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STAKE HOLDER RESPONSE TO EXPOSURE DRAFT LEGISLATION

It is important that the pool is not just about making more premiums more affordable, but acts in a way to improve resilience, and not making current levels of poor resilience seem acceptable. To this end, current buildings need to be mitigated to improve resilience, while new buildings are located, designed, and constructed to a higher standard of resilience.

From the draft ***Reinsurance pool for cyclones and related flood damage (Factsheet):***

The pricing formula will be finalised prior to 1 July 2022 and will use property-level data such as: geography, building characteristics, and mitigation. It will be developed in line with the principles that the pool will:

- *be cost-neutral to Government over the longer term;*
- *lower the reinsurance cost for most policies with medium-to-high exposure to cyclone risk;*
- *have minimal impact on policy premiums for lower cyclone-risk properties;*
and
- *maintain incentives for risk reduction and offer discounts for properties that undertake mitigation.*

Over time, the pool will offer discounts for policies that cover properties that have undertaken cyclone and flood mitigation.

The objectives outlined above are only going to be met if the actual risk is reduced and the only way to reduce risk is to improve the resilience of buildings, both new and existing.

Underpinning any assessment of a buildings resilience needs to be a uniformly accepted rating system like that developed by the Cyclone Testing Station at James Cook University for the government funded North Queensland Strata Title Inspection Program (NQSTIP) (<http://www.nqstip.com.au>).

A resilience rating system would provide a mechanism to ensure a building's likelihood of survival with no significant damage. The rating system should be applied to existing buildings and to new buildings (in much the same way as the energy rating system is).

By way of direct comparison please refer to the ***Senate Finance and Public Administration References Committee's "Lessons to be learned in relation to the Australian bushfire season 2019-20 (Final Report):***

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6.59 The committee recommends the Australian Government apply the Disaster Resilience Star Rating (DRSR) model when assessing and funding government adaptation and resilience projects, in order to implement efficient and effective public mitigation investment. In applying the DRSR model, the Government should liaise with the Bushfire Building Council of Australia to determine appropriate funding models and identify suitable investment projects.

The Cyclone Testing Station at JCU has been working closely with the Bushfire Building Council of Australia to ensure our proven cyclone resilience rating system for homes and strata properties will operate within the same framework as their bushfire resilience model.

The building cyclone resilience rating system, as used in the NQSTIP can be utilised by the reinsurance pool to measure resilience to:

- determine a building's eligibility to be part of the reinsurance pool
- make recommendations as to mitigation options for buildings covered by the reinsurance pool
- determine a mitigated buildings discount eligibility

In summary, what we are proposing is an industry standard method of rating a building's resilience to damage and losses from cyclones, using the proven system developed by the Cyclone Testing Station at James Cook University.

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