

Executive Office



23 Marcus Clarke Street
Canberra ACT 2601

GPO Box 3131
Canberra ACT 2601

tel: (02) 6243 1111
fax: (02) 6243 1199

www.accc.gov.au

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Committee Secretary
Joint Select Committee on Northern Australia
Parliament House
Canberra ACT 2600

Dear Secretary

Inquiry into Cyclone Reinsurance Pool

The Australian Competition and Consumer Commission (ACCC) is pleased to provide this submission to the Joint Select Committee on Northern Australia's inquiry into the Cyclone Reinsurance Pool (the CRP).

The direction to the ACCC

In May 2021, the then government announced it would introduce a cyclone and related flood damage reinsurance pool, backed by a \$10 billion government guarantee, and to be administered by the Australian Reinsurance Pool Corporation (ARPC). Treasury developed the CRP policy and legislation via its Reinsurance Pool Taskforce. The CRP subsequently commenced operation on 1 July 2022, and finalised reinsurance premiums were released in late September 2022.

On 12 January 2022, the then Assistant Treasurer directed the ACCC to monitor prices, costs and profits relating to the supply of home and contents, strata, and certain commercial insurance policies.

The direction specifies the objectives of the ACCC's monitoring as follows:

The object of this instrument is to monitor prices, costs and profits relating to the supply of insurance cover in respect of the destruction of, or damage to, a home building, contents of a residential building, a strata title residence, and certain commercial premises and contents of those commercial premises, before and after the introduction of a cyclone and related flood damage reinsurance pool.

The ACCC's role under the direction is confined to a monitoring and reporting task. The ACCC does not have the power to set prices, mandate a particular form of cost passthrough by insurers, nor to require insurers to join the CRP any earlier than required by the legislation.

ACCC monitoring and reporting

The ACCC has been directed to report at least once each calendar year during the period until 30 June 2026. Our first report will be released by the end of 2022.

The ACCC will collect data and monitor insurance premiums to evaluate the impact of the CRP, and assess whether and how savings are being passed through to policy holders. As no insurer is currently using the CRP, the ACCC's first report will focus on the background and context to the CRP's introduction and the ACCC's monitoring role.

In preparing the first report, and with a view to its ongoing monitoring over the next five years, the ACCC has engaged heavily with government, insurers and insurer representative bodies, consumer bodies, and other stakeholders during this year. We have also obtained documents, information and data from insurers; conducted separate research; and engaged the services of the Australian Government Actuary.

At this stage, the ACCC is not able to provide details about the preliminary findings from its monitoring activities. However, the ACCC's reports are required to be issued publicly after being provided to government.

Northern Australia Insurance Inquiry

The ACCC's monitoring task indirectly follows from its Northern Australia Insurance Inquiry (NAII). The NAII final report, which was provided to the then government in November 2020, made 38 recommendations about how governments and industry could address the difficulties facing insurance customers in Northern Australia, spanning a range of areas. We considered that there were a number of actions that could improve competition and consumer outcomes in insurance markets, and help address affordability and availability concerns.

The ACCC's NAII recommendations are currently with governments and industry. There has been no formal announcement regarding a Commonwealth government response.

Other work

We note also that the most recent Federal Budget included funding for measures to address the cost and availability of insurance in disaster prone areas, supporting the government's Disaster Ready Fund. The ACCC has engaged with other government agencies in relation to aspects of this work, particularly in relation to data collection. We also note that the announcements included actions on certain areas that were considered by the NAII, such as standard definitions and standard cover.

We would be happy to provide further information to the Committee, or to talk further about our first report once released.

Yours sincerely

Scott Gregson
Chief Executive Officer