

# ACCC website meeting 15/10

Tuesday, 15 October 2024 4:00 PM

FOI 3780  
Document 4

**s 22** Michael Eady, **s 22**  
IV, DG

**s** Thinking about trying to make comparisons easier. Revisiting rec on comparison website.

**22** Did find awareness of NQHI is poor

Chronology of how we landed at the rec. Received a lot of feedback on comparison websites.

Looked at NQHI - it is limited - info not very relatable to consumers.

Senate inquiry made rec about full comparison website, govt had disagreed.

We thought about improving the NQ website so we went with broader rec of full comp website with mandatory participation.

Had consultation questions in first interim report. Consumer groups thought a good idea, but said would need standard cover and definitions. Industry not keen to be compared on price.

**s** Have heard that, think they want to compete on brand strength.

**22** Think people think there are more insurers than there actually is.

Summary of submissions is written in early reports.

No compelling case against draft rec so became a final rec.

Standard cover and defs would improve function of website but not essential.

ACCC has done a lot of work on PCWs - they require participation of everyone.

Rec was only to consider, would still need a lot of thought into delivery.

**s 22** Have been thinking about how you get quotes from all insurers. Also might work well in metro area but not in those where underwriting is more intensive.

**s 22** Think it would be challenging. Hard to not give too much information. Need to think carefully about giving the right information.

**s** Have looked at what CHOICE do - think that could be quite helpful.

**22** Are you considering this with standard cover?

Not sure where that lands.

Also said that PCWs can help new entrants into insurance market.

**s** Anything else you think we should consider in this space?

**22** Instalment surcharging

Standard cover

Disclosure of optional exclusions and inclusions

# AT meeting 5/11

Tuesday, 5 November 2024 3:55 PM

FOI 3780  
Document 5

LK, RP, **s 22**  
Stephen Jones, **s 22**

**RP** Want to talk to some material in the brief and will work through slides. Want to get to recs in brief and a map of where taskforce going. **s 22**

**s 47E(d)**




**s 47E(d)**



**Consumer options**

**s 47E(d)**



Big variations in prices even for acute risk prices. Merit in helping consumers to find cheaper products.

**SJ** Any sense of drivers in variations in prices? Is it poor underwriting, loyalty tax/benefit

**s 22** Some really high ones might reflect insurer risk choices.

**s 47E(d)**



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**From:** s 22 @accc.gov.au>  
**Sent:** Thursday, 3 October 2024 8:16 AM  
**To:** s 22 Michael Eady  
**Cc:** s 22  
**Subject:** RE: Insurance price comparison website recommendation [SEC=OFFICIAL:Sensitive]

OFFICIAL: Sensitive

OFFICIAL: Sensitive

Hi s 22

We would be happy to meet to further discuss the comparison website recommendation we made in the inquiry. I worked on the inquiry and I'm quite familiar with the recommendation and our considerations at the time.

Thanks for all the time options you offered. Could we please propose 4pm on Tuesday 15 October?

Kind regards

s 22

(ps – I can also confirm I only received the email once!)

s 22

Australian Competition & Consumer Commission  
Level 17, 2 Lonsdale Street, Melbourne

s 22

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**From:** s 22 @TREASURY.GOV.AU>  
**Sent:** Wednesday, October 2, 2024 2:23 PM  
**To:** Michael Eady s 22 @accc.gov.au>  
**Cc:** s 22 @accc.gov.au>; s 22 @accc.gov.au>; s 22  
s 22 @accc.gov.au>; s 22 @TREASURY.GOV.AU>  
**Subject:** FW: Insurance price comparison website recommendation [SEC=OFFICIAL:Sensitive]

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Hi, just forwarding the below as I received a bounce back that it could not be received by ACCC due to previous classification – apologies if you now receive this twice.

s 22

Financial System Division

s 22

treasury.gov.au

201 Kent Street, Sydney NSW 2000

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From: s 22

Sent: Wednesday, October 2, 2024 2:18 PM

To: ACCC - EADY, Michael <s 22

Cc: s 22 <[s 22@accc.gov.au](mailto:s 22@accc.gov.au)>; s 22 <[s 22@accc.gov.au](mailto:s 22@accc.gov.au)>;

s 22 <[s 22@accc.gov.au](mailto:s 22@accc.gov.au)>; s 22 <[s 22@TREASURY.GOV.AU](mailto:s 22@TREASURY.GOV.AU)>; s 22

s 22 <[s 22@TREASURY.GOV.AU](mailto:s 22@TREASURY.GOV.AU)>; s 22 <[s 22@treasury.gov.au](mailto:s 22@treasury.gov.au)>

Subject: Insurance price comparison website recommendation

Hi Michael,

As part of ongoing Taskforce work we are looking into other options that could assist in improving insurance affordability. This includes options like exploring the feasibility of a nationwide price comparison website as recommended in the NAI.

