

Inquiry into volunteering in Queensland

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Mr James Lister MP
Parliament House
George St
Brisbane 4000

By email: lgscsc@parliament.qld.gov.au

Dear Mr Lister

Inquiry into Volunteering in Queensland

The Insurance Council of Australia (ICA) welcomes the opportunity to provide a submission to the Local Government, Small Business and Customer Service Committee (the Committee).

The ICA is the representative body for the general insurance industry of Australia. Our members represent approximately 85 per cent of total premium income written by private sector general insurers and provide a range of general insurance products including public liability insurance, professional indemnity insurance and workers' compensation insurance.

Given the broad benefits volunteers and volunteer organisations provide to the community, the ICA welcomes the timing of this Inquiry.

Insurance premiums across multiple insurance lines have increased significantly in recent years. For public liability insurance, this has been driven by increasing claims severity, growing legal and litigation expenses, social inflation and resulting changes in the assessment or risk in some industries. These impacts have been felt across small businesses, not-for-profits, community and volunteer-based organisations.

This inquiry therefore presents an opportunity for all levels of government to consider the challenges faced by volunteer-based organisations, including access to and affordability of insurance, which may be addressed.

Our submission outlines key actions that could be taken by governments that would assist volunteer organisations addressing their insurance challenges, including:

- Removal of taxes and levies on insurance products
- All levels of government in Queensland should:
 - Review procurement and contracting arrangements to ensure insurance requirements are reasonable and proportionate for the work/activities being undertaken.
 - Cease the use of contractual indemnities that transfer risk to volunteer-based organisations.
- Opportunities for education and risk mitigation training for volunteer organisations
- Review civil liability settings to ensure they remain fit-for-purpose and promote greater public liability insurance availability and affordability for community and volunteer-based organisations.

Rising cost of insurance premiums, especially for small businesses, community organisations

Since 2019, in response to deteriorating performance and the average cost of public liability insurance has increased by 55-60%, outpacing inflation.¹ Some small businesses and not-for-profit and community organisations, have experienced even higher increases.

In recent years some sectors of the economy, have been significantly challenged by the significant increases in public liability insurance premiums and reduced local capacity in some general insurance products. Sectors that have been most impacted by affordability and availability of insurance challenges include many community, not-for-profit and volunteer organisations, and particularly those that provide outdoor leisure services involving physical activities.

Lack of public liability insurance can be particularly significant for community and volunteer-based organisations, as for the vast majority of these businesses the financial protection provided from having public liability insurance is fundamental to their ongoing viability.

Factors driving insurance premium increases

Since 2019 Australia has experienced a hard public liability insurance market, characterised by rising premiums, higher excesses for policy holders and less capacity in the market, especially for businesses that present high underwriting risk for insurers.

This hard market was the product of multiple years of unsustainable gross loss ratios (where insurers pay out more in claims than they collect in premiums). These losses and lack of profitability have required insurers to undertake a combination of:

- (a) Reducing capacity in the market;
- (b) Increasing premiums;
- (c) Reducing coverage amounts; and
- (d) Increasing excesses/deductibles.

Consequently, many businesses and community organisations, particularly those in the hospitality, live music, caravan park, leisure and tourism sectors, and some not-for-profits have struggled to access and maintain appropriate public liability insurance cover, threatening their ability to continue to provide many of their services, and their ongoing viability.

While the market shows signs of improvement, certain sectors with higher underwriting risks, such as many community and not-for-profit organisations, continue to struggle with obtaining coverage.

Removal of taxes and duties on insurance products

One area of reform that should be immediately undertaken to assist affordability of insurance would be to remove all taxes and levies on insurance products.

State based insurance taxes and levies can add 20-40% on top of the cost of an insurance premium, which leads to underinsurance and non-insurance.

In 2023-24 state governments collected \$8.6 billion from taxes on insurance products which was \$3.5 billion more than the entire general insurance industry overall profit.

