



Northern Australia Insurance Inquiry Public Forum

Cairns, Queensland
16 November 2017

This document is not a verbatim record of the forum but a summary of the issues raised by forum attendees.

The views and opinions expressed are those of the attendees and do not reflect the ACCC's views or position on the issues summarised here.

Venue

16 November 2017 from 5:30pm to 7:30pm
Rydges Plaza Cairns
50 Grafton Street, Cairns City

Attendees

Australian Competition and Consumer Commission

Delia Rickard (Deputy Chair), Mick Keogh (Commissioner), ACCC staff.

Interested parties

Approximately 30 interested parties attended the forum.

Introduction

Deputy Chair Delia Rickard welcomed attendees, provided an overview of the ACCC's Inquiry and invited attendees to contribute comments in response to the topics of interest to the Inquiry.

Attendees were informed that the matters discussed at the forum would be recorded and published on the ACCC's website, but that this summary would not identify or attribute comments to individuals.

Summary of issues

Participants discussed the following issues at the forum.

Postcode risk rating

- Participants believed their risk rating, and consequently the insurance premium, is determined at a postcode level rather than by looking at the individual characteristics of their property - including the standard to which it has been built and whether it is at risk of flooding (because it is at a high elevation). Some participants stated that when they mentioned their postcode, some insurers would not offer a quote.
- There was some discussion around changes to council and state government flood mapping and the potential implications this has had on flood zoning.

High and/or rising premiums

- Transparency in the pricing of insurance was a focus of concern for participants.
- Participants said they did not understand why insurance premiums are high and why there have been substantial increases.
- Participants especially questioned why insurance premiums are high compared to Brisbane. When drawing these comparisons, participants focused on differences in building standards and damage from severe weather events.
- One participant questioned whether insurers were intentionally setting high premiums to discourage consumers from insuring with them or to gouge customers who will pay those premiums.
- One participant expressed concern about a lack of transparency in how insurers determine replacement value.

Responding to high and/or rising insurance premiums

- Participants discussed actions they are taking in response to high and rising insurance premiums:
 - reducing the sum insured or replacement value, and potentially underinsuring their home and contents.
 - questioning their insurer over the premium increase or how it has determined certain factors that contribute to their premium.
 - shopping around for another quote, but amid observations there are fewer choices of insurers in north Queensland compared to other parts of Australia.
 - changing the excess. One participant suggested that to reduce insurance premiums, excess levels should be allowed to be increased to high levels (e.g. \$30,000).
 - ceasing to, or considering ceasing to, insure their home.
 - one participant noted that they had a building valuation a couple of years ago and provided it to their insurer. However the insurer said they could not use this to increase the value of the property and could only do so with reference to the building cost index (which is around 2-2.5 per cent).
- Participants made various comments about shopping around:
 - when they put in their postcode many insurers would not offer a quote or when they do, the next best quote is higher than their current insurer.
 - different premiums may be available by going through a different portal or by coming on as a new client rather than renewing through their existing insurer.
 - there are different insurers available to provide cover depending on whether the insurance is acquired by the consumer directly or through an insurance broker.
- There was some discussion about consequences of people choosing to not insure their homes and severe damage occurring. Participants said that in these circumstances, they expected government would provide funding or help to repair the damage.

Commissions and taxes on insurance premiums

- Participants discussed charges levied on top of the insurer's premium including government taxes and commissions to strata managers and brokers.
- There was various comments made about commissions paid to strata managers and brokers:
 - One participant, while not against commissions in principle, questioned why strata manager commissions are paid as a percentage of the premium.
 - One participant noted the strata manager commissions are paid out of the broker's profit and therefore commissions do not make a difference to what the body corporate pays for insurance. Further, they argued that the commission recognises a commercial arrangement that strata managers have with brokers.
 - There was some discussion around the requirements for, and actual actions taken by, strata managers to disclose fees and commissions.
 - One participant suggested the commission paid to strata managers subsidises the costs that individual owners would pay to body corporates such that banning those commissions would result in an increase in body corporate fees.
 - One participant contrasted their experience of dealing with a claim through a direct insurer and a broker: when they used the broker, it was processed efficiently and with minimal input on their behalf.

Risk mitigation and building standards

- Participants discussed the extent of damage that has occurred, or would be likely to occur, from a cyclone due to the building standards of local properties. While participants considered that their house would withstand a cyclone, other participants cautioned that often the damage that occurs is through windows exploding and sand and water inundating the property.
- One participant noted that while their premium has been increasing overall, they were able to negotiate a discount by upgrading their roof and installing high security fittings.

Use of local tradespeople to repair damage

- Many participants expressed a concern that insurers prefer to use their own, more expensive, tradespeople rather than locals. Many also provided the view that the insurer's tradesperson did not do a quality job.
- However, some participants stated consumers could choose their repairer under certain circumstances (e.g. by contacting the insurer and submitting a quote that is reasonable as compared to the insurer's repairer).

Other issues

- Participants discussed insurers' appetite for offering insurance in north Queensland including the exit and re-entry decisions of Suncorp in the provision of strata insurance following Cyclone Yasi.
- One participant stated reinsurance costs have had an impact on the insurance premium. Another participant suggested that north Queensland has been singled out by reinsurers because of the high claims costs.
- One participant noted the reform in other parts of the financial services sector in relation to productivity and producing good outcomes for consumers. However, this reform has not occurred within the insurance industry.
- There was some discussion about the impact of high insurance premiums on property investment in Cairns.

Conclusion

Commissioner Rickard concluded the forum by noting the usefulness of the discussion to the ACCC's Inquiry and encouraging participants to contact the ACCC if there are other issues they wish to discuss.