MARSH

Australian Strata Insurance Market Update 2026



Introduction

Delivering industry-specific insights and trends

The ***Australian Strata Insurance Market Update 2026*** provides an industry-specific lens on the local insurance market. The report explores insights and trends shaping the insurance market and strata industry, including key developments impacting insurers, strata schemes, owners corporations and bodies corporate.

Whether you are a manager or developer of residential, commercial or mixed-use strata properties, local industry insights on insurance pricing, coverage, claims and risk trends can help you stay prepared and ahead of the game for your next insurance renewal, as well as inform your risk management and business strategy for 2027 and beyond.

The bigger picture

This report is an addendum to the ***Australian Insurance Market Update 2026***, which covers broader market-wide trends in key insurance lines including property, liability, financial and professional lines, cyber, environmental impairment liability, private health, accident and health, group life and workers' compensation.



To **read the full report**, click on the link below.

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It is important to note that reported pricing changes are averages observed in the first half of 2026. The data used to estimate the changes cover a wide range of clients in terms of size, industry, location, claims history and other parameters. Many of our clients received pricing changes that deviated from the average, some higher and some lower.

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As urban living continued to grow alongside ageing infrastructure, strata stakeholders have been navigating an increasingly complex blend of property, liability, governance, maintenance and insurance risks.

In 2026, strata insurance buyers and insurers alike navigated the multi-faceted and evolving strata risk landscape, from increased arson and lithium-ion battery fire hazards to regulatory compliance; from rising maintenance costs to emerging climate challenges.



Four pillars of strata regulatory reform

For the strata sector, 2025 marked the beginning of a significant wave of reform, which has been unfolding state-by-state rather than nationally. Over the last two years, Australia's ~370,000 strata/community title schemes have been impacted by legislative reforms aimed at reshaping the industry in four key areas:

1. Eliminating undisclosed commissions and conflicts of interest,
2. Professionalising strata/body corporate management through licensing, qualifications and continuing professional development,
3. Tightening building defect liability and strengthening developer and builder accountability,
4. Strengthening owners corporation governance through voting, proxies and dispute resolution.

Market conditions ease and capacity expands

Against this backdrop, 2026 saw the Australian strata insurance market demonstrate a mixed environment where conditions eased for some insureds compared to the previous year. Moderating premium increases were seen for well-managed and lower-risk strata properties, with many also achieving premium reductions. Conversely, market conditions remained challenging as insurers typically imposed higher rate increases and more restrictive coverage terms for strata schemes with unresolved defects, combustible cladding, asbestos, fire system deficiencies, complex commercial occupancies, adverse claims experience, underinsurance or natural catastrophe exposure.

Overall, insurer capacity increased across the market, both from existing insurers and new entrants. Some existing insurers expanded their appetite and participation across various risk classifications, i.e. residential, commercial and complex strata.



Underwriting agencies focused on broadening their appetite to higher-risk properties. At least four underwriting agencies and direct insurers moved into this space in 2026, with varying degrees of appetite towards complex risks.

Insurers were more willing to work with brokers and insureds to develop creative ways to provide appropriate cover, with outcomes generally remaining highly risk-specific. Some insureds with high-hazard exposure achieved desirable renewal outcomes through the London open market.

Customised ISR solution for complex strata properties

In response to significant capacity challenges for larger and complex properties, Marsh's Strata Industrial Special Risks (ISR) policy provided a solution bringing new capacity, expanded cover, higher limits and coverage options not previously available under retail strata package policies. This highly customised product provided significant and meaningful placement enhancements to risks where insurer appetite was previously limited. This includes properties with active staged construction risk, catastrophe exposed regions and mixed insured profiles.

Ongoing ARPC support for catastrophe-exposed risks

The Cyclone Reinsurance Pool (cyclone pool) from the Australian Reinsurance Pool Corporation (ARPC) continued to improve the affordability and accessibility of property insurance in high-cyclone-risk areas. Since its inception in 2022, the cyclone pool has helped stabilise premiums for many strata properties in Northern Australia locations.[1]

For mixed-use or short-term letting properties, classification remained a factor. Insurers' categorisation of a property can materially impact whether the cyclone pool can be accessed and aligned to the direct insurance cover. This impacts the insurers' pricing of cover for cyclone, flood and storm-surge exposures.

