



**Caravan
Industry**
Association of Australia

INDUSTRY ROADMAP

INSURING CARAVAN PARKS

**A STRATEGIC BLUEPRINT TO IMPROVE INDUSTRY WIDE
INSURANCE AFFORDABILITY AND ACCESSIBILITY**

July 2023

www.caravanindustry.com.au





WORKING COLLABORATIVELY WITH MEMBER STATE ASSOCIATIONS ON ACTIVITIES THAT BENEFIT THE CARAVAN AND CAMPING INDUSTRY

This activity is undertaken in partnership between the national association and the individual state caravan and camping industry associations. Caravan Industry Association of Australia is proud to work collaboratively with each individual State Association to lead and champion a safe, compliant and sustainable Caravan and Camping Industry.

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Abbreviations

AALARA	Australian Amusement Leisure & Recreation Association
ACT	Australian Capital Territory
APRA	Australian Prudential Regulation Authority
ASBFEO	Australian Small Business and Family Enterprise Ombudsman
CIAA	Caravan Industry Association of Australia
COSBOA	Council of Small Business Organisations Australia
DMF	Discretionary Mutual Fund
EU	European Union
FTA	Free Trade Agreement
ICA	Insurance Council of Australia
NSW	New South Wales
NT	Northern Territory
QLD	Queensland
SA	South Australia
SME	Small and medium enterprise
VIC	Victoria
UK	United Kingdom
WA	Western Australia

Important Note: It is important to note that throughout this report, the term "jumping pillow" is used in a generic sense, referring to inflatable jumping pillows in general, and any commentary or data presented **does not** specifically pertain to products provided by the company Jumping Pillows Pty Ltd. The usage of the term is intended to encompass the broader category of inflatable jumping pillows found in various recreational settings.

In collaboration with our member state associations, industry representatives, Insurance Council of Australia, brokers, and underwriters, Caravan Industry Association of Australia collectively developed this 5-point approach to improving affordability and accessibility to caravan park insurance. This collaboration has been instrumental in shaping our strategy, and we would like to extend our thanks to all involved for their insights and support in crafting this comprehensive plan.

Executive Summary

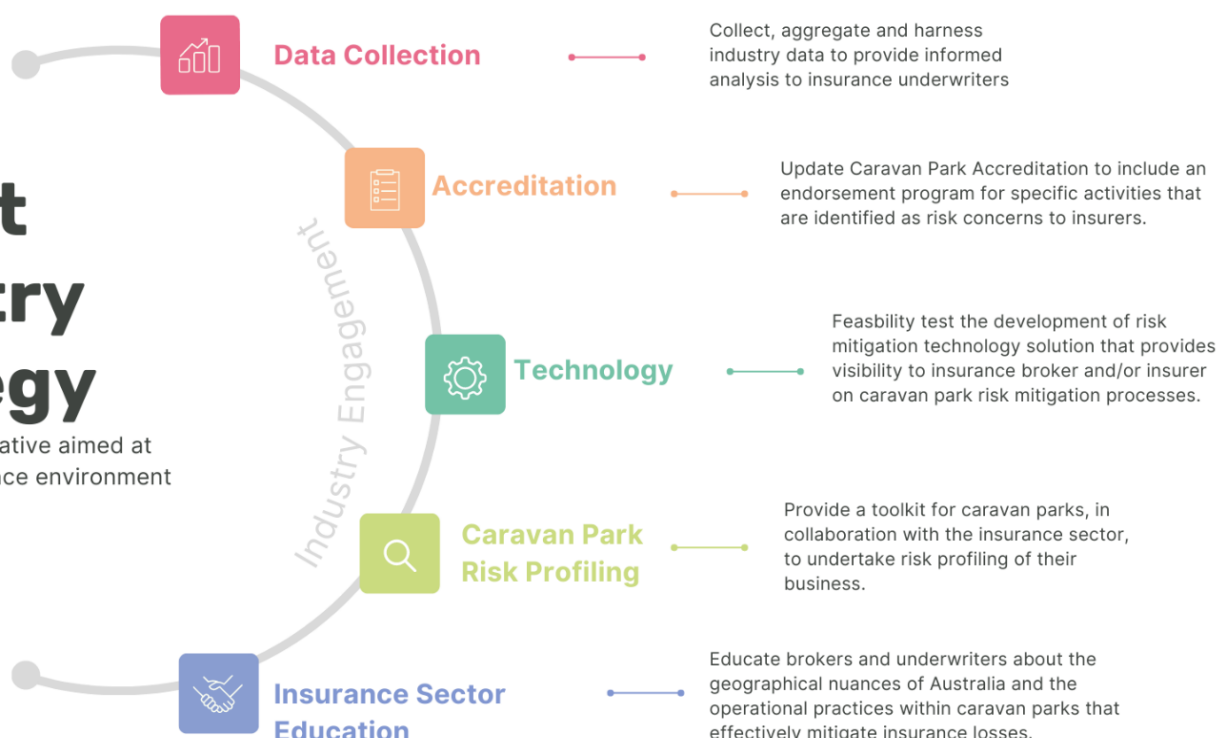
This industry roadmap aims to explore the insurance landscape in the caravan park industry, to provide a 5-point strategy for the industry to address current challenges in insurance affordability and accessibility.

Through stakeholder engagement and collaboration with government, insurance underwriters and brokers, other key national peak bodies, and the ICA, five key strategic areas have been identified that are expected to help improve liquidity, support new and previous underwriters to enter the market, and to create a risk mitigation culture within the industry:

1. Support the insurance industry to undertake a more robust and accurate analysis of risk associated with caravan parks through the provision of data;
2. Establish connections between caravan park risk mitigation strategies and insurance-endorsed industry accreditation programs, ensuring they are subjected to impartial oversight and auditing processes;
3. Implement universally applicable technological solutions across the industry to facilitate standardised reporting of risk mitigation strategies and actions, providing transparency and accessibility to the associated insurance network;
4. Upgrade and standardise the process of risk profiling executed by caravan parks for assessing potential liability and disruption, thereby ensuring its compatibility with the defined requirements of the insurance industry; and
5. Provide increased education to the insurance sector about the unique features and attributes of caravan parks, the complexities of its provided activities and amenities, and the actual operational risks involved.

