

12 November 2025

Treasury
Langton Crescent
Parkes ACT 2600
Submitted [online](#)

Dear Treasury,

Review of the Terrorism and Cyclone Insurance Act 2003

The Insurance Council of Australia (Insurance Council) welcomes the opportunity to respond on behalf of our members to the consultation paper 'Review of the Terrorism and Cyclone Insurance Act 2003'.¹

The Insurance Council is the representative body of the general insurance industry and represents approximately 85 per cent of private sector general insurers.² Given the importance of this review, we anticipate that Insurance Council members will make individual submissions to this process in addition to this response.

We welcome this review on what are very complex issues and appreciate the Government's ongoing commitment to ensuring the legislative and regulatory settings are appropriate to ensuring affordability and accessibility of general insurance products across the Australian community. Insurance Council members recognise that reinsurance pools can be a part of the solution to improving affordability and availability of insurance. Our submission comments on the effectiveness of the Cyclone Reinsurance Pool (CRP), identifies areas for improvement, and recommends policy actions including increased investment in mitigation and enhanced transparency.

Effectiveness of the Cyclone Reinsurance Pool

In line with the CRP's objective to improve accessibility and affordability of insurance for households and small businesses in cyclone-prone areas across Australia, the CRP has contributed to reducing premiums for high-risk regions.

It is positive that since its inception, the CRP has processed over 9,000 claims, with an incurred value of \$121 million and coverage for over 3.1 million buildings. However, the benefits of the CRP are being eroded due to inflation, global reinsurance market conditions, and operational costs, highlighting the need for a broader solution to affordability challenges. This has been observed in sample quotes of lower-risk policy premiums increasing by 15 per cent.³

Affordability

Insurers have worked hard for many years in cyclone-prone northern Australia to keep premiums affordable and coverage available. The Insurance Council agrees with previous ACCC reports, that the cost-neutral CRP is not designed to solve affordability concerns or the risks driving pricing.⁴

There is a broader problem of growing risks and costs putting pressure on insurance affordability, particularly driven by flood. The drivers of higher costs include more extreme weather events fuelled by climate change, development in high-risk areas, increasing asset values, inflationary pressures,

¹ Treasury (September 2025). 'Consultation paper: Review of the Terrorism and Cyclone Insurance Act 2003'.

² www.insurancecouncil.com.au.

³ ARPC Cyclone Reinsurance Pool Premium Assessment May 2025, page 5.

⁴ See previous reports for example, [ACCC Insurance monitoring report 2025](#) and [ACCC Insurance monitoring report 2024](#).

and supply chain shortages in the building sector. The CRP is one lever to influence premium prices in high-risk regions by impacting the reinsurance cost component. It must be part of a broader solution that includes policies to actively reduce risk. These include programs to support household resilience to cyclones and investment in mitigation infrastructure.

Considerations for expansion

Government-backed reinsurance pools established without a link to mitigation and resilience can mask risk, placing more people in harm's way and increasing long-term exposure. While the Insurance Council supports transparent analysis of expansion, we caution against any expansion that may inadvertently obscure critical risk signals which serve to discourage development in high-risk areas.⁵

Any consideration of broadening the scope of the CRP would likely result in a significant transfer of risk from the private market to the Government balance sheet. We recommend any proposal to extend the damage period of the CRP to require a full and transparent analysis of the potential impacts on the CRP, as well as comprehensive stakeholder consultation.

Mitigation measures

The Joint Select Committee on Northern Australia's Final Report on the Cyclone Reinsurance Pool from March 2025 called for ongoing national resilience programs and tax offsets to improve resilience and mitigation efforts.⁶ The Insurance Council supports the Government's commitment to \$200 million annually in mitigation funding and recommends that this be structured as a rolling, indexed program to ensure long-term impact.⁷

Recommendations

The Insurance Council recommends:

- Increasing transparency by publishing relevant Government modelling on CRP impacts.
- Improving consumer understanding of the CRP's operations and clarification of eligibility criteria to distinguish between residential and commercial use in mixed-use strata schemes.
- Prioritising investment in mitigation and resilience to support sustainable premium reductions; and
- Approaching any potential expansion of the CRP with caution to avoid distorting risk signals, ensuring ongoing consultation with industry on future design changes.

We have provided more specific responses to the questions outlined in the consultation paper below. If you have any questions in relation to our submission, please contact Alexandra Hordern, General Manager, Regulatory and Consumer Policy at ahordern@insurancecouncil.com.au.

Yours sincerely,



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Executive Director and CEO

⁵ This has been observed in other markets such as the United States. See Churchill Fellowship Report by Alix Pearce (2025) '[Insuring Australia Tomorrow. Pathways to protecting communities in a new era of risk](#)'.

