

Queensland Small Business Commissioner

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Australian Small Business and Family Enterprise Ombudsman

by email to: inquiries@asbfeo.gov.au**Insurance Inquiry: submission**

I welcome your Inquiry into the practices of the insurance industry and its impact on small business, and am grateful for the opportunity to contribute some of the issues and priorities that I have observed in my role as Queensland Small Business Commissioner, and prior to that as Queensland Small Business Champion.

Queensland is home to an estimated 445,000 small businesses which have, like many others in Australia, been affected by their share of natural disaster events ranging from cyclones, floods, droughts and bushfires. However, unlike other parts of the country, Queensland's vast geography has a decentralised population. According to the latest [population map of Australia](#) by McCrindle, the extent of Queensland's decentralised population is demonstrated by the fact that 10 of the 30 most populated cities in the country are Queensland based. The presence of such large regional centres across the state represents unique challenges in terms of evaluating and sharing risk.

The ability for small businesses to affordably insure their premises, assets, business operations and continuity with insurance products that are fit for purpose, is critical to enabling small business to 'get on with business'.

I have witnessed first-hand the insurance related challenges and issues faced by the small businesses operating within the 14 local government areas that were affected by the North and Far North Monsoon Trough flood event (Monsoon flood event) in January/February 2019. Furthermore, in August 2020 I drove from Brisbane to Mossman in far north Queensland, covering roughly 2,300kms. Along the way I met with over 150 small businesses, chambers of commerce, small business stakeholders, and local councils – insurance was consistently raised as a major concern for small business.

This submission is a collation of lived experiences as expressed to me, as well as what I personally observed, as Queensland Small Business Commissioner, and formerly as Queensland Small Business Champion.

1. Availability and coverage

- Due to the frequency of cyclones and floods in northern Queensland, insurance has become dramatically more expensive for small business owners.
- There is a lack of consistent application of the meanings of 'flood water' and 'storm water' or a widespread misunderstanding of their meanings. Many small business insurance claims were denied during the Monsoon flood event due to the insured not having 'flood cover', but without a clear explanation of the evidence relied on by the insurer to support that finding.
- Hydrology material relied upon by insurers to deny a claim sometimes contained address errors, and other erroneous content that was seemingly duplicated from other reports.
- Hydrology material provided to small businesses by insurers can be long, contain complex language and terms, and be difficult for small business insureds (or anyone really) to understand and apply.
- There is an apparent misalignment between the extent of insurance cover that many insured small businesses think they are paying for, and the cover they are actually being given.

- Some small business insurance premiums in north and north-west Queensland have doubled and tripled following the Monsoon flood event, prompting many to self-insure due to insurance becoming unaffordable. Some industries require evidence of insurance to maintain a licence to operate, rendering self-insurance unfeasible in many instances.
- Due to lack of availability, or lack of affordable insurance in northern Queensland, a number of small businesses have reported they are simply operating without insurance, placing them in a high-risk position. One local council Mayor in far north Queensland reported that non-insurance and under-insurance is such an issue in their region that they were concerned the small business community would simply not recover if another Tropical Cyclone were to impact them.
- Some small businesses in north and north-west Queensland have had their policy cancelled and have been either unable to source alternative insurance at all, or have been unable to afford alternative insurance. Examples include a golf club and caravan park in Townsville, a hotel on Magnetic Island.

2. Role of brokers

- Small businesses are heavily reliant upon insurance brokers, to assist with navigating insurance options and providing advice. We know from the [ACCC's Northern Australia insurance inquiry](#) that the majority of small businesses use a broker, and most rely upon and act upon the advice they receive from their broker.
- Small businesses have conveyed an array of broker experiences to me. There seems to be significant variations in terms of professionalism, skills and expertise among insurance brokers. I believe this lack of consistent standards, knowledge and ethics among the profession is a contributing factor to the overall challenges faced by small business insureds.

3. Contract changes and terms

- Policy exclusions are not communicated clearly and effectively with small business insureds. A small business pharmacy owner in north Queensland was unaware her policy limited liability for loss of inventory and limited liability for replacement of fit out by 75% and 80% respectively. After the Monsoon flood event in 2019, she discovered the limitations buried in the fine print of her policy. The small business owner has subsequently confided had she had known of such limitations; she would have sought alternative insurance. Without clear communication of policy inclusions and exclusions, insurance products are not fit for purpose.
- Under-insuring is an easy mistake for many small businesses to make, but with devastating consequences on insurance outcomes. A hotel owner in Bowen reported that they did not receive an insurance payout for roof replacement following Severe Tropical Cyclone Debbie in 2017, as the hotel had erroneously allowed the sum insured to drop lower than the market value.
- Small business owners report that business interruption insurance is no longer a feasible option. It is incredibly difficult to make a claim, and the cover is prohibitively expensive. It has been reported that many business disruption policies were voided once the Government declared COVID-19 a 'pandemic', meaning businesses could not claim for forced closure periods.

4. Effectiveness of dispute resolution of insurance disputes

- Most small businesses that are dissatisfied with their insurance outcome describe it as a waste of time to seek an internal review of the insurers decision and even fewer are aware of their rights of appeal to the Australian Financial Complaints Authority (AFCA).
- AFCA representatives visited the Townsville area soon after the Monsoon flood event to promote their services to affected small businesses. However, in my experience there is not widespread awareness of AFCA's dispute resolution service.
- It is difficult to navigate the AFCA dispute decisions online. It would assist in promoting greater awareness of the service and its outcomes for small businesses, if decisions were published in a more consumable manner to better inform small businesses.

5. Other relevant feedback

- State based stamp duty is levied on the premium paid instead of the sum insured, which exacerbates the affordability inequity between the north and south of Queensland.
- Underwriters are reportedly departing some sectors of the market such as the marine industry and buildings owned by body corporates, where there is no longer any choice or competition. Charter boat operators cannot conduct their business without insurance, but the lack of competition in the insurance market (I am informed there is globally only one underwriter) has rendered premiums completely unaffordable for many.
- COVID-19 restrictions on international and interstate visitors is having a devastating impact on parts of Queensland that are reliant on tourism. Insurers have not extended any discounts to those businesses unable to operate during the peak of restrictions, even though their insurance risk has significantly decreased as a result. A charter boat operator reported that their public liability insurance premium proportionately increases for any additional numbers of passengers, but they have not received a proportionate premium decrease when their passenger numbers dropped by 90% as a result of COVID-19 restrictions.

If you have any questions, please contact my office directly on [REDACTED] or by email to QSBC@desbt.qld.gov.au.

Yours sincerely,



Maree Adshead
Queensland Small Business Commissioner