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ACCC Northern Australia Insurance Inquiry second interim report released

On 20 December 2019, the ACCC released the [Northern Australia Insurance Inquiry second interim report](#), providing an overview of findings relating to the cost, pricing, and increasing unaffordability of insurance in NQ, particularly in Townsville.

The update outlines the extent of, and reasons for, home building non-insurance, and the potential impact that a range of measures may have on improving insurance affordability and availability in northern Australia. The ACCC do not consider government reinsurance pools and government insurers well-suited to address affordability concerns in a targeted way, leaning towards the view that the greatest potential to help NQ consumers would be to enable **targeted affordability assistance**. This could help to improve rates of insurance in northern Australia, which could, in turn, reduce the burden on governments from providing post-disaster relief. Targeting insurance affordability in this way may also help the government to support its aims of developing northern Australia.

The report acknowledges that the rate of **non-insurance** is significant and growing, and that premium affordability is the main cause (estimated to be 17% or 62,127 properties in North Queensland, but it is unclear how many of those are in strata buildings). Premium adjustments can exacerbate affordability concerns and can result in renewing customers paying more than new customers.

Investing in **pre-disaster mitigation** may be an effective option in particular circumstances and SCA (Qld) reminds members of the [James Cook University Strata Title Inspection Program](#). This is a free service and we encourage bodies corporate to take advantage of their expertise.

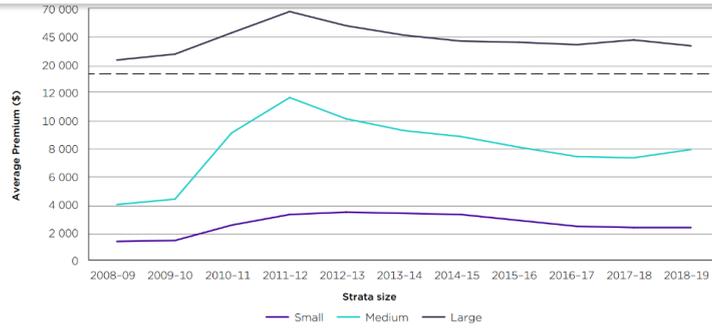
Figure 6.32: Average premium per \$1000 sum insured for strata insurance, 2007-08 to 2018-19



Source: ACCC analysis of data obtained from insurers.

Insights

North Queensland has continued its 10-year trend of alternating high and low claims cost years in line with major natural catastrophes. The Townsville floods were the largest driver of the \$838 million in claims in north Queensland in 2018-19, a figure 369 per cent higher than the previous year and higher than every year but 2010-11. North Queensland's 2018-19 average claim size of \$17 939 is just over three times larger than the previous year and is substantially larger than the next largest average claim size of \$12 200 in 2016-17. Gross claims expense per policy also spiked in north Queensland, correlated with the spike in average claim size. At \$2132 per policy, the claims expense per policy is the highest registered in north Queensland since 2010-11. In line with the overall trend, claims frequency in north Queensland was low. It increased on the previous year because of the Townsville floods, but at 12 per cent is still below the 12 year average of 13 per cent.



Source: ACCC analysis of data obtained from insurers.

Key content of report

- p182: average premiums across northern Australia
- p193: gross claims expense for strata products
- p253: summary of which recommendations have been implemented or commenced to be implemented
- p255: outline of the activities of the Insurance Council of Australia, with whom SCA (Qld) is in correspondence to address the concerns of insurability
- p257: it is still the view of the ACCC that a ban on receiving commissions for strata managers would have positive impact on NQ insurance pricing
- p260 - p265: reinsurance pools and their effectiveness
- p270 onwards: Appendices B and C examine the extent of non-insurance for small businesses in the affected areas of Townsville and the reasons behind this issue.

Table 6.5: Average excess levels for strata insurance in 2007-08 and 2018-19, and the percentage change between 2007-08 and 2018-19, real \$2018-19

Region	Average excess 2007-08 (\$)	Average excess 2018-19 (\$)	Percentage increase (%)
North Western Australia	180	1,210	580
Northern Territory	170	650	290
North Queensland	50	810	1490
The rest of Australia	90	310	220

Source: ACCC analysis of data obtained from insurers.
 Note: A proportion of insurance policies had zero excess.

What's next?

The ACCC focus for the 2020 report (due November) is to gain a better understanding of how insurers currently factor in building specifications (including those that go beyond statutory minimum standards) into their premiums. The ACCC will also review how insurance considerations can be factored into land use planning processes and consider the potential for greater information sharing to improve the affordability and availability of insurance for new developments. Lastly, the ACCC will explore how insurers could increase support for customers experiencing payment difficulties.

References:

- [Figure 6.32](#) - Page 184, Northern Australia Insurance Inquiry: Second interim report, November 2019.
- [Figure 6.33](#) - Page 185, Northern Australia Insurance Inquiry: Second interim report, November 2019.
- [Figure 6.5](#) - Page 185, Northern Australia Insurance Inquiry: Second interim report, November 2019.



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