INSURANCE COVER FOR THE TOURISM INDUSTRY

A REPORT PRODUCED BY QTIC IN COLLABORATION WITH ATIC

MAY 2021

QUEENSLAND TOURISM INDUSTRY COUNCIL

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1. PROJECT SUMMARY

1.1 BACKGROUND

Over the past three to four years, members of the state and territory industry councils, brought together under the Australian Tourism Industry Council (ATIC) have continued to highlight the increasing challenges for businesses to access insurance cover or find affordable insurance products. This concerning trend has been exacerbated by successive natural disasters, resulting in many small to medium businesses struggling to satisfy business licensing, contract and business loan requirements. The lack of adequate insurance cover is affecting ongoing commercial viability for many businesses and is likely to impact the entire industry.

In some cases, businesses are deciding not to insure risks or to change their business operations significantly. Given the nature of adventure tourism, many businesses in this sector have found it impossible to acquire insurance cover.

In response to increasing concerns raised by industry, QTIC in collaboration with ATIC, instigated this body of work in late 2020 to validate, identify and measure the impact of lack of insurance options and escalating premiums on tourism and hospitality businesses.

1.2 FOCUS

This project seeks to identify the specific issues concerning insurance for tourism and hospitality businesses in Queensland and nationally. This project aims to identify and highlight the challenges faced by all parties and, in turn, explore potential solutions to improve the financial and operational viability of all businesses involved.

The project (and report) is divided into the following areas of scope:

- Qualitative and quantitative research undertaken by QTIC relating to current business concerns.
- An assessment of current recommendations from key government bodies, academia and other market leaders.
- Suggested solutions for the sector.
- Research overview of relevant types of insurance applicable to the tourism industry for optimal resilience, business protection and viability.
- Research summary of current challenges the insurance industry faces and the outlook of availability and affordability of insurance in the next three to five years.
- Research relating to global insurance models for consideration in the Australian market.

1.3 ATIC OVERVIEW

This report has been developed by the Queensland Tourism Industry Council (QTIC), in collaboration with the Australian Tourism Industry Council (ATIC), the national representative body for tourism. ATIC provides leadership and industry representation through a national voice for tourism, and to manage national industry development programs. As ATIC policies and priorities state[1]:

> *ATIC members represent almost 9000 tourism operators across the length and breadth of the country, from Broome to Bruny Island, and Port Lincoln to Port Douglas. This is easily the largest and most diverse representation of tourism operators across Australia.*
>
> *Tourism is one of the superstars of the Australian economy. Our industry supports the employment of almost 1 million Australians and contributes close to $50 billion to the Australian economy each year. Tourism reaches every corner of the country generating growth, investment, jobs and vibrancy in our largest cities through to our most remote communities.*

The challenges faced by the tourism sector over the past 18 months, including natural disasters, COVID-19, and associated international and national border closures have been complex. They have overshadowed some of the longer-standing issues around insurance affordability and accessibility for the tourism industry. As the world emerges from COVID-19 restrictions and Australia looks to re-build its economy, challenges regarding insurance affordability and accessibility need to be addressed to enable growth in a sector that is the fourth largest exporting industry in Australia, accounting for 8.2% of Australia's export earnings in 2018-19.[2] It is important for ATIC and peak industry bodies representing the specific tourism needs of other states and territories to "develop strategic policy decisions and advocate these to support our industry and be even more competitive on the global stage"[3]. By doing so, the many tourism destinations and operators can continue to grow and prosper.

1.4 PROJECT OVERVIEW

The tourism industry, associated stakeholders, and consultants agree that the evidence strongly indicates *market failure* in terms of the affordability and accessibility of insurance. No particular party is responsible for the current state of the market failure, which is complicated by global factors, state and federal regulation, natural disasters and increased litigation. International markets, federal and state government policies and legislation, the insurance industry and the business community as well as consumers, all have a part to play in change towards a more viable state-of-play for tourism-orientated insurance. Some of the necessary steps can be taken locally, others are part of the global financial cycles and it is only through collaboration with all parties that a long-term solution will be identified and delivered. The ongoing market failure requires a combined, nation-wide, consumer, industry, and government solution.

This paper will look at data from the *Insurance Survey* and a number of reports to establish a rationale for the three key recommendations provided. Numerous government and industry parties have

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[1] https://www.qualitytourismaustralia.com/home/policy-priorities/
[2] https://www.tourism.australia.com/en/markets-and-stats/tourism-statistics.html
[3] Ibid, p. 2.

produced submissions, inquiries, and reports into the ongoing and developing challenges the tourism sector faces with business insurance. There has been comprehensive input and discussion from the insurance sector, business consultants, the tourism sector and government entities. While some of these papers date back 20 years, many have been published recently, reflecting increasing concerns, as global insurance markets enter a more difficult phase again.

1.5 PROJECT SURVEY

1.5.1 SURVEY METHODOLOGY

Quantitative and qualitative methods were employed via an online self-report survey for this research. The survey was open for two months, from 18 December 2020 through to 12 February 2021. A total of 275 Queensland-based participants responded to the 47-item survey (including question logic) with 397 responses overall nationally.

Further research of current industry-based research papers, reports, and publications was undertaken to support the data collected from the quantitative and qualitative survey. All research is referenced in the footnotes. For an infographic summary of results from the QTIC Insurance Survey, see 8.2 Survey Results of this report.

1.5.2 SURVEY SAMPLE

The target markets for this study were national tourism businesses of all sizes. The survey was distributed through state and territory industry council membership, Australian Tourism Industry Council (ATIC) membership, industry associations and the Regional Tourism Organisation (RTO) membership base, ensuring an extensive reach for feedback.

1.5.3 SURVEY DEVELOPMENT PROCEDURE

The quantitative and qualitative online survey was developed using Microsoft Forms. Questions and language were aligned with some existing questions and language found in the *ACCC Northern Australia Insurance Inquiry* to extend some of the findings from the domestic market to the business market. QTIC liaised with the federal Department of the Treasury, who requested specific areas of enquiry that were incorporated into the question set.

Before distributing the online survey, a test was conducted to identify issues regarding potential misinterpretation or confusion around questions. To test the survey, a panel of four people reviewed the relevance and logic of the questions. Some minor issues, such as clarity of questions and logic flow were addressed before the survey launch.

1.5.4 KEY RESOURCE MATERIALS

The 2020 *ACCC Northern Australia Report* focused on home and contents insurance for residential consumers in the communities north of the Tropic of Capricorn. This report found that while there was a decrease in choice, there was no market failure. While this report covered the geographical area of importance, it did not cover the broad business insurance needs of the tourism industry. The additional ACCC Townsville case study focused on the extent of non-insurance in the flood-affected areas of the Townsville region, including households that have insurance but not flood cover and the extent of non-insurance for small businesses in the affected areas of Townsville[4].

The Australian Small Business and Family Enterprise Ombudsman prepared the 2020 *Insurance Inquiry Report*, focusing on business insurance needs across all sectors of small businesses across Australia. This report and numerous other business-focused reports found that market failure is imminent or already existing when reviewing the accessibility and affordability of insurance. The report also identified and mirrored concerns raised in the ACCC report regarding insurance services, including the language used, contract terms and renewal timeframes and requirements and repeated recommendations regarding the abolishment and redirection of state-based stamp duties.

The *QTIC Insurance Survey* results echoed those findings, with the affordability of insurance being one of the primary concerns identified. Affordability and availability are exacerbated by a lack of choice in a shrinking pool of insurers. Of the businesses surveyed, 10% had increases in property insurance of over 70%, while 43% of these businesses believe they are underinsured with their property policies. Additionally, 10.4% of businesses surveyed do not have property insurance due to lack of availability or affordability.

The survey results also revealed that 3.3% of businesses surveyed do not have public liability insurance. While this is concerning, the more significant concern is with tourism businesses that are not currently engaged with industry bodies. They may have a higher prevalence of lack of insurance or underinsurance across all insurance areas.

[4] www.accc.gov.au/system/files/Northern%20Australia%20Insurance%20Inquiry%20-%20Final%20Report%20-%2030%20November%202020.pdf

Recent feedback from northern Queensland indicates that public liability insurance will not be available for some water-based adventure businesses from July 2021. While one individual case in concerning, research suggests that this is the 'tip of the iceberg', and many activity-based tourism businesses will be forced to close or significantly modify their business activities to operate within appropriate insurance cover. As a representative for *Jetski Hire Magnetic Island* shared:

> *"We're writing because we've come up against what currently seems an impossible feat. Our insurance company has changed their underwriting and will not renew our insurance for public liability coverage, if we cannot find adequate coverage by June, we will be forced to close the doors at Jetski Hire Magnetic Island.*
>
> *We've been searching for a new provider and so far, have not found someone who will take on our business's requirements, which include public liability cover for GBRMPA and Townsville City council. Insurance companies aren't covering tourism-based experiences like they used to and we know that we're not the only jetski hire company to come across the struggle of finding adequate or affordable cover.*
>
> *On the island three of the water sports businesses (that we know) use the same insurance company…we imagine if we fail to find cover so will they and two businesses which contribute immensely to Queensland tourism will be forced to shut within months.*
>
> *Both of our businesses have been insured for over 30 years and never made a claim, we operate in a manner that reduces almost all risks and are constantly adding features to our fleet that further improve customer safety."*

The final section of the survey addressed risk management knowledge and crisis management in businesses. A total of 26.4% of businesses surveyed indicating they needed more training to be ready for natural disasters. Concerningly, 61% have never had their policies, contracts and waivers reviewed by a legal advisor. These results clearly identify a gap in business knowledge that needs addressing.

In order to address the knowledge gaps effectively and efficiently, creating long lasting positive outcomes, all stakeholders need to initiate change. The insurance and tourism industries need to work together to create standards from which businesses may benchmark their risk mitigation and insurance knowledge and strategies. Additionally, a top-down approach of government-led mitigation and intervention with legislative change is required. Without legislative reform and government support, it is difficult to incentivise change in an industry that is already reeling from loss of international tourism, border closures and global economic stress.