5 Point Industry Strategy

An industry-wide initiative aimed at improving the insurance environment for caravan parks.



1. Introduction

This industry document seeks to examine the insurance landscape in the caravan park industry and present a 5-point strategy to address its current challenges related to affordability and accessibility. Caravan parks, along with various other businesses in the tourism and recreational sector, have been affected by changes in the international insurance markets. International insurers have adopted a more selective approach to their portfolios, partly influenced by perceptions of risk associated with certain locations and activities.

One of the key current issues appears to be limited knowledge or incorrectly applied assumptions among insurers regarding industry-specific products, such as jumping pillows, which has led to caravan parks failing risk assessments. Moreover, a long period of low premium costs and an environment of simplified risk mitigation strategies by operators, has set certain market expectations around cost and insurance provision. Furthermore, a culture of aggressive legal solicitation has led to opportunistic and sometimes frivolous claims, which in some cases has resulted in some claims being paid out even when consumers admit to acting carelessly to avoid media attention or the high expenses associated with prolonged court battles. Such practices not only strain the resources of insurance providers but also undermine the integrity of the claims process, making it challenging to differentiate genuine claims from those driven by opportunism.

The insurance challenges faced by the caravan park industry have significant implications on both affordability and accessibility of insurance coverage. Some operators have experienced a significant increase in insurance prices, raising concerns about the viability of obtaining insurance altogether. The assessment process has been frustrating for operators, as some have been denied insurance solely based on being classified as a caravan park. Interestingly, rebranding as "cabin parks" has led to renewed insurance options, highlighting the inconsistency in the evaluation process. These challenges arise as insurers aim to mitigate their risks in the industry.

Caravan parks often rely on the banking system for financing acquisitions and capital projects, and independent ownership still remains prevalent in the Australian caravan park landscape. Therefore, being uninsured or under-insured exposes personal assets used to secure these businesses. The importance of insurance is further underscored by council leases or financial covenants, as it ensures attractiveness to investors and enables the provision of modern facilities to meet consumer demands.

In the following sections, this industry paper will delve into the various aspects contributing to the insurance challenges faced by caravan park operators, examining the implications for the industry, and proposing potential solutions to foster a more sustainable and accessible insurance environment.

Why do caravan parks need support?

The caravan park industry holds significant importance to Australia due to several compelling reasons. First and foremost, it plays a pivotal role in the country's thriving tourism sector, serving as a vital accommodation provider for both domestic and international travellers. In 2022, more than 38.5 million visitor nights were spent in caravan parks around Australia, with caravan parks generating \$2.7 billion in revenue. The affordability and accessibility of caravan parks attract a diverse range of visitors, encouraging them to explore Australia's stunning landscapes, including coastal regions, national parks, and rural areas. The industry's contribution to the national economy is substantial, with an overall \$27.1 billion annual economic impact across caravan park revenues, trade and visitor economy. In 2022, caravan and camping visitors spent \$10.45 billion whilst they travelled, supporting local businesses, and creating employment opportunities.

Caravan parks are instrumental in driving regional development and sustainability. Often located in regional and remote areas, they contribute to the growth and economic viability of these communities. By providing essential infrastructure, amenities, and services, caravan parks enhance the attractiveness of these regions as tourist destinations. As a result, 89% of caravan and camping trips take place in regional areas. This stimulates economic activity, encourages investment, and helps balance the concentration of tourism in major urban centres, promoting a more equitable distribution of economic benefits across the country.

Caravan parks also play a vital role in promoting recreation and a healthy lifestyle. They offer an affordable and attractive means for individuals and families to engage in outdoor activities such as camping, caravanning, and exploration of nature. With a range of amenities and recreational facilities, including swimming pools, playgrounds, and communal spaces, caravan parks provide an environment conducive to relaxation, rejuvenation, and the creation of cherished memories. They foster an appreciation for Australia's natural beauty and promote an active and balanced lifestyle. Research has shown that campers were less stressed, more socially and environmentally conscious, and felt closer to their loved ones than Australians who do not camp.

In addition to their economic and recreational significance, caravan parks contribute to community engagement and social cohesion. They often serve as community gathering spaces, facilitating social interaction and cultural exchange between visitors and residents. Caravan Park operators frequently collaborate with local businesses, supporting the local economy and fostering community pride. This engagement helps strengthen social bonds, promote a sense of belonging, and enhance the overall social fabric of the surrounding areas.

Lastly, the caravan park industry provides crucial support to the caravan manufacturing and retail sectors. As visitors experience the convenience and appeal of caravan park accommodations, they are more likely to invest in caravans, motorhomes, and camping

equipment. This drives demand for caravan manufacturing, sales, and associated industries, contributing to economic growth and employment opportunities within the manufacturing and retail sectors. In 2022, a total of 28,031 recreational vehicles were manufactured right here in Australia, the largest value of RV production recorded in more than four decades. In fact, 90% of the 793,000+ RVs on Australia’s roads today were built in Australia.

The affordability of insurance presents a notable challenge for caravan parks, as evidenced by the findings of recent surveys¹. More than half of the surveyed caravan park operators reported a considerable surge in insurance premiums over the preceding 12 months. On average, these premiums escalated by 15% to 20%, but for certain operators, the increase exceeded 400%.

Of greater concern, a subsequent survey conducted in 2023 revealed that 52% of operators expressed diminished confidence in their ability to obtain liability insurance during their next renewal, while 61% had apprehensions regarding the accessibility of property insurance. This represents a significant rise compared to the previous research, where only 34% of respondents indicated a lack of confidence. It is noteworthy that while all businesses are susceptible to fluctuations in insurance premiums, the rise in insurance costs for caravan parks is exceeding typical market fluctuations.

