



Northern Australia Insurance Inquiry Public Forum

Mackay, Queensland
6 December 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

6 December 2017 from 5:30pm to 7:30pm
Quest Hotel on MacAlister
38 MacAlister Street, Mackay

Attendees

Australian Competition and Consumer Commission

Delia Rickard (Deputy Chair), ACCC staff.

Interested parties

Approximately 45-50 interested parties attended the forum.

Introduction

Deputy Chair Delia Rickard welcomed attendees, outlined the purpose of the forum and invited the 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 a summary placed on the ACCC's website, but that this summary would not identify or attribute comments to individuals.

Summary of issues

Attendees discussed the following issues at the forum.

High and/or rising insurance premiums

- Many participants provided examples of significant increases in their insurance premiums in recent years.
- Participants raised concern about a lack of transparency from insurers in how insurers determine their prices, explaining premium increases, and differences between premiums.
- Some participants said their premiums had increased despite not having claimed, not being severely affected by disaster events and/or, not being at high risk.
- Some participants said that upon questioning their insurer about premium increases, their insurer could not provide a reason.
- Some participants said their premiums had increased after the 2008 Mackay floods. One participant said that their premium doubled and when they questioned their insurer, they were told it was because of flood risk. However, the participant went on to say that flood claims were excluded from their cover. Another participant said their insurer told them premium increases were because they were in a cyclone region. The participant said they recently experienced a category 5 cyclone but didn't have a claim.
- Some participants claim their insurer told them their premiums had increased due to damage from Cyclone Debbie (despite them not incurring any damage) and the Brisbane floods. One participant said data will show a spike in insurance premiums north of the Tropic of Capricorn, following the 2011 Brisbane floods.
- Two participants shared their view that the reason for high insurance premiums was that insurers were pricing themselves out of the market because they do not want to provide the insurance but don't want to be seen to not be offering it.

- One participant noted that their council rates had also increased significantly in recent years adding further pressure to their rising insurance premiums. Another pensioner noted they received around \$15,000 per annum and wondered how any insurer expected them to allocate around half their pension to insurance.

Responding to rising insurance premiums

- In response to premium increases, participants discussed shopping around, changing their cover, and even ceasing to insure their home.
- Some participants discussed searching for and switching to a cheaper policy with another insurer or changed their excess or sum insured, taken household items off their contents list and / or called their insurer to complain or explain their specific needs. The two participants who said they called their insurer received a discount on their insurance premium.
- One participant discussed that four of their seven neighbours who owned their property outright do not have insurance as it was unaffordable. They noted their concern about what would happen if a cyclone or disaster did come through and there are people who do not have insurance because they cannot afford it.
- One participant spoke of their concern for people with mortgages who are required to have insurance or be in default of their loan. Similarly, another participant expressed concerns about the impact insurance (and potentially no insurance if a disaster hits) is having on economic development and family stability in the region.
- One participant cautioned other participants against intentionally underinsuring their properties, saying they could be penalised by an underinsurance clause in their insurance policy if they did have to claim.
- A participant spoke of underinsurance by investment property owners that were covered by landlord insurance but not home insurance.
- Some participants questioned why their insurer would not allow them to insure their property at its current market value. One participant said the minimum amount they can insure their property for is double its current market value. Relatedly, another participant said that if their property was to be damaged, they would choose not to replace the same house on their lot. Another participant suggested it is more expensive to re-build when there are a number of claims in an area.
- One participant said that they were concerned about people not insuring their property because it meant they did not have public liability insurance – and that no insurer provides public liability insurance as a standalone product. One participant noted that for their commercial insurance public liability and product liability insurance were bundled.
- However, participants also identified some potential barriers and costs to switching insurers and shopping around, for example trust in their current insurer despite the price. Participants said they would rather pay a higher premium to have confidence that a claim will be processed and repairs completed.

Lack of effective choice

- Participants raised concerns around the lack of choice, and effective competition in the strata insurance markets, saying they were only one or two insurers currently offering products.
- One participant indicated their insurer was withdrawing and that no-one wanted to insure the property because of the age of the property. The participant said they were able to get insurance after paying a surveyor to inspect the building but they questioned how

insurers made decisions about premiums if they have no idea about the condition of the building and any mitigation work undertaken.