> 2026 saw insurers more willing to develop creative ways to provide appropriate cover, though outcomes remained highly risk-specific.

[1] Insurance monitoring report - June 2026, ACCC

Premium rate trends

Premium rates varied widely across states and renewal outcomes continued to be materially impacted by individual risk factors such as construction, location, claims history, occupancy, defects, maintenance and catastrophe exposure. In the first half of 2026, Well-managed strata properties with strong claims histories generally saw average premium reductions ranging from 3% to 30% at renewal.

Conversely, strata schemes with defects, cladding risks, asbestos, fire system gaps, adverse claims or catastrophe exposure faced persistent rate increases and more restrictive coverage terms. These higher-risk properties experienced average premium increases ranging from 3% to 60%.

3%–30% ▼

decrease in insurance premiums for **well-managed strata properties**

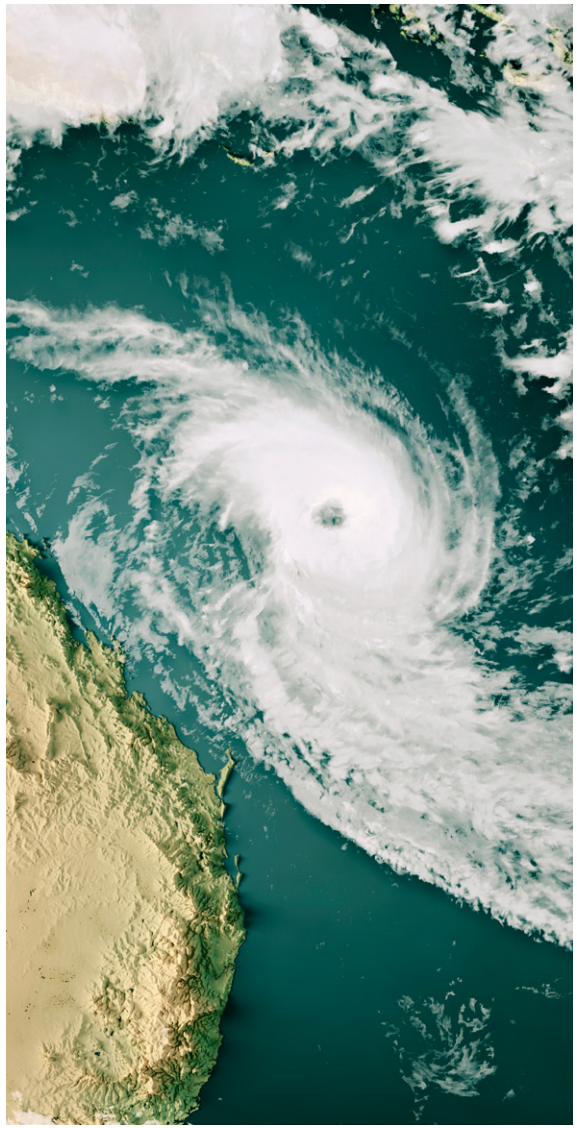
3%–60% ▲

increase in insurance premiums for **higher-risk strata properties**

In addition to these averages, some outliers were able to achieve larger rate reductions of up to 60% as a result of evidenced rectification progress and finalising all defects and long-term maintenance concerns after a sustained period of premium increases.

Queensland saw higher average premium increases than other states due to increased claims volume following Cyclone Alfred.

The ARPC cyclone pool helped absorb a significant portion of the cyclone-related concentration risk that may otherwise have been transferred to the global reinsurance market. Cyclone Alfred's estimated total insured losses were $1.58 billion as at 31 March 2026. Despite the heavy Australian cyclone season in 2024-2025 and a very active season in 2025-2026, the loss impact on global reinsurers was minimal, reinforcing the pool's ability to absorb cyclone-related variability, reduce pressure on global reinsurance capacity and help stabilise insurance premiums over time.



