



Date: 12 April 2019

ACCC
Northern Australia Insurance Inquiry,
GPO Box 520,
Melbourne, VIC 3001.

Email: insurance@acc.gov.au

Re: Northern Australia Insurance Inquiry – First Interim Report

This is a joint submission between Greater Whitsunday Alliance Ltd (GW3) as the lead regional economic development organisation for the Mackay-Isaac-Whitsunday Region and Regional Development Australia Mackay-Isaac-Whitsunday Inc. (RDA MIW) one of 55 Regional Development Australia bodies nationally.

This submission follows from the original joint submission to the enquiry in December 2018. In that submission the Mackay -Isaac-Whitsunday Region identified that it had been subjected to steep increases in the cost of premiums, were finding it difficult to secure adequate insurance cover and the changes in conditions enforced by insurers such as increased excess amounts in the event of a claim or offering only part cover is making it difficult for property owners to reinsure or secure adequate cover. The submission highlighted clear evidence that residents living in Northern Australia are being prejudiced by insurance companies and that is impacting the entire community and, in some cases, causing economic hardship. Affordable access to insurance for the residents of Northern Australia should be a priority of the Federal Government to maintain working families and businesses in the regions; underpin regional economic development and truly align to the goals of Northern Australia White Paper.

The submission called on the Federal Government to consider the following recommendations:

1. Consider legislating for fair and equitable insurance coverage for all Australians.
2. Consider linking the provision of insurance licences with insurance companies having a mandated percentage of premiums and policy's in Northern Australia to ensure all Australians have access to affordable insurance.
3. Insurance premiums include a 9% stamp duty fee and 10% GST. These fees contribute significantly to the overall insurance cost burden to many in Northern Australia. Relief from these taxes on insurance premiums for Northern Australians could make insurance more affordable, increase the insurance pool and reduce premiums overall. Most importantly, a reduction in these fees may provide an opportunity for all Australians to insure their homes and businesses.

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We are pleased to see that these recommendations have been incorporated in the recommendations of the First Interim Report.

We strongly support recommendation 1 and 2 and the abolishing of stamp duty, the re-basing of stamp duty on sum insured value rather than premium level. The report also identifies that GST is levied as a percentage of insurance premiums and as premiums grow so does the GST impost contribute to the total premium cost. However, there is no recommendation that deals with the significant level of GST revenue collected from insurance premiums nor is there a recommendation or commentary that looks at relieving the GST treatments on insurance policies to make them more affordable. We would like to see this issue further examined in the focus areas for 2019 in particular Focus Area 1: Measures to Further Improve Insurance Affordability and Availability.

Whilst every cost reduction on insurance premiums is welcome we suggest that reduction in stamp duty and GST will not make that much difference in insurance prices given they are minor cost areas - the major driver of the cost relates to the higher risk in Northern Australia and higher service delivery cost due to lower population. The report reading between the lines really says costs are higher due to living in higher risk areas due to climate changes and more extremes of weather. We would welcome the inquiry's ability to complete financial sensitivity analysis that is able to demonstrate via case studies and scenarios;

- the impact of reforms such as stamp duty and GST removal or reduction along the current inquiry recommendations (individual and cumulative at community scale)
- the impact toward mitigation actions at private owner, estate or community scale and assessment of cost benefits in relation to individual and community works programs that reduce catastrophic risk frequency and impact. This could include local government or individual investment toward drainage improvement, flood mitigation refurbishment, installation of levies, coastal and beach barriers, etc.

The analysis would ideally showcase the opportunities and actions that insurance providers and asset managers could implement in providing solutions that can reduce catastrophic risk and or damage. For example, local governments working with the insurance industry and State and Australian governments could assess the impact of improved drainage (1-500 or 1-1000-year event) v/s 1-100-year event. This analysis could determine costs benefits relating to an ability to upgrade drainage and its influence toward reducing flood risk and lowering insurance costs and replacement and disturbance costs and social heartache. This type of assessment could then provide information with which community and local governments can build into planning and maintenance works and allows for accurate insurance provider assessments of risk.

The report highlights the construction of an insurance premium is first set by establishing a technical premium being set for an individual property. The report contends that insurers through better access to granular data and more sophisticated models are allowing insurers to make more accurate assessment of catastrophic risk. This is one area where local feedback contradicts the report in relation to insurers having accurate detailed property by property information. The report claims insurers have more accurate information to assess insurance risk – our feedback from stakeholders and the community consistently found and heard the opposite.

For example, a local housing estate was flooded badly in 2008 due to drainage systems in the estate being built for 1 in 100-year event - following that event the Council upgraded its drainage to that estate. Basically, the drainage is now established to cater for a similar rainfall event in a 1 in 500-year event. It would be reasonable to assume from this the flood risk is now less given the mitigation work completed. However, this mitigation action has not been updated in most insurers data. The report highlights that mitigation at community level can significantly reduce risk and premiums and encourages Insurers and Governments to work together to identify mitigating measures and reduce risk and thereby premiums. We support the call for Insurers and Governments to work together playing a central role to identify, install and acknowledge mitigating measures. This should be investigated further in a Focus Area and Recommendation 14: Public Mitigation Works and Expected Premium reductions.

We support the Focus Areas for 2019 and would be more than willing to facilitate Focus Area 2 in the Mackay -Isaac-Whitsunday Area. As we have previously identified the Greater Whitsunday Region and its people are extremely resilient having dealt with numerous natural disasters and economic challenges over the last decade. The regions prosperity and its significant contribution to the national economy and its resilience make it a worthy and significant sub-region to study.

The Greater Whitsunday area welcomes all the recommendations and the draft recommendations as well as supports the Focus Areas for 2019. We particularly welcome the draft recommendations that deal with greater disclosure and transparency as well as plain English easy to understand insurance policies.

The Greater Whitsunday Alliance and RDA MIW commend the ACCC for its diligence and recommending immediate changes to give the people of Northern Australia some relief. We support the option of a stronger public policy response to affect greater change to the insurance affordability market.

The Greater Whitsunday Alliance and RDA MIW remain committed to advocating for insurance affordability and access in the Greater Whitsunday region. We look forward to working with the Federal Government and the ACCC to identify and deliver important regional outcomes for the Mackay-Isaac-Whitsunday region. If there are any question in relation to this submission, please contact GW3 CEO – Garry Scanlan on 0409575243.

Yours Sincerely,



John Glanville – Chair
Greater Whitsunday Alliance Ltd.
“Regional Opportunity – Strong for Generations”

Darryl Camilleri
Acting Chair – RDA Mackay-Isaac-Whitsunday

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