

## Strata Insurance Uncovered: Industry-first report uncovers valuable data and insights

**Tuesday 7 September 2021:** An industry-first [report](#) released today highlights the spiralling costs of strata insurance and the high burden of government taxes, duties and levies on premium prices.

The report also shines a light on how strata insurance affordability and availability issues can be fixed and the value of the strata manager of navigating the complexity of the insurance process and their role in carrying out insurance services for strata communities (also known as owners corporations, bodies corporate or strata companies).

Commissioned by Strata Community Association (SCA), the report titled *A data-driven holistic understanding of strata insurance in Australia and New Zealand* was carried out by Deakin University and lead author Dr Nicole Johnston. The report surveyed 454 strata managers and 280 strata lot owners, analysed 58 versions of state and territory strata management agreements, investigated 38 pieces of legislation and regulation and gathered complex data from insurers.

SCA National President Andrew Chambers said the report is a first of its kind and provides insights into the strata insurance industry never seen before.

“The report shows us three things in particular, and that is just how much work strata managers do and how valuable they are in the process, how much insurance costs have risen over the past five years and the affordability and availability issues that exist and a comprehensive overview of strata insurance service models,” said Mr chambers.

“Breaking down the **total costs of insurance**, premiums and the amount of duties, levies and taxes charged was a real eye-opener to just how much the consumer is paying in taxes just to take out a policy that is compulsory.

“If you’re taking out a strata insurance policy in Australia as a strata community<sup>1</sup> then more than a quarter (27.45%) of what you pay on average goes to government taxes, stamp duties and levies. In NSW that figure is closer to 40 per cent.

“Over the last five years strata communities’ insurance costs have spiralled upwards, from approximately \$619 million total in 2016 to \$1.08 billion in 2020.

“The report put forward several recommendations including to reduce or abolish stamp duties on strata insurance premiums, analyse ‘stacking taxation’ or ‘taxes on taxes’ for example with GST and replacing emergency levies with general revenue.”

In many parts of Australia and particularly in Northern Australia, affordability pressures are particularly difficult, with some strata communities struggling to find available policies. The report found that reinsurance market costs, global climatic events, Australian climatic events, building defects and cladding risks affect affordability and availability most acutely.

Storm damage (\$438 million), water damage (\$362 million) and fire damage (\$248 million) were the top three claims cost by loss for the period 2016-2020.

“Our weather will always be unpredictable, but our approach to insuring against it does not have to be,” said Mr Chambers.

“Funding for mitigation as well as an effectively introduced reinsurance pool in northern Australia and better building regulations are among the measures that will help drive down premiums and drive up consumer protections,” he said.

### Key data facts, findings and statistics from the Deakin University report

- In 2020, 165,554 (sample) Australian strata communities paid over \$1bn in strata insurance costs.
- Strata communities paid nearly \$230 million in duties, levies and taxes (2020)
- 27.45% of premiums were paid to state, territory and federal governments (national average 2020).
- As a rough guide, for every \$100 of premium, about one-third is reinsurance costs, one-third is administration and one-third to pay claims.
- Storm (\$438m), water (\$362m) and fire damage (\$248m) - top three claims cost by loss (2016-2020 sample period).
- Affordability is not limited to the very tough market of northern Australia. A challenge across Australia.
- The Northern Qld zone is the only zone in Australia where the cost of claims over the five-year period exceeded the cost of premiums.

<sup>1</sup> Strata communities also referred to as owners corporations, bodies corporates, strata companies and being the bodies representing owners of apartments, townhouses, retirement villages and other strata titled properties.

The report analysed the **role of strata managers** and identified some 47 individual strata insurance services that are regularly provided by strata managers to their strata community clients, such as providing quotes, making claims and record keeping. The report emphasised their value in three distinct roles: as agents of the strata community; custodians of records; and the knowledge bank of the scheme and related laws.

“Strata insurance is complex and strata communities need a trusted person to navigate them to their best outcome,” said Mr Chambers.

“Strata managers sit in the middle of a complex web, providing value to strata communities, brokers, insurers, underwriters and suppliers through their localised knowledge of the specific strata community, the relevant legislation and regulation and their duty to act in the strata community’s best interests.

“What we want to see from this report is a recognition of the value the strata managers brings to the insurance process and the work they carry out providing insurance services.

The **report analysed strata management agreements and strata insurance service models** and surveyed a significant number of strata managers and lot owners to detail five industry services models and detailed their usage by jurisdiction and measure manager and consumer sentiment through the survey data.

“Hand in hand with the findings of the many and valuable activities strata managers carry out, is the report’s emphasis that the strata manager service models are based on work carried out based on their specialist strata knowledge,” said Mr Chambers.

“The report shows that duties performed by strata managers are critical to the insurance process, improve effectiveness, add value and under any service model would need to be performed by at least one actor in the supply chain, for example brokers or insurers.

“In almost every jurisdiction service models are fully disclosed, making strata communities aware of the bundle of services that they receive with each strata manager and the cost. Across the industry there are choices between strata managers and their method of service, allowing competition between service offerings.

“We want to work with government and regulators, as well as the whole insurance supply chain to improve consumer knowledge of the current legislation and systems and improve understanding, transparency and disclosure arrangements across the strata insurance industry,” said Mr Chambers.

#### **Key report and industry recommendations**

- The report recommends abolition of duty on strata insurance premiums (p156).
- The report recommends an analysis of ‘stacking taxation’ and ‘double taxation’ for example with GST (p156).
- The report recommends replacing emergency levies with general revenue/generally applied property taxes/rates.
- SCA recommends better regulation and oversight of the building and construction industry, particularly in relation to certifying work on high-claim areas such as water or fire.
- SCA recommends increase mitigation funding in high risk areas of Australia.
- SCA wants to work with government and stakeholders to recognise the value the strata manager bring to the insurance process and work with the whole industry supply chain to improve understanding, transparency and disclosure.

Strata insurance is a complex topic, that’s why we have created some short videos, infographics and animations to explain it. View them [here](#).

#### **ENDS**

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#### **Interviews available:**

- SCA National President Andrew Chambers on request.
- SCA state/territory spokespeople in NSW, Vic, QLD, WA, SA/NT, ACT, Tas, NZ on request.

**About Strata Community Association**

[Strata Community Association \(SCA\)](#) is the peak industry body for Body Corporate and Community Title Management (also referred to as Strata Management, Strata Title or Owners Corporations Management) in Australia and New Zealand.

Our 5,000 individual and corporate members include strata/body corporate managers, support staff, owners' representatives and suppliers of products and services to the industry. SCA proudly fulfils the dual roles of a professional institute and consumer advocate.

We believe in taking action with urgency in order to raise public awareness about some of the most pressing issues facing today's society. Please join us by supporting our efforts to make a measurable difference for the community.