Key coverage and underwriting trends

Despite more options and capacity opening up for insureds throughout 2026, insurers continued to place greater emphasis on risk quality and completeness of renewal information. Insurers differentiated between insureds that demonstrated active maintenance and remediation and those keeping known issues unresolved.



Knowledge of insurers' approach to coverage and claim response is critical in insurer selection. Some key underwriting and coverage trends observed in the first half of 2026 include:

- **Storm surge:** Insurer approaches vary, ranging from blanket exclusions to defined coverage for storm surge arising from named cyclone, optional extensions, policy sub-limits and applicable excesses.
- **Temporary accommodation and short-term letting:** "Loss of rent" definitions and evidence requirements differ among insurers, particularly where income is supported by platform bookings rather than a formal tenancy or management agreement. Additionally, automatic allowances for loss of rent cover under a strata policy (typically 15% of building sum insured) may be inadequate for properties with short-term rentals, located in high-density inner-city areas and high rental escalation areas, or buildings with long reinstatement periods. Some Insurers agreed to adjust the level of loss of rent cover where required, particularly for insureds who proactively conducted thorough review of their needs, including engaging forensic accounting services to determine accurate declared values for their consequential loss exposures.
- **Cyber:** Cyber risk for strata managers and insureds is beginning to expand. Insurers are taking varying approaches to incorporating coverage into strata policy wordings or offering a stand-alone cyber solution. Incorporated cyber insuring clauses under strata policies are generally focused on payment mis-direction and social engineering risk, and in some cases, extending to strata managers as beneficiary. In contrast, a stand-alone cyber insurance solution provides a mix of first- and third-party coverages to respond to cyber incidents for clients requiring broader protection.
- **Developer handover obligations:** As strata regulatory oversight tightens, which extends to developers' statutory obligations, insurers are also scrutinising developer handover documentation, particularly in relation to multi-storey strata developments. This includes the initial maintenance schedule (IMS), capital works planning and protocols for ensuring their independence. These documentation can help facilitate early identification of potential exposures and liabilities.

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Ageing infrastructure and maintenance backlogs

Many strata buildings in Australia were constructed decades ago. Over time, the properties increasingly required ongoing repairs and upgrades. Aging fire protection systems means that defects often became urgent and deferred maintenance led to costly damage and safety hazards. Under-maintenance and non-compliant fire protection systems continued to lead to negative insurance renewal outcomes, where insurers can potentially deny cover based on non-compliance.

Hazardous building materials

Unresolved combustible aluminium composite panel (ACP) cladding, expanded polystyrene (EPS) Greenboard and asbestos continued to pose safety risks to occupants with the potential to contribute to major losses and liability claims. Properties with known exposure to these building materials have typically seen higher policy excesses, premiums or coverage exclusions. Some insurers began excluding liability cover for delayed rectification projects.

Building defects

Unresolved building defects, combustible cladding and asbestos remained as significant challenges for insurers, affecting premium and coverage. Strata committees should be mindful of the scope of engagement when obtaining defects reports, with consideration given to defects versus maintenance items that are managed separately. Once defects are identified, insurers typically expect the insured to rectify all known issues as soon as possible. As such, a healthy capital works fund is encouraged, which can take time to build up for newly established strata plans. Insurers expect evidence of steady progress on rectification of defects as part of the insured's renewal information.

> Under-maintenance and non-compliant fire protection systems continue to lead to negative insurance renewal outcomes.



Lithium ion batteries

The growing use of electric vehicles (EVs) and e-scooters has introduced a new risk to strata properties, with lithium ion battery fires trending upward across the country in recent years. The combination of charging stations, EVs and occupants within strata buildings has heightened the importance of fire safety and liability considerations, which now extends to proactive risk management and tailored insurance coverage. Claims costs can easily escalate from fire damage or sprinkler systems activating, causing damage or injury to multiple units.

This emerging risk is being addressed in NSW through reforms that will impose obligations to accommodate EV charging and elevate resident safety and education in strata buildings.