Caravan Park Operator Policy Renewal Confidence

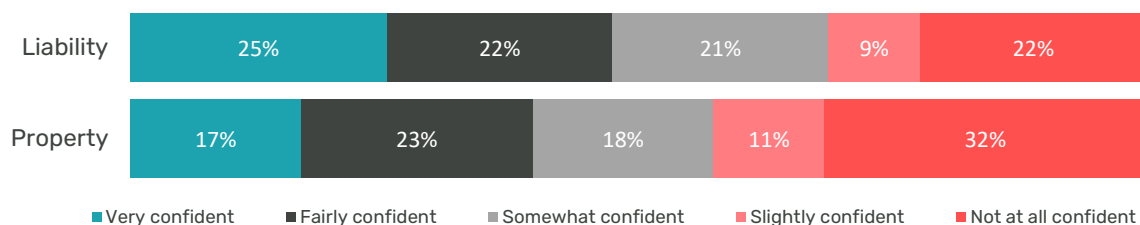


Figure 1 Caravan Park Operator Policy Renewal Confidence. Source: CIAA Insurance Claims Survey, 2023

If caravan park operators are unable to get insurance, then they may face significant financial risks and potential liabilities in the event of accidents, damages, or lawsuits. This could lead to a compromised ability to operate their caravan parks, jeopardise their assets, and undermine the overall stability and sustainability of their businesses. Additionally, the inability to secure insurance coverage may impede operators' ability to attract customers and investors, further hindering the growth and success of their caravan parks and the destinations that they are located in.

¹ CIAA, Business Conditions Survey 2022, and Insurance Claim Survey 2023

CARAVAN PARKS AND INSURANCE INDUSTRY *FOSTERING A SYNERGISTIC PARTNERSHIP*

By embracing a cooperative approach, the caravan park sector and the insurance industry can foster a culture of mutual support and empathy. This spirit of cooperation can lead to more productive discussions and creative problem-solving, as the combined knowledge and expertise of both sectors come together to address challenges in a collaborative manner.

Working hand in hand, caravan park operators can benefit from the vast experience of insurers in assessing risks and implementing effective risk management practices. This can lead to the development of customized insurance solutions that cater specifically to the needs and vulnerabilities of the caravan park industry. Such tailored policies can help operators access insurance coverage that is both affordable and comprehensive, providing them with the necessary protection against unforeseen events.

In return, the insurance industry can gain a deeper understanding of the unique risks faced by caravan parks and the broader tourism sector. This insight can allow insurers to refine their risk assessment processes, making them more accurate and fair when evaluating insurance applications from caravan park operators. By acknowledging the distinct characteristics and safety measures adopted within the industry, insurers can contribute to a more positive perception of caravan parks and offer insurance options that align with the actual risk exposure.

Moreover, a collaborative approach helps build a sense of trust and unity between the caravan park sector and the insurance industry. As both parties work towards shared objectives, they become invested in each other's success. This interconnectedness fosters a spirit of mutual support, where the insurance industry strives to provide affordable and accessible coverage, and caravan park operators, in turn, prioritize responsible risk management practices.

Ultimately, the cooperative engagement not only benefits the caravan park sector and the insurance industry but also the broader community. As caravan parks play a significant role in tourism and local economies, their stability and growth positively impact the regions they operate in. By supporting and safeguarding these businesses through a collaborative approach, the insurance industry contributes to the overall resilience and prosperity of the Australian caravan park sector.



2. Public Liability Insurance Market Overview

The existing challenges pertaining to the availability of affordable insurance can be attributed to a multitude of factors, with one significant factor being the cyclical nature of the insurance market. This market operates through alternating phases known as hard and soft cycles (as seen in Figure 2), and at present, it finds itself entrenched in a hard cycle. During a hard insurance market cycle, caravan park operators are confronted with a range of adverse conditions, including a discernible decrease in insurer risk appetite, prompting them to retreat to perceived safer risks.

Consequently, this retreat leads to higher insurance premiums, an upward trend in excess amounts required from policyholders, a reduction in coverage scope, and the introduction of increased policy exclusions. Moreover, previously accessible insurance policies may become entirely unavailable, leaving caravan park operators with limited options.

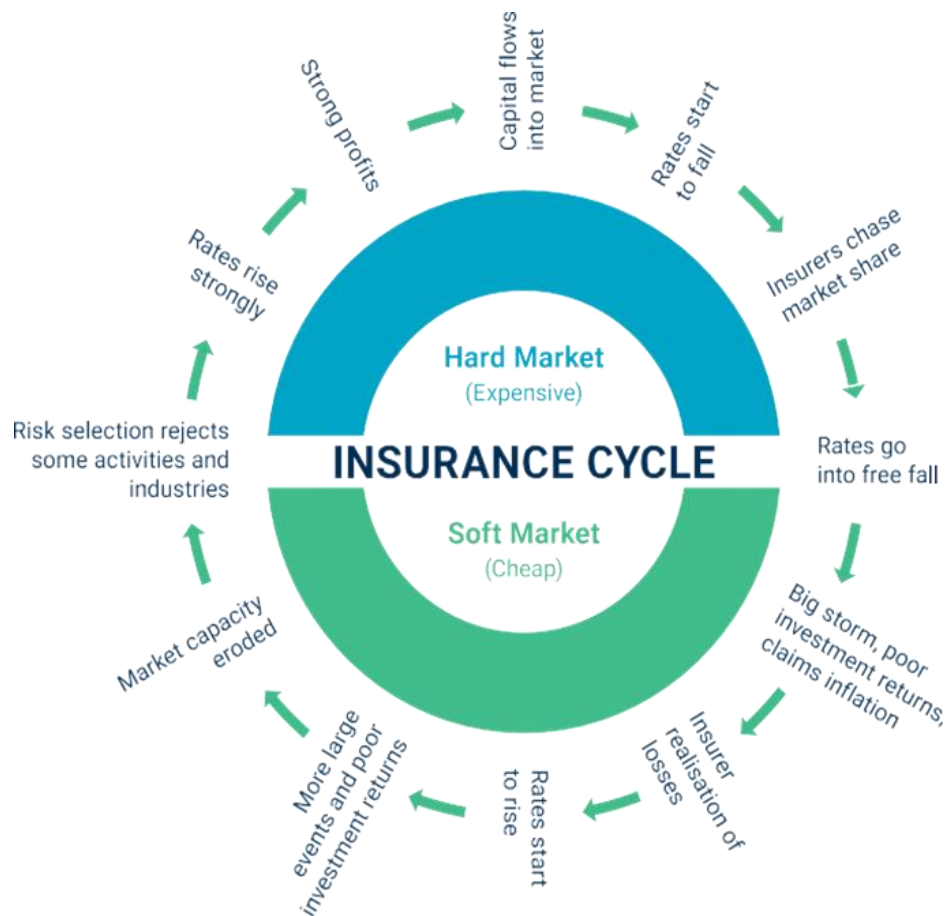


Figure 2 Insurance Market Cycle. Source: Insurance Advisernet Australia.