We are keen to meet and discuss that recommendation and some of the challenges involved, like how to compare non-standardised products, and how to ensure participation where some insurers do not provide final quotes online.

Are you available in the week of 14 October? I have put some times we are available below – if none of these work let us know and we will try to work something out. I am away from tomorrow until the end of next week by s 22 will be able to assist in my absence.

**Times available**

**Monday 14 October:** 1-1.30pm, 2-3pm, 4.30-5pm

**Tuesday 15 October:** 9.30-10am, 2-2.30pm, 4-5pm

**Wednesday 16 October:** 1-2pm, 4-5pm

**Thursday 17 October:** 1-1.30pm, 2-4.30pm

Kind regards,

s 22

s 22

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## Presentation notes

### Introduction

M Thanks s 22

M Hi everyone, and thanks for joining today. My name is s 22 and I'm an Assistant Director in the Insurance Unit. I'm joined today by s 22 an analyst in the team.

- o Hi everyone!

M Today we are going to be providing a very brief overview of insurance and the Australian insurance market. In terms of what we'll cover, we're going to look at the history of insurance, the different types of insurance available in Australia, the state of our insurance markets, and some of our most pressing policy issues.

### The characteristics of insurance

M For many of you, you may only think about insurance when your annual renewal notices arrive in the mail. This is truly no way to live. On the other hand, s 22 and I are lucky enough to think about insurance every day!

M So to provide some context for the rest of our presentation, we thought it would be useful to begin with outlining the foundational elements that generally make up an insurance arrangement.

- Now perhaps knowing that we were due to give this presentation, just this week the insurance gods blessed me with a perfect accompanying case study. The very smashed car of my partner, courtesy of a very large rental truck, a very narrow street and a very apologetic driver. Before moving on, I'll quickly note that the car was thankfully unoccupied at the time of the accident.

### Slide change

M So what makes insurance insurance?

M The first of the four elements is an obligation. There must be a legally enforceable obligation for the policy owner to be indemnified or receive a payment or benefit. In the case of my partner's car, the insurer is legally obliged to replace the car or cover the costs of repairs. Without this obligation, the arrangement could be something like a Discretionary Mutual Fund or DMF, which is an insurance-like product offering 'discretionary cover'. Under a DMF, the provider would only be obliged to *consider* fixing the car, rather than actually fixing it. Although often true that it's the thought that counts, I'm not convinced it would be particularly helpful in this instance.

M The next elements are collectively uncertainty, fortuity and adversity.

M The event covered by the insurance must be uncertain in one of two respects: whether it will happen and when it will happen. So, in this case, was it certain that a very large rental truck would try squeeze through a particularly narrow Collingwood street? It was not. Was it certain that it would happen right as we were sitting down for a lovely Friday night dinner? It was not

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- M The element of uncertainty also means that the insured event must be outside the control of the policyowner. In the case of our former Toyota corolla, this would require us to ask whether my partner deliberately drove the rental truck into her own car. I wasn't there, but she says she didn't. This need for uncertainty also means that, in the absence of express contract terms, insurance arrangements generally won't cover events like 'wear and tear' or 'inherent vice'.
- M The insured event must also be adverse or detrimental to the interests of the insured. Insurance against an event which is either favourable or neutral to the interests of the policyowner, for example your car not getting hit by a truck, is likely to be a wager and not insurance.
- M Next, the insurer must supply a benefit to or for the policyowner – this can be money or some other corresponding benefit, like the hot red Suzuki swift currently parked in our driveway.
- M Finally, the policyowner must generally provide some consideration for the insurer's promise. This will usually be the promise to pay, or the payment of an amount of money as premium. I imagine this is the element of insurance everyone is unfortunately most familiar with.
- M In terms of key insurance milestones, and to provide some context for just how long insurance has been around, the first recorded insurance like arrangement dates back to 1750 BC with the code of Hammurabi. That's around the time that the bronze age started in China and Babylon became the biggest city in the world. In 600 BC we have the introduction of health and life insurance, which is around the time that metal coins are used for the first time. In 1347, the year the bubonic plague arrived in Europe, we have the first known insurance contract – no correlation I'm told. In the 1830's we have the first Australian insurance company, and in 2024 we have possibly the most significant insurance milestone, with **s 22** joining the insurance unit.

