



**RACING  
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18 June 2021

Manager Cyclone Reinsurance Pool Taskforce

The Treasury

Langton Crescent

PARKES ACT 2600

To the Manager of the Cyclone Reinsurance Pool Taskforce

**RE: Reinsurance pool for cyclones and related flood damage consultation paper**

Racing Queensland (RQ) appreciates the opportunity to respond to the '*Reinsurance pool for cyclones and related flood damage*' consultation paper.

**Purpose**

RQ requests consideration that the definition of "small business", for the purpose of the proposed program, is updated to reflect the definition used by the Australian Small Business and Family Enterprise Ombudsman:

*"...for the purposes of all insurance legislation, regulation and codes as: a business with less than \$10 million in turnover or fewer than 100 employees."*

**Justification**

The economic contribution of the racing industry in Queensland is \$1.6bn.

Racing is also central to the economy and lifeblood of North Queensland, with 17 race clubs and adjacent small businesses directly sustaining 622 full-time equivalent (FTE) jobs and more than \$72 million in value added contribution to Gross State Product in the Cairns and Townsville regions alone.

The ever-increasing cost of insurance for racing and racing adjacent businesses in North Queensland poses significant challenges and commercial risks, hence RQ's support of the steps being taken to create a Reinsurance Pool in North Queensland.

**Background**

There are 128 licensed race clubs across the state of Queensland, with RQ providing assistance to the race clubs in obtaining Industrial Special Risk (ISR) insurance.



RQ's experience with insuring racing clubs located in North Queensland has been challenging over the past five years; with an average of 20 insurers being approached on an annual basis in an effort to increase underwriting support for ISR coverage.

The majority of insurers decline each year, leaving RQ with three potential options.

CGU has been the consistent lead underwriter on the program, accepting more than 50% of the risk for the past decade. Noting, where insurers have accepted the risk, the costs to RQ and the industry have been observed as excessive and steadily increasing.

Existing insurers have indicated that it is uncommercial to continue to provide insurance services. In some instances, specific racing industry assets have been left uninsured, or underinsured due to inability to access appropriate levels of affordable coverage.

In 2021, RQ's insurance brokers advised that coverage will be exceptionally difficult and costly to achieve in current and future years. This is supported by Townsville Turf Club, Cairns Jockey Club and Mackay Turf Club having each approached alternate brokers in late 2020 and being unable to obtain insurance coverage on a stand-alone basis.

The location of insured risks (North Queensland) and the claims history of the policy are the two biggest challenges RQ must overcome in order to maintain insurance for catastrophic events in these regional land susceptible locations.

## **Conclusion**

RQ's request is of critical importance to the two largest clubs in North Queensland, that could be supported by a reinsurance program under a revised definition of "small business", i.e., the Townsville Turf Club at \$3.9m p.a. and the Cairns Jockey Club at \$2.5m p.a.

The racing and training facilities provided by these clubs, and others in the region, directly sustain the livelihoods of hundreds of individuals and businesses, including jockeys, trainers, veterinarian and hospitality workers. Club facilities also operate as function and event hubs servicing the needs of the broader community as well as the racing industry directly.

The challenge remains that if clubs of this nature were to be excluded from the scheme, then the ability of the racing industry to remain commercially viable in the region will be severely impacted.

Notwithstanding the challenges faced by weather events, RQ continues to proactively work with clubs to reduce the cost of repair to insurers and improve the standard of the insurable product.

Further, the costs associated with building or upgrading racing infrastructure to withstand natural disaster impacts presents a greater cost to RQ and the clubs.



However, once work is completed, the risk to insurance companies is reduced, which supports the approach and highlights the importance of the insurable product.

Thank you for your time in considering RQ's response.

RQ is committed to supporting the development of this program and welcome any questions or discussion on the matter of a reinsurance pool.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Hayley Vincent', with a long horizontal flourish extending to the right.

Hayley Vincent

*Risk and Compliance Manager*

cc: Michelle McConachy

*Executive General Manager, People and Business Services*