The abolition of insurance-based taxes has been advocated by multiple reviews and inquiries including:

- The Australian Competition and Consumer Commission's Northern Australia Insurance Inquiry
- Various Productivity Commission reports
- The 2024 Commonwealth Senate Select Committee report on the Impact of Climate Risk on Insurance Premiums and Affordability.

¹ Finity Optima Report 2024, page 94

The removal of these inefficient taxes would provide an immediate reduction on the cost of insurance products for community and volunteer groups. Given the increasing proportion of their overall revenue many volunteer-based organisations must allocate to covering the cost of their insurance, this reform should be undertaken as a matter of urgency.

Insurance requirements pertaining to the use of government venues and facilities

Across Australia, State and local governments often impose insurance requirements for the use of facilities they own and operate, and which many amateur sporting clubs and community groups use. For example, many local councils often require groups to hold a level of public liability insurance as a condition of using council facilities like community halls or sporting fields.

Where these requirements are set at a level that is too onerous or not proportionate to the risk presented by the use of the facilities, it can become too difficult and expensive for community groups to use government facilities, particularly those used for community sports, recreation and the creative arts.

Insurance coverage requirements imposed on community volunteer-based organisations should be limited and scaled to what is reasonably required based on the activities being undertaken. The need for this has become even more important in light of the recent increases to insurance premiums outlined and the limited public liability insurance capacity for the services many not-for-profit and community organisations which rely on volunteers operate in. Governments and councils should also ensure that they regularly review the insurance requirements of their standard form agreements to ensure they are reasonable and appropriate.

Similarly, governments and councils should refrain from requiring community organisations to sign agreements that contain indemnity clauses requiring them to indemnify the government or council for any future liability or claim from a third party. These contractual indemnities can unreasonably transfer financial liability and risk to community and volunteer-based groups that they would otherwise not be exposed to. Further, any claims arising from these contractual indemnities would typically not be covered under a community group's own public liability insurance policy.

Funding of risk management programs

Evidence based, targeted risk mitigation practices can help organisations reduce their risk, better protecting people, reducing the likelihood of claims, and moderating the pressure on insurance premiums.

Insurance affordability and availability is impacted by risk management processes and risk mitigation activity. The implementation of appropriate national risk mitigation standards can help businesses and organisations, including volunteer-based organisations, adopt necessary risk reduction measures. These measures not only better protect people by reduce the risk of injury, they also decrease the likelihood of claims which can moderate pressures on insurance premiums.

Smaller organisations, including community based, not-for-profit organisations that rely on volunteers, may have limited resources to allocate to risk mitigation and training.

The provision of targeted funding for risk management training and education, particularly for organisations who provide services that may represent a higher insurance underwriting risk, can play an important role in ensuring ongoing access to insurance.

Therefore, the ICA recommend the Queensland government explore developing a program to fund risk management programs for community and volunteer-based organisations. One way of implementing training and education programs could be through funding industry bodies such as the Australian Small Business and Family Enterprise Ombudsman or the Queensland Small Business Commissioner to work with key stakeholder groups to target and address risks.

Review of civil liability settings by government (tort reform)

Another factor that impacts the cost and availability of insurance are civil liability settings (state laws that determine organisations' legal liability for personal injuries). The ability to revise and amend these laws (often referred to as 'tort reform') is a powerful tool available to governments that can directly impact insurance availability and underwriting risk.

In particular, reforms to laws that reduce potential liability exposure to volunteer-based organisations and their volunteers, particularly those that provide services that involve higher risk outdoor physical activities, could improve access to insurance for these organisations.

The ICA recommend the Queensland government undertake a review of the state's current civil liability settings to ensure they remain fit-for-purpose and promote insurance affordability and availability for the community, not-for-profit and volunteer-based organisations.

We trust this information is useful for the Committee. If you have any queries please contact Tom Lunn, Director Insurance Lines at [REDACTED] or [REDACTED].

Yours sincerely,

[REDACTED]

Andrew Hall
Executive Director and CEO