Short-term rentals

Strata plans can vary in their approach to short-term letting. Insurance claims outcomes may be impacted if activities breach local regulations that are currently under review in many cities in response to housing shortages.

Tobacconists and tobacco retailers

Strata buildings with tobacconists, vape retailers, cigar stores or similar businesses are increasingly scrutinised by insurers and regulators. High frequency of arson, theft and other criminal activity associated with these businesses has impacted the availability and affordability of strata property insurance for buildings with these high-hazard commercial tenancies. At the same time, state and territory governments have been strengthening tobacco licensing, landlord responsibility and eviction rights through legislative changes.

Inadequate personal insurance

Although contents and personal liability insurance for individual units are not strata's responsibility, lack of personal insurance can be problematic for strata plans, residents and owners in the event of a claim. E.g. If an owner/resident's negligence caused damage to other property, the strata insurer cannot recover the claim costs from the relevant owner without personal insurance. The additional claims costs will be absorbed by the strata policy and likely increase the insurance premium for all owners at renewal. With many residents in strata plans not holding adequate personal insurance, this is a real risk for owners corporations.

Financial and insurance risks

Strata schemes must balance levies and sinking funds to cover ongoing maintenance and unexpected repairs. Insurance coverage gaps or under-insurance can expose strata schemes to financial loss. Inaccurate valuations can also lead to incomplete disclosures or over-declared building sums insured, resulting in higher premiums and potential challenges in obtaining adequate insurance.

Commercial cooking risk

Hazards such as plant and equipment, electrical loads, flammable liquids and potential sources of heat related to kitchens pose significant financial loss and operational disruption risks, especially in mixed-use strata plans where residents occupy above restaurants. Insurers are increasingly scrutinising risk mitigation strategies of properties with commercial kitchen exposures during underwriting.

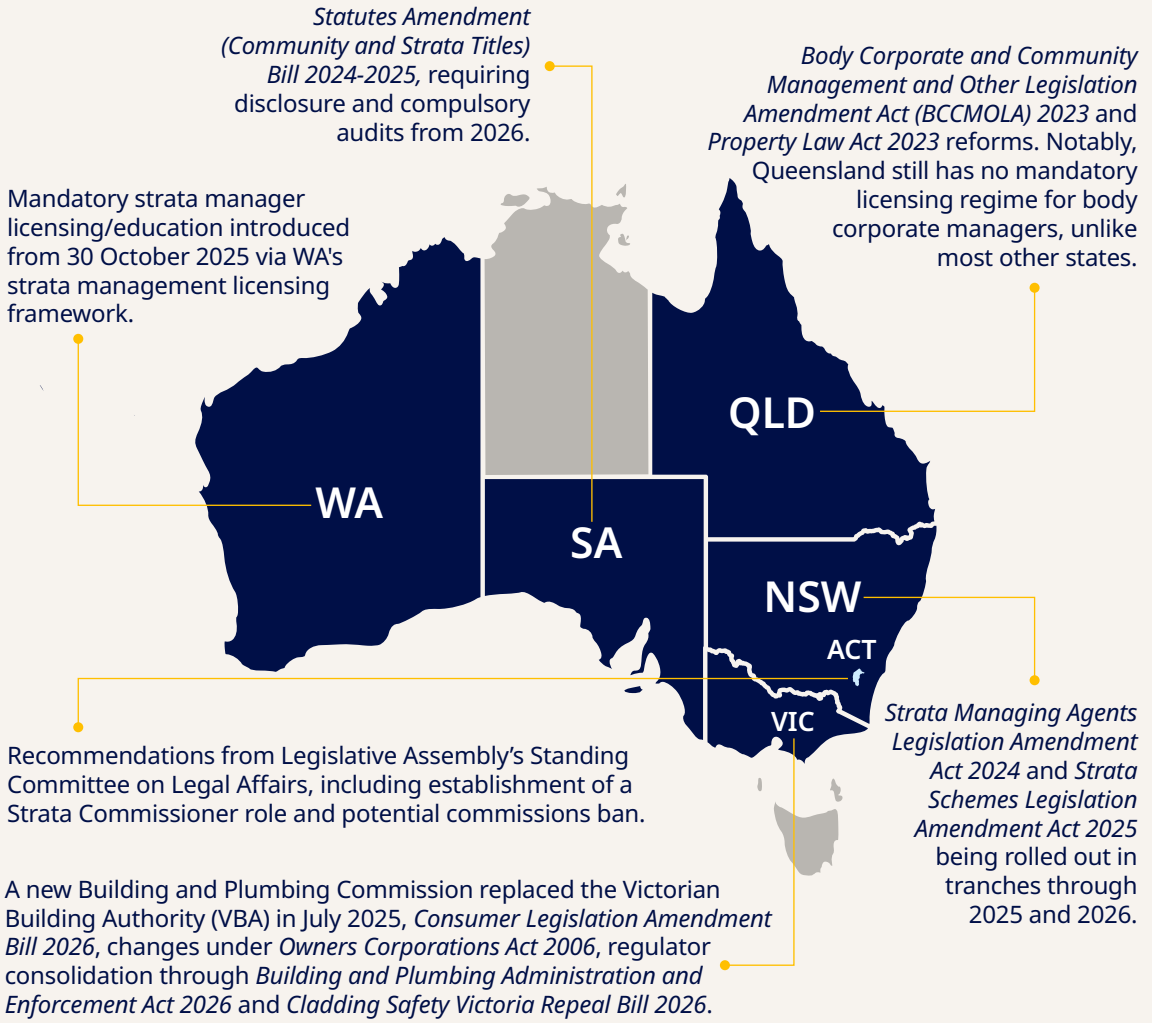
A new wave of industry regulatory reform

