

# State of the Strata Market

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OCTOBER 2024 REPORT



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## INDEX

### **1. Overview of the Strata Market in Australia**

- Market Size and Demographics
- Trends and Challenges
- Underinsurance in Strata
- Premium Trends

### **2. Affordability of Strata Insurance: A Closer Look**

- Variations in Premium Costs by State
- Housing Affordability and Insurance
- Impact of the Cyclone Reinsurance Pool

### **3. Climate Threats and Preparedness in the Strata Market**

- Climate Change and Its Impact
- The Role of Technology in Preparedness
- Key Take-Aways on Preparedness and Disaster Response

### **4. Better Buildings: Maintenance, and Defects**

- Building Defects and Insurance Implications
- The Rising Risks of Fire Damage
- Importance of Regular Maintenance

### **5. Looking ahead in Strata**

- The Future of Strata Insurance
- Ongoing Technology Improvements
- CHU's Commitment to Quality and Sustainability
- Better Outcomes for the Insured

### **6. Education and Additional Resources**

- Webinar Series
- Staying Informed

In the spirit of reconciliation, CHU acknowledges the Traditional Custodians of the land on which we live and work throughout Australia and their continuing connection to land, sea and community. We pay our respect to their Elders - past and present and extend that respect to all Aboriginal and Torres Strait Islander people.

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## CEO MESSAGE



The strata industry continues to operate in a landscape of both challenges and opportunities, influenced by ongoing economic dynamics and rising costs in the construction and reinsurance sectors.

In addition, the industry has recently faced heightened media attention regarding issues of transparency, remuneration disclosures, market dominance, and potential conflicts of interest. This interest in strata and strata insurance should be viewed as an opportunity to engage with owners about their buildings and insurance policies and an opportunity to educate them about the role we play in the community.

In light of these discussions, Steadfast Group provided a comprehensive statement to the ASX on September 9, 2024, addressing and clarifying some of the misconceptions presented in the media.

As a proud part of the Steadfast Group, CHU plays a significant role in the strata market, underwriting approximately 25% of Strata Plans across Australia. With over 45 years of dedicated experience, we are committed to delivering exceptional underwriting and claims services in a competitive landscape, consistently striving to meet and exceed the expectations of our clients while fostering positive outcomes for the strata community.

The strata market is poised for continued growth, particularly in urban centers like Sydney, where exciting developments are underway for over 185,000 new homes near metro and suburban railway stations. As we face increasingly unpredictable weather patterns, it is more vital than ever for strata properties to be well-prepared and adequately insured against unforeseen challenges.

We recognise the pressures that strata property owners encounter when it comes to the management, maintenance, and protection of shared assets. I would also like to highlight the indispensable role that brokers and strata managers play in supporting property owners. Strata insurance has become more complex with buildings increasing in value and schemes having increased planning complexity. More than ever, the role of the strata managers and insurance brokers are essential in the placement of cover and management of what are often complex insurance claims. Whilst double intermediation is not a standard practice in other insurance product lines, it is often essential for strata schemes to ensure they receive the right professional advice about large financial assets.

This report delves into the key factors shaping the strata market, with a particular focus on insurance affordability and strategies to mitigate risks. Our objective is to provide a balanced and realistic outlook for the remainder of 2024 and beyond. We trust that this report will serve as a valuable resource for brokers, strata managers, and the broader strata community.

**Kimberley Jonsson**  
CEO

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## WHY CHOOSE CHU?



### Multi Award Winning

Awarded Underwriting Agency of the Year three years running by ANZIIF (2021,2022,2023), Claims Team of the Year 2024 by Insurance Business Magazine and Excellence in ESG by ANZIIF in 2024.



### Strata Specialists with a Depth of Experience

CHU protects over 1.3 million properties across Australia. Established in 1978, CHU has a long, progressive history.



### 24/7 Claims Process and Emergency Hotline

CHU is there when you need help the most, CHU's claim team are equipped to respond quickly with empathy and expertise.



### Backed by strength and demonstrated reliability

CHU policies are backed by the strength of QBE Insurance (Australia) Ltd.



# OVERVIEW OF THE STRATA MARKET IN AUSTRALIA

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- Market Size and Demographics
- Trends and Challenges
- Underinsurance in Strata
- Premium Trends

# OVERVIEW OF THE STRATA MARKET IN AUSTRALIA

In recent years, the strata landscape in Australia has undergone rapid change. With factors such as growing population, urbanisation, housing affordability, and land scarcity, Australia has seen a substantial increase in the number of people opting for apartment living.

## Size Of The Market



**1.3 trillion**  
Size of the market



**356,788**  
Total number of schemes



**3,071,188**  
Total number of lots



**51%** Schemes registered before 2000  
**49%** Schemes registered since 2000

## Who lives in Apartments?\*



### PRIVATE APARTMENT RESIDENTS

**2,501,351**  
Total number of apartment residents  
**25,422,788**  
Total number of Australian residents



### RESIDENTS

**10%**  
In Australia, about 10% of the population live in apartments



### HOUSEHOLDS

In Australia, about 13% of the households live in apartments  
**1,311,630**  
Apartment households  
**9,808,428**  
All Australian households



### COUNTRY OF BIRTH

Less than half of all apartment residents are in born in Australia

**46%** Australia  
**5%** India  
**6%** China  
**43%** Other



### AGE

Almost half of all apartment residents are 20–39 years old

**14%** Under 20  
**48%** 20–39  
**21%** 40–59  
**17%** Over 60



### HOUSEHOLD TYPE

Many different types of households live in apartments

**39%** Lone person  
**25%** Couple - no children  
**12%** Couple with children  
**8%** Group household  
**6%** Single parent  
**10%** Other



### LANGUAGE SPOKEN

More than half of all apartment residents speak English at home

**53%** English  
**2%** Cantonese  
**7%** Mandarin  
**38%** Other



### STRATA SCHEMES REGISTRATION

**51%**  
Schemes were registered before 2000  
**49%**  
Schemes were registered since 2000



### OTHER RESIDENTS

**1.5 million**  
Residents in other dwelling types  
**16%\*\***  
Strata Residents  
More than 1 in 10 Australians live in strata

The above data is based on research from Strata Community Association and was published in a report by [City Futures Research Centre, UNSW Sydney, June 2020](#) and updated May 2023.

\*2021 census data Residents and households in occupied private flats, units and apartments, the majority of which are owned under strata title. Because other property types, including townhouses and villas, can be owned under strata title, the actual number of people living in strata properties will be greater. Tenure figure includes unoccupied dwellings. Further details available in the supporting report. \*\*Conservative estimate derived from analysis of land titles data on strata and community schemes and census data on dwellings, households and individuals. S.

## TRENDS AND CHALLENGES FACING THE STRATA MARKET

In recent years, the construction industry has experienced dramatic inflation. COVID-19 lockdowns and world events led to delays and shortages, and a surge in demand due to an increase in natural disasters drove the cost of house construction materials upwards.

This, along with an increased frequency and severity of weather events (and updates to the pricing models that attempt to predict these events), has been the well-publicised driver of increased premiums over recent years. Insurers have also used excess increases to mitigate those price increases to a degree.

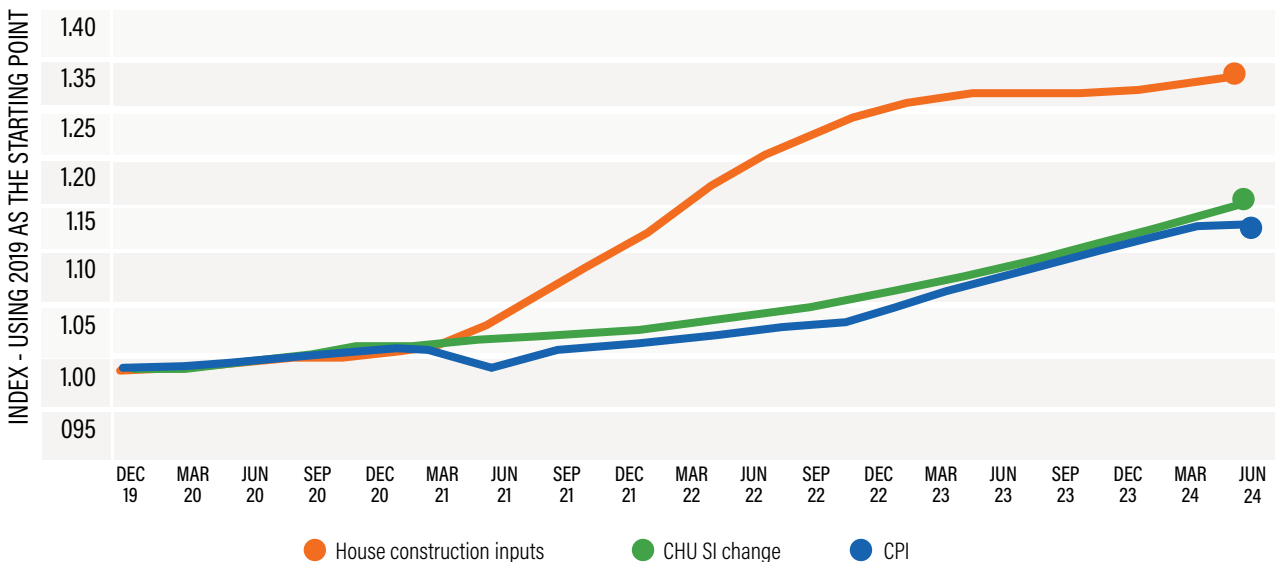
However, the other key element to this inflation story is the extent to which buildings remain fully insured. Valuations and sums insured have not kept up with the extreme conditions, and many remain below the cost of replacing the building should a large/total loss occur.

