

Tuesday 4 May 2021

## Insurers welcome reinsurance commitment

The Insurance Council of Australia (ICA) today welcomed the Federal Government's announcement of a \$10 billion reinsurance pool to underwrite cover for cyclone and cyclone-related flood for privately-owned homes, strata corporations and small businesses, and a \$40 million investment in making older strata buildings more resilient to extreme weather events.

The insurance sector engaged industry experts in November last year to look at the issue of affordability and availability of categories of insurance, including residential customers in Far North Queensland where the costs of cover for cyclone is most acute.

A Reinsurance Pool Working Group of insurers was established to work through the Northern Australia cyclone risks. This group will now turn its attention to working with the Federal Government's announced design and consultation process to determine the operation of the pool.

The recent ACCC Northern Australia Insurance Inquiry supported insurers' pricing practices, finding the main driver of higher premiums in northern Australia was the higher risk of natural perils like cyclone and cyclone-related flood.

The same inquiry found that in 2018-19 insurers in northern Australia lost approximately \$208 million, and over the 12 years from 2007-08 suffered aggregate losses of \$856 million in real terms in the region, highlighting the pressure insurers are under to deliver for customers in a way that is financially sustainable.

Quote attributable to ICA CEO Andrew Hall:

This is a significant commitment by the Federal Government in addressing the shared goal of improving the affordability and availability of insurance for homeowners and small businesses living with the threat of cyclone in northern Australia.

Insurers have worked hard for many years in northern Australia to keep premiums affordable and coverage available, however today's announcement acknowledges that there are costs driven by some cyclone risks that are significant.

The industry has done considerable work on the key fundamentals of a public reinsurance scheme, and if properly designed and implemented a reinsurance pool can put downward pressure on premium costs.

For some time insurers have been calling for the expansion of household resilience programs, and so we welcome the \$40 million investment to make older strata-owned properties more resilient to extreme weather events.

Governments at all levels need to look at other impediments to lower premiums, including the elimination of State insurance stamp duties and levies, improving resilience standards in building codes and land planning decisions, and lifting investment in mitigation infrastructure and household resilience programs.

We look forward to working with the Government on the consultation and design process.