Unmet Need for Building, Home Contents and Comprehensive Car Insurance among Uninsured Australians: Survey Findings and Options for Reform

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Abstract

Home contents and comprehensive car insurance are not legally mandated in Australia. With the exception of strata title properties, there is also no legal requirement for homeowners to purchase building insurance. While these insurance products are widely regarded as 'essential' for managing the risk of disasters and other unexpected events causing property damage, significant proportions of Australians lack these types of coverage. In this article, we examine the extent of unmet need for insurance among this group, who remain vulnerable to devastating financial losses despite the availability of social security and other safety nets in the disaster context and beyond. In doing so, we draw upon the findings of a survey of uninsured Australians whose limited financial resources indicate a high level of exposure to financial loss in case of emergencies causing severe property damage. By contrast to industry assumptions of limited interest in insurance among those without coverage, our findings suggest most uninsured Australians would prefer to have some cover if it was affordable. We examine law and policy reforms that could address such unmet need, arguing that direct subsidies for Australians on low incomes, perhaps supported by statutory recognition of insurance as an 'essential' service, would be the most effective means of improving premium affordability for this group.

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This research was supported partially by the Australian Government through the Australian Research Council's Discovery Projects funding scheme (project number DP180100771). The research received ethics approval from the University of Melbourne Law Human Ethics Advisory Group (approval number 1954342). The authors thank Dr Malcolm Anderson for his statistical analysis of the survey data examined in this article. The authors also thank the two anonymous reviewers for their comments.

Please cite this article as:

Evgenia Bourova, Ian Ramsay and Paul Ali, 'Unmet Need for Building, Home Contents and Comprehensive Car Insurance among Uninsured Australians: Survey Findings and Options for Reform' (2024) 46(2) *Sydney Law Review* (advance).

DOI: https://doi.org/10.30722/slr.20195

I Introduction

In Australia, building, home contents and comprehensive car insurance are widely regarded as 'essential' financial products, alongside 'a transaction account' and 'a moderate amount of credit'.[1] The Senate Economics References Committee describes 'adequate' insurance as 'integral to protecting consumers' most valuable assets and to maintaining and protecting the living standards of all Australians'.[2] While acknowledging the necessity of government assistance to 'support the immediate emergency needs'[3] of communities affected by increasingly frequent and severe bushfires, floods, storms and cyclones,[4] Australian governments regard individual households as having primary responsibility to manage disaster risk by insuring their property. As the Royal Commission into National Natural Disaster Arrangements states in its 2020 report, 'individuals cannot rely on public and charitable entities to restore their positions following a natural disaster. Government funding does not take the place of insurance, and nor should this be expected'.[5] Insurance is also employed to spread the costs of recovery from more commonplace events such as house fires, theft, vandalism, burst pipes and car accidents. The latter especially are a fact of life in Australia, where there are 19.8 million registered motor vehicles,[6] and where 64.0% of drivers licence holders have been involved in at least one car accident in their life time.[7]

Of course, as articulated by Booth, O'Hare and others, private insurance is far from a 'benign tool' for managing risk.[8] Its increasingly central positioning in

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1 See Chris Connolly, 'Measuring Financial Exclusion in Australia' (Report, Centre for Social Impact for National Australia Bank, June 2013) 6, 8. See also Peter Saunders, *Down and Out: Poverty and Exclusion in Australia* (Policy Press, 2011) 99.

2 Senate Economics References Committee, Parliament of Australia, *Australia's General Insurance Industry: Sapping Consumers of the Will to Compare* (Report, August 2017) 2 [1.9].

3 Department of Home Affairs (Cth), *Disaster Recovery Funding Arrangements 2018* (June 2018) 49.

4 Bureau of Meteorology (Cth) and CSIRO, *State of the Climate 2020* (Report, 2020).

5 *Royal Commission into National Natural Disaster Arrangements* (Final Report, October 2020) 416 [20.2] ('*Natural Disaster Royal Commission Final Report*').

6 International Transport Forum, *Road Safety Report 2021: Australia* (OECD Publishing, 2021) 2.

7 'Car Accidents Survey and Statistics 2021', *Budget Direct* (Web Page, 15 September 2021) <https://www.budgetdirect.com.au/car-insurance/research/car-accident-statistics/2021.html>.

8 Kate Booth, Chloe Lucas, Christine Eriksen, Eliza de Vet, Bruce Tranter, Shaun French, Travis Young and Scott McKinnon, 'House and Contents Underinsurance: Insights from Bushfire-Prone

climate adaptation policy is symptomatic of a broader risk shift from the neoliberal state to the individual 'consumer'.[9] The normalisation of insurance as a requirement for responsible, self-reliant homeownership — and even citizenship — marginalises uninsured householders, particularly renters, as 'less worthy'.[10] It also legitimises the withdrawal of social protections — through narrower eligibility criteria and stricter activity requirements for accessing social security safety nets — on the assumption that their role will be compensated by greater access to financial markets, or 'financial inclusion', for low-income earners.[11] Yet as highlighted by the Australian Securities and Investments Commission ('ASIC'),[12] and in the hearings of the 2019 Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry,[13] insurance is also not a perfectly operational tool. There is extensive evidence that claims handling by insurers, particularly in the aftermath of widespread disasters,[14] can be plagued by delays, poor communication, invasive investigation tactics,[15] and inadequate settlement offers that leave many policyholders unable to cover their repair or rebuilding costs despite being insured.[16]

Nonetheless, it is undeniable that those who forego building, home contents or comprehensive car insurance, particularly on affordability grounds, are especially vulnerable to devastating losses in case of severe property damage. News stories documenting the plight of uninsured householders who 'lost

Australia' (2022) 80 *International Journal of Disaster Risk Reduction* 103209: 1–11, 3; Paul O'Hare, Iain White and Angela Connelly, 'Insurance as Maladaptation: Resilience and the "Business as Usual" Paradox' (2016) 34(6) *Environment and Planning C: Government and Policy* 1175.

9 O'Hare, White and Connelly (n 8) 1185–6; Marcus Banks and Dina Bowman, 'Juggling Risks: Insurance in Households Struggling with Financial Insecurity' (Report, Brotherhood of St Laurence, 2017) 9–13.

10 Kate Booth, Aidan Davison and Kath Hulse, 'Insurantial Imaginaries: Some Implications for Home-Owning Democracies' (2022) 136 *Geoforum* 46, 50.

11 Craig Berry, 'Citizenship in a Financialised Society: Financial Inclusion and the State before and after the Crash' (2015) 43(4) *Policy & Politics* 509.

12 ASIC, *Roadblocks and Roundabouts: A Review of Car Insurance Claim Investigations* (Report No 621, July 2019); ASIC, *Navigating the Storm: ASIC's Review of Home Insurance Claims* (Report No 768, August 2023).

13 *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry* (Final Report, 2019) vol 1, 309, vol 2, 415–55 ('*Banking Royal Commission Final Report*').

14 Evgenia Bourova, Ian Ramsay and Paul Ali, 'The Arduous Work of Making Claims in the Wake of Disaster' (2022) 60(4) *Geographical Research* 534; Financial Rights Legal Centre ('FRLC'), *Exposed: Insurance Problems after Extreme Weather Events* (Report, 2021).

15 Evgenia Bourova, Ian Ramsay and Paul Ali, '"Honest, Fair, Transparent and Timely"? Experiences of Australians Who Make Claims on Their Building, Home Contents or Comprehensive Car Insurance Policies' (2020) 46(3) *Monash University Law Review* 1, 40 ('Honest, Fair, Transparent and Timely?'); ASIC, *Roadblocks and Roundabouts* (n 12); FRLC, *Guilty Until Proven Innocent*: *Insurance Investigations in Australia* (Report, March 2016).

16 Bourova, Ramsay and Ali, 'The Arduous Work of Making Claims in the Wake of Disaster' (n 14) 541–4.

everything'[17] and face 'financial ruin'[18] following bushfires and house fires highlight the perils of foregoing such coverage. Estimates of non-insurance rates in Australia vary, but, according to Booth and Tranter, 4.0% of Australian homeowners lack building insurance, while 7.0% to 12.0% of homeowners and 67.0% to 74.0% of renters lack home contents insurance.[19] Meanwhile, approximately 25.2% of Australian vehicles are not comprehensively insured.[20] Non-insurance is most pronounced among people with low income and asset levels.[21] According to the South Australian Council of Social Service ('SACOSS'), 6.6% to 10.0% of low-income homeowners lack building insurance; 30.0% to 50.0% of low-income earners lack home contents insurance; and 25.0% of low-income car owners lack comprehensive car insurance.[22] Other factors associated with non-insurance include being a renter; being aged under 35 years; being born in a non-English-speaking country; having lower levels of education or paid employment; and being Aboriginal or Torres Strait Islander.[23]

As with other costs of living, insurance costs in Australia are rising substantially relative to wages.[24] In 2023, 12.0% of Australian households faced home insurance affordability stress following a 28.0% rise in premiums over the previous year.[25] Growing concern about insurance accessibility, particularly in areas where more frequent and severe disasters are driving the steepest premium increases, has prompted several government inquiries into the matter. These

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17 Paige Cockburn, 'Bushfire Financial Aid "a Slap in the Face" as Family Receives $1,280 after Their Wytaliba Home Burned Down', *ABC News* (online, 17 January 2020) <https://www.abc.net.au/news/2020-01-17/bushfire-recovery-financial-aid-too-little-too-late/11869252>; Katie Robertson, 'Fire Devastates Uninsured Kelmscott Home', *The West Australian* (online, 12 October 2011) <https://www.perthnow.com.au/news/wa/fire-devastates-uninsured-kelmscott-home-ng-944ddff9c3825282798256b0d203c5ad>.

18 'Lockridge Woman Loses Uninsured House after Fire', *NT News* (online, 24 December 2015) <https://www.ntnews.com.au/news/national/lockridge-woman-loses-uninsured-house-after-fire/news-story/5f6f30cfdacf9447153a3b63dd4effa1>.

19 Kate Booth and Bruce Tranter, 'When Disaster Strikes: Under-Insurance in Australian Households' (2018) 55(14) *Urban Studies* 3135, 3137.

20 Tony Robinson, 'Pranged: The Real Cost of Optional Vehicle Insurance in Australia' (Report, Brotherhood of St Laurence, 2017) 9, 16.

21 Chant Link & Associates, 'A Report on Financial Exclusion in Australia' (Report, Australia and New Zealand Banking Group, 2004) 12, 130, 133 ('ANZ Report'); Connolly (n 1) 22, 28, 30; MJ Powling Research Consulting, 'Home and Motor Vehicle Insurance: A Survey of Australian Households' (Report, NRMA Insurance, October 2001) 17, 20, 28 ('NRMA Report'); Richard Tooth and George Barker, 'The Non-Insured: Who, Why and Trends' (Report, Insurance Council of Australia, May 2007) 16–17.

22 Toby Freeman, 'Protecting the Basics: Insurance Access for People on Low Incomes at Risk from Climate Emergencies' (Report, South Australian Council of Social Service, February 2022) 10.

23 ANZ Report (n 21) 85, 135; Australian Competition and Consumer Commission, *Northern Australia Insurance Inquiry* (Final Report, November 2020) 283–5 ('ACCC Report'); Connolly (n 1) 22–4, 29; Kristy Muir, Rebecca Reeve, Chris Connolly, Axelle Marjolin, Fanny Salignac and Kerrie-Anne Ho, 'Financial Resilience in Australia 2015' (Report, Centre for Social Impact and National Australia Bank, 2016) 945; NRMA Report (n 21) 79, 11; Tooth and Barker (n 21) 4, 12–13, 18–26.

