



Legislative Assembly for the
Australian Capital Territory

Standing Committee on Economics,
Industry and Recreation

Submission Cover Sheet

Inquiry into insurance costs in the ACT

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Submission to ACT Legislative inquiry into Insurance

From Woden Valley Community Council.

Insurance is essential in today's society because it has become the safety net for individuals and businesses by covering losses due to unforeseen events. In the past, families and other communal structures responded to accidents and acts of God. Today most places, and in particular of course the ACT, have legislation that mandates certain types of insurance, such as compulsory car insurance and workers' compensation insurance. This ensures that individuals and businesses have some resources to respond to the significant financial burdens that could arise from accidents, injuries, or other unexpected incidents. Insurance can cover both people and things. Insurance means that the cost of adverse incidents is spread thru a wide pool of people/entities paying for insurance. The risks are pooled.

Insurance provides a financial response to unplanned events. In some instances, whether or not the person injured has a responsibility for the accident is relevant to the insurance cover but increasingly there is a recognition that even if your actions lead to you injuring yourself, you may still need help from insurance to recover. In many cases the injured party may feel they have not been adequately compensated for the inquiry.

Insurance is only called upon where there has been a costly adverse impact. The injured party generally wants – and may need – more support than they are offered. This can elevate to a legal dispute which inevitably will be stressful and costly. Much of the insurance legislation is devoted to limiting the amount of discretion in insurance payments.

Insurance is a financial product. This means that there is a substantial overhead cost in providing it to clients. The insurance companies invest the premiums they receive from clients and earn a return on them. It means that if investment returns on the insurance investments go down, then insurance premiums may increase.

Where the organisation has a formal structure, then that structure can take out insurance. Where it does not, and a significant accident occurs where the inquired party is wanting financial support, there can be considerable and costly legal dispute as to who, if anyone, is responsible.

The goal with all compulsory insurance must be to provide adequate and equitable financial support to injured parties (individuals or otherwise) with the minimum deadweight cost of overheads, administration and legal expenses.

Looking at some of the inquiry concerns from the point of view of a community organisation:

barriers to accessing insurance for non-governmental organisations and other community initiatives;

The main barriers are

- Need for a formal legal structure such as an incorporated association. Without a formal legal structure, then an organisation cannot get insurance. Becoming a legal structure requires initial and ongoing work in running the organisation.
- Cost. Woden Valley pays in the order of \$3,000 a year for insurance. We can afford this because we have a government grant. Without that we could not afford insurance.

insurance requirements pertaining to the use of government venues and facilities, and the consequences of such requirements for community sport, recreation and the creative arts;

Our experience is that any use of government venues and facilities requires public liability insurance. This is a major issue for many groups who would like to use ACT government facilities. As mentioned, if the organisation does not have a formal legal structure and funds, it cannot get public liability insurance. Woden Valley Community Council has supported a number of local community organizations with their Woden Valley events by covering them with our public liability insurance. I don't know if other community councils do that or not.

the impact of climate change on insurance costs and availability;

Insurance is based on spreading, or pooling, the cost of adverse incidents. That can only work if most people are not suffering from the adverse event at the same time. Widespread disasters such flood and fires that have been increased as a result of climate change. This means that in some areas insurance companies can see that the risk of adverse incidents is such that insurance is no longer going to work as all the property is likely to be destroyed.

In America, one of the legislative responses to this is to require Insurance companies to offer insurance to all, sometimes at a regulated rate. This response has not worked, and insurance companies have left. If the most likely scenario is that an entire neighbourhood will be destroyed by flood or fire, then the response should be to change the physical environment to reduce the risk, possibly by no longer building in the area. It makes no sense to insure against a very likely event.

Climate change, as it increases the risk of widespread disaster will lead to more expensive insurance and inevitably some areas becoming uninsurable. As for most people, their house is the main asset that will have very negative impacts on many people.

The Canberra Times has recently published an article on this <https://www.canberratimes.com.au/story/8894857/climate-risk-main-reason-premiums-are-rising-insurers/?cs=14264>.

Canberra has very limited developed land that is subject to flooding. After the 2003 bushfires, we cannot be as confident about being safe from fires,

All insurance premiums will increase and/or insurance will stop being available as the risk of destruction due to climate change increases.

models for the provision of public sector insurance policies for community organisations, including as may be in operation interstate or internationally

For a few years, the ACT government provided a group public liability insurance for all the community councils but it does not do that anymore. I don't know why they stopped.

In some instances, the ACT government will support groups to get short term public liability insurance. I understand that if you book the Albert Hall, then you can pay around \$100 extra and use the government's insurance.

Woden Valley Community Council is in the process of making our first booking for a community room at Woden Library and we have been asked for public liability insurance. The policy seems to be that incorporated groups must have public liability insurance but that unincorporated groups can use the library without public liability insurance. We support that policy for unincorporated or informal groups. However it does seem reasonable to extend the same consideration to small, not for profit, incorporated groups.

Woden Valley suggests two small changes that could make insurance easier for community groups in Canberra.

1. Woden Valley suggests that the requirement to provide public liability insurance cover to groups in the councils region, where the council is satisfied that the event will be safely run, be added to the deed of grant to Community Councils. There would need to be work to ensure that the community councils did not end up liable for any accidents.
2. We suggest that the government no longer require public liability insurance from the community groups who hire their premises and cover any liability for accidents in the same way they do for internal government users of their facilities.
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