This combination of industry led review and government mitigation and support could increase choice and competition in the insurance sector and address the issues of accessibility and affordability.

2. CHALLENGES

The Australian Prudential Regulation Authority (APRA) is conscious that the current, and possibly future, lack of access to affordable insurance cover may translate into further uninsured parts of the economy and society. APRA has a strategic focus on addressing and mitigating underinsurance, given the likely social and economic impacts, which may have broader implications on the stability of the financial system.[5]

At present, only 40 per cent of Australia's annual natural peril costs are insured[6]. In addition, life and general insurance spending in Australia is already low and declining when compared to other OECD countries. Typically, countries with lower insurance spending suffer more severe economic consequences, such as reduced output and increased debt levels, after a disaster. There is clear potential over the medium and long-term for the protection gap to widen, which would be an indication that the general insurance industry is not fully serving its broader economic purpose in risk management to support sustainable economic growth.[7]

Key challenges faced by the three stakeholder groups have been identified below.

2.1 BUSINESS AND CONSUMER PERSPECTIVE

- Lack of transparency and standardisation with policy language makes renewals and cover challenging to navigate.
- Short lead times for renewal requirements.
- Lack of choice of insurance in some regions for some types of insurance cover.
- Lack of affordability leading to underinsurance and non-insurance.

2.2 INSURANCE INDUSTRY PERSPECTIVE

- Clients are often under-educated regarding risk, insurance and mitigation strategies.
- Hardening international markets lead to decreased re-insurance options and higher re-insurance costs (cost of doing business).
- Lower interest rates lead to lower investment returns.
- Higher risks associated with climate change and increasing natural disasters lead to a higher ratio of policy payouts.
- Lower investment returns increased business costs, and higher policy payouts lead to lower financial viability in the market.
- The Haynes Royal Commission outcomes are imposing increased compliance for the finance industry, tightening regulations and narrowing opportunity for profit improvements through innovation in investment.

2.3 GOVERNMENT PERSPECTIVE

- Non-insurance and underinsurance are leading to higher bailout costs at the state and federal level.
- Lack of foresight regarding (poor) land development choices made in previous decades now require increased mitigation spend and natural disaster recovery spending.

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[5] https://www.accc.gov.au/system/files/APRA.pdf, p.2

[6] Actuaries Institute, Submission to The Treasury, Pre-budget submission (2019-2020) (1 February 2019) p. 2.

[7] ibid, p. 3

- Navigating state and federal levels of government increases the complexity of regulation and reform.
- The Haynes Royal Commission outcomes led to increased compliance for the finance industry, tightening regulations, and ongoing pressure for governments to 'police' the financial sector.

The extensive research and findings reviewed throughout this project outline these three key areas of recommendations.

1. Address affordability and availability.
2. Introduce legislative change to assist with public liability.
3. Increase knowledge and understanding of risk, insurance requirements and related areas.

The intention for this report is for the three key stakeholder groups to work together to implement required change for the immediate and long-term viability of the tourism industry in Australia.

3. SUMMARY OF RECOMMENDATIONS

RECOMMENDATION 1: ADDRESS AFFORDABILITY AND AVAILABILITY

- Explore options to abolish state taxes on insurance policies or redirect revenue from this source to subsidise or assist where market failure is evident.
- State taxes, emergency levies and stamp duties amount to between 19.9% and 70% of business insurance premiums. As per the Insurance Council of Australia, "the ACCC Inquiry has made clear that removing stamp duties from insurance products would result in meaningful reductions in insurance premiums for the residents of northern Australia. This is consistent with our position that stamp duty and other taxes on insurance premiums across the jurisdictions such as the Emergency Services Levy in NSW should be removed as a matter of priority".[8]
- Explore mitigation strategies that are identified as paramount to the long-term viability of businesses and communities in natural disaster-prone areas in Australia.
- As per the 2014 Productivity Commission, the total natural disaster spend by the Australian government is allocated estimated as 3% on mitigation and 97% on post-disaster recovery.[9] Public and privately funded mitigation programs have seen reductions in insurance premiums with government-funded projects improving the safety and security of communities and reducing premiums overall in targeted districts. Privately funded mitigation projects are more prominent when insurers offer clear premium reduction opportunities, which requires review as per QTIC Recommendation 3 (involving the transparency of language and policy information provided by insurers).
- Review the government reinsurance pool framework to address affordability, increase choice and competition. A reinsurance pool could be combined with a government-owned insurance entity, providing basic protection against natural disasters. Their needs to be differentiation or segmentation between home and contents insurance and business insurance. A business insurance framework needs to have a system of scalability, based on size, asset values and turnover rather than flat rates as seen in other countries. Legal Aid QLD's submission to the ACCC stated that "this measure has the potential to:
    - Reduce insurance premiums;
    - Increase access to insurance for consumers;
    - May encourage more insurers to provide insurance in North Queensland."[10]
- However, the same submission to the ACCC report also raised concerns regarding the capped cover of losses, common with reinsurance pool frameworks and ongoing costs and liabilities for the government.
- The often-cited solution of the New Zealand Earthquake Commission (EQC) manages the Natural Disaster Fund, which purchases reinsurance and settles claims made. EQC provides cover for the first $150,000 of claimed home damage after a natural disaster, with contents insurance being phased out of the scheme in 2021. The consumer covers additional cover for losses over $150,000 with private insurance policies. A review of the capped liability scheme could consider staggered or stepped liability cover based on business sizes, personal insurance policy values and private mitigation investment as a possible framework. The Australian Government needs to explore variants of this model to reflect the changing business values, and the broad impact of natural disasters.

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[8] *www.insurancecouncil.com.au/assets/submission/2020/2020_10_23_SUB_ASBFEO%20insurance%20inquiry_supplementary.pdf*, p. 2
[9] https://www.pc.gov.au/inquiries/completed/disaster-funding/report/disaster-funding-volume1.pdf
[10] https://www.accc.gov.au/system/files/Legal%20Aid%20Queensland_1.pdf

- The Australian Government needs to explore global options to attract additional insurance groups into the Australian market with the intent to increase competition and decrease premiums. Numerous businesses reported having little to no options regarding insurance brokers for their policies. This could help to elevate the lack of choice in industry segments like adventure tourism and caravan parks as an example.
- Review the impact of ‘no win, no fee’ litigation arrangements on insurance affordability and availability.
- The QTIC survey revealed that the industry feels the practice encourages litigious behaviour and therefore is perceived to impact premiums. Further research into trends since the introduction of 'no-win, no-fee' in 1994, would clarify any impacts on payouts, premiums, and public liability availability for business consumers.

RECOMMENDATION 2: INTRODUCE LEGISLATIVE CHANGE TO ASSIST WITH PUBLIC LIABILITY

- Introduce legislation to cap public liability payouts.
- Tourism in Queensland and Australia continues to innovate to meet the tourists' increasing demand for new, unique and exhilarating experiences. With public liability insurance becoming increasingly difficult to source for the most straightforward adventure tourism businesses, Australia runs the risk of offering a 'vanilla tourism product' that cannot compete with the adventure tourism opportunities provided by the New Zealand tourism industry for instance.
- Government intervention and review of state/ federal legislation could review tort law and associated liability payments in case of fault or breach of duty of care.
- The Accident Compensation Corporation (ACC) is the New Zealand insurer that provides injury cover to all residents and visitors and provides health and rehabilitation services to anyone who is injured as a result of an accident. In return, citizens and visitors waive their right to litigate as it is a no-fault scheme.
    - The Australian government originally considered a no-fault scheme in 1974/5.
    - In considering a new no-fault/ capped liability scheme, the Federal Government would have to own and drive the change to avoid broader-based changes in systems and complex claims and care arrangements.

RECOMMENDATION 3: INCREASE KNOWLEDGE OF RISK, INSURANCE REQUIREMENTS, AND RELATED AREAS

- Standardise language and terms used by the insurance industry.
- This initiative includes an increase in transparency between insurers and businesses to consider the potential impact of private and public mitigation programs on premiums, thus incentivising mitigation projects. Transparency is also required when viewing the long-term availability of insurance cover renewal.
- Insurers needs to provide standard timeframes and expectations for policy renewals that are realistic for all parties, allowing appropriate time frames for risk management plan review and other associated risk mitigation planning and documentation.
- All parties need to work together to increase market understanding of different insurance policies and their application to business, including workers compensation.
- Government-funded, insurance industry-supported, and industry facilitated education programs are required to increase market understanding of risk, insurance requirements, and related processes.

4. FEEDBACK AND EVIDENCE FROM KEY STAKEHOLDER GROUPS

4.1 GOVERNMENT BASED INITIATIVES

4.1.1 Government – Expand Australian Reinsurance Pool Corporation to natural disasters

It was suggested that the creation of a government reinsurance pool (or extend existing terrorist fund) to include natural disasters (fire, flood, cyclone) to ease affordability and availability issues in the market. While the option of a reinsurance pool was negated as an option for the domestic general insurance market in the ACCC Northern Australia Insurance Inquiry findings (due to lack of market failure in the domestic general insurance segment[11]), numerous responses to that report have stated that market failure for small to medium business sector is imminent.

The **ACCC Northern Australia** report investigated general insurance in home, contents and strata insurance at a domestic level. The Townsville addendum covered flood and business continuance insurance for businesses affected by the 2019 floods in the 4810, 4811, 4812, 4814, 4815, 4817 postcodes. While there is a cross over with the tourism sector in property and strata insurance, the broader tourism industry has requirements in public liability, professional indemnity, and other forms of business insurance that were not covered by the ACCC report.

There are **two main arguments** - addressing the likelihood of market failure and evaluating whether government-backed insurance pools are the appropriate or effective solution. While the market may continue to argue whether market failure is imminent, or indeed, upon us, the question of the suitability of a government-backed reinsurance pool for business-related insurance requirements still needs to be addressed.