- Two participants suggested 'Queenslander' houses were difficult to insure as only a small number of insurers are willing to offer coverage.
- One participant commented that they do not have a mortgage and that the banks who supply insurance would not offer them coverage. Therefore, they were left with only two options for insurers.
- One participant noted that insurance markets have changed in recent years, saying there are no longer any mutuals and therefore the focus has changed from members to 'gouging clientele'.

Comparing Mackay to other regions

- One participant provided their brokers findings that, for the same house, Mackay's insurance premiums were higher than the maximum price quoted for five other suburbs – Ipswich, Brisbane River, Logan and Toowoomba, some of which the participant considered were at a higher risk of flooding.
- One participant commented on the differences in building standards compared to south-east Queensland. The participant noted that homes in Mackay were required to be built to a much higher standard after 1985 to withstand a cyclone. The participant said this adds a sizable premium to the cost of construction and hence, compared to south east Queensland they pay more for more to build their homes, more for insurance and yet the biggest insurance claims in Australia a few years ago were in Brisbane.

Customer service and experience with claims

- Participants shared some negative experiences around repairs following an insurance claim.
- One participant discussed their frustration at their insurance company for not accepting responsibility for their contractors' poor workmanship.
- One participant suggested there was price gouging when they had two doors replaced at a cost of \$4000, which the participant believes they could have purchased themselves for \$40 each.
- One participant shared their story about a claim they and their neighbour had made to an adjoining fence. The participant said that despite both parties having the same insurer, they had a different assessor and a very different experience in what the insurer would cover.
- One participant commented on an 18 month delay in having repairs carried out at their property following the 2008 floods.
- One participant commented on government funding, saying that following Cyclone Debbie, people with insurance couldn't claim anything but people without insurance received money from the government.

Flood mapping, town planning, residential zoning

- A few participants suggested insurance companies were relying on inaccurate flood mapping information. Participants said they had difficulty obtaining insurance from some insurers or that their premiums had been increasing, despite their property not being in a flood zone. Two participants commented that changes in the flood mapping borders had affected their properties.

- One participant discussed a proposal being put forward to develop new priority areas for development along the river or close to the sea. The participant was concerned about developments in high risk areas, particularly if cyclones become more 'intense' due to climate change. They suggested that development should be considered outside high risk areas.
- One participant mentioned a published report that said 40 per cent of the regions household income will be directed to insurance premiums soon.

Risk mitigation

- Mitigation activities were another key topic of discussion. Participants raised concern that mismanagement of the town's flood mitigation systems had contributed to the 2008 floods in Mackay.
 - Several participants suggested the maintenance of the river (e.g. river dredging) and flood drainage systems (i.e. removal of foliage/debris build up) had reduced in recent years.
 - A participant also noted that the recently installed flood drain and closed access to a swamp area has redirected water such that it now drains at the highest rather than lowest point.
- A broker in attendance suggested that if people have done improvements to their house they should document it and present it to their broker or insurer and they might have a case to reduce the premium. Another participant said they still received a premium increase despite living on high ground, having a new roof and cyclone rods, and not living in a two-storey house in line of a tree.
- A participant spoke about various proposed state government mitigation initiatives to be made available to Mackay residents (such as grants to improve the resilience of older houses).

Taxes on insurance premiums

- One participant noted that almost 20 per cent of their annual premium is in state government fees (10 percent GST and 9 per cent stamp duty).
- Another participant suggested the federal government abolish GST and the state government, stamp duty, in relation to northern Queensland insurance or cyclone risk.
- Another participant questioned if it would be fairer to have a set fee.

Other issues

- One participant provided an overview of the New Zealand earthquake fund program and suggested the government consider replicating this initiative.
- One participant questioned how insurers get licensed to supply insurance in Australia and what conditions are placed on foreign insurance companies operating in Australia.
- One participant was concerned that the insurers always seemed know how much consumers are paying and speculated whether this meant insurers were communicating with each other.
- One participant asked whether the ACCC's report and results would be provided to government. The participant noted other reports and provided their view that the government does not want to take any action.
- One participant questioned what powers the ACCC has to make recommendations and influence change.

Conclusion

Commissioner Rickard closed the forum by inviting attendees to make a written submission, email or to phone the ACCC if they had further comments to contribute.