



Racing Queensland Board
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Manager Cyclone Reinsurance Pool Taskforce
The Treasury
Langton Crescent
PARKES ACT 2600

To the Manager of the Cyclone Reinsurance Pool Taskforce

RE: Exposure draft legislation - reinsurance pool for cyclones and related flood damage

I write to you on behalf of Racing Queensland (RQ) to request the exposure draft legislation be amended to increase the proposed sums insured under the business property policy from \$5 million to \$25 million or less in assets.

Mackay Turf Club (Mackay), Townsville Turf Club (Townsville), and Cairns Jockey Club (Cairns) in Northern Queensland exceed these asset limits yet continue to face extreme costs in securing Industrial Special Risk (ISR) insurance.

Notwithstanding, each licensed race club is central to facilitating significant economic benefit to Northern Queensland and provide these services to the community through a not-for-profit business structure.

While the exposure draft legislation would cover reinsurance for businesses with business pack insurance, the insurance that is becoming increasingly cost-prohibitive and problematic for race clubs to obtain in Northern Queensland is ISR insurance.

RQ commends and shares the goals of the Reinsurance Pool Taskforce, and wishes to highlight ongoing contributions by RQ and the race clubs to:

- **Improving insurance affordability for northern Australia:** ISR premiums increased by approximately 150% for race clubs located above the Tropic of Capricorn (Rockhampton) for the year commencing October 2021. Allowing the inclusion of race clubs in the reinsurance pool would significantly improve insurance affordability for clubs in this region.
- **Driving down premiums for cyclones and related flood damage:** RQ is committed to playing a central role in improving the insurability of race clubs. This includes funding and building assets that are less impacted by flood and cyclone damage, demonstrated by the redevelopment of the Townsville Turf Club following the flood events in 2019.

- **Benefitting households, strata and small businesses:** Racing is central to the economy and lifeblood of North Queensland, with 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.

Despite the extreme increases to insurance premiums for Cairns (\$15.6m in assets), Mackay (\$11.7m in assets) and Townsville (\$19.8m in assets), the existing proposed eligibility limit of \$5 million excludes their participation in the reinsurance scheme.

Further, the use of race club assets as the measurement for inclusion does not account for the limited cash flow of these not-for-profit businesses. As such, race clubs receive no relief from the proposed exposure draft legislation despite the significant contribution made to employment, community and tourism in the region.

RQ supports the steps being taken to create a Reinsurance Pool in North Queensland, given the ever-increasing cost of insurance for race clubs and racing-related businesses in North Queensland poses significant challenges and commercial risks.

Background

RQ is the control body for the three codes of racing in Queensland – thoroughbred, harness and greyhound. As the control body, RQ is responsible for managing the three codes of racing, including identifying priorities for major capital expenditure, and developing and implementing plans and strategies for developing, promoting and marketing each code of racing. RQ also licenses all racing clubs throughout Queensland.

RQ currently provides assistance to Northern based clubs in obtaining 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 and in 2021 approximately 80% of insurers approached declining to provide terms. Where insurers have accepted the risk, the costs to RQ and the industry have been observed as excessive and increasing.

Existing insurers have indicated that it is uncommercial to continue to provide ISR insurance services. A key contributing factor is the inability of these insurers to obtain reinsurance.

As such, if the exposure draft legislation is not increased to include businesses with higher asset values, the root cause may not be addressed. In some instances, specific racing industry assets have been left uninsured, or underinsured due to inability to access appropriate levels of affordable ISR coverage.

In 2021, RQ's insurance brokers advised that 100% coverage would be exceptionally difficult and costly to achieve in future years. This is supported by Townsville, Cairns and Mackay, having each approached alternate brokers in late 2020 and being unable to obtain insurance coverage on a stand-alone basis.

Placement was ultimately achieved at a year-on-year increase of approximately 150%. These premium increases are unable to be paid for by clubs and, therefore, require significant subsidisation by RQ.

Conclusion

RQ's request is of critical importance to the three largest clubs in North Queensland, where asset values over the \$5 million threshold do not reflect turnover that can meet increasing ISR costs.

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, veterinarians, and hospitality workers.

Club facilities also operate as multi-use 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 would be severely impacted.

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

RQ appreciates the opportunity to respond to the '*Exposure draft legislation: reinsurance pool for cyclones and related flood damage*' release and is committed to supporting the development of this program.

Please direct any questions regarding RQ's feedback to both of the undersigned.

Yours sincerely,



Hayley Vincent
Risk and Compliance Manager



cc: Michelle McConachy
Executive General Manager, People and Business Services