The graph below shows the extent to which house construction costs increased (orange) compared to the rise in average building sums insured (green). A large gap remains. However, the good news is that inflation is settling down, giving sums insured the chance to catch up.

Valuations and sums insured have some catching up to do but house construction inflation is finally settling down

### Cumulative inflation since 2019:

Australian building costs vs CPI vs Sum Insured changes at CHU



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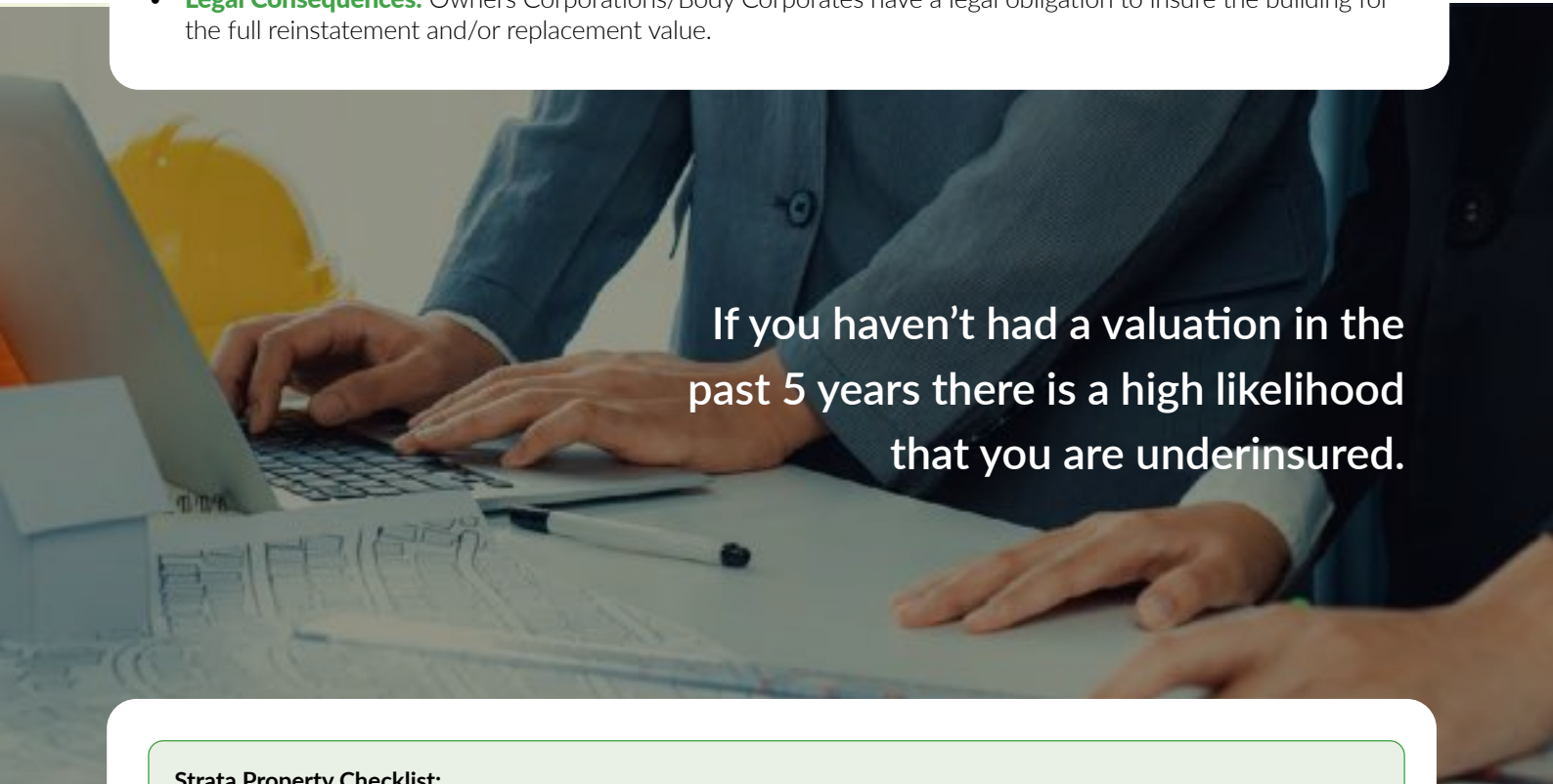
## UNDERINSURANCE IN STRATA COMMUNITIES

Underinsurance has long been identified as an issue for many strata communities. It occurs when the sum insured does not meet the true cost of rebuilding, leaving properties vulnerable in the event of a major claim.

Regulation in most states across Australia indicates that building valuations should be conducted regularly to determine replacement value. However, with the current state of the market, rate of inflation and many other factors affecting the costs of rebuilding and the value of your property it is vital that your 'sum insured' is reviewed more regularly.

Underinsurance poses a substantial threat to the financial stability of bodies corporate. Adequate insurance coverage is essential to protect against:

- **Financial Risk:** Underinsurance can result in significant financial risk, as unit owners may be forced to cover any shortfall.
- **Legal Consequences:** Owners Corporations/Body Corporates have a legal obligation to insure the building for the full reinstatement and/or replacement value.



If you haven't had a valuation in the past 5 years there is a high likelihood that you are underinsured.

### Strata Property Checklist:

- Regular valuations:** Schedule regular property valuations to ensure your insurance coverage keeps pace with current rebuilding costs.
- Engage experts:** Work with professional valuers and insurance advisors to conduct an independent assessment and to determine adequate coverage.
- Update your coverage:** Update the 'Sum Insured' on your policy and ensure your policy reflects any changes such as renovations, or upgrades and aligns with the most recent building valuation.