24 Senate Economics References Committee (n 2) 15–16.

25 Sharanjit Paddam, Calise Liu and Saroop Philip, 'Home Insurance Affordability Update' (Report, Actuaries Institute, August 2023) 4.

include the Natural Disaster Insurance Review by Treasury in 2010–11;[26] a 2014 review of Australia's natural disaster funding arrangements by the Productivity Commission;[27] and the inquiry by the Australian Competition and Consumer Commission ('ACCC') into insurance accessibility in northern Australia.[28] These inquiries, together with national surveys measuring non-insurance and other forms of financial exclusion in the population,[29] and a series of studies by community organisations,[30] identify affordability as the major driver of non-insurance rates. Insurance affordability has two dimensions: (1) each policyholder's 'ability to fund the premium, or "cash flow"'; and (2) 'the size of the premium' itself.[31] Both of these dimensions of affordability disproportionally impact Australians on low incomes, whose ability to cover the cost of premiums is constrained by their limited financial resources, and who are also, given the 'geographic overlap' between frequency of disasters and socio-economic disadvantage,[32] especially likely to be living in disaster-prone locations.[33]

While the community sector has campaigned extensively for the development of appropriate, low-cost insurance products for people on low incomes,[34] insurers have not been proactive in targeting this market. Reasons for this include the assumptions that low-cost policies for low-income earners will carry additional risk, and that low-income earners are uninterested in insurance and unaware of its benefits.[35] Yet these assumptions may not reflect reality, with most uninsured participants surveyed by Collins indicating they did want more insurance cover,[36] and only small minorities of low-income earners interviewed

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26 Treasury (Cth), *Natural Disaster Insurance Review: Inquiry into Flood Insurance and Related Matters* (Report, September 2011) ('*Natural Disaster Insurance Review*').

27 Productivity Commission, *Natural Disaster Funding Arrangements* (Inquiry Report No 74, 17 December 2014).

28 ACCC Report (n 23).

29 ANZ Report (n 21) 74; Connolly (n 1) 31; NRMA Report (n 21) 22, 29; Tooth and Barker (n 21) 17, 38.

30 Banks and Bowman (n 9) 14–16; Dominic Collins, 'Reducing the Risks: Improving Access to Home Contents and Vehicle Insurance for Low-Income Australians' (Report, Brotherhood of St Laurence, 2011) v–vii, 5; Susan Maury, Zara Lasater and Maggie Mildenhall, 'The Perceived Value of Insurance for Low-Income Households' (Report, Good Shepherd Australia New Zealand, 2021) 23, 30, 83, 99; Genevieve Sheehan and Gordon Renouf, 'Risk and Reality: Access to General Insurance for People on Low Incomes' (Report, Brotherhood of St Laurence, 2006) 78.

31 *Natural Disaster Insurance Review* (n 26) 86 [11.16].

32 Thomas Sewell, Ruby Stephens, Dale TM Dominey-Howes, Eleanor Bruce and Sarah Perkins-Kirkpatrick, 'Disaster Declarations Associated with Bushfires, Floods and Storms in New South Wales, Australia between 2004 and 2014' (2016) 6(1) *Scientific Reports* 36369:1–11, 9. See also Sonia Akter and R Quentin Grafton, 'Do Fires Discriminate? Socio-Economic Disadvantage, Wildfire Hazard Exposure and the Australian 2019–20 "Black Summer" Fires' (2021) 165 *Climatic Change* 53.

33 Siqin Wang, Mengxi Zhang, Xiao Huang, Tao Hu, Qian Chayn Sun, Jonathan Corcoran and Yan Liu, 'Urban–Rural Disparity of Social Vulnerability to Natural Hazards in Australia (2022) 12(1) *Scientific Reports* 13665.

34 See generally Tanya Corrie, 'Microfinance and the Household Economy: Financial Inclusion, Social and Economic Participation and Material Wellbeing' (Report, Good Shepherd Youth & Family Service, 2011); Collins (n 30); Good Shepherd Microfinance, 'Insurance for Low-Income Australians: Taking Innovative Action' (Discussion Paper, March 2013); Freeman (n 22).

35 Good Shepherd Microfinance (n 34) 12–13, 18.

36 Collins (n 30) 25.

by Maury, Lasater and Mildenhall indicating that they did not regard building, home contents and car insurance as valuable.[37] Rather, research indicates that only a minority of uninsured Australians forego insurance on principle, for example because they do not believe in insurance or prefer to carry the risk themselves, while far larger proportions are motivated by affordability concerns.[38]

In this article, we analyse the findings of a study examining 'unmet need' for insurance among Australians without building, home contents or comprehensive car insurance. In designing this study, we focused on objective and subjective dimensions of unmet need, including (1) limited financial resources — such as income, savings and potentially sellable assets — that could be used to cover the cost of repairing or replacing lost or damaged property; (2) self-perceived exposure to the risk of financial loss in case of an emergency causing severe property damage; and (3) self-expressed interest in purchasing insurance if it was accessible. In Part II, we introduce the legal and policy context for building, home contents and comprehensive car insurance purchase in Australia. In Part III, we outline the safety nets available for uninsured Australians and document their limitations in protecting against financial loss in an emergency scenario.

In Parts IV and V, we introduce our study, which employed an online survey to gauge unmet need for insurance among 'uninsured'[39] Australians, and draw upon our findings to evaluate some measures that could address such need by improving insurance accessibility. The measures examined in this article include taxation measures; government reinsurance; microfinance; insurance-with-rent schemes; and direct subsidies or concessions. Historically, there has been a reluctance by Australian governments to intervene in private insurance markets, with Treasury describing such intervention as 'justifiable only where, and to the extent that there is clear failure by those private markets to offer appropriate cover at affordable premiums'.[40] We argue that particularly in relation to low-income earners, such intervention — preferably in the form of direct, targeted subsidies or concessions, and perhaps supported by statutory recognition of insurance as an 'essential service' — is necessary to ensure the most vulnerable are not left open to devastating financial losses when disaster strikes.

II Legal and Policy Context for Building, Home Contents and Car Insurance Purchase in Australia

In Australia, a complex framework of legislation applies to the relationship between an insurer and a policyholder who purchases building, home contents or

37 Maury, Lasater and Mildenhall (n 30) 23, 30.

38 Evgenia Bourova, Ian Ramsay and Paul Ali, 'Unaffordable, Untrustworthy or Unnecessary? Reasons for Foregoing Building, Home Contents and Comprehensive Car Insurance in Disaster-Prone Australia' (Working Paper, Melbourne Law School, 2024) 17–18. See also NRMA Report (n 21) 22, 29.

39 We refer to people taking part in our survey of Australians without building, home contents or comprehensive car insurance as 'uninsured respondents' even though some had other types of insurance, including third party car insurance ('TPCI'), private health insurance and life insurance.

40 *Natural Disaster Insurance Review* (n 26) ii.

comprehensive car insurance.[41] Insurance contracts are governed by the *Insurance Contracts Act 1984* (Cth) ('*ICA*'), s 13(1) of which imposes a duty 'requiring each party to [an insurance contract] to act towards the other party … with the utmost good faith'. Insurers are also subject to the *Australian Securities and Investments Commission Act 2001* (Cth), which governs consumer protection in relation to financial services. Further obligations relating to claims handling are contained in the General Insurance Code of Practice (2023), which prescribes timeframes for resolving claims and communicating with policyholders, and in ch 7 of the *Corporations Act 2001* (Cth) ('*Corporations Act*'), which sets out a uniform licensing and disclosure regime and requires all 'financial services', including 'claims handling and settling' services,[42] to be provided 'efficiently, honestly and fairly'.[43] Reforms implementing the recommendations of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry have expanded ASIC's powers to take enforcement action in response to breaches of these obligations by insurers, including breaches of the duty of utmost good faith,[44] and breaches of 'enforceable' Code provisions.[45] Below is an overview of the legal and policy context surrounding building, home contents or comprehensive car insurance purchase in Australia.

A *Building and Home Contents Insurance*

Building insurance covers the physical structure of a home, including permanent fixtures such as walls, roofs, garages and fences. Home contents insurance covers personal possessions and household items including whitegoods, furniture, clothing and carpets. Both products cover loss or damage caused by disasters and weather events (in some cases, excluding flood),[46] vandalism and theft, house fire and accidental damage. They can be purchased as a combined policy, or

41 Bourova, Ramsay and Ali, 'Honest, Fair, Transparent and Timely?' (n 15) 6–18.

42 See *Corporations Act 2001* (Cth) ss 766A(1)(eb), 766G ('*Corporations Act*').

43 Ibid s 912A(1)(a). For more information on what this requirement entails in the claims handling context, see ASIC, 'Claims Handling and Settling: How to Comply with Your AFS Licence Obligations' (Information Sheet No 253, May 2021).

44 See *Insurance Contracts Act 1984* (Cth) s 13(2A) ('*ICA*'), which provides for a civil penalty of 5,000 penalty units where an insurer fails to comply with the duty of utmost good faith in s 13(1).

45 ASIC may identify a provision of the General Insurance Code of Practice (2023) as 'enforceable' where (a) 'the provision represents a commitment to a person by a subscriber to the code relating to transactions or dealings performed for, on behalf of or in relation to the person; and (b) breach of the provision is likely to result in significant and direct detriment to the person; and (c) [any] additional criteria prescribed by the regulations ... are satisfied; and (d) it is appropriate to identify the provision … as an enforceable code provision ...': *Corporations Act* (n 42) s 1101A(2). Civil penalties of up to 300 penalty units may apply for breaches of an enforceable code provision: *Corporations Act* (n 42) s 1101AC.

46 Historically, building and home contents insurance policies in Australia covered damage caused by stormwater but excluded or allowed policyholders to opt out of flood cover. The lack of flood cover for many residents of flood-affected areas prompted Treasury's 2011 review of natural disaster insurance, which called for the inclusion of mandatory flood cover in all building insurance policies. This recommendation was rejected by the federal government and while approximately 94% of building and home contents insurance policies purchased in 2019 covered flood, policyholders may still opt out of flood coverage, or purchase policies that exclude flood: Insurance Council of Australia, 'Townsville Catastrophe Insurance Claims Rising By the Hour' (Media Release, 5 February 2019).

separately, with some insurers offering 'renters' insurance' or contents-only policies for renters whose belongings would not be covered under their landlord's building insurance policy.[47] Meanwhile, for properties on a strata title, such as units, apartments or flats, the building itself — alongside any lifts, car parks, pools and gardens — is considered common property under the management of a strata title or body corporate entity, and is covered by strata insurance mandated by each state and territory's relevant strata legislation.[48] Strata managers or body corporates typically negotiate strata cover through a broker or specialist underwriting agency,[49] while owners of strata titles share the premium costs as part of their strata fees.

With the exception of strata title properties, there is no legal requirement for homeowners to purchase building insurance in Australia. Most lenders require prospective borrowers to have a policy equal to the amount recommended on the property valuation in place before settlement. For strata title properties, lenders typically require a certificate of currency provided by the body corporate. Yet homeowners are not required to maintain insurance for the duration of their mortgage, and are not subject to any requirements to remain insured once their mortgage is paid off.[50]

While approximately 4.0% of Australian homeowners lack building insurance,[51] non-insurance rates are higher in disaster-prone locations, with up to 40.0% of homes in some flood and cyclone-prone areas of northern Western Australia not covered by building insurance.[52] Non-insurance rates are higher for home contents insurance, with 7.0% to 12.0% of homeowners and 67.0% to 74.0% of renters lacking home contents coverage.[53] There is no requirement for the majority of policyholders whose policies cover loss or damage up to a specific 'sum insured' to ensure this amount remains adequate to cover their rebuilding costs if the home is destroyed in a 'total loss' event. Consequently, many Australian homes are underinsured, as the sum insured under their insurance policy would not cover the full extent of the damage in such a scenario.[54]

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47 Aimed primarily at young renters and students living in shared accommodation, renters' insurance combines lower premiums with a reduced level of cover: Collins (n 30) 7. Most renters' insurance policies do not cover alternative accommodation if the dwelling becomes uninhabitable or if the landlord claims against rental bonds for accidental damage.

48 *Unit Titles (Management) Act 2011* (ACT) s 100; *Strata Schemes Management Act 2015* (NSW) pt 9 div 1; *Unit Title Schemes Act 2017* (NT) div 3 sub-div 6; *Body Corporate and Community Management Act 1997* (Qld) pt 6; *Strata Titles Act 1988* (SA) pt 3 div 4; *Strata Titles Act 1998* (Tas) pt 8; *Owners Corporation Act 2006* (Vic) pt 3 div 6; *Strata Titles Act 1985* (WA) s 97.

49 Senate Economics References Committee (n 2) 5 [1.19].

50 *Natural Disaster Insurance Review* (n 26) 88–90 [11.31]–[11.37].

