



## Customer Service Centres

**Bowen**

P: 07 4761 3600  
67 Herbert Street  
Bowen Qld 4805

**Collinsville**

P: 07 4785 5366  
Cnr Stanley and Conway Streets  
Collinsville Qld 4804

**Proserpine**

P: 07 4945 0200  
83-85 Main Street  
Proserpine Qld 4800

F: 07 4945 0222

E: [info@whitsundayrc.qld.gov.au](mailto:info@whitsundayrc.qld.gov.au)

W: [www.whitsundayrc.qld.gov.au](http://www.whitsundayrc.qld.gov.au)

ABN 63 291 580 128

Our reference:

Your reference:

For further information please contact: Paul Fendley – Chief Staff Officer

Direct dial no.: 07 4945 0644

23 March 2018

Australian Competition and Consumer Commission  
Northern Australia Insurance Inquiry  
GPO Box 521  
MELBOURNE, VIC, 3001

[insurance@accg.gov.au](mailto:insurance@accg.gov.au)

Dear Sir / Madam

**RE: Whitsunday Regional Council response to Northern Australia Insurance Inquiry**

Thank-you for the opportunity to provide this response to the Australian Competition and Consumer Commission Northern Australia Insurance Inquiry Issues paper, published 24 October 2017.

We have divided our submission into two parts – firstly some observations that may be relevant to your inquiry from the perspective of local government; and secondly, some observations on domestic issues, raised by our residents and ratepayers. Our observations are primarily based upon our experiences from Severe Tropical Cyclone Debbie, which hit our region on March 28, 2017.

**Local Government observations**

- **Lack of competition**

This is best demonstrated by the marine hull insurance that Whitsunday Regional Council has, which covers marine assets such as jetties and pontoons. In this area our insurance brokers have informed us that there is no competition, with only one insurer willing to insure these marine assets. Furthermore, we are required to address a number of issues that the insurer has dictated to us before our assets will be added to the insurance policy.

- **Self-insurance**

LGM Assets is an example of self-insurance that should be encouraged amongst insured parties, where the risks of self-insurance can be spread across a larger number of policy holders to combat the lack of competition and higher profits being taken by the larger insurance companies through premiums that are higher than they should be.



- **Policy premium increases**

The increase in Council's policy costs (membership contribution) to LGM Assets, although significant, was less than expected given the large liability they incurred this year.

- **Claims Process**

A well-defined process for claims submission, scope preparation, review and approval of scopes, and review of points of distinction, involving all stakeholders, needs to be established early on. This would minimise the following situations and inconsistencies which extended timeframes:

- *Scope issues*

When discussing scopes of works and the overall approval process with our insurer, Council inquired as to whether the insurer had a template and process to follow for scoping damage and submitting it for approval. The insurer advised they did not and would engage staff to review our scopes.

Our insurer was later critical of scopes prepared by an engineering firm that Council engaged to undertake detailed damage assessments and to prepare scopes at a number of major buildings. The insurer claimed there was not enough detail and evidence to support the damage assessments; and would not accept the professional opinion of the engineering firm in respect to damage of mechanical/electrical equipment, despite their qualification and experience.

The insurance panel builders for some of our buildings advised that they required detailed designs for electrical/mechanical repairs before being able to quote. However, the insurance panel builders for other buildings did not raise the same issue and quoted repairs on buildings without requiring detailed electrical/mechanical designs.

The process for reviewing and approving scopes often changed throughout the assessment process. Major variations were made to how scopes were required to be structured which required substantial rework and delay.

- *Lack of input from broker*

Council had no significant input from our broker until May 2017, when Council insisted on the broker providing an on-ground expert to assist. Proactive input remains minimal.

- *Methods of engaging contractors*

Initial advice from the insurer was that Council had to enter into a contract with the insurance panel builder. Council advised that under the Local Government Act, Council cannot singularly select a builder to undertake works in excess of \$200,000 without going through a tender process – especially if the insurance panel builder is not on Council's Vendor Panel, on Local Buy or a State Government panel.

- *Inspection of works and panel builders*

Our insurer pressured Council to only inspect works under reconstruction 'once or twice' during the repair period for insurance panel builders. This was rejected and works are inspected regularly by Council inspectors to ensure quality and completeness of works.

Council intends to use contractors on our prequalified supplier panel to undertake insurance repairs. The insurer has requested Council include an insurance panel builder in addition to the Council vendor panel contractors when going to market for insurance works. The insurer says this is to ensure insurers are getting reasonable prices for works.

Council has requested the insurance panel builders to supply technical information on products being replaced, to ensure panel builders are replacing on a like-for-like basis. The information has not been provided by the panel builders to Council's satisfaction. In some instances this information has not been provided at all, or has not been provided in a reasonable timeframe.

### Domestic insurance observations

Whitsunday Regional Council is home to approximately 35,500 permanent residents. Our region encompasses a total land area of 23,862 square kilometres and includes the major towns of Airlie Beach, Bowen, Cannonvale, Collinsville and Proserpine, with numerous rural and coastal communities and residential areas scattered throughout the area. Through our interactions with our residents and ratepayers, which have included face-to-face meetings, discussions with community representatives and a forum hosted by Federal Member for Dawson George Christensen in October, a number of issues have been made clear.

- **House/contents insurance**

Insured values are often inflated by the insurer when acquiring the policies, leading to over-insurance (and unnecessarily expensive premiums). Conversely, some under insurance has occurred particularly where a re-build is necessary, if the insured amount does not allow sufficiently for demolition & removal of the damaged property.

