



Australian Government

Australian Reinsurance Pool Corporation

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Cyclone Reinsurance Pool Premium Rates v5.0

Public consultation – October 2026

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Section 1: Purpose and timeline of consultation

ARPC is seeking feedback on the cyclone pool premium rates as part of its 2026 Pricing Review. The draft rates, known as Version 5, are proposed to apply from 1 July 2027, following consultation and final approval.

ARPC has undertaken its most comprehensive review of cyclone pool premium rates since the pool commenced. The 2026 Pricing Review updates our assessment of cyclone risk and considers how premiums should be allocated across properties in line with the legislative pricing objectives.

We welcome feedback from policyholders, insurers, industry and consumer representatives, and other interested parties on the draft changes to the premium rates. We also welcome feedback on how the current cyclone pool premium rates are operating.

Participating insurers are being consulted separately on the detailed draft rates and implementation requirements.

The Version 5 premium rates are draft and are not final. ARPC will consider consultation feedback before finalising rates, which are expected to be determined in December 2026. We will consider feedback alongside the overall premium pool and the other pricing objectives.

Please provide written feedback to consultations@arpc.gov.au by close of business on Friday, 6 November 2026. Subject to final approval, we intend to publish the Version 5 rates and supporting material by 31 December 2026, ahead of their proposed effective date of 1 July 2027.

Section 2: About the cyclone pool

The cyclone pool was established by the *Terrorism and Cyclone Insurance Act 2003* and commenced operations on 1 July 2022.

The cyclone pool provides reinsurance for eligible cyclone and cyclone-related flood and storm surge losses under Home, Strata and small to medium-sized enterprise insurance policies. It is designed to improve insurance affordability for households and businesses with medium and high cyclone risk. Insurers continue to set policyholder premiums and manage claims.

The pool reimburses insurers for eligible cyclone-related claims, subject to the underlying insurance policy conditions. This includes damage from cyclone wind and rain, riverine flooding and storm surge during a declared cyclone event and for 48 hours after the event ends.

The pool is not designed to make a profit and is supported by a \$10 billion Commonwealth guarantee. Unlike private insurers and reinsurers, it does not need to collect additional amounts to provide a profit or a return on capital, which we refer to as margins.

Section 3: Objectives of the 2026 premium rate review

The purpose of the review is to ensure cyclone pool premiums continue to meet the legislative objectives set out in the *Terrorism and Cyclone Insurance Act 2003*:

- ensuring premiums are sufficient over the longer term to cover or offset cyclone claims and expenses
- keeping premiums as low as possible for properties with medium and high cyclone risk
- maintaining incentives to reduce and mitigate cyclone risk
- keeping lower-risk premiums comparable with private market reinsurance.

To achieve these objectives, lower-risk pool premiums are set with reference to modelled claims costs plus estimated private market margins. The contribution above modelled costs helps fund premiums below modelled costs for medium and high-risk properties. The greatest proportional support is directed towards the highest risks.

Section 4: Draft outcomes of the review

4.1 Updated assessment of cyclone risk and cost

ARPC estimates annual cyclone claims and expenses at \$786 million (projected to 31 December 2027). This is a long-term annual average cost across many possible outcomes. Actual claims can be much higher or lower in any year.

On a comparable basis, the updated assessment increased expected cyclone claims and expenses by approximately 3% compared with the modelling underlying the original premium rates set in 2022. Based on the updated modelling, the latest insured portfolio and improved insurer data, current rates are now estimated to cover approximately 95% of expected cyclone claims and expenses, compared with approximately 100% at the previous assessment.

The main driver of the increase was updated cyclone-related riverine flood modelling, including more detailed hazard information and improved property location data. The higher estimate mainly reflects an improved understanding of existing risk, rather than an increase in physical flood risk.

