



Submission: **Inquiry into the supply of insurance in Northern Australia**

From: **Regional Development Australia Pilbara**

Regional Development Australia Pilbara appreciates the opportunity to provide input into the "Inquiry into the supply of insurance in Northern Australia" being conducted by the Australian Competition and Consumer Commission.

Summary Assessment

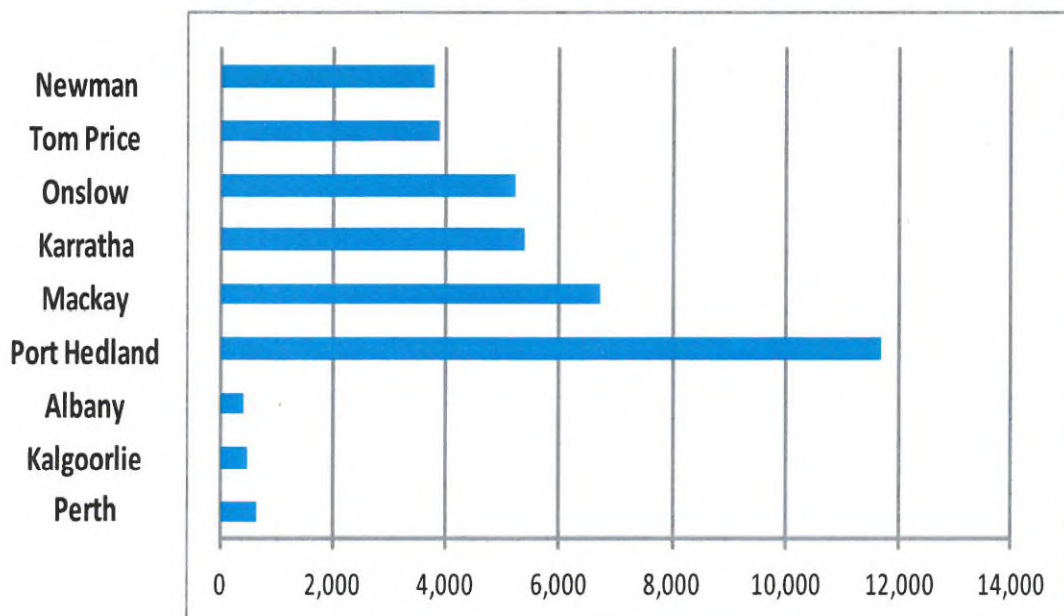
1. Regional Development Australia Pilbara Study on Insurance and Banking Costs

RDA Pilbara recently commissioned a study on insurance and banking costs in main centres of the Pilbara Region. The study indicated that both residential and business insurance costs were much higher in the Pilbara towns than in Perth. Both residential and business insurance costs have increased very rapidly since 2010/11.

2. Residential property insurance costs

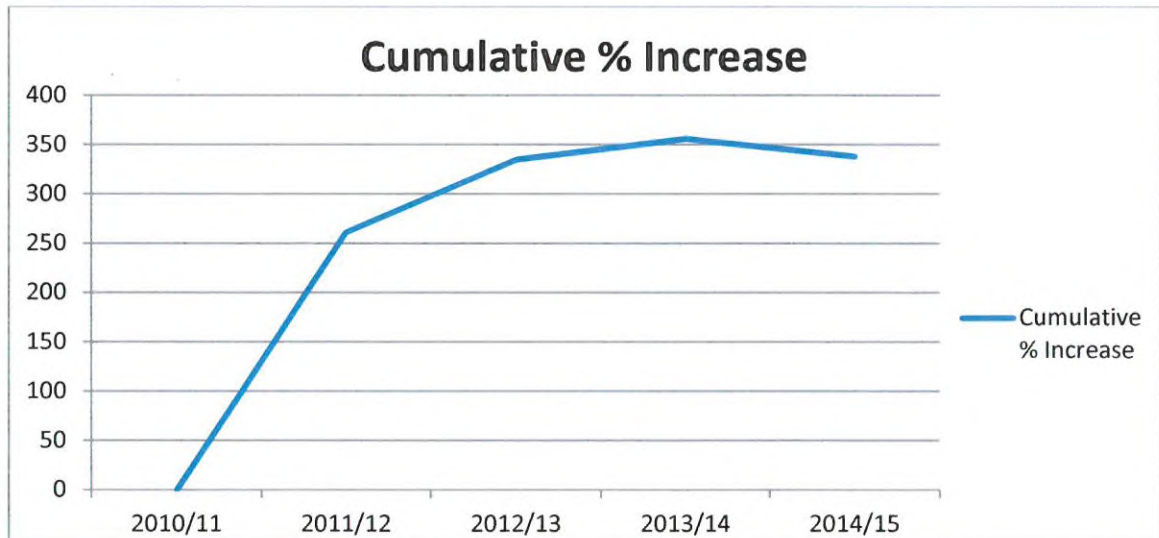
Estimates of the costs of insurance of residential property in the main centres in the Pilbara (Port Hedland, Karratha, Newman, Tom Price and Onslow) indicate that they are much higher than in Perth (see Figure 1). In addition Tom Price and Newman are not cyclone prone yet have much higher insurance costs than Perth.

