

SUBMISSION TO THE AUSTRALIAN GOVERNMENT'S 2025 REVIEW OF THE TERRORISM AND CYCLONE INSURANCE ACT 2003

EDA | 58/6/3 | #7757145

RECOMMENDATION:

That Council:

1. Approves the attached submission to the Australian Government's 2025 Review of the *Terrorism and Cyclone Insurance Act 2003*; and
2. Delegates authority to the Chief Executive Officer in accordance with the *Local Government Act 2009* to finalise and lodge the submission and deal with any queries or other matters arising from it.

INTERESTED PARTIES:

NIL

EXECUTIVE SUMMARY:

The Australian Government is undertaking a review of the Terrorism and Cyclone Insurance Act 2003 (the Review) which encompasses the Cyclone Reinsurance Pool (CRP). Insurance affordability and availability continues to be a significant challenge for many in the Cairns community, adversely impacting community resilience and prosperity. The CRP was implemented as a mechanism aimed at improving insurance affordability in northern Australia.

In light of the above, it is recommended that Council make a submission to the Review. The draft submission is attached and recognises that the CRP has provided some modest relief to insurance premium costs and should continue. However, premiums in northern Queensland remain significantly higher than southern regions, and many residents and businesses continue to experience unaffordable insurance costs, limited choice, and coverage gaps. Anecdotal feedback indicates this has continued to result in heightened levels of non-insurance and under insurance both of which adversely impact the community's resilience to natural disaster events.

The draft submission draws on local experiences following Tropical Cyclone Jasper (TC Jasper) and Council's advocacy seeks to ensure the Terrorism and Cyclone Insurance Act 2003 (the Act) and associated mechanisms including the CRP, deliver on their intended objectives in an efficient and effective manner.

Key recommendations include:

1. Expand the ACCC's monitoring powers to ensure insurer accountability, public reporting of participation and pricing behaviour, and clear disclosure of how CRP savings are passed on to consumers.
2. Require insurers in the CRP to recognise and apply discounts for verified cyclone-resilient upgrades under a consistent national framework with mandatory reporting on how mitigation affects premiums.
3. Amend the Act to allow the Australian Reinsurance Pool Corporation to set minimum coverage standards (including flood in cyclone-prone regions), support smaller insurer participation, and invest in regional insurance market development.
4. Review and reassess the cyclone coverage window (the '48-hour rule') to reflect the true duration of cyclone and flood impacts, using evidence-based modelling and transparent post-event reporting.
5. Link mitigation funding, premium discounts and national resilience programs to a coordinated policy framework
6. Increase federal and state investment in resilience programs and household retrofits, prioritising high-exposure regions such as Cairns and northern Queensland.
7. Adopt a whole-of-government approach to tackle structural cost pressures and embed insurance affordability within national housing and climate strategies.

This report recommends Council's approval of the draft submission.

BACKGROUND:

The Australian Government is undertaking a statutory review of the *Terrorism and Cyclone Insurance Act 2003* (the Review) to evaluate the ongoing operation and effectiveness of the Australian Reinsurance Pool Corporation (ARPC), including the Cyclone Reinsurance Pool (CRP) established in 2022.

The Review provides a critical opportunity to strengthen insurance affordability, coverage, and transparency for cyclone-prone regions across northern Australia, particularly for Cairns and Far North Queensland.

The Review will evaluate whether the CRP is achieving its purpose of improving insurance access and affordability for households, small businesses, and strata properties exposed to cyclone and related flood risk, and whether current legislative and governance arrangements remain effective.

As insurance affordability and availability remains a significant challenge for many in the Cairns community, Council Officers recommend Council make a submission to the Review. The draft submission is attached and this report seeks Council's approval of it.

COMMENT:

The draft submission is included at Attachment 1 to this report and key recommendations in the submission are summarised in the Executive Summary section

above. The draft submission recommends targeted reforms to strengthen the CRP and deliver tangible benefits to cyclone-prone regions as well as a broader series of recommendations aimed at improving insurance affordability and availability more generally.

The recommendations align with anecdotal regional feedback and are consistent with the findings and data presented in the ACCC's Insurance Monitoring Report (July 2025). All figures referenced are sourced from the ACCC report, and statements within the submission are supported by its evidence on insurance affordability and availability in northern Australia.