Table 1 – Previous and updated modelled cyclone pool claims costs by peril

Peril	Previous view	Updated view	Change
Wind	642	636	-1%
Flood	100	127	28%
Surge	24	23	-6%
Total	766	786	3%

ARPC also reviewed the latest relevant climate science and how the catastrophe models reflect current cyclone risk. We concluded that no additional explicit climate adjustment was required for this review. This does not mean that climate change has no effect on cyclone risk. We will continue to assess emerging science and model updates in future pricing reviews.

4.2 Draft premium outcomes

Under the draft rates, the projected annual cyclone pool premium collected from insurers would increase by \$22 million, or 2.9%, from \$748 million to \$770 million. This would increase the proportion of modelled cyclone pool costs that are covered by the premium rates from 95.1% to 97.9% over the long term. We consider the proposed outcome appropriate given the uncertainty in estimating cyclone costs.

Table 2 – Annual modelled cyclone pool cost and premium

	Current rates	Draft rates
Annual modelled cyclone pool cost (\$m)	786	786
Annual cyclone pool premium (\$m)	748	770
Premium adequacy	95.1%	97.9%
Change in premiums (\$m)		22
Change in premiums %		2.9%

Premiums for low-risk properties are set with reference to the modelled cost plus an allowance for margins that would be charged by the private market in the absence of the cyclone pool. The resulting contribution

above modelled cost helps fund premiums below modelled cost for medium and high-risk properties. As part of the review, ARPC has updated the assessment of private market margins.

Table 3 shows the estimated impact of the draft changes on premiums by risk level. On average:

- premium reductions are concentrated among medium and high-risk properties, including in higher-risk parts of Northern Qld, Northern WA and NT.
- modest premium increases are concentrated among minimal and low-risk properties, including in lower-risk regions such as South East Qld and Southern WA.
- the greatest proportional premium benefit would continue to be directed to properties with the highest cyclone risk.

For the high-risk group, proposed pool premiums are around 70% below estimated private market cyclone premiums.

Table 3 – Average modelled cost and premium by risk level

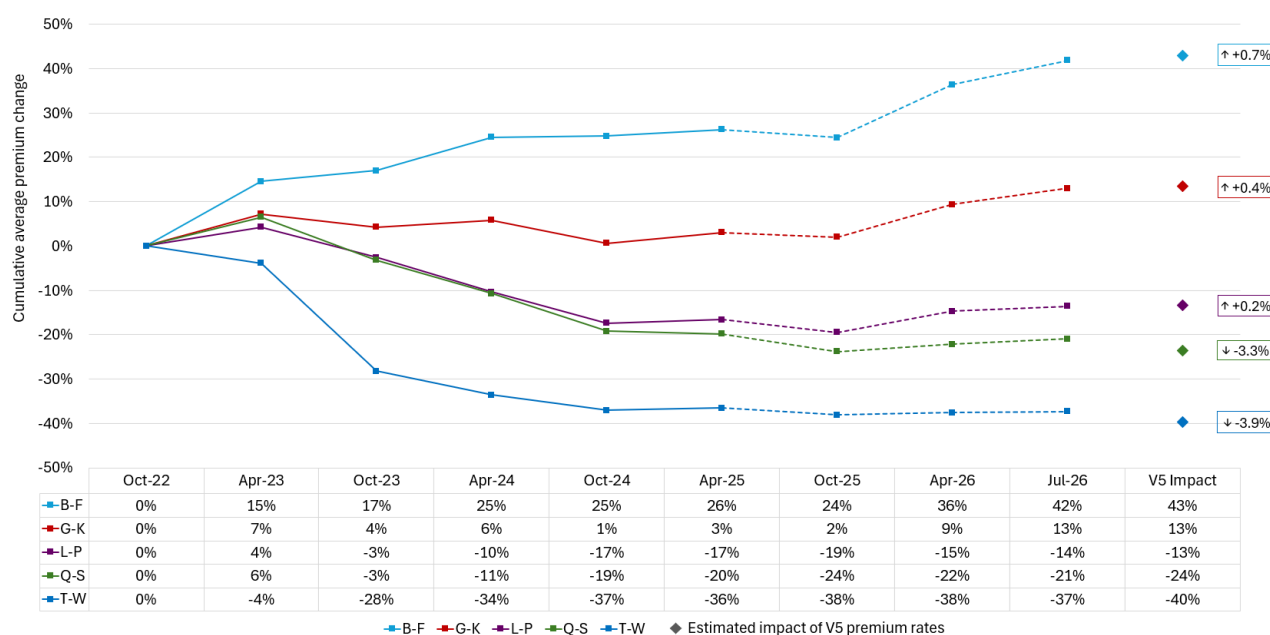
Risk level	Average modelled cost	Average current premium	Average draft premium	Average premium change	Premium adequacy
Minimal	50	62	68	6	138%
Low	229	237	249	11	109%
Medium	681	589	561	-28	82%
High	2,327	981	897	-85	39%
Total	132	124	129	5	98%