Insurance providers, on the other hand, are grappling with a set of contributing factors that have attributed to the current hard market. These factors encompass the impact of natural disasters, the prevailing litigation culture within Australia, historically high loss ratios experienced by insurers (as seen in Figure 3), and the tightened reinsurance market. The occurrence of frequent natural disasters, coupled with the litigious climate in the country, has exerted significant financial strain on insurers. These factors, in conjunction with high loss ratios and a limited premium pool, have made the provision of public liability insurance less attractive to insurance companies and underwriters.

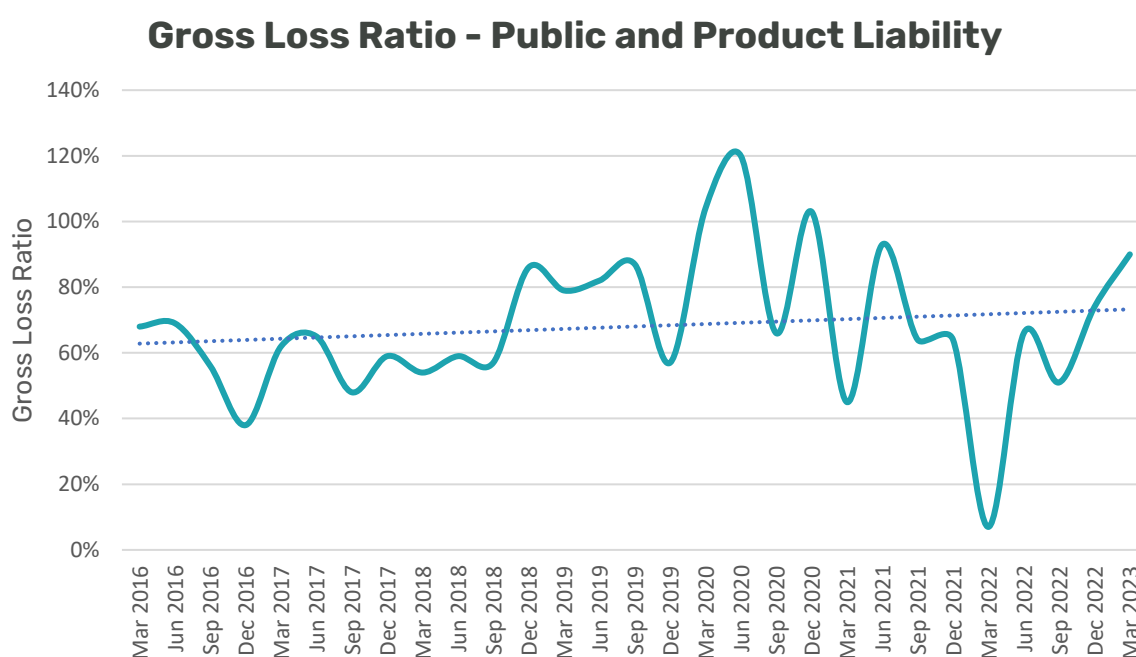


Figure 3 Gross Loss Ratio Public Liability and Product Insurance Australia. Source: Australian Prudential Regulation Authority, 2023.

In addition, it is noteworthy that a significant portion of underwriting activities is conducted by European-based headquarters, which often lack direct engagement with the local contexts and challenges faced by Australian operators. Market risk analyses are frequently performed remotely, without the necessary contextualisation of the results to the specific circumstances, geographical locations, and conditions relevant to caravan park operators. This detachment from the local nuances can lead to potential oversights and gaps in risk assessment.

It is overwhelmingly evident; lack of understanding and differentiation of product is having a marked effect on underwriter action. For example, external underwriters have demonstrated they are unfamiliar with the distinction between the terms “jumping castle” and “jumping pillow”, having referenced the tragic disaster in Tasmania in 2021 as cause for caravan park concern in relation to “jumping pillows”. The need for recognition of the significant structural differences between a jumping castle and a jumping pillow,

may inadvertently overlook or underestimate the associated risks. This highlights the importance of having underwriters who possess a deep understanding of the local terminology, practices, and unique aspects of the caravan park industry to ensure accurate risk evaluation and appropriate coverage.

The challenges faced in the current hard insurance market cycle necessitate a comprehensive understanding of the underlying dynamics and a collaborative effort among stakeholders to address these concerns. Both insurers and regulatory bodies must actively assess risk management strategies, explore avenues for promoting greater competition within the industry, and advocate for policy reforms that encourage stability, affordability, and accessibility of insurance options. By fostering an environment conducive to sustainable insurance practices, the industry can better serve the needs of consumers and support the growth and resilience of businesses across the country.

3. Natural Disaster Insurance

Market Overview

According to the ICA, Australia faces the forefront of climate change impacts, experiencing severe bushfires, extended heatwaves, rising sea levels, intensifying cyclones, and increased rainfall intensity. These events have led to the declaration of 11 insurance catastrophes since the Black Summer of 2019/20, with insurers recording over \$13 billion in claims costs over just the last two years.

Moreover, weather events are increasingly demonstrating unpredictable and unprecedented patterns, as seen in the case of Cyclone Seroja. Its unexpected trajectory far down the coast highlights the challenges in accurately assessing and pricing insurance risks. Consequently, insufficient premiums were collected to adequately cover the damages incurred by affected areas. Furthermore, the lack of historical precedent for such events led to structures being built without accounting for the potential risk of cyclones, resulting in vulnerabilities and damage. This situation underscores the importance of proactive risk assessment and insurance practices to ensure that communities and infrastructure are adequately prepared and protected in the face of evolving weather patterns.

The escalating climate impacts are already impacting the affordability and availability of insurance in Australia, particularly in high-risk areas prone to bushfires, floods, and cyclones. In regions like Northern Australia, the scale and frequency of claims due to cyclones and floods have driven up costs and rendered the local insurance market unprofitable over an extended period. This, in turn, affects the availability and affordability of insurance for caravan park operators within the region.