OPTIONS:

Option 1 (recommended):

That Council:

1. Approves the attached submission to the Australian Government's 2025 Review of the *Terrorism and Cyclone Insurance Act 2003*; and
2. Delegates authority to the Chief Executive Officer in accordance with the *Local Government Act 2009* to finalise and lodge the submission and deal with any queries or other matters arising from it.

Option 2:

That Council **does not** approve the attached submission to the Australian Government's 2025 Review of the *Terrorism and Cyclone Insurance Act 2003* or requests amendments to it.

CONSIDERATIONS:

Corporate and Operational Plans:

Councils' submission to the Australian Government's 2025 Review of the *Terrorism and Cyclone Insurance Act 2003* supports Focus 1: Robust Economy of Council's Corporate Plan 2025-2030. It also supports Council's Economic Development Strategy 2022-2026 by strengthening regional resilience, supporting small business continuity, and enhancing investor confidence in northern markets, all of which contribute to a more diversified, robust, and sustainable economy for Cairns.

In addition, the submission aligns with the corporate value of *Resilience* contained in Council's Corporate Plan 2025-2030. This value recognises that building community and economic resilience is critical to Cairns' future prosperity.

CONSULTATION:

The submission draws on community sentiment gathered through the Local Disaster Recovery Committee (stood up for TC Jasper) Economic Pillar and additional feedback from industry partners including the Cairns Chamber of Commerce, RDA Tropical North (*TNQ Regional Insurance Insights: Survey Summary*) and Advance Cairns

ATTACHMENTS:

Attachment 1 – 2025 Review of the Terrorism and Cyclone Insurance Act 2003 – Draft submission by Cairns Regional Council ([DM#7757673](#))

