

## What is strata insurance?

Residential strata insurance (also known as body corporate cover in some states) is general insurance that covers common property under the management of a strata title or body corporate entity. Owners of strata titles typically share the premium costs of strata insurance as part of their strata fees and liabilities. Holding strata insurance is mandatory under each state's relevant strata legislation.

## What does strata insurance cover?

Strata insurance generally covers common or shared property as defined on the title of the property. This might include common areas, lifts, pools, car parks, gardens, wiring, balconies, walls, windows, ceilings and floors. Strata insurance must provide liability cover in the event people are injured on common property. You should check what is covered under your strata policy.

## What does strata insurance typically NOT cover?

Strata insurance is like any other form of insurance, in that there are restrictions to the policy expressed as exclusions. Each insurer has different exclusions and policy terms and conditions. Make sure you understand what is excluded from the policy your body corporate or strata manager has purchased. Exclusions can be for certain risks, such as landslip or flood, or for certain property features such as fencing. Remember, strata policies do not cover your contents and personal items.

## Is this the only cover I need as a resident?

No. You should make sure you have appropriate contents cover for your belongings and for those things strata insurance does not protect. Strata insurance covers only common or shared property. This may include some of the fixed parts of your unit, but will not cover everything. It is important you read the policy purchased by your manager or body corporate to understand what is and is not covered in your unit.

## Where can strata insurance be purchased?

A number of insurers in Australia provide residential strata insurance cover. Many strata managers or body corporates use a broker or specialist underwriting agency to negotiate cover.

## What cost factors contribute to the premium?

Each strata insurer develops and offers a unique commercial product in accordance with its underwriting appetite. Some common factors contributing to the premium include:

- Government taxes on insurance (stamp duty and GST)
- The age and condition of the building
- The replacement cost of the building
- The risk profile of the location
- The claims history of the strata complex
- Commercial activities carried out on the premises, such as holiday letting
- Fee and commissions from agents
- The level of excess payment selected by the body corporate, payable at the time of a claim
- The costs of common property, for example car parks, stairwells, fire protection systems, lifts and pools

Question the level of excess negotiated by strata managers and body corporates. Sit down and work out how much it would cost you to repair and rebuild in the event of a natural disaster and work out from that how much excess you could afford to pay.

**See over page for more questions and some  
useful links for help finding an insurer**

## Why is strata insurance more expensive in some areas?

In some parts of Australia the risks to property are more significant than elsewhere. Cyclone-prone areas are exposed to greater risks and as a consequence are more expensive to insure than less-hazardous regions. Insurers are required to operate in a financially prudent manner under Australian law and must take into account the geographical risks.

## Why are buildings constructed to cyclone building codes still expensive to insure?

Buildings constructed to meet building codes for cyclone-prone regions are designed to protect the lives of their occupants, not to protect the building itself from damage.

Though these buildings are safer than older properties, buildings constructed to this standard can still experience significant damage during a cyclone. Property features such as pools and car parks can also be very expensive to repair.

Older buildings constructed before the introduction of cyclone building codes are at even greater risk of damage and are increasingly falling below the underwriting criteria of some insurers.

## Is strata insurance too expensive?

On October 19, 2012, an independent review completed by the Australian Government Actuary reported that strata insurance prior to 2011 was significantly underpriced in some regions. It concluded strata insurers in high-risk areas were experiencing high losses compared with the premiums being collected. In some areas insurers in effect were paying \$160 in claims and costs for every \$100 collected. This is not commercially sustainable.

Since 2011, insurers have repriced premiums to address the risks and losses in the strata market. Many strata unit holders now pay, on average, premiums on parity with those paid by the average household in the same location after many years of paying much less.

## Is there market failure in strata insurance in Australia?

Strata insurance is available in all markets at a price that is consistent with the risks and with the cost of insurance for stand-alone households. In fact, the Australian Government Actuary report stated that current market conditions were more likely to attract new insurers than at any time in the past few years.

**For help finding an insurer  
the Insurance Council of Australia offers a free  
Find an Insurer service at [www.findaninsurer.com.au](http://www.findaninsurer.com.au)**

**An insurance broker may be able to help with  
multiple policies or complex circumstances.  
The National Brokers Association has a Need-a-Broker  
service to help people and businesses find a registered  
insurance broker: [www.needabroker.com.au](http://www.needabroker.com.au)**

**To read the Australian Government Actuary report on  
Investigation into Strata Title Insurance Price  
Rises in North Queensland please see the AGA website:  
[www.aga.gov.au/publications/](http://www.aga.gov.au/publications/)**