Australian Government
Australian Reinsurance Pool Corporation

Australian Reinsurance Pool Corporation Submission: Joint Standing Committee on Northern Australia

Inquiry into Preparing for Emerging Industries Across Northern Australia

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Executive summary

Australian Reinsurance Pool Corporation (ARPC) welcomes the opportunity to provide a further submission to the Joint Standing Committee on Northern Australia on the operation and impact of the Cyclone Reinsurance Pool.

The Cyclone Reinsurance Pool commenced on 1 July 2022 to improve the affordability and availability of insurance for households and small businesses, particularly in areas exposed to medium and high cyclone risk. All insurers required to participate had joined the pool by the end of 2024, and the pool is now operating at scale.

There is now a substantially stronger evidence base on the pool's operation and observed effects than was available during earlier parliamentary consideration of the scheme. ARPC's analysis and the ACCC's independent monitoring both show meaningful improvement in insurance affordability in higher cyclone-risk areas, with the greatest relative reinsurance benefits directed towards properties with the highest cyclone risk. ARPC's data also indicates improved Home insurance availability in those areas.

These improvements are significant, but they do not mean that the insurance challenges facing Northern Australia have been resolved. Premiums remain high for many households and businesses, insurance participation is uneven, Home Contents take-up is materially lower than Home Buildings take-up, and other natural hazards and market conditions continue to affect affordability and availability.

The pool has also now been tested through substantial claims experience, including Tropical Cyclone Alfred. This experience demonstrates the pool absorbing significant cyclone losses while maintaining a pricing framework designed to meet expected claims and operating costs over the longer term.

Insurance affordability, availability and participation form part of the broader environment affecting the cost of living and doing business in Northern Australia. They are therefore relevant to regional resilience and economic conditions. ARPC's evidence does not, however, isolate the effect of the Pool on investment, employment, workforce attraction or retention, population movements, or the development of emerging industries. Those outcomes are influenced by a much wider range of economic, housing, infrastructure and labour-market factors.

ARPC's contribution to the Committee is therefore to provide evidence about the insurance environment the pool was established to address, its operational performance and observed outcomes, and the remaining gaps evident in ARPC's data. Decisions about the future design, eligibility or legislative scope of the pool remain matters for Government and Parliament.

1. ARPC and the Cyclone Reinsurance Pool

The cyclone pool commenced on 1 July 2022 to improve the affordability and availability of insurance for households and small businesses, particularly in areas exposed to medium and high cyclone risk. It provides reinsurance for eligible cyclone and cyclone-related flood losses under eligible household, strata and small business insurance policies and is supported by an adjustable and annually reinstated $10 billion Commonwealth guarantee.

The pool operates Australia-wide, with the greatest relative premium benefits targeted towards properties with higher cyclone risk. ARPC sets reinsurance premiums to cover expected claims and efficient operating expenses over the longer term, without margins for profit, return on capital or uncertainty. The pricing framework also maintains incentives for cyclone risk reduction and mitigation through premium discounts.

All insurers subject to mandatory participation had joined the pool by the end of 2024. As at 30 June 2026, the pool was reinsuring approximately 3.2 million Home, Strata and SME properties, representing more than $2.5 trillion in building exposure.

ARPC determines the reinsurance premiums charged to participating insurers; it does not determine the retail premiums paid by individual households, strata bodies or businesses. Retail premiums reflect a broader range of factors, including other insured perils, claims experience, rebuilding costs, sums insured, operating expenses and individual insurers' underwriting and pricing decisions.

The pool has also now been tested through significant claims experience. Since inception, ARPC has paid more than $1.3 billion in cyclone pool claims, with the majority relating to Tropical Cyclone Alfred. Alfred is the largest claims event experienced by the pool to date. This claims experience demonstrates the pool's role not only in providing reinsurance capacity and supporting premium reductions, but also in meeting substantial insured losses following a major cyclone event.

2. Insurance affordability, availability and Northern Australia development

Insurance is an important cost for households and businesses operating in cyclone-prone areas. High premiums can place pressure on household budgets and business operating costs, while limited availability can constrain the insurance options available to property owners and businesses.