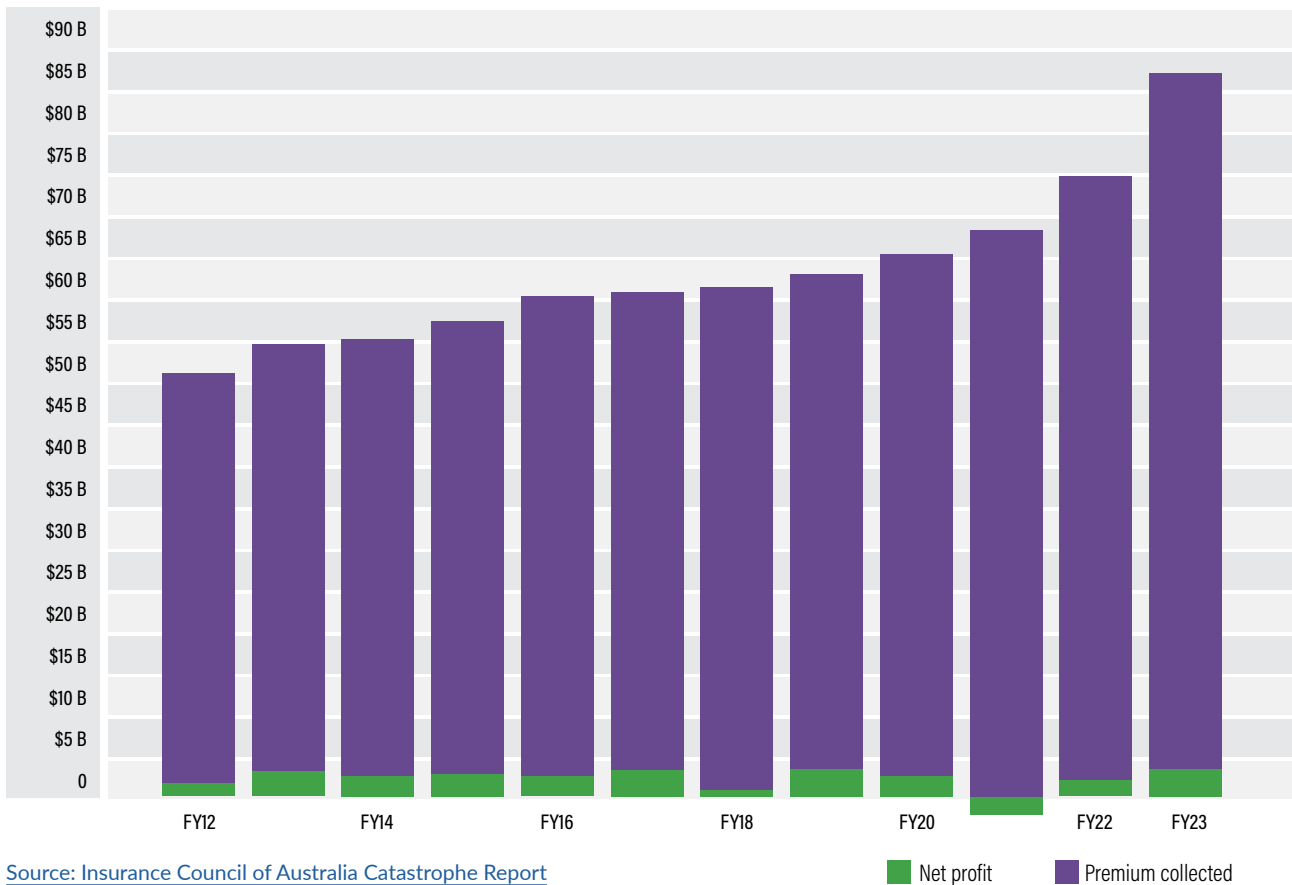


## PREMIUM TRENDS

The whole Australian insurance industry has seen material increases in premium rates over recent years. This was caused by significant inflation and the frequency/severity of events driving claims costs upwards.

The graph below shows this phenomenon in a different way – showing premium increases over the last 12 years compared to insurer profits. Insurer profits are always volatile, reflecting the nature of the business they are in, however, on average, profits haven't changed materially in dollar terms. They've reduced materially in percentage terms, compared to premium volumes, suggesting that the premium increases were purely due to the increased cost of writing the policies.

### Insurance Premiums vs Insurance Profit



What this means is, as the inflationary environment settles down, the average level of insurance premiums should follow suit. Premium increases will only need to keep up with the impact of climate change rather than also having to battle against escalating inflation.

Rate variation is a common occurrence, with some premiums requiring correction as risk assessments occur and pricing models continue to advance and update. However, as inflation stabilises, average rate changes will be lower, and there is potential for reductions. For example, at the time of publication (Oct24), around 60% of CHU residential policies are renewing at the same rate or at a reduction compared to the previous year.



# AFFORDABILITY OF STRATA INSURANCE: A CLOSER LOOK

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- Variations in Premium Costs by State
- Housing Affordability and Insurance
- Impact of the Cyclone Reinsurance Pool



## VARIATIONS IN PREMIUM COSTS

When considering the cost of strata insurance, it's important to recognise the variations that exist across different regions and property types. On average, lot owners are paying approximately \$954 per lot (including taxes) for residential strata insurance. This figure serves as a general benchmark, but it's crucial to understand how premiums vary based on location and property characteristics as highlighted by the maps below.

The maps illustrate the median premium per lot across major Australian cities. The areas shaded in red and orange indicate higher than average premiums whereas green and light green indicate average or lower than average premiums. Here's a closer look at how these costs differ:

**SYDNEY:** Inner city postcodes have higher premiums, often exceeding \$1,500 per lot. These areas typically consist of higher-value properties, driving up the cost of insurance.

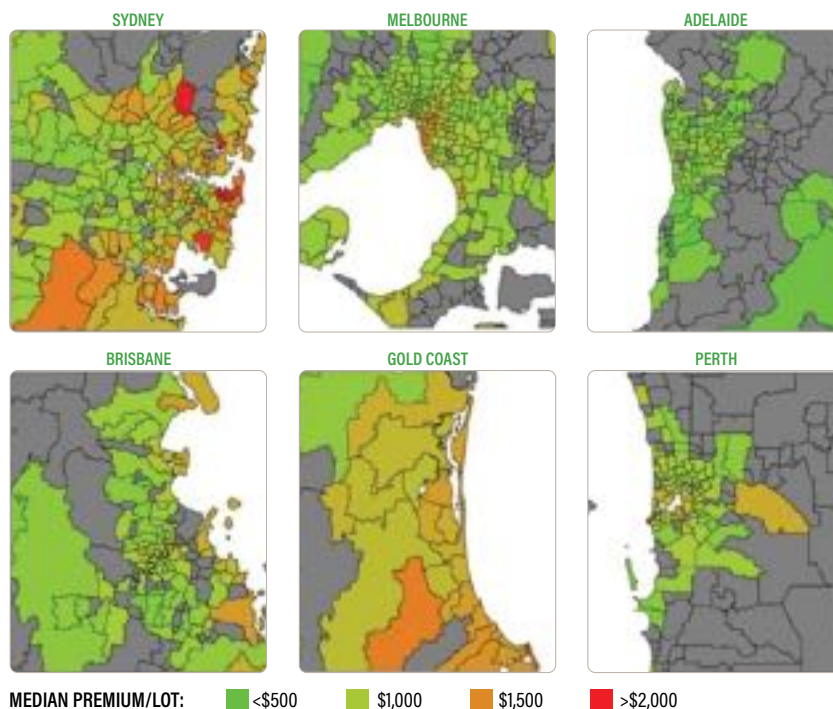
**MELBOURNE:** Like Sydney, central areas show a concentration of higher premiums, while outer regions tend to be more affordable.

**ADELAIDE:** Premiums are generally lower across the city, with many areas falling below the \$1,000 per lot mark, reflecting the lower property values in these regions.

**BRISBANE:** The city averages around \$946 per lot, aligning with the national average. There are pockets in central or flood-prone areas, where premiums can rise.

**GOLD COAST:** Given its coastal location and exposure to weather-related risks, some areas see higher premiums, although many remain in the more affordable range.

**PERTH:** Premiums vary significantly, some regions seeing costs well below the national average, while others, particularly in central locations, edge towards higher premiums.



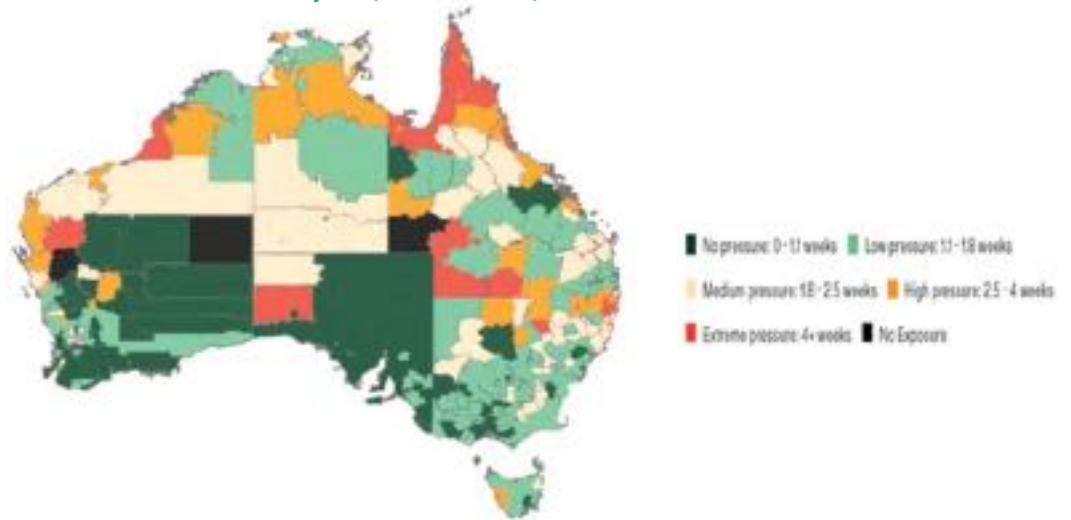
These regional differences highlight the impact of property values, location-specific risks including flood, cyclone and bushfire risk, and market dynamics on strata insurance premiums.

