

Volunteer Insurance Investigation
Office of the Anti-Discrimination Commissioner
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Dear Commissioner

VOLUNTEERS, INSURANCE & AGE: INVESTIGATION ISSUES PAPER

The Insurance Council of Australia (Insurance Council) welcomes the opportunity to respond to the *Volunteers, Insurance & Age: Investigation Issues Paper* (Consultation Paper). We also thank the Tasmanian Anti-Discrimination Commissioner (Commissioner) for meeting with the Insurance Council on 18 March 2011, prior to the release of the Consultation Paper.

Insurance Council is the representative body of the general insurance industry in Australia.¹ General insurers provide insurance products ranging from those usually purchased by individuals (home and contents insurance, travel insurance, motor vehicle insurance) to those purchased by small businesses and larger organisations (product and public liability insurance, professional indemnity insurance, commercial property, and directors and officers insurance).

Our members do not offer life insurance products in Australia.

In responding to the Consultation Paper, the Insurance Council has consulted with its members who provide volunteer related general insurance products such as public liability, professional indemnity, personal accident and motor vehicle insurance cover to not for profit organisations.

The Consultation Paper raises a number of specific issues concerning the provision of insurance to volunteers in Tasmania. However, for reasons of competition policy, the Insurance Council is unable to canvass the specific commercial activities of our members in relation to particular policies of insurance. Nor can we provide data of the kind described by the Consultation Paper. The Insurance Council's submission will accordingly address the broad policy issues raised in the Consultation Paper rather than respond to the individual questions posed by the Commissioner.

¹ The Insurance Council of Australia is the representative body of the general insurance industry in Australia. Our members represent more than 90 percent of total premium income written by private sector general insurers. Insurance Council members, both insurers and reinsurers, are a significant part of the financial services system. December 2010 Australian Prudential Regulation Authority statistics show that the private sector insurance industry generates gross written premium of \$33.4 billion per annum and has total assets of \$101.7 billion. The industry employs approx 60,000 people and on average pays out about \$87 million in claims each working day.

Volunteering in Tasmania and at a national level

The Insurance Council submits that issues driving the level of volunteering in Tasmania are complex and require detailed consideration. Although Tasmania has experienced an increase in volunteer numbers, there has been a reported decline in the overall number of hours of volunteering and of volunteers aged 55 - 64 years.² A range of factors including access to transport, fuel cost, changes to traditional volunteering roles, as well as changes to the labour market have all been reported as factors impacting on the extent of volunteering in Tasmania.³

A similar situation has been described at a national level, with Volunteering Australia describing a trend to a less formal, episodic and more mobile volunteer workforce potentially impacting on insurance cover. While there remain some insurance age limit gaps in available cover, Volunteering Australia has reported that access to 'affordable insurance cover has improved over the past decade and there is evidence that access to insurance is not a significant barrier to volunteerism in formal not-for-profit agencies'.⁴

The availability of Insurance

As insurance is risk based, insurers carefully assess how they underwrite and price products in offering insurance. The changing nature and diversity of volunteering activities can present challenges to the assessment of the relevant level of risk to be covered. Whether volunteers are trained in risk management techniques is also an important consideration in the provision of insurance cover.

There are a variety of insurance products in the Australian market, available through insurers or brokers, to support volunteers across a range of ages.⁵ While insurance cover is available, and as noted above, not a significant barrier to volunteering, some organisations may nonetheless experience difficulty finding the right cover for their activities and volunteers of a certain age.

Surveys have shown many volunteer organisations find insurance complex and there is a widespread lack of awareness of the level of insurance cover held by the volunteer organisation.⁶ Information on the availability of insurance cover should form part of the overall training provided to volunteers, especially managers of volunteers, to foster a greater awareness of products in the market, the ability to shop around and make inquiries in a competitive environment about whether arrangements to cover specific age ranges could be made directly with an insurer (by way of endorsement on the cover). In addition, the General Insurance Code of Practice sets minimum standards of customer service for Insurance Council members and contains an obligation to refer consumers to the National Insurance Brokers Association or the Financial Ombudsman Service (FOS) for further assistance in cases where an insurer is unable to provide insurance.

