



24 April 2024

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Standing Committee on Communications and the Arts  
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### **Inquiry into the challenges and opportunities within the Australian live music industry**

The Insurance Council of Australia (ICA) welcomes the opportunity to provide a submission to the Inquiry into the challenges and opportunities with the Australian live music industry (the industry).

The ICA is the representative body of the general insurance industry. ICA members provide a range of general insurance products including property insurance, commercial lines insurance and public liability insurance.

This submission relates to public liability insurance for the live music sector.

#### *Public liability insurance for the live music sector.*

We note the Committee's interest in any barriers to industry growth and sustainability. For most industries in Australia, the financial protection provided through general insurance products is essential to doing business and for their long-term sustainability. The live music sector is no exception.

Many live music venue operators in Australia are challenged in accessing insurance, particularly public liability insurance.

The ICA's engagement with industry stakeholders, such as the Australian Live Music Business Council (ALMBC) and Music Victoria, indicates that an inability to access public liability insurance, whether due to cost or lack of availability, combined with other business cost pressures and declining revenue, is a growing factor impacting the sustainability of many live music venues.

#### *Why are live music venues experiencing difficulty accessing insurance?*

There are several factors why many sectors, including the live music sector, some businesses are experiencing difficulty accessing insurance.

##### *1. The hard insurance market – rising premiums and reduced insurance capacity*

Over the past 5 years both Australian and overseas markets have been experiencing a hard insurance market, characterised by rising premiums and reduced insurance capacity across many general insurance commercial lines products, including public liability insurance.

These rising premiums and reduced capacity have been driven by unsustainable combined loss ratios where insurers are operating unprofitable insurance portfolios, paying out more in insurance claims than they collect in premiums.

In its 2023 Review of claims trends and affordability of public liability and professional indemnity insurance report<sup>1</sup>, the Australian Prudential Regulation Authority (APRA) identified increasing public liability insurance claims costs as the key factor driving premium increases to correct ongoing insurer unprofitability.

Specifically, APRA identified growth in bodily injury claims as the largest factor contributing to the growth public liability claims costs and premiums.

To correct this situation of ongoing unprofitability insurers have had to increase insurance premiums and/or reduce their capacity in this loss-making section of the market. For many industries, including the live music sector, this has resulted in significant increases in the cost of insurance premiums, increases in policy excesses and less coverage available from insurers, making it more difficult for businesses to access the insurance they need.

## 2. *Live music venues and underwriting risk*

The price of insurance premiums and availability of insurance is also impacted by underwriting risk. Live music venues often have several risks that can be difficult to manage and can make them more difficult businesses to insure. These risks include the service of alcohol, late operating hours, the use of staging, rigging and other equipment and a more fluid and mobile labour force.

Notwithstanding risk mitigation measures some venues have or are in the process of implementing to better manage these risks, these risk factors continue to make it difficult for insurers to underwrite and price the risks presented by these businesses. Consequently, public liability insurance for live music venues has been predominantly provided by overseas insurers with business structures (for example the use of syndicates) that are more capable of underwriting these difficult insurance risks.

## 3. *Actions and reforms to increase insurance capacity*

Increasing live music venues' access to insurance involves addressing risk to reduce the frequency and quantum of insurance claims. Implementation of effective risk management and mitigation strategies is one way of achieving this. Industry bodies are key to this process.

The ALMBC, who represent Australian owned and operated live music businesses, are playing a leading role in developing programs and technology to assist their members more effectively manage risks and be better placed to access insurance on an ongoing basis. However, the ICA acknowledges that the process and timeframe by which effective risk management translates to greater insurance capacity and accessibility can take some time to manifest.

## 4. *Civil liability reform*

Another option to increase capacity and accessibility of insurance is for governments to undertake civil procedure and liability reforms that reduce underwriting risk. Significant civil liability reform (tort reform) occurred in 2001 – 2002 which was quickly successful in addressing the lack of public liability insurance available in Australia at the time.

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<sup>1</sup> Available at [NCPD analysis - Review of claims trends and affordability of public liability and professional indemnity insurance in Australia \(apra.gov.au\)](https://www.apra.gov.au/ncpd-analysis-review-claims-trends-and-affordability-public-liability-and-professional-indemnity-insurance-australia)

The ICA and public liability insurers recently commissioned actuarial firm Finity Consulting to undertake a report to identify areas of procedural and legislative reform that could be undertaken to increase public liability insurance capacity and availability in sectors with high underwriting risk.

The ICA is of the view that given the increasing insurance claims costs and insurance costs pressures experienced across multiple business sectors and that it has been almost 25 years since any significant civil liability law reform has been undertaken, there needs to be a review of current civil liability settings in Australia to ensure they remain fit for purpose and are conducive to ensuring ongoing insurance availability and accessibility.

We trust this information is useful. If the Standing Committee have any queries in relation to this submission please contact Tom Lunn, Senior Policy Manager, Regulatory Policy at

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Kind regards,

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**Andrew Hall**

Executive Director and CEO.