

The Treasury  
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Dear Sir/Madam

16 January 2021

Thank you for the opportunity to provide feedback on the *cyclone and related flood damage reinsurance pool exposure draft*.

I am writing on behalf of the Port Douglas Apartments (PDA) Committee. PDA (a strata titled property), situated on the main street of Port Douglas, is a small complex of 18 self-contained, one-bedroom apartments offering short stay accommodation for visitors to Far North Queensland. PDA unit owners are small Mum and Dad investors (average-income earning Australians) or retirees.

The PDA Committee welcomes the proposed legislation which will improve accessibility and affordability of strata insurance across cyclone-prone areas of northern of Australia. However, the exposure draft lacks clarity on the eligibility of short-term accommodation strata insurance policies to enter the reinsurance pool.

The PDA Committee understands that recent Treasury consultation discussions with short-term accommodation providers indicated that short-term accommodation holiday letting will not be considered *residential* for the purposes of the reinsurance pool, even though the term *residential* is not defined in the exposure draft. The end result of this proposal is that the eligibility of a strata insurance contract to enter the reinsurance pool is determined on the ownership status (resident or investor) of a property, rather than the overall intent of the reinsurance pool to improve insurance affordability and protect properties across northern Australia.

Port Douglas is a town that depends on the tourism industry for its economic survival. If short-term accommodation providers are excluded from participation in the reinsurance pool, they will be subject to even steeper increases in insurance premiums as residential strata insurance holders migrate to the reinsurance pool. Premium increases are just as exorbitant for letting accommodation unit owners as they are for residential strata unit owners. For example, insurance for the PDA building has nearly doubled in the past 5 years rising from \$21,452 in 2017 to \$42,045 in 2021.

It is not economically prudent, or good public policy, to exclude a group of property owners who provide the accommodation backbone to the tourism industry in Far North Queensland. Small investors will exit northern Australia if insurance relief is not equitably accessible.

The PDA Committee therefore recommends that buildings primarily used for accommodation purposes (including those in strata) should not be considered "commercial use" for the purposes of the cyclone and related flood damage reinsurance pool.

We look forward to your response to this recommendation.

Kind Regards

Louise Hargreaves -Chair, Port Douglas Apartments

Port Douglas  
Apartments