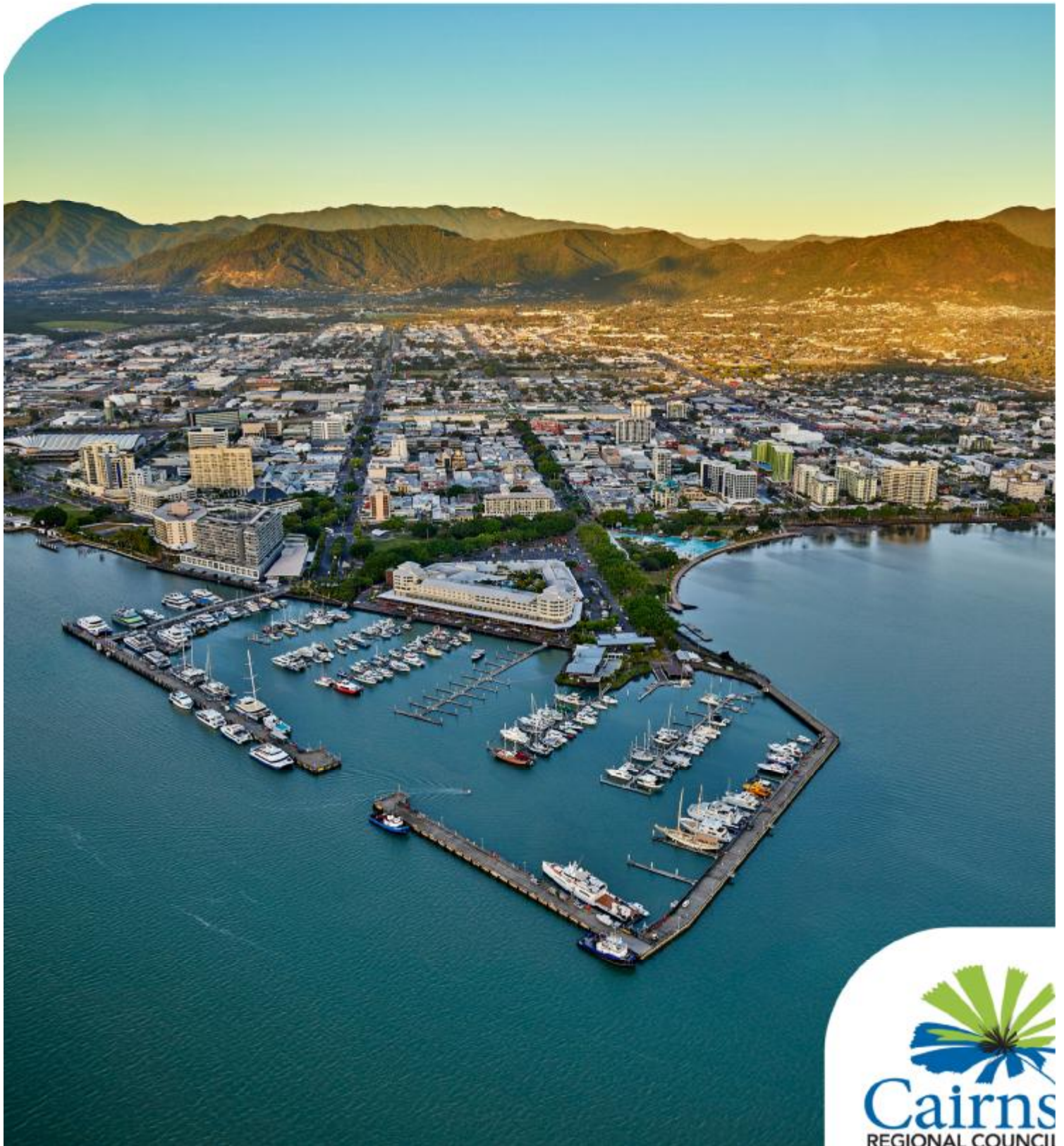


Nick Masasso
Director Economic Development and Advocacy

Attachment 1 – 2025 Review of the Terrorism and Cyclone Insurance Act 2003 – Draft submission by Cairns Regional Council ([DM#7757673](#))

2025 Review of the Terrorism and Cyclone Insurance Act 2003

Submission by Cairns Regional Council



Executive Summary

Cairns Regional Council welcomes the opportunity to contribute to the Australian Government's 2025 Review of the *Terrorism and Cyclone Insurance Act 2003*. Insurance affordability and availability continues to be a significant challenge for many in our community, adversely impacting community resilience and prosperity. While the Cyclone Reinsurance Pool (CRP) has provided modest premium relief for cyclone-prone regions such as Cairns, northern Queensland communities continue to experience unaffordable premiums, limited insurer choice, and gaps in coverage. Legislative reform is needed to strengthen transparency, pass-through of savings, and resilience investment.

Introduction

Tropical Cyclone Jasper caused unprecedented rainfall across Cairns, with over 2.2 metres recorded across catchments and more than 900 homes inundated. While the Australian Reinsurance Pool Corporation (ARPC) declared a cyclone event under the legislation, upon notification by the Bureau of Meteorology, most flood damage occurred after the 48-hour coverage window had closed, meaning substantial cyclone related losses were not eligible for coverage under the pool.

Post-event, residents and businesses reported long delays in insurance claims, inconsistent communication, inadequate temporary accommodation coverage, and confusion over policy entitlements.

Our industry partners and the TC Jasper Local Disaster Recovery Committee membership indicated consumers noted negligible premium savings following the CRP's introduction, with most businesses facing rising costs and some choosing to go uninsured or underinsured due to affordability pressures. RDA Tropical North reported similar findings based on responses to their TNQ Regional Insurance Survey undertaken in early 2025 (224 participants), highlighting that persistent underinsurance and the slow pace of insurer response undermined economic recovery in the region.

The Australian Government's 2025 Review of the *Terrorism and Cyclone Insurance Act 2003* is of significant interest to Cairns Regional Council, given the ongoing challenges faced by local communities across north Queensland from escalating insurance premiums.

In preparing this submission, Cairns Regional Council has drawn on feedback and insights from internal officers and regional stakeholders. The submission is structured to directly respond to the questions outlined in the consultation paper.

Collectively, this feedback demonstrates that while the CRP has potential and should continue, reform is required to ensure the CRP delivers on its intended objectives in an efficient and effective manner.

Key Recommendations:

Recommendation 1:

Amend the legislation to expand the ACCC's monitoring role. The ACCC should be empowered to:

- Publish regular reports disclosing insurer participation, pricing behaviour, and pass-through of savings;
- Access insurer data to verify that reinsurance savings are applied to consumer premiums;
- Require insurers to publish on insurance quotes and renewal notices the component parts of the insurance premiums applicable to particular risks; and
- Require insurers to clearly state on insurance quotes and renewal notices whether Cyclone Reinsurance Pool savings have been reflected in pricing and to what extent.

