

ACCC NQ Insurance Inquiry Submission: Reverse redlining for insurance

I ask that the ACCC consider a policy of “reverse redlining” for insurance which forces insurers operating across Australia to have a set minimum percentage of clientele in areas which are considered significantly disaster-prone (eg areas with a high degree of cyclone, bushfire and/or flood risk.)

To this end, the government could work with insurers to achieve such an outcome through voluntary targets or, if insurers fail to set or meet such targets in a set timeframe, through mandated targets.

Failing this, the ACCC should consider other reasonable measures that will lower the burden of insurance premiums in areas which are considered significantly disaster-prone, including but not limited to a government-backed reinsurance scheme, more direct financial assistance to enable household mitigation works and Commonwealth leadership via COAG on removing stamp duty on insurance transactions.

Notes:

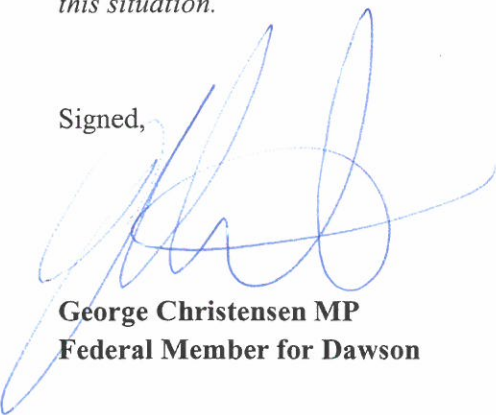
The Australian Competition and Consumer Commission’s Northern Australia Insurance Inquiry first interim report found that “not only are insurance premiums considerably higher in northern Australia, they have risen at a faster rate: shooting up 130 per cent in real terms between 2008 and 2018, compared to an average 50 per cent rise in the rest of the country.” The report went on to find that “insurers are not actively trying to win market share in some high risk areas, but are instead seeking to deter customers and limit their exposure by raising premiums, leading to soft competition.” While Northern Australia is the epicentre of these issues, high and unaffordable insurance premiums are a problem around the country, predominantly in regional areas which have a high risk of cyclone, flooding or bushfire damage.

The ACCC report also found that “preliminary analysis of the rates of non-insurance in northern Australia give us reason for concern” that “insurance premiums are causing a greater number of people in northern Australia to non-insure” and that “if faced with continued large increases in home insurance premiums there will be a point at which more property owners will begin to consider not renewing their insurance policies.”

A report by SGS Economic & Planning entitled “Economic Recovery After Disaster Strikes” found that, without widespread insurance cover in the wake of Cyclone Debbie of March 2017 the Whitsundays would have been hit with a 23% decline in the GDP of the area with the wider Mackay region not recovering until 2020.

Non-insurance and underinsurance in disaster-prone areas would either lead to massive economic pain for an affected region or, more likely, greater reliance on government bail-outs for regions after a disaster. A policy of forcing insurers into disaster-prone markets with affordable premiums could fix this situation.

Signed,



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