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RACQ welcomes new cyclone reinsurance pool laws

Leading Queensland insurer RACQ has welcomed the cyclone reinsurance pool's passage through the Senate but said consultation must continue to ensure it delivers for the 1.3 million people living in northern Australia.

CEO David Carter said RACQ had supported a reinsurance pool throughout the near year-long consultation with the Federal Government and remained hopeful it can improve insurance accessibility for its members.

"A cyclone reinsurance pool is another step closer to reality and that is a good thing," he said.

"Any initiative that allows insurers to pass on reinsurance savings to policyholders should be supported, however a number of matters still need to be resolved before RACQ can participate in the pool and understand what benefits it has for our members.

"At the top of the list is pricing. Until we have seen the pool's proposed pricing rates we are not in a position to determine the size of the anticipated savings.

"We also need to settle on the operational aspects of the pool – how insurers will recover costs, how premiums will be monitored, how insurers will do business with the pool's manager in the aftermath of a cyclone.

"Finally, while RACQ is pleased a number of our recommendations have been adopted, we will continue to call out a key issue we hoped the Parliament would correct, which is the pool's narrow coverage.

"The pool will only respond to damage that occurs within the duration of a cyclone plus 48 hours, meaning RACQ will need to purchase additional cyclone reinsurance which will dilute any savings. We also believe the pool should include motor insurance to remove complexity and cost in arranging cyclone reinsurance."

Mr Carter said the pool will work best when running alongside significant multi-year investment in natural disaster resilience and mitigation.

"We strongly support the Insurance Council of Australia's current campaign to significantly increase the levels of federal funding in this important area. Without this investment, the pool risks becoming only a band-aid solution," he said.

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RACQ is Queensland's largest club and peak independent motoring organisation. We were formed in 1905 to represent the interests of the State's first motorists and today campaign for safer drivers, vehicles and roads on behalf of more than 1.7 million members who own the Club. We offer those members a vast range of motoring, insurance, banking, entertainment and travel services and benefits, and each year respond to more than a million calls for roadside assistance.