



Why commercial strata properties require detailed risk information

In today's insurance market, many insurers are becoming increasingly cautious when it comes to quoting on commercial strata properties. This is particularly true for properties with high-risk tenants or limited risk profile information. Insurers rely heavily on accurate, up-to-date information to assess the risk associated with a property. Without this, many insurers may decline to offer terms or apply significantly higher premiums and excesses.

What is commercial strata insurance?

Commercial strata insurance is a compulsory policy that covers the building, shared or common property, and common contents within a strata-titled commercial property. This includes assets such as foyers, car parks, lifts, and plant rooms that are collectively owned by the unit owners.

Why insurers are reluctant to quote

Insurers are withdrawing or limiting capacity in the commercial strata market due to increasing claims costs, more frequent catastrophic weather events, and uncertainty around risk exposure in buildings with mixed-use or high-risk tenants. High-risk tenants (such as fast food outlets, panel beaters, spray booths, or manufacturing businesses using flammable chemicals) are especially challenging for insurers. Detailed information is critical in determining whether coverage can be offered.

Key risk information required

To obtain a quotation for your commercial strata property, the following information is generally required:

- Detailed list of tenant business activities
- Use and storage of hazardous materials (eg, chemicals, flammable liquids)
- Presence of spray booths and EPS (expanded polystyrene)
- Age and construction of the building
- Fire protection and safety measures (eg, fire doors, sprinklers, alarms)
- Security arrangements
- Claims history for the building
- Building services and facilities (eg, lifts, escalators, basements)
- Tenancy turnover and lease terms (length and stability of leases, tenant vetting processes)
- Maintenance records for essential safety measures

(eg, fire system inspections, compliance certificates)

- Known building defects or issues (eg, cladding, water ingress, non-compliance notices)
- Exposure to natural catastrophes (eg, flood risk, bushfire zones, storm surge vulnerability)

What happens if risk information is incomplete?

Insurers may decline to quote If the risk is unclear or appears too high, many insurers may simply decline to provide terms.

Premium loadings In the absence of clear information, some insurers will apply default ratings that assume the worst-case scenario, often resulting in significantly higher premiums and excesses.

Claims and coverage issues If a claim arises and it is found that material facts were withheld or misrepresented, this could impact the insurer's decision to pay the claim. In some cases, policies may even be cancelled.

How you can assist as an owner or committee member

To ensure your property is insurable and attracts the most competitive terms:

- Work with your Strata Manager and Broker to ensure all business activity and occupancy information is current.
- Liaise with tenants to collect accurate details on what is stored and how the lot is used.
- Provide access to the property for surveys or inspections when requested.
- Respond promptly to information requests during renewal periods.
- Keep records of tenant changes and notify your broker of new or vacating occupants.
- Ensure ongoing maintenance of fire safety and building infrastructure is documented and up to date.

Improving your building's risk profile

- Maintain proper fire safety and security systems to minimise risk.
- Discourage / restrict high-risk uses in your building where possible.
- Keep updated records of all occupants and changes to tenancy types.
- Provide clear access for inspections and underwriting surveys.
- Undertake regular reviews of your building's risk profile with your broker.

Additional considerations from an underwriter's perspective

1 Risk mitigation strategies

Including the measures in place to reduce risk can greatly improve insurability. Underwriters assess not just what risks exist, but also how well those risks are managed. Consider documenting:

- Fire safety training for tenants
- Emergency evacuation procedures
- Regular maintenance schedules for electrical, fire and plumbing systems
- Upgrades to comply with current building codes (especially for older properties)

2 Tenancy turnover and lease terms

Frequent changes in tenancy can make it harder to assess long-term risk. Provide:

- Details on the length and stability of leases
- How the Owners Corporation is notified of new tenants
- Any restrictions or vetting in place for approving new businesses

3 Subdivision and mixed-use developments

If the building includes both residential and commercial elements, outline:

- Whether lots are mixed-use or clearly separated
- Access arrangements (eg, shared or separate entrances and facilities)
- Fire separation and noise controls between uses

4 Maintenance of fire safety equipment

A major area of concern is compliance with essential safety measures. Underwriters often seek assurance that:

- Fire extinguishers, hose reels, alarms, and exit lighting are maintained and tested regularly
- Annual Fire Safety Statements (AFSS) are up to date and available

5 Known issues or defects

Declare any known defects such as:

- Water ingress or past flood issues
- Cladding or building façade concerns
- Outstanding building orders or non-compliance notices

This transparency can avoid surprises down the line and show a proactive risk management attitude.

6 Natural catastrophe exposure

For properties in areas exposed to flood, bushfire or storm surge, include:

- Details of flood maps or elevation reports
- Mitigation works (eg, flood barriers, drainage upgrades)
- Bushfire Attack Level (BAL) ratings, if applicable

The bottom line

The more transparent and detailed the risk profile of your commercial strata building, the greater the likelihood that insurers will be able to provide cover on favourable terms. Lack of information not only limits your insurance options but can significantly increase costs. If you need help gathering this information or would like to arrange a site inspection, please contact your Whitbread Insurance broker.