### The purpose of insurance

- M So what is the purpose of insurance?
- M Insurance is essentially a method of managing risk or uncertainty. Effective insurance arrangements can diversify and spread the risk away from those that are unable or unwilling to bear it, towards those that are willing and able.
- M To take a quick break from my own unfortunate insurance experiences, let's consider an individual household that tries to cover all risks by itself. That household might be able to cover minor issues such as a flooded laundry or a broken window, but it's unlikely that the household has sufficient funds to cover the costs of rebuilding the house if it is destroyed by a cyclone, or if it needs to pay out the parents of a child who severely injures themselves on rusty play equipment in the backyard
- M However, if households group together and all pay a small premium into a fund, with the premium reflecting the risk of the relevant event occurring, then collectively they can manage the consequences of those risks.
- M Importantly, this only works where the risks aren't perfectly correlated. So if you have an insurer that only covers flood risk for 10 houses which all back onto the same river and is known to flood regularly, then the pool of funds is going to quickly run out of money.

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- M But when the insurer diversifies the risk, for instance, by covering different geographical areas, different natural hazards, or different types of risks altogether, the system can work.
- M Insurance therefore benefits the community by absorbing financial loss that would otherwise be randomly distributed, as well as promoting risk reduction. Insurance benefits individual policyowners by assisting them to manage their financial risk and giving them some peace of mind. It also allows policyowners to save, spend or invest funds that might otherwise have been set aside for a catastrophe
- M Insurance can often also be a very profitable endeavour for the insurers, provided it can create a sufficiently large premium pool– IAG for example recently announced profits of \$654 million. Insurers will try to make a profit by collecting enough premiums to pay all claims as and when the fall due, and then investing those premiums until they are needed for payment.

### Key insurance concepts

- M There are two interesting concepts that impact all insurance markets and are worth briefly considering. These are adverse selection and moral hazard
- M Adverse selection arises when the applicant has more information about their risk level than the insurer. The insurer is therefore unable to distinguish between high and low risk applicants, so can only offer the same insurance, at the same price, to whoever applies.
- M As a result, people who know they face higher risks are more likely to obtain the insurance than people that know that they face lower risk. So back to my partners car – if she's a notoriously bad parker, which she isn't, but she doesn't disclose any of her many previous parking related accidents, the insurer won't be able to price her risk correctly, and her premium will likely be too low. As claims begin to eventuate and premiums rise, more spatially aware drivers will likely be disincentivised from purchasing insurance, and insurers may not be in a position to meet their obligations.
- M On the other hand, moral hazard refers to the possibility that the insured, because they are insured, will engage in risky activities or behaviours that they otherwise would not have. For example, this might involve my partner parking in a series of successively narrower and narrower streets, knowing that she can simply fall back on her insurance if necessary.
- M Where moral hazard exists, insurance actually paradoxically increases the overall level of risk incurred by society. Insurers can however mitigate this risk by requiring that an insured person bear some portion of any claim via an excess or deductible.

### Types of insurance

- M In terms of the different types of insurance, the main categories are listed here on the screen. We have
  - Life insurance, which as the name suggests, covers lives and certain injuries. This is generally provided through superannuation, although extra cover can be obtained outside of super. There are a range of different life insurance products, including:
    - life cover, which pays a lump sum when you die
    - total and permanent disability insurance, which pays a lump sum to help with rehabilitation and living costs

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- trauma insurance, which covers costs if you're diagnosed with a major illness and
- income protection insurance which pays some of your income if you can't work due to illness or injury
- One of the interesting attributes of life insurance is that most of the products are guaranteed renewable, this means that as long as premiums are paid when due, the insurer is obliged to renew the cover, despite any changes to the policy holder's health, occupation or pastimes
- Next we have private Health Insurance, which covers some of the costs of treatment in a private hospital. It can also help cover other medical services such as dental, physiotherapy, and optical. Importantly, private health insurance in Australia is community rated, which means that everyone is entitled to buy the same health cover, at the same price, regardless of age, sex, health status or claims history.
- General insurance covers everything not captured by life and health insurance, and encompasses products like car insurance, home and contents insurance and business insurance offerings.
- Reinsurance is insurance for insurers, whereby insurers cede part of their risk to reinsurers. For example, an Australian insurer might cover the first \$250m of a specific event, with the rest being passed through to the reinsurer.
- It's important to note that reinsurance is a global market, so events overseas like, hurricane Milton in the US, might impact the premiums paid by Australian insurers.

