



QUEENSLAND FARMERS' FEDERATION

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Submission

15 December 2021

Treasury
Langton Crescent
PARKES ACT 2600

Via email: reinsurancepool@treasury.gov.au

Dear Sir/Madam

Re: Treasury Laws Amendment (Measures for a later sitting) Bill 2021: Cyclone Reinsurance

The Queensland Farmers' Federation (QFF) is the united voice of intensive and irrigated agriculture in Queensland. It is a federation that represents the interests of 21 peak state and national agriculture industry organisations and engages in a broad range of economic, social, environmental and regional issues of strategic importance to the productivity, sustainability and growth of the agricultural sector. QFF's mission is to secure a strong and sustainable future for Queensland farmers by representing the common interests of our member organisations:

- CANEGROWERS
- Cotton Australia
- Growcom
- Nursery & Garden Industry Queensland (NGIQ)
- EastAUSmilk (formerly QDO)
- Australian Cane Farmers Association (ACFA)
- Turf Queensland
- Queensland United Egg Producers (QUEP)
- Queensland Chicken Meat Council (QCMC)
- Bundaberg Regional Irrigators Group (BRIG)
- Burdekin River Irrigation Area Irrigators Ltd (BRIA)
- Central Downs Irrigators Ltd (CDIL)
- Fairbairn Irrigation Network Ltd
- Mallowa Irrigation Ltd
- Pioneer Valley Water Cooperative Ltd (PV Water)
- Theodore Water Pty Ltd
- Eton Irrigation Scheme Ltd
- Pork Queensland Inc
- Tropical Carbon Farming Innovation Hub
- Queensland Oyster Growers Association (QOGA)
- Lockyer Water Users Forum (LWUF).

The united voice of intensive and irrigated agriculture



QFF welcomes the opportunity to provide comment on Treasury Laws Amendment (Measures for a later sitting) Bill 2021: Cyclone reinsurance. We provide this submission without prejudice to any additional submission from our members or individual farmers.

QFF welcomes the Australian Government's intention to establish a reinsurance pool covering the risk of property damage caused by cyclones and cyclone-related flooding in North Queensland.

Queensland farmers are subject to highly variable climatic conditions, including cyclones, drought and floods, which can undermine production. Insurance could play an important role in helping Queensland farmers manage their climate risk.

QFF notes, however, the framework for the cyclone reinsurance scheme excludes a large proportion of the North Queensland primary production sector. Your document, *Exposure Draft Explanatory Materials*, Section 1.49 Cyclone reinsurance scheme coverage, states:

Insurance contracts that provide cover for farm businesses are ineligible to be reinsured under the cyclone reinsurance scheme. However, if a contract of insurance provides cover to both farming business assets and residential properties on farmland, the contract will be eligible for the cyclone reinsurance scheme and only the residential component of the contract will be covered by the reinsurance pool. *[Schedule C, item 8, section 8B(8) (b) of the Act]*

Most primary production enterprises will have residential property located on agricultural land. Section 1.49 above states the residential component of the contract will be covered by the reinsurance pool, but not farm business assets. Agriculture insurance that is currently available to purchase, for example, Farm Pack, can include cover for outbuildings, sheds and contents, farm infrastructure, equipment and machinery, e.g., tractors, forklifts, quad bikes. However, under this Pool, these assets will be excluded.

We request that the Government explain and review this exclusion.

We note from 1 July 2023, small business marine property insurance is due to be included in the Pool.

Is there a future date when farm business assets could be included in the Pool?

QFF is currently participating in a research project with University of Southern QLD (USQ) and insurance adviser, Willis Towers Watson (WTW), funded through the Queensland Government's Drought and Climate Adaptation Program, producing enhanced agricultural crop insurance systems. Our priority concern is the need to provide farmers with protection against uninsured seasonal risks to crop production. An index-based parametric insurance product has been identified as the preferred model for managing risk to crop.

The project has undertaken extensive research and modelling for tropical cyclone risk in North Queensland. A parametric solution has been developed which responds in the event that a tropical cyclone of category 3 or above intersects with a 60km circle around a farm. Payouts will be made swiftly to help ease the financial impact of such an event on farmers' revenues. We note the exclusion of crop insurance from the reinsurance pool scheme, and therefore provide this information for your future consideration.

The Project recently developed a working document, *Economic Assessment of Multi-Industry Tropical Cyclones Insurance Mutual*. The document describes an economic modelling tool that could be



considered to assess the economic impacts of adoption of tropical cyclone insurance and a mutual fund program, enabling a shift away from current forms of transactional government assistance to farmers provided after an event.

Mutualisation gives farmers the opportunity to take advantage of group buying power and to better manage their financial exposure to cyclone by contributing premium to their own independently managed mutual fund. Mutual members contribute premium to the mutual fund and partially share in the risk as well as sharing in fund surpluses during cyclone-free years.

The Project has identified two major threats of tropical cyclones on farm businesses includes volatile revenue and the very real risk of bankruptcy. There are wider community level impacts as well as vulnerability to the agriculture supply chain.

The Project considers establishment of a tropical cyclone parametric insurance and multi-industry mutual as the priority risk management program for the North Queensland agriculture sector.

QFF therefore seeks future consideration within the provision of the Pool for coverage of cyclone parametric index crop insurance products. We can provide further information including modelling on the insurance products and the benefits. [REDACTED]

Yours sincerely

A handwritten signature in blue ink, appearing to read 'georgina', is written in a cursive style.

Dr Georgina Davis
Chief Executive Officer