

Re: 2021- 2022 Pre Budget Submission

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Background

The **Mackay Region Chamber of Commerce (MRCOC)** was established in 1887 as an advocate for local businesses. Today, we represent over 10,000 organisations across every industry in our region, from the ‘one-man band’ to national organisations.

The MRCOC recognises that an effective and efficient federal budget is vital to the future prosperity of the Mackay region, and subsequently the state.

The Mackay Region has a population of over 118,000 – and rising. The region is well known for its proximity to the Bowen basin and the world class Mining Equipment and Services sector that resides in the city. The benefits of the mining sector, coupled with a resurgence in agribusiness and tourism, creates a regional business community that has a positive outlook, is resilient and is looking for well-directed support from the federal government.

The MRCOC kindly offers the following comment for the inquiry to consider when determining outcomes and formulating responses.

Insurance prices in Northern Australia

Close the gap.

In Northern Australia, building and contents insurance premiums; when considered on either a combined or stand-alone basis; well exceeds that of the average of the rest of Australia. As per the report delivered from the Australian Small Business and Family Enterprise Ombudsman, the average home insurance premium rose by 178% in Northern Australia between 2007-08 and 2018-19. This is compared to an increase of 52% across the remainder of Australia. Combined home and contents insurance increased by 122% in Northern Australia compared to 71% across the remainder; and contents premiums increased by 33% in Northern Australia, but decreased by 3% across the remainder.

The average excess levels are also generally higher in North QLD and Northern Western Australia for combined home and contents insurance (\$1,100 for buildings and \$690 for contents). This is compared to \$700 for buildings and \$550 contents across the remainder of Australia.

Although premiums are heavily impacted by risk factors such as cyclone and flood risk, it seems that concentration risk is currently outweighing these when determining the calculated premium. The Northern Australian market is currently dominated by a few key players with a majority of companies choosing not to compete in higher risk markets. This has promoted increased price competitiveness in southern markets which in turn has supported the notable imbalance in premiums across the country.

Insurance and SME

It has been reported that some insurance providers have removed access to natural disaster coverage in high risk or remote areas in order to compete in the SME market. Small businesses have reported that property insurance is close to impossible to obtain in regional or remote areas. In other locations/sectors, insurance can be obtained but is grossly expensive and excludes or limits access to natural disaster support. This would mean that the average consumer or small business would not be able to recover from a natural disaster without government assistance.

The rising premiums and reduced/restricted coverage has led to decreased profitability for more than half of Queensland businesses and has reduced investment by an estimated 26.1%. As per a CCIQ conducted survey; *“Two in five businesses have changed insurance companies as a result of rising prices. Of concern, 12.3 per cent of businesses reported that they are underinsured and 4 per cent have discontinued their insurance cover.”*

Government Funded Reinsurance Facility

The MRCOC support the concept of a Government funded reinsurance facility to promote the lowering of costs associated with cyclone and natural disasters. MRCOC see this as a viable solution to continue to support our local businesses both immediately following the impact of COVID-19, and in the long term.

Alongside closing the gap in insurance premiums across the country, this facility would also assist in mitigating exposure for providers which in turn, would promote competition in the Northern Australian geography.

In summary

The MRCOC recognises that setting the federal budget is complex and arduous activity, filled with competing interests and addressing political realities. Notwithstanding this, MRCOC pre-budget submission is drafted with the idea of making Mackay one of the most prosperous and liveable places in the country.

The MRCOC committee would appreciate any opportunity to further discuss any abovementioned topic, or for the matter any topic that may affect the Mackay economy.

Regards,

Geoff O'Connor

President

Mackay Region Chamber of Commerce



0749511455 W | 0408781378



geoff@bennettpartners.com.au



<https://www.mackayregionchamber.com.au/>