M Finally, there is lots of diversity in the market, with specific products designed to cover some very niche risks. For example, there have been insurance contracts written for alien abductions, for Merv Hughes's mustache (which I believe was covered for over 370 thousand dollars), for fantasy sports, and even for cover against death caused by the Soviet satellite sputnik falling out of the sky.

M I'll now hand over to **s 22** to provide an overview of the insurance markets

### The general insurance market

T Thanks **s 22**

T So now I'll be providing an overview of the general insurance market in Australia.

- T General insurance covers aspects and assets other than a person's life. This includes home & contents, motor vehicle, and business insurance.
- T There are 92 APRA-authorised general insurers in Australia
- T It's a large and well-established market, with Gross earned premium = \$66bn which is 1.3x the gross state product of the ACT in 2022-23.
- T There are four major insurers that account for three-quarters of the market – IAG accounts for 25.3% of the market followed by Suncorp, QBE and Allianz.

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- Now, even though there are plenty of brands out there, it is worthwhile keeping in mind that some insurers operate several brands. As an extreme example, despite there being 22 different brands of pet insurance out there, 20 of those are operated by the same insurer (Hollards).
  - Another example, IAG operates 7 insurance brands in Australia – with one being NRMA which I'm sure everyone here has at least heard of.
- T In terms of having the big four players in the insurance market, you can think of this as being quite similar to the banking sector in Australia where we have the big four banks as the dominant players in the market.

○ *If asked: using gross earned premiums as an indicator for market share*

- T So here we have a chart which shows the ~~percentage of the~~ gross written premiums from the most recent data we got from APRA for the different lines of general insurance.
- T GWP is basically the premium required by the insurer to cover the risk for the full term of a policy and is recognised fully when a policy is taken out.
- T One thing to note is the breakdown of financial performance in home insurance. Despite significant premium increases for homeowners insurance, insurers made an underwriting loss in this class of insurance, which means that claims exceeded premiums in that line of cover. This is contrary to the recent media coverage alleging price gouging by the insurance industry. Losses in the homeowners insurance line have happened in each of the last 4 years, and will be discussed further a little later on.

### The life insurance market

T So now onto a matter of life and death, AKA the life insurance market.

- T We differentiate life insurance into two categories, group and individual.
- Group life insurance are policies bought through superannuation, which makes up most of the life insurance market, which can be seen on the first graph.
  - Then you have individual policies, which are taken out directly through life insurance companies.
  - Now even though total lives insured is over 30m, this does not mean that all Australians have life insurance. Rather people take out multiple policies through different superannuation accounts or individually, which increases the total lives insured.
- T In terms of the largest life insurers in the Australian market we have TAL, AIA, Zurich, MLC and Resolution making up the top 5, representing over 80% of the market.
- T This industry has, with the exception of COVID, been profitable over the past few years.
- T Though there has been some issues for the industry, including declining lives insured, lack of consumer interest, decline in life insurance advisers and substantial losses from the individual disability income insurance line.
- T So, now onto regulation...

### How are general and life insurance regulated?

- T Insurers are regulated under the 'twin peaks' model that was implemented following the Wallis Inquiry in the late 1990s.

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- T Under this approach, APRA is responsible for prudential regulation, or making sure insurers are financially sound and able to fulfill the promises they make, and ASIC is responsible for conduct regulation.
- T Insurers are subject to the general financial services law, such as the requirement to hold an AFSL and are also subject to a range of insurance specific obligations under numerous pieces of insurance legislation.
- T Voluntary code of conducts are also used by both the general insurance and life insurance industry, these being the General Insurance Code of Practice and the Life Insurance Code of Practice, these codes set out standards for the insurers to meet when providing services to their clients.
- T Some insurance is also regulated at the state level. For example, state government set requirements for CTP insurance and in some instances have their state owned insurers offering these types of cover.
- T As you can see below, the provision of insurance in Australia is governed by various pieces of legislation.
  - The *Insurance Act 1973* sets minimum capital and solvency requirements for companies wanting to enter or operate in the insurance market.
  - Chapter 7 of the *Corporations Act 2001* regulates the way in which insurers and insurance agents and brokers carry on business and how they deal with the people they do business with and intend to do business with.
  - The *Insurance Contracts Act 1984* applies to most insurance contracts with an Australian connection and is intended to ensure that a fair balance is struck between the interests of the insurer and the insured.
  - The [Life Insurance Act 1995](#) considers life Insurance prudential regulation
  - The [Health Insurance Act 2007](#) considers Health insurance prudential regulation and [consumer protection](#)