Consumers need to be encouraged to review and challenge the insured amount for accuracy, and consider a level of self insurance at the top end of the property value and not just the excess.

- **Insurance complexity & awareness**

Insurance has become complex and some residents are not as aware as they need to be of their policy details, coverage and limitations. This is an issue when taking out policies as well as when negotiating claims.

Possible solutions include an awareness campaign ahead of cyclone season involving each level of government and the industry; the establishment of an independent body or service that could advocate for policy holders or provide general interpretive assistance. It should also be noted that this is increasingly an issue across all types of insurance, not just disaster related building / contents.

The establishment of an independent body or service that could advocate for policy holders or provide general interpretive assistance could potentially be part of future NDRRA arrangements, for example, 12 months after an event.

- **Inconsistency of customer service**

Residents have reported needing to deal with multiple assessors, builders, contractors, engineers and other tradespeople as insurance companies seek multiple opinions or have staff changes - with little consistent passing on of the information. This has extended the time frames for dealing with assessments.

Another key issue for insurance companies broadly is the inconsistency in the assessment of damages and repairs as well as the level of qualifications of those

who make these assessments. We have received reports of some having very basic or no qualifications at all. This has resulted in huge variability in assessment from one assessor to the next which leads to confusion and lack of trust of the insured party.

While we recognise there is a General Insurance Code of Practice, this is a voluntary, self-regulating code. There appears to be lack of accountability for insurance companies, both in terms of the time taken to deal with assessments, requirements to “make safe” and to finalise a scope of work. Policies usually prevent property owners from arranging repairs to property unless approved by the insurer, but when the scope of works are not finalised some 9 months after the event, the property owner is left living with the damage. Which raises the issue that “make safe” should be safe (ie compliant with code) if home owners expected to live for 9 months with the make safe. For example, how long should households live with tarps on roofs and mould in buildings?

We are keen to see mechanisms in place to enforce, for example, a limited number of assessment reviews unless requested by policy holder and maximum timeframes for resolution of scopes of work.

- **Scope of Work**

Residents have reported being pressured to agree to an entire scope of works before any works are undertaken, despite some elements being straight forward and agreed and unaffected by other elements. Some feel this is a strategy used to get the policy holder to agree to a reduced scope just to get work started.

We would argue for Scopes of Work to be componentised where practicable and the risk of rework can be avoided. For example, shed and fence repairs need not wait for the house scope to be agreed.

- **Rental coverage**

Almost 12 months on from TC Debbie, some residents are fearful as their insured emergency rent period is approaching expiration and yet their home repairs have not commenced.

There is a need for a compassionate approach to be taken, especially where the delays have been due to insurance company assessment delays.

- **Pre-existing condition**

Some residents in older houses have had claims fully or partially rejected on the basis of the age of their building and the alleged likelihood that some of the condition was pre-existing. They have been asked by their insurers to prove that the condition was not pre-existing, and/or was cyclone related.

The onus should be on the insurer to prove the damage was not cyclone related. At the time on issuing or renewing a policy, the insurer should be making the appropriate inquiries to ascertain the building’s condition. Currently, even on an old house, the policy application process asks only limited, high level questions and is geared towards ease of signing up prospects. Perhaps applicants and existing policy holders of buildings beyond a certain age, for example 20 years, could be provided an incentive to obtain and submit regular building inspections, such as three-yearly, much like a pre-purchase inspection, so the insurer and policy holder have an agreed condition baseline to compare to if a claim is made. The cost could be a reimbursable insurance cost or offset by a lower premium.

This is no different to the regular inspection and condition assessment regime of large asset holders.

- **Performance of panel builders**

There appears to be some very poor performing panel builders who are trying to manage projects remotely.

Insurance companies should be directly engaging more local builders rather than relying on panel builders who are not local. The home owner is left to effectively manage the contractors onsite, and even chase down contractors to get assessments and make safe works completed.

- **Internal reviews of disputes**

In regard to insurance company dispute processes, we are hearing there has been resistance from insurance companies to officially recognise receipt of disputes. When the policy holder contacts the Financial Ombudsman Service they are sent back to the insurance company internal review process because the insurance company advice is the dispute resolution process has not been exhausted. The Code of Practice is meant to govern this somewhat.

- **Financial Ombudsman Service**

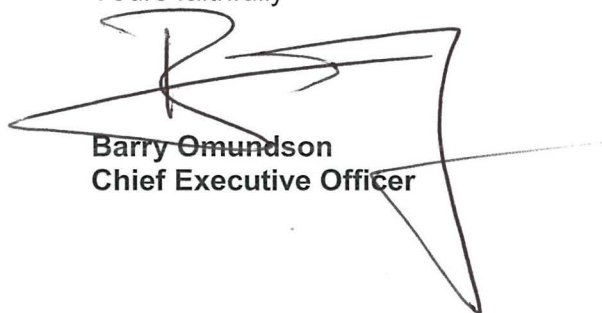
Our residents and ratepayers are reporting a range of experiences with how successful this office has been in resolving disputes. Perhaps a review of the performance of the service is warranted.

- **Public monitoring**

There have been a range of experiences reported by people depending on the companies they are insured with. Perhaps a review of individual insurance company performance measured against the Code of Practice, made available to the public, would put the poor performing insurance companies under a spotlight.

As mentioned previously, these are some of our own observations when dealing with the insurance process following TC Debbie, and those of our residents and ratepayers. Again, thank you for the opportunity to have input into this review, and we look forward to hearing the outcome of this inquiry. If you wish clarification to any of the above or other matters, please don't hesitate to contact me directly.

Yours faithfully



**Barry Omundson**  
**Chief Executive Officer**