



A positive outlook for strata in 2026

A significant portion of 2025 was influenced by the repercussions of events in 2024, while developments in the latter part of the year indicated an optimistic view for strata in 2026. The key areas for positive change in the strata insurance market include:



Increased competition and greater capacity in the insurance market



A potential new entrant to the strata insurance market



A 'soft market' for renewal and new business premiums



New tailored solutions for complex risks on offer in the market

Strata insurance market insights

The following insights will help you understand the key themes and trends in the strata insurance market.

Competition

There is strong competition between existing strata underwriters / insurers that is fuelling premium reductions to retain or win business.

Competition will increase with a new entrant anticipated to join the strata insurance market mid-year. The new player will provide extra capacity and possibly result in the continuation of favourable premiums for some owners corporations.

Premiums

The soft market in the latter part of 2025 is likely to continue in 2026 and offer competitive rates. Underwriters have indicated that good risks will potentially roll over on renewal at the same rate and even discounting in response to market forces.

Initiatives like the Cyclone Reinsurance Pool have helped manage premiums in northern Australia, but ongoing risks mean further resilience and mitigation efforts are needed to keep premiums affordable not only for high-risk communities and properties.

While competition in the strata insurance market is helping to keep premiums stable for lower-risk properties at present, the overall pressure from climate

change is expected to result in general insurance premiums rising in future, regardless of being directly exposed to extreme weather. The major factors that affect insurance premiums include:

- The escalating cost of extreme weather events and resultant claims
- The growing value of insured assets
- Inflation in the cost of building repairs and insurance claims, and
- The increasing cost of doing business for insurers

Defects

Defects and cladding continue to present challenges within the industry and recent legal precedents have increased builder accountability.

The underwriting approach to defects will be like previous years:

- Disclosing all defects, claims and any rectification or capital works being carried out
- Updating building information and sum insured where improvements or renovations have been completed
- Evidence of a regular maintenance program to keep the building in good repair
- Ensuring that all safety checks are performed when due

This practice will help avoid issues and delays in obtaining quotes during the renewal process and at time of a claim.

A NSW Strata Defects Survey commenced in 2025 with the aim of gathering data on the evolution of defect issues, including cladding and maintenance management, to identify areas where enhanced regulation may be warranted. There may be changes as a result.

High risk occupancies

Placing cover for certain high risk occupancies – such as tobacconists, massage parlours, gaming rooms and tenants using or storing hazardous chemicals – will continue to be a challenge in 2026.

However, there is some good news, with additional underwriting capacity and more bespoke solutions for these complex risks for owners corporations to obtain insurance cover with specific exclusions and premium loadings. There are now solutions underwritten both onshore and offshore.

Lithium-ion batteries

In 2025, there was still significant safety concerns regarding lithium-ion batteries as the number of fires continued to pose great risk in many states. By August 2025, Western Australia's fire department had reported 94 fires caused by lithium batteries. Meanwhile, New South Wales experienced 25 fire incidents as early as February 2025, underscoring the seriousness of this hazard.

Regulators introduced new fire safety measures to address the risk, and many strata managers are introducing battery management policies for storing and charging in apartments and garages.

Claim trends and cost pressures

Insurance claims from catastrophic events have risen by nearly 50% in the past five years. This experience, together with the following claim related issues, is expected to have a knock on effect with longer term premium outcomes for strata insurance:

- Rising costs of materials, labour and trades
- Longer claim durations and higher claim value settlements
- Increased water damage claims, noted especially in older strata buildings with insufficient maintenance

The Property Council of Australia noted in its Australian Construction Market Report in June 2025 that construction cost pressures are likely to persist, due to:

- Entrenched shortages of skilled workers
- Volatile cost of materials
- High levels of work under construction and large project pipelines

Claims costs are the largest component of a strata insurance premium, estimated to be 40% to 60% of the premium from 'natural perils' such as cyclones, storms, floods and bushfires, and 'attritional claims' such as water damage, property damage and fires.

Therefore, total claims costs across the portfolio and an individual building's claims history have a direct impact on premiums and an insurer's risk appetite.

Climate change and the impact on insurance premiums

Climate change is causing more frequent and severe weather events, significantly affecting Australians in regions vulnerable to flooding, rising sea levels, coastal erosion, cyclones, bushfires and heatwaves. These impacts were all evident in 2025 and at the beginning of 2026.