### What are some key insurance policy issues?

- T Now moving onto what I would call the more interesting part of insurance world – and that is – what are some of the key insurance policy issues?
- T Now remember - insurers price according to risk. So – the higher the risk of an unfortunate event happening, the higher the premium will be for the consumer.
- T If we take flood as an example, the higher the flood risk is for a home, the higher the premium will be for the consumer.
- T We will look more into this in the slides to come.
- T On the other hand, if it becomes too risky for an insurer to operate in a market and unprofitable, then they will often withdraw from that market, which is the case for physical and sexual abuse insurance for out of home care, youth homelessness and certain disability services, which ceased due to claims costs.

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- T In the instance of physical and sexual abuse insurance, State and Territory governments have implemented (mostly interim) solutions, with NSW, WA and QLD providing temporary indemnity for PSA claims to relevant organisations.
- T This then creates issues for consumers and businesses when there's no one willing to offer them cover.
- T This could be due to the geographic location of a consumer or a particular industry sector that a business operates in that is very risky to offer insurance to.

### Natural hazards

- T Ok – so due to climate change, we have seen over recent years that the incidence of natural hazards has been increasing. With these increasing risks, comes higher premiums of course, as I eluded to earlier on.
- T To give you a bit of a sense of the magnitude of these natural disaster events –
- T The February-March 2022 floods in SE Queensland and NSW are now the costliest natural disaster for insurance costs in Australian history, recently surpassing the 1999 Eastern Sydney hailstorm. It was also the second costliest insured event globally that year.
- T The Insurance Council of Australia, which is representative body for general insurers, estimates the February-March floods have caused almost 6 billion dollars in insured damages – which is huge, to put it in terms we can all understand, it is approximately 1.33 billion large coffees at Coffers or 1.31 billion large coffees if you take into account surcharging.
- T The Actuaries Institute published a report recently on home insurance affordability and climate change.
- T It found that an estimated 15 per cent of households experience insurance affordability stress.
- T So households that spend more than 4 weeks of their gross annual income on home insurance are classified as a vulnerable household.
- T From the chart here, you can see that 15% of households (in red percentile there) are considered vulnerable.
- T I've got a map here that geographically depicts what I just discussed.
- T The most vulnerable households are primarily in regions such as northern Queensland, the Northern Territory and northern NSW, which have greater exposure to natural hazards like cyclones and flooding.
- T The number of affected households is likely to increase in future as insurance premiums rise in response to rising natural hazard risk.

### What is the impact of natural hazard risk on insurance affordability?

- T So – there's been lots of calls for Government intervention, and over recent years, there's been quite a big focus on risk mitigation. Risk mitigation is a focus of the

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government due to the triple dividend of: avoiding loss and suffering, reducing future disaster costs, and unlocking broader economic and social benefits. The US' FEMA estimate that for every \$1 spent on mitigation, there is \$6 in benefits to the economy, so clearly risk mitigation is a great investment. For example:

- T The Government established the Hazards Insurance Partnership, a partnership between the insurance industry and Government to create a shared understanding of hazard risk and appropriate risk reduction measures across Australia and develop an agreed agenda on what collectively can be done to address insurance issues driven by natural hazards.
- T The Gov is providing up to \$200 million per year over five years to disaster resilience and mitigation projects across Australia through the Disaster Ready Fund. [ could give some examples of what came from this investment]
- T And the aim here is to help curb the devastating impacts of natural hazards, such as bushfires, floods and cyclones, by investing in disaster prevention projects.
- T The Gov has also launched an insurance affordability taskforce to help develop a cross-government approach to minimise the impacts of disaster on communities and help address insurance costs driven by more frequent and intense weather events.
- T The risk that the gov is grappling with now is the customers in very high-risk areas that are uninsurable.
- T So we have been talking about long-term affordability solutions, what about the near term?

