

29 August 2020

Insurance Inquiry Australian Small Business and Family Enterprise Ombudsman
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CANBERRA ACT 2601
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Dear Ombudsman

RE: Insurance Inquiry

On behalf of Caravan Industry Association of Australia, I write in support of submissions made by the Caravan Parks Association of Queensland, Caravan & Camping Industry Association NSW and the Victorian Caravan Parks Association regarding the insurance inquiry currently being undertaken. This submission should be read in conjunction to those submissions which provide state-based guidance.

The caravan park sector is vitally important to Australia's visitor economy creating over 20,000 jobs and generating in excess of \$10b in visitor expenditure around the country. It is a sector, that according to the Federal Government, is the largest domestic accommodation sector by nights in Australia and a major source of economic value to regional economies.

Access to affordable and adequate insurance coverage is crucial to the ongoing viability of the sector. However, in recent years, caravan park operators are increasingly expressing their difficulties in obtaining coverage, excessively high premiums, limitations on policy extensions and reduced options in the market. Affordable and adequate insurance coverage is important for business to ensure they can protect their employees, their consumers and their operations. Issues regarding Natural Disaster and Public Liability Insurance provision will be discussed on the following pages to provide context to the issues that the caravan park industry is currently experiencing.

Natural Disaster Insurance

Australia's visitor economy is established on dispersing domestic and international travellers into regional destinations. Table 1 and 2 show the significance of caravan parks to regional tourism economies and the broader significant value of tourism to regional communities, with many destinations receiving millions of visitors per year. Many of these tourism regions, whilst being immensely popular, are also at significant risk of natural disasters including bushfires, cyclones and flooding.

In recent years, operators located within these regions have increasingly reported that insurance providers are imposing exponentially higher premiums on businesses in lieu of the potential of a natural disaster, irrespective of what risk mitigation policies that may be in place. In some cases, caravan park operators have also reported that they are unable to extend or purchase new coverage at all.

To provide context; The connection between regional tourism and natural disasters became significantly evident during the devastating bushfire season in 2019/20 which ravaged the eastern coast of Australia during the peak season for domestic tourism. Although over 184 individual fires burned and many communities were damaged, along with the tragic loss of life, not one of the 300+ caravan parks located in these areas were damaged. Which is testament to the fire management and

preparation strategies that operators undertake to ensure the safety and protection of their guests, staff and infrastructure.

Whilst it is understood that insurance providers need to carefully balance risk mitigation within their portfolios, the high expense of premiums and cancellation of policies poses significant risk to the economic sustainability of the tourism industry. State and Federal tourism policy (i.e. Tourism 2020) is focused on increasing accommodation supply in regional Australia. The rationale for this objective is that through increasing accommodation capacity, a destination can grow visitation which in turn leads to increased economic value through capturing expenditure and creating supply chains. However, if accommodation operators are unable to access insurance premiums or are financially burdened with higher premium prices, operators would be required to pass this expense onto consumers or cease operations. These conditions are counterintuitive to supporting economic growth and regional development which will lead to increased costs for visitors leading to less demand, whilst also impacting supply as accommodation operators cease trading.

Consideration must also be given to climate change. There is no doubt that climate change is influencing the intensity and frequency of natural disasters globally. However, while environmental and economic policies are ongoingly implemented to mitigate climate change, insurance providers must also adapt to find models that supports industry operators impacted whilst managing their risk. Simply increasing costs or cancelling insurance premiums does not address the requirements of industry, nor does it support governments' objectives of economic growth.

Table 1 The market share of caravan and camping nights in Tourism Regions

Region	% of holiday nights from caravan & camping	Region	% of holiday nights from caravan & camping
East Coast (Tas)	25%	Blue Mountains	26%
Kangaroo Island	35%	Alice Springs	43%
Spa Country (Vic)	13%	North Coast NSW	35%
Whitsundays	42%	Fraser Coast	39%
Phillip Island	16%	North West (Tas)	36%
Lasseter (NT)	48%	Barkly	38%
Snowy Mountains	26%	Launceston & the North	18%
Coral Coast (WA)	50%	Flinders Ranges/Outback	52%
High Country (Vic)	30%	Golden Outback	45%
West Coast (Tas)	28%	Riverland	61%
East Gippsland (Lakes)	51%	Clare Valley	38%
Tropical North Qld	22%	Gladstone	37%
Litchfield/Kakadu/ Arnhem	62%	Outback NSW	46%
South West (WA)	27%	South Coast NSW	34%
Upper Yarra	59%	Capital Cities	
Great Ocean Road	28%	<i>Sydney</i>	6.2%
Fleurieu Peninsula	20%	<i>Melbourne</i>	2.8%
Katherine and Daly	66%	<i>Brisbane</i>	16.7%
Yorke Peninsula	37%	<i>Adelaide</i>	11.4%
Gold Coast	6%	<i>Perth</i>	13.6%
Central Murray	50%	<i>Hobart & the South</i>	13%
Sunshine Coast	16%	<i>Darwin</i>	17.1%
Central Highlands	49%	<i>Canberra</i>	10.7%

