



Date: 21 December 2017

ACCC
Northern Australia Insurance Inquiry,
GPO Box 520,
Melbourne, VIC 3001.

Email: insurance@acc.gov.au

Re: Northern Australia Insurance Inquiry

This is a joint submission between Greater Whitsunday Alliance Ltd (GW3) as the lead regional economic development organisation for the Mackay-Isaac-Whitsunday Region and Regional Development Australia Mackay-Isaac-Whitsunday Inc. (RDA MIW) one of 55 Regional Development Australia bodies nationally.

Greater Whitsunday Alliance is funded by the Mackay, Isaac and Whitsunday Regional Councils and reports to an independent Regional Board.

The Board mission is to be the lead organisation that drives sustainable economic growth and promotes liveability for the Mackay-Isaac-Whitsunday Region. In delivering the mission the board will achieve the ultimate vision for the region: Making the Mackay-Isaac-Whitsunday Region strong for generations.

The Mackay, Isaac and Whitsunday Region covers an area of 90,000sqkm of regional Queensland and is home to more than 180,000 people. It offers diverse investment opportunities with a proven track record for growth and prosperity across a myriad of industries. This region also includes the Bowen and Galilee Basins, which are home to the largest coal mining deposits in Australia. The region also boasts a strong agribusiness sector; is one of the nation's largest sugar and bio commodity producers; and is world renowned for tourism.

The region's mining, agribusiness and technical support services industry is some of the most efficient and innovative in the world. The Mackay-Isaac-Whitsunday Region contributes more than \$15 billion of economic value to the national economy annually.

Our role as an organisation, is to be a strong and tireless advocate for the region and to promote the liveability of the region.

RDA MIW is a regional leadership entity that identifies priorities and advocates to all levels of Government for the region's vision: **lifestyle, opportunity and prosperity**. RDA Mackay-Isaac-Whitsunday supports the three regional council areas of Mackay, Isaac and Whitsunday and is an initiative of the Australian Government. It aims to bring together all levels of government to enhance the growth and development of regional Australia.

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The Greater Whitsunday Region and its people are extremely resilient having dealt with numerous natural disasters and economic challenges over the last decade. The regions prosperity and its significant contribution to the national economy relies on attracting and retaining a skilled and committed workforce and their families. The stability and viability of not just the broader Greater Whitsunday community but also the business economy is being undermined by the impacts of ever increasing Insurance costs and in some cases the complete unaffordability of insurance cover.

The disparity of insurance costs and coverage is highlighted by the Insurance Quote Comparisons for a typical median residential property in Mackay compared to other metropolitan and regional centres in SE Qld as follows: -

Property Details;						
Building	House - Built 1975					
Construction	Brick, Tile					
Security	Keylocks & or Security Screens					
	Deadlocks on Doors / No Alarm					
Building Sum Insured	\$400,000					
Contents Sum Insured	\$100,000					
Flood Cover	Automatically Included					
	Mackay	Ipswich	Brisbane River	Logan	Toowoomba	
Insurance Company Quote	Annual Cost	Annual Cost	Annual Cost	Annual Cost	Annual Cost	
Allianz	\$450 Excess	\$10,679.85	\$2,100.00	\$3,260.00	\$2,420.00	\$1,770.00
CGU	\$500 Excess	\$4,542.48	\$3,420.00	\$2,000.00	\$2,530.00	\$3,040.00
Vero	\$500 Excess	\$7,916.37	\$2,390.00	\$2,610.00	\$2,410.00	\$2,190.00
QBE	\$500 Excess	\$6,999.50				