51 Booth and Tranter (n 19) 3137.

52 ACCC Report (n 23) xii, 155.

53 Booth and Tranter (n 19) 3137.

54 ASIC, *Getting Home Insurance Right: A Report on Home Building Underinsurance* (Report No 54, 2005) 15–17.

B *Comprehensive Car Insurance*

There are several levels of car insurance available in Australia. Only the minimum level — compulsory third party ('CTP') insurance cover — is legally mandated.[55] CTP only provides compensation for bodily harm caused by a vehicle in an accident. In New South Wales, the Australian Capital Territory, Queensland and South Australia, CTP is underwritten by private insurers. In Victoria, Western Australia, Tasmania and the Northern Territory, it goes directly through the state government and is automatically included in car registration costs.

The most basic form of non-mandatory car insurance is third party car insurance ('TPCI'), which covers damage to someone else's cars or property, but, unlike comprehensive insurance, does not cover loss or damage to the policyholder's own car if it is stolen, vandalised, or involved in an accident.[56] Third party fire and theft policies do cover the policyholder's car, but only in respect of fire or theft. However, uptake of these policies remains limited, with around two-thirds of all TPCI policies in Australia being the basic version with no fire and theft cover.[57]

The highest and most expensive tier of car insurance is comprehensive car insurance, which covers damage to the policyholder's own car and cars belonging to third parties, regardless of whether an accident is the policyholder's fault.[58] It also covers the policyholder's car for accidental damage, fire and theft. Approximately 74.8% of Australian vehicles are comprehensively insured; 13.3% are only covered by TPCI; 10.6% are only covered by CTP insurance; and 1.3% are unregistered and lacking even CTP insurance.[59]

III Safety Nets for Uninsured Australians

In an emergency causing severe damage to their home, contents or car, those without building, home contents or comprehensive car insurance face enormous costs and limited options. Highest are the costs of rebuilding a home destroyed in a 'total loss' event such as a fire, flood or cyclone. Such costs are notoriously difficult to predict. Rebuilding costs can skyrocket in the wake of widespread disasters causing damage to large numbers of homes, while high demand for alternative accommodation puts upwards pressure on rental prices in affected areas.[60] Lower-income householders in particular can find themselves struggling to replace household appliances, furniture and other essentials, even those acquired second-hand or through low-cost retailers, despite previously assuming

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55 See *Motor Accident Injuries Act 2019* (ACT) s 289; *Motor Accident Injuries Act 2017* (NSW) s 2.1; *Traffic Act 1987* (NT) s 34; *Motor Accident Insurance Act 1994* (Qld) s 20; *Motor Vehicles Act 1959* (SA) s 102; *Motor Accidents (Liabilities and Compensation) Act 1973* (Tas) s 29; *Transport Accident Act 1986* (Vic) s 109; *Motor Vehicle (Third Party Insurance) Act 1943* (WA) s 4.

56 Robinson (n 20) 23; Senate Economics References Committee (n 2) 4 [1.17].

57 ASIC, *Review of General Insurance Claims Handling and Internal Dispute Resolution Procedures* (Report No 245, August 2011) 12.

58 Senate Economics References Committee (n 2) 4 [1.17].

59 Robinson (n 20) 8–9.

60 ASIC, *Getting Home Insurance Right* (n 54) 57.

they had no valuables to speak of.[61] By way of illustration, in a survey by the ACCC, 15.0% of Townsville residents who suffered property damage in the devastating floods of 2019 estimated their losses as over $100,000.[62]

Car accidents, too, can be financially devastating, particularly for low-income earners without comprehensive insurance. The average cost of car repairs following an accident in Australia was approximately $3,000 in 2017;[63] however, repairs for some car models can amount to 70.0% of their purchase price.[64] If the car was purchased using a personal or unsecured car loan that is still being repaid, drivers without comprehensive insurance may be left owing thousands of dollars to the lender, even when the car is damaged or written off.[65] Drivers without TPCI who are at fault in an accident may also be liable to pay the 'reasonable cost' of damage to the property of third parties, including repair costs, towing and storage, hire car costs and even lost wages if the other driver's vehicle is used to earn an income.[66] Disputes over property damage caused by at-fault drivers without TPCI frequently progress to court, incurring court and legal fees.[67]

In the face of such costs, any savings are quickly depleted. In another survey by the ACCC, only 41.0% of uninsured residents of northern Australia who suffered losses in an insurable event were able to manage their loss using savings, and 26.0% found it 'extremely' or 'very' difficult to cover their repair and replacement costs.[68] Other avenues for financing purchases, repairs, accommodation and other expenses include credit cards and short-term loans, although they attract high interest rates, particularly for those forced to borrow from fringe lenders.[69] Ultimately, many uninsured low-income earners carry out necessary repairs themselves, or simply go without cars and household items that they cannot afford to repair or replace.[70]

A *Financial and In-Kind Assistance from Governments and Charities*

While governments emphasise the importance of savings, insurance and other 'self-help strategies' in anticipation of emergencies,[71] Australia also recognises

61 Sheehan and Renouf (n 30) 23.
62 ACCC Report (n 23) 198.
63 Robinson (n 20) 13.
64 Graham Byrne, 'Small Vehicle Repair Costs', *CHOICE* (online, 2 September 2014) <https://www.choice.com.au/transport/cars/maintenance/articles/small-vehicle-repair-costs>.
65 Katie Fraser, 'Out of Africa and into Court: The Legal Problems of African Refugees' (Report, Footscray Community Legal Centre, June 2009) 27.
66 FRLC, 'Car Accident When Uninsured' (Fact Sheet, January 2024).
67 Robinson (n 20) 20.
68 ACCC Report (n 23) 290.
69 Corrie (n 34) 36.
70 Collins (n 30) 1; Corrie (n 34) 116.
71 National Emergency Management Agency (Cth), 'Disaster Recovery Funding Arrangements 2018' (Fact Sheet, 2018) 1.

the right to social security,[72] with the Commonwealth government responsible for distributing benefits, pensions and other payments as part of the social safety net for all Australians. Disaster relief is an area where additional safety nets are in place to assist those without insurance. Below, we outline the assistance available for uninsured Australians in the disaster context and beyond.

1 *State Governments*

In Australia, disaster relief is primarily the responsibility of the state, territory and local governments.[73] Under the Disaster Recovery Funding Arrangements 2018 ('DRFA'), the Commonwealth government provides funding directly to the states in respect of particularly severe disasters, while the states determine the relief measures to make available.[74] State and local government assistance in the aftermath of disaster can take many forms. Immediately following the event, governments provide 'material aid to address basic needs', including water, food, clothing and shelter.[75] Subsequent support may include financial assistance such as grants, loans, payments and vouchers for individuals and businesses, or services such as legal assistance and financial counselling.[76] Typically, the larger payments available under state frameworks are subject to income and asset limits and confined to individuals who (1) are uninsured; (2) have insurance that excludes the particular disaster event; or (3) have had a claim under the policy declined.

For example, in Victoria, anyone significantly affected by a specified disaster can apply for a one-off Emergency Relief Payment of up to $2,240 per family 'to help meet immediate needs, including emergency food, shelter, clothing, medication and accommodation'.[77] Uninsured Victorians whose principal residence is damaged, destroyed or rendered inaccessible for over seven days may also be eligible for Emergency Re-establishment Assistance totalling up to $43,850 (as at October 2022) to help pay for clean-up, emergency accommodation, repairs, rebuilding and replacement of damaged contents.[78]

In Queensland, the Structural Assistance Grant provides up to $80,000 for uninsured, low-income owner-occupiers affected by eligible disaster events occurring since January 2023 (or up to $50,000 for eligible disaster events

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72 Contained in art 9 of the *International Covenant on Economic, Social and Cultural Rights*, opened for signature 16 December 1966, 993 UNTS 3 (entered into force 3 January 1976) and given effect in legislation such as the *Social Security Act 1991* (Cth) and *Social Security (Administration) Act 1999* (Cth).

73 Productivity Commission (n 27) vol 2, iv–v, 300–2.

74 *Disaster Recovery Funding Arrangements 2018* (n 3) 14 [3.1.1]–[3.1.2].

75 *Natural Disaster Royal Commission Final Report* (n 5) 457 [22.14].

76 Ibid.

77 'Personal Hardship Assistance Program', *Department of Families, Fairness and Housing (Vic)* (Web Page, 2023) <https://services.dffh.vic.gov.au/personal-hardship-assistance-program>; Murray Watt, Minister for Emergency Management, 'Jointly Funded Disaster Assistance for Storm and Bushfire-Impacted Communities in Victoria' (Media Release, 17 February 2024).

78 Jacinta Allan, Premier of Victoria, 'Supporting Victorians through Flood Clean-up' (Media Release, 19 October 2022).

occurring prior to January 2023) to address structural damage to their home.[79] The Essential Household Contents Grant provides uninsured low-income earners with up to $1,765 (for single adults) or $5,300 (for couples and families) to assist with repairing or replacing essential home contents, while the Essential Services Safety and Reconnection Scheme Grant contributes towards reconnecting essential electricity, gas, water or sewerage services.[80] Smaller payments that are neither income-tested nor limited to uninsured householders include Emergency Hardship Assistance ($180 per person to assist with purchasing food, clothing and medical supplies or securing temporary accommodation), and Essential Services Hardship Assistance ($150 per person to assist with immediate needs following loss of essential services at their home).[81] Finally, through the Resilient Homes Fund, the Queensland government has provided funding for homeowners to repair, retrofit or raise — or demolish and rebuild or relocate — flood-affected homes.[82]

In New South Wales, low-income earners whose primary residence was damaged or destroyed by a disaster may access Essential Household Contents Grants, which assist with replacing essential household items; or Structural Repairs Grants, which contribute toward essential structural repairs, in some cases extending to fully rebuild homes rendered uninhabitable.[83] Following a series of severe storm and flooding events in 2022, uninsured residents who had not received a Disaster Relief Grant — for example, because their income or assets exceeded the prescribed limits — could also apply for a one-off Back Home Grant.[84] Now closed to new applicants, this grant provided up to $20,000 for owner-occupiers to replace essential items or restore housing to a habitable condition; or $5,000 for tenants to replace essential items or relocate to a new property. Stamp duty relief may also be provided on the replacement of cars written off due to a declared disaster, but only for comprehensively insured vehicles.

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79 'Structural Assistance Grant', *Queensland Government* (Web Page, August 2024) <https://www.qld.gov.au/community/disasters-emergencies/disasters/money-finance/types-grants/structural-assistance>.

80 'Essential Household Contents Grant', *Queensland Government* (Web Page, March 2024) <https://www.qld.gov.au/community/disasters-emergencies/disasters/money-finance/types-grants/essential-household-contents>; 'Essential Services Safety and Reconnection Scheme', *Queensland Government* (Web Page, July 2024) <https://www.qld.gov.au/community/disasters-emergencies/disasters/money-finance/types-grants/essential-serv-safety-reconnect>.

81 'Emergency Hardship Assistance', *Queensland Government* (Web Page, July 2024) <https://www.qld.gov.au/community/disasters-emergencies/disasters/money-finance/types-grants/emergency-hardship-assist>; 'Essential Services Hardship Assistance Grant', *Queensland Government* (Web Page, July 2024) <https://www.qld.gov.au/community/disasters-emergencies/disasters/money-finance/types-grants/essential-serv-hardship-assist>.

82 'About the Resilient Homes Fund', *Queensland Government* (Web Page, 2023) <https://www.qld.gov.au/housing/buying-owning-home/financial-help-concessions/resilient-homes-fund/overview/about>.

83 New South Wales Government, 'Disaster Relief Grant Terms and Conditions', *Apply for the Disaster Relief Grant* (Document, 2023) <https://www.nsw.gov.au/sites/default/files/noindex/2022-11/Disaster_Relief_Grant_Terms_and_Conditions.pdf>.

84 'Flood Recovery Back Home Grant: Guidelines', *Service NSW* (Web Page, 2023) <https://www.service.nsw.gov.au/flood-recovery-back-home-grant-guidelines>.

