



Insurance Council  
of Australia

# Insurance Affordability and Availability challenges

Professional Standards Australia Forum



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of Australia

1. Independent Strategic Review of Commercial Insurance
2. Review Recommendations
3. ICA Business Advisory Council (BAC)
4. Focus areas of BAC
5. Work to date and going forward
6. Data and the Consumer Data Right

# Independent Review of Commercial Insurance (Trowbridge report)

## Background

- Greater focus on SME commercial insurance
- Hard insurance market
- Availability problems:
  - public liability – amusements/leisure sector, caravan parks
  - public liability – physical & sexual abuse insurance coverage
  - professional indemnity – building & construction
  - professional indemnity – Directors and Officers
- ICA Board decision in November 2020 to commission report

# Independent Strategic Review: Commercial Insurance

## Background on report

- Report objective - to provide potential solutions to affordability and availability insurance problems facing certain sectors
- Board decision in November 2020 to commission a report.
- Consultation Paper released in May 2021.
- Review of 15 submissions and sets of comments.
- 13 recommendations for initiatives for industry, government and policy-makers.



## Role of the Private Insurance Market – Independent Strategic Review: Commercial Insurance

Final report

# Key options identified

## 'Awareness' options

1. Standard documentation
2. Advice and education on risk mitigation
3. Application of risk management and risk mitigation

# Key options identified

## Insurance industry options

- *industry is taken to include insurers, reinsurers, underwriting agencies and brokers*
- Underwriting consortia (Lloyd's style)
- More underwriting agencies with specialist capabilities
- Group schemes with insurers, captives and discretionary mutual funds (DMFs)
- Industry association accreditation and standards
- Broker specialisation
- Supporting the public interest - the industry's social licence

# Key options identified

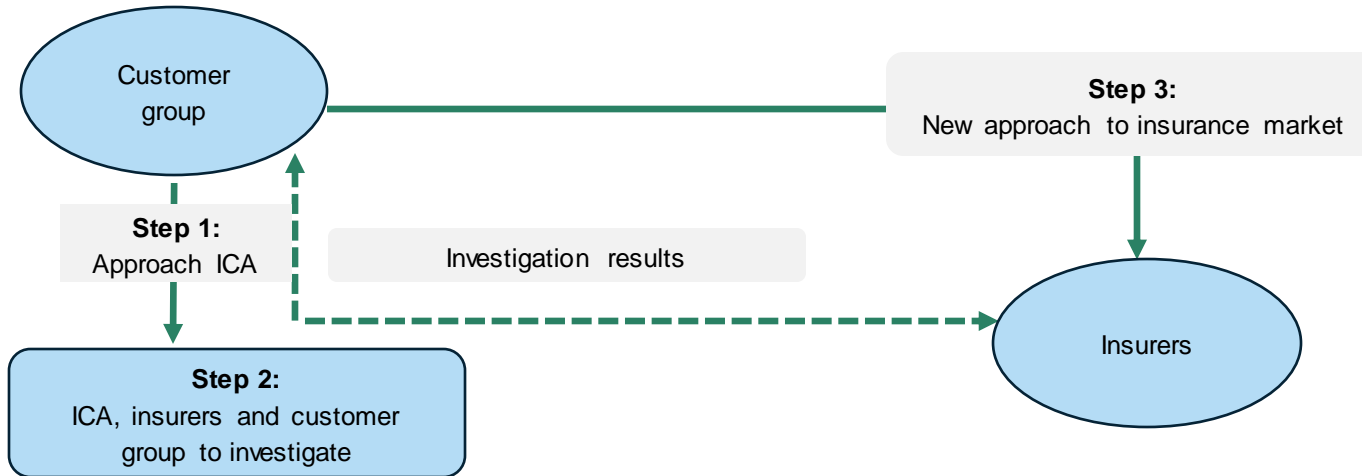
## Government-related options

- Government taxes and charges
- Collaboration with governments to reduce regulatory barriers (mandatory insurance coverage amounts).
- Government involvement for economic benefit (subject to meeting a criteria for government economic intervention).

# Commercial Lines Overview

## Key recommendations

- ICA engagement with small business



- Improved understanding by insureds
- Improved feedback by insurers
- More emphasis on risk management by insureds

## Other

- Closer ICA relationship with state and territory governments on
  - a. Government insurance requirements
  - b. Government contracts



**ICA engagement with small business**



**Improved understanding by insureds**



**Closer ICA relationship with state and territory governments**



## ICA response

### Creation of business advisory committee

- Creation of Business Advisory Council + CEO board subcommittee
  - BAC Chaired by Dallas Booth
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### Committee members

- Council of Small Business Organisations Australia
- Australian Chamber of Commerce and Industry
- Australian Small Business and Family Enterprise Ombudsman
- Office of the NSW Small Business Commissioner
- Consult Australia

# Business Advisory Council

## Focus areas

### 1. Public liability insurance

- Leisure / amusement sector
- Caravan Parks
- Out-of-home care providers (physical & sexual abuse insurance cover)

### 2. Professional Indemnity

- Building professionals
- Engineers
- Financial planners
- Directors & Officers

# Business Advisory Council

## Experience to date

- Hard insurance market impacting availability/affordability
- Better understanding between industry, the ICA, business sectors
- Key role of specialist brokers and underwriting agencies
- Too few insurance providers in niche markets – creating pressure
- Insurance requirements of governments/councils can present challenges
- Regulatory / legislative change has contributed to some affordability issues
- Insurers must communicate their expectations
- Organisations must factor in insurance requirements into their business models
- Risk mitigation / de-risking is essential
- For insurers - it is about what the data says
- Better insurance pricing of risk to reduce sudden premium increases

## External factors also at play

- Reinsurance costs and requirements
- Natural disasters/climate change
- Class actions regimes
- Liability settings
- Regulatory settings
- New entrants insurers under pricing of risk.

## Going forward

### Growing importance of data.

- Data – new ways of harvesting and applying data to insurance
- More granular underwriting – a challenge for insurers and business
- Consumer Data Right (CDR) – coming soon to insurance

### Regulatory regime – getting the balance right

- Settings that create good outcomes for consumers and business that enhance, not hinder, insurance availability and affordability