Furthermore, in the past two years, Australia has experienced an unusually high frequency of catastrophic events, as indicated by the tables provided. The flooding event in Southeast Queensland and New South Wales in February 2022 has emerged as the most financially impactful insurance catastrophe in Australia's history. This event has resulted in more than 239,000 claims, with current estimates reaching AU\$5.7 billion. These framing conditions highlight the urgent need for proactive measures and comprehensive risk management strategies to address the challenges posed by climate change and ensure the sustainability of insurance coverage for caravan park operators.

Table 1 Claims and frequency of natural catastrophes in Australia in 2022

Catastrophe 2022	Claims Count	Total Loss (AU\$M)
CAT224 Nov 22 Central West NSW Floods	13,376	196
CAT223 Oct 22 VIC, NSW and TAS Floods	20,920	638
CAT222 Jul 22 NSW Severe Storms	22,656	262
CAT221 Feb 22 South East QLD and NSW Floods	239,538	5,757
	290,490	6,853

Table 2 Claims and frequency of natural catastrophes in Australia in 2021

Catastrophe 2021	Claims Count	Total Loss (AU\$M)
CAT216 Oct 2021 SA VIC Severe Storms	110,428	1,342
CAT215 Sep 2021 Mansfield Earthquake	18,465	892
CAT214 Jun 2021 VIC Storms and Floods	34,372	101
CAT213 Apr 2021 Cyclone Seroja (WA)	10,022	313
CAT212 Mar 2021 Storms and Floods (NSW, QLD)	58,865	411
CAT211 Feb 2021 Perth Hills Bushfire	618	99
	235,928	2,434

Source: Insurance Advisernet Australia.

In response to the ongoing impacts of climate change and the perceived risks associated with Northern Australia, underwriters have implemented a broad policy of restricting coverage for assets located above the 26th Parallel, irrespective of industry. Consequently, as climate-related events worsen, insurers face an increasing financial burden, resulting in higher insurance premiums and limited coverage options for individuals and businesses residing in vulnerable areas.

Findings from a 2023 industry survey² revealed that among caravan parks with some form of business insurance, 65% were unable to secure flood coverage, 48% lacked cyclone cover, and 25% faced challenges in obtaining bushfire coverage. It is worth noting that over 79% of these surveyed businesses are not located in disaster zones. These statistics underscore the lack of individualisation in insurers' approaches and highlight the adverse impact of a blanket scattergun approach on insurance provision.

² CIAA, Insurance Claim Survey 2023 N=146

Insurance Cover Exclusions

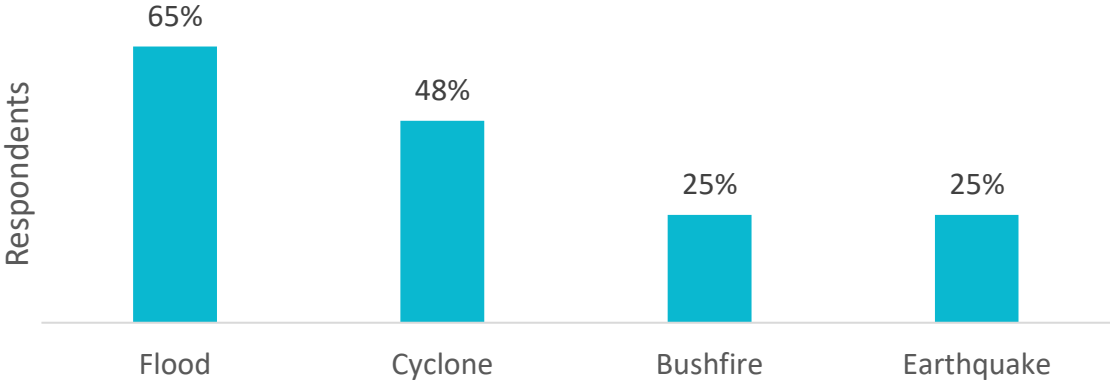


Figure 4 Caravan Park Current Insurance Exclusion Coverage.

Cyclone Coverage for Parks Located in WA, QLD and NT

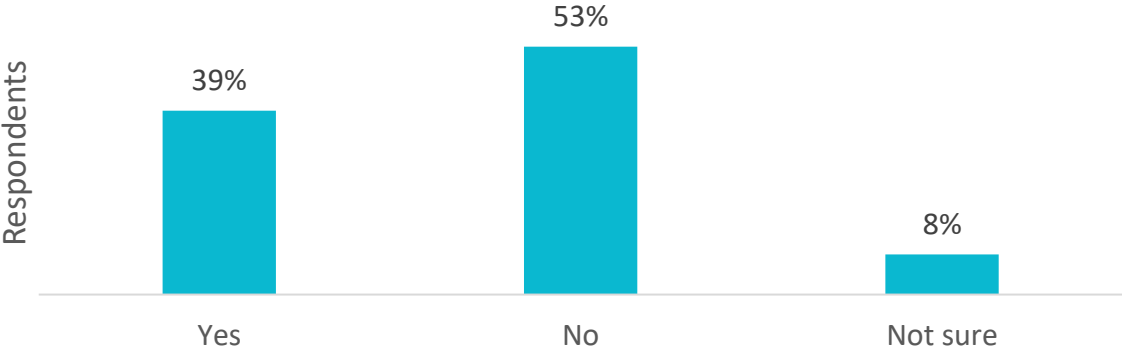


Figure 5 Northern Australian Caravan Park Current Cyclone Coverage

4. Industry Timeline to Insurance Crisis

CIAA became increasingly aware of the mounting difficulties faced by caravan park operators in accessing affordable insurance starting in 2020, following the devastating bushfires that impacted the entire country in 2019. While insurance accessibility had been a pressing concern for operators in Northern Australia for several years, particularly in relation to cyclones and flooding, the nationwide extent of the bushfire crisis exposed a much broader range of operators to insurance challenges.

The ongoing global impact of the COVID-19 pandemic and its repercussions on financial markets exacerbated the concerns of insurance underwriters, who became increasingly wary of potential substantial payouts related to business interruption. As a result, there was a notable decline in asset protection within their portfolios. Consequently, what initially began as a challenge in obtaining property coverage expanded to include difficulties for caravan park operators in securing public liability insurance. Many operators expressed frustration that essential activities, facilities, and amenities integral to the functionality and offerings of a caravan park were deemed uninsurable.