2 *Commonwealth Government*

Australians adversely affected by disasters may also apply for assistance through Centrelink. Two payments funded by the DRFA may be available when the magnitude of a disaster requires additional Commonwealth government support. These are the Australian Government Disaster Recovery Payment (a one-off, non-means-tested payment of $1,000 per adult and $400 per child);[85] and the Disaster Recovery Allowance (an income support payment for up to 13 weeks to assist those whose income is affected by a disaster).[86] Those ineligible for these payments may apply for a Crisis Payment for people who are in 'severe financial hardship', receiving or eligible for income support and experiencing an 'extreme circumstance' (which includes having to leave their home because of a disaster).[87] People facing financial hardship who are ineligible for any other payment may apply for a fortnightly Special Benefit, paid at the same rate as the JobSeeker unemployment benefit.[88]

3 *Charity Organisations*

Charities such as the Australian Red Cross, St Vincent de Paul and the Salvation Army also provide emergency relief services to disaster survivors — as well as others in a crisis situation, such as illness or family violence — which may include food hampers, clothing and furniture, or fuel and grocery vouchers. Charities also distribute financial assistance, partially funded by donations from businesses, communities and the Commonwealth government.[89] During the catastrophic Black Summer bushfires of 2019–20, the Salvation Army provided significant loss grants (up to $3,000 per family) and total loss of residence grants (up to $3,500 per household).[90] The Australian Red Cross provided emergency grants of up to $20,000 to support those whose primary residence was destroyed.[91]

4 *Limitations of the Existing Safety Nets for the Uninsured*

These safety nets have major limitations when it comes to reducing exposure to financial loss for uninsured Australians. First, with certain exceptions, such as Centrelink Crisis Payments, they are unavailable in case of non-disaster events such as house fire or car accident. Secondly, these payments fall far short of the total costs incurred by someone whose home is severely damaged or destroyed in

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85 Department of Home Affairs (Cth), 'Disaster Recovery Payment' (Fact Sheet) <https://www.disasterassist.gov.au/Documents/Fact-sheets/Disaster-Recovery-Payment-Factsheet.pdf>.

86 Department of Home Affairs (Cth), 'Disaster Recovery Allowance' (Fact Sheet) <https://www.disasterassist.gov.au/Documents/Fact-sheets/Disaster-Recovery-Allowance-Factsheet.pdf>.

87 'Crisis Payment for Other Extreme Circumstances', *Services Australia* (Web Page, 2023) <https://www.servicesaustralia.gov.au/crisis-payment-for-other-extreme-circumstances>.

88 'Special Benefit', *Services Australia* (Web Page, 2023) <https://www.servicesaustralia.gov.au/special-benefit>.

89 *Natural Disaster Royal Commission Final Report* (n 5) 458–60 [22.16]–[22.22].

90 Ibid 459 [22.21].

91 Ibid.

a disaster. As such, these safety nets are not so much an exception from the rhetoric of personal responsibility as an extension of it, with governments describing their role in disaster recovery as secondary to that of private insurers. The Royal Commission into National Natural Disaster Arrangements states:

> Recovery support is intended to assist people in need [to] … 'get back on their feet', not cover the cost of replacing lost assets or income. It is not a substitute for being properly prepared for disasters … by obtaining appropriate insurance.[92]

According to the Northern Territory government, disaster relief aims to 'help' meet 'immediate and recovery needs, but is not a substitute for insurance' and will not cover the full extent of survivors' losses.[93]

Unequal distribution of financial assistance under these frameworks exacerbates existing socio-economic inequalities. According to Ulubasoglu, disaster recovery funding is predominantly channelled towards businesses rather than households, widening the gap between survivors on high and low incomes, as the latter are more likely to be unemployed, undertaking unpaid care work or otherwise unable to benefit from assistance targeting businesses.[94] There is also a disparity between the levels of funding directed towards homeowners and renters. The bulk of the disaster relief payments listed in Parts III(A)(1) and (2) are aimed at homeowners. Yet renters also face significant costs in the wake of disasters, especially if their home is rendered uninhabitable.[95] As Booth, Davison and Hulse write:

> In home-owning democracies, uninsured renters fulfill a role of irresponsible and marginal subjects … [and] may not be considered worthy of specific attention in disaster planning and recovery. Having abrogated a perceived responsibilized duty to insure, governments may feel justified to leave this cohort to face the consequences of their 'choices', particularly as increases in the frequency and intensity of disaster events due to climate change continue to strain public resources.[96]

B *The Importance of Community Networks*

Friends, family, neighbours and broader community networks also provide vital support for uninsured households in the disaster context. Moreton describes 'hundreds of examples' of financial and in-kind assistance within disaster-affected communities, including free temporary housing, clothing and food; free services through local businesses such as grocery stores and hairdressers; sharing of tools and equipment; handyman support; and assistance with rebuilding and securing

92 Ibid 456 [22.9].

93 Northern Territory Government, 'Financial Help for Residents', *SecureNT* (Web Page, 2023) <https://securent.nt.gov.au/recover-from-an-emergency/getting-help/financial-help-for-residents>.

94 Mehmet Ulubasoglu, 'Natural Disasters Increase Inequality: Recovery Funding May Make Things Worse', *The Conversation* (online, 27 February 2020) <https://theconversation.com/natural-disasters-increase-inequality-recovery-funding-may-make-things-worse-131643>.

95 CHOICE, *Weathering the Storm: Insurance in a Changing Climate* (Report, August 2023) 14.

96 Booth, Davison and Hulse (n 10) 51.

livestock.[97] Online crowdfunding platforms such as GoFundMe and MyCause enable community fundraising campaigns rivalling appeals by established charities.[98] Acknowledging the importance of such support, Young, Lucas and Booth describe residents in some disaster-prone areas as having 'a sense of insurance … based on community networks … that may or may not include purchase of an insurance policy'.[99]

Yet such mechanisms for raising much-needed funds are not always available for uninsured residents lacking large social networks and experiencing disadvantage on multiple fronts.[100] Young, Lucas and Booth document a phenomenon where previous residents in bushfire-affected areas on the urban periphery are pushed into less fire-prone locations when their policies fail to cover rebuilding costs, while cheaper land prices and housing affordability issues in the inner and outer suburbs draw newer residents into precisely those areas that are at highest risk of bushfire.[101] Newer residents may lack social connections in their area, their isolation compounded by lengthy commutes and limited local employment opportunities.[102] If they forego insurance, as Booth and Harwood note, their decision may be viewed with 'harsh judgment' by neighbours who identify as 'good insured-type people'.[103] Assistance from community networks is contingent upon many factors, and cannot compensate for the vulnerability that comes with being unable to access insurance, particularly on affordability grounds.

IV Our Study

As part of a broader project covering themes of financial exclusion, insurer claims handling practices and consumer protection, we conducted an online survey of Australians without building, home contents or comprehensive car insurance. The survey was delivered through the research company Pureprofile, which maintains a database of panellists who complete surveys in return for a small cash payment. The survey explored multiple themes, including the extent of unmet need for building, home contents and comprehensive car insurance among uninsured Australians.

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97 Margaret Moreton, '"We Needed Help, but We Weren't Helpless": The Community Experience of Community Recovery after Natural Disaster in Australia' (2018) 33(1) *Australian Journal of Emergency Management* 19, 20.

98 Caitlin Fitzsimmons, 'Crowdfunding Campaigns Rival Traditional Charities: Millions Raised in Flood Relief', *The Sydney Morning Herald* (online, 12 March 2022) <https://www.smh.com.au/national/nsw/crowdfunding-campaigns-rival-traditional-charities-millions-raised-in-flood-relief-20220303-p5a1b3.html>.

99 Travis Young, Chloe Lucas and Kate Booth, 'Insurance, Fire and the Peri-Urban: Perceptions of Changing Communities in Melbourne's Rural–Urban Interface' (2022) 53(1) *Australian Geographer* 41, 49.

100 See, eg, Matthew Wade, 'Crowdfunding Disaster Relief Offers Hope in Desperate Times. But Who Gets Left Behind?', *The Conversation* (online, 9 March 2022) <https://theconversation.com/crowdfunding-disaster-relief-offers-hope-in-desperate-times-but-who-gets-left-behind-178632>.

101 Young et al (n 99) 49–51, 55.

102 Michael Buxton and Andrew Butt, *The Future of the Fringe* (CSIRO Publishing, 2020).

103 Kate Booth and Andrew Harwood, 'Insurance as Catastrophe: A Geography of House and Contents Insurance in Bushfire-Prone Places' (2016) 69 *Geoforum* 44, 50.

A Methodology

The survey comprised 52 mostly quantitative multiple-choice questions. Screener questions sought to ensure that respondents (1) drove a car owned or paid off by them or someone in their household (as car insurance is only relevant for car owners); (2) did not have a building, home contents or comprehensive car insurance policy; (3) had some responsibility for making household financial decisions; and (4) were aged over 18.

Following a set of demographic questions, in order to evaluate unmet need for insurance in our sample, the survey asked respondents to estimate the value of any financial resources that could be used to cover repair or replacement costs, including their annual household income and other financial assets including savings. Respondents were asked if they could raise $2,000 within a week in an emergency,[104] and asked to describe their ability to make ends meet.[105] The survey then sought to measure to what extent respondents regarded themselves as exposed to the risk of financial loss in case of an emergency causing severe property damage. Respondents were asked to imagine a scenario where their home, home contents or car were severely damaged or destroyed, and asked how likely they would be to cover their costs and resume their current standard of living. They were asked how likely they would be to employ various strategies to get by financially in such a situation. They were also asked what the consequences would be for them and their families. Finally, respondents were asked to what extent various factors would make them more likely to take out building, home contents or comprehensive car insurance, and what type of insurance they would most like to have if it was affordable. They were also asked if they were aware of several existing products or features designed for those who could not afford standard insurance policies.

Following receipt of ethics approval, the survey was launched in August 2019 when Pureprofile distributed generic recruitment emails to eligible members of its panel. Respondents provided consent by clicking on a link and completing the survey. The survey initially received 1,000 completed responses. We subsequently excluded 103 respondents as they owned apartments and units set on a strata title, and would have purchased building insurance indirectly through their body corporate, leaving a final sample of 897 respondents. The survey data was analysed by a statistician using the software platform SPSS Statistics.

B Findings

1 Demographics

Of our sample of 897 Australians without building, home contents or comprehensive car insurance, 56.4% were female and 43.6% were male. Respondents included residents of all Australian states and territories, with the largest proportions living in New South Wales, Victoria and Queensland. Most

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104 See Muir et al (n 23) 104 (question C10).

105 See Claire Whyley, James McCormick and Elaine Kempson, *Paying for Peace of Mind: Access to Home Contents Insurance for Low-Income Households* (Policy Studies Institute, 1998).

(65.1%) lived in 'major cities',[106] with smaller proportions living in 'inner regional' (20.4%), 'outer regional' (12.7%) and 'remote' or 'very remote' (1.8%) locations. Respondents were aged 18–24 years (18.4%); 25–34 years (28.9%); 35–44 years (23.3%); 45–54 years (11.6%); 55–64 years (11.1%); and 65 and over (6.7%).

Most respondents rented, either from a private landlord or agent (57.0%) or in public or community housing (10.9%). Only a quarter owned their home, either 'outright' (10.5%) or 'with a mortgage' (15.1%), while 5.4% lived 'rent-free with family or friends'.[107] When asked to indicate their highest level of formal education completed, responses included 'Year 10 or less' (12.6%); Year 11 (3.6%); Year 12 (16.1%); bachelor's degree (28.9%); TAFE (27.8%); and postgraduate degree (11.1%). Only 35.1% were employed on a 'permanent full-time' basis; others selected 'permanent part-time' (8.5%); 'casual full-time' (3.2%); 'casual part-time' (8.7%); and 'self-employed or working in a family business' (6.0%). Others selected 'home duties' (12.0%); 'studying' (10.6%); 'unemployed' (9.4%); 'retired' (8.5%); 'caring for a child or another person' (7.8%); and 'looking for work or extra work' (6.7%).[108]

2 *Financial Resources*

All respondents (n = 897) were asked to identify their household's main source of income. Responses included 'wages paid by an employer' (55.3%); some form of Centrelink payment (the most common being the Disability Support Pension followed by the JobSeeker Payment for the unemployed and the Age Pension) (30.9%); 'earnings from own business' (5.4%); 'savings in a bank account' (3.9%); 'investment income' (1.6%); 'workers' compensation' (1.1%); 'superannuation' (1.0%); and 'other' (0.9%).[109] When asked to estimate their total annual household income before tax, including wages, Centrelink payments and child support, responses included 'less than $25,000' (16.7%); '$25,000–$49,999' (21.4%); '$50,000–$74,999' (17.8%); '75,000–$99,999' (18.1%); '$100,000–$124,999' (10.3%); '$125,000–$149,999' (4.7%); '$150,000 or more' (5.4%); and 'do not know or prefer not to say' (5.7%).[110] When asked how much their household income had varied week to week over the previous 12 months, 20.5% said 'a lot'; 44.9% said 'a bit'; and 34.6% said 'not at all'.