⁶ Joint Select Committee on Northern Australia (March 2025) '[Final Report on the Cyclone Reinsurance Pool](#)'.

⁷ Insurance Council of Australia webpage '[Resilience Investment](#)'



Insurance Council
of Australia

Review of the Terrorism and Cyclone Insurance Act 2003 – Consultation Questions

QUESTIONS	INDUSTRY POSITION
The Cyclone Reinsurance Pool 1. Is the cyclone pool helping to reduce insurance premiums for households, small businesses, and residential and commercial strata with medium to high cyclone and related flood damage risk, when compared to what they would be in the absence of the cyclone pool, while maintaining premiums at comparable levels to the private market for those with lower risk?	The Cyclone Reinsurance Pool (CRP) is contributing to premium reductions. In the highest-risk categories, average home insurance premiums have decreased from approximately \$9,400 to \$5,700, providing relief for affected policyholders.⁸ The Australian Competition and Consumer Commission's (ACCC) July 2025 price monitoring report highlights the following impacts: • Home and contents insurance premiums have decreased by 11 per cent per \$100,000 sum insured.⁹ • Strata insurance premiums have fallen by an average of 7 per cent, with reductions of up to 28 per cent in high-risk locations such as Townsville, Karratha, Mackay, and Cairns. • ARPC data indicates a 39 per cent reduction in average premiums for the highest-risk bands, alongside improved quote acceptance rates.¹⁰ The savings are being passed on to customers by insurers, particularly in regions where reinsurance costs were previously a major driver of unaffordability. However, broader economic pressures, especially inflation and rising construction costs, are offsetting some of the intended premium reductions. The overall impact on premiums varies based on a property's risk profile, location, and type. In some cases, the reinsurance pool rates exceed insurers' previous retained costs, resulting in premium increases for certain policies. While the CRP has supported improved affordability and contributed to greater market stability,

⁸ [ARPC Cyclone Reinsurance Pool Premium Assessment May 2025](#), page 5.

⁹ [ACCC Insurance Price Monitoring Report July 2025](#), page 48.

¹⁰ [ARPC Cyclone Reinsurance Pool Premium Assessment May 2025](#), page 3.

	further refinements may be necessary to maximise its effectiveness and ensure equitable outcomes for all policyholders. The complexity of the premium calculation methodology can hinder the ability of new entries into the market, as insurers must build separate rating engines, map data to ARPC-specific formats, and manage detailed processes. The ARPC could work to align CRP data inputs with standard industry data collected at the point of sale to reduce costs and improve accuracy. It is important to note that the CRP is a revenue-neutral, long-term initiative, not a government subsidy. This limits its capacity to address affordability challenges across the board. While the pool is delivering targeted relief, it is not a comprehensive solution to broader affordability issues. The Insurance Council strongly recommends continued investment in mitigation measures and resilient infrastructure. The insurance industry remains concerned about the affordability of flood cover. There is strong industry support for the development of a separate, collaborative solution with government to address flood risk.¹¹
2. Are the ARPC's discounts for mitigation effective? Is pricing the only way the ARPC has encouraged risk mitigation?	We support the Australian Reinsurance Pool Corporation's (ARPC) efforts to encourage household resilience through mitigation discounts. These initiatives represent a positive step toward incentivising risk reduction among policyholders. Insurers use building age as a key factor in assessing and pricing cyclone risk, as newer buildings are generally constructed to more resilient standards. As such, more contemporary homes tend to attract lower risk ratings due to requirements such as tie-downs, cyclone shutters and roller door reinforcement. It is complex to apply discounts for individual mitigation actions, such as roof upgrades or structural reinforcements, due to the wide variation in property-specific characteristics that influence their effectiveness. Despite these challenges, some insurers are applying discounts of up to 42 per cent on the cyclone component of premiums for eligible mitigation

¹¹ Insurance Council of Australia webpage [Flood Defence Fund](#).

