



CARAVAN PARKS
ASSOCIATION OF
QUEENSLAND LTD

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Insurance Inquiry
Australian Small Business and Family Enterprise Ombudsman
GPO Box 1791
CANBERRA ACT 2601
c/- inquiries@asbfeo.gov.au

Submission into the Insurance inquiry

Insurance is an essential service for small business operators. The correct insurance coverage provides small business operators with peace of mind, allowing them to focus on what is important, growing their business. The correct coverage is also necessary where there is finance involved, with banks requesting a certificate of currency annually.

Caravan parks across Queensland report that insurance has caused their business financial stress with excessive increases in both premium's and excesses. Insurance has also limited some of these businesses from expanding, selling or accessing finance.

For the caravan park sector, access to affordable insurance which offers the correct coverage, ensures that these businesses are able to innovate, invest, and remain viable, providing critical economic activity in their local communities.

These challenges are further exacerbated by the current balance of power in the insurer/insure relationship with the insurer able to change their risk appetite and as a result the cost of insurance, with no input from the insured party, not providing the opportunity to reduce costs by proving risk mitigation practices.

About our Industry

In 2019 there were over 12.5 million nights spent caravanning and camping in Queensland by domestic visitors.¹ The 30-54 years age group were the biggest user group of our sector making up 45% of all trips, followed by the over 55 years age group with 33% of all trips and then the 20-29 years age group with a further 18% of all trips.²

Our sector contributes \$2.8 to the Queensland economy each year with over 2.6 million caravan and camping trips in Queensland in 2019.³ This is in addition to the many social benefits from the sector with studies showing that families that enjoy caravan and camping are happier, healthier and more connected than their non-camping counterparts.

Across Australia, total nights spent caravan and camping increased by 11% to reach a record 58.8 million nights for the period, representing 26% of all nights spent in accommodation around Australia by travellers on holiday.⁴

¹ National Visitor Survey December 2019, Tourism Research Australia (TRA)

² Ibid

³ Ibid

⁴ Ibid

A Member of

• Caravan Industry Association
of Australia

• Queensland Tourism Industry Council

This figure is the highest across any accommodation, highlighting that caravan and camping is indeed Australia's favourite holiday accommodation.

With 90% of caravan and camping nights across Australia in regional areas⁵, our sector also plays a critical role in supporting regional economies across the state.

Business Profile

Approximately 75% of caravan parks in Queensland are small businesses with less than 20 employees⁶. There are also many "mum and dad" operators (or micro businesses) in the industry – that is couples that own and operate their caravan park with no additional staff in their business, often working seven days a week, 365 days a year.

Industry location

As an industry we have a diverse spread of locations, as the peak body for the sector in Queensland, we have members located right across the state, from Stanthorpe and Kirra Beach in the south, west through to Birdsville and Adels Grove and north to the tip of Cape York.

Due to the popularity of a beach holiday, the majority of Queensland's caravan parks are located along the coast. While this makes them the perfect location for a holiday, it also makes them a higher risk from a weather perspective.

Queenslanders and Queensland businesses are incredibly resilient and recover quickly from the severe weather conditions which can impact Queensland, particularly the coast. The impacts of media coverage and ongoing road closures to these regions, coupled with delays in getting insurance work completed has far longer term impacts than the impacts from the weather event in the first place.

Case study

Last year, my business suffered greatly from publication of a cyclone approaching the general vicinity which led to many cancellations as travellers changed their plans.

The newsreels, press and interactive media worked the story into a frenzy damaging businesses over several hundred kilometres in Far North Queensland yet the actual cyclone passed my business by about 100 km offshore without a single drop of rain or any unusual breeze.

Lost business was considerable but totally uninsured.

Product Type

Over the past ten years, our sector has shown incredible innovation and change.

There remain many 'traditional' caravan parks which offer clean amenities, tidy sites along with cabin accommodation. These caravan parks offer communal facilities like the camp kitchen where everyone comes together at the end of the day to cook dinner, friendships are formed, and travel stories shared.

In addition to these traditional caravan parks, we have seen the emergence of new and exciting facilities in many parks, changing them from caravan parks to 'holiday parks' where the whole family can come away and be entertained without leaving the park.