## INSIGHTS FROM THE AUSTRALIAN ACTUARIES HOME INSURANCE AFFORDABILITY INDEX (AAHIA)

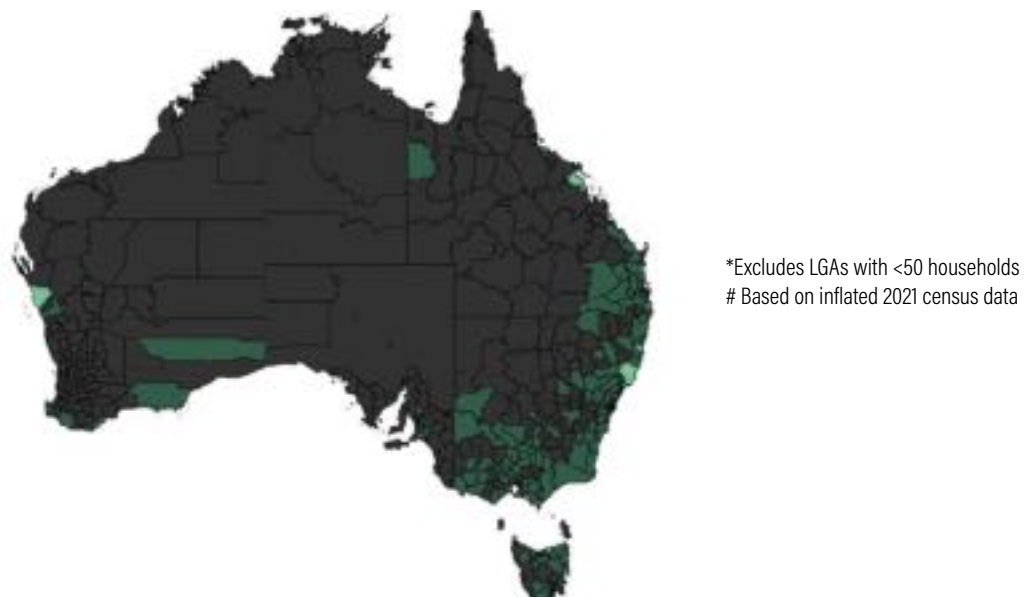
The Australian Actuaries Home Insurance Affordability Index (AAHIA) provides valuable insights into the financial pressures faced by households when it comes to insuring their homes. A key metric used by the AAHIA is the number of weeks of gross household income required to cover the annual insurance premium. This measure gives a clear indication of the financial burden that home insurance places on families across the country.

The maps below highlight the different levels of financial pressure that households face across Australia for Home Insurance premiums vs Strata Insurance premiums. Dark grey and green shading indicate low levels of financial stress while yellow and red shading indicate high levels of financial stress.

**Median AAHIA by LGA (Home Insurance)**



**Median Strata Affordability Index by LGA**



## FINANCIAL STRESS IN HOME INSURANCE VS STRATA INSURANCE

According to the latest figures from the AAHIA, 12% of Australian households are currently experiencing financial stress due to the cost of home insurance. This means that for these households, the cost of insurance consumes a significant portion of their income, making it challenging to afford other essential expenses. In comparison those living in strata properties tend to be better off mostly under less or no pressure with strata insurance premiums remaining more affordable.

**While 12% of Australian households face financial stress from home insurance, strata premiums remain more affordable**

Region	Weekly Income	Strata Insurance Premium	Affordability Index	Weekly Income	Home Insurance Premium	Affordability Index
Sydney	\$2,203	\$1,114	0.5 weeks	\$2,361	\$2,600	1.1 weeks
Melbourne	\$1,887	\$918	0.5 weeks	\$2,091	\$1,654	0.8 weeks
Brisbane	\$1,790	\$946	0.5 weeks	\$2,085	\$3,032*	1.5 weeks
Gold Coast	\$1,665	\$1,263	0.8 weeks	\$1,872	\$3,032*	1.6 weeks
Adelaide	\$1,426	\$799	0.6 weeks	\$1,720	\$1,300	0.8 weeks
Perth	\$1,743	\$968	0.6 weeks	\$2,119	\$1,817	0.9 weeks

The AAHIA highlights a growing concern: as insurance premiums rise in response to increasing risks (such as natural disasters and higher property values), more households are finding it difficult to keep up. This trend is particularly evident in regions prone to extreme weather events, where insurance costs are higher due to the elevated risk of claims. Some households are choosing to opt out of insurance all together or in the case of strata may be underinsured.

## WHAT IS THE CYCLONE REINSURANCE POOL

The Australian government has launched the ARPC Cyclone Reinsurance Pool, a \$10 billion government-backed legislation, to enhance insurance accessibility and affordability for strata property owners in cyclone-prone regions.

### WHAT'S INCLUDED IN THE POOL

- Residential Strata Properties
- Commercial Strata properties with less than \$5m total sum insured
- Mixed use schemes where at least 50% of floor space is residential.
- Cyclone and cyclone-related flood damage
- For flood: from the time the cyclone begins to 48 hours after it ends.

### HOW DOES IT WORK?

- The Bureau of Meteorology (BOM) declares the cyclone event.
- BOM also declares the start and end period of the event to ARPC, which then dictates the claims period.
- The ARPC covers named cyclones and any cyclone-related flood damage, including wind, rain, rainwater run-off, storm surge (if your existing policy covers it), riverine flood caused by a cyclone.

## HOW DOES IT AFFECT RESIDENTIAL STRATA INSURANCE



For more information about the ARPC Cyclone Pool, visit the [ARPC website](#).

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## IMPACT OF THE CYCLONE REINSURANCE POOL

The Cyclone Reinsurance Pool (CRP), managed by the Australian Reinsurance Pool Corporation (ARPC), has been operational since July 2022. Its goal is to reduce insurance premiums in high cyclone risk areas. The pool is mandatory for Australian insurers providing home, strata, or small business policies, with large insurers required to join by December 2023 and smaller insurers by December 2024. Lloyds, unauthorised foreign insurers, and insurers with less than \$10m of CRP-eligible premium are not required to join.

For strata property owners, particularly in high cyclone risk areas, the CRP's impact is noticeable. The third [insurance monitoring report](#) released by the ACCC in September 2024 recognised that the cyclone pool has resulted in some cost savings for insurers which are being passed onto consumers. It also noted that while the pool was delivering some cost reductions in northern Australia, market factors including inflation, the hardening of global reinsurance markets, extreme global weather events, and price increases of building materials and labour were still largely influencing the overall premium. Importantly the report highlighted that 16% of strata policies in medium-to-high cyclone risk areas experienced not only a reduction in the rate of premium increase but received a premium decrease upon renewal after their insurer had joined the cyclone pool.

The CRP's upcoming 2025 review presents an opportunity for further refinements to its structure, potentially extending coverage periods or adjusting premium formulae to address current challenges in premium savings and coverage adequacy. This includes introducing discounts for buildings that have undertaken certain cyclone mitigation activities (from 2025-Q1). For strata property owners and insurers, staying informed and adapting to these changes will be crucial in maximizing benefits from the CRP.

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**When examining policy level price data, the report indicated 16% of strata policies in medium-to-high cyclone risk areas experienced decreases to their premiums upon renewal. For CHU insured customers, this represented \$45 million in premium savings since the pool was introduced.**

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# CLIMATE THREATS AND PREPAREDNESS IN THE STRATA MARKET

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- Climate Change and Its Impact
- The Role of Technology in Preparedness
- Premium Trends

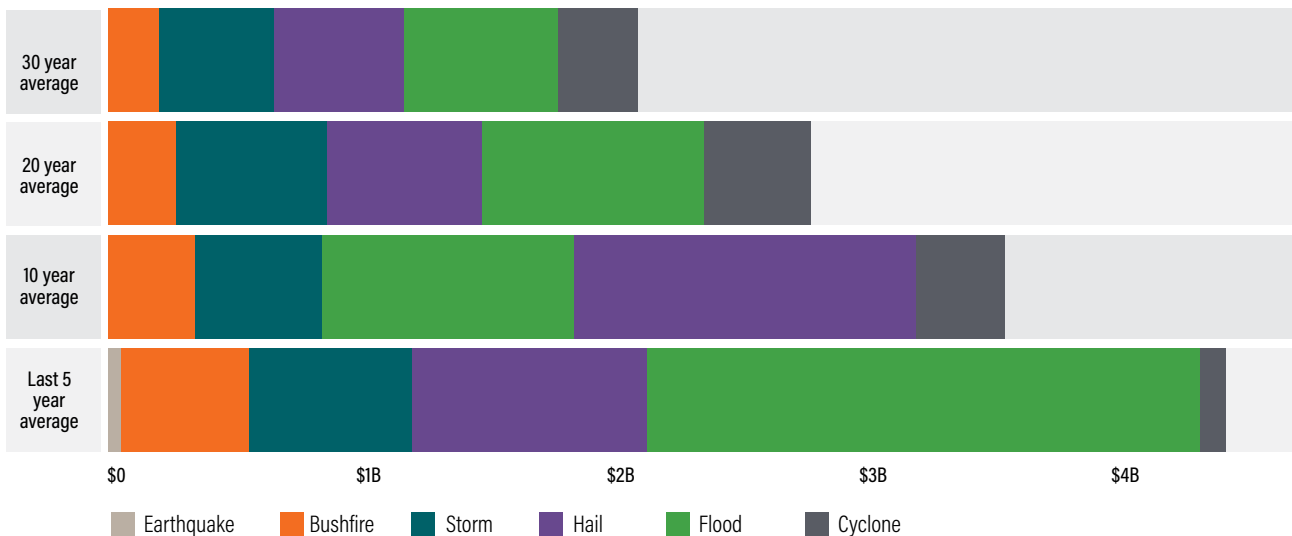
## CLIMATE CHANGE AND ITS IMPACT

As the strata market faces increasing challenges from climate change, it's crucial to consider the broad spectrum of climate risks that could impact the industry. Weather related risks are not only difficult to predict but also costly to mitigate, posing a serious challenge for strata insurance moving forward.