The rationale for establishing the cyclone pool recognised this connection. The explanatory material accompanying the legislation identified improved insurance affordability and access as central objectives of the scheme, alongside strengthening the capacity of households and small businesses to recover from disasters and supporting the economic resilience of cyclone-prone regions.

There is now substantial evidence that the insurance outcomes most directly targeted by the pool have improved, particularly in areas exposed to higher cyclone risk.

ARPC's May 2026 *Cyclone Pool Premium Assessment* found that average Home policyholder premiums in medium- to high-cyclone-risk groups were approximately 17 to 37 per cent lower in January 2026 than in October 2022, before the first insurers entered the pool. Insurance availability has also improved. Across broadly comparable risk groups, Home insurance quote success rates were approximately 25 to 27 per cent higher than the relevant pre-pool baseline. Quote success measures the proportion of quote attempts that result in an insurer offering cover and provides an indicator of insurance availability.

The ACCC's independent monitoring points in the same direction and extends the evidence across Home, Strata and small business insurance. In medium- to high-cyclone-risk areas, the ACCC found that average premiums per $100,000 sum insured were lower following insurer entry to the pool by 11 per cent for Home building and contents insurance, 8 per cent for Strata insurance and 24 per cent for small business building and contents insurance. It also found that these reductions persisted into the second year after insurer entry.

The ACCC also found evidence that insurers were generally passing ARPC reinsurance pricing through to policyholders. Although insurers use different methodologies to incorporate reinsurance costs into retail pricing, the ACCC did not identify an overall approach inconsistent with the pool's intended targeting of greater benefits towards consumers exposed to higher cyclone risk.

The evidence on market participation and insurer appetite is more mixed. The ACCC observed limited change in insurers' overall appetite to expand Home insurance in cyclone-prone regions, and no new insurers entered Northern Australia as a consequence of the pool during the monitoring period. The effect was more apparent in Strata and small business markets, where some insurers identified the pool as a factor influencing decisions to expand participation or underwriting appetite.

This distinction is important. Cyclone reinsurance costs are only one factor affecting insurers' willingness and ability to operate in Northern Australia. Other constraints identified by insurers include exposure to other natural hazards, particularly flood, access to sufficiently granular risk data, claims servicing capability, remoteness and the need to achieve sufficient market scale.

The ACCC's monitoring provided an independent evidence base for assessing changes in premiums, insurer costs and the extent to which the benefits of the cyclone pool were reflected in policyholder premiums. The ACCC's monitoring role concluded on 30 June 2026. ARPC continues to assess insurance affordability and availability through its own premium assessment work, including analysis of insurer quote data. However, ARPC does not collect the same breadth of data or have the

remit to review insurer behaviour to the same extent as the ACCC. The evidence therefore supports a measured conclusion. One significant insurance-related pressure affecting Northern Australia has improved, particularly for properties exposed to higher cyclone risk. The evidence is consistent with the reduction in cyclone-related reinsurance costs being reflected in lower premiums in key segments, alongside improved Home insurance availability in higher-risk areas.

The evidence does not, however, establish that the pool has caused broader changes in regional investment, employment, workforce attraction or retention, population movements, or the development of emerging industries. Those outcomes are shaped by a much wider range of economic, housing, infrastructure and labour-market factors. Assessing them would require evidence from agencies and stakeholders with responsibilities for regional development, housing, infrastructure, investment and workforce policy.

3. Insurance participation and remaining coverage gaps

Improvement in average insurance premiums does not necessarily mean that all households are insured, or that those with insurance hold adequate cover. Insurance participation therefore remains an important part of assessing the broader insurance environment in cyclone-exposed regions.

ARPC's 2026 report, *Insurance Take-up and Coverage Gaps in Cyclone-Exposed Regions*, estimates Home Buildings insurance take-up at 91 per cent across cyclone-exposed regions, compared with 62 per cent for Home Contents insurance. Participation is lower in areas exposed to greater cyclone risk. In higher cyclone wind bands, estimated take-up falls to 86 per cent for Home Buildings and 51 per cent for Home Contents.

The analysis also shows substantial variation between communities. Insurance participation is generally lower in areas with fewer economic resources and tends to decline with increasing remoteness. These differences are particularly pronounced for Home Contents insurance, including in parts of the Northern Territory, northern Western Australia and Far North Queensland.

