



Australian Government

Australian Reinsurance Pool Corporation

Practice Guide

Residential Strata - Short Term Rental

Cyclone and related flood damage Reinsurance Pool

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About this guide

Practice guides provide guidance on ARPC's view of sound practice in particular areas. Practice guides discuss legal requirements and application from legislation, regulations or explanatory memoranda but do not themselves create enforceable requirements.

This practice guide aims to assist insurers in complying with the Terrorism and Cyclone Insurance Act 2003 in relation to short term rentals within residential strata developments and, more generally, to aid the identification of cyclone pool insurance contracts that are to be ceded to the cyclone and related flood damage reinsurance pool.

This practice guide is designed to be read together with the legislation, regulations and explanatory memorandum.

Document history

This guide was issued on 21 May 2026.

Previous versions:

PG2025_1 issued 31 March 2025

Disclaimer

The Australian Reinsurance Pool Corporation ("**ARPC**") is established by section 9 of the Terrorism and Cyclone Insurance Act 2003 (Cth) ("**the Act**"). The functions and powers of the ARPC are set out in sections 10 and 11 of the Act. The ARPC's main functions are to provide insurance cover for eligible terrorism losses and to operate a cyclone and related flood damage reinsurance pool. The ARPC has power to do all things necessary or convenient to be done for or in connection with the performance of its functions. In the performance of its functions, the ARPC may engage in discussions with and provide information to insurers concerning the provision by the ARPC of reinsurance cover for 'eligible terrorism losses' and 'eligible cyclone losses' within the meaning of the Act. The ARPC does not hold itself out as providing legal or other advice to insurers, the public or anyone else in relation to the interpretation, construction or application of the Act or regulations made under the Act or the reinsurance cover provided by the ARPC, and does not do so. The ARPC provides general information only on its website, in its publications and in the course of its discussions and other dealings with insurers and their representatives about the Act, the regulations made pursuant to the Act and ARPC's reinsurance agreements with respect to 'eligible terrorism losses' and 'eligible cyclone losses'. That information does not constitute legal or other advice and should not be relied on as such. Insurers and their representatives dealing with or proposing to deal with the ARPC should obtain their own legal and other professional advice for the purpose of making decisions (including in relation to dealing with the ARPC and in relation to the reinsurance cover provided by the ARPC) and otherwise on any matter in connection with the Act.



Residential Strata Lots - Short Term Rental

The ARPC cyclone and related flood damage reinsurance pool (the cyclone pool) offers reinsurance coverage to insurers for buildings and contents of strata developments under section 8B(3)(c) of the Terrorism and Cyclone Act 2003 (the Act) supported by Section 5B(6) of the Regulations.

Criteria

For a policy insuring the buildings and contents of a strata development to be an eligible cyclone pool insurance contract under the Act, the insurance policy needs to meet the following criteria:

1. the insured is the *body corporate for a strata or community title development* (defined under section 4A Regulations); **and**
2. at least 50% of the total floor space of the units in the development is used wholly or mainly for residential purposes (i.e. not commercial floor space such as convenience stores, restaurants or other shops.).

In addition, the policy must provide cover for cyclone related property damage or business interruption losses consistent with subsection 8B(2) of the Act.

The insurer should undertake an assessment of the strata development on a lot-by-lot basis to determine if the 50% threshold has been met at policy inception or renewal using a consistent measure of total floor space (for example, gross floor area stated on a strata plan).

Note that if the two points above are met, then the maximum insured limit of \$5m (Section 5B (10) of the Regulations) **does not** apply.

Guidance – Determining Floor Space that is Wholly or Mainly for Residential Purposes

When determining if the floor space of a strata building is residential or commercial floor space, ARPC advises that, for the purposes of the Act, the floor space of strata units (or lots) rented on a long-term basis, or short-term basis that are:

- self-contained apartments; **and**
- insured in the name of the body corporate for a strata or community title development

are generally considered to be **wholly or mainly for residential purposes**.

It may be necessary for insurers to assess each lot within a strata development on this basis to determine if at least 50% of the total floor space is residential and covered by the cyclone pool.

Guidance – Definition of ‘Residential Purposes’

The term ‘*residential purposes*’ is not defined in the Act and should be interpreted in accordance with its ordinary meaning, having regard to its statutory context.

For the purposes of the Act, ARPC considers that premises are used for “residential purposes” where they are used as a settled or habitual place of abode, involving a degree of continuity or permanence of occupation.



The primary determinant is the actual use of the lot over time. While physical characteristics of a lot (such as the presence of a kitchen or laundry) may indicate that a lot is capable of residential use, these features are not necessarily determinative.

Similarly, lots that operate in a manner consistent with commercial accommodation services are unlikely to be regarded as being used for residential purposes for the floor space ratio calculation.

This interpretation reflects ARPC's administrative practice and is not binding legal advice.

Note that the Act does not differentiate between:

- the type of policy issued to the body corporate or community title development such as Home Insurance, ISR, Business Package,
- which department or division of an insurer has issued the insurance policy (such as Commercial or Personal Lines Department); or
- the owners' agent that rents out a strata property on a long or short-term basis on behalf of the owner(s). The agent could be, for example, the owner, a local real estate agent or a company with naming rights that specialises in real estate agency, property management and provision of services.

These points do not affect the application of items 1 and 2 listed in the Criteria section above.