The family holiday in these caravan parks for children today looks very different to what it did when mum and dad were experiencing their first holiday in a caravan park as a child.

⁵ National Visitor Survey December 2019, Tourism Research Australia (TRA)

⁶ Caravan Parks Association of Queensland database

In Queensland alone there are over 20 caravan parks that have a water park within their business and more still that have a single water slide which runs into their swimming pool. Over 75 of these businesses have a playground and nearly 50 caravan parks offer bike or pedal kart hire within their business.⁷

BIG4 Adventure Whitsundays (for example), a family owned and operated caravan park, has a 32m lagoon pool (heated through winter), a water park with 13 water slides, mini golf, animal park, jumping pillows, outdoor cinema, and year-round activities program.

These features have had a positive impact on the occupancy, revenue and average length of stay at the park, but they have also created significant challenges when it comes to insurance.

The industry also relies heavily on local attractions and activities to allow for increased length of stay and repeat visitation by guests. The more exciting things to do in a region the longer visitors will stay as shown with Tropical North Queensland where the average length of stay is nearly 5 days compared with Townsville which has an average length of stay of just 3.3 days.⁸

Insurance & the Caravan Park Sector

For our members, the major concerns relating to insurance are premium costs, excess costs and the lack of choice available to them in terms of policies. When there is only one insurance company you can use for your business and they change the terms of the policy or increase the premium and/or excess charges, you have two options, either renew at whatever costs has been set under the terms set by the insurer or risk being uninsured.

Over half of our members have indicated that lack of choice of insurers and policies is an issue to them, causing financial stress and limiting their ability to grow their business.

In our industry survey over half of respondents indicated they are currently under insured. There were many reasons for this including excessive increases in the costs to be insured or to make a claim, and inability to get appropriate coverage.

This has also had a flow on effect impacting sales of caravan parks in the industry. While many insurers agree to cover the property for the first 12 months after the sale, they are unwilling to commit to providing insurance beyond that point. As the peak body for the sector we receive regular reports of sales falling through due to complications with insurance.

Several caravan parks have indicated a desire to move to a 'self-insurance' model however, even with other assets to underwrite their loans, the banks required insurance cover to provide or maintain finance.

While insurance is a problem across the industry, due to the limitations on self-insurance and the ability of a small business to spread their risk profile, it remains a bigger problem for small businesses.

Caravan parks are currently being advised by their broker that they should start their insurance renewal process at least three months before the insurance is due to minimise breaks in coverage.

The two types of insurance that caravan parks are having difficulty accessing (with appropriate coverage for a fair price) are public liability and cyclone coverage (Business, Buildings & Contents) which we have expanded on further.

Public Liability

Over the past 24 months we have heard significant reports across the country of coverage denial for Adventure Tourism businesses, with this denial not just limited to high risk businesses like bungee jumping.

This denial of coverage has also expanded into other businesses, including caravan parks.

⁷ Caravan Parks Association of Queensland database

⁸ National Visitor Survey December 2019, Tourism Research Australia (TRA)

Insurers continue to withdraw products and put unreasonable expectations on the parks despite the industry being a relatively safe one. The risk profile of our industry has not changed in the past 24 months, it is the risk appetite of the insurers that has changed.

Where coverage is still available it comes at a significant cost – one park has been informed by their broker that they should expect to see an increase of between 360% and 900% on insurance on their water slides when their premium becomes due in six months time.

Many members have expressed frustration that despite their “high risk” park activities being closed for over two months under the Queensland Government Public Health Directions relating to COVID-19, there has been no relief from their insurer.

These increased insurance costs and the challenges associated with accessing public liability insurance do not bode well for the future of our industry. While the industry could develop new attractions, there has been significant investment in the current attractions installed in caravan parks. These attractions are tried and true, they appeal to families and are proven to increase visitation, occupancy and revenue.

While there are potentially lower risk activities/attractions that could be installed in caravan parks, these business owners are now questioning the investment as there is no guarantee that these low risk activities will not become difficult to insure in the future if the risk appetite of the insurers reduces further.

