

17 December 2021

Treasury
Langton Cres
Parkes ACT 2600

By email to: reinsurancepool@treasury.gov.au

Submission re: Exposure Draft Legislation: Cyclone and Related Flood Damage Reinsurance Pool

To whom it may concern,

The Urban Development Institute of Australia (UDIA) National is pleased to provide this submission in response to the Exposure draft legislation: cyclone and related flood damage reinsurance pool.

About the Urban Development Institute of Australia

The Urban Development Institute of Australia (UDIA) is the leading industry body representing the interests of the urban development sector across Australia, with over 2,500 member companies. UDIA advocates for better planning, timely and affordable housing, and the building and maintenance of vibrant communities to create economic prosperity, increase employment, add to housing choice, and enhance the nation's social fabric by increasing home ownership.

UDIA National is supported by state based UDIA chapters including in the Northern Territory, Queensland, and Western Australia. The UDIA has numerous members within the cyclone prone regions of the continent including local branches in Cairns, Townsville, Mackay/Whitsunday and Rockhampton/Gladstone.

UDIA supports the government's work to improve the accessibility and affordability of insurance for households, strata title buildings and small businesses in cyclone-prone areas across Australia. The UDIA notes many within cyclone-prone areas are presently struggling with the cost of property insurance which presents a significant disincentive to further housing investment in the regions. Our latest advice from Cairns indicates that homeowners in relatively safe areas are paying in the order \$5,600 per year with a \$5,000 excess for home building and contents insurance premiums, and with quotations for insurance reaching up to over \$20,000.

UDIA fears that the proposed reinsurance pool will not adequately address the cost concerns of the community but does hope the efforts will create a meaningful improvement. In this context UDIA provides the following recommendations.

Monitoring and collecting data and responding

The UDIA supports the proposed intention for the Australian Competition and Consumer Commission (ACCC) to monitor and collect data to ensure that savings are passed through to policyholders and the reinsurance pool is delivering on its intended outcomes.

The method of recording, retaining and delivering the information should be further adjusted to ensure broad release and availability to the public. We also recommend that the Minister's report after three years (Schedule C, item 24, section 41 of the Act) clearly identifies the actual reduction

achieved in the median home insurance premium and, if less than a 50 percent reduction has been achieved, identify further actions to be undertaken.

Similarly, the legislation should have a mandatory review point three years from enactment.

State Stamp Duty on Insurance

Members have raised concerns with the GST and stamp duty impacts associated with insurance premiums. State stamp duty on insurance premiums is currently nine percent of the premium in Queensland and 10 percent in the Northern Territory and Western Australia. This duty increases in proportion with the insurance premium and is a major further cost impost for homeowners in cyclone-prone areas.

UDIA recommends that an approach be developed to address this additional cost burden.

Thank you for considering our submission. If you have any questions relating to the material in this letter, please contact me at [REDACTED] or on [REDACTED].

A handwritten signature in black ink, appearing to read 'Maxwell Shifman'.

Maxwell Shifman
UDIA National President