



3 March 2022

Committee Secretary
Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

via email: economics.sen@aph.gov.au

Dear Sir/Madam

Treasury Laws Amendment (Cyclone and Flood Damage Reinsurance Pool) Bill 2022

We welcome the opportunity to comment on the *Treasury Laws Amendment (Cyclone and Flood Damage Reinsurance Pool) Bill 2022* (the Bill). The intent of the Bill to ensure insurance cover for small businesses affected by cyclones and related flood damage is an important step to address the existing affordability and availability crisis in commercial property insurance. The measure is consistent with recommendations from this Office's December 2020 Insurance Inquiry, and we are supportive of the Bill progressing. Some refinements to the legislation would make the measure more effective and responsive to small and family business needs in accessing affordable insurance to enable ongoing business operations. As such we provide the following comments.

1. The maximum sum insured for small business property policies to be covered by the Cyclone and Flood Damage Reinsurance Pool (the Pool) of \$5 million is not sufficient to meet the needs of many small businesses. This lack of adequate limits risks small businesses falling outside the Pool's coverage and may lead to an increase in underinsurance throughout the sector.
2. We recommend the Bill be amended to provide coverage under the Pool for marine insurance contracts from the outset. We understand the Government intends to extend cover to some, but not all, marine insurance contracts from 1 July 2023 however, boats, marinas and docks represent a significant investment for small businesses and have a unique level of exposure to cyclone and related flood damage.
3. The proposed timeframe for cover within the Bill, of during or up to 48 hours after the cyclone ends, is not sufficient as industry feedback has highlighted that related damage can occur several days after a cyclone is declared to have ended. Limiting the Pool's coverage to damage sustained within the proposed timeframe may leave significant business losses outside the Pool. We suggest the timeframe for which the Pool provides cover be increased to ensure small business access to appropriate insurance policies.

Thank you for the opportunity to comment. If you would like to discuss this matter further, please contact Mr Cameron Dyson-Smith on [REDACTED]

Yours sincerely,

[REDACTED]
The Hon. Bruce Billson
Australian Small Business and Family Enterprise Ombudsman

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