

Submission to Northern Australia Insurance Inquiry

This submission is presented by

Renton Kelly

[REDACTED]
[REDACTED] (Alice Springs)

NT 0871

M: [REDACTED]

Background:

My wife and I have been residents of Northern Territory since 1960 and have seen the development and in some cases regression of communities, industries and consumer rights in the NT since that time.

In this submission I call on a history of personal and corporate interactions with the insurance industry, in particular Territory Insurance Office or the TIO to acquaint the Inquiry into the grass roots effects of the current position of insurance in the NT.

I believe this association with the TIO commenced in 1978 or 1979 with a small home insurance cover that developed over the ensuing years until 2003-04 with insurance coverage of that same home insurance cover plus extensive business insurance packages – Business, Public liability, Motor vehicles and sundry other covers; with probably an insurance premium costs annually of around \$300k to \$500k, with minimal claims within the scale of the covers in place.

TIO was a preferred provider, as recommended by our insurance broker – the same person over the entire time. I have the greatest respect for this individual and regret that our business dealing have been terminated by the current insurance impasse.

This business and private insurance arrangements continued until the business interests were sold in 2003 with the personal and household insurance cover being maintained until 2015.

So it can be seen that we have had a long association with this organisation that continued until sadly in 2014 the Northern Territory Government saw fit to sell – perhaps 'gift' may be a better description - TIO insurance company to Allianz Australia.

At that time Allianz MD Niran Peiris said the TIO brand would be retained and the insurer would continue to offer flood, storm surge and cyclone cover. Existing branches, the headquarters and all TIO insurance staff will also be retained.

Yes, Allianz does continue to offer flood, storm and cyclone cover – if you can afford to pay the premiums...however the undertaking to maintain existing branches, headquarters and staff was just so much [REDACTED]!

To clearly demonstrate to the Inquiry the way in which this sale has had in what I would describe as a disastrous economic effect on individuals, business – both small and large, Government and NGO agencies, I would cite the history of our personal household insurances.

Insured property

████████████████████ (Alice Springs) NT 0871.

	Insurer	Building	Contents	Premium	Comments
1978					
1979	TIO	\$ 300,000.00	\$ 100,000.00		
1980	TIO	\$ 305,256.00	\$ 100,000.00		
1981	TIO	\$ 310,604.09	\$ 100,000.00		
1982	TIO	\$ 316,045.87	\$ 100,000.00		
1983	TIO	\$ 321,582.99	\$ 100,000.00		
1984	TIO	\$ 327,217.13	\$ 100,000.00		
1985	TIO	\$ 332,949.97	\$ 100,000.00		
1986	TIO	\$ 338,783.25	\$ 100,000.00		
1987	TIO	\$ 344,718.74	\$ 100,000.00		
1988	TIO	\$ 350,758.21	\$ 100,000.00		
1989	TIO	\$ 356,903.49	\$ 100,000.00		
1990	TIO	\$ 363,156.44	\$ 100,000.00		
1991	TIO	\$ 369,518.94	\$ 100,000.00		
1992	TIO	\$ 375,992.91	\$ 180,000.00		
1993	TIO	\$ 382,580.31	\$ 180,000.00		
1994	TIO	\$ 389,283.12	\$ 180,000.00		
1995	TIO	\$ 396,103.36	\$ 180,000.00		
1996	TIO	\$ 403,043.09	\$ 180,000.00		
1997	TIO	\$ 410,104.40	\$ 180,000.00		
1998	TIO				

		\$ 417,289.43	\$ 180,000.00		
1999	TIO	\$ 424,600.34	\$ 180,000.00		
2000	TIO	\$ 432,039.34	\$ 280,000.00		
2001	TIO	\$ 439,608.67	\$ 280,000.00		
2002	TIO	\$ 447,310.61	\$ 280,000.00		
2003	TIO	\$ 455,147.50	\$ 350,000.00		
2004	TIO	\$ 463,121.68	\$ 350,000.00		
2005	TIO	\$ 471,235.57	\$ 350,000.00		
2006	TIO	\$ 479,491.62	\$ 450,000.00		
2007	TIO	\$ 487,892.31	\$ 450,000.00		
2008	TIO	\$ 500,000.00	\$ 500,000.00	TBC	
2009	TIO	\$ 500,000.00	\$ 500,000.00	TBC	
2010	TIO	\$ 500,000.00	\$ 500,000.00	TBC	
2011	TIO	\$ 500,000.00	\$ 500,000.00	TBC	
2012	TIO	\$ 500,000.00	\$ 500,000.00	TBC	
2013	TIO	\$ 500,000.00	\$ 500,000.00	\$ 3,103.35	Change to excess increased to Building \$1000.00, Contents \$500.00 Reduction in premium.
2014	TIO	\$ 500,000.00	\$ 500,000.00	\$ 4,006.00	
2015	TIO	\$ 500,000.00	\$ 500,000.00	\$ 3,523.40	