Insurance Type	Address	Amount of Cover	Excess	Premium	Insurer	Difference \$	Difference %
Contents at a Rented Dwelling	Rosella 4740	\$ 71,700.00	\$ 550.00	\$1,248.15	CGU		
Contents at a Rented Dwelling	Yeronga 4104	\$ 71,700.00	\$ 550.00	\$901.40	CGU	\$ 346.75	38.5%
Building & Contents - Owner Occ	Andergrove 4740	Building \$330,800- Contents \$ 66,200-	\$ 1,000.00	\$4,682.48	VERO		
Building & Contents - Owner Occ	Everton Park 4053	Building \$330,800- Contents \$ 66,200-	\$ 1,000.00	\$1,767.42	VERO	\$ 2,915.06	164.9%
Landlords Building & Contents & Loss of Re	Walkerston 4751	Building \$380,000- Contents \$20,000- Loss of Rent \$19,000-	\$ 1,000.00	\$1,713.67	CGU		
Landlords Building & Contents & Loss of Re	Northgate 4013	Building \$380,000- Contents \$20,000- Loss of Rent \$19,000-	\$ 1,000.00	\$820.93	CGU	\$ 892.74	108.7%
Building & Contents	Dolphin Heads 4740	Buildings \$859,500- Contents \$100,000-	\$ 2,500.00	\$5,768.41	CGU		
Building & Contents	Hamilton 4007	Buildings \$859,500- Contents \$100,000-	\$ 2,500.00	\$2,256.78	CGU	\$3,511.63	155.6%

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The above data highlights that reinsurance options quoted are in some instances priced out of the market by the Insurer to reduce exposure to the regional market. The differential comparison between a median price Andergrove property in Mackay and an Everton Park property in Brisbane has increased from 84.6% to 164.9% in two years. The high insurance cost impact on a median price dwelling in the mortgage belt in Mackay is directly impacting young families and middle-income earners as well as significantly impacting pensioners with insurance equating to over 21% of total maximum pension rate for a single pensioner. This reinsurance practice is impacting those who can least afford it and leading to under-insurance or non-insurance of homes.

The increased cost of insurance and changed insurance conditions not only impacts residential properties but also commercial and major industrial sites.

The following table highlights the insurance premium hike for a local commercial marina operator: -

	2013	2014	2015	2016	2017
Marina Installation	\$92,480.77	\$81,698.02	\$81,698.02	\$81,698.02	\$356,287.10

The premium hike is a significant impost on the ongoing viability of the marina business.

The Operator is having difficulty securing ongoing insurance and/or appropriate coverage.

The Marina is an economic driver for Mackay and if forced to operate in a reduced capacity or close it will have a significant regional economic impact in Mackay.

Major infrastructure and services providers like North Queensland Bulk Ports are also reporting insurance premium rises by more than 300% and significant changes to insurance conditions.

Data from a 2015 Regional Development Australia Study on Insurance and Banking in the Pilbara shows comparable costs with Mackay.

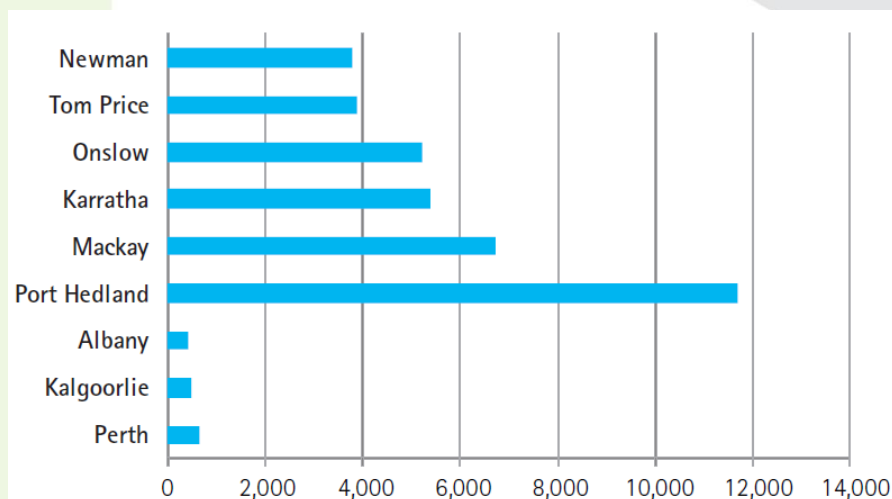
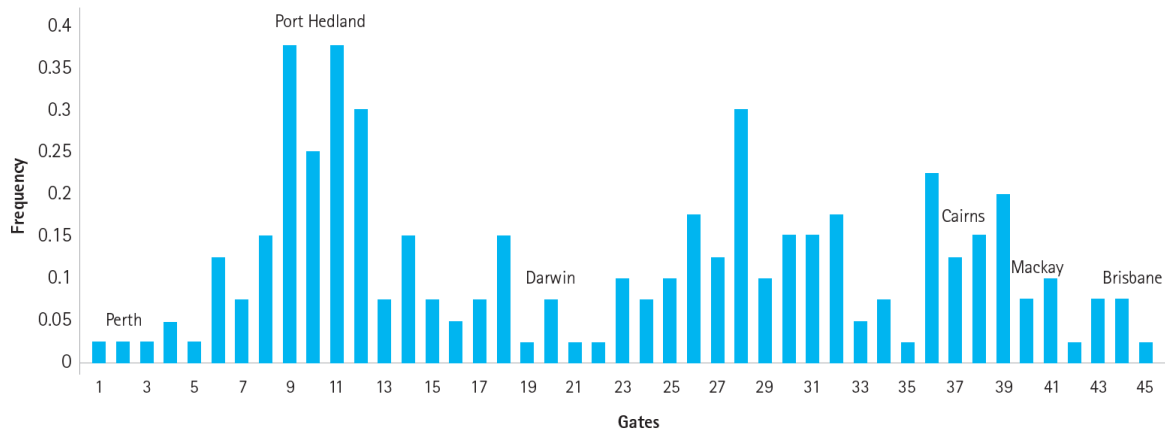