The recent trend of more frequent and severe weather events has pushed the insurance industry to its limits. The 2022 southeast Queensland and northern New South Wales floods (CAT221) served as a stark reminder of the growing impact of climate change on the industry. This catastrophe sparked inquiries into the insurance industry's response and has driven a renewed focus on preparedness and resilience.

The ICA has recently released its fourth annual [Insurance Catastrophe Resilience Report](#) which outlines the impact of extreme weather on the Australian economy has tripled over the past three decades. The report also emphasises the increased focus needed on risk mitigation.

### The cost of extreme weather is growing in real terms



Source: [Insurance Council of Australia - Catastrophe Report 2024](#)

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## THE ROLE OF TECHNOLOGY IN PREPAREDNESS

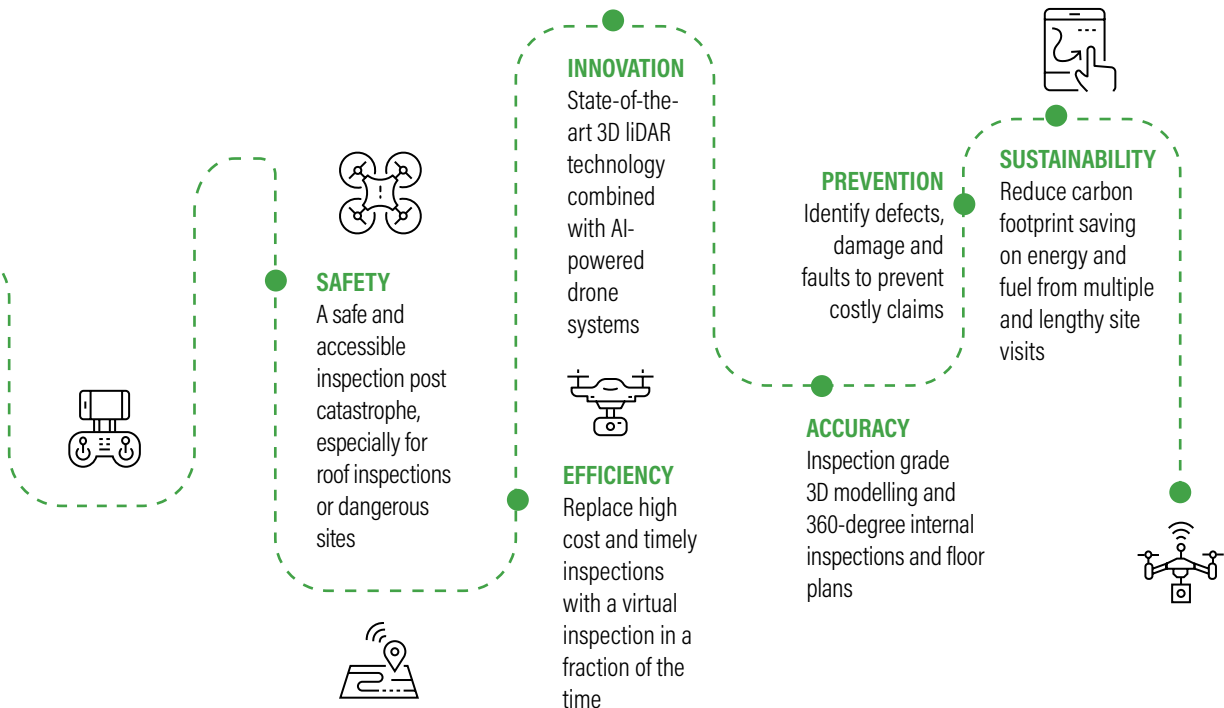
Technological advancements are playing a key role in improving the industry's response to climate-related events and helping strata communities prepare for and mitigate the impacts.

One of the key tools CHU has introduced uses cutting edge drone and Lidar technology to conduct virtual building inspections. CHU Inspect offers a whole new level of innovation when it comes to building management, strata building insurance, maintenance, and repair services.

CHU Inspect maps out the internal and external measurements of a building with precision and intricate detail. It provides a wealth of data that be utilised by multiple experts to report on damage or assist in decisions on the repair of buildings.

The technology can also be utilised to identify potential risks and vulnerabilities of a building, identifying critical areas for maintenance and proactive mitigation so that strata property owners can address issues before they escalate.

### Benefits of Virtual Building Inspections



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## TECHNOLOGY ASSESSING VARIOUS SCENARIOS

CHU also utilised geo-mapping technology to further improve disaster and climate preparedness. The technology facilitated the simulation of various potential catastrophe scenarios including the impact of a 6.3 magnitude earthquake in Sydney and a category 5 cyclone impacting Southeast Queensland. This scenario planning enabled a better understanding of the potential impact of these disaster events and the development of customised response strategies for each scenario.

### Scenario 1: Christchurch Earthquake impact on Sydney

Figure 2: Overlay of Christchurch impact zone over Sydney



Figure 3: CHU In-force Policy View Sydney



### Scenario 2: Cyclone Yasi impact on South East Queensland

Figure 4: Overlay of Cyclone Yasi impact zone over South East Queensland



Figure 5: CHU In-force Policy View South East Queensland



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Imagine if the Christchurch earthquake happened in Sydney or if Cyclone Yasi hit Southeast Queensland. This scenario planning has enhanced CHU's response strategies.

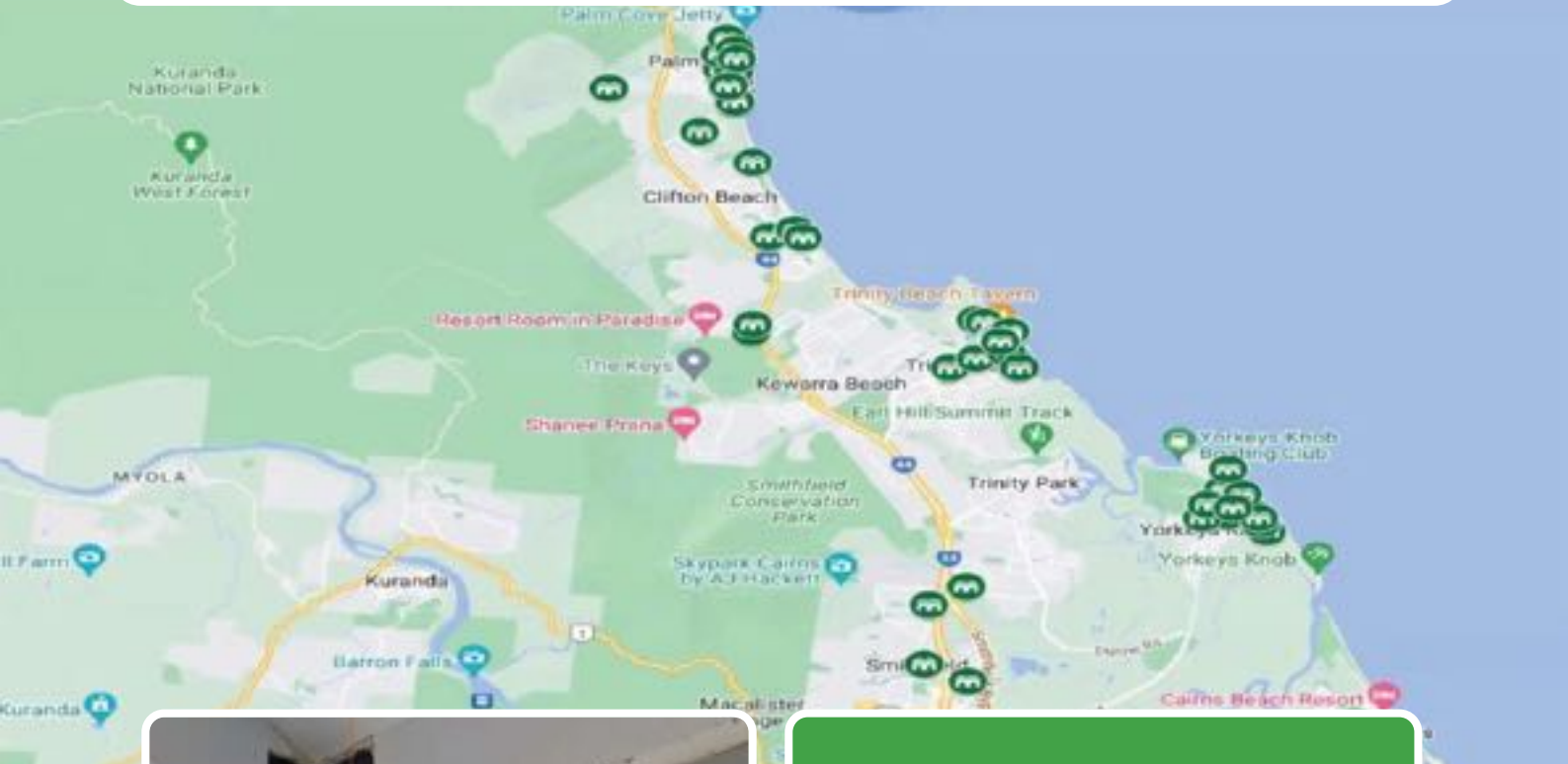
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## IMPACT OF CYCLONE JASPER ON STRATA PROPERTIES

In the recent catastrophic event of Cyclone Jasper (CAT 232), insurers, including CHU were braced for the worst-case scenario, however, the impact was less severe than initially anticipated.

