

Dear [REDACTED]

ASBFEO Insurance Inquiry

As discussed on 21 August, I am COO of Balmoral Australia which is the family office of the Oatley family. Balmoral owns operating businesses in tourism and wine, plus has a range of investments. We are a family enterprise but not a small business – we have over 1,250 employees.

Our primary tourism business is our ownership of Hamilton Island in Queensland's Whitsunday Islands Group (<https://www.hamiltonisland.com.au/>). We have owned Hamilton Island since 2004, and in this time have invested more than \$800 million into improvement and development of the Island's assets and services. In a "normal" year Hamilton Island turns over in excess of \$250 million.

In addition to owning all four hotels and most guest services on the Island, we also sub-let real estate to more than 800 tenants who – for the most part – own holiday homes and apartments, and/or who conduct small business. The permanent population of Hamilton Island is normally around 1,800 people.

We also own and operate all infrastructure servicing Hamilton Island. This includes the Great Barrier Reef airport, the mainland electricity cable and Island distribution network, the fuel distribution system, all water and waste water systems, the municipal solid waste collection system, the marina and Island barge services, all communications infrastructure and all roads.

We have always maintained insurances on our assets, including a wide ranging industrial special risks policy. As a term of their leases we also require that our sub-tenants maintain appropriate covers.

Over the past decade we have seen our own ability to obtain any insurance cover from the Australian market whittle to zero. In recent years we have been required to place our insurance in the London market.

Similarly, for many of our sub-tenants we understand that insurance cover is becoming increasingly difficult to obtain and/or the costs of cover are becoming clearly economically prohibitive. This raises significant issues for us and our sub-tenants in terms of compliance, real property rights/value and liability. We have numerous examples that underscore these issues.

In March 2017 Hamilton Island suffered a direct landfall from Tropical Cyclone Debbie ("TCD"), which was a severe and slow-moving category 4 cyclone. The Island suffered considerable damage and was closed for a number of weeks. During this time the Oatley family largely funded repairs to reopen out of their other family resources, and then subsequently worked through the insurance claim process for claim recovery.

For some other people, such as certain of our sub-tenants, the TCD claim process is still ongoing.

TCD was the first direct cyclonic landfall on Hamilton Island in living memory. Prior to TCD in 2016/17 our annual (London placed) Hamilton Island insurance premium was circa \$1.7 million. Since then our premium has skyrocketed and, for 2020/21, we are told that the premium could be up to \$5.2 million. This represents a 300% increase in four years.

Unsurprisingly – and not least of which now because of the significant impact of the coronavirus on our business – we are

looking at ways to contain our insurance premiums which, invariably, means that we will need to take on more risk.

During the past four years we have systematically explored alternative ways to otherwise insure Hamilton Island, ranging from self-insurance, to establishing a captive insurer, to parametric insurance, to partial insurance.

We have also advocated (for our own interests and those of our sub-tenants) to both the Queensland and the Federal Governments. Among other things we have suggested that:

1. The Queensland Government institute a State levy similar to the 2011 Flood Recovery Levy, for the purposes of creating a pool of Queensland reinsurance for all types of catastrophe including fire, flood, cyclone, earthquake/tsunami, terrorism etc.
2. The existing Federal Government Australian Reinsurance Pool Corporation be expanded beyond terrorism, to create a national pool of reinsurance for the types of catastrophe listed in #1 above.
3. For a broad scope of consideration by the (re)launched Federal Treasury investigation into creating a Federal Government insurance pool for Far North Queensland, announced by Assistant Treasurer Michael Sukkar in November 2019.

To date we have met with little engagement on these or our other discussions. We therefore commend the object of your inquiry and would be happy to contribute our experience and examples as suits.

Yours sincerely,

Nick Dowling | Chief Operating Officer

Balmoral Australia | [REDACTED]

<https://balmoralaustralia.com/>

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