Figure 1: Comparison of (Indicative) Residential Insurance Costs Pilbara Towns with Perth and Towns south of the 26th Parallel (\$)



The highest insurance cost increases in residential property have been for strata title complexes in the Pilbara. For example, indicative data¹ shows that for a sample of six strata title complexes in Port Hedland insurance premiums have increased by over 330% between 2010/11 and 2013/14 (see Figure 2). Discussions with insurers and estate agents indicate that there have also been very large increases in premiums in Karratha.

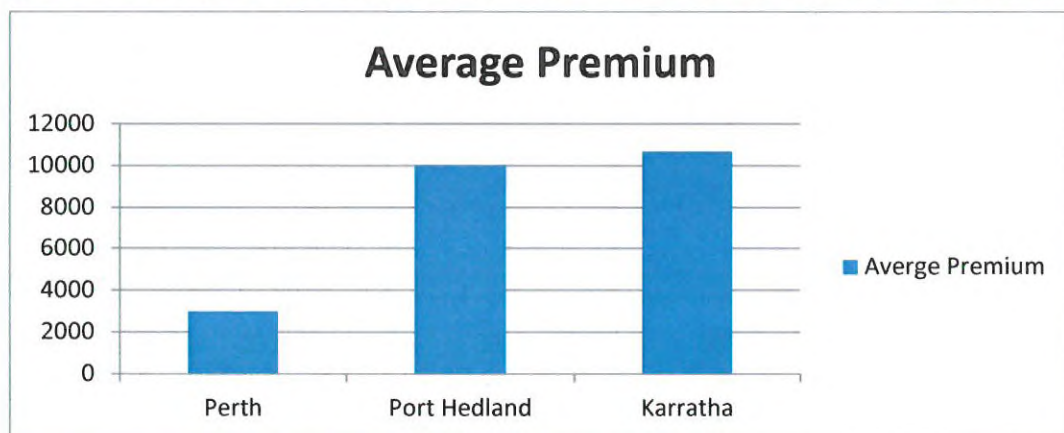
Figure 2: Port Hedland Sample Insurance Costs for Strata Title residences cumulative % increases 2009/10 to 2014/14 (\$ 000s)



3. Business insurance costs

Discussions with representative business organisations and Small and Medium Size Enterprises indicated considerable levels of concern over high insurance costs in the Pilbara. Again, costs are very much higher in the main Pilbara centres than in Perth. Based on data supplied by insurance brokers they are estimated to be over 300% higher with Port Hedland having the highest costs (see Figure 3). The cost of insurance is considered to be a deterrent to persons considering business start-ups in the region.

