



AUSTRALIAN SECURITY INDUSTRY
ASSOCIATION LIMITED

The peak body for security professionals

Submission to

Insurance Council of Australia Strategic Review – Role of the Private Insurance Market

18 June 2021

About the Australian Security Industry Association Limited (ASIAL)

ASIAL is the peak national body representing security professionals in Australia. The Association is comprised of 2,750 members ranging from large corporate entities to small and medium sized operations.

ASIAL is:

- a Registered Organisation of Employers under the *Fair Work (Registered Organisations) Act 2009*;
- an Approved Security Industry Association under security legislation in the Australian Capital Territory, Queensland and Victoria;
- an accredited Registrar under the Australian Communications & Media Authority (ACMA) *Cabling Provider Rules*;
- an industry representative on the Victorian Security Industry Advisory Council (VSIAC);
- an industry representative on the Victorian Firearms Consultative Committee.



The peak body for security professionals

Australian Security Industry Association Limited

Security Industry House
41 Hume Street, Crows Nest, NSW 2065

ABN: 91 000 813 365

Phone: 1300 127 425

Email: ceo@asial.com.au

Web: www.asial.com.au

Review of the Private Insurance Market

ASIAL Introduction

The Australian Security Industry Association Limited (ASIAL) welcomes the opportunity to provide a submission to the Strategic Review of the Private Insurance market.

As the peak national body for security professionals in Australia, ASIAL is committed to developing and promoting the highest professional standards in the industry. ASIAL provides a key leadership role in driving industry professionalism and best practice through the development of industry standards, codes of practice and accreditation programs.

ASIAL's 2,750 members account for approximately 85% of the industry in Australia. ASIAL members provide a broad range of services and perform a vital role as part of Australia's national security mix. This includes the provision of services to government, business and residential customers.

Security Industry overview

The private security industry performs a vital frontline role as part of Australia's national security mix, providing services to watch, guard and protect property and people 24 hours a day, 7 days a week. At 31 December 2021 there were 11,108 licensed security companies and 153,256 licensed security personnel in Australia, generating revenue in excess of \$10 billion per annum.

The industry performs an increasingly diverse range services to Australian businesses, government and the broader community. Among these include:

- **Protective security** - protecting crowded places, shopping centres, hospitals, critical infrastructure, utilities, military bases, licensed premises, airports, ports, courts, manufacturing facilities and offices.
- **Electronic security** – installation, maintenance and monitoring of electronic security systems including access control, alarms, Biometrics and video surveillance systems.
- **Physical/barrier security** – installation and maintenance of locks, fencing, bollards and barrier security solutions.

Ensuring there is a professional and sustainable industry capable of servicing the needs of business, government and the community is of critical importance to the Australian economy.

Insurance background

In 2001 following the collapse of HIH Insurance, access to public liability insurance for many security providers became very difficult for security providers. In response, ASIAL explored a range of options to remedy this situation.

Following these investigations, ASIAL established a specialised insurance arrangement for members through AON insurance brokers, underwritten by Liberty International Underwriters (LIU) to provide insurance cover to members. Among the key determining factors in agreeing upon this arrangement were the membership eligibility requirements and professional standards needed to become an ASIAL member.

This approach has been vindicated by the fact that almost two decades later the insurance arrangement continues to be available to ASIAL members through AON and it continues to be underwritten by LIU.

Over the past 18 months, the hardening of insurance markets has resulted in increases in insurance premiums. The crowd control sector of the industry specifically has been particularly hard hit, with many crowd control providers experiencing significant difficulties in accessing affordable public liability cover. Crowd control providers have experienced significant increases in premiums and in some cases crowd control activities have become an uninsurable risk due to insurance market capacity and guidelines. This has significantly impacted on the economic viability of some crowd control providers, with many ceasing or reducing operations.