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[106] Under the Australian Statistical Geography Standard, 'major cities' include Melbourne, Sydney, Brisbane, the Gold Coast, Newcastle and the Sunshine Coast: Australian Bureau of Statistics ('ABS'), *Australian Statistical Geography Standard (ASGS): Volume* 5 — *Remoteness Structure, July 2016* (Catalogue No 1270.0.55.005, March 2018).

[107] By comparison, in 2017–18, 30.0% of Australian households owned their home outright; 37.0% owned their home with a mortgage; 27.0% rented privately; and 3.0% lived in public or community housing: ABS, *Housing Occupancy and Costs 2017–18* (Catalogue No 4130.0, July 2019).

[108] For this question, respondents were able to select more than one response.

[109] By comparison, in 2020, the main income sources for Australians were wages paid by employer (62.8%), earnings from own business (2.6%), Centrelink payment (23.0%), and other income (10.8%): ABS, *Household Financial Resources, December 2020* (30 June 2021) <https://www.abs.gov.au/statistics/economy/finance/household-financial-resources/latest-release>.

[110] At the time of the survey, according to the latest available data from the 2016 Census, the median household income for all Australians was $74,776 per annum: ABS, *2016 Census All Persons QuickStats* (Web Page) <https://www.abs.gov.au/census/find-census-data/quickstats/2016/0>.

Nearly all (89.6%) of respondents had a bank account. Smaller proportions had superannuation (53.1%); a credit card (36.3%); TPCI (28.9%); private health insurance (17.3%); and life insurance (6.0%). When asked to estimate the total value of their financial assets, including savings, shares, managed funds or investment properties, but not superannuation or their residential home, 27.6% said 'less than $500'. Smaller proportions selected '$500–$999' (6.5%); '$1,000–$4,999' (12.2%); '$5,000–$9,999' (10.8%); '$10,000–$19,999' (14.2%); '$20,000–$49,999' (9.3%); '$50,000–$99,999' (4.6%); '$100,000 or more' (4.8%); and 'do not know' (10.1%). When asked to estimate the total value of their home contents, responses included 'less than $1,000' (6.0%); '$1,000–$4,999' (17.1%); '$5,000–$9,999' (18.1%); '$10,000–$19,999' (26.5%); '$20,000–$49,999' (17.8%); '$50,000 or more' (7.4%); and 'do not know' (7.1%).

When asked to describe their overall ability to make ends meet, only 36.2% were managing 'very well' or 'quite well'; 39.6% were 'just getting by'; and 24.2% were experiencing 'some' or 'a lot of' financial difficulties. When asked if they could raise $2,000 within a week in an emergency, just 34.8% said 'yes'; most said 'no' (53.1%) or 'do not know' (12.2%). Of those who answered 'yes' or 'do not know' (n = 421), 64.8% would raise the money by using their savings. Others would 'borrow from family or friends' (13.8%); 'use a credit card' (10.0%); 'borrow from the bank' (5.2%); or 'use a payday, online or shopfront lender' (2.4%). A further 0.5% said 'other'; and 3.3% said 'do not know'.

3 *Capacity to Weather an Emergency Without Insurance*

All respondents were asked to imagine a scenario where their home, home contents or car were severely damaged or destroyed in an emergency such as a bushfire or flood. When asked how likely they would be to cover their costs and resume their current standard of living, responses included 'not at all likely' (21.7%); 'unlikely' (28.7%); 'neither likely nor unlikely' (27.8%); 'likely' (18.5%); and 'extremely likely' (3.3%).

All respondents were asked how likely they would be to use a range of strategies to get by financially in such a scenario. Their responses are shown in Table 1.

Table 1: What respondents would do to get by financially in an emergency causing severe property damage

In this situation, how likely would you be to do the following to get by financially?	'Extremely likely' or 'Likely'	'Neither likely nor unlikely'	Unlikely' or 'Not at all likely'
	% of all respondents (n = 897)		
Apply for a Centrelink payment	55.4	20.2	24.4
Apply for government emergency assistance or disaster relief	54.7	19.7	25.5
Use my savings	49.6	21.2	29.2
Contact a charity or emergency relief organisation	42.5	23.1	34.4
Stay rent-free with family or friends	40.9	21.6	37.5
Borrow from family or friends	37.5	24.4	38.1
Apply for public housing	35.3	22.0	42.7
Borrow from a bank, building society or credit union	22.4	24.9	52.7
Borrow from a payday lender	16.4	15.8	67.8

All respondents were asked what the consequences of such a situation would be for them and their families. Their responses are shown in Table 2.

Table 2: Consequences of an emergency causing severe property damage

In this situation, what consequences would be likely for you and your family?	'Extremely likely' or 'Likely'	'Neither likely nor unlikely'	'Unlikely' or 'Not at all likely'
	% of all respondents (n = 897)		
Have to move into lower quality accommodation	57.6	22.9	19.5
Have to go without essential household goods or appliances because I could not afford to replace them	53.0	23.0	24.0
Have to go without a car	50.4	25.2	24.4
Lose my home because I could not afford to rebuild	39.9	17.8	42.3
Have to move away from my community (eg, because of lack of housing or transport options)	32.5	25.7	41.9
Go bankrupt	30.8	18.3	50.9
Lose my job (eg, because I need a car to get to work)	30.0	19.1	50.9
Become homeless	26.2	20.5	53.4

4 *Interest in Purchasing Insurance*

All respondents were asked which factors would make them more likely to take out building, home contents or comprehensive car insurance. Their responses are shown in Table 3.

Table 3: Factors that would make respondents more likely to take out building, home contents or comprehensive car insurance

To what extent would the following factors make you more likely to take out building, home contents or comprehensive car insurance?	'Extremely likely' or 'Likely'
	% of all respondents (n = 897)
Increase in my household income	63.6
Lower premium prices	59.0
Ability to pay premiums in smaller, more frequent instalments (eg, fortnightly)	56.0
Free, independent online or telephone insurance advice service	48.9
Shorter, less complex documents	48.8
Simpler, less complex insurance products	47.8
Option of paying premiums through Centrepay	45.0
Option of paying premiums with rent	39.9
Specialised insurance for bushfire or flood-prone areas	33.6

All respondents were asked to select one type of insurance they would most like to have if it was affordable. Responses included comprehensive car insurance (27.3%); home contents insurance (19.2%); private health insurance (12.2%); building insurance (6.9%); and life insurance (6.1%). Only 12.6% selected 'None of the above — I do not want any insurance cover'. Respondents were also asked if they had previously heard of some existing options designed for those unable to afford standard home contents and comprehensive car insurance. When asked if they had heard of renters' insurance, 58.3% said 'Yes' while 41.7% said 'No'. When asked if they had heard of low-cost car and home contents insurance for people on low incomes (for example, Essentials by AAI), only 24.1% said 'Yes' while 75.9% said 'No'.

V Unmet Need for Insurance and Possible Solutions

In this Part, we draw upon the findings outlined in Part IV(B) to evaluate 'unmet need' for insurance in our sample of Australians without building, home contents and comprehensive car insurance. Unmet need for insurance has objective and subjective dimensions, including (1) limited financial resources that could be used to cover repair, replacement or rebuilding costs; (2) self-perceived exposure to financial loss in case of an emergency causing severe property damage; and (3) interest in purchasing insurance if it was accessible.

Objectively, the financial resources of most uninsured Australians taking part in our study were extremely limited, putting them in jeopardy in case of any unexpected property damage. As shown in Parts IV(B)(1) and (2), by contrast to the general Australian population, our respondents had lower levels of homeownership and paid employment; and higher rates of reliance on social security incomes paid by Centrelink. Most had very limited financial buffers in case of emergencies, with 27.6% reporting 'less than $500' in savings and other financial assets. Just 34.8% said they could raise $2,000 within a week in an emergency using savings, a credit card or other means, compared to 80.9% of Australians generally.[111]

Most respondents regarded themselves as highly exposed to financial loss due to their uninsured status. When asked to imagine a hypothetical scenario where their home, home contents or car were severely damaged or destroyed in an emergency, most were less than optimistic regarding their capacity to recover financially. As shown in Part IV(B)(3), only 21.8% considered themselves 'extremely likely' or 'likely' to cover their costs and resume their current standard of living, and only 49.6% expected to rely upon savings to get by financially in such an event. As shown in Table 1, many anticipated leaning upon their social networks for support — for example, by borrowing money from family or friends (37.5%) or staying rent-free with family or friends (40.9%). Most expected to rely upon government or the community sector by applying for a Centrelink payment (55.4%), seeking government emergency assistance or disaster relief (54.7%), or contacting a charity or emergency relief organisation (42.5%). Yet because most respondents were renters, they would in reality be eligible for only the lesser types of payments under the safety nets outlined in Part III(A)(4), which would fall far short of the costs of securing alternative accommodation and re-establishing a household. They would also be unable to draw upon any such safety nets in case of some emergencies outside the disaster context, such as the total loss of a car in an accident.

As shown in Table 2, most respondents anticipated the potential consequences of a hypothetical emergency to be quite severe for them and their families. High proportions anticipated having to move into lower quality accommodation (57.6%); go without a car (50.4%); or go without essential household goods or appliances (53.0%) because they could not afford to replace them. Concerningly, 32.5% anticipated having to move away from their community, and 30.0% expected to lose their job for reasons such as limited transport options in their area. Substantial proportions even said they would be likely to become homeless (26.2%) or become bankrupt (30.8%).

Finally, as shown in Part IV(B)(4), by contrast to industry assumptions of limited interest in insurance among those without coverage,[112] most respondents

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[111] Axelle Marjolin, Kristy Muir and Megan Weier, 'Financial Security and the Influence of Economic Resources' (Report, Centre for Social Impact for NAB, December 2018) 21.

[112] Good Shepherd Microfinance (n 34) 12–13, 18.

expressed a preference to have some insurance cover if it was affordable, and only 12.6% did 'not want any insurance cover'. For most, the decision to forego insurance was cost driven, with 63.6% saying an increase in their household income would make them more likely to take out building, home contents or comprehensive car insurance, and 59.0% saying the same about lower premiums.

These findings indicate a high level of unmet need for insurance among those without building, home contents and comprehensive car insurance cover. In light of these findings, below we evaluate a range of strategies for meeting such unmet need by improving insurance affordability and addressing other barriers to insurance ownership.

A *Measures to Improve Insurance Affordability*

There is extensive evidence identifying affordability as a major driver of non-insurance in Australia.[113] As stated by Treasury, insurance affordability has two dimensions: (1) each policyholder's 'ability to fund the premium, or "cash flow"'; and (2) 'the size of the premium' itself.[114] Below, we discuss a range of measures that target the second of these dimensions of affordability by reducing the cost of insurance premiums for Australians generally, or specifically for those living on low incomes.

However, without addressing the first dimension of affordability — capacity to 'fund the premium' through an adequate and reliable cash flow — such measures will not succeed in improving insurance uptake for low-income Australians. According to Banks and Bowman, low-income earners regularly 'interact with a range of failing markets that heighten their risks of financial harm', including precarious labour markets and 'an increasingly frayed, inadequate, quasi-marketised welfare system provid[ing] meagre and unstable incomes and support'.[115] The current rates of payment for recipients of student and unemployment benefits in particular are considered inadequate to cover the rising costs of even basic living essentials such as rent, food and utilities, let alone insurance.[116] Yet all of the measures outlined below would require households to incur some additional expenditure on a regular basis in order to access insurance coverage. For those living on low, often fluctuating incomes from Centrelink or casual or seasonal jobs,[117] any additional financial commitment may prove impossible. Hence the measures discussed below must be accompanied by other policy interventions, such as 'less conditional, higher welfare payments' and

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113 ANZ Report (n 21) 74; Collins (n 30) v–vii, 5; Connolly (n 1) 31; Maury, Lasater and Mildenhall (n 30) 23, 30, 83, 99; NRMA Report (n 21) 22, 29; Tooth and Barker (n 21) 17, 38; Sheehan and Renouf (n 30) 7–8.

114 *Natural Disaster Insurance Review* (n 26) 86 [11.16].

115 Banks and Bowman (n 9) 5–6.

116 See Anglicare Australia, *Rental Affordability Snapshot* (National Report, April 2021) 11; Peter Davidson, Peter Saunders, Bruce Bradbury and Melissa Wong, 'Poverty in Australia 2020: Part 1 Overview' (Australian Council of Social Service and UNSW Sydney Poverty and Inequality Partnership Report No 3, 2020); Peter Saunders and Megan Bedford, 'New Minimum Income for Healthy Living Budget Standards for Low-Paid and Unemployed Australians' (Social Policy Research Centre, SPRC Report No 11/17, August 2017).