Over the last 24 months, mandatory manager licensing, stronger disclosure, audit requirements and tighter building safety standards have become the new baseline as the strata industry navigates significant regulatory reforms. At a national level, the *Strata Community Association (SCA) National Code of Ethics* came into effect 1 July 2025, as the Australian Government introduced fraud prevention, cyber security and digital safety obligations.

Legislative changes are being rolled out in phases across the state and territories. Furthest along in the reform, New South Wales enacted strata-specific amendments to strengthen owner compliance, capital-works disclosure and enforcement powers. Victoria tightened building safety and electrical standards, while Western Australia expanded privacy and emergency management requirements.

Importantly, non-strata legislation may have an impact. Privacy acts, cyber frameworks, digital identity laws and building codes may also apply to strata management.

Figure 1. Examples of key state-based legislations driving the reform



Please refer to official government resources from your relevant state/territory for the latest regulatory updates.

For strata schemes, the reform will likely result in defect liability shifting earlier and more firmly onto developers/builders (longer claim windows, bonds, emerging decennial insurance), while buildings themselves face rising insurance costs.

Insurers are keeping a close watch on the reform as its full impact on the insurance market takes effect over time. Practically, the most obvious change is dismantling the insurance commission structure. This coupled with changes to the *National Insurance Brokers Association (NIBA) Code of Conduct* will result in greater demands for transparency for all ultimate insureds.

Strata schemes that lag compliance will likely face higher insurance premiums and coverage restrictions, while well-managed schemes adapting to these changes proactively will be better positioned for sustained periods of coverage and premium stability.

AI adoption

AI is increasingly being used across the strata industry to improve administrative efficiency, with both insureds and insurers adopting AI-supported claims preparation and processing. While this reduces administrative burden, it has lengthened settlement times as insurers apply greater scrutiny and manual verification of AI-generated information.

As unverified or biased AI outputs may also impact settlement recommendations, human insight and accountability remain essential in claims assessment and negotiation.

Dispute resolution and community wellbeing

Conflicts between owners, tenants and management over by-laws, noise and common property can disrupt harmony, while committee disagreements can delay urgent maintenance and defect rectification. This can directly impact insurance through higher premiums and coverage restrictions as insurers become cautious of future liability exposures.

Mould and building airflow

Mould is a prevalent issue in the strata sector given the recurring nature and potential for property damage and serious health implications. If mould issues are the result of moisture from a common property defect, the owners corporation can be held liable for damages. Cover for mould is typically only available for sudden, accidental and from an insured water event, and generally excluded for gradual and long-term water leaks, ventilation issues and lack of maintenance.