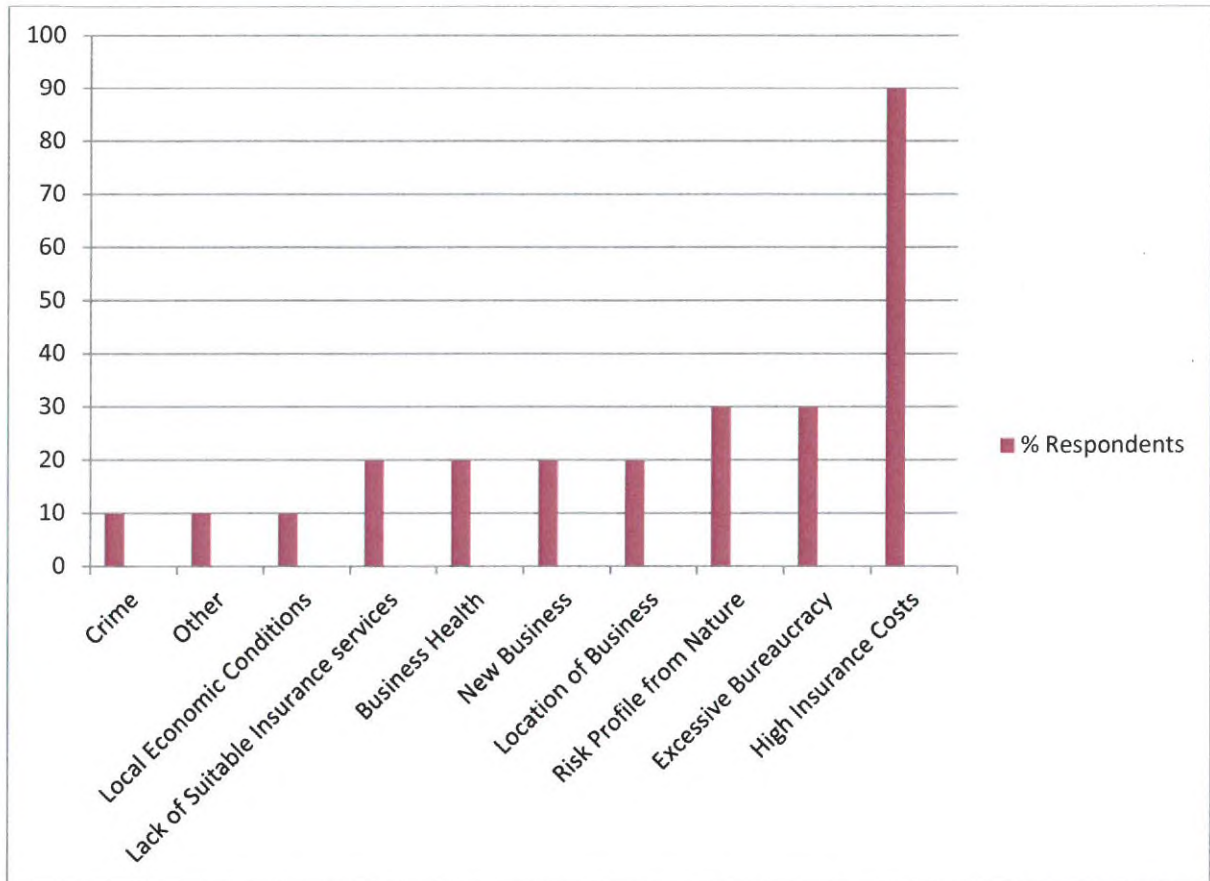
Figure 3: Comparison of business insurance costs Karratha and Port Hedland with Perth (\$)



¹ Source: Real Estate Agents in Port Hedland

In a small scale survey conducted on our behalf in regional centres in Australia (mainly in WA) it was noted that 90% of Small and Medium Size Enterprises indicated that the main constraints to obtaining insurance was high insurance costs, followed by the risk profile from natural hazards and dealing with excessive bureaucracy. Figure 4 illustrates these indicative findings.

Figure 4: What are the Main Constraints faced in Obtaining Insurance?



4. Insurance Claims and Costs

While it is understood that the Northern Australia region is cyclone and natural disaster prone, high insurance costs in the Pilbara appear to be based on the perceived risks by insurers of the Pilbara and the high cost of claims in North Queensland.

However, it is not clear that high insurance costs in the Pilbara are related to a history of major claims or take into account the implementation of building codes for the construction of cyclone proof buildings.

5. Conclusion

The study undertaken by Regional Development Australia Pilbara is available on request. It advocates the following:

- Further attention be paid to insurance administrative costs;
- Location specific actuarial assessments;
- Reviewing taxation affecting insurance;
- Ensuring market competition and access to choice;
- Encouraging greater take-up of insurance particularly in the home and small business sectors.

Regional Development Australia Pilbara fully supports the Australian Competition and Consumer Commission investigation into home, contents and strata insurance in Northern Australia and looks forward to the findings and recommendations.



Diane Pentz
Chief Executive Officer
Regional Development Australia Pilbara
P: (08) 9144 0651
M: [REDACTED]
E: ceo@rdapilbara.org.au