2016	TIO	\$ 500,000.00	\$ 500,000.00	\$ 3,541.20	Quotation received from TIO (Allianz) was for \$8934.82. This is an increase of \$5393.62 on the previous year. Through our broker quotes were sought from other insurers - CGU - \$4255.20. On a personal recommendation we went outside of the insurers available to the broker and sought other quotes. At the time the best cost available was from Coles insurance on a like for like cover.
2017	Coles Insurance	\$ 500,000.00	\$ 500,000.00	\$ 4,133.00	Best available cost effective insurance cover from Coles.
2018	Westpac Bank	\$ 504,000.00	\$ 500,000.00	\$ 2,915.00	Offer from Westpac.

The property and contents while basically the same with various changes and indexing of replacement costs over the years as follows:

Average	Buildings	\$500k		Current	Buildings	\$504k
	Contents	\$500k			Contents	\$500k

At this time we have only been able to source the cost of premiums for the years 2013 to current due to time constraints.

It has to be said that over the 30 plus years of business association until 2015 through our broker with TIO, was I believe of mutual benefit, with both personal and business dealing being conducted in a genial and business-like manner. The settlement of claims, albeit minimal was managed quickly and efficiently allowing for some latitude in consideration of higher costs of TIO premiums being agreed to those available and offered by other organisations.

It was with a great deal of misgivings that in 2015/2016 advice from our broker of the increase in the cost of insurance premiums with TIO from \$3523.40 in 2015 to \$8934.82...just on \$9000.00...and it must be reported the cover conditions were weighted in favour of the insurance company, excesses increased and benefits reduced, giving us cause to seek further quotes from other insurance companies.

This can only be classed as predatory business policy, manipulating a market by trading on a small vulnerable captive market with little expertise in understanding the insurance cover, costs and conditions all conducted under the guise of the reputation that TIO had established as fair and honest traders over many years, shouldering their burden of costs and responsibilities in good and bad trading times. E.g the support of business in the Katharine floods.

It is our understanding that our broker had pre-empted our reaction to this enormous increase in premium costs and had sought alternative quotes. Within their portfolio of partner insurance providers there did not seem to be any cheaper alternative. What comes to mind in the description of this position is that a cartel operates within the multinational, heavy hitters of the industry who take advantage of the small private home owner, particularly those in the Northern territory.

The loyalty of continuing business with TIO for over 30 years, with minimal claims did not seem to carry any weight in our endeavour to maintain the business association and insurance cover with TIO/Allianz.

Our protestations to TIO/ Allianz – Allianz at that time and continuing to openly disassociating themselves from any previous business associations, loyalty or customer good-will built up between TIO and their NT customers fell on not just deaf ears but was met with downright insolence, rudeness and abuse. To paraphrase a telephone discussion with an Allianz Advisor...“...I don't give a [REDACTED] how long you have been a TIO customer. The business is now owned by Allianz nothing to do with TIO and either pay what we have quoted or [REDACTED]”.

I [REDACTED], and through the internet searched for alternatives. Taking advice from others who had had the same outcome with TIO/Allianz a competitive quote was obtained from Coles Insurance (Westfarmers) and by taking advantage of the various discounts and other options a coverage for building and contents was entered into an insurance agreement at considerable less than that of the TIO/Allianz quotation. Not \$9000.00 but \$4000.00.

Interestingly I note from the record on file that the brokerage firm we were dealing with was owned by Westfarmers the same corporate entity that owns Coles but this option was not able to source a quotation from this business.

The inflated difference in costs between that offered by TIO/Allianz can only be described as price gouging. Our search for alternative quotation costs – maintaining the same level of cover, same conditions etc. from the larger insurance organisations who it would seem operate as a cartel, was less than fruitful with a pricing/quotation policy that were of similar or identical, with each seemingly working/hiding behind the mask of the Insurance Council of Australia.

Fortunately advice from others in a similar predicament steered my attention to Coles as previously mentioned.

The predicament that we had was that at \$9000.00 the cover offered was not considered good economics and was seen as predacious, in an attempt to recover some of the costs that Allianz had suffered by way of weather incidents in other states and an rapacious attempt to pad the bottom line of the Allianz balance sheet.

It is beholden on Government to ensure that there is a fair and equitable insurance cover available to all persons and business entities; the alternative being that these bodies will forfeit that comfort and security with the result that the public purse will be called upon to meet the losses in times of individual or community disaster.

Ends

Renton P. Kelly