When a water damage event occurs, insurers typically look out for prompt restoration and causation rectification as evidence of strata's efforts in mould control.

Climate change and natural disasters

Insurers have been increasingly focusing on strata plans' emergency preparedness and climate adaptation strategies as extreme weather events are expected to continue to rise and move further south.[2] Cyclone Alfred in 2025 caused more than 125,000 claims in insured damages across South-East Queensland and Northern NSW. This event also brought to light existing maintenance issues that had caused delays and impacted claims outcomes for many strata properties.

Although the Australian strata sector has been directly hit by severe weather events, reinsurance pricing decreased at both January and July 2026 renewals. This reflects a softening reinsurance market in general, driven by relatively low overall natural catastrophe losses across Australia compared to other regions around the world, and the ARPC's reinsurance cyclone pool continuing to support the insurance industry and help stabilise premiums.

[2] New research shows cyclones becoming more costly for QLD and NSW, The Climate Council (20 March 2025)

Insured purchasing patterns

Insureds are increasingly focused on value, coverage certainty and evidence that their insurance program reflects the strata property's actual risk profile. Some well-managed strata schemes have used improved market capacity to seek better pricing, while higher-risk strata schemes typically prioritised loyalty to their existing insurer, certainty of coverage and a credible remediation strategy.

Some key areas insureds focused on in the first half of 2026 include:

- Building sums insured and valuation accuracy and frequency, including demolition, professional fees, debris removal, code upgrades and reinstatement periods.
- Seeking out storm surge and flood cover, closer review of cyclone excesses, review of loss of rent and temporary-accommodation wording and limits.
- The adequacy of embedded cyber cover considered against the scheme's actual payment, data and system exposures.
- The allocation of excesses and the financial impact of higher imposed deductibles.
- Whether a retail strata package policy, ISR or co-line policy structure is appropriate for a large, complex or mixed-use property.
- Claims preparation, including causation evidence, repair scope, mitigation history and context for historic committee records.

> While well-managed strata schemes sought for better pricing, higher-risk schemes prioritised insurer loyalty, coverage certainty and remediation strategy.



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Key trends observed in first half of 2026 include:[3]

- Contributing to over half of all claims lodged, water damage remained the leading cause of strata insurance claims in 2026, with losses typically driven by storm damage and maintenance related issues.
- Storm damage represented 15% of all claims. This is a sizable drop compared to 31% in the same period last year. The reduction was largely due to the high volume of claims from Cyclone Alfred in 2025.
- 42% of all claims were related to water damage other than storm, representing a slightly larger proportion compared to the same period last year (34% in 2025). These claims were caused by plumbing, membrane, roof, overflow and drainage failures, together with burst/leaking pipe losses, which shared the same underlying plumbing and water-ingress.
- Overall claims frequency reduced, reflecting a reprieve from the catastrophic storm activity that occurred last year.
- Fire losses were broadly steady both in frequency and severity. However, with 2026 seeing a lower total claims volume, fire now represents a larger proportion of the overall claims mix, a developing trend worth keeping an eye on.
- Queensland continued to carry the standout severity profile, with a materially higher average claim size compared to other states. Consistent with longer claims settlements and a higher proportion of open claims, this reflects the complex nature of loss and prevalence of multi-unit claims in Queensland.

Water damage was the leading cause of strata insurance claims, contributing to over half of all claims lodged.

15%
of all claims related to storm damage

42%
of all claims related to water damage other than storm

Claims frequency
reduced overall

Fire losses
frequency and severity were stable

Queensland
carried standout severity profile and materially higher average claim size than other states

[3] Based on Marsh Australia claims data.