We have had many caravan parks report to us that their insurance company is now refusing to insure an activity within their park which has always been included as a part of their policy in the past.

Jumping Pillows have been common place in caravan parks for nearly ten years however in the last two or three years they have become incredibly hard to get insurance for – there has not been a significant increase in injuries associated with Jumping Pillows – if anything there is more risk mitigation associated with them than ever before- it is just that the insurers have changed their risk profile.

In some of these cases the caravan park is informed that they can be insured if there is a staff member dedicated to watching that activity when it is open. These small businesses are unable to absorb the cost of additional staff members that are required to watch an activity as part of an insurance requirement.

Cyclone Cover (Business, Buildings & Contents)

Climate change and global media coverage of weather events in Australia (such as floods, cyclones and bushfires) have had an impact on the ability of Queensland businesses to access coverage against these weather events.

Businesses located well off the Coast in an area that has never been hit by a flood, cyclone or fire are now faced with excessive increases, or policy limitations as global underwriters do not understand the size of Australia or the diverse country side.

Our members report that insurance policies are difficult to understand and often exclusions are not apparent until it is too late. The fine print may mean that a policy is not paid out as the caravan park does not know the underlying reason for the issue, or making a claim comes with excessive costs from their accountant as they try to determine the actual losses.

Case study

One Queensland caravan park lost power to their property due to an underground fault. The fault was difficult to locate and fix, and as a result the cost ran to several thousand of dollars along with significant losses due to business interruption. The insurer for this caravan park wanted to know the specific event that caused the loss of power – if it was due to water damage, a mechanical failure, animal burrowing, underground earth movement etc. As the park operator was unable to state the cause of the actual event they were informed by their broker that they would be unable to make a claim.

Premium Costs

Over the past three to four years our members are reporting premium increases of between 30% and 250% depending on their business.

One member is a residential park with no recreational facilities and their insurance premium for their base business and public liability insurance has increased from \$7,478 to \$12,791 between the 2017 financial year and the 2020 financial year – a 71% increase despite the fact their business has not expanded, moved or significantly changed in that period.

Another member has reported a 253% increase in the last three year. While this business has increased the number of recreational facilities available at their business, this increase is still excessive.

The limited number of insurers has pushed the prices of these policies higher than ever before and due to the limited number of choices available to caravan parks, the coverage available is far more limited than it has been in the past.

Our member parks have also report frustration with fees and charges by brokers and the Government (stamp duty) along with industry practice where an insurer refuses to quote against its own in house brokers or between different brokers selling the same policy for the same risks. This practice enables brokers to receive higher commissions than would be achieved in a competitive market.

Excess Costs

At present caravan parks are reporting that there is only one insurer offering cyclone coverage for parks in North Queensland. The excess for this policy is set at \$100,000, which for many parks is a 100% increase on this excess regardless if they have ever made a claim in the past.

Case Study

In 2011 Cyclone Yasi hit the Queensland coast as a Category 5 severe tropical cyclone, the biggest storm in Queensland's history and the most costly tropical cyclone to hit Australia on record (not accounting for inflation which if considered would put Cyclone Tracy at a high cost) .

This cyclone caused significant damage to a smaller caravan park located in one of the towns hit badly by this storm. The insurance payout for this claim was \$106,000 (approx.) and while this covered the cost to repair the park and its facilities, damage to the managers residence was not covered by this payout.

This same caravan park has been offered building and contents insurance with a named Cyclone Excess of \$100,000 – this means that the excess will be greater than any payout this park owner receives unless a cyclone which is far more severe than a Category 5, hits their town directly.

Several of our members have noted that they have insurance so they don't have to have a spare \$100,000 ready in the event of a cyclone or other weather event.

Timeliness of payouts

When Cyclone Debbie hit the Whitsunday Coast in 2017 this became evident with some caravan parks provided cash almost instantly to ensure they could reopen as soon as possible while other caravan parks were unable to do any work until an assessor had visited.

One of our member caravan parks waited five weeks to get approval to commence work to reopen their business. Once approval was finally granted all of the appropriately qualified trades people were already working on other projects pushing the reopening date for this business back even further.