117 Banks and Bowman (n 9) 23–9.

legislation to 'enhance job security and wage certainty',[118] if they are to meaningfully assist Australians experiencing the highest non-insurance rates.

1 *Taxation Measures*

With the above caveat in mind, we first consider reforms to the taxes and levies that apply to building and home contents insurance premiums. In Australia, premiums are subject to a range of taxes including the goods and services tax ('GST') at a flat rate of 10.0% and — in all states and territories except the Australian Capital Territory — stamp duty ranging between 9.0% and 11.0%.[119] New South Wales also charges a 21.0% Emergency Services Levy on home insurance policies. These taxes and levies make up between 9.0% and 31.0% of a policyholder's total premium, depending on location.[120] They are proportional to the size of the premium, with people living in higher risk locations paying more in taxes than those living elsewhere.[121]

Insurers have long regarded state stamp duties and emergency services levies on premiums as major contributors to non-insurance rates in Australia.[122] Several government reviews echoed this position, calling for the abolition of such taxes, including Treasury's 2010 review of Australia's future tax system;[123] the Productivity Commission's 2014 review of Australia's natural disaster funding arrangements;[124] the Royal Commission into National Natural Disaster Arrangements;[125] and, most recently, the ACCC's northern Australia inquiry.[126] Yet state governments have been reluctant to forego this source of revenue,[127] some of which could arguably be compensated by increases in municipal land taxes.[128] There is also a question as to whether insurers would pass on the price reduction to consumers: the Victorian Fire Services Levy Monitor found insurers and brokers had over-collected $12.4 million following the abolition of the Fire Services Levy in Victoria in 2013.[129]

Yet the primary reason against relying upon the abolition of state taxes on premiums to increase insurance uptake is that such changes would primarily benefit wealthier households who pay a larger amount in stamp duty, and not lower

118 Ibid 7.
119 Actuaries Institute, 'Property Insurance Affordability: Challenges and Potential Solutions' (Research Paper, November 2020) 9.
120 Ibid.
121 ACCC Report (n 23) 54.
122 See Richard Tooth, 'Analysis of Demand for Home and Contents Insurance' (Report, Insurance Council of Australia, August 2015) xii; Insurance Council of Australia, *Building a More Resilient Australia: Policy Proposals for the Next Australian Government* (Report, February 2022) 18.
123 Treasury (Cth), *Australia's Future Tax System: Part Two — Detailed Analysis* (Final Report, December 2009) vol 2, 474.
124 Productivity Commission (n 27) vol 1, 45.
125 *Natural Disaster Royal Commission Final Report* (n 5) 424 [20.43].
126 ACCC Report (n 23) 57–8.
127 Ibid 57.
128 John Freebairn, Miranda Stewart and Pei Xuan Liu, 'Reform of State Taxes in Australia: Rationale and Options' (Report, Melbourne School of Government, July 2015) 21.
129 FRLC, Submission to Emergency Services Levy Monitor, *Emergency Services Levy Insurance Monitor Act 2016 Draft Guidelines* (August 2016) 5.

income households, who are the group more likely to be uninsured.[130] For this reason, it is our view that while abolishing state taxes on premiums may benefit consumers overall, it would not meaningfully impact insurance accessibility for the majority of Australians who are currently entirely excluded from coverage due to affordability concerns.

2 *Government Reinsurance*

Secondly, we consider government reinsurance pools — government-run or funded entities offering reinsurance for specific risks such as natural catastrophes or terrorism. Approximately 9.0% of the technical price of general insurance premiums covers reinsurance costs.[131] By intervening to provide reinsurance, governments can theoretically reduce such costs as the government forgoes a commercial profit margin on selling the reinsurance and backs the reinsurance with a guarantee to ensure the pool has capacity to cover the cost of rare catastrophic events.[132] Reinsurance pools have been introduced overseas in areas where rising disaster risks caused premium prices to reach unaffordable levels, or where private insurers were becoming reluctant to cover the relevant perils.[133]

In March 2022, the Commonwealth government passed the Treasury Laws Amendment (Cyclone and Flood Damage Reinsurance Pool) Bill 2022 (Cth) to establish a reinsurance pool for cyclone and related flood damage, covering residential, strata and small business property insurance policies. The pool is administered by the Australian Reinsurance Pool Corporation ('ARPC') with backing from a $10 billion government guarantee. Insurers pay premiums to the pool and receive coverage for losses in excess of a 'retention level'[134] 'from the time a cyclone begins until 48 hours after the cyclone ends'.[135] The pool was intended to reduce premiums in cyclone-prone areas by allowing insurers to reinsure cyclone risks at a lower cost than if they purchased reinsurance through the private market.[136] It was projected to deliver average savings of around 13.0% on home insurance premiums across northern Australia, and 32.0% in high-risk areas.[137]

Consumer advocates have recommended expanding the cyclone reinsurance pool to include other types of disaster risks — such as flooding and bushfire — and geographical areas beyond northern Australia.[138] This is because

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130 Freeman (n 22) 35.
131 ACCC Report (n 23) 161.
132 Treasury (Cth), 'Reinsurance Pool for Cyclones and Related Flood Damage' (Consultation Paper, May 2021) 3.
133 Ibid.
134 Ibid 12–13.
135 'The Cyclone Pool', *Australian Reinsurance Pool Corporation* (Web Page) <https://arpc.gov.au/reinsurance-pools/cyclone/>.
136 Explanatory Memorandum, Treasury Laws Amendment (Cyclone and Flood Damage Reinsurance Pool) Bill 2022 (Cth) 4 [1.6]–[1.8].
137 Joint Select Committee on Northern Australia, Parliament of Australia, *Inquiry into the Cyclone Reinsurance Pool* (First Report, March 2023) 16.
138 CHOICE (n 95) 20; FRLC, Submission to Treasury (Cth), *Reinsurance Pool for Cyclones and Related Flood Damage* (22 June 2021) 24.

concerns about rising disaster risk are not 'uniquely limited' to this region,[139] and nor are concerns about premium affordability for low-income earners. However, even though 65% of Australian home insurance policies were covered by the cyclone pool by July 2023,[140] inflation in building costs and increasingly frequent disasters across Australia — which drive up the cost of non-pool reinsurance — have so far undermined its capacity to meaningfully reduce premiums for consumers.[141] According to the Joint Select Committee on Northern Australia, it is still too early to determine whether the pool will deliver the anticipated reductions in premium costs.[142]

Another reason against expanded reliance upon government reinsurance pools to improve insurance affordability, according to SACOSS, is that they involve 'privatising the profits while socialising the losses'.[143] That is, private insurers continue to profit from selling insurance while transferring the risk of large-scale payouts in case of widespread disasters to governments, and therefore to taxpayers.[144] For this reason, combined with uncertainty about the capacity of reinsurance pools to meaningfully improve insurance affordability for consumers, it is our view that other measures are needed to enable uninsured Australians to access coverage.

3 *Microfinance*

In Parts V(A)(1) and (2), we considered measures that seek to improve insurance affordability for consumers generally. Below, we consider measures that target those especially at risk of non-insurance, being people living on low incomes.

The first of these measures falls into the category of 'microfinance', or low-cost financial products designed for disadvantaged groups who would otherwise be excluded from mainstream financial services. Microfinance initiatives in Australia have generally involved voluntary partnerships between the community and corporate sectors under the umbrella of corporate social responsibility ('CSR'), at times with government funding.[145] They include the No-Interest Loan Scheme ('NILS') launched by Good Shepherd Youth & Family Service;[146] the StepUP low-interest loan scheme developed by Good Shepherd and National Australia Bank ('NAB'); and the AddsUP matched savings program. While 'microinsurance' is a growing industry in many developing countries,[147]

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139 FLRC, Submission to Treasury (Cth) (n 138) 23.

140 Stephen Jones MP, 'More Insurers Join the Cyclone Reinsurance Pool Ahead of the 2023–24 Cyclone Season' (Media Release, 13 July 2023).

141 Joint Select Committee on Northern Australia (n 137) 1, 28, 57, 64.

142 Ibid 28, 57, 64.

143 Freeman (n 22) 40.

144 ACCC Report (n 23) xvi, 165.

145 Ingrid Burkett and Genevieve Sheehan, 'From the Margins to the Mainstream: The Challenges for Microfinance in Australia' (Brotherhood of St Laurence and Foresters Community Finance, 2009) 23.

146 NILS operates on the idea of 'circular credit', where short-term, small-amount loans are repaid by borrowers and the funds then lent out to others in the community. NILS is funded by sources including government, philanthropic organisations and corporate partnerships: Corrie (n 34) i, 2.

147 Craig Churchill, 'Insuring the Low-Income Market: Challenges and Solutions for Commercial Insurers' (2007) 32(3) *The Geneva Papers on Risk and Insurance* 401, 403.

Australian insurers have not been proactive in entering the microfinance space, assuming that low-income policyholders — being more likely to live in disaster-prone areas, or to fall behind with premium payments — will carry additional risk.[148] The commissions system for remunerating insurance brokers also incentivises sales of comprehensive products to wealthier consumers,[149] while the need to use non-traditional channels such as community organisations to distribute microinsurance presents additional challenges.[150] Finally, insurers are sceptical that there is a critical mass of potential policyholders, despite indications that most people on low incomes would like to hold some or additional insurance.[151]

Features that would make a 'microinsurance' product suitable for Australians on low incomes include reduced premiums; minimal or no excesses; lower minimum sums insured for households with limited assets; and inclusions appropriate for low-income renters, including at least some alternative accommodation cover.[152] Also important are alternative options for paying premiums, including allowing fortnightly payments, by contrast to the quarterly, annual or bi-annual payments required by most insurers; and payment through Centrepay[153] for social security recipients.[154] As shown in Part IV(B)(4), 56.0% of our respondents said the option of paying premiums in smaller, more frequent instalments would make them more likely to purchase insurance, while 45.0% said the same of payment through Centrepay.

Some of these features were implemented in the few examples of microinsurance in Australia to date, including the StepUP Insurance initiative launched in 2006 by Good Shepherd with NAB and Allianz.[155] Developed for participants in the StepUP Loans scheme and later expanded to include all Centrelink healthcare card holders, StepUP Insurance featured lower premiums payable fortnightly, a reduced sum insured and a halved standard excess. It covered alternative accommodation, new-for-old replacement on most goods, a hire car in the event of the policyholder's car becoming unusable, and some emergency car repairs.[156] Potential policyholders were informed about the product by microfinance workers, and referred to a specialist call centre operated by NAB to purchase it. StepUP Insurance was eventually discontinued as 'not being financially viable', its low sales attributed to 'poor marketing' and regulatory limits on the capacity of microfinance workers to promote the product.[157]

Current examples of microinsurance in Australia include Insurance 4 That — a single-item home contents policy developed by Good Shepherd and IAG to

148 Good Shepherd Microfinance (n 34) 12–13.
149 Collins (n 30) 13.
150 Good Shepherd Microfinance (n 34) 13, 20.
151 Ibid 12–13; Churchill (n 147) 405.
152 Collins (n 30) ix–x, 412; Sheehan and Renouf (n 30) 27.
153 Centrepay is a voluntary system that facilitates 'bill smoothing' by allowing expenses such as rent and bills to be taken directly out of social security incomes before they are paid to their recipients: Corrie (n 34) iv.
154 Collins (n 30) 30, 41; Freeman (n 22) 9; Sheehan and Renouf (n 30) 20, 27; *Natural Disaster Insurance Review* (n 26) 88 [11.26].
155 Collins (n 30) 7.
156 Good Shepherd Microfinance (n 34) 10.
157 Ibid.

cover critical items such as technology, medical devices and whitegoods. Another example is the Essentials by AAI low-cost car and home contents insurance by Good Shepherd and Suncorp, which offers lower premiums with a reduced level of cover — up to $10,000 or $20,000 for home contents and up to two cars valued at $3,000 and $5,000.[158] Policyholders may make two excess-free claims, with a low excess applying to subsequent claims. Essentials by AAI is available to healthcare card holders, Centrelink recipients and those with annual household incomes of $48,000 or less. While it has received positive feedback as to price, claims handling and trust, uptake remains low, perhaps due to insufficient awareness.[159] As shown in Part IV(B)(4), 75.9% of our respondents had never heard of low-cost car and home contents insurance, including Essentials by AAI.