Recommendation 2:

Amend the legislation to strengthen the treatment of private mitigation within the CRP by:

- Requiring insurers participating in the CRP to recognise and apply discounts for verified cyclone-resilient measures, using a nationally consistent framework developed in consultation with ARPC, Treasury, and industry;
- Mandating annual public reporting on how mitigation measures are reflected in premium pricing and require insurers to share anonymised data with the ARPC and government agencies to support evidence-based policy development and improved consumer guidance; and
- Requiring insurers to clearly disclose on policy renewal notices and product documents how resilience features or upgrades affect premium pricing, so consumers can clearly understand the financial benefit of investing in cyclone resilience.

Recommendation 3:

Amend the legislation to:

- Empower the ARPC to set minimum coverage standards, such as requiring flood cover in cyclone-prone regions, as a condition of reinsurance participation;
- Incentivise smaller insurers to operate in medium-to-high risk markets through premium discounts or shared-risk arrangements; and
- Support regional market development and consumer awareness initiatives to strengthen competition and confidence.

Recommendation 4:

It is recommended that the CRP be maintained to safeguard affordability, availability, and community stability in cyclone-exposed regions, with targeted refinements to improve its effectiveness and long-term sustainability.

Recommendation 5:

It is recommended that the Australian Government review and amend the legislation to ensure that CRP coverage better reflects the real duration and behaviour of cyclone events in northern Australia.

Specifically, the review should:

- Undertake a targeted review of the 48-hour coverage rule, assessing alternatives such as a variable or tiered timeframe (e.g. 72–168 hours) or a flexible, event-based definition determined by meteorological evidence;
- Model fiscal and consumer impacts of any proposed extension or reform to ensure changes remain financially sustainable;
- Mandate public reporting by the ARPC on claims eligibility outcomes after major cyclone events to evaluate whether coverage settings meet CRP's intended policy objectives; and
- Consider broader reform options, including expanding the scope of CRP to cover a wider range of natural hazards consistent with Section 16(1)(a) of the Queensland Disaster Management Act 2003 (cyclone, flood, storm, storm tide, etc.) This would include consideration being given to extending event coverage to non-cyclone related flooding in northern Australia which appears to be increasing in prevalence.

It is acknowledged that either extending the '48-hour' rule or widening the event definition to non-cyclone related hazards and disaster events (e.g. flooding) would result in an increased level of risk being transferred to the CRP from insurers. It is acknowledged that without a commensurate increase in the CRP pool value, this would potentially adversely impact the financial sustainability of the CRP and/or limit premium reductions overall as savings are spread across a wider range of insurable occurrences.

Accordingly, it is important that scenario financial modelling be undertaken when considering the potential changes referred to in this section. Additionally, an overall increase in the CRP pool value should also be considered in parallel with this analysis to ensure any such changes do not adversely impact the long term financial sustainability of the CRP and continue to put downward pressure on premiums.

Broader reform to support affordability

While it is acknowledged that the following measures fall outside the scope of this legislative review, they are directly relevant to improving insurance affordability and

availability in northern Australia. These actions should be considered critical next steps to complement reforms to the *Terrorism and Cyclone Insurance Act 2003* and the operation of the CRP.

Recommendation 6:

Integrate insurance reform with national resilience and recovery frameworks by:

- Linking eligibility for mitigation grants and premium discounts to participation in approved resilience improvement programs;
- Establishing a joint working group between Treasury, the ARPC, Emergency Management Australia, and local government representatives to coordinate policy and funding; and
- Embedding insurance affordability metrics into the evaluation of the Disaster Ready Fund and other federal resilience programs.

Recommendation 7:

Expand and better target mitigation funding by:

- Increasing federal and state investment in programs such as the Disaster Ready Fund, Resilient Homes Fund, and coastal hazard adaptation planning;
- Introducing targeted grants or rebates for household resilience upgrades (e.g. roof tie-downs, cyclone shutters, window protection, and drainage improvements); and
- Prioritising funding for communities with the highest cyclone and flood exposure, including Cairns and other northern local government areas.

Recommendation 8:

Adopt a whole-of-government approach to improving insurance affordability by:

- Coordinating with state and federal agencies to address key cost drivers such as building material inflation, labour shortages, and supply chain disruption;
- Exploring mechanisms to stabilise reinsurance and capital markets, including incentives for greater private participation in high-risk regions; and
- Embedding insurance affordability considerations within broader national housing, infrastructure, and climate adaptation strategies.



