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Date >> 27 January 2021

Hon. JA Frydenberg MP & Hon. MS Sukkar MP
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Treasurer and Assistant Treasurer,

RE: 2021-22 BUDGET SUBMISSION

Townsville City Council welcomes the opportunity to provide a submission to the Commonwealth's budgetary processes for the 2021-22 Federal Budget.

As the largest city in Northern Australia, Townsville offers the amenities of larger centres, while retaining the close-knit community of a smaller city. It offers a great lifestyle and a warm, friendly alternative to the hustle of larger centres. Our way of life is attractive to many people wanting to escape the likes of Brisbane, Sydney, or Melbourne.

The region has the capacity to further grow, but several hurdles stand in the way. One of the impediments to future growth and investment is the prohibitive cost and, in some cases, lack of availability of insurance products for both residential and commercial properties.

As highlighted in the ACCC's comprehensive report into the insurance market in Northern Australia, released on 28 December 2020, average insurance premiums in the north are almost double compared to those in the rest of Australia.

While Townsville City Council understands significant local and industry research underpins the ACCC's report – notably, a case study into Townsville's experience during and after the 2019 monsoonal flooding event – Council is disappointed that the report did not recommend the implementation of a reinsurance pool for Northern Australia. Nonetheless, Council supports the vast majority of the report's other recommendations, recognising that they will go some way to improve affordability, transparency and consumer choice.

The Small Business Ombudsman's report into the costs of insurance for small business made some progress in furthering the concept of a reinsurance pool to aid in the reduction of costs for businesses in disaster-prone areas such as Northern Australia. Council welcomes the Small Business Ombudsman's findings.

While several insurance companies may initially be resistant, Council is encouraged that at least one of the largest insurance companies in the Australian market, Allianz, is open to the idea of a reinsurance pool, as demonstrated in their submission to the ACCC Inquiry.

Therefore, Townsville City Council seeks from the 2021-22 Federal Budget a commitment from the Commonwealth **to establish a national reinsurance pool for the purposes of reducing the cost of insurance in Northern Australia.**

Recognising it will take a considerable amount of planning and detailed policy design to effectively implement a reinsurance pool for Northern Australia, Council seeks the **establishment of an insurance premium subsidy scheme providing direct relief for consumers in high-risk areas** as an initial measure to ease the cost of living for Australians living in the north.

The types of insurance that are expensive or difficult to access in Northern Australia and should be linked to the national reinsurance pool and the premium subsidy scheme include home, contents, and strata insurance products.

With the costs of insurance premiums so high, many people in the Townsville community are opting not to insure their home, contents and/or business. This form of market failure puts members of our community at risk of significant financial hardship either way – either via prohibitive premium costs or if a natural disaster significantly damages their uninsured property.

A reinsurance pool already exists through the Australian Reinsurance Pool Corporation, set up by the Howard Government in 2003 to address a previous instance of market failure. The Australian Reinsurance Pool Corporation was established to administer the terrorism reinsurance scheme, providing primary insurers with reinsurance for commercial property and associated business interruption losses arising from a declared terrorist incident.

Council appreciates that some federal representatives based in Northern Australia, including Mr George Christensen MP, Member for Dawson, and Mr Warren Entsch MP, Member for Leichhardt, among others, have been supportive of the establishment of a reinsurance pool to reduce insurance costs.

Townsville City Council looks forward to continuing to work with other local governments in Northern Australia, as well as with the Commonwealth and State Governments, to find a long-lasting solution to the prohibitive costs and inaccessibility of insurance in North Queensland, and northern Australia as a whole.

Yours sincerely,



Cr Jenny Hill

Mayor of Townsville

- c. Hon Keith Pitt MP, Minister for Resources, Water and Northern Australia
- Mr George Christensen MP, Member for Dawson
- Mr Phillip Thompson MP, Member for Herbert
- Hon Bob Katter MP, Member for Kennedy
- Mr Warren Entsch MP, Member for Leichhardt
- Senator Susan McDonald, Senator for Queensland
- Senator Nita Green, Senator for Queensland
- Dr Jim Chalmers MP, Shadow Treasurer
- Senator Murray Watt, Shadow Minister for Northern Australia and Shadow Minister for Natural Disaster and Emergency Management