Since 2020, CIAA, in collaboration with state member associations and industry operators, has been advocating for solutions to the insurance issues, engaging with both federal government authorities and insurance underwriters. It is important to note that the contextual factors surrounding insurance have undergone significant changes over the past three years, with industry knowledge and activity increasing in frequency over the timeline.

October 2020: CIAA and state caravan park associations met with ASBFEO Ombudsman to discuss issues of insurance accessibility and affordability as part of their Insurance Inquiry.

November 2020: Memorandum was issued to National Board and State Member Associations on current insurance market, and solutions associated with creating (1) a new market facility of insurance providers and (2) the construction of a Discretionary Mutual Fund (DMF).

November 2020: CIAA presented their insights and concerns regarding insurance accessibility during the Federal Government's National Tourism Incident Communication Plan Communications Team Meeting (NTICPT). The purpose of their participation was to provide valuable information to Austrade and emphasise the urgent need for effective solutions in the industry.

December 2020: Caravan Park operators convened with representatives from the Treasury department in a meeting facilitated by CIAA. The purpose of the meeting was to educate the Treasury department about the specific issues surrounding insurance affordability and accessibility in the industry. The government officials were keen on understanding the extent of the problem and exploring potential solutions to address these challenges.

December 2020: The Australian Small Business and Family Enterprise Ombudsman released an Insurance Inquiry Report. The ombudsman concluded *“Small businesses find various types of insurance hard or impossible to obtain at affordable prices. This market failure is the result of a mix of regulatory, geographic and industry factors. Any response to improve the availability of insurance for small business needs to be multifaceted and focused on addressing this market failure.”* Of importance to the caravan park industry, the following recommendations were proposed:

- I. Following the approach taken in New Zealand, liability for personal injury should be subject to statutory caps.
- II. Where there is only one or no insurers left in a professional indemnity market, the Federal Government should provide an insurance scheme of last resort for small business.
- III. Expand the Australian Reinsurance Pool Corporation to provide reinsurance for all natural disasters for commercial property insurance.

January 2021: CIAA met with AALARA to learn more about a proposal for a DMF that they were submitting to ASBFEO to support the leisure, amusement and recreational sectors as a potential model for the caravan park industry.

February 2021: Apprehensions were expressed regarding the feasibility of implementing a DMF for the industry, particularly considering the recent collapse of the Australian Travel Agents Mutual Fund. Following consultations with external stakeholders, industry representatives, insurance providers, and experts from other sectors, the National Board determined that establishing an industry specific DMF run by CIAA was not a viable option as a means of supporting the industry in a long term and sustainable manner.

March 2021: CIAA engaged in a meeting with Mr. George Christensen MP to address significant insurance concerns and deliberate on the Northern Australia reinsurance pool legislation, for which Mr. Christensen was leading the efforts. During the meeting, Mr. Christensen conveyed confidence in finding a viable solution for the insurance challenges specific to Northern Australia. He also displayed empathy towards the industry's concerns regarding public liability and proposed advocating for support through export market legislation, as well as directing attention towards the Joint Standing Committee of Financial Services to further address these matters.

April 2021: Hosted by CIAA, caravan park operators held a meeting with the then Assistant Treasurer to address concerns regarding insurance provisions and emphasise the necessity for government-led solutions. During the discussion, the government acknowledged the requirement for government intervention in Northern Australia. However, they clarified that while market conditions were becoming more stringent, they did not perceive a complete market failure in terms of public liability. The Treasury department revealed that they had examined New Zealand's public liability model, but unfortunately, they were unable to find a sustainable economic approach suitable for implementation in Australia.

May 2021: CIAA participated in an insurance roundtable hosted by COSBOA, regarding insurance accessibility and affordability issues in Australia for small business. Participants included ministers, representatives from government, industry, and insurance stakeholders.

November 2021: Northern Australian Cyclone Reinsurance Pool draft legislation released by Federal Government for industry feedback.

November 2021: A productive discussion took place between Minister Stuart Robert and CIAA, covering several significant matters on insurance and the newly established 'Industry Clusters.' Minister Robert exhibited a strong understanding of the challenges at hand, expressing interest in the AALARA proposal and actively considering solutions for addressing bushfire-related issues.

November 2021: CIAA hosted an industry round table featuring state caravanning associations, and insurance industry stakeholders looking for solutions to the tightening insurance market.

January 2022: The Australian Small Business and Family Enterprise Ombudsman issued a report evaluating the viability of AALARA's mutual funding proposal for the leisure industry. In the report, the Ombudsman acknowledged the potential benefits of a DMF as a suitable solution. However, concerns were raised regarding insufficient coverage and the likelihood of higher short-term premiums. Furthermore, the report emphasises that the effectiveness of a DMF relies heavily on implementing structural reforms to ensure best practices are adopted uniformly across all participating members.

January 2022: CIAA conducted research to ascertain accessibility and affordability issues among caravan park operators.

February 2022: After extensive drafting and incorporating industry feedback, the Federal Government officially released the Northern Australia Cyclone Reinsurance Pool incorporating the Terrorism Reinsurance Pool. While the caravan park industry generally supported the establishment of this pool, concerns had been raised regarding the mechanisms and triggers regarding eligibility of a claim, as well as rising occurrence of natural disasters south of the 26th Parallel which were disregarded in the policy.

February 2022: CIAA met with Allianz to better understand their commercial decision to exit from the caravan park industry.

March 2022: Despite ongoing deliberations, it became evident that the Federal Government had no appetite for implementing a government intervention beyond the Natural Disasters Reinsurance pool. Adopting the New Zealand model, with its limitations on public liability claims, requires unanimous agreement among state and territory governments and a significant transformation in insurance practices. Achieving such consensus and behavioural changes is unlikely in the foreseeable future. Moreover, the Treasury faced challenges in formulating a financially sustainable long-term approach.

April 2022: ICA Chief Executive Officer addressed industry at the CIAA National Conference.

April/May 2022: CIAA convened meetings with multiple insurance brokers and providers to assess market conditions and gain insights from underwriters regarding the caravan park sector. It became clear that caravan park operators must showcase the industry's risk profile and proactively collaborate with the insurance industry to enhance their understanding of caravan parks. This could entail establishing industry codes of practice, educating underwriters about the operations and amenities within caravan parks, and demonstrating the implementation of risk mitigation measures.

