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Strata Community Association's Response to the Building Indemnity Insurance Review Consultation Paper

SCA (SA/NT) is pleased to have the opportunity to respond to the Government of South Australia's review of Building Indemnity Insurance (BII) arrangements.

SCA (SA/NT)'s main point of interest related to this discussion paper concerns what types of building works should be covered by BII.

As the discussion paper highlights, residential buildings that are over three storeys and contain two or more separate dwellings are exempt from the requirement to obtain BII. This exemption is consistent with requirements that are currently in place across other jurisdictions in Australia.

SCA (SA/NT) believes that insurance exemptions of this capacity constitute a distinct failure to protect the significant proportion of current and future consumers that reside in class 2 strata buildings above 3 storeys in South Australia.

Considering the current difficulties faced by the construction and building development industries (that include increased material costs and labour supply issues), the industry is seeing more and more builders reaching the point of insolvency. When this occurs, without appropriate building insurance coverage, consumers are left having to fund significant remediation costs without adequate protection.

In Victoria, Domestic building insurance is required for works over \$16,000, covering costs up to \$300,000 to fix structural defects for six years, and non-structural defects for two years.

Similarly, have seen recent examples in NSW where major insurers have offered BII on new developments above 3 storeys, supported by the NSW Government and Building Commissioner that have sought to encourage insurers back into the market by reducing the level of risk. That endeavour specifically included a focus on increasing the trust and regulation of builders, certifiers and developers.

SCA (SA/NT) believes that all residential developments and multi-unit developments should be afforded the protection of BII.

About Strata Community Association (SA/NT)

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.

Direct employment in specialist strata management companies is approaching 10,000 people. More significantly, they are pivotal in an estimated \$6.7 billion in annual economic activity.

Based on the 2022 Australasian Strata Insights Report, more than 2.5 million people live in flats and apartments, the vast majority being strata titled.¹ This figure does not include other forms of strata title such as townhouses and community titled developments. Nor does it include businesses operating in strata titled commercial buildings. The estimated value of property under strata title in 2022 exceeds \$1.2 trillion.²

As the growth of apartment and strata living has intensified over the last decade, the strata management strata services industry has grown in lockstep to serve it. Strata managers navigate through a maze of Commonwealth, State and Territory legislation and regulation ranging from actual strata specific legislation, regulation, workplace, health, and safety issues and building codes as well as measures applicable to the management of body corporate funds.

A strata manager is expected to be knowledgeable on a range of issues relating to the management of a strata scheme.

¹ Hazel Easthope, Sian Thompson and Alistair Sisson, *Australasian Strata Insights 2022*, City Futures Research Centre, UNSW, Accessed at https://cityfutures.adu.unsw.edu.au/documents/717/2022_Australasian_Strata_Insights_Report.pdf

² Ibid, p6