	measures. These are implemented through ARPC mitigation rating factors within pricing systems, where available. The CRP does not reduce the underlying physical risk. Without broader policy support, natural peril risks will continue to grow, increasing claims costs and potentially leading to higher reinsurance rates. A coordinated, whole-of-system approach, combining financial incentives, infrastructure investment and community engagement is essential to achieving meaningful and lasting improvements in both affordability and resilience. Long-term affordability will depend on complementary measures such as: • Strengthened building codes. • Improved land use planning; and • Public and private investment in resilience infrastructure. There is support for the CRP to play a more active role in capturing high-quality data on the effectiveness of mitigation in reducing cyclone and flood risk. Currently, property-level risk data is held individually by insurers. Over time, the Pool could help build a shared evidence base that supports more accurate, risk-based pricing and better reflects individual mitigation efforts. Treasury should consider closer alignment between the CRP and mitigation efforts, such as linking eligibility or pricing to resilience standards, to improve outcomes. Co-investment programs, such as household mitigation grants, levees, house-raising, and buy-backs, demonstrate valuable and practical avenues for government contribution.
3. Are there any other matters that should be considered when assessing whether the cyclone pool should continue?	In relation to strata coverage, the CRP covers eligible strata insurance policies for residential and mixed-use strata schemes where at least 50 per cent of total floor space is used mainly for residential purposes. In assessing eligibility, insurers typically consider the use of the property, consistent with the 'purpose' test in the <i>Terrorism and Cyclone Insurance Act 2003</i>. The ARPC's Practice Guide provides some clarification but focuses on the property's design rather than its use.¹² This has created difficulties for mixed-

¹² ARPC (March 2025) Practice Guide ['Residential Strata - Short Term rental'](#).

	use strata schemes that combine residential and commercial uses, for example, developments with restaurants, shops, long-term rentals, and short-term holiday accommodation marketed as hotels. We recommend further clarification to better delineate commercial and residential use properties. In November 2024, the Insurance Council published a policy paper focused on enhancing consumer outcomes for strata communities.¹³ The recommendations underscored the importance of reducing risk in strata living by ensuring complexes are well-designed, constructed, and managed. We believe that well-built and well-managed strata developments contribute to safer, more resilient, and insurable homes for Australians over the long term.
4. Should the cyclone pool continue to exist? What would be the consequences of ending the cyclone pool?	The industry supports the continued operation of the CRP to deliver its objective of easing premium pressures for at-risk properties. Insurers have made significant system and reinsurance changes to participate in the CRP and unwinding it could increase risk and premiums for policyholders currently benefiting from it. Ongoing stakeholder engagement and transparent performance monitoring will be essential to ensure the pool continues to meet its objectives. Treasury could consider sunseting the CRP's operation to incentivise resilience, mitigation, and avoidance of development in high-risk areas, conditional on the implementation of established, measurable mitigation programs, to reduce policy uncertainty for consumers and insurers. If the CRP is sunset, a carefully managed transition will be important. Insurers may need to undertake system changes to adjust to the withdrawal of the CRP, which could have implications for premiums. Replacing CRP coverage with private reinsurance may involve higher costs, particularly given current constraints in global reinsurance capital and the potential for exposure to higher-risk policies under the ARPC. This could result in upward pressure on premiums.
Coverage period 5. Should the damage period be extended, for example, to seven days after a cyclone event rather than two days after an event?	Insurance Council members hold a range of views on whether the damage period under the CRP should be extended to seven days following a cyclone event.

¹³ Insurance Council of Australia (November 2024), '[Improving consumer outcomes for strata communities](#)'.

If so, why, and what steps could be taken to ensure any benefits are passed through to policyholders?	Some Insurance Council members support an extension, noting it could reduce complexity and help address currencoverage t uncertainty. Other members have raised concerns about the potential implications for the budget-neutral operation of the pool and whether such a change would deliver meaningful benefits to consumers or dilute savings. We recommend any proposal to extend the damage period require a full and transparent analysis of the potential impacts on the CRP, as well as comprehensive consultation with industry stakeholders. The Insurance Council welcomes the clarification that Government has decided not to expand the CRP to small business marine insurance.
6. Has the private reinsurance market adjusted pricing to reflect the risks the ARPC has taken? If not, would extending the coverage period address this issue?	The private reinsurance market has adjusted pricing to reflect the risk transfer provided by the CRP. However, the extent of this adjustment may be less than initially anticipated due to the complexity of multi-peril, multi-territory reinsurance programs. It is important to recognise that reinsurance pricing is influenced by a wide range of factors, including structural changes, market conditions, local and global loss activity, exposure movements, and reinsurer appetite and capital. This makes it challenging to isolate and price cyclone-related flood risk covered by the CRP. Due to the scope of the CRP, insurers continue to purchase flood cover in the commercial market, particularly for flood events occurring outside the 48-hour window currently covered by the pool. We note that ongoing engagement with reinsurers, alignment of catastrophe models with CRP definitions, improved data sharing and transparent modelling will be critical to ensuring that the CRP's risk transfer is accurately reflected in private reinsurance pricing.
Small business sum insured limit 7. Is the \$5 million SME sum insured limit appropriate?	The current \$5 million sum insured limit for SMEs is broadly appropriate. Treasury could consider whether the limit should be indexed annually to reflect rising building costs and review the limit appropriately.

Building date eligibility

8. Should there be changes to the eligibility for new builds? If so, how would this be achieved, which specific properties and how would this impact cyclone pool pricing and insurer costs?

