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Cyclone Reinsurance Pool Taskforce
Manager
The Treasury
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Dear Taskforce Manager

The Queensland Government welcomes the opportunity to respond to the Cyclone Reinsurance Pool Taskforce's consultation paper, *Reinsurance pool for cyclones and related flood damage*.

The high cost of insurance in North Queensland is a critical issue impacting the region's families and businesses. North Queensland is a critical driver of economic growth and prosperity at both the state and national level, given its natural economic strengths in industries like tourism, resources, agriculture, manufacturing, energy and education.

Importantly, the Australian Government has broad policy responsibility for regulating the insurance industry and addressing issues of insurance affordability. However, the Queensland Government has implemented a range of innovative policy measures over several years to increase household and community resilience in the face of higher insurance premiums.

This includes the creation of the \$41.5 million Household Resilience Program to assist low income households. Program data shows that over 3,500 households have benefited in terms of improving the resilience of their property, thereby securing around a 9 per cent average reduction in their insurance premiums.

Further, the recent 2021-22 Queensland Budget established a new \$10 million North Queensland Natural Disasters Mitigation Program, to administer grants to local governments for disaster mitigation initiatives that assist in reducing the cost of insurance in their communities.

These initiatives complement the Queensland Government's contribution to and delivery of other key initiatives, such as the jointly funded \$65 million Queensland Resilience and Risk Reduction Fund, and \$100 million 2019 Queensland Betterment Fund.

Given the nature of the proposed pool and its interactions with the broader insurance market, development of specific design parameters will need to be established through the Taskforce's consultation with the insurance industry and detailed analysis of the pool's potential impacts.

The Queensland Government's primary interest is in ensuring that cost savings to insurers are delivered immediately and passed on in full to consumers in a timely and sustainable manner. Strong regulatory oversight at the national level will be required to ensure the scheme delivers benefits for North Queensland residents and small businesses.

To support this outcome being achieved, a number of key issues should be considered by the Taskforce in developing the proposed reinsurance pool:

- Definitions for 'cyclone' and related terms need to be as clear and unambiguous as possible, including clear specification of the cyclone-related risks covered, including severe winds, strong rain, riverine and flash flooding, and storm tides.
- The pool should cover all areas subject to cyclone and related risks, noting that the eligible region for the Queensland Government's Household Resilience Program extends as far south as Bundaberg and its surrounding area.
- Any definition of small business will need to be flexible enough to allow for the high degree of seasonality in employment and turnover for some businesses, particularly those in the tourism and agriculture related industries.
- In relation to strata policies, the simplest way to ensure effective coverage may be to deem any community title scheme as being within scope of the pool.

Regardless of any developments in relation to the establishment of a reinsurance pool, it will be critical that the Australian Government increases its investment in mitigation works in North Queensland to sustainably put downward pressure on insurance premiums.

The issues outlined in the paper highlight that there is a high degree of uncertainty around the reinsurance pool model, industry response to the proposal, and most importantly the pool's ability to reduce insurance premiums.

As such, the Australian Government should provide a guarantee on the extent to which the pool will reduce insurance premiums for consumers in North Queensland, in order to provide certainty to households and businesses that their premiums will be reduced to levels more comparable with those in south east Queensland and other regions of Australia.

If this guarantee is not met, the Australian Government should, consistent with the recommendation of the Australian Competition and Consumer Commission, commit to directly subsidising the cost of insurance premiums for residents of northern Australia.

With another cyclone season due before the reinsurance pool is expected to commence in July 2022, the Queensland Government encourages the Australian Government to prioritise its consideration and development of this proposal, and looks forward to considering the results of this consultation by the Taskforce.

If you require any further information, please contact my office on [REDACTED]

Yours sincerely



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