

Northtown Level One  
280 Flinders Street  
P O Box 1114  
Townsville Qld 4810

T (07) 4771 2729  
W [www.townsvillechamber.com.au](http://www.townsvillechamber.com.au)  
E [ceo@townsvillechamber.com.au](mailto:ceo@townsvillechamber.com.au)



Friday 4 March 2022

## **Inquiry into Treasury Laws Amendment (Cyclone and Flood Management Reinsurance Pool) Bill 2022**

The Townsville Chamber of Commerce would like to thank the Senate Economics Legislation Committee for the opportunity to provide feedback in relation to the Treasury Laws Amendment (Cyclone and Flood Management Reinsurance Pool) Bill 2022, a bill to amend the Terrorism Act of 2003 to establish the framework for the Australian Reinsurance Pool Corporation to implement a cyclone and flood related damage Reinsurance Pool.

Insurance premiums in Northern Australia have been highlighted in multiple reports since 2010 as either being unaffordable or unattainable. Insurance is an essential service. Without insurance, businesses and individuals cannot operate in a free market. Insurance is a requirement by financiers when lending money for an individual or business that provides goods or services at the legislated Australian Standards; when renting or leasing a premise; as part of standard procurement, supply, and grant funding contracts with local, state and federal governments; top and second tiered private industry suppliers; to host or hold an event; to operate a business legally in Australia in most industries; to lawfully own or occupy specific types of buildings and public spaces; to import or export trade and commerce; and, to comply with both state and federal legislation. Quite simply, without insurance, the free market and private enterprise fails.

In January 2021, the Townsville Chamber of Commerce made four recommendations in a Federal Budget Submission to address the burden, cost, and unavailability of insurance in Northern Australia, following the release of the ACCC's Northern Australia Insurance Inquiry (NAII) in December 2020. Townsville Chamber of Commerce believes that due to the complexities within the insurance industry and to avoid further limitations being placed on Northern Australia's development, an environment must be created where there is not only a baseline for the essential service that insurance provides, but insurance at that baseline must be affordable and healthy competition must remain within the marketplace to achieve this. Chamber considered that more than one of the recommendations put forward may need to be implemented to ensure a competitive and responsible insurance industry remains available in the open market.

The four recommendations made by the Townsville Chamber of Commerce in 2021 were,

- Expanding the Australian Reinsurance Pool Corporation Remit to include the natural events of cyclone and floods in Northern Australia
- The obligation for an insurer to provide insurance for all of Australia
- A national insurer to provide a baseline of insurance for all Australians
- Abolish prohibitive fees and taxes - stamp duty and GST

Northtown Level One  
280 Flinders Street  
P O Box 1114  
Townsville Qld 4810

T (07) 4771 2729  
W [www.townsvillechamber.com.au](http://www.townsvillechamber.com.au)  
E [ceo@townsvillechamber.com.au](mailto:ceo@townsvillechamber.com.au)



The Townsville Chamber of Commerce would like to commend the introduction of the bill as the first step towards creating a framework for a reinsurance pool for cyclone and flood related damage. As the first of the four recommendations made in January 2021, the Townsville Chamber of Commerce sees this as a positive start to a more affordable and unattainable insurance market in Northern Australia.

The Townsville Chamber of Commerce must also commend the Government and its commitment to implementing the reinsurance pool from 1 July 2022 because access to affordable insurance is vital to the economic prosperity and resilience of Australians who live and work in Northern Australia and the sooner the framework is in place the sooner the long-standing issue can start to be addressed. There has also been a commitment that there will be a Treasury review after 12 months and a formal review of the pool after 3 years. Such reviews will provide the opportunity to look at teething issues that may arise with the new framework and provide an avenue for amendments if the reinsurance pool is not providing an adequate reduction in premium prices and creating competition in the marketplace as is its intended purpose.

The bill in its current form expands the number of board positions on the Australian Reinsurance Pool Corporation by two. It is vital that these positions are filled by people that live and work in Northern Australia that have the adequate experience and acknowledge to 1) ensure the reinsurance pool is having the desired effects on the insurance market in Northern Australia and 2) what amendments to make in the future in the event it is not achieving its stated objective.

In October 2021, the Townsville Chamber of Commerce partnered with Regional Economic Advisory and PVW Partners to release its Townsville Economic Review 2021-2022. Part of that report highlighted the positive effects that a reduction in insurance premiums in the Townsville LGA would have. A reduction of \$2000 per household premium is reported to mean a combined economic output increase of \$222.3 million annually to the Townsville LGA. It also represents the potential for growth, the equivalent of 949 full time equivalent jobs year on year.

Quite simply, the cost of not intervening in the failing insurance market in Northern Australia is unmeasurable because the effective development of Northern Australia is impossible without access to affordable insurance. The reinsurance pool for cyclone and flood related damage is seen by the Townsville Chamber of Commerce as a critical first step in securing affordable and attainable insurance for all of Northern Australia and one of the largest elements of ensuring the development of Northern Australia is progressed and more importantly, can realistically be achieved.

Halting or delaying the passing of this bill and denying Northern Australia of the Government's commitment to a reinsurance pool effective as from 1 July 2022, would have devastating effects on communities in Northern Australia and create uncertainty in an already failing market. All businesses require certainty to operate, and this includes companies that are providing insurance. Giving certainty and a clear direction to insurance companies will allow for competition to re-enter the marketplace and drive down insurance premiums by the free and natural market forces of supply and demand.

Northtown Level One  
280 Flinders Street  
P O Box 1114  
Townsville Qld 4810

T (07) 4771 2729  
W [www.townsvillechamber.com.au](http://www.townsvillechamber.com.au)  
E [ceo@townsvillechamber.com.au](mailto:ceo@townsvillechamber.com.au)



Thank you for the opportunity to provide feedback in relation to this bill and the critical legislative changes it represents for the future prosperity of businesses, communities, and individuals in Northern Australia.

Regards



**Ross McLennan**  
CEO  
Townsville Chamber *of* Commerce



**Chris Rockemer**  
President  
Townsville Chamber *of* Commerce



**Michele Falconieri**  
Immediate Past President  
Townsville Chamber *of* Commerce