



News release

Insurance Council
of Australia

Thursday, 30 June 2022

Insurers welcome release of Reinsurance Pool modelling data

The Insurance Council of Australia (ICA) welcomes the release of the modelling of data used to design the Northern Australia Reinsurance Pool, which reveals the impact the scheme is likely to have on premiums across the region.

Insurers are committed to working with the Federal Government and communities to improve affordability and availability of general insurance for all Australians, particularly those in Northern Australia who are vulnerable to worsening extreme weather impacts as a result of climate change.

While the ICA has not yet validated the Australian Reinsurance Pool Corporation's (ARPC) modelling, the report indicates up to 24 per cent of residential home policyholders in Queensland with minimal cyclone risk will see premium increases. In some cases, this premium increase could be greater than 20 per cent.

The modelling estimates that the actual number of small businesses and strata corporations across all of Northern Australia expected to receive the highest premium reductions are just five and six respectively.

Investment in mitigation and resilience, alongside changes to building standards and land-use planning and the removal of state taxes on insurance, offer the best opportunity for sustainable premium reductions over the longer-term.

That's why the ICA and insurers have supported the Albanese Government's annual \$200 million commitment under its Disaster Ready Fund, and the Palaszczuk Government's \$741 million Resilient Residential Recovery package, co-funded by the Commonwealth.

The Northern Australia Reinsurance Pool was designed to give large insurers until 31 December 2023 to have all cyclone-risk reinsurance contracts in the Pool, while small insurers have until 31 December 2024.

This means policyholders in Northern Australia should expect to see an impact on premiums only once insurers move their reinsurance contracts into the Pool.

Quote attributable to ICA CEO Andrew Hall:

We welcome the Assistant Treasurer's move today to bring full transparency to the modelling which sits behind the Reinsurance Pool scheme.

Insurers have been concerned that consumer expectations around premium decreases were never going to be met through this scheme, so today's release has provided transparency for the first time.

Ultimately this data highlights that driving sustainable relief to people's premiums will require long-term co-ordinated investment across a range of measures from all levels of government.

We endorse the Assistant Treasurer's comments that Government should be working with vulnerable communities to reduce the risks of extreme weather, through direct action at the household level and in community infrastructure.

Ultimately a more resilient built environment and smarter land planning decisions will be the key to insurance affordability and availability in Northern Australia.