We understand the intention of Treasury to explore Recommendation 6 from the Joint Select Committee's first report, which proposes that the Government consider evidence on whether to sunset CRP coverage for new builds past a certain date.¹⁴ This should be done with care to avoid penalising properties built in accordance with approved development processes.

For example, excluding new builds in lower-risk areas from the CRP could increase the overall risk profile of the pool and lead to higher costs over time. Conversely, the CRP should not inadvertently subsidise poor development decisions, such as building in high-risk zones or using substandard materials.

Any changes to eligibility should be accompanied by improved recognition of mitigation efforts and better data to inform development decisions.

The industry is committed to working with all levels of government to ensure new developments are guided by high-quality data and designed to minimise exposure to natural hazards.

QUESTIONS	INDUSTRY POSITION
The Terrorism Reinsurance Pool 9. Should the terrorism pool continue to exist and if so, should it be considered a permanent feature of the Australian insurance market?	We support the Terrorism Reinsurance Pool (TRP) existence and its design. The ongoing terrorism risk necessitates the Pool to continue to provide market stability and assured coverage.
10. Is there still a need to encourage greater involvement of the commercial sector in providing terrorism risk cover?	There is private sector involvement and confidence in the TRP, with improvements in the private reinsurance market's ability to provide terrorism risk cover since the TRP's introduction. Encouraging non-mandatory participation helps stimulate demand for private market capacity, supporting the growth of commercial terrorism reinsurance.
11. Should the ARPC continue to purchase retrocession with a view to encouraging the growth of the private market? Does the	The ARPC's purchase of retrocession encourages terrorism reinsurance supply to the Australian market. This supports global capacity by diversifying

¹⁴ Joint Select Committee on Northern Australia (March 2023), Inquiry into the Cyclone Reinsurance Pool, [First Report on the Cyclone Reinsurance Pool](#), Recommendation 6.

existence of the cyclone pool and its diversification benefit impact the need for the retrocession program? Are there any other reasons for the ARPC to continue purchasing retrocession?

the global reinsurance market. While capacity still falls short of global demand, removing the terrorism pool would contribute to the lack of capacity.

QUESTIONS	INDUSTRY POSITION
Australian Reinsurance Pool Corporation (ARPC) Operations 12. Is the ARPC's claims process fit for purpose?	The ARPC claims process is considered fit for purpose. We note that requiring the exact time of loss can create practical issues, as claim systems can typically record the date, and many customers cannot specify the precise time if an event has occurred overnight. If systems allowed only the date for reporting, where time is unknown, this would reduce administrative burden. To maintain efficiency, we recommend responsiveness and alignment with industry best practice, ongoing collaboration and regular process reviews. To support transparency and efficiency, the ARPC could also consider publishing benchmarking data on its resourcing.
13. Should the annual guarantee and capital holding fees continue and at what level?	Due to the CRP's cost neutral design and the potential for funding deficits after large events, the guarantee should continue at a below commercial rate to maintain affordability and confidence in the CRP. Consideration could also be given to using surplus funds for mitigation initiatives. Given the claims experience of the TRP and the current levies paid by commercial property insurance policyholders, we support a review of government guarantee and capital holding fees, to better align pool premiums with long-run average expected losses.
14. Should the ARPC be able to share additional data with stakeholders, in and out of government, and why?	The industry supports the ARPC role in promoting mitigation and resilience through the effective capture of data on property-level mitigation actions that reduce the impact of cyclone and flood risk. Sharing this data in a comprehensive and secure manner can support insurers in implementing more accurate, risk-based pricing that reflects individual mitigation efforts.

	It is important to acknowledge that any data sharing must be subject to privacy protections. This includes appropriate aggregation or anonymisation to minimise privacy risks and ensure compliance with relevant privacy laws and standards. For example, restricted to de-identified, aggregated data used solely for resilience research or natural hazard analysis. We recommend clarification on what new data categories Treasury intends to include and ensuring explicit privacy and commercial safeguards are clearly defined. Any proposal to share data beyond Government should be subject to further consultation, including a clear articulation of the intended use, expected benefits, and appropriate safeguards for privacy and intellectual property. Treasury should also consider harmonising reporting and oversight across ARPC, ACCC and APRA to avoid duplication, where possible, to enhance consistency and reduce compliance burdens.
15. Should the ARPC have a dedicated scheme actuary?	Our members express support for appointing a dedicated scheme actuary which could strengthen the ARPC's modelling, governance and stakeholder confidence. An actuary would provide expert oversight of risk modelling, premium setting and financial management, supporting the cyclone reinsurance pool's financial sustainability and responsiveness to emerging risks.