For holders of the AON/ASIAL security facility increases have been capped at 10% this year based on no material change of the insured from last year. The market average is 15% across all sectors. However, where the entity falls outside of the AON/ASIAL security facility guidelines (eg high risk crowd control), as capacity dropped significantly, premiums may increase in the realms of 100-500%.

For all other security services such as installation of security systems, private investigation, consultancy, static guarding, premium increases are still affordable, with increases in the realms of 10% and market capacity for these activities remaining highly competitive.

The lack of availability and affordability of insurance cover for the crowd control sector is an area of concern for the security industry and one that will have significant economic ramifications.

There is a genuine concern among operators in Australia's \$36.5 billion live entertainment industry that the shortage in crowd control providers (due to the lack of availability of public liability insurance and crowd control personnel) will stymie the industry's post-COVID recovery.

Similarly, given that "Private security providers and professionals play a central role in protecting crowded places" as acknowledged in Australia's *Strategy for Protecting Crowded Places from Terrorism*, ANZCTC (2017), difficulties in accessing public liability cover may impact on the industry's ability to protect crowded places.

The COVID-19 pandemic has also brought in to focus industry concerns relating to advice from some insurers that they will no longer provide coverage for "Human Disease" related claims.

Whilst the AON/ASIAL security facility does not have a Human Disease exclusion, our understanding is that the terms provided by other insurers of security have a listed Human Disease endorsement.

Under Bio Security Act 2015 the following are listed as Human Diseases:

- Human influenza with pandemic potential
- Plague
- Severe acute respiratory syndrome (SARS)
- Middle East respiratory syndrome
- Smallpox
- Viral haemorrhagic fevers
- Yellow Fever
- Human coronavirus with pandemic potential (e.g. Covid-19)

With the exception of COVID-19, the above are not present or have been eradicated from Australia.

Given that many security companies provide services that are closely linked to COVID prevention, containment or prevention across the country this will have an impact.

Given the nature of the tasks performed by the Security Industry there is significant face to face interaction with client staff, the public and other stakeholders controlling access and movement where a "Human Disease" can be spread. The reality is that all environments have the potential to be high-risk.

Unless security providers can negotiate an indemnity in their contract with customers or self-insure, the exclusion of “Human Disease” cover will significantly impact on their ability to operate.

Greater clarity is required from insurers on their position regarding “Human Disease” cover and how this will impact on the industry’s ability to secure adequate, affordable coverage.

ASIAL Position

In response in response to the ICA Strategic Review of the Role of the Private Insurance market is:

1. We support the standardisation of policy definitions and wording.
2. We support greater investment and support from the wider insurance industry (in consultation with professional associations) in the development of educational resources to better inform decision making in risk mitigation.
3. We support the greater use of deductibles and coverage limits.
4. We support efforts to improve risk management and risk mitigations strategies.
5. We support the establishment of underwriting consortia to underwrite specialized portfolios with the appropriate safeguards.
6. We support the notion of more underwriting agencies with specialised portfolios.
7. We support the role of industry associations to develop codes of practices and accreditation regimes to enhance compliance standards and mitigate risk.
8. We support greater broker specialisation and understanding of specialist risk areas.
9. We support the phasing out of State and territory taxes and levies on general insurance and their replacement with less distortionary taxes.
10. We support government involvement for economic benefit where private sector solutions are insufficient to solve affordability and availability problems.

With regards point 5 above, to achieve affordable and available insurance for the security industry and in particular the crowd control sector of our industry, ASIAL would support presentation to the ACCC to enable the establishment of a consortium of insurers with appropriate control measures and market management to underwrite arrangements.

Conclusion

A strong, professional and sustainable security industry is vital to the future growth and development of the Australian economy. Given the nature of the work performed by the private security industry, affordability and availability of insurance cover is vital.

We look forward to working with government and the private insurance industry to arrive at a solution to address this important issue.



Bryan de Caires

Chief Executive Officer
Australian Security Industry Association Limited (ASIAL)