Figure A: Comparison of (Indicative) Residential Insurance Costs Pilbara Towns with Perth and Towns south of the 26th Parallel (\$)

The study found that in Mackay insurance costs are high due to the impact of cyclone damage over the last decade. They are five times higher in north Queensland than in Sydney and Melbourne for strata insurance and two-and-a-half times higher for home insurance.

This information highlights that the frequency of cyclones and associated impacts is not much higher in Mackay than Brisbane, however Mackay premiums are significantly higher.



Source: (Federal Task Force: August 2015)

Figure 20: Frequency of Cyclones in Northern Australia

Greater Whitsunday Alliance recently surveyed Greater Whitsunday residents to collect data on insurance impacts across the region. The response to the survey was very positive with a broad cross section of 88 respondents from across the region providing data. Residential property owner findings indicate:

- More than 60% of participants came from the Whitsunday region indicating real concerns about insurance affordability in the future in the light of the recent Cyclone Debbie claims.
- From the survey of both residential and commercial property owners more than 25% of residential property owners indicated that their insurance premiums had risen significantly over the last two years. Broadly, indicating that insurance premiums are becoming increasingly unaffordable.
- 41% of those surveyed said their excess or conditions for insurance cover had changed in the last two years, despite 60% never making a claim in the last five years.

Data collected from commercial property owners also reflects a steep increase in the cost of premiums over a brief period. With 56% of those surveyed who own a commercial property indicating that their excess or conditions for insurance had changed, making it difficult to secure adequate insurance cover. The change in conditions enforced by insurers such as increased excess amounts in the event of a claim or offering only part cover is making it difficult for commercial property owners to reinsure or secure adequate cover.

There is clear evidence to suggest that residents living in Northern Australia are being prejudiced by insurance companies and that is impacting the entire community and in some cases causing economic hardship. Affordable access to insurance for the residents of Northern Australia should be a priority of the Federal Government to maintain working families and businesses in the regions; underpin regional economic development and truly align to the goals of Northern Australia White Paper.

We urge the Federal Government to consider the following recommendations:

1. Consider legislating for fair and equitable insurance coverage for all Australians.
2. Consider linking the provision of insurance licences with insurance companies having a mandated percentage of premiums and policy's in Northern Australia to ensure all Australians have access to affordable insurance.
3. Insurance premiums include a 9% stamp duty fee and 10% GST. These fees contribute significantly to the overall insurance cost burden to many in Northern Australia. Relief from these taxes on insurance premiums for Northern Australians could make insurance more affordable, increase the insurance pool and reduce premiums overall. Most importantly, a reduction in these fees may provide an opportunity for all Australians to insure their homes and businesses.

Greater Whitsunday Alliance and RDA MIW are committed to advocating for the insurance affordability and access in the Greater Whitsunday region. We look forward to working with the Federal Government and the ACCC to identify and deliver important regional outcomes for the Mackay-Isaac-Whitsunday region. If there are any question in relation to this submission, please contact GW3 CEO – Garry Scanlan on 0409575243.

Yours Sincerely,



John Glanville – Chair
Greater Whitsunday Alliance Ltd.
“Regional Opportunity – Strong for Generations”



Graham Smith
Chair – RDA Mackay-Isaac-Whitsunday