Cyclone pool premiums are reinsurance premiums paid by insurers to ARPC. They are only one component of the overall insurance premium paid by a policyholder. Insurers determine the premiums they charge customers, and individual outcomes may also reflect claims costs, other reinsurance, operating costs, taxes and other factors.

To assess the impact of cyclone pool premiums on total policyholder premiums, we have analysed average premiums over time using quote data collected from insurers' websites. We have measured the cumulative change in policyholder premiums since October 2022, which was before any of the insurers joined the cyclone pool. Figure 1 shows the cumulative change in average premiums by Wind band¹.

¹ Each address in Australia is allocated to a Wind band, which is a measure of Wind risk used to calculate cyclone pool premiums.

Figure 1 – Cumulative change in average quoted premiums by Wind band for Home Buildings from October 2022 to July 2026, and estimated impact of draft Version 5 premium rates



By July 2026, average quoted premiums in the highest Wind bands were 37% below their October 2022 level. These reductions occurred during a period of broader increases in home insurance costs. For lower-risk properties, the cyclone pool component is relatively small, so movements in their total premiums largely reflect other insurance costs. The results are consistent with the pool improving affordability for higher-risk properties.

To estimate the effect of the draft rate changes on total policyholder premiums, we have applied the change in the cyclone pool component to home building quotes collected in July 2026. On this basis, the proposed rates have a small effect on average total premiums in lower-risk Wind bands and would reduce average total Home Buildings premiums in the highest Wind bands by a further 3.9% from the July 2026 quote levels.

The analysis assumes insurers pass the change through to the policyholder, with other premium components unchanged. Insurers set their own customer premiums and are not required to pass through the exact cyclone pool premium or its change to each individual policyholder. A reduction in a property's pool premium therefore does not guarantee that its total insurance premium will fall, particularly if other costs increase. The analysis also does not account for any changes to policyholder premiums that may be implemented by insurers between July 2026 and when the Version 5 premium rates are implemented.

4.3 Basis and limitations

The draft rates draw on catastrophe modelling, insurer exposure and claims data, other relevant evidence and actuarial judgement. Catastrophe models estimate average losses across a wide range of possible events. Actual claims in individual years may be materially higher or lower.

Different reasonable models and assumptions can produce different estimates of cyclone costs and their geographic distribution. The assessment also depends on the insured portfolio and information supplied by insurers, which will change over time.

The policyholder premium analysis is based on sampled online Home Building quotes and assumes changes in cyclone pool premiums are passed through with other insurer pricing unchanged. It does not predict the premium that an individual policyholder will pay.

Consultation

ARPC invites feedback on the current cyclone pool premium rates and the draft Version 5 changes, including evidence about premium outcomes or other matters that should be considered before the rates are finalised. Written submissions on the premium rates should be sent via email to consultations@arpc.gov.au by the close of business on Friday, 6 November 2026. Consultation responses will be considered by ARPC but will not be published.

Yours sincerely,

Scott Unterrheiner
Chief Financial Officer