The Insurance Council of Australia (ICA) reported approx. 10,500 claims, with CHU handling 84 claims, including one from a large resort.

Prior to the event, CHU proactively prepared by identifying all the possible risks in the area and had the claims team and assessors ready and nearby so that they could quickly and efficiently manage the worst-case scenario. This information was shared with brokers who had significant business in the predicted impact zones to assist them in their client response. CHU Inspect played a key role in evaluating damage post event by generating visual reports to support a seamless claims process.



Proactive planning, swift deployment of claims teams, and the use of CHU Inspect ensured a smooth, efficient response

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## BENCHMARK FOR CATASTROPHE PREPAREDNESS

The 2022 southeast Queensland and northern New South Wales floods, which was the most significant insurance loss event in Australia's history, followed by several catastrophe events in 2023 have highlighted the need for an enhanced disaster response. This event underscored the importance of swift action and has driven the industry to bolster its resilience against future catastrophes.

The new [Benchmark for Catastrophe Preparedness in Australia](#) report published by Deloitte, recommended seven areas for action to improve the industry's response to future events. The industry accepted all seven recommendations – noting that many insurers were already incorporating the recommendations.

### Summary of Recommendations from Deloitte and ICA:

**Preparedness:** Strengthen catastrophe planning for extreme events like Cat 221, ensuring readiness for challenges.

**Customer Experience:** Enhance communication and streamline claim processes for a better experience.

**Resourcing:** Redesign workforce planning for increased workloads during crises.

**Operational Response:** Invest in technology and processes for efficient crisis management.

**Governance and Transparency:** Improve data analysis for informed decision and information sharing which will allow for more decision-making during disasters.

**Coordination with Government:** Collaborate for faster funding, clean-up, and resilience investments.

**Code Review:** Update the Catastrophe definition in the Insurance Code to align with current challenges.

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**Recent catastrophes have prompted the insurance industry to adopt a new benchmark for disaster preparedness with seven key resilience recommendations**

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## CHECKLIST FOR STRATA MANAGERS AND PROPERTY OWNERS

Now more than ever, it is important for insurers, brokers, strata managers and property owners to ramp up preparedness and put in place protocols to safeguard against nature's unpredictability.



An ounce of prevention is worth a pound of cure

BENJAMIN FRANKLIN

### Preparedness Checklist

- Know Your Environment:** Understand your strata building's specific weather risks. Stay updated on local weather patterns and consult local experts.
- Review Your Policy:** Regularly review your insurance policy to ensure coverage for weather-related events. Consider Catastrophe coverage and update your building's Sum Insured to reflect current replacement costs, including Bushfire Attack Level (BAL) ratings.
- Prioritise Maintenance:** Develop a maintenance schedule for roofs, gutters, and drainage systems. Clear debris regularly, upgrade stormwater systems, and consider weather-resistant building materials.
- Establish Emergency Procedures:** Ensure all residents know evacuation routes and safety protocols. Create emergency contact lists and engage with specialised emergency services and insurers.
- Post-Event Safety and Action:** After a disaster, safely inspect damage, gather information, and contact your strata manager or insurer to ensure timely repairs and resident safety.

CHU has taken a leading role in adapting to the increased frequency and severity of natural disasters. The creation of a dedicated Catastrophe Claims Team and investment in technology to streamline claims processing demonstrate a commitment to meeting the emerging demands.



# BETTER BUILDINGS: MAINTENANCE AND DEFECTS

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- Building Defects and Insurance Implications
- The Rising Risks of Fire Damage
- The Importance of Regular Maintenance

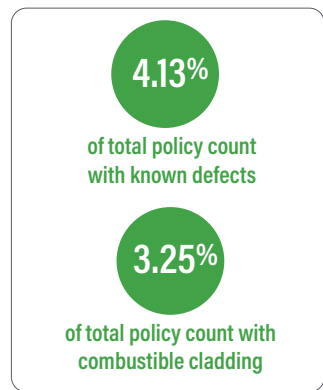
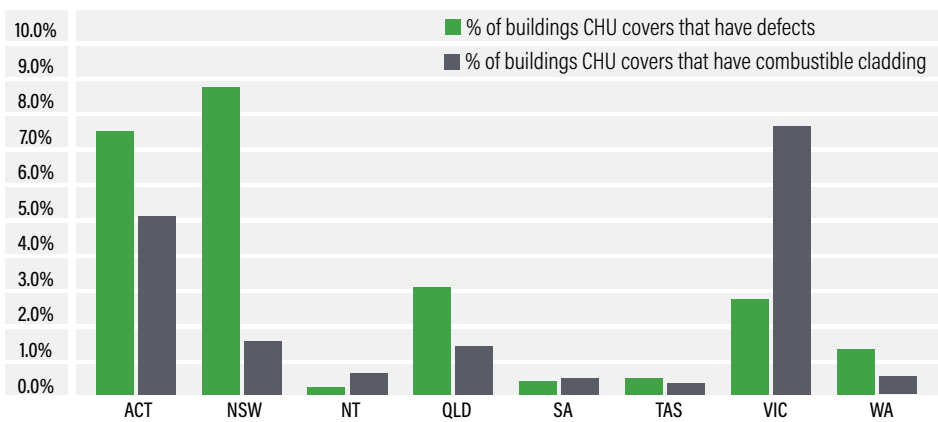


## IMPACT OF BUILDING DEFECTS ON INSURANCE

Building defects have become a significant challenge in the strata industry, particularly in new developments. When it comes to insurance, the presence of building defects introduces complexities in coverage and pricing.

Most insurance policies include exclusions for defects, particularly those that are known, however these exclusions do not carry over to Public Liability and leaves a significant exposure for legal action to be taken against the insured due to failure to repair and maintain common property.

### % of CHU policies with known defects and combustible cladding



CHU has established the National Specialty Risk Team, who assess buildings with complex defects on a case-by-case basis with the aim to provide a solution where possible. Consideration factors include; the severity of the defects, the age of the building, any ongoing legal actions, and whether the insured has demonstrated a proactive attitude to act on advice from their engaged experts to rectify the defects.

### Information Required for Defect Evaluation

To accurately assess the risk posed by building defects, CHU requires detailed information, including, but not limited to:

- **Building contracts** for planned remedial works
- **Minutes from Body Corporate meetings** that discuss defect management and including notation of formal resolutions to proceed with necessary works.
- **Expert assessments** on the impact and proposed remedies for the defects



Strata property owners are strongly advised to address the defects in their buildings, either immediately, post construction, or as soon as they are identified and potentially still within the warranty period.

CHU recommends owners work with reputable suppliers who are committed to rectifying the defects and maintaining their good reputation. If owners are in receipt of an expert report that identifies safety concerns that require make-safe works, CHU expects these measures to be implemented without delay.

If the owners have been as proactive as possible, by making attempts or establishing plans to rectify the issues an insurer will likely look upon this more favourably.

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## THE RISING RISKS OF FIRE DAMAGE

Residential and commercial strata have been faced with a recent spate of fires caused by lithium batteries and the well-publicised tobacco wars impacting commercial properties.

The presence of tobacconists in commercial strata buildings is seriously impacting insurance availability and costs. Due to a rise in arson attacks linked to organised crime syndicates, local insurers are now reluctant to cover properties with tobacco shops, forcing body corporates to turn to expensive international special risk policies. This shift has led to dramatic premium increases, as local insurers are adverse to continue insuring these buildings given the losses already experienced or due to the claims trends showing no signs of slowing.

Lithium-ion batteries are an integral part of Australia's transition to net zero emissions, however, there has been concern over the safety implications of these batteries if misused, and ACCC are strongly advising the careful use, maintenance and disposal of these products. This is especially important for owners and residents living in apartment complexes as the fire hazard could potentially pose a risk to all residents. Lithium-ion batteries contain electrolytes that are highly flammable. There are several situations that can lead to lithium-ion batteries catching fire, including:

- Overcharging or use of non-compliant charging equipment.
- Overheating or exposure to heat or extreme temperatures.
- Dropping, crushing or damaging the battery.

When a battery fails, thermal runaway can occur resulting in the release of toxic, flammable and explosive gases, and an intense, self-sustaining fire that can be difficult to extinguish.

### Checklist for Property Owners with Lithium-ion batteries:

- Choose Carefully: Buy from authorised dealers and avoid counterfeit chargers.
- Check Regularly: Inspect regularly for damage and keep track of the battery age, quality and performance.
- Use and Store Correctly: Charge on hard surfaces (not carpet) and store batteries in moderate temperatures
- Dispose Safely: Recycle batteries at designated centres, not in regular bins.

