

CHU Fact Sheet: Changes to the Terrorism Insurance Act



From 1 July 2017, a greater number and wider class of buildings will fall within the Australian Reinsurance Pool Corporation (ARPC) scheme definition of what constitutes a commercial and/or large scheme residential building and will therefore be subject to an ARPC terrorism premium.

From 1 July 2017, a mandatory terrorism premium and cover applies in the following circumstances:

- *The building has a commercial floor space of 20% or greater; or*
- *The building (regardless of whether it's used as a commercial or residential strata) has a building sum insured of \$50M or greater.*

These changes apply to all renewals and new business policies incepting from 1 July 2017.

Some implications of the changes for Bodies Corporate

1. There will now be a greater number of buildings which will have terrorism cover and attract a terrorism premium;
2. All buildings (including residential) with a building sum insured of \$50M or greater will now have cover under the ARPC scheme;
3. All buildings with a commercial floor space of 20% or greater will now have terrorism premium and cover (this was previously 50% for CHU policies);
4. Bodies corporate of large buildings or those with commercial floor space of 20% or greater will see a rise in premium due to the ARPC premium. In the process of setting their 2017/2018 budgets, we recommend that such Bodies Corporate factor in the increase in order to reduce the risk of having a premium shock when a policy renewal is received.

In order to facilitate transparency and full disclosure of the terrorism premium, from 1 July 2017, we will clearly show any terrorism premiums on your Insurance Schedule.

How do the changes affect my property?

The below tables provides information on terrorism coverage for CHU residential, commercial and mixed-occupancy buildings pre and post 1 July 2017:

Residential Buildings

Building Sum Insured	Pre 1st July 2017	Post 1st July 2017
BSI less than \$50M	Yes terrorism cover applied	Yes terrorism cover applies
BSI \$50M or greater	No terrorism cover was available	Yes terrorism cover available (subject to APRC premium)
Residential floor space threshold (for terrorism premium to apply)	No threshold applied	Yes terrorism cover is available where residential floor space is 80% or greater and BSI is \$50M or greater

Commercial and Mixed Occupancy Buildings

Building Sum Insured (BSI) and % Commercial Floor Space (CFS)	Pre 1st July 2017	Post 1st July 2017
BSI \$50M or greater	Yes terrorism cover was available where CFS was greater than 50%	Yes terrorism cover is still available (subject to APRC premium) where CFS is greater than 20%
BSI less than \$50M	No terrorism cover was available via ARPC where CFS was less than 50%	Yes terrorism cover is now available (subject to APRC premium) where CFS is greater than 20%
CFS threshold (for terrorism premium to apply)	Yes terrorism cover was available where CFS was 50% or greater	Yes terrorism cover is still available but now where CFS is 20% or greater
CFS 50% or greater	Yes terrorism cover was available (subject to APRC premium)	Yes terrorism cover is still available (subject to APRC premium)
CFS less than 50%	No terrorism cover was available via the ARPC	Yes terrorism cover is now available (subject to APRC premium) where CFS is greater than 20%

How is my terrorism premium calculated?

The main factors which are taken into account to calculate the Terrorism premium are:

- The location of the property (Terrorism tiers can be found via ARPC <http://arpc.gov.au/postcodes/>)
- The Property sum(s) insured; and
- The Property premium

If you have any further queries about changes to the terrorism scheme please contact your local CHU Office.

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The content in this publication relates to CHU policies only. It is not intended to be comprehensive nor does it constitute legal advice. Information relating to coverage is in general form only and whether a particular policy provides terrorism cover will depend on the terms and conditions of that policy. Please refer to your Product Disclosure Statement in this regard.

Released 14th June 2017.