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INSURANCE INDUSTRY INQUIRY COMMITTEE
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Dear Committee Members,

RE: INQUIRY TO INVESTIGATE THE PRACTICES OF THE INSURANCE INDUSTRY THAT IMPACTS SMALL BUSINESSES

I submit the following in relation to the committee's Terms of Reference addressing the practices of the insurance industry and the impact on small businesses.

Our company, Action Events was founded in 1991, we have been in the amusements industry for over 29 years and have managed over 35,000 events. These include large scale community events such as the Good Friday Appeal, Lonsdale Greek Festival, Maroondah Festival, just to name a few. Action Events Group has grown since it started into one of Melbourne's premier supplier of amusements with a comprehensive range of rides, games and activities for hire. Our company is diverse with the other side our business being event management, theming and prop hire. We are one of the largest Prop houses in Melbourne. We always endeavour to achieve high standards, quality and safety.

Damian De Jong – Owner: is a founding member of the Australian Amusements Association formed in 1997. and former past Vic President of the Association until 2006. From 2002 – 2009 sat on the committee for the Australian Standards AS3533 Amusement Industry. Also is a representative of National Regulators Device Forum at AALARA. Damian has also been on the Melbourne Executive of ISES, the International Special Events Society from 2010 until 2015.

The impact of insurance industry practices within our industry is currently increasingly problematic and is summarised below:

1. **THE AVAILABILITY AND COVERAGE OF INSURANCE POLICIES PROVIDED TO SMALL BUSINESSES INCLUDING:**
 - The availability of insurance and coverage for our industry is a main concern for our industry as a small business. With contacting numerous insurance companies directly and through various brokers our public liability insurance options are extremely limited. There are only two main companies offering insurance in our

industry – Coversure and Pen Underwriting - with no other players in the market that we have been made aware of from our broker willing to insure this industry.

- **the impact of coverage denial;**
- With the limited number of insurers, they basically are able to dictate policies, prices, and the threat of coverage denial.
- policy exclusions are getting stricter and we have no choice but to except these or coverage is denied.
- We have been told that Class 4 and 5 amusements (major high impact rides over 6m in height) will no longer be able to get insurance. These companies are major suppliers in our industry and their family businesses of been operating for generations.
- Insurance is an important part of our business in order to survive. We cannot work without insurance and the whole events industry crumbles.

2. OTHER ISSUES AFFECTING AVAILABILITY AND COVERAGE INCLUDING:

- The impact of the current market's lack of diversity in insurance providers, underwriters and types of insurance is a great concern for us going forward in our industry. We have been told that Coversure will be unable to offer insurance to our industry when we next renew our policy making it extremely difficult to get insurance. Leaving only one provider and no negotiating power. Our businesses cannot run without insurance.
- Insurance policy affordability as increased substantially. On renewing our insurance in Feb 2019, the cost was \$52,000 compared to \$23,000 the previous year. The affordability for small business is more difficult to sustain, forcing greatly increased costs to the consumer.
- Many communities, councils and schools will also be impacted. It is the fundamental nature of Australian's to want to get out and participate and have fun, and festival and community events will greatly be affected if our industry cannot operate. Many, especially schools use these events to fundraise for other important projects. Schools raise over \$15 million of extra funds each year through fetes and other events in order to provide essential student needs not funded by the government. Essential charities use our services and the entertainment industry also to generate much need money to help the community.
- There is no government support or control in Australia and internationally that facilitate affordable access to appropriate insurance for small businesses in our industry.

3. THE ROLE OF BROKERS IN GETTING THE RIGHT COVERAGE;

Our experiences with the limited insurance available, our current broker HIB basically has the monopoly on our industry. They are working for their own gain and as a broker they are not working for our benefit or trying to achieve the best outcome for us the client. With only two main insurance companies Coversure and Pen Underwriting we have no choice but to accept the policy terms offered.

We always attempt to review our insurance 2 months prior to renewal; however, brokers make it impossible under their terms and drag out providing our proposal terms often only 24 hours before expiry. This gives us no time to negotiate or find a better deal. We are often left too late the last hour before our policies expire to sign, or we are not insured.

We have been informed by our brokers that even though our turnover could be down 95%, we cannot expect a great reduction in the cost of our policies. Even though in previous years our turnover figures were used to determine the cost of our policies. The financial hurdles our industry faces makes it difficult for many of our businesses to be viable in the future. This in turn will create a knock-on effect on events in our community.

Also, a further 10% government stamp duty is also added to our policies in Victoria and in NSW this is not required.

4. THE EFFECT OF COVID19 AND OUR COVERAGE:

- We had only just renewed our insurance policy on the 28th February only 2 weeks prior to COVID19 and the whole shut down of our industry. This occurred at the start of our peak season.
- We approached our insurance broker for any discounts available due to the current climate and the immediate cancellation of events. We received no compassion or willingness from them.
- We were not able to negotiate at all based on turnover as the cost of previous policies were determined. Which we have told was the basis on our premium. Even though turnover was down from 1.7 million to an estimated \$100,000 for this year so far.
- No discount was applicable based on turnover.
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- We offered to reduce the number of attractions in our list, to try and reduce costs and risk, but no discount was offered.
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- \$11,700.00 discount only was eventually negotiated. The only way they would provide any discount was if we were to comply with a 6 months hiatus on our trading. Meaning no work at all – ZERO INCOME. We had no choice but to accept

due to the financial strain of COVID19, which meant any small work we may have been able to achieve was not possible.

- We effectively are currently paying for insurance and we are not able to operate in the current climate. THE RISK IS NIL.
- We were also told if we cancel our policy, at a cost of \$32,700 on a policy that was only 2 weeks old, we would never be able to get insurance again. Virtually blackmailing us to keep our current policy.
- We are not the only company that this has happened to, it is wide spread across our industry.

Thank you for your consideration, and please do not hesitate to contact me should you like any further information.

Kind Regards,

Damian DeJong

Action Events

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