

13/12/2021

Response to Treasury Laws Amendment Bill 2021: Cyclone Reinsurance

Introduction:

Based in Tully, North Queensland, Karen Hardy has experienced firsthand, both professionally and personally, the devastation Severe Tropical Cyclones inflict on communities.

With over 25 years general insurance experience, I have seen people torn apart as they struggled to rebuild their lives post disaster and the financial pain my community suffer on an annual basis as they renew their general insurance contracts.

Congratulations:

I commend government and all associated parties for their efforts to date.

- I agree, the insurance market is broken and a solution is required.
- Mandatory participation by all exposed insurers is genius and has been proven to work in other countries around the world.
- Inclusion of Norfolk Island, Christmas Island and Cocos Islands is fantastic.
- Inclusion of residential, farm residential, residential strata and small business under \$5,000,000 (combined buildings, contents & BI) bodes well for the broader community.

Concerns to be addressed:

Although the proposed Cyclone Reinsurance Pool makes sense conceptually, to rush through these changes may adversely impact your constituents in the long term.

Before legislative changes are made I believe that the below concerns, held by the broader community, need to be addressed and disclosed.

1. End savings to consumers - need to be quantified and disclosed.
2. End savings to insurers - need to be quantified and disclosed.
3. The true cost of the \$10b Government Guarantee and scheme administration - needs to be quantified and disclosed. Cost-neutral is just a fancy way of saying (wholesale plus running costs) both of which are unknown.
4. Agreement with existing market participants and potential market entrants must be garnered to quantify the actual level of insurer participation and the reinsurance capacity that will be required.

General Observations:

Reinsurance Pool spokes people need to stay on point and stop politicising this issue. Insurance affordability and availability are long term problems that require careful consideration and informed decision making.

There are many mixed messages currently circulating within the community, many of which have no relevance to the proposed Treasury Laws Amendment Bill.

One example is, overzealous politicians are touting that the abolition of Stamp Duty will further reduce the cost of insurance in Northern Australia. This may be true, but is completely unrelated to the subject matter as far as I am aware.

The abolition of state taxes cannot be factored into proposed reinsurance pool savings as this is a completely unrelated matter.

Recommendation:

Take your time to quantify all variables. Present honest and accurate findings to your constituents and counterparts after your actuarial work and industry negotiations are complete.

Only then can an informed decision to change the legislation be made.

Kind regards,



Karen Hardy

Managing Director