



Australian Government
Australian Reinsurance Pool Corporation

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Cyclone Reinsurance Pool Premium Rates v3.0

Consultation summary – September 2024

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1: Background and context

ARPC opened an insurer and public consultation period in June 2024 seeking feedback on the draft proposed Cyclone Reinsurance Pool (cyclone pool) premium rates v3.0. The consultation period closed on 26 July 2024. We thank all insurers and the public for their submissions. Where insurers had specific consultation questions, we have replied directly, and also added clarifying guidance to the accompanying insurer documentation (the Cyclone Reinsurance Pool Implementation and Rating Structure Guide). Public feedback not directly related to the premium rate changes will be considered in future pricing reviews, and has also been passed to the Treasury, for their consideration.

The new premium rates will be effective from 1 April 2025, and will replace premium rates v2.0 (effective since 1 October 2022).

2: Key consultation themes

- Statement of support for rate stability: Insurers generally indicated support for the decision to keep premium rates relatively stable, due to the cost and complexity of updating insurer systems.
- Strata mitigation discounts:
 - Insurers and the public submitted general statements of support for the proposed introduction of Strata mitigation discounts.
 - However, there was feedback that some of the criteria for discounts are difficult to interpret. There is a trade-off in designing the discounts between making sure that any mitigation work completed is done to a standard that meaningfully reduces risk but also is clear to policyholders. ARPC has worked with James Cook University to make the criteria more clear, and align with existing government risk mitigation programs¹².
- Contents only number of storeys relativities: Feedback was received from one insurer that the proposed contents only flood and surge number of storeys relativities were likely too low when considering other policy coverage features, in particular coverage of temporary accommodation in the event of loss of access to the building. In ARPC's view, this was reasonable feedback, and the relativities have been updated to consider the additional policy coverage features.
- Feedback unrelated to the premium rate changes: Feedback has been received from insurers and the public, that is not directly related to proposed changes in the v3.0 premium rates. This feedback included:
 - Feedback around specific flood pricing methodology and model selection
 - Some anecdotal feedback around insurer pricing practices.

Where relevant, this feedback will be considered in future pricing reviews. All public feedback has been passed to the Treasury for their consideration.

¹ The Queensland Strata Resilience Program: <https://www.qld.gov.au/housing/buying-owning-home/financial-help-concessions/strata-resilience-program/eligibility-for-funding>

² The Western Australian Recovery and Resilience Grants Program for Severe Tropical Cyclone Seroja: [Publications \(dfes.wa.gov.au\)](#)

3: Changes to the premium rates following consultation feedback

Following the consultation period, the following changes have been made to the draft v3.0 premium rates sent to insurers:

3.1 Strata mitigation

The following changes have been made to the Strata mitigation discounts, in order to make the eligibility criteria more clear:

3.1.1 Building standards

The mitigation discounts now reference the *earliest* building standard that will be eligible for the discount. Detailed description of the building standards which will be applicable for discounts are now described in more detail in the Implementation and Pricing Structure Guide, rather than in the rating tables.

3.1.2 Roof mitigation discounts

The wording and eligibility for the roof mitigation discounts have been refined for ease of implementation. The following criteria will be eligible for a premium discount:

Level	Mitigation - Roof (Refer to the Implementation and Pricing Structure Guide for full description of conditions for each discount)	Wind
Strata_G01	No qualifying mitigation	1.0000
Strata_G02	Full roof structure retrofit for pre-1982/unknown construction year	0.9000
Strata_G03	Tile roof type with sarking under tiles	0.9500
Strata_G04	Tile roof type with pre-1982/unknown construction year and full roof structure retrofit, without sarking under the tiles	0.9500
Strata_G05	Metal roof type with compliant fastened flashings	0.9700
Strata_G06	Full metal roof structure retrofit for pre-1982/unknown construction year, however fastened flashings are not compliant	0.9300
Strata_G07	Unknown	1.0000