For further information see:

[https://chu.com.au/assets/CHU\\_LithiumBattery\\_factsheet\\_online.pdf](https://chu.com.au/assets/CHU_LithiumBattery_factsheet_online.pdf)

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## IMPORTANCE OF REGULAR MAINTENANCE

Mitigating risks reduces the likelihood of urgent repairs and insurance claims. Regular upkeep and maintenance help safeguard your property and could reduce risk or severity of a claim in if the unexpected should occur.

We see many instances of poorly maintained buildings leading to serious issues with the condition of the property, some with significant concerns to life safety that have been left unaddressed.

### Property Maintenance Checklist:

#### INSPECTIONS

- Schedule building inspections to spot issues early.
- Maintain records of repairs and checks.
- Address defects promptly to avoid an escalation of costs in future.
- Roof inspection for damaged or loose roofing

#### SAFETY

- Ensure smoke alarms and sprinklers are working and checked regularly.
- Have suitably qualified contractors inspect all fire safety equipment in the building and ensure they are readily accessible.
- Ensure residents know and understand the fire evacuation and emergency procedures

#### COMPLIANCE

- Always engage suitably qualified tradespeople to carry out maintenance and capital works, and have these appropriately certified when required.
- Avoid risks of noncompliance with issues pertaining to your building staying up-to-date with regulations.

#### RISK REDUCTION & REGULAR MAINTENANCE

- Conduct routine maintenance including plumbing, roof, and gutter inspections.
- Install and/or maintain drainage systems to cope with adverse or out of the ordinary rainfall.
- Encourage residents to report leaks early to prevent escalation.
- Trim trees and branches especially if they overhang the building
- Keep loose items like pool and garden furniture is secured



# LOOKING AHEAD IN STRATA

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- The Future of Strata Insurance
- Ongoing Technology Improvements
- CHU's Commitment to Quality and Sustainability
- Better Outcomes for the Insured



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## LOOKING AHEAD IN STRATA

As we look ahead, the strata industry must continue navigate an increasingly complex landscape shaped by economic pressures, climate challenge, evolving regulatory controls and increased scrutiny of industry practices.

### Key Developments Shaping the Future of Strata Insurance

#### Senate Inquiry into Insurance Premiums and Climate Risk

- Public hearings began in September 2024; final report due in November 2024
- Focus on commissions model and recommendations for the future to ensure transparency for lot owners.
- Assess potential conflicts of interest between various stakeholders

#### Inflation and Rising Reinsurance Costs

- Inflation remains a concern in the construction sector and cost of living across all industries impacting affordability for everyday Australians.
- Reinsurance costs continue to drive up premiums across the strata industry.

#### Climate Change Mitigation Pressures

- Insurers are adopting net-zero goals and expanding climate-related policies in response to increased extreme weather events.
- Upcoming regulatory evaluations may impact building standards and land-use planning to mitigate risk in vulnerable areas.
- Improved disclosure and governance across the value chain.

The need for robust insurance solutions has never been more critical. CHU has established a strong reputation for delivering market leading insurance solutions that meet the unique needs of each stakeholder.

CHU remains committed to working closely with governments, industry stakeholders, and communities to ensure that our buildings are safer, stronger, and that the industry is better equipped to face the challenges of the future.

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## ONGOING TECHNOLOGY AND SERVICE IMPROVEMENTS

Technology will continue to play a pivotal role in shaping the future of the strata market. The integration of advanced tools and systems for scanning buildings, identifying issues and keeping accurate records of repair work is essential for maintaining strong and resilient buildings.

CHU has delivered advancements in technology that not only make it more efficient and accurate for brokers and strata managers to obtain a quote, but also increase visibility and accountability during claims time.

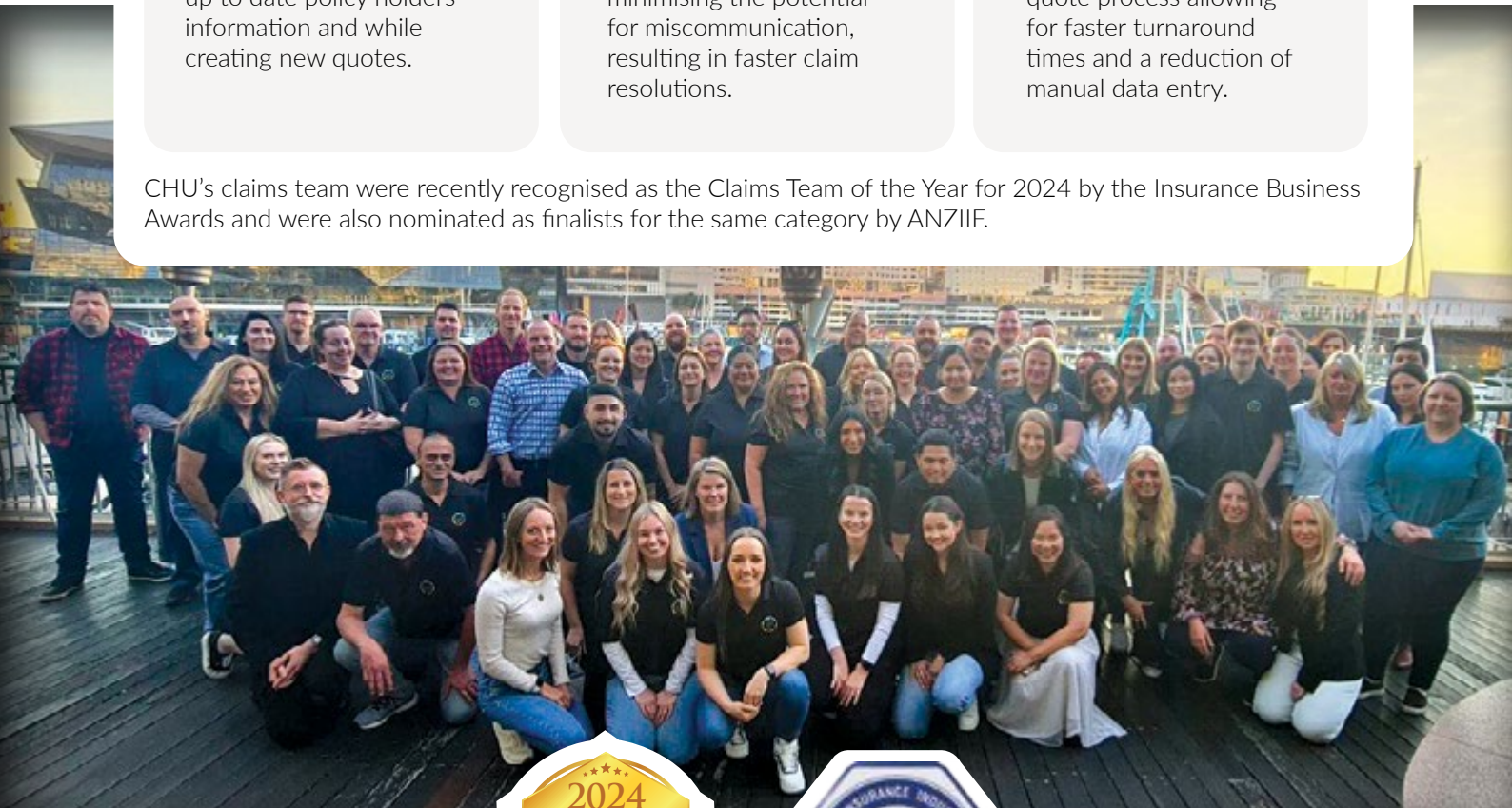
### Recent CHU Technology Investments

StrataTech API integration for policy management removing double keying, improving response times and providing real time updates whilst maintaining up to date policy holders' information and while creating new quotes.

StrataTech and ENData integration enabling automatic allocation and management of panel builders, reducing administrative delays and minimising the potential for miscommunication, resulting in faster claim resolutions.

SmartQuote within StrataTech automates the input of building data from CHU's extensive historical building database speeding up the quote process allowing for faster turnaround times and a reduction of manual data entry.

CHU's claims team were recently recognised as the Claims Team of the Year for 2024 by the Insurance Business Awards and were also nominated as finalists for the same category by ANZIIF.



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## SUSTAINABILITY INITIATIVES IN STRATA

Initiatives such as Green Star ratings and other sustainability scores are important to prospective homeowners and is playing a part in ownership decisions. The goal of reducing their environmental footprint while improving the overall quality of living for residents.

Some key sustainability initiatives for strata developments include



### 1. Energy Efficiency in Buildings

**Upgrading Building Systems:** Improve energy efficiency by upgrading HVAC systems, improving insulation, and energy-efficient lighting.

**Solar Power and EV charging Integration:** Solar panels, correctly installed EV charging station and battery storage will cut down on utility costs and reduce carbon emissions.



