

Response to Question on notice – Inquiry into the Treasury Laws Amendment (Cyclone and Flood Damage Reinsurance Pool) Bill 2022

Question:

(Hansard, p38):

Senator McKIM: Mr O'Kane, in doing that work, did you disaggregate any other parts of Australia and calculate the cost of premiums there, relative to the rest of the country?

Mr O'Kane: We did come up with estimates of noninsurance at the jurisdictional level—or northern Queensland, northern WA and the Northern Territory. I might have to take on notice whether we disaggregated it further and how or if we compared that to premium levels, but I can say that, when we undertook a survey of residents across northern Australia, cost was by far the most significant reason given for noninsurance of homes.

Senator McKIM: I'd appreciate it if you could take that on notice.

Answer:

The final report of the ACCC's Northern Australia Insurance Inquiry considered the rate of non-insurance for home buildings using data gathered from insurers, the census and a survey commissioned by the ACCC. Chapter 12 of the final report sets out our methodology and findings.

Estimates of non-insurance in northern Australia

Rates of non-insurance for homes appears to be significant and growing in some parts of northern Australia. Using 2016 Census data, we estimated the rate of home non-insurance in northern Australia to be around 20%. This means around 86,000 properties were without home building insurance in 2016. This is generally higher than our estimate of the rate of non-insurance for the rest of Australia, which was around 11%.

At a regional level, North-Western Australia's estimated rate of non-insurance was the highest at 40% (around 10,700 properties), followed by the Northern Territory at 26% (around 13,200 properties) and north Queensland at 17% (around 62,100 properties).

We also found the level of home non-insurance varied significantly between postcodes within regions, with 'average' figures disguising pockets of deeper non-insurance.

Relationship between non-insurance and premiums in northern Australia

Over 95% of respondents to our survey of northern Australian residents without home insurance attributed this to cost (52% said they couldn't afford it and 45% couldn't justify the cost). Cost was also the main reason for not getting contents insurance.

Estimated non-insurance rates in other parts of Australia

Figure 12.9 of the final report provides an overview of the rates of non-insurance around Australia. Figure 12.2 of the final report showed estimated rates of non-insurance, in 20 percentage point bands, for each postcode in Australia outside of capital cities.