



# Changes in Terrorism Act to affect strata building classifications

The Strength of Experience.

## New tiered terrorism levies... Australia-wide

Changes to the *Terrorism Insurance Act 2003* (Cth) (the **Act**) become effective from 1 July 2017, and some mixed-use commercial and residential strata buildings will see new terrorism levies of up to 16%, plus statutory charges, on affected policies.

These changes broaden the definition of eligible property to include buildings with at least 20% of floor space being used for commercial purposes, or schemes which have a single building sum insured of at least \$50 million (whether used for commercial or other purposes).

In brief, the two key changes in terms of classification of strata buildings from the Australian Reinsurance Pool Corporation (**ARPC**) are:

### 1. Commercial Strata

Commercial buildings now defined as greater than or equal to 20% commercial floor space ratio, irrespective of tenancy. The result is that all Strata Community Insurance Commercial Strata policies will attract the ARPC terrorism levy.

### 2. Residential Strata

- ARPC terrorism levy to be charged on residential schemes where one or more single buildings has a sum insured equal to or greater than \$50 million.
- Where ARPC coverage under the Act does not apply, for schemes consisting of multiple residential buildings having a combined sum insured greater than \$50 million, these schemes remain protected under Strata Community Insurance's specially negotiated terrorism cover up to \$100 million.
- Schemes consisting of single or multiple residential buildings with a combined sum insured of less than \$50 million also remain protected under our specially negotiated terrorism cover.

### Tiered approach

Location\* of the scheme will be a significant component with this upcoming change, given application of a tiered levy

model under which physical location is used to determine the rate of levy applicable:

- **Classification A** 16% levy - capital cities with a population over 1 million.
- **Classification B** 5.3 % levy - urban areas with a population over 100,000.
- **Classification C** 2.6% levy - rural areas plus all other areas not captured by A and B.

\*Ref: [ARPC tiered classifications](#)

### Impact on your clients

Effective from 1 July, your clients will be liable to pay terrorism levies for all renewals and new business if their scheme meets the ARPC criteria.

At Strata Community Insurance, we will continue to display any terrorism levies as a separate line item on insurance schedules, to ensure transparency and help you manage these costs.

### Strata Community Insurance terrorism cover

For schemes that fall outside of the criteria for ARPC cover under the Act, Strata Community Insurance's terrorism cover will continue to apply – up to \$100 million.

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

*Information relating to coverage benefits is by way of summary only, and any advice is of a general nature and does not take into account any individual objectives, financial situation or needs. Refer to the Product Disclosure Statement and Policy Wording available from Strata Community Insurance for full details of terms, conditions and exclusions and in deciding what cover is appropriate.*

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