These findings indicate that a material proportion of households in cyclone-exposed regions remain without some forms of insurance protection, even where average premium outcomes have improved. The gap is most evident for Home Contents cover, which is important to household recovery following a severe event.

ARPC's analysis also identifies significant gaps in flood insurance. Among properties with identified flood risk, estimated flood insurance take-up is 65 per cent for Home Buildings and 42 per cent for Home Contents. For properties exposed to extreme flood risk, estimated take-up falls further, to 33 per cent for Home Buildings and 23 per cent for Home Contents.

These results are relevant because the cyclone pool does not address all sources of insurance vulnerability. They show that cyclone-related premium relief can coexist with substantial gaps in insurance participation and coverage, particularly where households face multiple hazards or constrained financial capacity.

The findings should, however, be interpreted carefully. ARPC's analysis is descriptive rather than causal. Hazard exposure, economic resources, tenure, remoteness and demographic characteristics are interrelated, and the available evidence does not establish that any single factor is responsible for non-insurance or under-insurance.

First Nations communities

The Committee has invited consideration of Aboriginal and Torres Strait Islander engagement and how First Nations communities could be better serviced by the cyclone pool.

First Nations perspectives formed part of the consultation preceding establishment of the cyclone pool. During Treasury's 2021 consultation on the proposed scheme, the Torres Cape Indigenous Council Alliance Inc., representing Indigenous local governments across the Torres Strait, Cape York and Gulf region, raised the particular insurance circumstances of small and remote Indigenous local governments and sought consideration of those circumstances in scheme design.

ARPC has continued to engage directly with First Nations organisations since the pool commenced. This has included meetings with Aboriginal land councils and Indigenous corporations, including during stakeholder engagement in Broome in 2025. These discussions have provided ARPC with a better understanding of the way housing and other community assets can be owned and insured in remote First Nations communities.

A recurring issue raised through this engagement is that housing may be owned collectively through an Indigenous corporation or other community organisation, rather than by individual householders. The insurance arrangements applying to those assets can therefore differ from conventional individual Home insurance. Stakeholders have also raised examples of housing affected by flooding where the resulting losses did not fall within the existing coverage of the cyclone pool.

ARPC has also heard that, where property owned by an Indigenous corporation is insured under a commercial property arrangement, the existing eligibility rules can be relevant to whether that cover is reinsured by the pool. Under the current framework, commercial property cover is generally subject to a maximum total sum insured of $5 million across eligible building, contents and business interruption cover. The original scheme design adopted the $5 million sum-insured test as a practical means of defining the small-business property policies intended to be covered by the pool.

This can produce different outcomes depending on how property is owned and how the insurance policy is structured. Household property policies, including residential landlord cover, are not subject to the same maximum sum-insured test, while commercial property policies are subject to that threshold. ARPC considers this distinction relevant to understanding the circumstances described by Indigenous corporations during its engagement, although the eligibility of any particular policy depends on the terms of the insurance arrangement and the legislation.

ARPC's administrative data does not separately identify policyholders according to Aboriginal or Torres Strait Islander status. It therefore cannot quantify insurance participation, affordability or pool outcomes specifically for First Nations households and communities, and it would not be appropriate to infer those outcomes from geography, remoteness or socio-economic characteristics.

ARPC's engagement nevertheless indicates that the interaction between community ownership structures, insurance arrangements and the pool's eligibility settings warrants recognition when considering how the existing scheme operates in remote First Nations communities. Decisions to alter eligibility thresholds, covered risks or other scheme-design settings are matters for Government and Parliament.

4. Mitigation and resilience

Risk mitigation is integral to the cyclone pool's pricing framework. The legislative framework requires ARPC to maintain incentives for policyholders to reduce and mitigate the risk of eligible cyclone losses. Recognising risk reduction through reinsurance pricing can lower expected claims costs while also supporting greater resilience of homes and businesses exposed to cyclone risk.

For Home properties, the pool's premium formula recognises both underlying building resilience and specified mitigation measures. Eligible measures include roller-door bracing, window protection, roof tie-down upgrades and qualifying roof replacement. The pricing framework also recognises reduced flood and storm-surge risk associated with elevated properties.