### The cyclone reinsurance pool

- T So – the previous Government responded by implementing the cyclone reinsurance pool (the pool) in July 2022.
- T It's administered by the Australian Reinsurance Pool Corporation (ARPC)
- T The aim is to lower insurance premiums for high-risk areas (mainly northern Australia)
- T The pool covers home, strata, and small business policies
- T And it's backed by a \$10 billion Government guarantee
- T It's essentially a reinsurance arrangement between insurers and the ARPC and is funded by charging reinsurance premiums to insurers
- T Now – providing cheaper reinsurance for insurers would hopefully translate into cheaper insurance for consumers in high-risk areas particularly
- T The reason that it's cheaper is because the pool is cost neutral is not for profit
- T The most recent ACCC insurance monitoring report released in September found that there was some evidence of premium relief driven by the pool in medium to high cyclone risk areas.

**Commented [GM1]:** Not sure if you want a separate cyclone pool slide. Could be good just to break it up a little bit

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- Though some things to note were that insurers are still joining the pool and have differing policy renewal cycles, all of this to say, hopefully next year will have more definitive data/results.

T Now I'll throw to **S** to talk about genetic testing and public liability insurance and the amusement sector.

#### Genetic testing

- M Thanks **S 22** the astute observer might have noticed that the picture on screen isn't the original Gattaca poster – shockingly, it's been edited.
- M So why Gattaca? Why the incredibly poor photoshop job? Well a large part of our work over the past year has focussed on the issue of genetic discrimination in life insurance.
- M To provide some context, life Insurance outside of default superannuation cover is 'risk-rated' rather than 'community rated'. This means that your individual insurance premiums reflect your unique risk profile. As mentioned earlier, our health insurance system is community rated, and everyone pays the same premium
- M This risk rating is possible because while Disability Discrimination Act makes discrimination on the grounds of disability or genetic predisposition unlawful in many areas of public life, there are certain exceptions relating to the provision of insurance.
- M What this means is that if you undertake genetic testing, insurers can request and consider your results when you apply for life insurance. If you provide results that indicate an increased risk of certain conditions, insurers will likely increase your premiums or refuse to offer cover.
- M For quite a while now, there have been concerns that this is deterring people from undertaking genetic testing, whether as part of their own treatment, or as part of medical research. The worry is that this is negatively impacting public and personal health outcomes, and that the situation is likely to worsen as genetic testing becomes more widespread and accessible.
- M This was raised as an issue as far back as 2016 during the PJC inquiry into the life insurance industry. As a response, the life insurance industry introduced a voluntary moratorium on the use of genetic testing results in life insurance.
- M Under the moratorium, life insurers could only request or use the results of a genetic test if the total amount of cover being sought – including any existing cover – was below certain financial limits
- M In 2023, researchers at Monash University released a report assessing the effectiveness of this industry led solution. The overall finding was that despite the moratorium, people were still delaying genetic testing due to life insurance concerns
- M In response to these concerns, we undertook public consultation to better understand the extent of this issue and test some potential interventions.
- M The consultation ran from November to January of this year, and we received over 1,000 submissions. We also ran several roundtables with health care practitioners and impacted consumers, allowing us to hear directly from those with lived experience.

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- M Unsurprisingly, the results of the consultation were pretty definitive, with 97% of respondents supporting a total ban, and 99 per cent, including the life insurance industry, supporting some level of government intervention
- M Following the consultation, we worked with Department of Health and AGD to develop a Cabinet submission proposing a total ban, and Cabinet agreed to that ban last month.
- M Importantly, under the ban, applicants would still be required to disclose any diagnosed condition, regardless of whether that diagnosis resulted directly or indirectly from a genetic test. Insurers would similarly retain the right to require disclosure of an applicants relevant family medical history. This will ensure that insurers largely retain the ability to risk rate applications and manage their risk pool
- M We're currently working through the finer details of the policy, and are hoping to have the ban legislated in the new year

