

15 December 2021

Cyclone Reinsurance Pool Taskforce  
Treasury  
Langton Crescent  
PARKES ACT 2600

*via email: ReinsurancePool@treasury.gov.au*

Dear Sir/Madam

### **Exposure draft legislation: cyclone and related flood damage reinsurance pool**

We welcome the opportunity to comment on the Exposure Draft legislation. The intention to ensure insurance cover for small businesses affected by cyclones and related flood damage is an important step to address the existing affordability and availability crisis in commercial property insurance. Small business is an integral part of the Australian economy and important as Australia looks to rebuild its tourism industry.

To assist the cyclone and related flood damage reinsurance pool (the Pool) in improving access to insurance for small business, we provide the following comments.

#### **Cap on small business insurance policy**

We strongly recommend the cap on small business coverage be increased. The proposal to provide coverage on commercial properties with less than \$5 million total sum insured (covering building, contents, and business interruption) is not sufficient to meet the needs of many small businesses. The lack of adequate limits risks small businesses falling outside the Pool's coverage, decreasing the appetite for insurers to provide affordable policies for these businesses. The proposed limit may lead to small businesses underinsuring, increasing the risk of insolvency following an insurable event.

Consideration needs to be given to how any coverage limit will be applied to a business with multiple sites where the business has total coverage over the cap however the sum insured for individual sites in the cyclone affected area falls under the limit.

#### **Proposed timeframe for coverage**

We recommend increasing the timeframe for which the Pool provides cover. Limiting the coverage to cyclone and related flood damage that occurs during or up to 48 hours after the cyclone ends may leave serious damage and business losses outside the Pool. This lack of coverage will further restrict the Pool's ability to have the desired impact on insurance premiums.

#### **Boats and marinas**

We understand the Government intends to include some but not all commercial marine insurance policies in the Pool from 1 July 2023. As stated in our previous submission, boats, marinas, and docks are a significant investment for small businesses and given the unique exposure of these assets to cyclone and related flood damage we strongly urge inclusion of commercial marine insurance policies in the Pool from the outset.

### **Governance and monitoring**

We support a regular review cycle for the Pool however, we suggest an interim review be conducted shortly after the Pool's establishment and subsequent reviews conducted every three years thereafter. It will be important to effectively survey the small business community through any review process to ensure that insurance has been made available, and at an affordable price. To further support small business in attaining affordable cover and maintain incentives for risk mitigation, we propose the ACCC provide transparency around their findings when monitoring insurer premiums to ensure savings are passed through to policyholders.

Thank you for the opportunity to comment. If you would like to discuss this matter further, please contact Mr Cameron Dyson-Smith on 02 5114 6105 or at [Cameron.Dyson-Smith@asbfeo.gov.au](mailto:Cameron.Dyson-Smith@asbfeo.gov.au).

Yours sincerely



**The Hon. Bruce Billson**

Australian Small Business and Family Enterprise Ombudsman