June 2022: CIAA met with NSW/ACT Outdoor Association who were in the process of drafting a code of conduct and best practices guide for their operators to support their members to access insurance. The Outdoor Association focused on accreditation programs as a method to deliver improved practices and to demonstrate improved compliance to support operators in obtaining insurance.

July 2022: ICA held a caravan park roundtable bringing together CIAA, and industry insurers to discuss the current state of the market.

August 2022: Discussions held with the Minister for Tourism and Trade, Senator Don Farrell and Assistant Minister for Financial Services and Assistant Treasurer, Stephen Jones. These discussions also featured representations to the coalition, ensuring the issue was top of mind for both sides of parliament.

December/January 2023: CIAA conducted baseline research into caravan park insurance claims and current conditions. Over 140 caravan park provided data into insurance accessibility and affordability, previous claim history and insurance coverage. This data will be used as a starting point to better educate insurance providers.

April 2023: Data requests have been prepared by multiple State Injury Surveillance units on the total injuries relating to inflatable pillows including reason for injury, type of injury and location. Furthermore, where available, this data is being compared to jumping castles as a way to demonstrate the significant difference in risk profile.

May 2023: A national industry insurance summit was held on the Gold Coast to bring together underwriters, brokers, and operators to discuss the challenges, current market conditions and to explore pathways forward to improving insurance affordability and accessibility.

Caravan Park Discretionary Mutual Insurance Fund

An industry mutual insurance fund, also known as a mutual self-insurance pool or a group captive, is a cooperative arrangement in which a group of businesses from the same industry form a self-insurance entity. These businesses pool their resources by contributing premiums or funds to collectively cover their risks and losses.

The purpose of an industry mutual insurance fund is to provide an alternative to traditional insurance options. By pooling their resources, businesses can gain more control over their insurance coverage, costs, and claims management. The fund is typically managed by a board of directors or trustees elected from among the participating businesses. A mutual fund is also often developed in times of market failure such as that relating to the Terrorism and Cyclone Reinsurance Pool.

CIAA has extensively explored the development of an industry mutual fund with insurance providers, government, and industry stakeholders. It has been concluded that it was not a suitable model for the following reasons:

- A significant amount of seed funding, often loaned by Federal Government, is required to start the pool. This was likely to be unobtainable.
- Caravan Park corporations were able to access insurance through spreading the risk load and bulk purchase provision, which would limit their participation in a mutual insurance fund.
- Concerns were raised regarding the sustainability of long-term funding in the event of a significant disaster such as what was experienced in 2019 with bushfires and in 2022 with flooding.
- To join a mutual fund, caravan parks would need to visibly demonstrate a significant level of risk mitigation, a process that would deem the caravan park to be more likely to obtain insurance directly. As such, through the improvement of industry risk standards, insurance liquidity would naturally improve.
- The establishment of a fund and reduction in volume amongst the traditional service industry could distort the market and lead to further contraction by market participants.

5. Industry Led Solutions

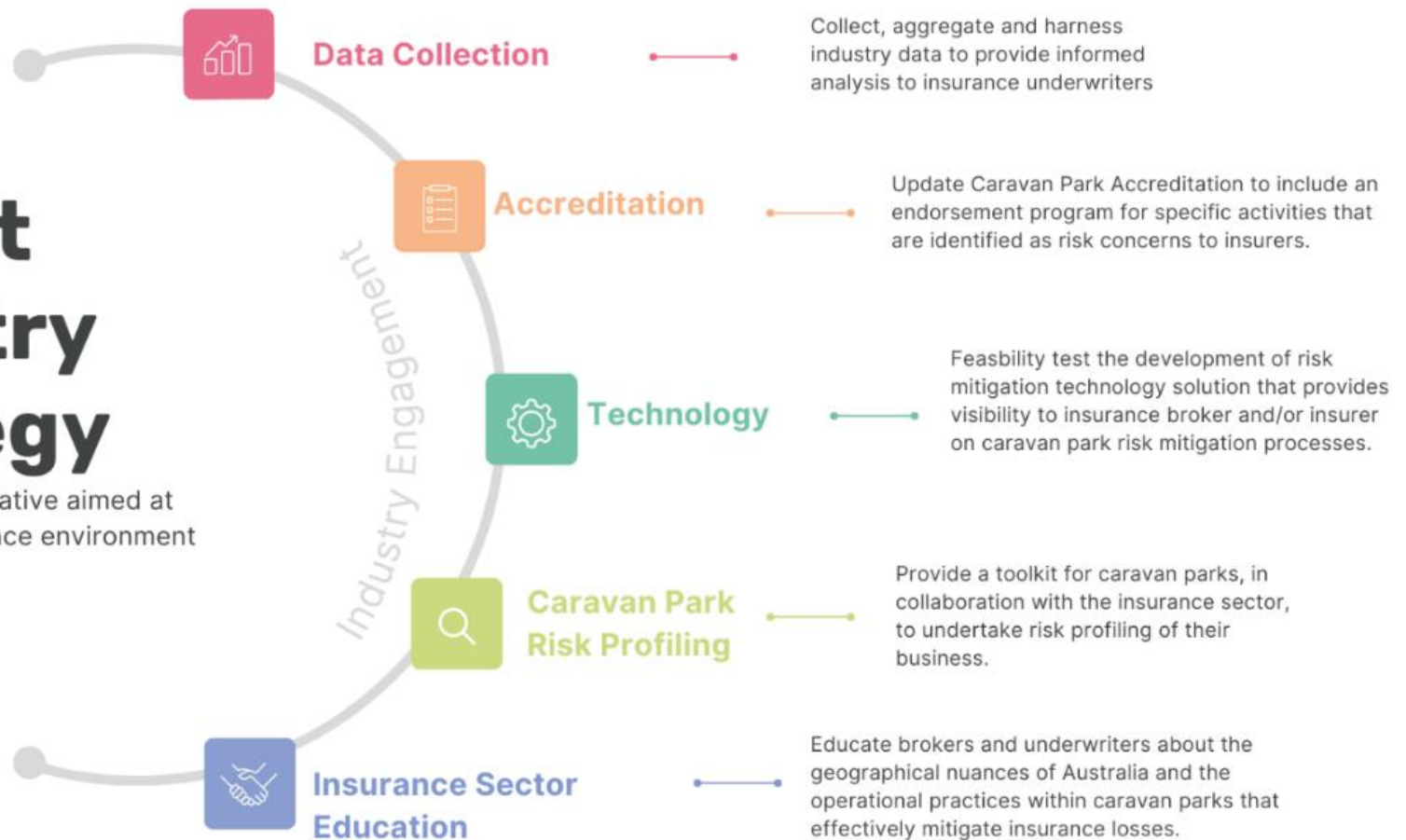
In the years leading up to 2019, the caravan park industry experienced highly favourable conditions in the insurance market. As a result, operators were able to obtain insurance coverage at affordable prices without the need to extensively assess the risks and liabilities associated with their properties. However, it has become apparent through interactions with the Federal Government, insurance sector, and caravan park operators who are able to obtain coverage that current market conditions now demand a heightened level of risk and liability mitigation. Therefore, the caravan park industry must take the lead in enhancing the affordability and accessibility of insurance for its own benefit.

