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Dear Committee

Re: Inquiry into Treasury Laws Amendment (Cyclone and Flood Management Reinsurance Pool) Bill 2022

This submission is prepared and submitted by Regional Development Australia Townsville North West Queensland (RDA) with advice from the Townsville Chamber of Commerce (Townsville Chamber).

RDA funded by the Australian Government, operates as a not-for-profit, incorporated association with a charter to focus on economic development outcomes.

RDA would like to thank the Senate Economics Legislation Committee for the opportunity to provide feedback in relation to the 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 or individuals cannot operate in a free market. Insurance is a requirement by financier when borrowing or lending money, for an individual or business that provides goods or services at the legislated Australian Standards, when renting a premise, as part of standard procurement, supply, and grant funding contracts with local, state and federal governments, 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 for trade and commerce and to comply with both state and federal legislation. Quite simply without insurance the market fails.

In January 2021 the Townsville Chamber, supported by RDA, 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.



We believe 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 is affordable and healthy competition remains within the marketplace. More than one of the following recommendations 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 northern Australia in the natural events of cyclone and floods
- The obligation for an insurer to provide insurance for all of Australia
- National Insurer - Baseline of insurance for all Australians
- Abolish additional fees - Stamp duty and GST

RDA and the Townsville Chamber of Commerce would like to commend the introduction of the bill to create a Reinsurance pool for cyclone and flood related damage. As the first of four recommendations made in January 2021, we see this as a positive start to a more affordable and obtainable insurance market in northern Australia.

RDA and 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. 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 – both of which could look at issues 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.

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 ensure the reinsurance pool is having the desired effects on the insurance market in northern Australia.

Affordable and available insurance will assist the Government achieve its Northern Australia agenda. This is of particular importance as the master planning for the regions of growth have become. We note that Cairns to Gladstone and Mount Isa to Townsville to Mount have been prioritised to commence the master planning progress. The Treasury Laws Amendment (Cyclone and Flood Management Reinsurance Pool) Bill 2022 legislation will be critical in ensuring that Northern Australia reaches its true potential.

In October 2021 the Townsville Chamber of Commerce, partnering with Regional Economic Advisory and PVW partners released its Townsville Economic Review 2021-2022. Part of that report highlighted the effects of a reduction in insurance premiums in the Townsville LGA. A reduction of \$2000 per premium meant a combined economic output of \$222.3 million annually to the Townsville LGA. It also represents the equivalent of 949 full time equivalent jobs.

Quite simply the cost of not acting on the broken insurance market in Northern Australia is unmeasurable. The Reinsurance Pool for Cyclone and Flood related damage is seen by RDA and 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 achieved.

Halting any momentum in implementing this bill would have devastating effects and create uncertainty in an already broken marketplace. 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.

Thank you for the opportunity to provide feedback to this critical bill for northern Australia.

RDA would be pleased to respond to any questions you may have on our feedback. Please contact RDA Townsville and Northwest Queensland Chief Executive Officer Mr Wayne Chiesa on any matters regarding this submission. Wayne can be reached on [REDACTED]

Yours faithfully

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Frank Beveridge
Chairman
RDA Townsville and North West Queensland

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Chief Executive Officer
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