Data Source: Tourism Research Australia, 2020

Table 2 Total Domestic Trips to Regional Tourism Regions

Rank	Tourism Region	Annual Trips
1	North Coast NSW	6,402,405,238
2	Hunter	4,620,802,573
3	South Coast	4,562,837,828
4	Sunshine Coast	4,048,018,554
5	Australia's South West	3,076,316,950
6	Central NSW	2,830,531,148
7	Great Ocean Road	2,775,564,912
8	Tropical North Queensland	2,217,737,003
9	Southern Queensland Country	2,195,098,935
10	Peninsula	2,085,196,457
11	High Country	2,075,061
12	Central Coast	1,939,132
14	New England North West	1,743,591
15	Capital Country	1,733,552
16	Geelong and the Bellarine	1,668,977
17	Australia's North West	1,534,709
18	Australia's Golden Outback	1,461,208
19	Gippsland	1,436,082
20	The Murray	1,360,551
21	Blue Mountains	1,318,407
22	Bendigo Loddon	1,315,609
23	Townsville	1,297,447
24	Riverina	1,230,897
25	Capricorn	1,164,122
26	Phillip Island	1,084,495
27	Outback Queensland	1,079,663
28	Mackay	1,063,361
29	Australia's Coral Coast	1,034,855
30	Launceston and the North	1,021,187
31	Ballarat	991,665
32	Snowy Mountains	959,537
33	Central Murray	954,489
34	Flinders Ranges and Outback	882,436
35	Fleurieu Peninsula	869,450
36	Mallee	857,676
37	Melbourne East	834,572
38	Lakes	829,112
39	Fraser Coast	767,309
40	Bundaberg	759,854
41	Limestone Coast	729,577
42	Goulburn	689,733
43	Outback NSW	661,632
44	Whitsundays	631,057
45	North West	590,315
46	Yorke Peninsula	585,888
47	Gladstone	563,274
48	Eyre Peninsula	559,626
49	East Coast	510,907
50	Spa Country	506,724

Data Source: Tourism Research Australia, 2020

Public Liability Insurance

Caravan Parks have significantly evolved over the previous decades. Initially providers of simple amenities and accommodation in natural areas, caravan parks have evolved to become premium experience providers with many comparable to 4 and 5-star resorts. This progression has been driven by the needs of the consumer, who are increasingly seeking premium experiences that are unique and affordable. This has seen Caravan Parks install additions including restaurants, spa facilities, glamping tents, jumping pillows, swimming pools, pedal-kart tracks and water slides.

However, an issue has emerged in that insurance providers are increasingly reducing their risk appetite for including recreational activities within their public liability coverage and are deeming activities such as jumping pillows, water slides and BMX tracks as 'high risk'. This scenario has been further exasperated by the limited number of underwriters in the market that currently include coverage for these types of activities.

This situation poses challenges for caravan park operators who are subject to the commercial whims of underwriters who may choose to exclude specific coverage at the end of a contract period. This poses risk to caravan park operators which have invested significant capital expenditure into infrastructure to meet the demands of consumers, only to be advised they are unable to access public liability insurance. Therefore, leading to the withdrawal of the tourism product, decreased revenue and lack of willingness to invest in infrastructure development.

Australia's tourism industry is a global leader and is number one in the world for generating visitor expenditure yield. This has been achieved through operators providing safe and quality products and services that meet the demands of the consumer. Whilst it is acknowledged that insurance providers need to carefully consider their risk appetite when it comes to outdoor recreational activities, there is a significant difference in risk between mechanical rides in theme parks and adventure sports such as rock climbing, when compared to lower risk activities such as jumping pillows and water slides.

Therefore, it is important that businesses are rewarded for being innovative through ensuring that their investments are insurable. Thus, providing confidence for business that their legal liability is protected whilst also encouraging economic growth, job opportunities and infrastructure development.

Conclusion

Caravan Park operators, who are fully regulated by relevant state and federal legislation regarding work health and safety, are not seeking to avoid their responsibility regarding public liability and natural disaster management. They are however seeking a consistent framework that ensures their significant investments and liability are able to be protected. Specifically, operators require:

- I. Access to adequate policy coverage that clearly defines the provisions included;
- II. Guarantees that any coverage provided will not be revoked without consideration given to a operators needs to find additional insurance provisions;
- III. That coverage is available in the market and if not, the government will examine the creation of a mechanism to ensure operators remain insured.

In addition, our comments reflect the recommendations made by our member State Associations for the need for the Ombudsman to explore the following issues:

- (i) The current market conditions of policy provisions and their adequacy to tourism accommodation providers;
- (ii) Dispute resolution mechanisms and the timeliness of payouts;
- (iii) Insurance provision to businesses in areas prone to natural disasters and climate change;
- (iv) Current insurance coverage for low risk recreational activities and how it is applicable to accommodation providers;
- (v) The commercial relationship between insurer and insured party regarding risk mitigation, unfair fee hikes and imbalanced policy amendments.

We welcome the opportunity to discuss these issues and the inquiry in further detail with you.

Yours faithfully



Stuart Lamont

Chief Executive Officer

About the Association

Caravan Industry Association of Australia, the single peak national body for the caravanning and camping industry in Australia, representing over 3,500 businesses with over 53,000 employees. Their stakeholders range from manufacturers and retailers of industry products, caravan / holiday parks, suppliers of goods and services, and service providers across the entire supply chain. In addition, they communicate regularly with consumers who have an interest in caravanning and camping and have an active database of over 340,000 consumers, and social media communities which number more than 137,000 participants.

The organisation's vision is "to lead and champion a robust, compliant and sustainable caravanning and camping industry" in Australia, with all operational pillars – marketing; research; lobbying and advocacy; compliance, accreditation and training – working towards this vision.

Our members are:

Caravan, Camping and Touring Industry and Manufactured Housing Industry Association of NSW Ltd

- Caravan Industry Association Western Australia Incorporated
- Northern Territory Caravan Parks Association Incorporated
- Caravan Trade and Industries Association of Queensland
- Caravan Parks Association of Queensland Limited
- Caravan and Camping Industries Association of South Australia Incorporated
- Caravan Parks Association of South Australia Incorporated
- Caravanning Tasmania Incorporated
- Victorian Caravan Parks Association Inc.
- Caravan Trade and Industries Association of Victoria

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