Addressing the likelihood of market failure:

- **ASBFEO:** There is market failure that will have extreme consequences for the Australian economy if left unaddressed. The recommendations in this report are designed to provide much needed clarity and certainty for small businesses, rebalance risks for insurers, and allow businesses access to the insurance products to protect themselves for when things go wrong. [12]
- **KPMG**: "There is a looming market failure, and potential significant risk of underinsurance for some locations and classes of assets as natural perils become uninsurable (the likelihood is the burden of underinsurance will continue to affect lower socioeconomic groups and have greatest impact on regional Australia)."[13]
- **Strata Community Association** President Andrew Chambers: “There is market failure, because we are aware through some of our members in north Queensland that a number of them have strata properties that simply cannot get insurance.”[14]
- **The Australian Industry Group** October 2020 report titled *'Business Insurance: Unaffordable or Unavailable*?' highlighted some of the issues with their key findings:
    - More than half of businesses polled reported unusual trouble seeking insurance in the last 12 months.

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[11] https://www.accc.gov.au/system/files/Northern%20Australia%20Insurance%20Inquiry%20-%20Final%20Report%20-%2030%20November%202020.pdf, p. xvi, 142.

[12] The Australian Small Business and Family Enterprise Ombudsman, 2020, *Insurance Inquiry Report*, p. 3

[13] https://assets.kpmg/content/dam/kpmg/au/pdf/2020/general-insurance-industry-review-2020.pdf, p. 2

[14] https://issuu.com/insurancenewsmagazine/docs/magazine_1944f37520a4a4/10?fr=sNTg3NTMyMDQ2OTc

- Unusually high premium growth was the most frequently reported problem faced by Australian businesses seeking insurance in the last 12 months.
    - A concerning number of businesses are reporting that there is a general lack of insurance options. Because of this, some businesses reported paying an extremely high price or not obtaining insurance at all.
    - Global factors are driving local insurance problems.
    - COVID-19 has not played a significant role in current insurance difficulties but may still cause concern in the future. [15]
- Dr Chloe Lucas from the **University of Tasmania**, who studies the social effects of climate change, said past research suggests nearly one in two people across Victoria are underinsured – through figures from the **Insurance Council of Australia** suggests four in five households across the country are likely to be underinsured.[16]
- **ACCC:** Government reinsurance pools are a measure which has been previously considered as an option to lower insurance premiums in northern Australia.
- The 2011 **Natural Disaster Insurance Review** (NDIR) recommended an excess of loss reinsurance pool for flood risks to provide more affordable flood cover through reinsurance for all ceded risks. The NDIR considered that some form of premium discount was required to make flood insurance affordable, and a pool would minimise cross-subsidisation between policyholders. A pool would also require the insurers to still hold onto some parts of the flood risk themselves.
- The 2015 **Northern Australia Insurance Premiums Taskforce** (NAIPT) considered running an excess of loss reinsurance pool for cyclone risks to be run by the Australian Reinsurance Pool Corporation (ARPC) and backed by a government guarantee:
    - The pool design was for insurers to retain the cost of claims for smaller events, but with the pool meeting claims above a limit. The NAIPT pool would price reinsurance premiums based on risk, but with lower rates due to a government subsidy.
    - The NAIPT considered that the pool would increase competition in the cyclone insurance market as the pool would be accessible to all companies and would not crowd out private insurers, unlike the government mutual plan also being considered. The NAIPT noted that while a partially funded reinsurance pool would reduce premiums by 10 to 15%, the potential call on the government guarantee would be up to $5 billion over ten years. The NAIPT noted that a reinsurance pool would be more feasible for a government exit than the government mutual plan, with support gradually reduced through insurers bearing more cyclone claims costs over time. Eventually, cyclone risks would return to the private catastrophe reinsurance market.
  - The **Australian Government** responded in December 2017, noting that it 'will not intervene directly in the insurance market.' (The Australian Government the Treasury, *Government responds to Northern Australia Insurance Premiums Taskforce and General Insurance Senate Inquiry*, 18 December 2017.)[17]
  - **APRA:** Addressing concerns with affordability and availability of insurance is necessary to reduce detrimental impacts of underinsurance on individuals and the wider economy.[18]

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[15] https://cdn.aigroup.com.au/Reports/2020/Insurance_Problems_Report_Oct_2020.pdf
[16] https://www.theguardian.com/australia-news/2021/mar/23/catastrophe-declared-for-nsw-as-5000-insurance-claims-submitted-for-flood-damage.
[17] https://www.accc.gov.au/system/files/Northern%20Australia%20Insurance%20Inquiry%20-%20Final%20Report%20-%2030%20November%202020.pdf, p. 157
[18] https://www.accc.gov.au/system/files/APRA.pdf, p. 1

Related QTIC survey findings:

- **Property insurance:** When looking at the businesses with increases in property insurance of over 70% (10% of all surveyed)
  - 39% are on or above the Tropic of Capricorn.
  - 49% are situated near National Parks, nature reserves or other bushfire related areas.
- **Combined increases:** 4% of Businesses surveyed reported increases of 70% and over in BOTH public liability and property.
  - 29% are on or above the Tropic of Capricorn.
  - 47% of these are situated near National Parks, nature reserves or other bushfire-related areas.

Supporting findings:

- **ASBFEO Recommendation 8:** Expand the Australian Reinsurance Pool Corporation to provide reinsurance for all-natural disasters for commercial property insurance. [19]
- **Allianz submission to ACCC:** "Allianz is of the view that an appropriately designed Government Cyclone Reinsurance Facility would be an effective and efficient way of reducing the cost of insurance to those property owners that the government deemed deserving of premium assistance, in a way that would not cause undue inconvenience to policyholders or disruption to insurance markets."[20]

This need for action is highlighted in ABC News story 'The runaway insurance effect'[21]:

> *"…the insurance industry is already on the brink of dangerous market failure", according to Karl Mallon, director of science and systems at climate analytics company Climate Risk.*
>
> *"If the industry doesn't step up, we'll all pay — both as taxpayers picking up the bill for the recovery … or because of the impact on our communities and our economies," says Dr Mallon.*
>
> *"This is a cost that is avoidable, and we shouldn't be walking into this…"*

Appropriateness/effectiveness of government-backed reinsurance pools:

- **APRA:** "Caution must be taken when designing reinsurance pools as they can give rise to a range of risks, including costs to the government, difficulty in unwinding the arrangement and blunting incentives to undertake mitigation. The transference of risk from individuals and insurers to government has created headaches around the world."
  APRA listed several publicly managed schemes which offer reinsurance to private insurers. This list included the National Flood Insurance Program and California Earthquake Authority in the United States, the Philippine City Disaster Insurance Pool and the Caisse Centrale de Reassurance in France.[22]
- **ACCC:** We do not consider government reinsurance pools or government insurers are well-suited to address affordability concerns in a targeted way. Government reinsurance pools have generally been introduced overseas in situations where insurance or reinsurance was not available through the private markets, which is not the case in northern Australia.[23]

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[19] The Australian Small Business and Family Enterprise Ombudsman, 2020, *Insurance Inquiry Report*, p. 7
[20] treasury.gov.au › sites › files › R2015-002_Allianz
[21] https://www.abc.net.au/news/2019-03-13/climate-data-reveals-australias-worst-affected-regions/10892710?nw=0
[22] https://www.afr.com/companies/financial-services/apra-warns-accc-over-cyclone-reinsurance-pool-20190925-p52uoc
[23] https://www.accc.gov.au/system/files/Northern%20Australia%20Insurance%20Inquiry%20-%20Final%20Report%20-%2030%20November%202020.pdf, p. 142

4.1.2 Federal/State Government insurer – Underwriting Pools for Certain Policyholders

Governments could establish underwriting pools for particular types of insurance for specific policyholders.

- This discussion has been explored extensively over a long period with some models being outlined below in the 2002 parliamentary paper 'Liability Insurance Premium Increases: Causes and Possible Government Responses':
  - *Comcover* is a Commonwealth underwriting pool operated by the Department of Finance. Comcover provides 168 agencies within the Commonwealth general government sector with broad cover for all classes of general insurance normally available in the commercial insurance market.[24]
  - *The Joint Coal Board* is an organisation established by the Commonwealth and New South Wales Governments to provide workers compensation for the New South Wales coal miners. From 1 January 2002, the Joint Coal Board and the Mines Rescue Board were merged into a new private company called Coal Services Pty Limited.
  - *Pooling with Self Insurance*. Organisations would group together to form a mutual organisation and pool their funds to meet the cost of claims brought against member organisations. Examples of self-insurance arrangements include seven self-insurance pools operating among New South Wales councils, and the Queensland Local Government Association Mutual.[25]
- **ASBFEO:** In response to a crisis of medical indemnity insurance availability in the early 2000's, the Australian government stepped in to stabilise the market. Over 15 years on, there are nine schemes that provide government support for medical indemnity insurance for eligible privately practising medical practitioners, allied health professionals, and midwives. In the 2018-19 financial year, these schemes cost the government $85 million in administration and payments. The Australian Reinsurance Pool Corporation is an Australian Government-owned reinsurer established under the Terrorism Insurance Act 2003 (Cth) to administer the Terrorism Reinsurance Scheme. The scheme provides reinsurance cover for eligible terrorism losses, involving commercial property, associated business interruption losses and public liability. For the year ended June 2019, the scheme received gross written premiums of $204 million and provided terrorism reinsurance cover to more than 220 insurer customers.[26]

Supporting findings:

- **ASBFEO Recommendation 7:** Where there is only one or no insurers left in a professional indemnity market, the Federal Government should provide an insurance scheme of last resort for small business. [27]

[24] https://www.finance.gov.au/government/comcover

[25] https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/Publications_Archive/CIB/cib0102/02CIB10#insurance

[26] https://www.asbfeo.gov.au/sites/default/files/Final%20Insurance%20Report_0.pdf, p. 13

[27] The Australian Small Business and Family Enterprise Ombudsman, 2020, *Insurance Inquiry Report*, p. 7

4.1.2 Changes to state government stamp duties and emergency services funding

Abolish state-based stamp duties or redirect stamp duties into subsidies for affected market sectors where 'market failure' is evident. Additionally, review reporting requirements on applicable stamp duties, emergency levies and state-based taxes on individual insurance policies for greater transparency between government, insurers and business consumers.