The low uptake and limited lifespan of such initiatives reflects the fact that, as Burkett and Sheehan note, many microfinance initiatives are 'never going to be financially sustainable' for the corporate provider: 'the more disadvantaged the target group … the more difficult it will be to cover costs or generate a surplus'.[160] Insurers have argued that due to the costs of development, marketing and administration, a low-cost policy may need to be held for several years without a claim for the company to break even.[161] To reach consumers with more complex needs, microfinance may need to be supported by regulation making financial inclusion 'more central to the core business of financial institutions' rather than the subject of 'symbolic', 'CSR focused' initiatives.[162] For example, under the *Community Reinvestment Act 1977* in the United States, financial service providers are required to disclose their community lending practices, enabling them to be monitored and rated on their performance.[163] Their performance is made public and can be taken into account by regulatory agencies when assessing requests for mergers, acquisitions or branch openings. However, particularly in the absence of specific obligations and penalties for non-compliance, performance monitoring has limitations: an insurer's failure to offer specially designed policies for low-income earners is unlikely to generate sufficient negative publicity to motivate change in this regard.

In the United Kingdom, under pt 7 of the *Corporation Tax Act 2010* (UK), tax relief is offered to organisations that invest in 'community development finance' or microfinance institutions.[164] Yet building, home contents and comprehensive car insurance are broadly considered 'essential' to full socio-

[158] Desmond Lim, 'Essentials by AAI Case Study' (Report, Suncorp Group and Good Shepherd Microfinance, 2016).
[159] Freeman (n 22) 17.
[160] Burkett and Sheehan (n 145) 12.
[161] Collins (n 30) 13.
[162] Burkett and Sheehan (n 145) 22, 31.
[163] Ibid 22–3. For recent changes to this legislation, see Office of the Comptroller of the Currency (US), 'Community Reinvestment Act: Interagency Final Rulemaking to Implement the CRA', *OCC Bulletin 2023–32* (24 October 2023) <https://www.ots.treas.gov/news-issuances/bulletins/2023/bulletin-2023-32.html>.
[164] See HM Revenue & Customs (UK), 'CITR: A Brief Guide for Investors', *Community Investment Tax Relief Manual* (CITM9900, March 2022) <https://www.gov.uk/hmrc-internal-manuals/community-investment-tax-relief-manual/citm9900>.

economic participation in Australia,[165] particularly in light of their central role in Australia's national strategy for disaster resilience. It is therefore our view that alongside other industries providing 'essential' services such as energy, water and telecommunications, the insurance industry — rather than taxpayers — should bear more of the burden of ensuring access for those with limited capacity to pay. In support of this principle, Burkett and Sheehan argue for a statutory obligation to provide basic financial services to all Australians, similarly to other 'essential' services where corporate players cannot deny access to 'unprofitable' consumers.[166] Energy and water are already recognised as essential services in legislation and industry guidelines in Australia,[167] providing the basis for legal protections for consumers facing payment difficulties due to financial hardship,[168] and telecommunications too is 'now considered an essential service'.[169] There has been increased recognition that general insurance and other financial services such as banking are similarly essential.[170] Expressly recognising building, home contents and comprehensive car insurance as essential services — for example, within the General Insurance Code of Practice — could facilitate stronger protections for vulnerable policyholders as well as facilitate ongoing commitment to the development of appropriate products for low-income earners.

While we support the statutory recognition of insurance as an 'essential' service, as well as more ongoing industry investment in microinsurance, the problem of financial sustainability remains. As an alternative to traditional commercial insurance and existing microinsurance products by for-profit insurers, SACOSS has proposed a not-for-profit mutual microinsurance scheme, which could offer even lower premiums by foregoing a profit margin altogether.[171] As an example, SACOSS cites the Center for Agriculture and Rural Development ('CARD'), a microfinance NGO in the Philippines, which partners with a private insurer to provide a disaster insurance product for USD$1 per week to over 250,000 policyholders.[172] The product's success has been attributed to its 'solidarity-focused, member-run' structure.[173] Perhaps, as recommended by SACOSS, community organisations providing financial counselling, emergency relief and other services could become a starting point for delivering a mutual microinsurance model in Australia, 'couched within a community disaster

165 Connolly (n 1) 6; Saunders (n 1) 99; Freeman (n 22) 21.
166 Burkett and Sheehan (n 145) 23.
167 See, eg, *Essential Services Act 1988* (NSW) s 4; *National Energy Retail Law (South Australia) Act 2011* (SA) sch s 45(3); *Gas Industry Act 2001* (Vic) s 43(1A); Economic Regulation Authority (WA), *Financial Hardship Policy Guidelines: Electricity Licences* (May 2023) 1.
168 Paul Ali, Evgenia Bourova and Ian Ramsay, 'Financial Hardship: The Legal Frameworks' (University of Melbourne Legal Studies Research Paper No 691, June 2014).
169 Australian Communications and Media Authority, *Consumer Vulnerability: Expectations for the Telecommunications Industry* (Statement, May 2022) 2.
170 See Emma O'Neil, 'Exploring Regulatory Approaches to Consumer Vulnerability' (Report for the Australian Energy Regulator, February 2020) 4; Financial Conduct Authority (UK), *Guidance for Firms on the Fair Treatment of Vulnerable Customers* (FG21/1, February 2021) 13 [2.22].
171 Freeman (n 22) 29–34.
172 Ibid 31.
173 Ibid 32.

resilience collective' involving face-to-face meetings, participation opportunities and planning for disaster mitigation.[174]

4 *Insurance-with-Rent Schemes*

Another measure recommended by consumer advocates is the development of insurance-with-rent schemes, under which public and community housing tenants pay premiums as part of their rent for a basic level of home contents cover.[175] The housing provider collects the premiums and forwards the bulk amount to the insurer, retaining a fraction in recompense. These schemes ensure savings by allowing housing providers' buildings to be insured under the same contract.[176] Good Shepherd Microfinance suggests such a scheme could function in two ways. The first model is an 'opt-in scheme' where tenants are offered insurance by their housing provider and choose between different levels of cover.[177] Such opt-in schemes have been trialled in the United Kingdom, Ireland and Canada. In Scotland, as documented by Hood, Stein and McCann, insurance-with-rent schemes were offered by 75.0% of local authorities.[178] They included basic cover for theft, fire, flood and water damage 'comparable to any other home policy',[179] but sums insured were limited to account for policyholders' low asset levels, there were no excesses, and premiums were as little as 7.0% of what would have been payable through a commercial insurer.[180] Yet these schemes had fairly low uptake, which was attributed to insufficient marketing, as most tenants regarded insurance as 'valuable', were aware of their low likelihood of replacing lost, stolen or damaged items 'without insurance support', and viewed the schemes as 'good value for money'.[181]

In Australia, where there have been no such initiatives, an insurance-with-rent scheme could be highly beneficial to public and community housing tenants, who currently forego insurance at higher rates. As shown in Part IV(B)(1), public and community housing tenants made up 10.9% of respondents taking part in our study, compared to only 3.0% of Australians generally.[182] Of our sample, as shown in Part IV(B)(4), 39.9% said they would be more likely to take out building or home contents insurance if given the option of paying premiums with rent (although this cohort included homeowners and private renters, who would in practice be ineligible to benefit from such a scheme). However, the major barrier to such a scheme in Australia is the very low level of income available to most

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174 Ibid 33.
175 Collins (n 30) 9–11; Freeman (n 22) 27–9.
176 Collins (n 30) 9.
177 Good Shepherd Microfinance (n 34) 19.
178 John Hood, William Stein and Claire McCann, 'Insurance with Rent Schemes: An Empirical Study of Market Provision and Consumer Demand' (2005) 30(2) *The Geneva Papers on Risk and Insurance: Issues and Practice* 223, 238.
179 Ibid 238.
180 Ibid 239; John Hood, William Stein and Claire McCann, 'Low-Cost Insurance Schemes in Scottish Social Housing: An Empirical Study of Availability and Tenants' Participation' (2009) 46(9) *Urban Studies* 1807, 1817.
181 Hood, Stein and McCann, 'Low-Cost Insurance Schemes in Scottish Social Housing' (n 180) 1821.
182 ABS (n 110).

public and community housing tenants, which would leave most unable to 'choose' between different levels of cover and could discourage many from 'opting in' to the scheme altogether. For this reason, in preference to the opt-in model described above, we support arguments in favour of the 'group insurance' model described by Good Shepherd Microfinance,[183] where social housing providers purchase basic contents insurance on behalf of all their tenants and incorporate the costs into their rent, similarly to rental arrangements incorporating utilities such as electricity, water and gas.[184] Such a scheme would be better placed to ensure universal coverage for a very vulnerable group of low-income Australians and reduce the risk of low uptake due to insufficient awareness-raising measures.

5 *Direct Subsidies or Concessions*

Another measure recommended by the ACCC in its northern Australia inquiry — and favoured by consumer advocates[185] — is the provision of targeted, direct subsidies to low-income earners.[186] Such subsidies could be paid (1) directly to consumers, through the existing taxation or welfare systems or a custom-designed system; (2) to insurers, who could claim the subsidy from the government and pass it on to eligible consumers through reduced premiums; or (3) through additional funding supplied to a reinsurance pool, which would allow insurers to offer discounts on their premiums.[187] Each method 'carries different risks in ensuring the full value of the subsidy reaches consumers … and different costs' for insurers and governments.[188] While any of these methods would require the government to assume some of the cost of premiums, these costs would presumably be offset by a reduction in non-insurance rates, which would in turn enable less spending on post-disaster relief to uninsured households.[189]

Subsidies were previously considered by the Productivity Commission in its 2014 review of disaster funding arrangements, and rejected on the basis that 'subsidising premiums … would reduce policy holders' incentives to reduce their exposure to risks, either through mitigation or moving away from high-risk areas'.[190] However, this argument could be addressed by making such concessions or subsidies available only to low-income earners, who generally lack the financial resources and bargaining power to reduce their risk exposure by investing in home security improvements or implementing flood or bushfire mitigation measures.[191] People on low incomes are also more likely to move into disaster-prone areas due

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183 Good Shepherd Microfinance (n 34) 19.
184 Freeman (n 22) 28–9. Such a scheme was successfully trialled by one United Kingdom social housing provider in 2012: Stuart Bishop, 'Why Housing Providers Have a Responsibility to Insure Their Tenants', *The Guardian* (online, 9 October 2012) <https://www.theguardian.com/housing-network/2012/oct/09/contents-insurance-social-tenants>.
185 CHOICE (n 95) 8; Freeman (n 22) 26; FRLC, *Exposed: Insurance Problems after Extreme Weather Events* (n 14) 38.
186 ACCC Report (n 23) 175–82.
187 Ibid 176.
188 Ibid.
189 Ibid 182.
190 Productivity Commission (n 27) vol 1, 222.
191 Sheehan and Renouf (n 30) 10, 23.

to housing affordability issues, and less able to respond to premium price signals by moving elsewhere when their property value plummets in the wake of disaster, or when rents in surrounding areas rise due to higher demand. In order to minimise the distortion of price signals and discourage development in high-risk areas, subsidies could be confined to insurance for existing homes and unavailable to newly constructed ones.[192]

For the reasons discussed above, it is our view that subsidies would be the most effective means of reducing premium costs for those who are most in need of such assistance. Substantial subsidies are already used in Australia to assist with the cost, and encourage uptake, of other services such as childcare and private health insurance.[193] There are also overseas examples of subsidies for property insurance, such as those provided to rural households in Fujian, China, where the provincial and municipal governments contract commercial insurers to provide blanket housing insurance to all rural households, or in the Zhejiang province, where disaster insurance is subsidised by the provincial and local governments.[194]

We also note that an alternative and perhaps more ambitious approach to subsidising premiums for low-income earners has also been proposed by SACOSS, which recommended the establishment of a concessions scheme for home, contents and car insurance for all low-income Australians through the addition of a 'general insurance concession' to the existing state concessions schemes for essential services such as energy, water and sewerage.[195] Such a concession could be provided on the basis of recognition that insurance, as argued in Part V(A)(3), is an 'essential' service in Australia. The establishment of a general insurance concessions scheme could provide an alternative to paying subsidies to insurers, to be passed on to consumers through a reduced premium — an approach that would carry the risk of insurers capturing the benefits of the subsidy by inflating premiums for eligible consumers.[196] Access to the concessions could be facilitated by community organisations with funding from the government.[197]

