

Thanks for the opportunity to contribute to the discussion about North Australia insurance. I am aware of the terms of reference.

I am a retiring regional economist who has lived most of my life in North Queensland. I started researching the cost of home insurance on northern communities and households in 2011 after Cyclone Yasi. Through my research and data collection I have made several new findings and provided multiple recommendations to improve insurance premiums in the north. These findings included quantifying inconsistent price and price growth between NQ property and SEQ property, the economic impact of home insurance on a large regional city, the extrapolation of these findings to account for North Queensland, inconsistent aggregate state stamp and GST costs and inconsistent and uncompetitive agent commissions. I have contributed to the past two ACCC North Australian insurance enquiries. I have recommended better adaptation to impacts of different climate conditions, whole of nation contribution to standardise comparative insurance costs, standardisation of aggregate (not proportional) GST and Stamp Duty and better competition and market regulation in the northern insurance market to encourage commission competition.

Insurance hits Northern Household budgets hard

Like every Australian household Northern, households budgets are under pressure from multiple fronts but while electricity, fuel and building costs get attention in Canberra and Brisbane, the rising cost of northern insurance goes unnoticed.

The federal government is acting on a concern of a 56% rise in electricity prices over next two years yet similar price increases have been happening in Northern insurance premiums for over a decade. This regional insurance challenge affects over 1.3 million Australians. Northern Australia should not be left behind. Governments have the capacity and must act now

North of Rockhampton, Insurance is typically a bigger household expense item than for other Australians. Average North Queensland Insurance premiums are now estimated to cost more than average annual council rates, more than average annual household electricity bill (est) and more than annual clothing and annual communications in family budgets. It's a BIG item in most northern household and business budgets and it's probably the fastest rising item. It's a concern for North Queenslanders that won't go away and should be a high priority for any government.

Canstar recently revealed the average insurance premium in North Queensland was \$4,526 up 14% for the year (Oct 28). A review of CPI data reveals that national insurance price increase was around 4.2% in the year to September. NQ insurance price rises, if revealed, would be one of the highest price rises across all national categories and would be a topic of national discussion. Governments must recognise this challenge and act to remedy this disposable income sapping curse.

According to My State Bank North Queensland households are paying higher premiums than Lismore, by \$500 per annum; and close to \$3000 more compared to Tasmania. Homes in Tasmania (\$1645) and Townsville (\$4233) were same age and similar construction, except those built in Townsville after 1982 have more expensive cyclone additions. These mitigations on Northern properties should reduce risk and reduce premiums.

Industry leaders have told me that high rise developments cost over a certain amount are not covered by the reinsurance pool. "it's huge impact on business budgets on top of rising interest rates and soaring electricity bills. Most commercial lease terms are net outgoings so insurance increases are transferred from landlord to tenant."

This is important for Treasury decision makers to understand. Typically, Northerners are paying way more for insurance than down south and typically northern premiums are rising faster than just about anything in theirs and other Australian household budgets. At a time of increasing pressure on northern household budgets from multiple fronts, governments need to prioritise northern insurance solutions to stabilise aggregate North Queensland household disposable incomes.

Recommendations 2022

Adapting to more intense cyclones and higher associated rainfall events is necessary. Is allocating \$200m in this year's budget to mitigation across northern Australia enough? We need more research in to what is required and with increasing building costs how much it will cost. What are the priorities? With skill shortages, who will do the mitigation research and remediation work?

- **Spend more on mitigation and adaption research**
- **With better research, spend better on mitigation**

The ACCC has been funded to monitor and report on Northern insurance prices and industry profits. No insurers have joined the fund for a variety of reason but some will join early in 2023. ACCC is due to provide performance information in December 2022 but without participants it's is likely to only notice price rises and no positive impact from the pool.

- **ACCC to provide performance information in July 2023.**

With 3.3 million contributing households (only about 600,000 in North Australia) does Brisbane and the South East Queensland know it's contributing to the Reinsurance pool? Why isn't the population below Adelaide to Newcastle contributing? How much would it cost the uncontributing households if they were included and would the pool

be more sustainable and lower the risk to federal budget? Allianz has indicated that they are moving clients to the pool by January 2023. How are other Insurers progressing? Allianz indicates **many** northern households will not experience a reduction to their insurance premium from the introduction of the reinsurance pool and with rising building costs could experience an increase.

- **Keep the \$10 Billion amount for intended original beneficiaries.**
- **Broaden the base of contributors to the pool**
- **Reconsider the time (48hr) and location of declaration of Cyclone and make for wind affected risk zones.**

The ABS needs to report regional inflation and monitor comparative insurance costs. This simple measure would not cost that much and benefit all northern households and businesses.

- **ABS to monitor regional inflation and insurance. (cost of less than \$5m)**
- **Establish a review committee that includes mostly Northern people to monitor progress of the \$10 Billion Insurance Pool**
- **Work with State Governments to standardise GST and Stamp Duty**

State governments can acknowledge that significant mining royalties revenues are generated mostly in North Australia. The federal Government can acknowledge that strong contribution north Australia makes to the budget. They can both acknowledge that North Australia is a high premium and fast rising insurance price zone, and **together act to standardise GST and Stamp duty across North Australia**. This is something I have suggested for over a decade. They can **encourage better competition, encourage better agent commission competition** and give back to a productive zone.

North Australia is a very productive zone.

Page 17 of 18 of Minister for North Australia speech 22 November 2022

"But many **rightly** worry that their communities are being left behind, as much of the prosperity generated in the north is seen to provide a much greater benefit to the big cities in the south.

It is our responsibility to ensure that policies are developed and implemented to deliver the north the opportunities and prosperity it deserves, and to support the great ambitions of those pioneers of Northern Australia that have long recognised the economic potential of this vast region."

The people who live a work here, should not be alone in this insurance challenge and should not be left behind.

Regional Economist and Adjunct Professor Colin Dwyer