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Please find my comments and opinions on the impact of the Proposed Australian Reinsurance Pool Corporation.

My Wife and I are retired and moved to Mackay 13 years ago from Port Stephens in NSW. We invested in a unit at the Harbour in Mackay and intended to live out our lives in this wonderful part of Northern Australia.

I have been on the Body Corp committee for 12 years and held the position of Chairperson and currently am the Treasurer.

Over this period, we have experienced 2 major impact damage of Cyclones, resulting in Building Insurance premiums increase from \$18,000 a year (\$15m) for the 21 Units to our current Premium of \$204,000 per annum.

This has had a devastating impact on our financial future and quality of life.

The ARPC has the potential to have an incredible effect on allowing us to live out retirement without financial support.

We are proud of our building and its condition. The Maintenance budget and regime has maintained our building in pristine condition.

The value of our unit has not increased from the purchase price as a result of Insurance costs.

The few units in this area that are purchased are selling at fire sale prices many hundreds of thousands of dollars under original purchase prices, directly due to unsustainable insurance costs.

We are certainly encouraged and relieved by the prospect of the proposed Reinsurance Pool.

This has come at a time when many unit and home owners were at a point of complete loss of options to maintain our homes and buildings affordable Insurance for cyclone/flood disaster protection.

My responses to the List of consultation questions:

Should storm surge be covered by the pool and included in a definition of 'cyclone-related flooding'?

Yes, as the result of the Cyclones this region has experienced flooding and water damage have been a big part of the damages incurred.

Is it desirable for the use of standard definitions of 'cyclone' and 'cyclone-related flooding' to be required in policies covered by the pool?

Yes, to be classified as a 'cyclone' the damage incurred will be obviously cyclonic damage which will embrace Home and Residential Strata Building.

Are there any difficulties which may arise from including home building, home contents, or residential strata policies in the reinsurance pool and how should the scope of this coverage be clarified?

It would be hard to omit Home Content damage if it was shown beyond doubt to be 'cyclone' caused. An assessor's decision/roll would clarify this.

How should the reinsurance pool design a risk rating system for cyclone and related flood damage risks, and what are the trade-offs associated with using risk tiering and with the level of granularity used?

Apart from the obvious ones in regard to location re ocean/river storm surge/flooding... A risk rating system would be difficult to create without individual assessment.

How should industry transition be managed and what is the best format and timeframe for it to take place?

The Government would set a fixed date by which insurers must exit their existing insurance contracts and transition into the reinsurance pool. If the Insurance contract expired before the Government set date, then the transition into the reinsurance pool could take place then.

What should be the key goals for a regular review of the reinsurance pool and what would be the optimal timeframe? *Depending how successful the triennial terrorism review mechanism has been could be used in the beginning to gauge the successes and problems experienced.*

Should the reinsurance pool have a planned exit date?

Realistically while ever there is a need for assistance to unit/home regarding cyclone insurance hardships it should continue.

Explicit price monitoring of insurance premiums?

Additional requirements to disclose the cost of reinsurance to policyholders?

To what extent do insurers price in discounts into insurance premiums for mitigation action undertaken by or affecting policyholders?

Any realistic action in regard to mitigation should have the full consideration of the assessment of the property for insurance purposes... This communication needs to be ongoing with the insurer when changes/additions regarding improvements to minimise risk of damage e.g., equipment and building changes meet at least category 3 or 4 cyclone rating.

How might mitigation be encouraged by the reinsurance pool's design? For example:

Should the pool provide discounts for properties that undertake mitigation? Yes

How should the pool's design seek to discourage any increase in risky behaviour? For

Example:

Should there be a time-based cut-off to exempt new builds from the pool? Yes

Should the pool only allow new builds that have been built to adequate standards and in suitable locations? Yes

How should the reinsurance pool design a risk rating system for cyclone and related flood damage risks, and what are the trade-offs associated with using risk tiering and with the level of granularity used?

Apart from the obvious ones in regard to location re ocean/river storm surge/flooding... A risk rating system would be difficult to create without individual assessment.

What is the appropriate level of participation in the pool, and how should consideration of coverage and the amount of risk to be ceded be addressed?

I can't see too much confusion in regard to participation from the Pool and the amount of risk to be cede has to be extensive if not all for the consumer (building owners) to receive as much benefit as possible from the ARPA involvement.