

12th February 2025

Joint Select Committee on Northern Australia

By email: northernaustralia.joint@aph.gov.au

Re: On Notice Submission – Cyclone Reinsurance Pool Eligibility Criteria

Dear Members of the Joint Select Committee for Northern Australia,

I write to provide further evidence, as requested during my appearance at the Joint Select Committee into Northern Australia's inquiry into the Cyclone Reinsurance Pool on 7th February 2025. During my testimony, I highlighted concerns regarding the eligibility criteria of the Pool and the need for adjustments to ensure broader accessibility and effectiveness for consumers.

ACIL strongly recommends that the eligibility criteria be revisited to enhance participation and address key gaps that currently prevent certain high-risk property owners from benefiting from the Pool. Our concerns and recommendations are as follows:

1. **Sum Insured Limitation:** The current \$5 million sum insured cap for commercial buildings is unduly restrictive and limits access for many businesses and community assets. ACIL recommends increasing this threshold to at least \$10 million, with consideration for a \$20 million cap, to accommodate a wider range of insured properties and provide greater relief to those facing high cyclone-related premiums.
2. **Inclusion of Farms:** Farmers in Northern Australia face significant challenges in securing affordable insurance due to cyclone risk. Extending Pool eligibility to farms would help alleviate financial pressure on this essential sector and ensure its resilience in the face of extreme weather events.
3. **Aged Care Facilities:** Under the current framework, aged care facilities are classified as commercial properties, despite their primary function as residences for elderly and vulnerable individuals. The \$5 million cap excludes many facilities, inadvertently increasing the cost of care. ACIL urges the Committee to consider a revised approach that acknowledges the residential nature of these facilities and ensures they can access the benefits of the Pool.
4. **Ensuring Island Communities Are Covered:** Many islands across Northern Australia are critical to the tourism industry and broader regional economy, yet they face significant barriers in accessing the Pool due to existing eligibility criteria. Hamilton Island and Green Island are prime examples of locations where insurance challenges are creating economic pressures. For example, many buildings on **Hamilton Island** function similarly to strata developments, with numerous individual investors ('mum and dad' lot owners), yet their non-strata classification under the Corporations Act makes them ineligible for Pool participation. Likewise, as a key tourism destination off the coast of Far North Queensland, **Green Island** faces major affordability issues due to the \$5 million commercial sum insured limit, restricting its ability to secure viable insurance solutions. Given their economic significance, ACIL urges the

Committee to conduct an assessment to ensure that islands vital to Northern Australia's economy are appropriately covered by the Pool.

5. **Marine Insurance Inclusion:** Northern Australia's marinas and marine-related industries are struggling under the weight of soaring premiums and unsustainable cyclone excesses. Given the economic significance of these industries, ACIL urges the Committee to explore the feasibility of including marine insurance within the Pool to support this critical sector.

The overarching objective of the Cyclone Reinsurance Pool is to reduce premium costs for consumers in cyclone-prone regions. Expanding eligibility will ensure that more consumers benefit from this initiative, strengthening resilience across Northern Australia. ACIL welcomes further discussions with the Committee and relevant stakeholders on these recommendations.

Thank you for your consideration. I look forward to your response and am happy to provide any further evidence to assist the Committee's work.

Kind Regards.

Tyrone Shandiman
Chairperson
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