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Submission to the Independent Review of Commonwealth Disaster Funding

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Submitted by: Strata Community Association (SCA)

Q1. What experience have you had with Commonwealth disaster funding support?

No response provided.

Q2. How could Commonwealth funding support communities to reduce their disaster risk?

The unpredictability of Australia's weather continues to persist, exhibited by the proliferation of disaster events across the country in recent years. The high frequency of these events is putting extreme pressure on the affordability and availability of strata insurance in jurisdictions all across the country, and in particular in Northern Australia, Southern Queensland and Northern New South Wales.

According to the 2020 ACCC Northern Australia Insurance Inquiry, between 2007-08 and 2018-19 home insurance premiums rose by 178 per cent in Northern Australia, compared to a 52 per cent increase across the rest of Australia. According to Deakin University, the average Australian strata insurance premium increased from \$3,305 in 2016 to \$5,017 in 2020. Of those premiums, 27.45 per cent consisted of duties, levies and taxes.

On 4 May 2021, the Federal Government announced its intention to introduce a \$10bn reinsurance pool for Northern Australia, administered by the Australian Reinsurance Pool Corporation (ARPC). SCA is confident that the pool should increase liquidity to protect against rare weather events, and reduce risk for insurers to encourage them to re-enter the market.

However, according to the Insurance Council of Australia, when an event occurs 97 per cent of money spent over the cycle of a disaster is spent on recovery, with only 3 per cent spent on mitigation.

The focus and allocation of resources in Australia has long been directed towards post-disaster recovery efforts when a weather event occurs, and far less attention is paid to mitigating the potential effects of these disasters before they happen.

As such, SCA believes it is imperative that the Commonwealth consider a policy approach for supporting communities that increases investment into weather event resilience measures.

Specifically, SCA believes that the Commonwealth could alleviate and reduce disaster risk significantly by investing in mitigation for strata communities in disaster prone areas of Australia. This may include regular assessments of a given scheme's ability to withstand disaster events, assessments and





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rectification of building defects that may contribute to building failure and/or funding for mitigation works to reinforce and protect buildings from damage.

Economies of scale are created in strata communities. SCA is aware that mitigation costs are a substantial investment for the Commonwealth, and as such sound collective investment into strata can affect dozens, or hundreds of people in a community simultaneously.

We know that mitigation funding will not only contribute to reductions in physical harm to residents of disaster-prone areas, reduce infrastructure damage and economic expenditure, but also put downward pressure on rising insurance premiums in high-risk areas of the country.

Q3. Please describe your understanding of Commonwealth disaster funding processes.

No response provided.

Q4. Are the funding roles of the Commonwealth, states and territories, and local government, during disaster events clear?

SCA believes that the roles of the Commonwealth and the interaction with state/territory government and local government is not always clear, and can cause issues with the streamlining and implementation of disaster funding.

For strata communities in particular, accessing information about natural disaster funding or mitigation in times when a crisis is not occurring is important.

This is even more important when an event occurs, so strata communities can understand where to seek assistance, how much assistance might be available, and from whom.

Strata communities are complex, and their communal nature means that in the event of a disaster both the individual property and the communally owned areas of a strata scheme may be severely impacted, and difficult to rectify.

For example, historically both the Federal and State Governments have shown a willingness to offer buyback schemes for homes that are located in disaster prone areas. Whilst a buyback scheme is greatly beneficial for freestanding homes, the process becomes more complex when considering apartments and the democratised system of owners corporations, which in some jurisdictions may require a unanimous decision from all owners to sell the building. Thresholds for these decisions vary from jurisdiction to jurisdiction, and some are actively exploring changes, but the higher the threshold (in some cases 100%), the more difficult decisions become in these cases.

It is important to note that strata managers play a key role in managing the complexity of strata communities on the ground day to day. Strata managers are heavily involved in coordinating the affairs of lot owners, which includes conducting meetings, collecting and banking levies, arranging property maintenance, advising on asset management, placing insurance and keeping financial accounts. As a result, SCA believes that strata managers should therefore be included in the planning process for mitigation and funding efforts, as well as being a useful first touch point in the event of a disaster.

Deakin University identified a total of 47 strata insurance services that are regularly provided by strata managers to their OC clients in relation to insurance. These services divide across quotation,





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procurement, placement and renewal; insurance valuation; insurance claims; insurance record keeping; insurance advice; insurance negotiation and liaison; and insurance finance.

When a serious event occurs, strata managers are working alongside insurers and insurance brokers to manage the claim, with owners corporation committees to make informed decisions about how to proceed, and with governments to advocate for better consumer outcomes going forward. As such, improving the involvement of strata managers during a disaster event would benefit the operational decision-making of owners corporations (OC) in both the short and long term.

Q5. Is there any further information you would like to provide?

Strata Community Association (SCA) Australasia is pleased to have the opportunity to respond to the public consultation as a part of the wider Independent Review of Commonwealth Disaster Funding.

SCA is the peak industry body for Body Corporate and Community Title Management (also referred to as Strata Management, Strata Title or Owners Corporations Management) in Australia and New Zealand. Our 5,000 individual and corporate members include strata/body corporate managers, support staff, owners' representatives and suppliers of products and services to the industry. SCA proudly fulfils the dual roles of a professional institute and consumer advocate.