B *Measures Targeting Non-Insurance Drivers Other Than Affordability*

Affordability is not the only factor driving some Australians to forego building, home contents and comprehensive car insurance. As shown by Banks and Bowman, people on low incomes in particular face a range of risks in their lives without the safety net of savings, including insecure housing, precarious employment and fluctuating Centrelink payments.[198] As a result, they may have a

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192 ACCC Report (n 23) 181; Actuaries Institute (n 119) 18.
193 ACCC Report (n 23) 176.
194 Hennie Bester, Herman Smit, Lisa Morgan, Richard Lord, Zheng Wei, Luo Qingju, Hu Quiming and Lin Shanjun, 'China Access to Insurance Diagnostic: A Market and Regulatory Analysis' (Report, Access to Insurance Initiative, 2018) 83.
195 Freeman (n 22) 8.
196 Ibid 22. See also ACCC Report (n 23) 181.
197 Freeman (n 22) 8.
198 Banks and Bowman (n 9) 2, 23, 24, 31.

built-up 'tolerance to losing assets',[199] or assume that their low-value belongings are not 'worth' insuring, even if they would be beyond their means to repair or replace.[200]

Distrust in the insurance industry may also drive some people to forego coverage, particularly if influenced by media stories of extended delays, inadequate payouts and other problems with claims handling in the wake of recent disasters.[201] According to Booth and Tranter, distrust in insurers' readiness to perform their side of the bargain renders insurance 'a risk in and of itself, providing a stronger rationale for choosing not being insured'.[202] There is evidence to suggest these reputational issues are not going away. In 2022, several years after the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry highlighted the incidence of poor claims handling practices including 'excessive use of private surveillance', 'bullying tactics' and poor communication following floods, bushfires and storms,[203] breaches of the General Insurance Code of Practice reached record levels, with the top source of breaches being claims handling.[204] Insurers attributed such breaches to the very high volume of complex claims received in the wake of recent disasters. As the General Insurance Code Governance Committee noted, however, such catastrophes 'can no longer be regarded as seasonal events', meaning 'the operational stresses that accompany these events must now be incorporated into business-as-usual scenarios'.[205] There is an urgent need for insurers to reduce the burden of making claims for policyholders navigating trauma and other stressors in the wake of disasters.[206]

ASIC's new claims handling oversight powers could enable more active enforcement of insurers' obligations in this area.[207] Other measures that could promote transparency and, by extension, facilitate consumer trust include legislating standard definitions for policy terms such as 'maintenance' and 'wear and tear',[208] for example, by incorporating them into the Code. Definitions could also be incorporated into the standard cover provisions contained in the *ICA*,

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199 Sheehan and Renouf (n 30) 12.

200 Ibid 1, 23–4; Whyley, McCormick and Kempson (n 105) 8; Corrie (n 34) iv, 48–9; Collins (n 30) 33; Sheehan and Renouf (n 30) 23; Maury, Lasater and Mildenhall (n 30).

201 See, eg, Mark Moore, 'Thousands of Hail Damage Insurance Claims Are Still Outstanding', *ABC News* (online, 2 May 2020) <https://www.abc.net.au/news/2020-05-02/hail-damage-insurance-claims-outstanding-during-coronavirus/12204758>; Sofie Wainwright, 'Hundreds Still Displaced Six Months after Townsville Flood', *ABC News* (online, 9 August 2019) <https://www.abc.net.au/news/2019-08-01/townsville-floods-hundreds-displaced-six-months-later/11370062>.

202 Booth and Tranter (n 19) 3138.

203 Robin Bowley, 'Recent Directions in the Regulation of Insurance Claims Handling in the United Kingdom and Australia: A Model for Other Jurisdictions to Consider?' in Pierpaolo Marano and Kyriaki Noussia (eds), *The Governance of Insurance Undertakings: Corporate Law and Insurance Regulation* (Springer, 2022) 263, 284. See *Banking Royal Commission Final Report* (n 13) vol 1, 309, vol 2, 415–55.

204 General Insurance Code Governance Committee, *General Insurance Industry Data Report 2021–22* (Report, 2022).

205 Ibid 5.

206 Bourova, Ramsay and Ali, 'The Arduous Work of Making Claims in the Wake of Disaster' (n 14).

207 FRLC, *Exposed: Insurance Problems after Extreme Weather Events* (n 14) 4.

208 CHOICE (n 95) 8.

which require insurers selling building, home contents and car insurance to offer a baseline level of coverage set out in pt 3 div 1 of the *Insurance Contracts Regulations 2017* (Cth).[209] The standard cover regime has, however, been described as 'effectively redundant in its current form'[210] as it enables insurers to deviate from the standard cover as long as they '"clearly informed" the insured in writing', or 'the insured knew, or a reasonable person in the circumstances could be expected to have known, that the contract provided less than the standard cover or no cover'.[211] In practice, insurers are able to do this simply by providing consumers with a Product Disclosure Statement[212] — typically a complex, lengthy summary of the entire insurance contract that, according to the evidence, most consumers do not read.[213] Another disclosure-based protection is the requirement for insurers to provide a Cash Settlement Fact Sheet if offering to resolve a claim via a cash settlement.[214] Yet these documents — intended to assist policyholders to 'make an informed decision'[215] about the implications of agreeing to a cash settlement instead of having their property repaired or rebuilt through the insurer's authorised repairers — are unlikely to meaningfully improve the bargaining position of policyholders exhausted by a lengthy negotiation process, or in urgent need of funds.[216] Rather, requirements incorporated into the Code — for example, for insurers to base cash settlement offers on 'genuine repair quotes'[217] from a local tradesperson — could go further to improve consumer trust in insurers' preparedness to settle claims fairly, especially if designated as 'enforceable' by ASIC in accordance with s 1101A(2) of the *Corporations Act*.

Finally, non-insurance can be driven by a lack of understanding of the importance of having appropriate insurance cover.[218] Multiple commentators have proposed measures to improve insurance awareness, such as advertising and promotional literature highlighting the dangers of foregoing coverage.[219] Yet the inherent complexity of insurance products and documents presents consumers

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209 *ICA* (n 44) s 35.

210 Treasury (Cth), 'Standardising Natural Hazard Definitions and Reviewing Standard Cover for Insurance' (Consultation Paper, March 2024) 15.

211 Ibid 14, citing *ICA* (n 44) s 35(2).

212 Julie-Anne Tarr, 'Disclosure under the Prescribed Insurance Contracts Regime: Section 35 of the Insurance Contracts Act 1984 and Consumer Protection Revisited' (2001) 29(3) *Australian Business Law Review* 198, 204–5.

213 ASIC and Susan Bell Research, *Insuring Your Home: Consumers' Experiences Buying Home Insurance* (Report No 416, October 2014) 45–6; Insurance Council of Australia, *Consumer Research on General Insurance Product Disclosures* (Report, February 2017) 18; CHOICE (n 95) 12.

214 *Corporations Act* (n 42) ss 948B, 948C.

215 Explanatory Memorandum, Financial Sector Reform (Hayne Royal Commission Response) Bill 2020 (Cth) 140 [7.41], 142 [7.55].

216 Bourova, Ramsay and Ali, 'The Arduous Work of Making Claims in the Wake of Disaster' (n 14) 544.

217 FRLC, *Exposed: Insurance Problems after Extreme Weather Events* (n 14) 5.

218 Tania Driver, Mark Brimble, Brett Freudenberg and Katherine Helen Mary Hunt, 'Insurance Literacy in Australia: Not Knowing the Value of Personal Insurance' (2018) 4(1) *Financial Planning Research Journal* 53, 69.

219 Collins (n 30) 42; Good Shepherd Microfinance (n 34) 22; Sheehan and Renouf (n 30) 24, 27.

with much to overwhelm,[220] and as Driver, Brimble, Freudenberg and Hunt note, improving insurance literacy 'is not as simple as producing websites and flyers'; it 'requires a sustained program of information and advice'.[221] Access to free, independent advice about insurance could assist consumer decision-making in this regard.[222] As shown in Part IV(B)(4), this is also something our respondents were receptive to, with 48.9% saying that a '[f]ree, independent online or telephone insurance advice service' would make them more likely to take out building, home contents or comprehensive car insurance. Yet such a service may remain little utilised by the most vulnerable consumers who typically prefer face-to-face communication with trusted sources and may lack motivation or resources to pursue information from a separate provider.[223] Furthermore, as suggested by our findings in Part IV(B)(4), most uninsured Australians do want more insurance cover,[224] and only a small minority do not recognise it as valuable.[225] We would therefore caution against relying excessively upon admittedly less costly — but ultimately less effective — measures such as information campaigns, when the evidence suggests that affordability, rather than a lack of understanding of insurance, is the major driver of non-insurance rates in Australia.

VI Conclusion

While acknowledging the necessity of supporting the immediate needs of communities affected by increasingly frequent and severe disasters, Australian governments regard individual households as having primary responsibility to manage such risks by taking out building, home contents and comprehensive car insurance. Significant proportions of Australians — particularly social security recipients and other low-income earners — currently lack these types of coverage. Yet insurers have not been proactive in developing appropriate, low-cost insurance products for these groups, assuming low-income earners to be uninterested in insurance and unaware of its benefits, while governments have also been reluctant to intervene in private insurance markets except in case of 'clear failure … to offer appropriate cover at affordable premiums'.[226]

In this article, we draw upon survey findings to highlight significant unmet need for insurance in a sample of Australians without building, home contents or comprehensive car insurance policies. Unmet need for insurance has objective and subjective dimensions, including (1) limited financial resources that could be used to cover repair, replacement or rebuilding costs; (2) self-perceived exposure to financial loss in case of an emergency causing severe property damage; and (3) interest in purchasing insurance if it was accessible. Our findings in Part V(B) indicate that uninsured Australians have limited financial resources, little by way

220 FRLC, 'Overwhelmed: An Overview of Factors That Impact upon Insurance Disclosure Comprehension, Comparability and Decision Making' (Working Paper, September 2018) 3.
221 Driver et al (n 218) 70.
222 Ibid.
223 Collins (n 30) 14.
224 Ibid 25.
225 Maury, Lasater and Mildenhall (n 30) 23, 30.
226 *Natural Disaster Insurance Review* (n 26) ii.

of a financial buffer in case of emergencies, and considerable exposure to financial loss despite the availability of social security and other safety nets. By contrast to industry assumptions of limited interest in insurance among those without coverage, most in this group would prefer to have some cover if it was affordable.

In Part V(A), we examine a range of measures that could address such unmet need by improving the affordability of insurance premiums. In our view, direct subsidies or concessions for Australians on low incomes — perhaps supported by statutory recognition of insurance as an 'essential' service — would be the most effective means of reducing premium costs for those most in need of such assistance. The not-for-profit mutual microinsurance scheme proposed by SACOSS[227] — with its emphasis on face-to-face contact and the incorporation of information about insurance within broader disaster preparedness and mitigation efforts[228] — could also facilitate insurance access while offsetting some of the solidarity-eroding community impacts of reliance upon private insurers to manage disaster risk.[229] Insurance-with-rent schemes are another potential option for delivering low-cost insurance to public and community housing tenants. As for other measures — such as abolishing state taxes on insurance, and extending the cyclone reinsurance pool to cover other risks and geographic areas — their potential impacts on premiums are more uncertain, and, if undertaken in isolation, they would be of little benefit to those most likely to forego insurance due to affordability concerns.

Finally, we acknowledge that for many Australians living on low, often fluctuating incomes from Centrelink, or in precarious employment, any additional financial commitment may prove impossible, preventing them from accessing insurance coverage. In order to meaningfully improve the accessibility of 'essential' insurance products and reduce non-insurance rates, all of the measures discussed in this article would need to be accompanied by other policy interventions — for example, 'less conditional, higher welfare payments', and 'legislation to enhance job security and wage certainty'[230] — to ensure an adequate income for those who are most vulnerable to devastating financial losses when disaster strikes.

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227 Freeman (n 22) 34.

228 Ibid 33.

229 Chloe H Lucas and Kate I Booth, 'Privatizing Climate Adaptation: How Insurance Weakens Solidaristic and Collective Disaster Recovery' (2020) 11(6) *WIREs Climate Change*.

230 Banks and Bowman (n 9) 7.