Review of the Terrorism and Cyclone Insurance Act 2003 Consultation paper – September 2025

Response to Cyclone Reinsurance Pool questions

Question 1:

Is the cyclone pool helping to reduce insurance premiums for households, small businesses, and residential and commercial strata with medium to high cyclone and related flood damage risk, when compared to what they would be in the absence of the cyclone pool, while maintaining premiums at comparable levels to the private market for those with lower risk?

The CRP has delivered measurable but modest premium reductions across northern Australia. According to the ACCC's Insurance Monitoring Report (July 2025), average premiums in high-risk areas such as Cairns declined by around 15% for households, 17% for strata, and 24% for small businesses. However, despite these improvements, premiums in northern Queensland remain between 60% and 150% above national averages, with affordability still a critical issue for households and businesses.

The ACCC notes that while the CRP has successfully reduced the cyclone-risk component of premiums, this represents only one part of insurers' total cost structure. Broader cost drivers, including construction inflation, non-cyclone claim trends, administrative and underwriting expenses, and global reinsurance pricing pressures, continue to push overall premiums upward. As a result, the benefit of CRP has been offset, with total insurance costs for many policyholders remaining high and continuing to increase.

Regional anecdotal feedback indicates that, in practice, premium relief has been limited and inconsistent. A small number of strata and business policies have experienced reductions, but most residential and commercial policyholders in northern Queensland continue to report rising premiums and excesses. These trends are contributing to financial stress, underinsurance, deferred property maintenance, and, in some cases, businesses and individuals opting to forgo insurance altogether, a significant concern for regional resilience and economic stability.

The ACCC's monitoring also highlights persistent issues with pass-through transparency. Current legislation does not require insurers to demonstrate how savings from the CRP are reflected in retail premiums. Consequently, consumers lack visibility of insurer participation, pricing behaviour, and whether government-backed reinsurance savings are being passed on. This gap in transparency undermines public confidence in CRP's effectiveness.

Council supports the continuation of the *Terrorism and Cyclone Insurance Act 2003* and the CRP but considers targeted reform essential to ensure the scheme meets its intended purpose of improving insurance affordability and access in cyclone-prone regions. Strengthened oversight of insurer pass-through behaviour, together with complementary investment in resilience and mitigation, will be necessary to achieve lasting improvements for communities across northern Australia.

Recommendation 1:

Amend the legislation to expand the ACCC's monitoring role. The ACCC should be empowered to:

- Publish regular reports disclosing insurer participation, pricing behaviour, and pass-through of savings;
- Access insurer data to verify that reinsurance savings are applied to consumer premiums;
- Require insurers to publish on insurance quotes and renewal notices the component parts of the insurance premiums applicable to particular risks; and
- Require insurers to clearly state on insurance quotes and renewal notices whether Cyclone Reinsurance Pool savings have been reflected in pricing and to what extent.

Rationale

These measures would enhance transparency, promote accountability, and align CRP's governance framework with proven regulatory models used in the fuel and energy sectors.

Question 2:

Are the ARPC's discounts for mitigation effective? Is pricing the only way the ARPC has encouraged risk mitigation?

While the Act allows insurers participating in the CRP to offer discounts for cyclone-resilient features, the legislation does not require them to adopt the ARPC mitigation framework or any consistent national standard. As a result, insurers retain full discretion over which mitigation measures they recognise, how discounts are calculated, and whether to communicate these benefits to policyholders.

The ACCC's July 2025 Insurance Monitoring Report highlights that this discretionary approach has led to inconsistency, limited transparency, and poor communication with consumers. Section 2.4.1 of the report notes that the impact of private mitigation on premiums is "inconsistent and small," while Section 4.2.1 outlines varied insurer approaches to applying mitigation frameworks. Section 4.2.2 further identifies that the size of discounts differs significantly between insurers. The report also references feedback from RDA Tropical North showing that insurers do not routinely publish data on how mitigation measures influence premiums. This lack of visibility limits consumers' ability to make informed decisions and undermines confidence in the value of resilience investment.

Although the CRP allows insurers to offer discounts for cyclone-resilient upgrades (such as tie-downs, shutters and drainage improvements), these incentives are inconsistently applied and poorly communicated. A lack of data-sharing between

insurers, builders, and local governments, coupled with no uniform standards or legislative requirements, has limited consumer benefit and uptake.