Anti-Discrimination Act 1998 (Tas) – data, source & reasonableness

Discrimination under the *Anti-Discrimination Act 1998* (Act) includes where a person treats another person less favourably on the basis of age and is not permitted unless an exemption applies. The relevant exemption for insurers only applies where discrimination is:

² Australian Bureau of Statistics (2006) *Voluntary Work Australia Series* (cat. no. 4441.0)

³ Volunteering Tasmania (2008) *Response to Demographic Change Advisory Council*. See also issues raised by Moffatt, L & Volunteering Tasmania, (April 2011) *Engaging young people in volunteering: what works in Tasmania?*, section 4.1.

⁴ Volunteering Australia (April 2010) *Issues related to Insurance Protection for Volunteers*, p.11.

⁵ Volunteering Australia and NCOSS have also developed insurance products for not for profit organisations.

⁶ Volunteering Tasmania (2010) *State of Volunteering Report: Tasmania 2010*.

- based on actuarial, statistical or other data from a reliable source; and
- reasonable having regard to that data and any other relevant factors.

Insurance Council members assess the actuarial data comprised within their own claims book, made up of their relevant claims and underwriting experience to determine risk factors relevant to a commercial decision to offer a product to a particular market. Such actuarial data is dynamic in nature, modelled on contemporaneous information and frequently reviewed.

Our members advise that they compile statistics from their own portfolio, using the whole experience of their book of business to obtain appropriate ratings for their total portfolio. Exclusions and restrictions on cover enable insurers to target parts of a market, to differentiate their policies and offer a specialist product based on their own experience, and at a price appropriate to the risk assessed.

Insurance Council members may also consider data from the Australian Bureau of Statistics and the Australian Institute of Health and Welfare. This data can be useful for example in providing information on:

- the likelihood of particular age groups to have accidents;
- the likelihood of an accident leading to hospitalisation;
- the length of time spent in hospital and the cost of hospital treatment; and
- the likelihood for particular age groups of death following an accident.

An argument has been made that if one insurer offers insurance to a particular age range, it raises questions as to the decision making practices of insurers who do not provide this cover. The Insurance Council submits the willingness of some insurers to offer a certain product to a specific market cannot be used to draw conclusions as to the basis of other insurers' commercial arrangements, which are determined in light of their own claims book, underwriting decision-making processes and risk management strategies.

Insurers will consider available reliable data, including using their claims book experience, to assess risk factors and determine their risk appetite. This enables them to develop innovative, uniquely targeted products at affordable and sustainable prices to the market. The insurance cover is able to be tailored over time by the expertise of the insurer and its knowledge of its own claims experience. As part of this competitive impetus, insurers constantly review the market and reassess opportunities for expansion of their business within their particular business objectives.

It is therefore natural in a free market economy that insurers offer policies targeted at particular groups. Even with the best of policy goals in mind, requiring uniform policy offerings to volunteer groups would distort competition. Given that the financial health of the general insurance industry is grounded in sound risk management, restricting the ability of an insurer to determine the risk they take on may impact their willingness to offer that insurance or, if offered, lead to serious consequences for their obligations under the prudential regime supervised by APRA.

Conclusion

The Insurance Council and its members look forward to continuing to work with the Commissioner concerning insurance issues affecting volunteers in Tasmania. We are also committed to continued discussion with the voluntary sector through the Insurance Council's National Consumer Reference Group, which includes representatives of Volunteering Australia, the Council on the Ageing (Insurance); and Council of Social Services (NSW), in addition to representatives of our member insurance companies. Recent issues discussed include access to public liability insurance for community hall activities and potential impacts on volunteer boards of the *NSW Associations Incorporations Act 2009*. The Consultation Paper is due to be discussed at the next Group meeting.

If you require further information in relation to this submission, please contact Mr John Anning, Insurance Council's General Manager Policy – Regulation Directorate at janning@insurancecouncil.com.au.

Yours sincerely



Robert Whelan
Executive Director & CEO