According to the Small Business and Family Enterprise Ombudsman report, the "taxes alone can consist of 70% of the value of a business's insurance premium. Some businesses are aware of this, but others are not. Some levies change every year and differ in the percentage of the premium across different types of insurance.[28]

Table of impact of taxes and levies on business insurance premiums[29]

State	Impact of taxes and levies on premium price for businesses
ACT	GST is 10% of the premium cost
NSW	The emergency Service Levy, GST and stamp duty is up to 70% of the premium cost
NT	GST and stamp duty is 21% of the premium cost
QLD	GST and stamp duty is 19.9% of the premium cost
SA	GST and stamp duty is 21% of the premium cost
VIC	GST and stamp duty is 21% of the premium cost
WA	GST and stamp duty is 21% of the premium cost
TAS	The fire levy, GST and stamp duty is up to 49% of the premium cost

- **The QLD Emergency Management Levy** is established in the Fire and Emergency Services Act 1990, which applies a levy on properties within levy districts. The Act places a legal obligation on local governments to administer the levy, which is collected through local government rate notices. It is applied to all Queensland property to ensure there is a sustainable funding base for our fire and emergency services, recognising that all Queenslanders are at risk from a wide range of emergencies, including floods, cyclones, storms, fire and accidents.[30]
- **NSW Emergency Management Levy** - from local councils, we collect payments that account for 11.7 per cent of the costs of fire and emergency services in NSW. From insurers of property in NSW, we collect the levy that is paid as part of insurance premiums.[31]
- **Insurance Council of Australia:** "We also note the endorsement by the ACCC Inquiry and other successive policy inquiries of tax reform as an immediately effective option for governments to improve insurance affordability. In particular, the ACCC Inquiry has made clear that removing stamp duties from insurance products would result in meaningful reductions in insurance premiums for the residents of northern Australia. This is consistent with our position that stamp

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[28] ibid, p. 26

[29] Royal Commission into Natural Disaster Arrangements (2020), Report, p423; Tasmanian Government (2018), review of the Fire Service Act 1979 (Tas) p. 28.

[30] www.qfes.qld.gov.au/about/em-levy/Pages/default.aspx

[31] www.revenue.nsw.gov.au/taxes-duties-levies-royalties/emergency-services-levy

duty and other taxes on insurance premiums across the jurisdictions such as the Emergency Services Levy in NSW should be removed as a matter of priority."[32]

- **Insurance News:** When added to removal of state taxes, improved data, and private mitigation works, premium reductions of more than 50% are possible in some areas.[33]

Related QTIC Survey findings:

- Property insurance has increased by an average of 43% over the past two years.
  - *This result does not account for any increase in excesses.
- 10.3% require property insurance and do not have it due to lack of availability or affordability.
- 43% of tourism businesses that have property insurance believe that their property is underinsured.

Supporting findings:

- **ACCC Recommendation 3.1:** Abolish stamp duty on home, contents and strata insurance products. The governments of Western Australia, the Northern Territory and Queensland should abolish stamp duties on home, contents, and strata insurance products. State and territory revenue needs could be more equitably met through other means.
- It has been widely acknowledged that stamp duties on insurance products are an inefficient form of taxation. This recommendation is in line with recommendations from previous inquiries into insurance and taxation issues.[34]
- **ASBFEO Recommendation 10:** All insurance quotes should include a clear breakdown of commissions, fees and taxes, including administrative costs and broker fees.[35]
- **AFTS Review 2008 – 2010:** Proposed taxation treatment - Abolish all States' taxes on insurance (stamp duty on life insurance, temporary/term insurance and general insurance premiums, insurance protection tax, health insurance levy, and insurance companies' contributions to emergency services).[36]

4.1.3 Federal Government adopt a limited liability model.

The option of adopting a limited liability or capped liability model, as seen in New Zealand, has been raised repeatedly. First discussed during the Menzies era, the model has many pros and cons documented in academic and business publications. Details regarding international capped or limited liability models have been documented in the report.

The lack of general deterrence under compulsory monopoly schemes is thought by some, however, to reduce the incentives to act safely and prevent accidents, and hence necessitates stricter penalties and/or greater investment in law enforcement (Calabresi 1970); while others have argued that there is no evidence that the elimination of torts diminishes safety standards (Campbell 1996).[37]

Supporting findings:

- **ASBFEO Recommendation 5**: Following the approach taken in New Zealand, liability for personal injury should be subject to statutory caps.[38]

[32] www.insurancecouncil.com.au/assets/submission/2020/2020_10_23_SUB_ASBFEO%20insurance%20inquiry_supplementary.pdf, page 2
[33] www.insurancenews.com.au/daily/moving-on-mitigation-insurers-set-to-sign-premium-reduction-guarantees
[34] www.accc.gov.au/system/files/Northern%20Australia%20Insurance%20Inquiry%20-%20Final%20Report%20-%2030%20November%202020.pdf, page xxiii
[35] The Australian Small Business and Family Enterprise Ombudsman, 2020, *Insurance Inquiry Report*, page 26
[36] https://treasury.gov.au/sites/default/files/2019-03/E8_79_Abolish_insurance_t.pdf
[37] http://press-files.anu.edu.au/downloads/press/n5314/pdf/ch14.pdf, page 21
[38] The Australian Small Business and Family Enterprise Ombudsman, 2020, *Insurance Inquiry Report*, page 7

4.1.4 Federal and state government – Changes to Disaster Risk Mitigation and associated funding

The 2014 productivity Commission report into Natural Disaster Funding reported that governments **overinvest in post-disaster reconstruction and underinvest in mitigation** that would limit the impact of natural disasters in the first place. As such, natural disaster costs have become a growing, unfunded liability for governments. The funding arrangements matter because they impact the incentives to manage risks, including by using potent but politically challenging levers like land-use planning. The reform imperative is greatest for states most exposed to natural disaster risk, like Queensland.[39]

- **ACCC:** The Productivity Commission found that 'Australian mitigation spending was only 3% of what it spent post-disaster in recent years.' They argued that investment in mitigation programs was insufficient and should be increased to $200 million per annum. They noted that this funding should be separate from existing funding for national mitigation and resilience projects, allowing for increased investment in appropriate mitigation activities, which may reduce costs of future natural disasters and reduce insurance premiums where natural hazard risks to private property have been materially reduced.
  In 2017, the **Senate Economics References Committee** recommended an increase in investment in targeted disaster mitigation in line with Productivity Commission recommendations. The government noted in late 2017 that it would not decrease disaster spending to fund increased mitigation spending but is looking at what more can be done with existing resources. [40]
- **APRA** is responsible for ensuring general insurers have sufficient strength to pay all legitimate claims and expects them to raise sufficient revenue from policyholders to cover their expected payouts. Mr Summerhayes said governments had become fixated on insurance premiums but needed to focus more on mitigation for natural disasters to avoid the "high, rising and volatile costs of natural catastrophes". In Australia, 97 per cent of disaster funding goes to clean-up and recovery, with only 3 per cent on prevention and mitigation. "Focusing on premium affordability alone will not address the root cause," he said.[41]
  In APRA's view, the only way to drive real and meaningful change is by reducing the underlying natural peril costs. This view was also expressed by the northern Australian Insurance Premiums Taskforce. This can only be achieved through avoiding or mitigating the underlying natural peril risk: reducing the risk reduces the ongoing cost. Any other mechanism simply shifts who pays the costs, i.e., to the individual asset owner, other policyholders and taxpayers. APRA agrees with the Productivity Commission's view that paying for mitigation (pre-event) is far cheaper than paying for remediation (post-event). [42]
- **Australian Local Government Association** (ALGA) and the Submission to the National Natural Disaster Arrangements Royal Commission: ALGA has consistently advocated for the establishment of a targeted natural disaster mitigation program at a level of $200 million per annum for four years. In addition to disaster mitigation, such funding would have co-benefits that accrue even in the absence of a natural disaster.[43]

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[39] https://www.pc.gov.au/inquiries/completed/disaster-funding/report
[40] https://www.accc.gov.au/system/files/Northern%20Australia%20Insurance%20Inquiry%20-%20Final%20Report%20-%2030%20November%202020.pdf, p. 184
[41] https://www.afr.com/companies/financial-services/apra-warns-accc-over-cyclone-reinsurance-pool-20190925-p52uoc
[42] https://www.accc.gov.au/system/files/APRA.pdf, p. 4
[43] https://cdn.alga.asn.au/wp-content/uploads/Submission-to-the-Royal-Commission-into-the-National-Natural-Disaster-Arrangements.pdf

Related QTIC Survey findings:

- 27% of businesses feel they need more training to be ready for natural disasters.
- 14% do not use incident reports in their business. Of these businesses, 68% are accommodation, and 9% are tour operators.
- 60% of businesses have never had their policies, contracts and waivers reviewed by a legal advisor. Of these:
  - 9% identify themselves in the Adventure and Activities sector
  - 33% identify themselves in the Accommodation sector

4.1.5 Create a risk mitigation standard/ registry for property for standard implementation of premium reductions.

In November 2019, Insurance News reported on the opportunity to create a memorandum of understanding (MoU) with insurers, guaranteeing premium reductions based on the completion of mitigation measures. [44] While the mitigation projects in this publication were focused on federal spending, there is an opportunity to work at a federal, state, and consumer level with mitigation initiatives. Development and research identifying benchmarks and milestones combined with broader MoU's with the insurance industry could lead to short and long-term gains for insurers and tourism businesses.