Recommendation 2:

Amend the legislation to strengthen the treatment of private mitigation within the CRP by:

- Requiring insurers participating in the CRP to recognise and apply discounts for verified cyclone-resilient measures, using a nationally consistent framework developed in consultation with ARPC, Treasury, and industry;
- Mandating annual public reporting on how mitigation measures are reflected in premium pricing and require insurers to share anonymised data with the ARPC and government agencies to support evidence-based policy development and improved consumer guidance; and
- Requiring insurers to clearly disclose on policy renewal notices and product documents how resilience features or upgrades affect premium pricing, so consumers can clearly understand the financial benefit of investing in cyclone resilience.

Rationale

Clear, consistent incentives for property-level mitigation would directly reduce insured losses and strengthen community resilience. Mandating recognition of cyclone-resilient features ensures fairness for homeowners who invest in upgrades, improves risk transparency, and supports the long-term affordability objectives of the CRP, particularly in high-exposure regions like Cairns and northern Queensland.

Question 3:

Are there any other matters that should be considered when assessing whether the cyclone pool should continue?

The ACCC's July 2025 Insurance Monitoring Report notes that the availability of insurance in northern Australia remains largely unchanged since the introduction of the CRP. While CRP was intended to attract new insurers and expand competition by lowering reinsurance costs, no new insurers have entered the northern market, and existing insurers have shown limited willingness to increase their exposure in cyclone-prone regions. Some insurers have made small adjustments, such as relaxing underwriting guidelines or lifting embargoes on certain high-risk properties, but these changes have been modest and localised.

Overall, anecdotal regional feedback aligns with the report findings, indicating that insurance availability and consumer choice in northern Australia remain constrained, particularly for strata owners, small businesses, and residents in flood-prone or cyclone-exposed areas. Contributing factors include the high volatility of natural disaster risks, the cost of maintaining claims and repair networks in remote regions, and the difficulty of achieving sufficient scale for insurers to operate profitably. While CRP has modestly improved reinsurance affordability, the expected increase in insurer participation and competition has not yet occurred, leaving communities such as

Cairns, Townsville, and the Whitsundays with limited options and persistently high premiums.

Recommendation 3:

Amend the legislation to:

- Empower the ARPC to set minimum coverage standards, such as requiring flood cover in cyclone-prone regions, as a condition of reinsurance participation;
- Incentivise smaller insurers to operate in medium-to-high risk markets through premium discounts or shared-risk arrangements; and
- Support regional market development and consumer awareness initiatives to strengthen competition and confidence.

Rationale

These reforms would help ensure that the financial benefits of CRP are fully passed through to policyholders, improve consistency of coverage across northern Australia, and support community resilience and investment confidence in regions like Cairns and Far North Queensland.

Question 4:

Should the cyclone pool continue to exist? What would be the consequences of ending the cyclone pool?

The CRP should continue. While its impact on affordability has been modest to date, it remains an essential mechanism for stabilising reinsurance costs and maintaining insurance availability.

The CRP has reduced the cyclone-risk component of premiums for eligible properties. These reductions would likely be reversed if CRP were discontinued, leading to sharp premium increases for residents and businesses in northern Australia.

Ending the CRP would return full exposure to the private reinsurance market, which historically priced cyclone risk at unsustainable levels. This would likely:

- Cause premiums to spike, particularly in northern Queensland where cyclone risk is most concentrated;
- Further reduce insurance availability, as some insurers may withdraw or restrict cover in high-risk areas; and
- Undermine community resilience and economic confidence, discouraging investment and recovery in cyclone-affected regions.

Recommendation 4:

It is recommended that the CRP be maintained to safeguard affordability, availability, and community stability in cyclone-exposed regions, with targeted refinements to improve its effectiveness and long-term sustainability.

Question 5:

Should the damage period be extended, for example, to seven days after a cyclone event rather than two days after an event? If so, why, and what steps could be taken to ensure any benefits are passed through to policyholders?

The CRP currently provides coverage for losses occurring during a declared cyclone and for only 48 hours after the cyclone officially ends. This fixed timeframe has proven inadequate in capturing the full extent of damage caused by tropical systems in northern Australia, where heavy rainfall and flooding often persist for several days after a cyclone is downgraded.

During Tropical Cyclone Jasper (TC Jasper), the ARPC declared the event eligible under CRP, with coverage ceasing at 12am on 16 December 2023, 48 hours after the Bureau of Meteorology declared the cyclone ended. We understand the majority of property damage across the Cairns region occurred after this window, resulting from sustained rainfall and flooding linked to the same weather system.

