being asked regarding the viability of cladding, and potential impact across Australia given the significant growth of multi-dwelling developments.

On 6 September 2017, the Australian Senate Economics References Committee recommended that the Federal Government implement a number of measures, which include:ⁱⁱ

- a) A total ban (importation, sale and use) of ACP's with Polyethylene core.
- b) A national licencing scheme for all building professionals.
- c) A national approach to increase accountability across the supply chain.
- d) Introduction of a penalties regime for non-compliant work.

Types of Cladding

There are several types of cladding that have good fire resistance including brick, planks or weatherboards made from fibre cement, steel, aluminium and reconstituted timber products.

However, the contentious ACP cladding on Grenfell Towerⁱⁱⁱ and the Lacrosse apartment building was ACP cladded with a highly flammable polyethylene (PE) core which allowed the fire to spread quickly and disastrously.

During the panel discussion at the recent Strata Fire Safety Forum^{iv} in Sydney, it was suggested that for every 10 apartment blocks in Australia with cladding, approximately eight face the risk that they are covered in the highly combustible ACP cladding that caused the Grenfell Tower fire in London. This potential disaster is being compared to the asbestos crisis from the 1980s.

The panel noted that there was a higher propensity for larger buildings (from 20 to 200 apartments) being impacted, which they suggested equated to a significant portion of the housing stock. However; Paul Keating, Managing Director, Strata Community Insurance notes, "while we view the larger buildings as at greater risk because of size and height, we cannot dismiss the impact on lower level strata buildings who also need to take urgent action".

Who is responsible?

An investigation by the ABC's Four Corners^v program, which aired on 4 September 2017, revealed that some international manufacturers and their Australian suppliers were aware of the risks associated with using ACP cladding with a PE core on high-rise buildings. However, they continued to import it because Australia's lax and ambiguous building standards allowed it.

The situation is made more complex as it is difficult to identify where the responsibility lies for installing the non-compliant material. It could lie with developers, builders, sub-contractors or suppliers. This ambiguity may mean that apartment owners will need to cover the potentially crippling bills for the ACP cladding's removal and replacement.

Implications for insurance

Where cladding products have passed AS1530.1-1994; the Australian Standard for flammability of external building product, it is reasonable to assume that there should not be an impact on insurance cover. Where this standard has not been met, given the nature of highly flammable cladding it may be difficult to access full insurance cover without a remediation plan in place to remove or replace existing ACP cladding.

As with asbestos from the 1980s, insurers will look to limit this additional risk. Today, it is almost impossible to obtain insurance for asbestos-related products and Strata Community Insurance fears that ACP may follow the same path.

Taking action

Owners of properties contain cladding should contact their executive committees and/or their strata managers to investigate whether there is a copy of the original architectural plans on file showing the composite of material used and whether it passed AS1530.1-1994. In addition, they should also locate the Certificate of Conformity that was issued at the time of construction and ensure that their insurer is aware of both the existence of the cladding and its conforming (or non-conforming) status. A failure to disclose such information to their insurer may result in there being no cover under their insurance policy.

“As evidenced with the recent Grenfell fire, some ACP (including the PE core version) is highly combustible and needs immediate remediation and/or replacement and, with the recent publicity, the onus is now on lot owners to demand action given the potential for disaster,” notes Keating.

Owners should consider:

1. Reviewing all the design, construction and approval documents for the building, including original architectural plans, to determine whether external wall cladding has been installed on the building^{vi}. If it is confirmed, they should seek advice about the suitability of the type of material used and the method of installation.
2. Engaging a suitable professional to review and inspect the overall fire safety of the building (such as an engineer and/or fire safety expert), including the installation of any external wall cladding. These experts will be able to provide an assessment of any steps required to maintain or improve the building fire safety.

3. The introduction of a drenching system that may slow down a fire and assist in the building being 'Deemed to Satisfy' under the National Construction Code (owners corporations should seek professional assistance with this solution).
4. Talking to their executive committees and strata managers on a course of action and the potential ability to identify who is responsible and their ability to cover rectification costs.
5. Putting a plan in place to remove/rectify any non-conforming ACP cladding immediately.
6. Legal advice to recover costs of repair/replacement/rectification.

"Immediate action is needed by lot owners, who may have to cover the cost of removing any dangerous cladding upfront, but they should seek legal advice on their ability to recover some of their costs," notes Keating.

About Strata Community Insurance

Strata Community Insurance provides specialist products and services to the Strata and Community Title sector. Strata Community Insurance is privately owned company partnering with the Allianz Group – the largest property and casualty insurer in the world.

Strata Community Insurance is a business founded, owned and staffed by a group of Australia's most experienced strata insurance professionals. The founders have four decades of experience across six countries developing products and writing this form of insurance business.

As we deal exclusively in strata insurance market, we understand the complexities of the sector and its governing legislation.

For more information, please contact your local Strata Community Insurance expert.

ⁱ www.yourhome.gov.au; Australian Building Codes Board; NSW Government

ⁱⁱ Senate Economic References Committee: *Non-conforming building products – Interim report: aluminium composite cladding*, September 2017.

ⁱⁱⁱ <http://www.bbc.com/news/uk-40301289>

^{iv} Strata Fire Safety Forum – Lannocks Strata Finance, 31 August 2017

^v <http://iview.abc.net.au/programs/four-corners/NC1704H030S00#playing>

^{vi} NSW Cladding Taskforce www.finance.gov.nsw.au