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Insurance Council of Australia (ICA)

By email: [submissions@insurancecouncil.com.au](mailto:submissions@insurancecouncil.com.au)

**RE: Role of the Private Insurance Market – Independent Strategic Review:  
Commercial Insurance, Consultation Paper**

The Australian Industry Group (Ai Group) welcomes the opportunity to make a short submission regarding the above consultation paper.

Ai Group is a peak national employer association representing and connecting thousands of businesses in a variety of industries and sectors across Australia. Our membership and affiliates include private sector employers large and small from more than 60,000 businesses employing over 1 million staff.

**General comment:**

- In October 2020 Ai Group released a report called “[Business Insurance: Unaffordable or Unavailable?](#)” which highlights insurance issues faced by our members.
- More than half of the businesses polled for the report described unusual trouble seeking insurance in the last 12 months. Our respondents were predominantly medium businesses with a similar rate of response between small businesses and large businesses<sup>1</sup>.
- Ai Group agree that the availability and affordability of some types of business insurance is a genuine and persistent concern to industry.
- Local insurance problems are being driven by global factors, but there are domestic opportunities for better management of issues.
- Taxation levels on insurance policies by government(s) should be reviewed and harmonised if possible.
- Government should not intervene in the private insurance market unless absolutely necessary (credible evidence of market failure, benefit of intervention to outweigh the cost, non-government options unable to resolve market failures).
- Ai Group support the suggestion that insurers, other interested parties, and experts in each market segment should be given the opportunity to collaborate to devise workable risk management and insurance solutions. Government(s) could play a valuable role in the facilitation of this collaborative work and failure by these groups to

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<sup>1</sup> Using the ABS definitions of small (<20 employees), medium (20-199 employees) and large (200+ employees) businesses.

find workable solutions to issues may indicate the appropriateness of certain government interventions.

- A suggested starting point for this collaboration may be the areas identified in the paper as being 'hard hit' with affordability and availability issues:
  - Public liability for tourism, leisure, and some 'other' business sectors.
  - Professional indemnity for several professions including financial advisers and building industry professionals.
  - Directors & officers and management liability insurance for businesses of all sizes.
  - Property insurance for natural perils in some locations and for building construction.
  - Business interruption insurance.

### **Comment on recommendations**

#### *Recommendation 1*

Ai Group support harmonisation and standardisation broadly and therefore endorse addressing inconsistent definitions of 'small business,' which the report found to have created gaps in protection. We have no comment as to what the preferred definition should be at this time.

#### *Recommendation 3*

Given the increased insurance pressure on businesses in recent years, making the General Insurance Code of Practice and the Insurance Brokers Code of Practice mandatory would likely be welcomed by industry. However, at this stage we have no comment on the specific amendments ICA suggest. In this scenario, enabling the Australian Financial Complaints Authority to deliver dispute resolution and meaningful enforcement, including financial penalties for breaches, would be useful.

#### *Recommendation 5*

Given that both the Australian Small Business and Family Enterprise Ombudsman and the ICA recommend that a statutory cap should be put on liability for personal injury, Ai Group support further investigation and action on this recommendation.

#### *Recommendation 9*

Ai Group strongly agree that Local Councils and State and Territory Governments that release new land for development, or rezone existing land for further development should undertake a suitability and natural peril assessment of all land (for a 1 in 100 year risk) before commercial release. The relevant authority should carry the liability for any known issues in perpetuity if they fail to make issues known to the purchaser. This would give businesses greater protection from poor planning decisions and incentivise local authorities to better consider insurance risks in their decision-making processes.

#### *Recommendation 13*

The current 14-day statutory notice period for renewal terms or the non-renewal of insurance is not long enough for businesses of all sizes to make informed decisions, change insurers or secure new insurance. A requirement for insurance companies to provide more notice for renewal refusals, premium increases above 15%, changes in exclusions or excesses, along with

a statement of reasons for the changes would be welcomed by industry.

As stated in [our previous report](#), it is essential that we secure a competitive market environment where adequate and affordable insurance is within reach of all responsible businesses. Without insurance, it becomes nearly impossible to operate, and as we recover from the COVID-19 pandemic we need to seek to reduce costs and participation barriers for business.

Should you wish to discuss the matters raised in this submission, please contact our adviser Rachael Wilkinson on 0413 352 286 or [rachael.wilkinson@aigroup.com.au](mailto:rachael.wilkinson@aigroup.com.au).

Sincerely yours,

A handwritten signature in black ink, appearing to read 'Louise McGrath', written in a cursive style.

Louise McGrath  
Head of Industry Development and Policy