Dr Karl Mallon, director of science and systems at *Climate Risk* draws attention to how people in residential properties will be affected[45]:

> *Climate Risk has analysed how the expansion of these high-risk zones will impact the number of "uninsurable" homes in Australia.*
>
> *Its provisional figures estimate that by 2100 the number of "uninsurable" homes — defined as those where the annual premium would exceed one per cent of the property value — will swell to upwards of 850,000 or nearly 10 per cent of residential properties. This is about 220,000 more than in 2018.*
>
> *The problem affects far more homes than most people realise because planning laws haven't kept pace with climate change, Dr Mallon says. We are still building, buying and selling "the wrong kinds of buildings in the wrong kinds of places..."*

Related QTIC Survey findings:

40% of businesses have actioned property improvements to mitigate risks. Of these:

- 27% (11% of total) have had their policy details reviewed by the insurance provider based on a decreased risk
- 71% (28% of total) could **not** have their policy details reviewed by their insurance provider based on a decreased risk.

[44] https://www.insurancenews.com.au/daily/moving-on-mitigation-insurers-set-to-sign-premium-reduction-guarantees
[45] https://www.abc.net.au/news/2019-03-13/climate-data-reveals-australias-worst-affected-regions/10892710?nw=0

4.1.6 State government and councils – review zoning and development with future climate change standards/ impact considered.

- **ASBFEO Recommendation 9**: Local Councils and State and Territory Governments that release new land for development, or rezone existing land for further development must undertake a suitability and natural peril assessment of all land (assessed for a 1 in 100-year risk) before commercial release and publish the results of the assessment prior to land release[46]
- **Taylor & Francis:** But the key point is that flood insurance (or, more generally, mechanisms for managing the financial risk of flooding) is always just one element of a wider bundle of social responses. [47]
- **APRA:** In the general insurance industry, the gap between economic loss and insured loss (the protection gap) is rising, reflecting the high and variable underlying costs. Costs are driven by urbanisation and population growth in risk-prone areas along with the longer-term impact of climate change, which is expected to increase the frequency and/or severity of weather-related events. Climate change can be expected to amplify the underlying issues in terms of both increased uncertainty in areas that have historically experienced disaster events, and in exposing previously unaffected regions where building standards and land use planning do not adequately protect against the risks. Costs of remediation associated with such events often exceed the means of local governments and can fall on the broader community. The levy imposed after the 2011 South-East Queensland floods is an example of this.[48]
- **Insurance Council of Australia Suggested Reform Item 3:** Policy to limit property exposures to hazards (2010).
- **Action item - create a national agreement on land-use and planning reform:** The predicted impacts of future extreme weather events underscore the need for a renewed focus and emphasis on risk-appropriate selection of land for development. With many of the current risks predicted to increase over the life cycle of buildings, governments must ensure that new structures are constructed in a location and manner suitable both to the risks experienced today at that location and those risks predicted at the anticipated end of life for the property. Many State Governments have already started acting on this issue. However, a national approach to land-use reform is necessary to balance the challenge of defending, retreating or rezoning land that becomes untenable for use. Critically, this must be done within a consistent framework across all jurisdictions to prevent inequities. Governments through COAG should adopt a common framework for land-use and planning controls in all jurisdictions that give clear guidance to local planning authorities and the community.[49]

[46] https://www.asbfeo.gov.au/sites/default/files/Final%20Insurance%20Report_0.pdf, p. 7
[47] https://www.tandfonline.com/doi/full/10.1080/03085147.2018.1547494
[48] https://www.accc.gov.au/system/files/APRA.pdf, p. 2
[49] https://www.insurancecouncil.com.au/assets/files/living%20with%20a%20changing%20climate%20october%202010.pdf, p. 7

4.2 INSURANCE INDUSTRY BASED INITIATIVES

4.2.1 Insurance industry terms standardisation

The insurance industry develops and adheres to standard definitions and transparency regarding requirements, inclusions, and exclusions.

- **ASBFEO:** Small businesses are unaware of all commissions, fees, and taxes that make up significant portions of their insurance premiums. Insurance product documentation is so complicated, opaque and difficult to navigate leading small businesses to purchase unsuitable policies and obtain inadequate cover.[50]

Navigating the process of securing appropriate insurance can be challenging, as Dr Mallon highlights[51]:

> *He also wants insurers to be more transparent about how long they think they can provide a policy. "If you're taking on a mortgage, you want to know that you've got an insurer over the life of that mortgage," Dr Mallon says. "You really want 30 years of foresight — and the analytics for that are available."*
>
> *We've arguably passed that point, Mr Andrews says, with flood premiums for people in risk zones already priced out of reach.*
>
> *"While insurers will offer them cover, most people don't take it up, so … if it's not an insurability problem, it's certainly an affordability problem," he says.*
>
> *Regardless of how it is framed, the consequences stretch far beyond those currently living in high-risk areas, Dr Mallon warns.*
>
> *"We see a particularly dangerous market failure," he says.*
>
> *The cornerstone of that failure, he says, is that insurers can effectively abandon policies or areas from one year to the next if they decide the risk has become too severe.*
>
> *Because all prospective homeowners need insurance to secure a mortgage, this creates a ripple effect.*

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[50] The Australian Small Business and Family Enterprise Ombudsman, 2020, *Insurance Inquiry Report*, page 26

[51] https://www.abc.net.au/news/2019-03-13/climate-data-reveals-australias-worst-affected-regions/10892710?nw=0

Related QTIC Survey Findings:

- **Business continuity:** of the businesses surveyed who had business continuity insurance, 33% were not sure of policy inclusions, and 53.4% did not know the indemnity period of the policy.
- **Public liability:** 12% of businesses surveyed did not know the increase in insurance premiums over the past two policies.
- **Property insurance:** 9.8% do not know if they have fixtures and fittings cover included in their policy.

Supporting Findings:

- **ASBFEO Recommendation 10** All insurance quotes should include a clear breakdown of commissions, fees and taxes, including administrative costs and broker fees. [52]
- **ASBFEO Recommendation 11** Insurance product documentation on creation and renewal should:
  a. Set out the most common mitigations that businesses can make to premises and how they operate to reduce their premiums and ensure continued coverage.
  b. Clearly list exclusions, limitations and conditions early in the documentation, together with standard policy checklists (with checkboxes) that show all inclusions and exclusions.
  c. Set out the most common reasons why claims are denied under the policy, including a chart with percentages.
  d. Use standard definitions, particularly covering natural perils, across all insurers operating in Australia, and
  e. For products offered to Australian purchasers by foreign insurers, be written in Australian legal terminology. [53]
- **ACCC Recommendation 18.9** Disclose the premium, sum insured and excess on a renewal notice. Insurers should be required to clearly disclose, on renewal notices for home, contents and strata insurance, the sum insured and any excess of the expiring policy along with its premium. Insurers should also provide this information upon request.[54]

4.2.2 Insurance industry policy renewal timeframes standardisation and education

Creating an understanding of renewal terms and expectations may alleviate frustrations for the business consumer and provide additional time to research the market and submit renewal requirements to the insurer. The Law Council's submission to ASBFEO highlighted that “insurance cover for small business risk requirements are issued by insurers under general insurance policies, which are legally new contracts at each renewal. This differs from life insurance policies which are continuing contracts that may apply for many years.” [55]

Many complaints stem from the longevity of the 'relationship' between the insurer and small business without any perceived loyalty or "no claims bonus" that may be evident in the general insurance domestic market. The ASBFEO Insurance Inquiry notes that “Small businesses are frustrated that their excellent claims history does not appear to be taken into account. They do not perceive their insurance as a ‘new contract’ every year, but rather a continuation of the same relationship.” [56]

[52] ibid, p. 8
[53] ibid
[54] www.accc.gov.au/system/files/Northern%20Australia%20Insurance%20Inquiry%20-%20Final%20Report%20-%2030%20November%202020.pdf
[55] https://www.asbfeo.gov.au/sites/default/files/IN24.pdf, p. 2
[56] The Australian Small Business and Family Enterprise Ombudsman, 2020, *Insurance Inquiry Report*, p. 39

Related QTIC Survey findings: Interviews with CaPTA Group (Cairns) and Montville Country Cabins identified very short lead times from insurance companies, requesting additional information for renewal or notification of non-renewal. Other survey responses indicated similar short lead times are being experienced nationally.

Supporting findings:

- **ASBFEO Recommendation 13** Require insurance companies to provide 60 calendar days' notice for a renewal refusal, premium increases above 15%, or changes in exclusions or excesses, together with a statement providing reasons for the change and any specific modifications that a business can make to continue their insurance or reduce premiums, exclusions and excesses. [57]
- **ACCC Recommendation 18.8** Renewal notices should give 28 days' notice. Insurers should be required to provide renewal notices for home, contents, and strata insurance no less than 28 days before the expiration of their insurance cover, with a reminder to be sent no less than 7 days before expiration if it has not been renewed.[58]
- **ACCC Recommendation 18.9** Disclose the premium, sum insured and excess on a renewal notice. Insurers should be required to clearly disclose, on renewal notices for home, contents and strata insurance, the sum insured and any excess of the expiring policy along with its premium. Insurers should also provide this information upon request.[59]

4.2.3 Insurance Industry packages

Does grouping business insurances together into packages create financial and operational efficacy for small businesses? Does it increase availability and affordability, particularly for cyber insurance and other areas that are not commonly offered? Does this also impact transparency between insurers and the business consumer?

Many businesses responding to the QTIC survey indicated they paid a package price for all their business insurance and had no insight into individual policy component increases. More research into insurance packaging is required to understand the impact on the availability and affordability of different types of insurance for business.