The ACCC's 2025 Insurance Monitoring Report confirmed that most claims arising from TC Jasper fell outside CRP's claims coverage period, while the Treasury consultation paper notes that the ARPC incurred \$91 million in reinsurance claims against total insured losses of \$420 million (Insurance Council of Australia data). This demonstrates a substantial protection gap between legislative intent and real-world outcomes.

Feedback from regional partners and local insurers indicates that this rigid rule undermines both affordability and confidence in CRP, particularly in northern Queensland where slow-moving or rain-depression systems are common.

Extending the 48-hour rule or broadening the event definition to include non-cyclone hazards such as flooding would increase the level of risk transferred to the CRP. Without a corresponding rise in CRP's capital base, this could compromise financial sustainability and/or limit premium reductions.

The 48-hour rule has been extensively reviewed across multiple forums, including the *Inquiry into Northern Australia's Cyclone Reinsurance Pool*, the *2025 Review Consultation Paper*, and the *ACCC's July 2025 Insurance Monitoring Report*. Any amendments should be informed by detailed modelling and consultation with the ARPC, insurers, and consumers to ensure reforms remain sustainable and deliver tangible benefits.

Recommendation 5:

It is recommended that the Australian Government review and amend the legislation to ensure that CRP coverage better reflects the real duration and behaviour of cyclone events in northern Australia.

Specifically, the review should:

- Undertake a targeted review of the 48-hour coverage rule, assessing alternatives such as a variable or tiered timeframe (e.g. 72–168 hours) or a flexible, event-based definition determined by meteorological evidence;
- Model fiscal and consumer impacts of any proposed extension or reform to ensure changes remain financially sustainable;
- Mandate public reporting by the ARPC on claims eligibility outcomes after major cyclone events to evaluate whether coverage settings meet the Pool's intended policy objectives; and
- Consider broader reform options, including expanding the scope of the Pool to cover a wider range of natural hazards consistent with Section 16(1)(a) of the Queensland Disaster Management Act 2003 (cyclone, flood, storm, storm tide, etc.). This would include consideration being given to extending event coverage to non-cyclone related flooding in northern Australia which appears to be increasing in prevalence.

Rationale

The experience of TC Jasper shows that the current legislative definition of a “cyclone event” and the 48-hour post-event window are too narrow to capture the full impacts of tropical systems in northern Australia. Prolonged rainfall and flooding are integral to these events and excluding them undermines CRP's purpose of improving protection and affordability.

A more flexible, evidence-based approach, guided by meteorological data and post-event analysis, would ensure the CRP provides fairer, more consistent coverage and supports faster recovery for affected communities. Reviewing and modelling the impacts of any potential changes/expansion to damage periods and hazard definitions on CRP sustainability and premium costs should also be considered when assessing such changes.

Question 6:

Has the private reinsurance market adjusted pricing to reflect the risks the ARPC has taken? If not, would extending the coverage period address this issue?

The private reinsurance market has not yet fully adjusted its pricing to reflect the reduced cyclone exposure now underwritten by the CRP. While some reinsurers have recognised the transfer of risk to the ARPC, most treaty structures and pricing models continue to treat cyclone exposure as unchanged. This partial adjustment means that insurers may still be paying higher reinsurance premiums than necessary, limiting the potential for downstream savings to be passed on to consumers.

Question 7:

Is the \$5 million SME sum insured limit appropriate?

Council does not have specific feedback on the appropriateness of the SME sum insured limit.

Question 8:

Should there be changes to the eligibility for new builds? If so, how would this be achieved, which specific properties and how would this impact cyclone pool pricing and insurer costs?

Eligibility settings for new builds under the CRP present an opportunity to strengthen long-term resilience and reduce insurance costs. Aligning CRP eligibility with existing building and planning standards, such as cyclone-resilient design requirements in the National Construction Code and Queensland's hazard-based planning controls, would ensure that new developments in cyclone-prone areas are better designed to withstand future risks. Any such alignment should be implemented through ministerial rules or existing state planning frameworks, rather than through direct amendment of the *Terrorism and Cyclone Insurance Act 2003*.

This could include verified structural resilience measures, such as upgraded roof tie-down systems, protected openings, and elevated critical services, and demonstrated adherence to appropriate setback and floor level controls in cyclone or flood-prone zones.

