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The logo for Townsville Enterprise, featuring a stylized sunburst icon above the text "townsville enterprise".

ABN 58 053 020 536

24 November 2022

Committee Secretary  
Joint Select Committee on Northern Australia  
PO Box 6100 Parliament House CANBERRA ACT 2600  
Submitted via online portal

To Committee Secretary,

Townsville Enterprise thanks the Parliamentary Joint Select Committee on Northern Australia for the opportunity to make a submission to the Cyclone Reinsurance Pool Inquiry with the terms of reference being the operation and implementation of the Cyclone Reinsurance Pool (The Pool).

For over 30 years, Townsville Enterprise has played a critical role in supporting the progress of the Townsville North Queensland region. As the peak economic development and destination management organisation, Townsville Enterprise has attracted major investment and grown the visitor economy, contributing towards the rise of local jobs and the economic growth of the region. Townsville Enterprise represents that Local Government Areas of Townsville, Hinchinbrook, Palm Island, the Burdekin and Charters Tower. As a membership-based organisation, our highest priority is supporting, promoting, and advocating for our members.

The cost of insurance for Townsville, and the North Queensland region has been a critical issue for both residents and businesses for decades.

In October of 2021, Townsville Enterprise made a submission to the Treasury regarding the draft legislation Cyclone Reinsurance Pool to ensure the concerns of our members were addressed in this bill.

Table 1 Home &amp; Contents Insurance Cost

State	Average cost Home only	Average cost Per Day	Average cost Home and contents	Average cost Per Day
NSW	\$1,401	\$3.84	\$1,689	\$4.63
VIC	\$1,177	\$3.22	\$1,433	\$3.93
QLD	\$1,670	\$4.58	\$1,916	\$5.25
North QLD*	\$4,296	\$11.77	\$4,813	\$13.19
SA	\$990	\$2.71	\$1,219	\$3.34
WA	\$1,182	\$3.24	\$1,442	\$3.95
TAS	\$1,095	\$3.00	\$1,306	\$3.58
NT	\$4,930	\$13.51	\$5,229	\$14.33

Source: <https://www.canstar.com.au/home-insurance/home-contents-insurance-cost/>

Insurance has been a critical issue for North Queensland in terms of both availability and affordability. A significant portion of households and businesses are underinsuring their assets due to the substantial costs and resources associated with insurance.

Given the Pool has been operational for the past three months, Townsville Enterprise would like to take this opportunity to raise again the concerns made in our first submission that continue to impact our members in their ability to gain affordable and accessible insurance.



## Premium Reduction

Legal Aid Queensland has found that a key disadvantage of reinsurance pools is the risk insurance will still not be affordable for a significant number of residents in North Queensland (Queensland, 2019). Concerns have been raised by the Northern Australia Insurance Lobby (NAIL) about what the savings would be for the policyholders. If the policy is only saving consumers less than 20%, this will have very little impact if the policy is already significantly higher than the rest of Australia (see Table.1).

Another primary concern was the impact the Pool would have on insurers that offer premiums below what is allocated within the Pools modelling, and whether this would force the few insurers offering competitive pricing for their policies, to raise their prices to match those dictated by the Pool. It could have a detrimental effect on insurers who already offer competitive pricing for their policies, due to a pre-existing agreement that they have in place to purchase reinsurance.

It needs to be considered if the Legislation and Regulation of the Cyclone Reinsurance is broad enough to attract more insurers to the region. While the scheme does ensure the pricing of premiums will be monitored by the ACCC, issues could arise from insurers increasing other aspects of a consumer's policy, thereby negating the benefits of reduced insurance premiums to the customer.

This continues to be a concern with the roll out of the Reinsurance Pool from the 1 July 2022, with the expectation of consumers being that benefits associated with the scheme would be delivered immediately. This has not been the case, with none of the 14 insurance providers operating in Northern Australia participating in Pool to date. The proposed benefits to consumers will continue to be delayed as the Pool states that insurers are not required to join the Pool until December 2023 for larger insurers and December 2024 for smaller insurers.

With the current challenges around rising costs of construction and building materials, it is now more expensive than ever for developers to undertake new housing developments. Insurance has been cited as a major hurdle for developers due to the difficulty in obtaining insurance and the costs which have been found to be more than 20% higher than in Brisbane. This comes at a critical time, with the current housing crisis resulting in outcry from the public and businesses alike to resolve this issue by increasing housing stock, particularly through high-density, affordable housing solutions.

### **Claim Coverage**

Another major concern for Townsville Enterprise is the claims period covered by the legislation, as the Pool only covers claims that occur within the 48-hour period after the cyclone has been downgraded and would not cover ongoing damage sustained by the cyclone once it has weakened to a low-pressure system. This would be something insurers would need to consider as the effects of a cyclone can continue past the 48-hour window provided by in the legislation as it did in the case of Cyclone Debbie in 2017.

Other major weather events in the tropics such as slow-moving low-pressure systems and extreme rainfall events would not be covered by the Pool. The extreme flooding that Townsville experienced in January 2019 was not due to a cyclone event, but rather extended periods of heavy rainfall. Based on the current definition provided in the legislation, if Townsville were to experience flooding due to extreme rainfall, any damage sustained to properties during this event would not be covered by the Pool.

Townsville Enterprise is also awaiting the design for the small business marine property insurance policies, and we urge the Government to ensure that the design of these policies addresses the concerns raised by this submission.

## Recommendations:

1. To ensure the insurance crisis in North Queensland is resolved entirely, Townsville Enterprise suggests the current design of the Reinsurance Pool be reallocated to fund a government-backed insurance body. The Territory Insurance Office (TIO) is an example of a government-backed insurance scheme, that prior to being sold to Allianz in 2016, ensured that residents in the Northern Territory had access to affordable insurance. A commercially operated organisation guaranteed through the government would ensure premiums for homeowners and businesses would remain the same regardless of where they lived. The baseline level of insurance cover that a body like this could provide, would provide the direct intervention required to resolve this market failure.
2. Extend the claim coverage of the Pool to include flooding events. This would resolve the '48-hour window' rule that proves to be a substantial limitation of the legislation. There has been significant support for this amongst the community, due to the major flooding event that occurred in Townsville 2019, which if it were to occur again, would not be covered by the legislation.
3. The Pool should incentivise insurance providers to re-enter the market in Northern Australia. The lack of competition in the North Queensland market is a direct cause behind the current insurance affordability crisis, encouraging competition would provide consumers with a greater reduction in their premiums than the expected 32% average saving for home insurance policies by ARPC's modelling.

Townsville Enterprise strongly supports any interventions made to resolve the issues raised with the Pool in its current form. Residents and businesses in North Queensland deserve the right to

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affordable and accessible insurance, and this is a critical enabler for the regions continued economic growth. Townsville Enterprise welcomes the opportunity to provide further feedback on this matter.

Yours Sincerely,

Claudia Brumme-smith  
Chief Operating Officer  
Townsville Enterprise Limited