**Public liability insurance**

- M Another issue we have been dealing with in the insurance space is public liability insurance, particularly for the amusement sector.
- M Public liability insurance covers businesses if, due to their negligence, someone is injured or their property is damaged.
- M At the moment there is only one provider of public liability insurance for the portable amusement rides sector, and we understand that insurance premiums are very high.
- M This lack of offerings has been driven by a number of factors, but most notably poor profitability. To provide some context, a report prepared by the Australian Small Business and Family Enterprises Ombudsman indicated that for every \$1 in premiums, insurers had been paying out \$1.60 in claims.
- M Insurers are also critical of the risk management practices of ride operators. Unsurprisingly, the ride operators don't think they have an issue with risk management, but do think they have an issue with frivolous claims and outsized law suits.
- M The sector has asked the Government to support the establishment of a discretionary mutual fund, which is the insurance like arrangement we discussed earlier.
- M There are a number of obstacles that would need to be overcome for a DMF to be feasible. This includes the states and territories undertaking law reform allowing DMF membership to satisfy licencing requirements, determining who would and wouldn't be a member of the DMF, and deciding how to raise risk management practices across the industry.
- o This is a particularly tricky issue to deal with because while insurance is still available, the market isn't competitive and premiums are very high. Ride operators claim they won't be able to operate without Government support, but they have in fact been doing so over the past two years.
  - o Additionally, while the sector is important, its not quite as important as areas like the child or our of home care sector, where clearly Government intervention is warranted.
  - o I'll now hand over to **s 22** o cover the last major insurance issue – strata insurance.

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### Strata insurance

- T Finally, as some of you may have seen, the ABC recently released a Four Corner's episode on strata.
- T For those of you who haven't watched it, the primary allegation is that the major strata insurance brokerage company and underwriter, Steadfast Group, misled its clients through undisclosed financial arrangements between insurance companies, brokers and strata managers.
- T Steadfast is Australia's largest general insurance broker network and insurance underwriter, responsible for brokering approximately 40% and underwriting 55% of strata insurance in the country.
- T There is the possibility that some of the issues raised may be prohibited by existing provisions of the Australian Consumer Law, which can carry substantial civil penalties for non-compliance.
- T [While concerning] The issues raised in the episode do not extend to the Commonwealth's regulation of strata insurance, as we are only responsible for the insurance product itself, so this will have to be dealt with by each State and Territory through their respective strata laws.

### Questions

- M That wraps up our presentation for Today. I hope you all enjoyed and took something away from it. Please shout out if you have any questions. Thanks!

Old content:

### Motor vehicle insurance

- T So – let's move onto the first category under general insurance – which is motor vehicle insurance.
- T Now – motor vehicle insurance covers cars and other vehicles.

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- T It can be split into sub-categories like comprehensive which covers everything, third-party which only covers other vehicles and damage, and fire and theft.
- T Most of us would be familiar with this line of insurance as we all have to take it out if we own a car.
  - Something worth bearing in mind is that CTP works differently from state to state. E.g. WA has its own Motor Injury Insurance scheme, which means vehicle registration includes CTP, whereas in NSW you need to find your own CTP policy/provider before registering your vehicle.

### Home and contents insurance

- T Now for the next category under general insurance – which is home and contents insurance.
- T It covers the building a person resides in, and that person's possessions.
- T These can be sold separately or packaged together. For example, if you're a renter or if your home is under strata, then you would only need contents insurance to cover your possessions. Your landlord or strata company would cover the home building insurance.
- T It's important to note, that there can be significant variations relating to what is and isn't covered.
- T For example – it's hard for the consumer to know whether they are covered for debris removal in their insurance policy. This can cost up to \$50,000 to remove which can be quite expensive.
  - *Extra info: the cost to remove the debris from totally destroyed properties is normally deducted from their total sum-insured (which is the total amount they are insured for).*
- T Another example is temporary accommodation that some insurers offer. So, in the event that a home is damaged and becomes unliveable, the insurer will pay for the temporary rental accommodation costs.
  - It's often hard for the consumer to know whether temporary accommodation is part of their policy or whether there are limits to it such as 3 months of temporary accommodation.
- T Whether an insurance policy covers sheds is another common one too, in the photo you can see the shed is outside the protective bubble, though in some policies it could be inside.
- T Now as products are slightly different across insurers, comparing products is very difficult for consumers.
  - Hard to shop around

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- Hard to work out what cover they need
- In some cases, consumers don't choose the right level of cover and end up with a massive surprise at claims time when they find out that an important element isn't covered.