[57] The Australian Small Business and Family Enterprise Ombudsman, 2020, *Insurance Inquiry Report*, p. 9

[58] https://www.accc.gov.au/system/files/Northern%20Australia%20Insurance%20Inquiry%20-%20Final%20Report%20-%2030%20November%202020.pdf, p. xx

[59] https://www.accc.gov.au/system/files/Northern%20Australia%20Insurance%20Inquiry%20-%20Final%20Report%20-%2030%20November%202020.pdf, p. xx

4.3 BUSINESS & CONSUMER BASED INITIATIVES

4.3.1 Consumer culture - Eliminate "no win, no fee" litigation

There have been suggestions that the legal advisers who offer to take cases based on 'no win, no fee' lead to a more litigious community. This suggestion, when coupled with escalating damages awarded by the courts, causes a blow out in insurer's costs and forces premiums to rise.[60],[61]. Further research into trends since the introduction of 'no-win, no-fee' in 1994 would clarify any impacts on payouts, premiums and public liability availability for business consumers.

4.3.2 Businesses and communities – increased education around risk

- **Actuaries Institute:** CEO Elayne Grace notes that "we've tried to take a magnifying glass to the extremes because...that's what we think will have the biggest impact on people, society and businesses". She said it emphasises a regional view because that's where the harshest impacts are felt, noting "we need global action from governments and business [but] the truth is the impacts are often at the local level, which means you need to have a very ground-up understanding of risk and managing risk".[62]
- While the following parliamentary excerpt dates to 2002, the contents may be of equal value with today's business consumers of insurance:

> *Risk management aims at, among other things, lowering the incidence of personal injury and can ultimately reduce the incidence of claims. According to the Queensland Liability Insurance Taskforce, risk management is critical in any broader strategy to address escalating insurance premiums. According to the Queensland Liability Insurance Taskforce, many organisations do not adequately assess potential risk or seek to mitigate their risks, and such organisations will find it hard to obtain insurance either at affordable prices or even at all unless they demonstrate adequate risk management. There have been contrary suggestions that insurance companies charge premiums that do not take into account an organisation's risk management practices and claims history.*[63]

Related QTIC Survey findings:

- 27% of businesses feel they need more training to be ready for natural disasters.
- 14% do not use incident reports in their business. Of these businesses, 68% are accommodation, and 9% are tour operators
- 60% of businesses have never had their policies, contracts and waivers reviewed by a legal advisor. Of these:
- 9% identify themselves in the Adventure and Activities sector.
- 33% identify themselves in the Accommodation sector.

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[60] 'Many to blame for the rush on litigation,' *The Australian*, 6 February 2001, p. 2.
[61]https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/Publications_Archive/CIB/cib0102/02CIB10#insurance
[62] https://www.abc.net.au/news/2019-03-13/climate-data-reveals-australias-worst-affected-regions/10892710?nw=0
[63]https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/Publications_Archive/CIB/cib0102/02CIB10#insurance

4.3.3 Business and communities – increase business knowledge of insurance requirements and related global financial trends and processes applicable to business profiles.

There is a recognised need to increase market understanding of different insurance policies and their application to business, including workers compensation.

In response to market need, the Insurance Council of Australia has created the website https://understandinsurance.com.au/. Additional education and information programs need to be developed with the government, insurers, and the tourism industry to address knowledge gaps and develop a body of knowledge for future industry reference.

Related QTIC Survey findings:

Of the businesses surveyed:

- 25% were not aware of the need to have professional indemnity insurance.
- 7.5% did not know they needed product liability insurance, even though they sell products.
- 84% do not have fidelity guarantee cover.
- 66% do not have directors' and officers' liability and/or statutory liability insurance.
- 86% do not have cyber insurance.

5. SURVEY RESULTS

5.1 BUSINESS PROFILE

- 87% of businesses surveyed have 20 or less staff
- 72% of businesses surveyed have 10 staff and under, highlighting the importance of the SME sector in the tourism industry.
- 55% of businesses surveyed identified with offering Accommodation
- 1.3% of businesses surveyed identified with offering Indigenous Tourism
- 43% of businesses surveyed have been under the current management/ ownership for over 20 years

5.2 PUBLIC LIABILITY

- 3.3% of companies surveyed don't have Public liability insurance (PL). 62% of these (2% of total) could not source cover, 23% (.08% of total) could not afford the premiums quoted
- Business profiles of those businesses that could not source PL cover (multiple profiles could be applicable to individual businesses):
    - 21% Adventure and activities-based business including attractions and theme parks, ski and snow businesses and School Camp Accommodation and Activities
    - 14% Accommodation - hotel, motel, apartments
    - 14% Eco-Tourism attraction
    - 14% Indigenous Tourism and Heritage and cultural attractions
    - 11% Tour Operator
    - 7% Accommodation – BnB, farm stays and homestays
    - 7% Venues and event services (non-residential)
    - 4% Festivals and events
    - 4% Restaurants and catering
    - 4% Accommodation – Holiday parks, caravan parks and campgrounds
- 12.3% ceased part of their business operations due to lack of cover. This was exacerbated by COVID restrictions and closures, which affected cashflow and affordability
    - 6.8% had difficulty accessing finance for their business as a result of inadequate public liability insurance cover or other issues. This ties back to the Small Business Ombudsman report into insurance that identifies public liability insurance as an integral requirement for conducting business.
- Over the past two years, public liability has increased overall by an average of 33.7%
- Broken down statistics from the past two years:
    - 2% had a decrease in PL costs
    - 28% had increases of 0- 5%
    - 36% had increases of 5.5-25%
    - 11% had increases of 26 – 50%
    - 7% had increases of 51 – 100%
    - 5% had increases of 101 – 830%
    - 12% could not answer
- 7% of businesses surveyed reported PL increases of 70% and over
    - 63% of these businesses identified as Adventure/ Activities, Tours, Eco-Tourism or Marine (or combination of)

- 18% of businesses have had the levels of public liability reduced over the past 12-24 months through increased excesses, reduced limits and additional exclusions
- 7.3% of businesses were aware of COVID related changes to their insurance cover.

5.3 PROPERTY INSURANCE

- 10.3% require property insurance and do not have it due to lack of availability or affordability.
- 43% of tourism businesses that have property insurance believe that their property is underinsured.
- 9.8% do not know if they have fixtures and fittings cover included in their property insurance.
- 63% of businesses do not have additional flood, bushfire or natural disaster insurance.
    - 36% because they believe they are not in a bushfire or flood zone.
    - 10.3% because the cover is not available.
    - 7.3% because they believe the cover is included in their property policy.
    - 6.8% because the cover is too expensive.
    - 2.5% did not provide a reason.
- 40% of businesses have actioned property improvements to mitigate risks. Of these 27% (11% of total) have had their policy details reviewed by the insurance provider based on a decreased risk, and 71% (28% of total) were **not** able to have their policy details reviewed by their insurance provider based on a decreased risk.
- Property insurance has increased by an average of 43% over the past two years.
  *This result does not consider any increase in excesses.
- Broken down statistics from the past two years:
    - 2% had a decrease in property insurance costs.
    - 22.5% had increases 0- 5%
    - 45.4% had increases of 5.5-25%
    - 15.7% has increases of 26 – 50%
    - 7.5% had increases of 51 – 100%
    - 8.2% had increases of 101 – 509%
- When looking at the businesses with increases in property insurance of over 70% (10% of all surveyed)
    - 39% are on or above the Tropic of Capricorn.
    - 49% are situated near National Parks, nature reserves or other bushfire related areas.
- 4% of Businesses surveyed reported increases of 70% and over in BOTH public liability and property.
    - 29% are on or above the Tropic of Capricorn.
    - 47% of these are situated near National Parks, nature reserves or other bushfire related areas.

Note: Strata insurance is also an area that impacts the tourism accommodation sector. The ACCC Northern Australia report reveals that strata insurance is also cost-prohibitive or unavailable for many property-based businesses.

5.4 BUSINESS CONTINUITY

- 33.5% have business continuity insurance.
- Of these, 33% were not sure of policy inclusions, and 53.4% did not know the indemnity period of the policy.

5.5 OTHER INSURANCE

- 11% do not have Professional Indemnity insurance as it is too expensive for their business.
- 25% were not aware of the need to have professional indemnity insurance.
- 4% do not have Product Liability insurance due to lack of affordability.
- 7.5% did not know they needed product liability insurance, even though they sell products.
- 61% do not have money theft (on-premises) cover.
- 79% do not have money theft (in transit) cover.
- 84% do not have fidelity guarantee cover.
- 66% do not have directors' and officers' liability and/or statutory liability insurance.
- 86% do not have cyber insurance.

5.6 CRISIS MANAGEMENT

- 27% of businesses feel they need more training to be ready for natural disasters.
- 14% do not use incident reports in their business. Of these businesses, 68% are accommodation, and 9% are tour operators.
- 60% of businesses have never had their policies, contracts and waivers reviewed by a legal advisor. Of these:
    - 9% identify themselves in the Adventure and Activities sector
    - 33% identify themselves in the Accommodation sector

6. INSURANCE SECTOR OVERVIEW

6.1 INSURANCE SECTOR OVERVIEW

The following excerpt is taken from *Liability insurance premium increases: Causes and possible government responses* (Kehl 2002):

> *There is merit in examining how general (or non-life) insurance companies operate to give an insight into the forces that affect insurance premiums.*
>
> *General insurance companies' activities can be divided into operating activities (that is, selling insurance) and investing activities. Revenues from operating activities include insurance premiums and reinsurance recoveries (that is, claims made by the insurance company on reinsurance contracts). Expenses from operating activities include claims, purchases of reinsurance, underwriting expenses, and income tax. The revenues and expenses affect the company's operating performance or underwriting result.*
>
> *Insurance operations can be measured by the underwriting result, that is, premiums less reinsurance, claims and other underwriting expenses. The Australian general insurance industry made underwriting losses throughout the 1990s. For every dollar it received in claims, it paid out more than a dollar in claims and expenses. Australian general insurers, like the rest of the world insurance industry, offset underwriting losses with investment income.*
>
> *To look at things from a different perspective, general insurance is comprised of two businesses: selling insurance (and paying claims) and investing premiums. In the last decade, few insurers made profits on the selling of insurance (that is, they made an underwriting loss), hence industry profitability is driven by investment returns. During the 1990s, underwriting losses have been more than offset by investment income, enabling insurers to return overall profits while losing money on insurance business. Overall profits are sensitive to fluctuations in investment income such that industry has been generally dependent over the past 5 years on investment returns for profitability.* [64]

[64] Kehl, D 2002, *Liability insurance premium increases: Causes and possible government responses*, Department of the Parliamentary Library, Canberra.

