



Northern Australia Insurance Inquiry Public Forum

Townsville, Queensland
15 November 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

15 November 2017 from 5:30pm to 7:45pm
Hotel Grand Chancellor
334 Flinders Street, Townsville City

Attendees

Australian Competition and Consumer Commission

Delia Rickard (Deputy Chair), Mick Keogh (Commissioner), ACCC staff.

Interested parties

Approximately 30 interested parties attended the forum.

Introduction

Deputy Chair Delia Rickard provided an overview of the Inquiry and invited the attendees to contribute comments.

Attendees were informed that the matters discussed at the forum would be recorded and published on the ACCC's website, but that this summary would not identify or attribute comments to individuals.

Summary of issues

High and/or rising insurance premiums

- Participants questioned the reasons for the level of, and recent increases in, insurance premiums.
 - Participants compared premium trends in north Queensland to Brisbane and other parts of Australia.
- One participant said their premiums in Townsville have increased every year since the Brisbane floods and Cyclone Yasi, despite Townsville hardly being affected by Yasi.
- There was some discussion as to why there are differences in premiums between postcodes, and whether insurers are using postcodes to determine premiums and the potential implications of this for an inland town that shares a postcode with a coastal town. One participant indicated they thought some insurers are looking at individual addresses.
- Participants proposed explanations, including what they had been told, as to the potential drivers of insurance premiums:
 - One participant questioned whether the significant increases in premiums was to discourage people who may have incurred damage (e.g. from a cyclone) but not noticed it at the time, from renewing their policy and therefore making a claim against the insurer in the future when they do notice the damage.
 - One participant suggested strata insurance premiums had increased due to a change that resulted in treating units on a strata block as separate entities.
 - One participant said that his broker had informed him that people in Australia (including north Queensland) are subsidising people in other countries via the reinsurance costs levied on Australian insurers.

Responding to high and/or rising insurance premiums

- Many participants discussed actions they and others are taking in response to high or rising insurance premiums. Actions include ceasing to insure properties, reducing the sum insured/under insuring, increasing the excess, asking the insurer or broker to come out and inspect the property, and shopping around.
- One participant stated there have been a number of distress sales of units and houses in Townsville due to the insurance premiums and the expense of holding property.
- Participants shared some barriers or frustrations of shopping around, including:
 - after going onto all the websites and answering all the questions, they are then told the insurer does not offer cover in that area.
 - the North Queensland Home Insurance website makes it hard to do a comparison of what the market is offering because it compares home and contents separately.
 - insurers will not provide a renewal notice until 30 days before the existing policy expires. This limits the amount of time available to shop around and read the product disclosure statement.

Customer service and experience with claims

- Participants discussed the various social and economic impacts that may arise following severe damage from cyclones. Some shared negative experiences of dealing with an insurance company over a claim, particularly a delayed / disputed claim and the added pressure this caused.
- One participant commented on various hurdles a consumer must overcome to deal with their insurance company such as:
 - the time required to spend on the phone to the insurer on top of needing access to a phone with enough credit; and
 - the complexity and length of insurance documentation make it hard for a reasonable person to understand the policy details.
- The same participant shared concerns about the inaccessibility of insurers' claims processes and what is required before a claim can be referred to the Financial Ombudsman Service (FOS). The participant drew comparisons to the telecommunications industry ombudsman and how telecommunication providers had been held to account in a big way which was not the case in insurance.
- Several participants mentioned lengthy delays following an insurance claim due to disputes about what caused the damage.
- One participant noted that the insured is at a disadvantage when negotiating claims with the insurer and suggested a role for government through:
 - legislation that provides consumers some leverage when dealing with insurers.
 - advertising reminding people to take photos and videos before and immediately after a storm hits.
- A participant mentioned that with the number of uninsured properties, the government will, or does, end up providing support and funding when disasters and damage occurs.

Commissions and taxes on insurance premiums

- There was considerable discussion about commissions paid by brokers / insurers to strata managers, and the commercial relationships between strata managers, brokers and insurers. Issues raised included:
 - Commissions add to the financial strain of already high insurance premiums.

- Strata managers will choose to go to brokers who pay the commission, which is typically an expensive broker who can afford to pay it and not a local broker who knows the properties.
- In one person's experience, once the strata manager had obtained a quote, the insurers will only deal with the strata manager and refuse to re-quote the body corporate committee or another broker (who might offer a commission). In this context, it was noted there are a limited number of insurers.
- Participants that sit on body corporate committees noted various actions they had taken in response to these commissions including bypassing their strata manager and finding a company that did not pay the commissions. However, they said that in doing so, they had endured backlash from the strata manager.
- There was some discussion about the requirements on strata managers to disclose commissions. In this context and more generally, there was discussion about the time required and responsibility taken on by volunteers on the body corporate committees (e.g. to read their strata management agreement and hold strata managers to account).
- There was a small discussion on the appointment (and re-appointment) terms for strata managers and competition between potential strata managers.
- One participant commented on the structure of broker commissions, noting that even if the only work done by the broker in any given year is to renew the policy, the broker earns the same 10 per cent commission on the insurance premium. They suggested that brokers should charge on a fee-for-service basis.

Risk mitigation and building codes

- Participants made various comments about the standard to which new properties are being built to withstand cyclones and therefore the limited damage that does or would occur during a cyclone.
 - In this context, some participants questioned why insurance premiums had increased.
 - One participant noted that premiums and building standards have increased while claims have decreased, with the last cyclone to cause any real damage to the area being Cyclone Althea in 1971.
- There was some discussion about whether mitigation, building standards and engineering inspections certifying the building standards do, or would, result in lower insurance premiums.
 - One participant questioned how someone can take corrective action (mitigation) when there is a lack of disclosure from insurers and brokers about an insurers' risk assessments, and the damage from severe weather events such as the type of properties that endured damage. The participant also noted a lack of transparency about what information is held about a client / consumers regarding their claims history.
 - One participant advocated the use of engineering inspections to certify building standards and reduce insurance premiums, particularly for strata buildings.
- In many discussions about mitigation and building standards, participants mentioned the research undertaken by James Cook University.

Insurance policy coverage

- Participants raised concerns about their insurer putting exemptions on their cover due to defects at their strata properties. One concern raised was that the insurer refuses to lift

the exemptions until all the defects are repaired meaning that insurance coverage is limited even while the body corporate committee repairs the defects in stages.

- One participant raised a concern that consumers cannot choose which risks to have insured under their policy. They suggested that insurance premiums could be reduced by allowing consumers to choose their coverage.
- One participant said they did not support mandatory flood cover and that people should be allowed to choose their cover.

Other issues

- There was a brief discussion about Townsville City Council's map of flooding areas, which categorised zones as either red, yellow or orange. Participants said that South Townsville, and a lot of Townsville, is in the red zone.
- One participant noted that it is difficult to find insurers willing to provide cover in gated communities.
- Two participants shared negative experiences they had with their insurers over renewal notices.
- There was a brief discussion about concerns regarding the insurers' choice of repairer with participants saying those builders are more expensive and not from the local area.

Conclusion

Commissioner Rickard closed the forum by thanking participants for attending and saying how helpful and important it is to our inquiry to hear participants' views and experiences.