



24 April 2024

Mr David Rodwell
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Portfolio Committee 7
Legislative Council
By email: PortfolioCommittee7@parliament.nsw.gov.au

Dear David

The transcript is an accurate recording of Andrew's and my comments.

The 2 Questions on Notice are below:

The Hon. SCOTT FARLOW: Or a traditional home with higher standards. Thank you for that. If you have any information that you could provide in terms of that equation, that'd be helpful in being able to look at that.

ANDREW DYER: Sure. We might take that one on notice.

Answer:

The FORTIS house designs have been designed to exceed the performance of BAL-rated construction while achieving costs comparable to or lower than that of standard BAL-rated designs. Construction costs are on the order of \$400,000 - \$700,000, depending on choice of design (e.g. 1-bed, 2-bed, 3-bed etc). FORTIS reduces building costs by using simple design forms, using readily available materials and construction methods. FORTIS has been designed for both prefabrication and on-site building - prefabrication speeds up build times and can alleviate local trades and materials shortages. The free designs and specifications also reduce consultant fees and fast-track the design process.

The Hon. JACQUI MUNRO: Does having less detailed data make companies less responsible for decisions that don't anticipate risk effectively? When you are talking about reinsurance, how does that relate to

the data quality that you have?

GEORGE KARAGIANNAKIS: The reinsurers require us to have good data in order for them to be able to adequately price their reinsurance premium to us, so you're quite right. But coming back to the point that Alix made—

The Hon. JACQUI MUNRO: Sorry. Just quickly, that reinsurance level, is there a standard, I suppose, that reinsurance—

The CHAIR: Does it impact your premiums to reinsure?

GEORGE KARAGIANNAKIS: I'm not an expert on reinsurance. I can't answer. We can take that on notice and provide you some information.

Answer:

Reinsurance availability and pricing is based and influenced by many factors. In relation to the overall Reinsurance Capacity and Pricing on a macroeconomic scale this is influenced by the worldwide market performance (Worldwide Catastrophe Events, Market Return on Equity etc) and the availability of capital – which includes reinsurers ability to purchase their own cover (Retrocession). On a Micro-client specific level, the availability and price of reinsurance is largely based on the reinsurance structure that the client wishes to purchase and how this structure is perceived to perform based on the Reinsurers review of the clients individual historical and projected loss experience, total exposure and distribution of exposure and underwriting performance.

Reinsurers will make an assessment of the primary insurers' flood exposure in respect of the Treaty Structure. The Reinsurers method for making this assessment will vary depending on the resources they have available to them, for example some Reinsurers may have access to Vendor Models (e.g RMS) which can assess flood exposure for an insurers portfolio on a postcode level or they may have developed their own flood model.

Where an insurer can demonstrate a superior level of flood underwriting through detailed hazard mapping and can demonstrate that exposure to a large flood catastrophe is well risk managed, reinsurers will take this into account when assessing the pricing and viability of reinsurance structures. Given that flood has been extremely topical across both Australia and New Zealand in the last few years, demonstrating a sophisticated approach to flood underwriting is beneficial to reinsurance placement – particularly if the insurer can show that for a particular event, for example 2022 SE QLD Flooding, if this were to happen again, the magnitude of the loss to the insurer would be reduced due to improved flood mapping and underwriting.

Reinsurer perceptions of primary insurers' flood risk profile may be guided by historical loss experiences, risk modelling conducted by reinsurers and/or brokers, or information provided by primary insurers about the quality and coverage of their flood mapping and associated approach to flood risk underwriting. There is no common standard for considering flood risk across the global reinsurance market. There is also no common standard for reinsurers to assess the flood exposure – reinsurers may assess flood risk using postcode/location level vendor modelling technology which is the most granular, or aggregate Cresta Level models or if there is no model available to the reinsurer they will base this assessment on prior experience.

Yours sincerely,

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