6.2 RECENT CHALLENGES

The following challenges faced by the industry and financial cycles have led to a hardened market:

Year	Event
2001	Hurricane Katrina
2001	HIH collapse (Australia and international)
2001	World Trade Centre and Pentagon terrorist attacks USA (9/11)
2001-4	Hard market cycle
2006	Record profits in financial markets (soft insurance market)
2006	Severe Tropical Cyclone Larry hits FNQ
2007-9	2009 Global Financial Crisis
2011	Brisbane floods
2011	Severe Tropical Cyclone Yasi
2011	Germany's Munich Re, one of the world's leading reinsurers, rated 2011 as the worst year in history in terms of losses due to natural catastrophes worldwide.[65]
2015	Severe Tropical Cyclone Marcia hits SE QLD
2017	Severe Tropical Cyclone Debbie hits FNQ
2017-9	Hayne Royal Commission: with identified increases in claims (the outcomes of the Hayne Royal Commission have caused increases in claims to cover compensation and the number and value of claims Input to ASBFEO Insurance Inquiry launched in July 2020 for class action litigation has increased).[66]
2018	Global market starts to harden due to decreasing global return on investments and an increase in insurance claims.
2019	Severe Tropical Cyclone Trevor hits FNQ
2019	Townsville floods
2019	Californian bushfires
2019/20	Australian bushfire season
2019/20	Australian storm season
2020	COVID-19 pandemic and subsequent global recession
2020+	Hard insurance market

[65] https://www.psafinancial.com/2013/01/hard-market-vs-soft-market-the-insurance-industrys-cycle-and-why-were-currently-in-a-hard-market/
[66] https://www.asbfeo.gov.au/sites/default/files/IN24.pdf page 2, point 9

6.3 OVERVIEW OF INSURANCE FOR TOURISM SECTOR

Sharing knowledge and creating a culture of risk mitigation and management in the tourism industry, encouraging benchmarks endorsed by the insurance industry and tourism bodies, is essential to the viable future of the tourism industry.

The following areas of insurance are relevant to the needs of the industry, with the QTIC survey identifying gaps in knowledge areas across risk and insurance.

Insurance type	Description
Public liability	Covers your business for legal costs and compensation costs that you might have to pay if you are found liable to someone because you caused death or injury, loss or damage to their property, or economic loss due to your negligence.
Professional indemnity	Protects you from legal action taken against you if someone suffers a loss after following your professional advice or as a result of your receiving your service.
Property (including fixtures and fittings)	Covers damage or loss to buildings, contents and stock caused by insured events and accidental damage.
Strata for accommodation-based businesses	Also called body corporate insurance, it covers common contents and property under the management of a strata title or body corporate entity.
Business continuity (interruption)	Covers businesses that suffer a loss because they cannot trade for a period of time due to loss or damage from a weather event, flood, fire or other insured interruptions.
Product liability	• Businesses that supply, deliver or sell goods, even in the form of services or repairs, may need cover against claims of goods causing damage, injury or death. • Product liability cover protects you if any of these events happen to another person or business by the failure of a product you are selling.
Theft (onsite and in transit)	• Theft insurance generally covers your business against loss or damage to your stock and contents if someone forces their way onto your premises or uses deception to get into your premises. • It usually does not cover cash losses, which can be covered separately. • Money Covers your money for theft at the premises, in transit and at your private residence.
Marine/ hull	Commercial Hull Insurance provides cover for a commercial vessel owner, operator and/or charterer in the event of loss or damage to their vessel.[67]
Vehicle Insurance	If you operate a vehicle, Compulsory Third Party car insurance covers you for claims made against you for personal injuries arising from the use of your car. This type of insurance is a requirement of registering and operating a vehicle.
Directors' and officers' liability and/or statutory liability insurance	Statutory Liability Insurance is a specialist insurance policy that covers your company, senior management and employees

[67] https://www.coverforce.com.au

	for allegations of wrongful breaches of key legislation during the course of business operations.[68]

Cyber insurance	• Cyber liability insurance often includes coverage for:
	  ○ third party cyber liability
	  ○ first-party hacker damage
	  ○ cyber extortion
	  ○ public relations expenses
	  ○ business interruption
	  ○ data breach notification costs.[69]
	• It provides cover for both third-party claims against your business (such as clients suing for breach of privacy or action taken by the Privacy Commissioner), and first-party cover for the expenses your business incurs following a cyber-attack (including the costs of repairing and restoring your systems).[70]

Employment practices liability	Employment Practices Liability Insurance is designed to help employers minimise the risk and potential cost of claims taken against them by employees. These actions may be related to such things as alleged discrimination, unfair dismissal and sexual or workplace harassment.[71]
Fidelity guarantee (cover for dishonest employees)	• Fidelity Insurance reimburses the insured professional for a loss directly resulting from dishonest acts of their employees. Fidelity Insurance protects businesses from costs incurred as a result of forgery, defalcation, embezzlement and other fraudulent acts by employees. • A Fidelity Insurance policy covers losses sustained by the employer as a result of an act of forgery, fraud or dishonesty from an employee. The loss can be of money or goods for the duration of the policy. • The cover may be required in respect of a single employee or a group of employees.[72]
Freezer and food spoil cover	Deterioration of stock covers businesses for the deterioration of chilled, refrigerated or frozen goods and stock if a refrigerator or freezer unit storing these goods breaks down and spoils the items.[73]
Compulsory Workers' compensation	Every state and territory operates its own Workers' Compensation scheme, which protects employees in the event of an accident or sickness. Each jurisdiction has different requirements.[74]

[68] https://www.pscconnect.com.au/business-insurance-products/statutory-liability-insurance/
[69] https://www.cpaaustralia.com.au/public-practice/managing-your-practice/insurance/cyber-liability-insurance
[70] http://bizcover.com.au/wp-content/uploads/2019/12/BC1243_FactSheet_CyberLiability_Nov19_FINAL-5.pdf
[71] https://www.cgu.com.au/business/directors-officers-liability/employment-practices-liability
[72] https://www.pscinsurance.com.au/3-things-know-fidelity-insurance/
[73] https://understandinsurance.com.au/types-of-insurance/business-insurance
[74] ibid

6.4 GLOBAL INSURANCE MODELS

Australia	Indemnity Insurance Fund (health insurance sector in Australia)	• Government intervention in the medical and allied health industries commenced in 2002 to support the medical industry after the collapse of HIH and the impact in the industry on Australian Medical Insurance Limited (AMIL) (leading insurer for market share) servicing medical practitioners in Australia. • The Commonwealth medical indemnity schemes are an Australian Government initiative to provide Government support for medical indemnity insurance for eligible privately practising medical practitioners, allied health professionals, and midwives. • The Commonwealth's objectives in administering the schemes are to: o Promote stability of the medical indemnity insurance market. o Keep premiums affordable for doctors in private medical practice. o Ensure availability of professional indemnity insurance for eligible privately practising midwives.[75] • The government has allocated some $541 million over the next four years to the Indemnity Insurance Fund.[76]
New Zealand	Accident Compensation Corporation (ACC) Workers Compensation and injury cover extended to all residents of, and visitors to, New Zealand	• The Accident Compensation Corporation (ACC) is a New Zealand insurer that provides injury cover to all residents and visitors and provides health and rehabilitation services to anyone who is injured as a result of an accident. • Everyone in the country is covered by ACC's no-fault scheme, including children, beneficiaries and students, regardless of whether they are working, unemployed, or retired. The cover helps pay for the costs of hospital treatment, help at home and at work, and the costs of any potential income loss. • ACC is funded primarily by income from its investments. It also receives funding from the government, and from levies collected from everyone who works and owns a business in New Zealand.[77] • If you are injured in New Zealand, regardless of cause or blame, the ACC scheme entitles you to: o Free medical care. o Payment of a proportion of your salary – up to 80 percent – while you recover. o Payment of lump-sum compensation, if appropriate. • The ACC scheme replaces the right to sue for damages – this, in turn, impact public liability cover. The ACC has a strong emphasis on prevention and mitigation with high penalties for breaches of duty of care.

[75] https://www1.health.gov.au/internet/main/publishing.nsf/Content/medicalindemnity-iifs

[76] www1.health.gov.au/internet/main/publishing.NSF/Content/F923F31B70D61C37CA25815C00142243/$File/First%20Principles%20Review%20of%20the%20Medical%20Indemnity%20Insurance%20Fund%20-%202.pdf

[77] https://www.insurancebusinessmag.com/nz/companies/acc/164149/

New Zealand	National Disaster Insurance Scheme	• The purpose of the Natural Disaster Fund is to make sure that claims for damage by people with home and contents insurance can be paid out in the event of a natural disaster.[78] • Since 1988, EQC has purchased reinsurance to provide additional financial resources to meet claims in the event of a major natural disaster.[79] • Contents insurance is being phased out from 2021, so the EQCover (managed by Natural Disaster Fund) will only provide cover for the first $150K of claimed home damage after a natural disaster. Claims above that amount and for damaged contents are dependent on the private insurance policy. • As an insurer, rather than a government-based reinsurer, timeliness and quality of claim resolution, as well as the quality of customer communication[80] have been challenges for EQCC, particularly post the Christchurch disaster.
United Kingdom	Flood Re	• Flood Re is a joint initiative between the government and insurers. Its aim is to make the flood cover part of household insurance policies more affordable. [81] • Not-for-profit reinsurance fund set up by the UK insurance industry (with government legislation) to provide reinsurance to selected high-risk clients for home and contents insurance. • Funded through home and contents policies, the insurer may choose to pass the flood risk component of a policy on to Flood Re. • A limited lifetime for the fund (expires 2039) is designed to provide adequate time for risk mitigation and market adjustment before returning to a free-market environment. • The scheme is seen as transitional in nature and is expected to be in place until 2039. At the end of this period, insurers should be able to price flood insurance depending on risk but at affordable levels. To enable this to happen, the UK government has committed to invest in infrastructure to improve flood risk management in the UK. The expected expenditure is around 2.1 billion pounds sterling.[82] • Properties built after 1 January 2009 are not covered because it is important not to incentivise home-building in flood risk areas.[83] • Further reading can be found at: https://www.lse.ac.uk/granthaminstitute/news/flood-re-a-missed-opportunity-for-sustainable-flood-risk-management/
USA	National Flood Insurance Program (NFIP) Flood insurance for home and	• Established in 1968. Provides flood insurance via insurers or brokers to homeowners. The National Flood Insurance Program (NFIP) is managed by the Federal Emergency Management Agency and is delivered to the public by a

