



Australian Government



Australian
**Small Business and
Family Enterprise**
Ombudsman

15 June 2021

Cyclone Reinsurance Pool Taskforce
Treasury
Langton Crescent
PARKES ACT 2600

via email: ReinsurancePool@treasury.gov.au

Dear Sir/Madam

Reinsurance pool for cyclones and related flood damage

We welcome the opportunity to consult on the formation of the reinsurance pool (the Pool) for cyclones and cyclone-related flood damage. This pool has the potential to provide urgently needed insurance premium reduction for Australian small businesses in Northern Australia and is an important first step to address the existing affordability and availability crisis in commercial property insurance.

As you are aware, this Office has undertaken significant work on affordability and availability of insurance for small businesses. We make the following comments on the proposal.

Franchises and retail leases

Many franchisees turnover less than \$10million per annum, thereby satisfying the small businesses definition proposed for the Pool. A distinction will need to be made between franchisees that are part of a franchise network which holds insurance for the entire network, and those part of a network which requires individual franchisees to hold their own insurance. Where the latter structure applies, franchisees that meet the small business definition should not be excluded due to their franchisor falling outside Pool eligibility criteria.

Additionally where a small business leases their retail, office or commercial space, their landlord may be ineligible for coverage. This would result in the small business being unable to benefit from the Pool for damage to their premises, despite being covered for their equipment, stock and fixtures.

Boats, marinas and recreational facilities

Boats, marinas and docks are significant investments for small businesses and may be the whole or a significant portion of the business' revenue stream. There is some grey area surrounding the cover of these assets and given their unique exposure to cyclone risk we recommend special consideration be given to ensure inclusion in the Pool.

ASBFEO also strongly recommends the same consideration be given to:

- swimming pools and outdoor recreational structures and equipment;
- campsite and Caravan Park infrastructure, both permanent and temporary; and
- crops, nursery stock and other outdoor commodities.

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Governance and monitoring

We support a regular review cycle for the Pool, including the proposal for an interim review shortly after the Pool's establishment. It will be important to effectively survey the small business community to ensure that insurance has been made available to them, and at an affordable price.

Thank you for the opportunity to comment. If you would like to discuss this matter further, please contact [REDACTED]

Yours sincerely



The Hon. Bruce Billson
Australian Small Business and Family Enterprise Ombudsman