### Business Insurance

- T The final type of general insurance is business insurance
- T It covers agreed losses for businesses.
- T It's often mandatory to get out a loan or run a business
- T There are many different lines of business insurance but the main ones are Professional indemnity, public liability, and fire and industrial specific risk.
- T Professional indemnity insurance protects against claims for loss or damage made by clients or third parties because of the impact of negligent services provided or negligent advice offered.
  - o For example, any business providing advice such as financial advisors and lawyers would take out professional indemnity insurance.
- T Public liability protects businesses or people if a person gets injured or has damage to their property that occurs in their dealing with that business or person.
- T For example, any business dealing with customers such as hairdressers and amusement ride operators would take out public liability insurance.
- T Fire and Industrial Special Risk insurance provides cover for a range of loss scenarios or damage done to high value physical assets including property, buildings, materials and machinery.
- T For example, businesses would take out this insurance to cover a building for fire.
- T Essentially, we have a big business insurance which covers a broad range of risks but then we have lots of niche lines of insurance under that umbrella.
- T Generally speaking, there is quite a small number of insurers. And businesses in certain industries often find it difficult to obtain insurance. **s 22 will be going into more detail when we get to the policy issues part of this presentation.**
- T It's also important to note that almost all business insurance policies are sold through brokers as they are complicated.
- T **Another interesting line of business insurance is cyber insurance which I'll hand over to s 22 to speak to.**

T

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**Cyber insurance**

Commented [PT2]: Possibly remove

- With increasing incidence of cyber attacks in the Australian economy, cyber insurance is an important part of the insurance market that is growing rapidly.
- For a long time, insurance policies were silent on whether they cover cyber related events. So if an insurance policy covers losses due to business interruption, it wouldn't matter if the interruption was caused by a ransomware attack or a fire.
- With the growing number of cyber incidents, insurers are now removing this so called 'silent cyber' so that cyber losses are only covered by standalone cyber policies and are no longer covered by regular business insurance.
- The provision of cyber insurance is subject to strong underwriting, with only businesses with good risk management able to access cover.
- The cyber insurance market is no where near being able to cover all cyber losses in Australia. In fact, analysis from the actuaries institute suggests that if cyber insurance were to cover all cyber losses, it would be by far the largest type of insurance. Current GWP for cyber insurance is \$0.2 billion and the reported cyber losses are \$33 billion.

**Life Insurance**T Thanks **S 22**

- T Ok – so now that we've covered the details for each type of general insurance, let's move onto life insurance.
- T Life insurance provides cover for death, disability, and some injuries.
- T Products include:
  - o Death cover – which is a set amount is paid to nominated beneficiaries when the insured person dies.
  - o Trauma cover – which pays a lump sum amount if you suffer a critical illness or serious injury.
  - o Income protection – which provides income replacement if a person is unable to work due to injury or illness.
  - o Total and permanent disability insurance – which is a lump sum payment paid in the event a person becomes totally and permanently disabled because of illness or injury and is unlikely to ever return to work in their usual occupation.
- T There is also a niche type of life insurer called a friendly society.
- T It's essentially a life insurance business owned by its members and not shareholders. It's also mutually owned and not-for-profit.
- T We differentiate life insurance into two categories, group and individual.
  - o Group life insurance are policies bought through superannuation, which makes up most of the life insurance market.
  - o Then you have individual, which are taken out directly through life insurance companies.

Now I'll throw to **s 22** to talk about private health insurance.

#### PHI

- There are two main types of private health insurance – hospital cover, which covers some of the costs of treatment in a private hospital and extras cover, which includes dental, physiotherapy and optical and other costs.
- PHI is heavily regulated. It is:
  - Community rated – which means that everyone pays the same premium, regardless of risk.
  - There are strong incentives to encourage people to take out private health insurance, such as the Medicare levy surcharge and the private health insurance rebate.
  - PHI premium increases are also subject to approval by the Health Minister.
- PHI policy is a complex area, however, FD only has responsibility for the prudential aspects of PHI.

#### Reinsurance

- Reinsurance is another important part of the Australian insurance market.
- Reinsurance is essentially insurance for insurers.
- Under reinsurance treaties, insurers cede part of their risk to reinsurers. For example, an Australian insurer might cover the first \$250m of a specific event, with the rest being passed through to the reinsurer.
- Reinsurance is a global market, with reinsurers operating across the globe. As the market is global, events overseas can impact Australian premiums.
- For example, hurricanes in Florida and floods in Germany can change the outlook for global reinsurers, who then increase their premiums, impacting the Australian market.