



News release

Insurance Council
of Australia

Friday, 3 December 2021

Insurers welcome release of draft Reinsurance Pool Bill

The Insurance Council of Australia (ICA) today welcomed the release of draft legislation intending to establish a reinsurance pool for cyclone and cyclone-related flood for privately-owned homes, strata corporations and small businesses insurance policies.

Following the Government's announcement of a reinsurance pool in May the sector has engaged constructively with Treasury during its consultation phase.

Insurers will now need to investigate and test how the model will operate to drive down premiums and improve availability for cyclone and cyclone-related flood and we look forward to further engagement with Government over the next two weeks of consultation on the draft Bill.

The 2020 Northern Australia Insurance Inquiry undertaken by the ACCC supported insurers' pricing practices, finding the main driver of 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:

Insurers welcome the release of the reinsurance pool draft legislation for review and thank the Government for their efforts to deliver this important next step for a very complex issue.

We recognise that it is one part of the solution to improving affordability and availability of insurance for those living with the threat of cyclones in northern Australia.

Insurers have worked hard for many years in northern Australia to keep premiums affordable and coverage available.

To create a long-term and sustainable market for insurance, more must be done at all levels to lower the physical risks by improving resilience standards in building codes, reform of unfair state insurance stamp duties and levies, and making better land planning decisions into the future that factor in the climate impacts.

We look forward to ongoing work with the Government and the Australian Reinsurance Pool Corporation on the consultation.