3.1.2 External doors

This mitigation discount has been extended. Previously, this considered just timber doors, however now a Strata property where all external doors meet the following criteria will be eligible for a premium discount:

Level	Mitigation - External doors (Refer to the Implementation and Pricing Structure Guide for full description of conditions for discount)	Wind
Strata_I01	No qualifying mitigation	1.0000
	All external doors are either:	
	- Metal OR	
	- Timber with solid cores OR	0.9700
Strata_I02	- Glass doors (including balcony doors) with debris-rated impact screens or wind-rated shutters	
Strata_I03	Unknown	1.0000

3.1.3 Window protection

This discount now relates just to glass windows (as glass doors are considered in the external doors discount). As a result of the extended eligibility for the external doors discount, the discount has been reduced to 3% for window protection.

Level	Mitigation - Window Protection (Refer to the Implementation and Pricing Structure Guide for full description of conditions for discount)	Wind
Strata_H01	No qualifying mitigation	1.0000
Strata_H02	Permanent protection (cyclone wind-rated shutters or cyclone debris-rated screens), installed externally on all glass windows	0.9700
Strata_H03	Unknown	1.0000

3.1.4 Gutter overflows

The wording has been clarified for the gutter overflows discount. Further explanatory description and accompany diagrams have been added to the Cyclone Reinsurance Pool Implementation and Rating Structure Guide.

Level	Mitigation - Gutter overflows (Refer to the Implementation and Pricing Structure Guide for full description of conditions for discount)	Wind
Strata_K01	No qualifying mitigation	1.0000
	All gutters are compliant with the following conditions: - Gutter overflows for all perimeter gutters on boxed eaves and/or all box gutters (at each end) OR	0.9700
Strata_K02	- All eaves have no eave lining	
Strata_K03	Unknown	1.0000

3.2 Postcode fallback tables

The SME postcode fallback tables have been updated, so that a small number of postcodes have their postcode rating maintained at V, rather than increasing to W.

3.3 Home Contents only flood and surge number of storeys relativities

The Home contents only number of storeys relativities for flood and surge have been increased to reflect broader policy coverage offerings for contents only policies (for example temporary accommodation if there is loss of access to the building). The updated rating table is as follows:

Level	Number of Storeys	Flood		Surge	
		Buildings	Contents	Buildings	Contents
Home_F01	1	1.0000	1.0000	1.0000	1.0000
Home_F02	2	0.8000	0.6000	0.8000	0.6000
Home_F03	3+	0.6000	0.4000	0.6000	0.4000
Home_F04	1 Storey elevated (>1m)	0.5000	0.4000	0.5000	0.4000
Home_F05	2 Storeys elevated (>1m)	0.4500	0.3500	0.4500	0.3500
Home_F06	3 Storeys elevated (>1m)	0.4000	0.3000	0.4000	0.3000
Home_F07	Caravan, mobile or relocatable home	1.0000	1.0000	1.0000	1.0000
Home_F08	Unknown	1.0000	1.0000	1.0000	1.0000
Home_F09	Apartment - Ground floor - contents only		1.0000		1.0000
Home_F10	Apartment - 1st floor - contents only		0.3500		0.3500
Home_F11	Apartment - 2nd floor - contents only		0.2500		0.2500
Home_F12	Apartment - 3rd floor and above - contents only		0.2000		0.2000

4: Clarifying guidance

Where insurers had specific implementation questions, the responses have been added to the Cyclone Reinsurance Pool Implementation and Rating Structure Guide. The key clarifications are:



- **Number of storeys table:** The contents-only levels can be applied only when the specific storey of the policyholder's location is known.
 - The insurer is expected to use the Unknown level for cases where the total number of storeys is known, but the specific storey of the policyholder's location is unknown
 - For policies that encompass multiple floors, the insurer is expected to use the relativity corresponding to the lowest occupied floor of the policy.
- **Unknown level for contents only:** If construction year is already collected, the relevant relativities can continue to be used for contents-only policies. The new level should only be used for contents-only policies where the construction year is not collected.

