

Changes to Australia's Terrorism Insurance scheme have now been approved and are effective as at 1 July 2017. The changes extend the scheme's coverage by:

1. Broadening the definition of an eligible property to include buildings in which at least 20% of the floor space is used for commercial purposes or which have a building sum insured of at least \$50 million, whether used for commercial or other purposes (effective on contracts of insurance issued or renewed from 1 July 2017); and
2. Amending the Terrorism Insurance Act 2003 (the Act) to extend the definition of a terrorism exclusion or exception in an eligible insurance contract to include acts described as "chemical", "biological", "polluting", "contaminating", "pathogenic", "poisoning", or words of similar effect.

The extended definition brings into the scheme more mixed-use and high value residential strata buildings and only apply to policies issued or renewed on or after 1st July 2017

FAQs

Will Longitude continue to cover buildings for an Act of Terrorism where the building sum insured is \$50 million or less?

Yes. The Longitude Residential Strata Policy includes cover for all such buildings provided that the event falls under the definition of an "Act of Terrorism" which means:

an act, including but not limited to the use of force or violence and/or the threat thereof, of any person or group(s) of persons, whether acting alone, or on behalf of, or in connection with any organisation(s) or government(s), which from its nature or context is done for, or in connection with, political, religious, ideological or similar purposes including the intention to influence any government and/or to put the public, or any section of the public, in fear.

How will Longitude treat buildings where the floor space used for commercial purposes is less than 20%?

Longitude will treat all buildings that have less than 20% commercial floor space as Residential mixed use and will issue cover to them under the Residential Strata Insurance Policy.

If a building becomes eligible under the new broadened definitions of the Terrorism Insurance scheme, will this affect the insurance premium?

Yes. Effective 1 July 2017, all policies including renewals that are effective on or after this date that meet the broadened definition of an eligible property will be subjected to premium loadings as prescribed by the ARPC. The ARPC determines 'Tier rates' based on the location of the building. The base premium applicable to the risk will be loaded using the prescribed Terrorism Tier rates.

Can I opt out of the ARPC reinsurance scheme?

No. For an eligible property, the insurer has elected to reinsure their exposure under the Australian Reinsurance Pool Corporation (ARPC) reinsurance scheme set up by the Commonwealth Government. Full terrorism cover is a requirement under the Act.

These changes are a result of lobbying by representatives of strata building owners and are not an opt-in/opt-out arrangement.

Can I endorse an existing policy to include Terrorism cover provided under the ARPC reinsurance scheme?

No. Mid-term endorsements for policies that are effective prior to 1 July 2017 will not make a policy eligible. The wording of the legislation specifies that the amended definition of eligible property only applies to contracts incepted on or after 1 July 2017.

What happens if a building is valued after 1 July 2017 and the building sum-insured is deemed to be greater than \$50 million, hence making it eligible?

If the policy has incepted on or after 1 July 2017, and at any time during the policy period, the value of the building exceeds \$50 million, it will become an eligible property under the scheme and as such the building will be subject to the application of the Terrorism premium loading against the full sum insured on a pro-rata basis.

How is the cover triggered under the scheme?

The Minister will announce whether the event is a Declared Terrorist Incident (DTI), at which point the terrorism exclusion in an eligible insurance policy will have no effect and the building will be covered under the scheme.

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