



HINCHINBROOK SHIRE COUNCIL

Our Ref: RFP: CEO

18 January 2018

ACCC Northern Australia Insurance Inquiry
GPO Box 520
Melbourne
Victoria 3001
insurance@accq.qld.gov.au

Dear Sir/Madam,

Inquiry into Northern Australia Insurance Issues Paper – Invitation to make a Submission

Hinchinbrook Shire Council submits its strong support for the three year inquiry into Northern Australia Insurance. This inquiry is essential to ensure that the insurance companies are transparent and accountable to their customers. Residents in Northern Australia rely heavily on insurers for much needed assistance and resilience after unpredictable and detrimental weather events such as cyclones and floods.

Hinchinbrook is located along the East Coast of Far North Queensland in the heart of the tropics. Hinchinbrook is well known for its laid back liveability and lifestyle, home to stunning beaches and islands nestled along the Great Barrier Reef.

The downside to living in a tropical paradise is the tropical weather, which sees Far North Queensland hit with cyclones and floods that cause significant damages and mental anguish. Cyclone Yasi hit in 2011 and one of the leading insurers, Suncorp, labelled almost all of Far North Queensland (up to 99%) as a high risk area and residents saw their premiums double, even triple, with no added benefit or increase of cover.

With many insurances, customers do not have an option, because the banks require this ongoing coverage in line with house mortgages. This is not negotiable and unfortunately, neither are some insurance covers. The premiums are not reflective of your current financial predicament; there is no factor for pensioners or low-income workers.

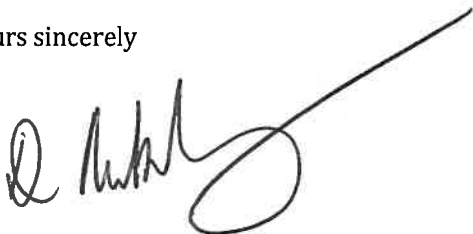
There have also been changes to some policies whereby previously you could split the building cover and contents cover to reduce the cover options and therefore reduce the overall premium, but presently this is unavailable. For example, to have your contents covered for the higher risk, accidental damage cover, CommInsure automatically match this cover type to the building. When the Building is in excess of \$300,000 and the premium is based on a rate per \$1 it is easy to see insurance premiums inflated and the customer having no say over this. Previously, a customer could tailor their specific needs for a more personalised coverage.

Another way that insurers have control in the marketplace is in the renewal process of their policies. Nearly all insurers offer and promote direct debit payment, without offering any additional services such as quoting or reviewing the customer's policy at renewal time. Like some large commercial banks, gone are the days where an offer to review the structure of the policy is made. Instead the offer is to keep everything simple and streamlined, limit the face to face time and keep paying without actually having to get your wallet out. That way the customer becomes quite oblivious to the fact that the premium has even increased, or that the insurer has automatically increased the sum insured on both the building and the contents (in line with CPI increase) and the money continues to come out. This can be considered unreasonable as some employees have not had a pay increase in line with CPI in years, which is seen all over Northern Australia and yet are forking out more on premiums but receiving the same income.

Hinchinbrook Shire has proven its resilience to the events that have affected our coastline and rural community, including the 2009 Cyclone Ellie, the 2009 Flood, 2011 Cyclone Anthony, followed by Cyclone Yasi, which was a turning point for the insurance market. Unfortunately, the resilience of spirit can only go so far if the residents cannot be resilient financially and adequately support their homes and families financially, due to rising insurance costs.

Council is in full support with the Hon Scott Morrison MP into the inquiry process and looks forward to the outcome.

Yours sincerely



Dan McKinlay
Chief Executive Officer