The financial value of these incentives is increasing. As at 30 June 2026, the total annual mitigation discount applied to in-force Home premiums was approximately $9.7 million, up from $7.9 million a year earlier. Eligible Home measures attract reductions to the cyclone wind component of the pool premium of 8 per cent for qualifying roller-door bracing, 10 per cent for window protection, 20 per cent for qualifying roof tie-down upgrades, and 30 per cent for complete roof replacement with tie-down upgrades.

ARPC has progressively extended mitigation incentives across the other classes of insurance covered by the pool. Wind premium mitigation discounts have applied to eligible Strata policies since 1 April 2025 and to eligible SME policies since 1 April 2026. The recognised measures include roof upgrades, window protection, external doors, vehicle-access doors and gutter-overflow measures.

The pool's pricing can also recognise community-level mitigation, such as levees and other flood protection infrastructure, where these measures are reflected in the catastrophe models used by ARPC. ARPC considers the transparency of catastrophe models when selecting models, including the extent to which community-level mitigation measures and their standards of protection can be identified and understood.

A current limitation is the absence of a comprehensive and up-to-date national data source identifying community-level mitigation measures and their standards of protection. Better information on these measures would support ARPC and insurers to assess their effect on expected losses and, where appropriate, reflect the resulting risk reduction in insurance and reinsurance pricing.

ARPC is also working to improve awareness of these incentives. In late 2025, ARPC launched its first public awareness campaign on cyclone mitigation discounts in Broome, Darwin, Townsville and Cairns. The campaign encouraged residents to advise their insurer of eligible resilience measures already undertaken and to consider improvements to roofs, windows and roller doors that may improve cyclone resilience and, where recognised in insurer pricing, reduce premiums.

The available evidence shows that mitigation is increasingly being recognised through the pool's pricing arrangements. The proportion of Home policies recorded with a mitigation discount increased from 2.9 per cent at 31 March 2025 to 3.5 per cent at 31 March 2026, although take-up varies substantially between regions.

There are, however, important limits to the evidence. ARPC's data demonstrates that recognised mitigation measures are being reflected in reinsurance pricing, but it does not yet establish that the discounts themselves have caused property owners to undertake mitigation works. Recorded take-up is also influenced by the extent to which insurers collect, verify and provide mitigation information to ARPC. For Strata in particular, reporting remains limited while some insurers continue to adapt underwriting and reporting systems.

ARPC will continue to monitor the take-up and value of mitigation discounts across Home, Strata and SME insurance and, as the evidence base develops, assess the relationship between recognised mitigation measures, claims experience and cyclone risk. This will provide a stronger basis over time for evaluating how effectively the pool's pricing framework is recognising and rewarding resilience.

5. Financial sustainability and claims experience

The cyclone pool is designed to set reinsurance premiums that over the longer term, are sufficient to cover or offset expected claims and efficient operating costs. Actual cyclone losses are inherently volatile and can differ substantially from expected claims in any individual year or over several years.

The pool's financial performance in any one year should therefore be considered in the context of expected claims over time, rather than treated as a standalone measure of premium adequacy or financial sustainability.

The pool is supported by an adjustable and annually reinstated $10 billion Commonwealth guarantee. This enables ARPC to absorb severe claims volatility without incorporating the margins for profit, return on capital and uncertainty that would ordinarily form part of private-market reinsurance pricing. ARPC's September 2025 premium determination concluded that pool premiums remained adequate overall against legislative objectives.

The pool has now been tested through significant claims experience. As at 31 August 2026, ARPC had accepted 137,597 claims with a total net incurred value of approximately $2.02 billion, including an allowance for incurred but not reported (IBNR) claims. By 30 September 2026, approximately $1.37 billion had been paid to insurers in respect of pool claims.

Tropical Cyclone Alfred is the largest loss event experienced by the pool to date. As at 31 August 2026, ARPC had accepted 117,059 Alfred-related claims across Home, SME and Strata insurance. By 30 September 2026, approximately $1.19 billion had been paid in relation to the event, with total incurred claims of approximately $1.6 billion, including an allowance for incurred but not reported (IBNR) claims.

The pool has also responded to claims arising from a range of other cyclone events since commencement, including Tropical Cyclones Jasper, Kirrily, Fina and Koji. This experience demonstrates the pool operating across multiple cyclone seasons, regions and classes of insurance, and meeting substantial claims obligations following major events.