[78] https://www.eqc.govt.nz/about-eqc/our-role/ndf
[79] ibid
[80] https://www.insurancebusinessmag.com/nz/news/breaking-news/eqc-issues-formal-apology-to-customers-for-its-shortcomings-191513.aspx
[81] https://www.floodre.co.uk/
[82] https://coastadapt.com.au/sites/default/files/case_studies/SS35_Re_Flood_UK.pdf
[83] https://www.abi.org.uk/products-and-issues/topics-and-issues/flood-re/flood-re-explained/

	contents policyholders	network of approximately 60 insurance companies and the NFIP Direct.84
		• The WYO Program began in 1983 and it is a cooperative undertaking between the private insurance industry and FEMA. The approximately **50 companies currently participating in the program** sell and service the Standard Flood Insurance Policy in their own names. The companies receive an expense allowance for policies written and claims processed, while the federal government retains responsibility for underwriting losses. The WYO Program operates as part of the NFIP and is subject to its rules and requirements.
		• Many WYO companies contract with private companies that provide varying degrees of flood insurance operations support. However, FEMA determines the rates and coverage available under the NFIP, so there is no difference in what is offered by the WYO Companies and NFIP Direct or other vendors.85
		• The National Flood Insurance Program (NFIP) Reinsurance Program helps FEMA manage the future exposure of the NFIP through the transfer of risk to private reinsurance companies and capital market investors. The NFIP Reinsurance Program promotes private sector participation in flood-risk management. By securing reinsurance at a fair and reasonable cost, FEMA has an additional method to fund payment of flood claims after catastrophic flood events.86
		• FEMA plans to offer mitigation credits to help incentivise risk reduction efforts and reduce the cost of future flood events.
		• Risk Rating 2.0 will initially provide credits for three mitigation actions:
		  o Installing flood openings per the 44 CFR 60.3 criteria.
		  o Elevating onto posts, piles, and piers.
		  o Elevating machinery and equipment above the lowest floor.[87]
		• This can be seen in the United States, where the National Flood Insurance Program has been identified as one of the highest financial risks for the government.[88]

France	Caisse Centrale de Réassurance (CCR)	• Established in 1982, Caisse Centrale de Reassurance (CCR) operates as a reinsurance company. The company provides reinsurance of natural disaster risks, attacks and terrorist acts, and risks linked to transport. CCR serves clients in France. • France was hit by several natural disasters in 2019. These included severe drought conditions in a third of the country, floods in the Occitanie region (October), in the Cévennes region (November and December) and in the South-West (December), the earthquake in Le Teil, in the Rhone valley (November), and various other events with less serious

[84] https://www.fema.gov/flood-insurance
[85] https://www.fema.gov/flood-insurance/work-with-nfip
[86] https://www.fema.gov/flood-insurance/work-with-nfip/reinsurance
[87] https://www.fema.gov/flood-insurance/work-with-nfip/risk-rating
[88] https://www.lse.ac.uk/granthaminstitute/news/flood-re-a-missed-opportunity-for-sustainable-flood-risk-management/

		consequences. The total cost of these events for the company is estimated at €766 million.[89] • The converts to approx. AUS$1.19 billion. For comparison, the NSW floods of March 2021 are expected to exceed AUS$1 billion alone.
Philippines	Philippine City Disaster Insurance Pool	• **Parametric Insurance Pool** is where a pre-agreed payment for a claim is guaranteed upon the occurrence of a triggering event, which needs to be a pre-defined parameter or metric related to the insured's particular exposure. • "Broadly, it's an insurance program that is triggered, and/or paid very simply using an index rather than words".[90] • A parametric product has recently been released in New Zealand that is triggered by specific earthquake measurements.[91]

[89] https://www.ccr.fr/en/-/situation-financiere-2019-groupe-ccr
[90] https://www.insurancebusinessmag.com/asia/news/breaking-news/philippines-to-benefit-from-parametric-insurance-pool--adb-122547.aspx
[91] https://www.insurancenews.com.au/daily/lloyds-rolls-out-parametric-quake-offering-in-new-zealand?utm_medium=email&utm_campaign=Daily%20insuranceNEWScomau&utm_content=Daily%20insuranceNEWScomau+CID_23b81ca7ce2581eb0a690aa314e1b9f6&utm_source=EmailCampaign&utm_term=Lloyds%20rolls%20out%20parametric%20quake%20offering%20in%20New%20Zealand

7. ABBREVIATIONS

ABSFEO	Australian Small Business and Family Enterprise Ombudsman *We support Australian* small business and family enterprises *and advocate on their behalf.* www.asbfeo.gov.au
ACCC	The ACCC promotes competition and fair trade in markets to benefit consumers, businesses, and the community. We also regulate national infrastructure services. Our primary responsibility is to ensure that individuals and businesses comply with Australian competition, fair trading, and consumer protection laws - in particular, the *Competition and Consumer Act 2010.*
AFTS	The 'Australia's Future Tax System Review' was established by the Rudd Government in 2008 to examine Australia's tax and transfer system, including state taxes, and make recommendations to position Australia to deal with the demographic, social, economic, and environmental challenges of the 21st century. https://treasury.gov.au/review/the-australias-future-tax-system-review
ALGA	The Australian Local Government Association (ALGA) is the national voice of local government, representing 537 councils across the country. In structure, we are a federation of state and territory local government associations. https://alga.asn.au
APRA	The Australian Prudential Regulation Authority (APRA) is an independent statutory authority that supervises institutions across banking, insurance and superannuation and promotes financial system stability in Australia www.apra.gov.au

8. APPENDICES

8.1 SUGGESTED NOTES FOR EDUCATION AND TRAINING

8.1.1 Risk and Insurance Education for Business

1. **What is Risk Management?**
   a. Identification of risks and hazards
   b. Evaluation of risks
      i. Likelihood
      ii. Consequences
   c. Management of risk - Hierarchy of control
      i. Eliminating the Risk
      ii. Substituting the Risk
      iii. Isolate the Risk
      iv. Engineering Controls
      v. Administrative Controls
      vi. Personal Protective Equipment
   d. Risk management plans for your workplace – templates and examples
   e. Operational culture - implementation of risk management

2. **WHS in your workplace**
   a. Responsibilities of PCBU
   b. HSR's – when and who
   c. HSR's – role and responsibilities
   d. Incident reports and reporting

3. **Insurance**
   a. Background of the insurance industry
   b. Cycles in the insurance industry and how we got to *"now".*
   c. Types of insurance relevant to business
   d. Insurance jargon and terminology

4. **Empowering your business**
   a. Understanding flood plains and levels
   b. Understanding bushfire zones and management
   c. Understanding climate change impacts for your region (natural disasters)
   d. Understanding physical/ building opportunities for improvement
   e. Resources for insurance and risk management

8.2 SURVEY RESULTS: INFOGRAPHIC

ATIC AUSTRALIAN TOURISM INDUSTRY COUNCIL

QTIC Insurance Survey 2021

QUEENSLAND TOURISM INDUSTRY COUNCIL
The Voice of Tourism

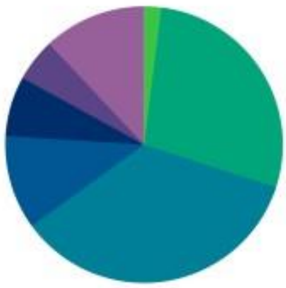
National Results

Public liability has increased overall by an average of 33.7% over the past two years

PUBLIC LIABILITY (PL) CHANGES OVER PAST 2 YEARS

3.3% of businesses surveyed don't have public liability insurance.

2%: decrease in PL costs
28%: increases 0 - 5%
35%: increases 5.5 -25%
11%: increases 26 – 50%
7%: increases 51 – 100%
5%: increases 101 – 830%
12%: could not answer



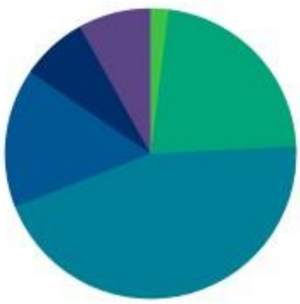
12.3% of businesses ceased part of their business operations due to lack of PL cover. This was exacerbated by COVID restrictions and closures, which affected cashflow and affordability.

ALL SECTORS ACROSS THE TOURISM INDUSTRY EXPERIENCED CHALLENGES GAINING PL INSURANCE

10.4% do not have property insurance due to lack of availability or affordability

PROPERTY INSURANCE COSTS OVER THE PAST TWO YEARS

- 2%: decrease in costs
- 22.5%: increases 0 - 5%
- 45.4% increases of 6 - 25%
- 15.7% increases of 26 – 50%
- 7.5% increases of 51 – 100%
- 8.2%: increases of 101 – 450%



This result does not reflect any increase in excesses

10% of businesses had increases in property insurance of over 70%.

43% of businesses with property insurance believe they are underinsured

Crisis Management:

26.4% of businesses feel they need more training to be ready for natural disasters.

61% have never had their polices, contracts and waivers reviewed by a legal advisor.