

## **OCN POLICY Terrorism Insurance Cover 2012**

Following the September 11, 2011 catastrophic loss of the twin towers in New York City, the Australian Federal Government established the Australian Reinsurance Pool to protect Australia's commercial property sector.

Residential apartment buildings, including mixed use buildings where the residential component exceeds 50%, do not qualify for this pool, and buildings valued at more than \$50 million<sup>1</sup> are currently not able to obtain adequate insurance for terrorism related events.

Terrorism related events may also include events such as a person manufacturing a bomb in an apartment which accidentally explodes, or a vehicle or person with explosives intended for an act of terrorism passing by the building which is activated deliberately or accidentally.

OCN has been lobbying the Federal Treasury to include high end residential apartment buildings in the Australian Reinsurance Pool, which is administered by the Australian Reinsurance Pool Corporation (APRC).

The pool works by putting a levy on the insurance premium on the property policy. The levy is scaled according to risk / postcode in 3 categories. Category A is 12%, B is 8%, C is 4%.

There are of course flow on costs, such as <sup>2</sup>Fire Services Levy and Stamp Duty, which will add to the actual premium cost.

OCN's view is that it is a travesty that apartment buildings valued over \$50m are very exposed to terrorism related events without adequate insurance cover.

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<sup>1</sup> Some insurance companies offer terrorism cover in their strata policies for buildings valued to a maximum of \$50million. For buildings over this amount the cover does not apply.

<sup>2</sup> Currently being reviewed in NSW, and being phased out in Vic, and eliminated in other states