



Northern Australia Insurance Inquiry Public Forum

Karratha, Western Australia
30 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

30 November 2017 from 5:30pm to 6:30pm
Ibis Styles Karratha
35-45 Searipple Road, Karratha

Attendees

Australian Competition and Consumer Commission

Delia Rickard (Deputy Chair), ACCC staff.

Interested parties

Approximately 30 interested parties attended the forum.

Introduction

Deputy Chair Delia Rickard welcomed attendees, outlined the purpose of the forum and invited attendees to contribute comments in response to the topics of interest to the Inquiry.

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

Summary of issues

Participants discussed the following issues at the forum.

High and/or rising insurance premiums

- Many participants provided examples of the amount of their insurance premiums and significant increases in recent years and spoke of their frustration and worry.
- Transparency in the pricing of insurance was a focus of concern. Participants discussed not understanding how insurers determine premiums and the reasons for premium increases.
- One participant noted there is a lack of transparency on how insurers estimate rebuilding costs and the value of contents, and increases to those estimates year-on-year. The participant suggested their insurer had overestimated the rebuilding costs and said their insurer set a minimum amount they must insure their property for.
- One participant stated that they have had trouble getting insurance because they live in Karratha but also because of the age of their house, even though they had not sustained major damage from any cyclone in the area.
- One participant noted that a lot of the local population work for mining companies and therefore live in company houses, which the mining companies insure themselves. They questioned whether the higher premiums could be a result of there being many company houses and therefore fewer number of people over which to spread the risk.

Responding to rising insurance premiums

- In response to the premium increases, some participants noted that they had decided to not insure their home, or were considering this.
- Some participants stated that after receiving a high premium on renewal, they had searched for a better deal with another insurer or changed their excess or sum insured.

- However, participants also identified what they felt to be impediments to switching insurers:
 - a lack of other insurers who were willing to provide a quote – many refused
 - concerns about losing a loyalty or no-claim (or similar) discount with their existing insurer. Participants who did have a loyalty discount and had switched insurers shared different experiences with one saying they had lost their loyalty discount and another saying they have been able to transfer theirs to another insurer.
 - experiences with insurers offering low or discounted rates initially and then, on renewal, substantially increasing the premium.
 - concerns about not being familiar with another insurer's claims handling process.
 - the complexity of insurance policies and the time required to search for a better deal, and understand what each policy does and does not cover.

Comparing Karratha to other regions

- Participants questioned why premiums are lower in capital cities, and why they do not increase at the same rate following a severe weather event (if at all). They also questioned differences in premiums relative to regions that have different weather risks (for example bushfires) and differences in building standards.
- A question was raised about the timing of insurance premium increases in the Pilbara and severe weather events and damage in Queensland. Participants were concerned that all regions north of the Tropic of Capricorn are assigned the same risk factor irrespective of whether there had been any severe weather events in a particular area and/or they are located on the coast. Some suggested that overseas reinsurers might be driving this risk rating for all of northern Australia.

Risk mitigation

- One participant commented that it was unclear how / whether insurers are taking into consideration mitigation work carried out at a property – noting that one insurer did not ask any questions about mitigation work and another insurer that did, provided a significantly higher quote.
- One participant noted that in Western Australia there is no building inspection conducted by the local council once construction is complete. They questioned how they would know if a new house was compliant with building codes. Another participant responded that due to changes in legislation, new houses were required to have an engineering assessment before they could be built, rendering the need for a building inspection redundant provided the builder has built the house according to the engineer's plans.
- One participant suggested there could be an important role in 'educating for resilience'. This is because the City of Karratha is growing and a lot of the people coming to the area are not aware of issues faced by cyclone-prone areas and how to 'cyclone-proof' a house.
- Another participant noted that many houses are owned by the mining companies and lived in by fly-in-fly-out workers. The residents return to Perth and leave debris in the properties that needs to be cleaned up when a cyclone hits.

Other issues

- One participant questioned whether it was reasonable to require mortgage holders to have insurance.

- Participants asked questions about the ACCC's inquiry in relation to the timing of the reports, making a submission and the issues the ACCC will investigate.

Conclusion

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