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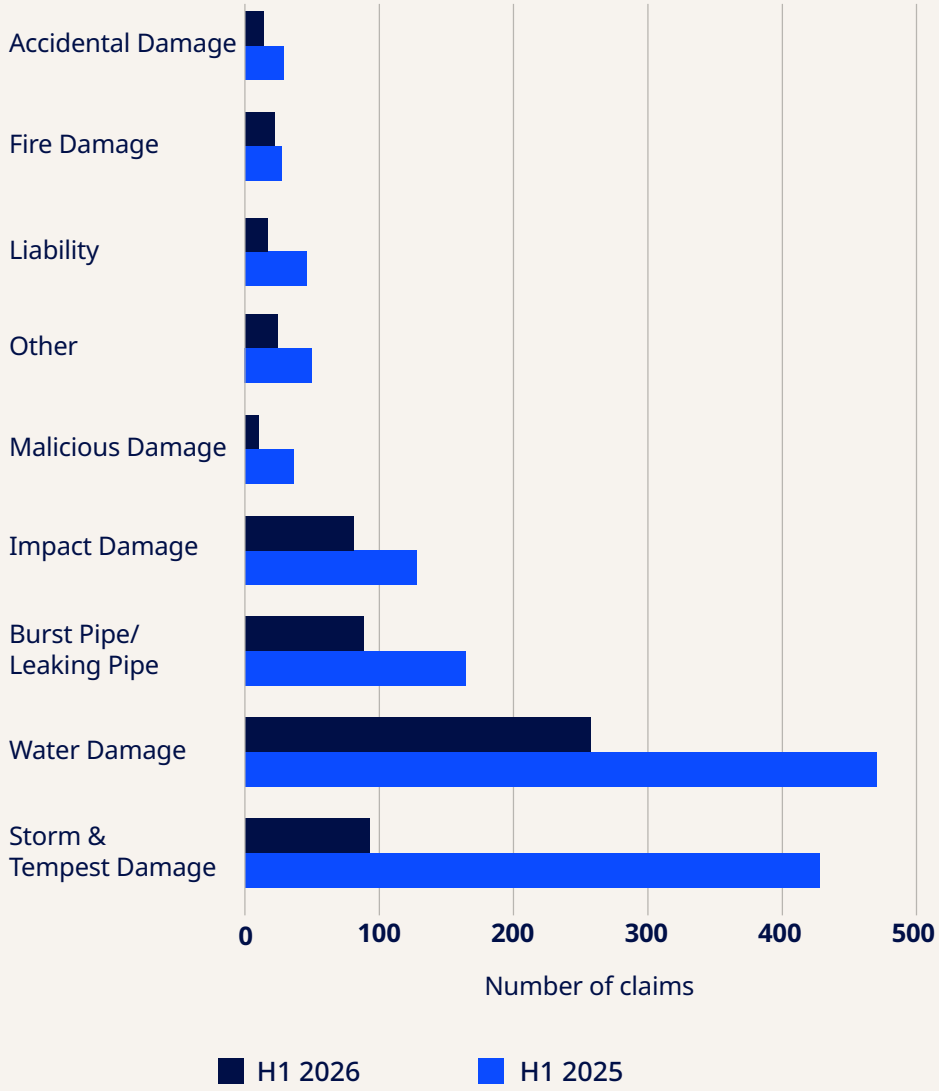
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Figure 2. Strata insurance claims by cause 2025 vs 2026

Source: Marsh Australia claims data



Factors impacting claim payout

- **Additional costs:** A sizeable proportion of settlement amount were made up of costs and expenses in addition to the core claim/loss amount, such as legal fees and related items. This is a trend that insureds should factor into their coverage and reserve considerations.
- **Insurer scrutiny:** We have seen insurers increasingly interpreting policy wordings conservatively, as they look for known issues or evidence of deferred/ failed maintenance which may limit settlement amounts. Insureds should keep a comprehensive record to document the loss rectification journey.
- **Delays:** Delays in notification, trade and water ingress remediation, scope discrepancies and coverage ambiguities were common factors impacting and delaying the claim process.
- **Valuations:** Valuations lacking itemised breakdowns were also common. To ensure adequate insurance protection, insureds should seek complete insurance valuations, which includes debris removal, escalation, professional fees and loss of rent estimates.
- **Underinsurance:** Underinsurance remained a recurring issue, resulting in a payout that fell short of true replacement cost. Typically, underinsurance comes into play where a property valuation is outdated, indexation assumptions do not reflect current construction or demolition cost conditions, and professional fees and statutory upgrade costs are not fully allowed for in the sum insured.