Rationale

This approach would ensure that new developments in cyclone-prone areas contribute to a more sustainable, resilient, and affordable insurance market by reducing future loss costs and reinforcing alignment between building regulation, land-use planning, and insurance policy objectives.

Terrorism Reinsurance Pool

Response to Consultation Questions 9 – 11

Cairns Regional Council does not have specific feedback on the operation of the Terrorism Reinsurance Pool, as this aspect of the legislation has not had direct effect on households or businesses in northern Australia.

ARPC operations

Response to Consultation Questions 12 – 15

Council does not have specific feedback on ARPC's internal operations, claims management, or capital settings. However, improved data-sharing with local governments on regional insurance affordability and availability trends would be valuable.

Broader reform to support affordability

While the 2025 review of the *Terrorism and Cyclone Insurance Act 2003* focuses on legislative and regulatory amendments, broader reforms are also needed to address the underlying factors affecting insurance affordability.

Integrate insurance reform with resilience and recovery frameworks

Insurance affordability in northern Australia cannot be achieved through pricing reform alone. Current funding and policy frameworks treat insurance, mitigation, and recovery as separate processes, leading to duplication, inefficiency, and missed opportunities to reduce long-term risk and cost.

Recommendation 6:

Integrate insurance reform with national resilience and recovery frameworks by:

- Linking eligibility for mitigation grants and premium discounts to participation in approved resilience improvement programs;
- Establishing a joint working group between Treasury, the ARPC, the National Emergency Management Agency, and local government representatives to coordinate policy and funding; and
- Embedding insurance affordability metrics into the evaluation of the Disaster Ready Fund and other federal resilience programs.

Rationale

Aligning financial and physical resilience measures will ensure that government investment directly supports long-term insurance affordability. An integrated approach that connects risk reduction, reinsurance, and recovery policy will deliver more durable, cost-effective outcomes for communities like Cairns and across northern Australia.

Expand and target mitigation funding

High insurance premiums in northern Australia are largely driven by the physical vulnerability of buildings and infrastructure to cyclone and flood damage. Current mitigation funding is limited and spread thinly across jurisdictions, leaving high-risk communities like Cairns under-supported in strengthening resilience.

Recommendation 7:

Expand and better target mitigation funding by:

- Increasing federal and state investment in programs such as the Disaster Ready Fund, Resilient Homes Fund, and coastal hazard adaptation planning;
- Introducing targeted grants or rebates for household resilience upgrades (e.g. roof tie-downs, cyclone shutters, window protection, and drainage improvements); and
- Prioritising funding for communities with the highest cyclone and flood exposure, including Cairns and other northern local government areas.

Rationale

Mitigation directly lowers the cost and frequency of insured losses, leading to reduced reinsurance expenses and more affordable premiums. Strategic investment in physical resilience delivers lasting savings that far outweigh the upfront cost, supporting long-term affordability and community safety.

Address Broader Cost Drivers

Recognise that overall insurance affordability depends on construction inflation, supply chain costs, and global reinsurance markets. A whole-of-government approach is needed to address these drivers alongside CRP reform.

While the CRP has reduced the cyclone-risk component of premiums, overall affordability continues to be constrained by broader market pressures, including rising construction costs, supply chain inflation, and global reinsurance trends. These factors fall outside the scope of the CRP and require coordinated government action.

Recommendation 8:

Adopt a whole-of-government approach to improving insurance affordability by:

- Coordinating with state and federal agencies to address key cost drivers such as building material inflation, labour shortages, and supply chain disruption;
- Exploring mechanisms to stabilise reinsurance and capital markets, including incentives for greater private participation in high-risk regions; and
- Embedding insurance affordability considerations within broader national housing, infrastructure, and climate adaptation strategies.

Rationale

Reducing cyclone-related reinsurance costs alone cannot deliver sustained affordability if other components of insurance pricing continue to escalate. A

coordinated response addressing construction, supply chain, and financial market factors will achieve more durable and equitable outcomes for northern communities such as Cairns.

Conclusion

Insurance affordability and availability remain critical challenges for northern Queensland. The CRP is a positive foundation and should continue, but requires reform to deliver its full potential. Legislative amendments, stronger transparency, and expanded resilience investment will ensure fairer insurance outcomes and stronger community protection for Cairns and across northern Australia.