### 2. Water Conservation

**Rainwater Harvesting:** Capturing and reusing rainwater for irrigation and flushing toilets.

**Water-Efficient Fixtures:** Retrofits of water-saving appliances and fixtures, such as low-flow taps and showerheads.



### 3. Waste Management and Recycling

**Waste Reduction Programs:** Many councils are introducing waste management systems, including centralised recycling and organic waste composting.

**E-Waste and Hazardous Waste Recycling:** Understanding the risks of lithium battery usage, storage and disposal.



### 4. Green Building Materials and Retrofitting

**Sustainable Building Materials:** Use of eco-friendly materials for renovation and claims remediation that have a lower environmental impact.

**Green spaces:** increasing the amount of green space in communal areas, including edible gardens, vertical gardens, native trees and more natural shade.

### Climate Change Adaptation and Resilience

**Climate Risk Assessment:** With increasing climate-related events such as flooding, cyclones, and bushfires, it is important to focus on identifying and mitigating risks to strata properties. Prevention is better than cure.

### Ongoing Engagement and Education

Community-led sustainability programs often involve engaging residents through education.

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## CHU'S COMMITMENT TO QUALITY AND SUSTAINABILITY

CHU's commitment to sustainability, now extends beyond carbon offset initiatives, to setting out strategies that will reduce our negative impact and increase our positive impact on our environment and broader community.

CHU produces an annual sustainability impact report that discloses sustainability policies, activities, target, strategies and performance data. Click below to read our latest report.



CHU were proud to have been awarded the prestigious Excellence in Environmental, Social, and Governance Change (ESG) Award at the 20th Australian Insurance Industry Awards. This recognition highlights our unwavering commitment to embedding sustainability into our business practices.

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## SUSTAINABLE SUPPLY CHAIN

CHU's commitment to sustainability, now extends beyond carbon offset initiatives, to setting out strategies that will reduce our negative impact and increase our positive impact on our environment and broader community.

As part of CHU's sustainability commitment we have selected a panel of builders and repairers via an extensive RFI process which vetted suppliers who have a shared commitment to sustainability, quality workmanship and excellence customer service. CHU has now begun working together with this panel towards achieving net zero goals of reducing and offsetting emissions across claims building repairs and maintenance.



**\$300 million+**

spent on claims annually



**90+**

builders vetted for sustainability credentials



**40**

builders selected who have committed to supply chain sustainability targets.

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## BETTER OUTCOMES FOR THE INSURED

While the strata insurance market has been experiencing significant challenges in recent years, and premiums have increased as a result of the various factors outlined in this report, there are still options for strata property owners to look beyond the premium and ensure that the policy is the right fit and offers the right level of cover.

When comparing policies, it is important that strata property owners consider factors along with premium comparisons. These factors include:

- 1. Coverage options:** Ensure that the insurance policy covers the risks you are most concerned with at the right levels. It is important to make sure you do not get left vulnerable should a catastrophic event occur.
- 2. Reputation:** It is crucial to consider the reputation of the insurer, choose an insurer you can rely on, one who has built a solid reputation based on experience and knowledge.

**3. Financial strength:** CHU policies are securely backed by the financial strength of QBE Insurance.

**4. Convenience:** CHU continues to improve our capabilities when it comes to technology, along with ease of quoting and binding policies online. We have dedicated teams located across Australia to handle claims including CHU Services offering building assessing, consulting and inspection all of which creates a seamless experience.

**5. Quality of service:** CHU's expertise across both underwriting and claims is second to none. Customers are always at the heart of every decision we make, which means we are always improving and finding the best way to exceed customer expectations.

CHU will work together with our customers in reviewing policies, encouraging regular maintenance, and implementing risk mitigation measures to reduce the likelihood of claims.

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## HOW TO CONTACT CHU

### Broker and strata manager enquiries

Enquiries for insurance brokers, strata managers, referral partners and their customers:

**PHONE:**  
[1300 361 263](tel:1300361263) (9am-5pm)

**EMAIL:**  
[info@chu.com.au](mailto:info@chu.com.au)

**AFTER HOURS EMERGENCY HOTLINE:**  
[1800 022 444](tel:1800022444)

**MAKE A CLAIM ONLINE:**  
<https://claims.chu.com.au/>

### Direct customer enquiries

Enquiries for customers who have purchased insurance directly through CHU:

**PHONE:**  
[1300 289 248](tel:1300289248) (9am-8pm AEDT)

**EMAIL:**  
[sales@chu.com.au](mailto:sales@chu.com.au)

**AFTER HOURS EMERGENCY HOTLINE:**  
[1800 022 444](tel:1800022444)

**CLAIMS EMAIL:**  
[directclaims@chu.com.au](mailto:directclaims@chu.com.au)

**MAKE A CLAIM ONLINE:**  
[https://claims.chu.com.au](https://claims.chu.com.au/)



# EDUCATION AND ADDITIONAL RESOURCES

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- Webinar Series
- Staying Informed



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## EDUCATIONAL WEBINARS FOR STRATA MANAGERS AND BROKERS

In CHU's webinar series we share knowledge and information insurance and key topics in the Strata Industry, including trends, case studies and hints and tips for Brokers and Strata Managers.



SUBSCRIBE TO WEBINARS

# STAYING INFORMED

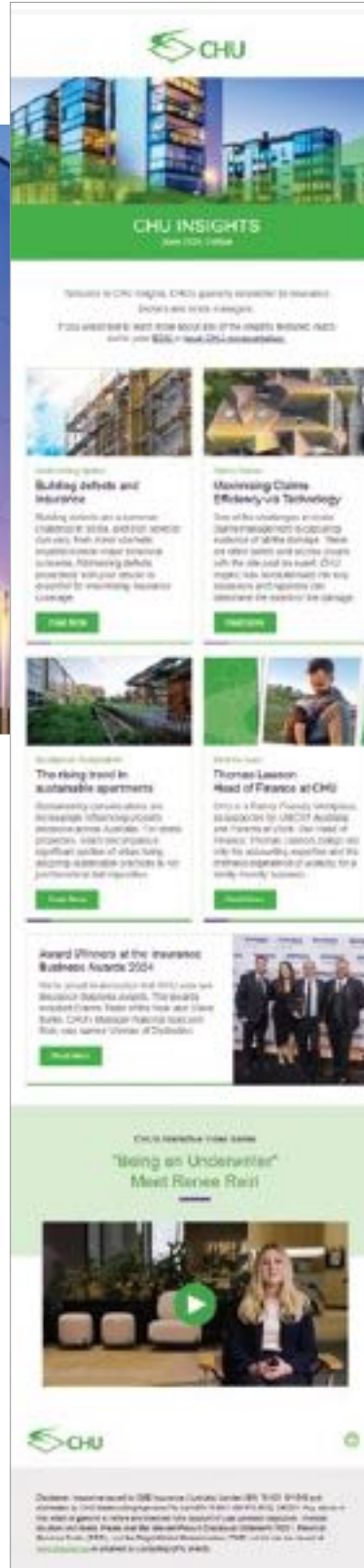


CHU recently launched a quarterly newsletter for Brokers and Strata Managers so they can stay updated with the latest news, events, and industry insights.

Each quarter, our newsletter features:

- Underwriting Updates**  
 Risk mitigation tips, informative factsheets and product updates empowering brokers and strata managers to stay up to date with the latest developments in strata and insurance.
- CHU Claims and Team**  
 Learn more about how CHU manages claims and meet our team of experts offering valuable insights and guidance on how to navigate complexities of strata.
- Sustainability Spotlight**  
 CHU is focused on sustainability and will share initiatives, best practices, and trends in sustainability within the strata industry.

[SUBSCRIBE NOW](#)



**Brokers and Strata Manager enquiries**

1300 361 263

**Strata Property Owner enquiries**

1300 289 248

**CHU Services enquiries**

1300 618 312

[chu.com.au](http://chu.com.au)





State of the Strata Market Report issued on 24 Oct 24.

This report has been prepared by CHU Underwriting Agencies Pty Ltd (ABN 18 001 580 070, AFS Licence No. 243261) (CHU). CHU acts under a binding authority as agent of the insurer QBE Insurance (Australia) Limited (ABN 78 003 191 035, AFS Licence No: 239545). The information in this material is of a general nature only and does not take into account your objectives, financial situation or needs. You must not rely on any statement in this material without taking specialist independent advice. The information in this report is accurate at the date of issue (24 October 2024). While CHU has taken all reasonable care in producing this material, CHU make no representations or warranties (including in relation to the quality, accuracy, completeness or fitness of a product for any particular purpose) and accept no responsibility for any loss, expense or liability incurred from your reliance on this material. For more information please read the relevant Product Disclosure Statement ("PDS"), Financial Services Guide ("FSG") and the Target Market Determination ("TMD") which can be viewed at [www.chu.com.au](http://www.chu.com.au) or obtained by contacting CHU directly.