2025 was Australia's fourth warmest year on record since national records began in 1910, with the national average temperature being 1.48 degrees celsius above the 1961 to 1990 average. Rainfall was below average for Tasmania, Victoria and South Australia, and 2026 has begun with devastating bushfires in Victoria. Meanwhile Queensland, coastal NSW, southern WA and parts of the Northern Territory experienced above average rainfall.

The following events were declared 'insurance catastrophes' in 2025 and resulted in substantial claims:

- Tropical Cyclone Alfred unleashed storms and floods to SE Queensland and northern NSW in March. It was the first cyclone to hit SE Queensland and NSW in 50 years
- Severe storms in Brisbane and SE Queensland unleashed major hail and wind events in October / November

These extreme weather events, including intense rainfall and the unusual path of cyclones such as Cyclone Alfred, are predictable outcomes of a warmer climate that increases storm intensity and resultant damage.

Other significant events declared by the Insurance Council of Australia (ICA) included the extreme heatwaves and bushfires across multiple states in late 2025. Victoria declared a state of emergency due to extreme wildfire risks, and the 2026 bushfires are likely to escalate to an insurance catastrophe.

The Cyclone Reinsurance Pool has reduced pressure on insurance premiums in northern Australia and is improving affordability and accessibility for areas facing high cyclone risk. The September 2025 review of the Australian Reinsurance Pool Corporation's (ARPC) Cyclone Pool confirmed premiums for strata properties would remain unchanged, with the review finding overall pricing adequate.

Despite the ARPC's positive review, the underlying risk of frequent and extreme weather events and floods due to climate change remains, potentially impacting both claim costs and premiums in future.

The ICA Australian Insurance Industry snapshot in 2025 showed that a significant portion of a general insurance premium relates to claims costs. These costs have increased in recent times due to:

- Insured extreme weather costs reaching \$22.5 billion over five years (average \$4.5 billion / year), up 67% from the previous five years and
- Weather-related losses rising from 0.25% to nearly 0.75% of GDP since the late 1990s
- Reinsurance costs increasing

By 2050, the ICA predicts that the cost of climate-related extreme weather events is projected to reach \$35.2 billion annually in Australia by 2050 – an increasing burden that will make it more difficult for insurers to provide affordable protection. More needs to be done on resilience and risk mitigation for communities and properties in high risk areas.

Informed consent

Informed consent is a regulatory requirement that ensures that strata clients are fully informed and agree to the way insurance brokers are remunerated when personal advice is provided.

To recap what we communicated in 2025 regarding informed consent:

- Informed consent is a regulatory requirement
- The process is about transparency and clarity, not additional cost
- There are no changes to the insurance process, in that brokers have always received commission
- The only difference is that the clients now need to provide consent for the broker to receive commission

Potential ban on strata managers receiving commission

The NSW Productivity Commissioner is reviewing the impacts of banning commissions and conflicted payments for strata managing agents, aiming to provide evidence for government decisions.

The Productivity and Equality Commission (PEC) has released an issues paper analysing challenges and three policy options. SCA (NSW) supports a voluntary, phased elimination of insurance commissions from January 2026, pending the PEC's final report due in February 2026 (more likely March 2026). The outcome of the review may have a knock-on effect in other states and territories.

Numerous strata companies in NSW and ACT have started the transition away from receiving insurance commissions and are instead generating revenue through higher management fees or the introduction of an insurance or risk administration fee. Correspondingly, these companies are obtaining premiums net of commission.

Some of these NSW and ACT companies also operate in other states such as Victoria and Queensland, and will phase out insurance commission across all states and territories.

Achieving the best strata insurance outcome

As a broker, our recommendation will not always be based on price. When comparing quotes and policies, it is important to consider the product inclusions, excesses/deductibles, exclusions and cover limits for each insurer. Please contact your Whitbread insurance broker if you would like to know more about the strata market or to discuss a particular risk in greater detail.

<https://insurancecouncil.com.au/campaigns/future-proof-australia/climate-action/>
<https://www.csiro.au/en/research/environmental-impacts/climate-change/state-of-the-climate>
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