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Current trends and conditions in the Australian strata insurance market are expected to persist into 2027. Market conditions and insurer appetite will likely remain differentiated with additional capacity and competition creating opportunities for well-presented risks, while those with claims history, defects, occupancy, maintenance and catastrophe exposures will likely attract increased insurer scrutiny.

As regulatory oversight continues to tighten across the strata industry, external market influences, individual risk factors and the quality of risk information are expected to continue to impact insurance renewal outcomes.



Tips for maximising your strata insurance outcomes

Strata schemes that can demonstrate active maintenance and resilience strategies, accurate and up-to-date valuations, clear occupancy information, tested risk controls and an organised claims history demonstrating prompt causation rectification will be better positioned to attract insurer competition and optimise renewal outcomes. Insureds able to achieve premium savings under current market conditions may consider reinvesting savings into building resilience to improve their risk profile, which will have a positive impact on future renewals.

1 High-quality renewal submission

A clear, complete and evidence-based renewal submission remains one of the most effective ways for a strata scheme to differentiate its risk from industry peers. Before renewal, strata committees should work together with strata managers to articulate and present their risk profile in a positive light. This should include detailed information such as dates of key committee decisions, motions, quotes, scopes of work, work orders, completed repairs and remaining blockers help insurers quickly get a clear picture of the risk journey and position. It allows insurers to assess the effort being made rather than relying on simplified disclosures, isolated historic minutes or fragmented information.

2 Pre-renewal risk surveys

Where appropriate, a pre-renewal risk survey can help a committee identify and address material issues before the risk is presented to insurers. This facilitates documentation of mitigation measures that support a clearer underwriting submission. Insurer-led surveys may identify conditions or recommendations, however it could reduce the time available to respond before terms are finalised. Being prepared with an independent risk survey may allow the insured to have control of the risk narrative presented to insurers.

3 Early engagement for higher-risk strata schemes

Higher-risk schemes should begin their renewal process and engage with insurers early, assess broader remarketing strategies, and allow time for pre-renewal surveys and preparing remediation evidence.

For those with high-hazard retail tenants, prior to entering into or renewing a lease, landlords should obtain appropriate legal advice, confirm that the tenant holds all required licences and approvals, include suitable compliance and termination provisions in the lease, and disclose the occupancy and risk controls accurately to insurers. Additionally, landlords should review whether the tenant's activities may affect the wider strata scheme's property, liability and business interruption exposures. The strata committee should exercise duty of care and communicate to owners any known potential consequences of having high-hazard tenants.

Claims preparation

Open claims can be a dealbreaker for some insurers, however, claims with causation rectified and nearing completion may be acceptable to some insurers on a case-by-case basis. For insureds with an adverse claims history, some preparation priorities ahead of insurance renewal that can support a better outcome include:

- Seek independent advice on causation and repair scope where appropriate.
- Provide a concise explanation of mitigation history and completed works with supporting evidence.
- Review historic committee minutes before a submission to trades or loss adjusters and add context where isolated statements could be misunderstood.
- Record the claim number, insurer, adjuster, outstanding information and next action.
- Escalate unresolved disputes through the relevant internal dispute-resolution process and, where appropriate, Australian Financial Complaints Authority (AFCA).

Insurance renewal checklist

- Obtain an updated professional building valuation (within the last five years) and confirm the scope of the assessment.
- Compile maintenance logs, defect reports, remediation plans, work orders and fire safety certificates.
- Review occupancy, short-term letting, commercial cooking, tobacco and other high-hazard activities.
- Confirm storm surge, flood, cyclone, loss of rent, temporary-accommodation and cyber arrangements.
- Prepare explanations for significant claims, including cause, remediation and prevention measures.
- Engage the broker early, disclose proactive risk-improvement initiatives and allow time for surveys, underwriting questions and alternative placement options.



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