Case Study – Cyclone Debbie

In 2017 Cyclone Debbie devastated the Whitsunday Coast.

This event provided very different experiences for the caravan parks in the region.

Caravan park 1 received a phone call before the Cyclone, a text message during the Cyclone and was contacted immediately after the Cyclone by their insurance company. They were quickly provided working capital by the insurance company ahead of the formal claim so that they could begin operating again as quickly as possible.

Caravan park 2 contacted their broker immediately after the Cyclone and were informed they needed to wait for an assessor before they could begin work to clean up their park and reopen. The Assessor took six weeks to sign off on their claim and works. By this time the licenced and qualified contractors in the region had all started work on other projects where their insurance had been signed off in a more timely manner.

Alternative Models

In addition to a review of insurance, there is also a need for a review of the current legal system as it applies to public liability claims. We have received many reports of insurers paying out excessive amounts on claims as they have determined it will be cheaper to pay the claim than to fight it.

This behaviour by insurance companies encourages bad behaviour by claimants and excessive payouts.

New Zealand Accident Compensation Corporation

New Zealand has a system where by everyone in New Zealand who works or owns a business must pay a levy to the Accident Compensation Corporation (ACC). These levies provide cover for everyone in New Zealand under the ACC's no-fault scheme if they are injured in an accident. This includes children, beneficiaries and students and it does not matter if they're working, unemployed or retired. The scheme also includes visitors to New Zealand.

The cover under the ACC's no-fault scheme helps pay for the costs of recovery and includes payment towards treatment, help at home and work, and help with income for the person injured.

The scheme does not absolve a business of their responsibility to ensure the safety of their staff and patrons – this is still addressed through legislation like our Work Health & Safety legislation.

Providing coverage under this scheme prevents claims where the insurance company pays out as they believe it will be cheaper than fighting the claim in the long run.

Conclusion

Insurance in Australia has reach a point where Government intervention is necessary to ensure that small and family businesses can continue to obtain this essential service, in a manner they can afford and with coverage that protects their businesses.

While as an industry we can understand why banks couple loans with insurance coverage, alternate options should be made available to small businesses, particularly where there are other assets which could be used to secure the loan in the event of a major weather event.

Until there is a full review of insurance in Australia, along with the current legal system which makes it more affordable for an insurance company to pay out a vexatious claim than to fight it, insurance will continue to limit tourism across the country.

There is a need and desire for more tourist attractions across the country and while insurance remains such a variable cost, and coverage remains hard to obtain, investment in this important infrastructure will not occur.

These limitations on investment in new product will continue to discourage innovation and limit both the number of overnight visitors to a region and also, more importantly, their expenditure in regions.

Should you wish to discuss this submission further please do not hesitate to contact me on 07 3862 1833 (opt 2) or by email to michelle@caravanqld.com.au.

Kind regards



Michelle Weston
Chief Executive Officer



About Us

Caravan Parks Association of Queensland Ltd (CPAQ) is the peak industry body representing caravan parks in Queensland. Established in 1966, the association is the voice for the caravan parks industry in Queensland, providing support, networking, professional development and promotional opportunities for our members.

There are currently over 415 full and associate members of CPAQ, made up of caravan parks (catering for tourists and residents) and campgrounds, large and small, from all corners of the State, industry suppliers, tourism businesses, plus regional and local tourism organisations.

Our vision is to enable our members to provide the ultimate customer experience in a sustainable business environment that supports their local community. We seek to work with both state and local governments to balance the needs of the consumer with those of the Government and industry. Further we actively strive to ensure not only that minimum standards within parks are met, but that over time these industry standards are in fact driven higher.

We trade under the brand **Caravanning Queensland** which joins the two related but separate peak industry bodies in Queensland:

- **Caravan Parks Association of Queensland** (CPAQ) the voice of the caravan park owners and operators and the associated supply chain in Queensland.
- **Caravan Trade & Industries Association of Queensland** (CTIAQ) the voice of the trade sector in the caravan and camping industry in Queensland with a membership made up predominantly of retailers, manufacturers, hirers, repairers, and suppliers in the caravan and camping industries.

