

Submitted by:

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*The Taskforce seeks views on the following key design features in this paper:*

How should 'cyclone and related flooding' be defined?

Cyclone and related flooding should be defined as per the explanation provided by Australian Bureau of Meteorology on their website. However, it is always important that the Category of the cyclone is considered when assessing risks as cyclones Cat 2 and below often cause just minimum damage and disruption.

Which insurance policies should be eligible to be covered?

Building/strata; home; business

Reinsurance product design and insurer participation, including:

How should there insurance product be priced and designed?–

It should be designed to reflect the trend in cyclones and related weather (ie risk). Insurance companies are using “increasing” cyclone and extreme weather events as an excuse to increase premiums and refuse to quote. This problem is exacerbated by political parties like The Greens and other special interest groups involved in renewable energies who attract followers/voters and funding from fear-mongering. I have conducted an analysis of weather trends and came to the conclusion the above parties are not telling the truth. My research uncovered the following information:-

**Cyclone events have decreased in Cairns in the past 20 years and long-term trends indicate they have decreased not only in quantity but in ferocity across Australia in recent decades. For example, according to the Australian Bureau of Meteorology between 1973 and 1980 there were between 13 and 18 cyclones a year. Between 2014 and 2020 there were on average 5 -10 a year<sup>1</sup>.**

It should be illegal for insurance companies to charge premiums not commensurate to the risk ie, as above, if trends demonstrate severe weather events are decreasing, insurance companies should not falsely claim the opposite to increase their premiums. If insurers are found to be giving this fraudulent excuse to increase premiums they should be fined.

Products should be designed to reflect the claims history. Smaller claims should NOT be the only consideration – if a building or property has not had any large claims in over a certain amount of time (eg. ten years) it should decrease the insurance risk.

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<sup>1</sup> [bom.gov.au/cyclone/tropical-cyclone/knowledge-centre/history](http://bom.gov.au/cyclone/tropical-cyclone/knowledge-centre/history)

Properties built out of the strongest materials, like concrete and other weather withstanding materials, should be considered low on the risk scale.

Properties that have been in existence for several decades, throughout several severe weather events, and suffered none or little major damage should be considered lower risk as they have proven to withstand extreme weather events throughout their history.

How should insurer participation and transition to the pool be managed?

International insurers without any branches or offices in Australia should not be allowed to provide policies or quotes.

There should be a government agency or independent expert agency appointed to oversee the transition and participation.

What are the most appropriate governance and review arrangements?–

Insurers need to meet certain requirements:- including that they are charging premiums proportionate to the actual risk (and not the “increasing weather risk” lie) and that they are not enforcing excesses so high there is never any point for a claim to be made. They must also provide good customer service and reasonable time frames for dealing with claims. Customer complaints (within reason) should be tabled as part of the review.

How can the pass-through of insurance premium reductions for consumers be ensured?

It would be simple enough to conduct an audit every 1-2 years or after an insurer has received a certain number of complaints.

Links to risk reduction, including:–

How can the reinsurance pool help encourage households and business to undertake mitigation?

Households and businesses are already encouraged to undertake mitigation by meeting certain requirements to achieve the “low risk” status. This includes ongoing maintenance, property condition audits and not making frivolous claims.

How will the reinsurance pool avoid encouraging increased risk taking?–

I don't believe the behaviour will change if policyholders are aware of risk levels and that the lower the risk, the lower the premium. Contrary to the insinuation most homeowners do not behave recklessly, or become complacent, just because they have insurance.

How might the reinsurance pool encourage further action on insurance affordability?

Insurance in the north of Queensland is substantial and unaffordable. Homeowners often choose not to insure their property because of the high premiums. This also has a negative effect on home values.

For strata properties/body corporate building insurance is mandatory under body corporate legislation (BCCM Act 1997). This means that owners are compelled to pay extortionate

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premiums whether they can afford it or not. Many owners are forced into debt and must sell their property because they cannot afford the insurance levy. This does not happen with individual homeowners who can simply choose not to insure. If more competition is introduced, prices will reduce, more people will purchase policies, including homeowners who have previously chosen not to insure, and insurers will make a reasonable profit.

If you have any further queries on the above, please do not hesitate to contact me.

Yours sincerely,

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