Claims from the 2024–25 cyclone season were materially above the modelled annual average, driven principally by Tropical Cyclone Alfred. ARPC's actuarial assessment concluded that a claims outcome of this magnitude remained within the range contemplated by the pool's modelling. ARPC continues to assess premium adequacy through its regular pricing review process as claims experience, exposure data and catastrophe modelling develop.

ARPC commenced public consultation in October 2026 on draft Version 5 Cyclone Pool premium rates as part of its 2026 Pricing Review, its most comprehensive review of premium rates since the pool commenced. The review updates ARPC's assessment of cyclone risk and considers how premiums should be allocated across properties in accordance with the legislative pricing objectives. Consultation is open until 6 November 2026, with final rates expected to be determined in December 2026 and proposed to apply from 1 July 2027.

6. Climate risk

Climate risk is relevant to the longer-term operation of the cyclone pool and is considered through ARPC's catastrophe modelling and regular premium reviews.

As part of its 2026 Pricing Review, ARPC reviewed how the catastrophe models used in setting pool premiums reflect current cyclone risk. ARPC 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.

ARPC will continue to assess emerging science and catastrophe model updates through future pricing reviews and reflect material changes in its assessment of cyclone risk where appropriate.

7. Future scheme design and the statutory review

The Committee has identified a number of potential future scheme-design issues, including cyclone-related flooding, marine insurance, Strata, small business thresholds and other eligibility or coverage settings.

ARPC has undertaken technical analysis of the potential implications of extending the current coverage period from 48 hours to 168 hours after the end of a declared cyclone. The 2024 analysis estimated that this could increase average riverine flood claims to the pool by approximately $20 million to $35 million a year, while also capturing additional cyclone-related flooding after a cyclone has been downgraded. The analysis was indicative and subject to limitations, including that additional pluvial flood losses were not quantified.

Any changes to scheme scope or eligibility are matters for Government and Parliament. This distinction is particularly relevant while the statutory review of the *Terrorism and Cyclone Insurance Act 2003* remains underway.

Conclusion

The evidence base for assessing the cyclone pool is now substantially stronger than it was during earlier parliamentary consideration of the scheme. The pool is operating at scale, ARPC has accumulated several years of premium and exposure data, and there is now clearer evidence of its operation and observed insurance outcomes.

That evidence shows meaningful improvement in the areas the pool was designed to address. Home insurance affordability and availability have improved in medium- and high-cyclone-risk areas since implementation of the pool, while ARPC's pricing analysis shows that the greatest relative reinsurance benefits continue to be directed towards properties with the highest cyclone risk.

These improvements are significant, but they do not mean that the underlying insurance challenges facing Northern Australia have been resolved. Premiums remain high for many households and businesses, insurance participation is uneven, Home Contents take-up remains materially below Home Buildings take-up, and risks from other natural hazards and broader insurance market conditions continue to affect affordability and availability.

The evidence should also be interpreted within its limits. Insurance affordability, availability and participation form part of the wider environment affecting households, businesses and communities in Northern Australia. ARPC's evidence does not establish a causal relationship between the pool and regional investment, employment, workforce attraction or retention, population movements, or the development of emerging industries. Assessment of those broader outcomes requires economic, industry and labour-market evidence beyond ARPC's insurance data.

ARPC's role is to administer the scheme established by Parliament. ARPC will continue to monitor the pool's financial and operational performance and publish information on insurance affordability, availability, participation and cyclone risk. Decisions about the future design, eligibility or legislative scope of the pool remain matters for Government and Parliament.

Published ARPC material

The following ARPC publications provide further information and supporting evidence relevant to this submission:

- Cyclone Reinsurance Pool Premium Rates v5: Public Consultation – October 2026
- ARPC Quarterly Statistics as at 30 June 2026 – October 2026
- Insurance take up and coverage gaps in cyclone-exposed regions – August 2026
- Cyclone Reinsurance Pool Premium Assessment – May 2026
- ARPC Annual Report 2024–25
- ARPC Corporate Plan 2026–30
- Cyclone Reinsurance Pool Financial Outlook Report 2025
- Cyclone Pool Premium Determination Report applying from 1 April 2026
- Estimating Cyclone Pool premiums with 168 hour coverage period – September 2024