

Terrorism Insurance

What is terrorism insurance?

Australia's terrorism insurance scheme was designed to protect Australia's commercial property sector from the global withdrawal of terrorism insurance cover in the wake of the terrorist attacks of 2001 in the United States.

The scheme is established by the Terrorism Insurance Act 2003 (TI Act) which operates by overriding terrorism exclusion clauses in eligible insurance contracts. As part of the TI Act the Australian Reinsurance Pool Corporation (ARPC) was established to provide reinsurance for property damage, associated business interruption and public liability losses related to eligible terrorism events.

*Ref: Terrorism Insurance Act Review: 2015

What does this mean for your property?

Changes to the TI Act become effective from 1 July 2017. These changes broaden the definition of eligible property to include:

- **Commercial Strata:** Buildings with 20% or greater commercial use by floor space, down from 50%
- **Residential Strata:** New eligibility for schemes which have a single building sum insured for at least \$50 million, whether used for commercial or other purposes

Standard insurance policies for these buildings are covered by the Act providing the federal treasurer declares an event to be a terrorist incident, it requires no special application.

If your building meets the requirements, terrorism exclusion endorsements present in your policy will be overridden if the Act comes into effect.

Tiered Levies

The ARPC provides reinsurance for terrorism related risk addressed by the Act and applies levies of up to 16% to the base premium of policies as follows:

- **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

Refer to the Product Disclosure Statement and Policy Wording available from your insurer for full details of terms, conditions and exclusions and in deciding what cover is appropriate. Your insurance PDS commonly includes a section addressing the Terrorism Insurance Act.

For property insurance, the insurer often requires a schedule of assets which Roscon can supply with our **insurance reinstatement report** service, which will include a note in assessment details regarding if the terrorism insurance act and associated levy is likely to apply.

Ensure your building is insured for its full replacement value with reports based on real world construction costs and backed by proprietary software with in-built verification algorithms.