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Australian Government

**Department of Infrastructure, Transport,
Regional Development and Communications**

Treasury
Langton Cres
PARKES ACT 2600

17 December 2021

Submission on exposure draft legislation: cyclone and related flood damage reinsurance pool

The Department of Infrastructure, Transport, Regional Development and Communications (the Department) welcomes the opportunity to comment on the exposure draft of legislation for the purposes of cyclone and flood related damage reinsurance pool.

The Department made a submission to the Treasury in June 2021 in response to the consultation paper released in May 2021. This submission strongly advocated for the inclusion of the external territories of Christmas Island (CI) and the Cocos (Keeling) Islands (CKI) in the eligibility definition for the proposed cyclone and flood related damage reinsurance pool.

The Department is pleased to note the inclusion of CI, CKI and Norfolk Island in the draft legislation, and the economic benefits that this will provide for the communities in the region.

Christmas Island

The Department strongly supports the key principles of the reinsurance pool, that is, lower insurance premiums and targeting cyclone high-risk areas, and notes the potential benefits this will have on CI. The reinsurance pool will provide opportunities for residents to access more affordable insurance, which has been one of the key constraints to economic diversification and private capital investment activities on CI.

The reinsurance pool will greatly benefit those CI residents with household and small business insurance policies. The availability of the reinsurance pool will support property owners and small scale investors in constructing new homes and growing small businesses. As outlined in the June 2021 submission from the Department, Christmas Island is at a crossroads with its economic future, notably due to the phasing down of phosphate mining as a major employer. As a result, it is also crucial that obstacles are removed to attract more

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substantial private investment in the region and supporting alternate industries. Insurance affordability challenges, however, will remain for those businesses with commercial property policies with over \$5 million total sum insured assets.

Cocos (Keeling) Islands

While the reinsurance pool provides immense benefits in regards to the affordability of insurance overall as well as decreasing rates of underinsurance, the impacts of the proposal are limited to those who already have insurance policies. Limited availability of insurance to residents and investors on CKI will remain the primary obstacle to investment and economic development on CKI. Regardless of affordability, there are limited insurers who provide insurance policies to CKI residents at all. The Department will continue to explore options to improve availability of insurance for residents and businesses on CKI.

Amendments

Additionally, the Department wishes to bring the Treasury's attention to the incorrect definition of the external territories in the Explanatory Memorandum (page 17). The definition should instead read 'Christmas Island and the Cocos (Keeling) Islands:

Definition of Australia

1.1 The definition of Australia is repealed as it is redundant. Section 2B of the *Acts Interpretation Act 1901* applies to provide that the term Australia includes Norfolk Island, Christmas Island and Cocos (Keeling) **and Christmas Islands.** [Schedule C, item 4, section 3 of the Act]