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Mr Rod Sims
Chairman
Australian Competition and Consumer Commission

By email: insurance@accc.gov.au

Dear Mr Sims,

TOWN OF PORT HEDLAND SUBMISSION – NORTHERN AUSTRALIA INSURANCE INQUIRY

The Town of Port Hedland (the Town) wishes to provide the ACCC with a submission in relation to the supply of residential building (home), contents and strata insurance in Northern Australia, and advise that it supports and welcomes the ACCC's goal "to assist governments and industry stakeholders to address insurance affordability, promote better informed and more competitive insurance markets and make a difference for consumers in northern Australia."

As an introduction it is worth noting that Port Hedland is the location of the largest bulk handling port in the world. The port continues to deliver outstanding performance with close to half a billion tonnes shipped in 2015/16 comprising nearly 60% of WA's iron ore exports. This in turn is about 10% of Australia's total exports – going through just one port in the Pilbara. It is a port that is a vital link in the WA and Australian economy. It is also home to about 14,500 residents of which nearly 2,500 are Aboriginal and Torres Strait Islanders. A relatively small population that delivers massive results for the State and the Nation.

As noted by the ACCC in its October 2017 'Northern Australia Insurance Inquiry' Issue Paper, there have been a number of previous reports into insurance premiums in this area, which highlight that since 2010/11 there have been significant increases in premiums for home, contents and strata insurance in northern Australia.

For example, in August 2015 Regional Development Australia (RDA) undertook a comprehensive study on 'Insurance and Banking in the Pilbara', which addressed both residential and business insurance and determined (in part) the following findings.

Residential Insurance

- In Australia overall insurance costs for businesses and residential buildings are much higher for cities and towns north of the 26th parallel.
- Insurance taxation in Australia is amongst the highest in the world.
- Since 2009/10 insurance costs for both residential property and businesses in the Pilbara have increased rapidly. This has been due mainly to high claims for natural hazard disasters (particularly cyclone damage), principally in north Queensland and in the Northern Territory.
- High insurance costs in the Pilbara and elsewhere in regional Australia have had a significant negative impact on property markets and business operations, particularly for small and medium size enterprise sectors (SMEs).
- Indicative data shows that insurance costs in the main centres in the Pilbara are between 600% and 1,000% higher than in Perth.
- In the Pilbara, since 1974 building codes have required standards to meet a category four

cyclone and claims have been much lower in Western Australia as a whole in comparison to other cyclone prone regions, thus the rationale for very high residential insurance costs in the Pilbara is not understood.

Business Insurance

- As with residential insurance, businesses have been heavily impacted by the very large insurance cost increases that have occurred in the Pilbara.
- The main reason given as to why the large increases have occurred is the same as for residential insurance in the Pilbara and towns north of the 26th parallel.
- In the Pilbara insurance costs are very much higher than in Perth (between 290% and 350% in the main centres) with Port Hedland having the highest.
- Insurance costs in Mackay, Queensland are higher than any of the Western Australian towns, due to the very high impact level of cyclone damage over the last decade.
- Although claims obviously increase when cyclones occur the level of damage is thought to be much less than in other cyclone impacted states.
- The rationale for very high insurance costs in the Pilbara is not understood in the light of lower claims.
- Persons attempting business start-ups are alarmed by high insurance costs to the extent that high costs are cited as a main reason for not proceeding.

The above findings are a major cause for concern, as they are clearly having a direct impact on many Pilbara residential and business communities. Another cause of concern is that despite these findings, no substantive action to address these issues has been taken as yet by the Federal government.

Without appropriate action being taken in relation to disproportionately high insurance premiums, the Town believes that communities in Hedland and across the Pilbara will not be able to sustain continued growth, as residential and business insurance affordability have reached unsustainable levels.

In view of this the Town wishes to recommend that policymakers such as Government Agencies, the Insurance Council of Australia and the Insurance Commission of Western Australia consider reducing the cost of insurance across Pilbara communities to increase socio-economic prosperity and wellbeing. Further, policymakers should aim to design policy responses with the aim of improving insurance affordability to help ease cost-of-living pressures for families and support the economic development of the Pilbara.

In conclusion, the Town believes it is vital that insurance premiums and product competitiveness accurately reflect the unique needs of the Pilbara region (and Northern Australia as a whole), and are challenged to ensure that its communities are getting the best possible deal.

I trust this information is of assistance but should you require any clarification do not hesitate to contact me.

Yours sincerely,



David Pentz
Chief Executive Officer

19 December 2017