

21 August 2020

Ms Kate Carnell  
Australian Small Business and Family Enterprise Ombudsman

Email: [inquiries@asbfeo.gov.au](mailto:inquiries@asbfeo.gov.au)

Dear Ms Carnell

**RE: QUEENSLAND HOTELS ASSOCIATION (QHA) - FEEDBACK FOR THE AUSTRALIAN SMALL BUSINESS AND FAMILY ENTERPRISE OMBUDSMAN INSURANCE INQUIRY**

The Queensland Hotels Association ('QHA') is the peak body representing the hotel and tourism accommodation industry in Queensland. Currently comprising of over 800 members, the QHA covers the state from beyond the tip of Cape York, to country pubs and throughout the coastal strip down to Coolangatta. These businesses are the employers of over 80,000 Queenslanders.

**Background – hotel industry insurance challenges**

On 28 July 2020, the Australian Small Business and Family Enterprise Ombudsman launched an inquiry to investigate the practices of the insurance industry that impact small businesses and consider whether small business insurance products are fit for purpose.

While this inquiry is focused on the small business sector, we are aware that the problem is affecting hotel businesses large and small. Insurance for hotel businesses is a practical and a legal necessity, for both property and public liability coverage. Our understanding is that there is a lack of underwriters willing to cover the hotel sector, with most policies historically underwritten by Lloyd's of London but are now increasingly not being offered. A lack of alternative underwriting markets seemingly underpins the current challenge to acquire adequate insurance. Older style wooden hotels across Queensland and particularly in Northern Queensland locations are exemplary of this issue.

In the hotel industry, property insurance mitigates the risk to protect hoteliers and their families, their customers and their employees. Without appropriate insurance, outcomes beyond the control of business owners can bring severe financial distress and the loss of these assets.

Hotels cannot operate without public liability insurance and are being denied public liability insurance or facing dramatically increased costs. Being unable to renew this insurance, and other business insurance, due to coverage denial or increased costs is forcing small businesses to close or operate without appropriate coverage in an extremely vulnerable position.

**QHA Feedback on inquiry Terms of Reference points**

Our members have faced the following challenges attaining insurance products and policies which provide adequate coverage, are financially viable and fit for the purposes of small hotel businesses:

- ***the availability and coverage of insurance policies provided to small hotel businesses***

The insurance market has been in a hardening cycle for 11 consecutive quarters, typified by increasing premiums, increasing excesses and reduced coverages. The hotel industry has been directly and disproportionately affected by these changes.

Due to the increase in premium Insurers are collecting per account, there is less need for them to quote or compete for new business. This has allowed them to restrict coverages without fear of losing business. Some Insurers have removed themselves from entire market segments, amplifying the reduction in capacity available in the market and ability for businesses to create competition when sourcing quotes.

This cycle is even more clear in our member's hotel business that are considered "high risk" due to the nature of their operations – commercial kitchens, wooden hotels, locations in Queensland are inherently considered high risk, for example, Brisbane is considered 'cyclone area'. Hotels are further challenged as they often have less documentation to support their risk management, are often supported by less experienced Brokers, and leave too many grey areas for Insurers to give them a competitive premium.

- ***insurance policy affordability for small hotels***

As above, the reduced competition in the market has fuelled a cycle of increasing premium, forcing many hotels to cut back on insurance to manage cost, and in extreme cases, self-insure or not insure at all.

- ***the role of brokers in getting the right coverage***

SME Brokers often have extremely large portfolios of client due to the limited income that can be earned per client. As such, these Brokers often turn into "post boxes" where they are a doorway between the hotel business and the Insurer. As you move into the mid-market you will see more sophisticated broking, more resources applied per account (because the revenue justifies it) and a greater focus on risk management, all which contribute to better policies being presented to the business.

- ***contract changes that have not been agreed to and whether they amount to Unfair Contract Terms***

Brokers are required to notify their hotel clients of changes to their coverage, however, this notification process is often buried deep in long insurance documents that are difficult to read and understand. While the changes might not amount to unfair contract terms, they are certainly not well disclosed nor understood.

- ***timeliness of insurance payouts and effectiveness of dispute resolution frameworks***

In line with the hardening market, Insurers have also become more cautious and slower with paying claims. Again, the role of the Broker is pivotal in representing their clients, but many Brokers do not

have the claims handling experience to be an effective advocate to represent the interests of a small hotel business.

Conclusion

The QHA understands this is a complex issue and a very critical one impacting the financial viability of so many hotels and other small businesses across Queensland. One solution is for the government to encourage increased competition in the underwriting market as this is an issue which affects a much wider range of business stakeholders than the hotel industry. The challenges outlined provide a disincentive for financial investment; impact viability and profitable trading; reduce employment and government taxation revenue.

Please contact me directly on [REDACTED] or at [REDACTED] should you require any further consultation and information.

Yours sincerely,

A handwritten signature in cursive script that reads "Bernie Hogan".

**Bernie Hogan**  
**Chief Executive**  
**Queensland Hotels Association**