



Terrorism Gap – Are you Covered?

The Strength of Experience.

A recent article appearing in the Gold Coast Bulletin¹ has warned body corporate committees to review their insurance coverage, emphasising the importance of ensuring that property owners are protected against damage resulting from an act of terrorism.

The article by Paul Weston observes that: “most residential and commercial mixed-use towers on the Gold Coast lack insurance to protect against terrorism damage, leaving property owners exposed.” It goes on to highlight that with the terror alert now heightened following the Lindt Café attack in Sydney’s Martin Place, and an increase in the number of properties with commercial space and holiday rentals, body corporate committees are being urged to review and upgrade their insurance cover to protect against terrorist acts.

Currently the Australian Reinsurance Pool Corporation (ARPC), a statutory authority established by the Terrorism Insurance Act 2003 (Cth) (the Act), provides limited cover for commercial losses – applicable only in cases where commercial occupancy is 50 per cent or more. This leaves a significant gap under the current law whereby owners in commercial (mixed-use) developments with commercial occupancy at less than 50 per cent do not have access to these benefits.

This gap means that if an incident similar to the Lindt Café attack were to repeat, but affecting a mixed-use building outside of the ARPC’s scope, then “there would be no support mechanism in place to help property owners and local residents get back on their feet.”

The article goes on to cite Strata Community Australia CEO Kim Henshaw as warning that, in addition, only a fraction of the increasing resident apartment community on the Gold Coast would be protected unless the Government were to review the authority created under the Act. This problem is being exacerbated by the fact that “many high rise residential developments on the market now are commercially designed with cafes, restaurants, newsagents and retail shopfronts built into the ground levels and these properties will be at risk of not being covered.”

Recognising this as a significant issue for the industry, Strata Community Insurance – as an industry first – has eliminated the gap in cover for commercial developments, providing protection for mixed occupancies beneath the ARPC’s 50% threshold.

Strata Community Insurance automatically includes terrorism cover for buildings with property sums insured of up to \$100,000,000 – whether classed as a residential or commercial mixed-use by the insurer. This cover benefit is sufficient to provide protection for over 98% of all strata schemes in

Australia. With respect to residential developments, our level of cover is at least double that previously offered by other insurers.

We are proud to have designed and included this benefit as part of our product offering, to provide terrorism cover for the benefit of owners.

Consistent with the abovementioned article, Strata Community Insurance recommends that you review your current insurance policies to verify whether they include terrorism cover and, if so, whether your level of cover is adequate.

In making these assessments, it is important to note that when thinking of terrorism cover we have a tendency to think about more extreme examples such as planes crashing into buildings, however there are other forms of loss or damage that can occur associated with acts of terrorism. For example, consider:

- Collateral damage from a passing vehicle exploding outside of or within a strata complex;
- A lot being used to create an explosive device, with damage caused as a result of manufacturing that device or accidental detonation.
- A siege such as that occurring at Sydney’s Lindt Café.

If you would like more information with regards to this important issue, or a quote from Strata community Insurance, please do not hesitate to call one of our friendly staff.

Any advice provided is of a general nature only and does not take into account your individual objectives, financial situation or needs. Cover is subject to terms, conditions, limits and exclusions, and you should refer to the Strata Community Insurance policy wording and Product Disclosure Statement when deciding if the cover is appropriate for you.

¹ Gold Coast body corporate committees warned to review tower coverage: Paul Weston; Gold Coast Bulletin, December 18, 2015 (<http://www.goldcoastbulletin.com.au/realestate/gold-coast-body-corporate-committees-warned-to-review-tower-coverage/news-story/684ad88666d6759da246eb92dfcf3977>)