Through stakeholder engagement from industry, government and the insurance market, five key strategic areas have been identified that may help improve liquidity, support new and previous underwriters to enter the market, and to create an industry risk mitigation culture:

1. Support the insurance industry to undertake a more robust and accurate analysis of risk associated with caravan parks through the provision of data;
2. Establish connections between caravan park risk mitigation strategies and insurance-endorsed industry accreditation programs, ensuring they are subjected to impartial oversight and auditing processes;
3. Implement universally applicable technological solutions across the industry to facilitate standardised reporting of risk mitigation strategies and actions;
4. Upgrade and standardise the process of risk profiling executed by caravan parks for assessing potential liability and disruption, thereby ensuring its compatibility with the defined requirements of the insurance industry; and
5. Provide comprehensive education to the insurance sector about the unique features and attributes of caravan parks, the complexities of its provided activities and amenities, and the actual operational risks involved.

5 Point Industry Strategy

An industry-wide initiative aimed at improving the insurance environment for caravan parks.



5.1 Data Collection

Data plays an instrumental role in the insurance industry, particularly in areas such as risk assessment, predictive analysis, and claims management. Regarding risk assessment, insurance companies use data to measure the level of risk associated with an individual, asset, or event, which in turn, informs the determination of premiums for insurance policies. Similarly, predictive analysis is a data-driven process that allows insurers to forecast future trends and potential risks, thereby informing strategic planning, underwriting policies, and pricing models. In terms of claims management, data is invaluable in identifying patterns in claims submissions, thereby streamlining the workflow and facilitating efficient processing. These critical functions underscore the importance of providing robust data on the risk associated with caravan parks as well as precise data on the nature of claims.

Within the scope of the caravan park industry, there exists a distinct lack of aggregated data pertaining to the volume and type of policy claims submitted, as well as the level of risk associated with facilities such as jumping pillows. Furthermore, there are notable limitations within insurance provider databases when it comes to identifying claims related to caravan parks. It is crucial to bolster the methods of collecting, aggregating, and distributing data that pertains to claims and the associated risks in the caravan park industry. To accomplish this, the following action steps are planned:

Action Item 1.1: In collaboration with Member State Associations, profile caravan park industry insurance claim history and industry risk.

Action Item 1.2: Profile the risk associated with specific caravan park activities including jumping pillows and waterslides.

Action Item 1.3: Profile caravan park locations against environmental risk.

Action Item 1.4: Collaborate with APRA to improve reporting on caravan parks.

Action Item 1.5: Examine the feasibility of setting up an insurance claims register for the caravan park industry to collect data on an ongoing basis.

5.2 Caravan Holiday Parks Accreditation Program

Accreditation programs help insurance providers assess and manage risk by:

Standardised Practices: Accreditation programs ensure that businesses adhere to agreed and standardised practices, which tend to minimise risks. When a business is accredited, it demonstrates the business's commitment to operating according to industry's best practices.

Quality Assurance: Accreditation is often a mark of quality. It indicates that the business meets specific criteria and standards set by the accrediting body, and this can reassure insurance providers that the business is less risky to insure.

Ongoing Oversight: Accreditation usually involves ongoing oversight and periodic reviews to ensure the business remains compliant with the accrediting body's standards. This ongoing oversight provides additional assurance to insurance providers that the business continues to operate in a way that minimises risk.

Risk Management: Many accreditation programs require businesses to have a risk management plan in place. This demonstrates that the business is proactive in identifying and managing risks, which can help lower its insurance premiums.

Liability Reduction: Accreditation can help reduce liability. In the event of a claim, showing that the business has followed the accredited standards can help defend against allegations of negligence.

Caravan holiday parks, upon attaining accreditation through the CIAA's national program, exhibit the accomplishment of predefined performance benchmarks in several crucial domains, including Customer Service, Human Resources Management, Risk Management, Environmental Management, Marketing, and Business Planning. This accreditation not only serves as a roadmap for excellent business practices, however, also promotes a culture of constant review and enhancement.

Expanding on this foundation, insurance stakeholders and government have suggested that CIAA explore the implementation of an insurance endorsement program add-on. This program would focus on specific activities within accredited parks, which insurers have identified as potential risk factors. To earn this endorsement, a park would be required to meet a specific set of criteria associated with the identified potential risk activities. These assessments, aimed at mitigating risk and ensuring optimal safety standards, would be incorporated as an integral component of the overarching accreditation process.

Action item 2.1: Establish an endorsement segment within the current accredited parks program, specifically addressing those activities that are identified as higher risk factors by insurers within their respective parks.

Action item 2.2: Compile a comprehensive list of specific activities (to be identified) that are recognised by insurers as posing a higher risk in caravan parks.

Action item 2.3: Develop a cross-referenced set of minimal requirements that an accredited park must fulfill in relation to the identified high-risk activities.

5.3 Technology Solution

The implementation of a risk mitigation technology solution that provides visibility to the insurance broker or insurer can increase confidence and improve the risk mitigation processes in the park for several reasons:

Transparency: A risk mitigation solution that can be accessed by the insurer would provide them with real-time insights into the park's risk management practices. This transparency can lead to increased confidence as the insurer can verify that the park is following the agreed-upon risk mitigation strategies.

Data-Driven Decisions: Such technology can help collect, analyse, and present data in a meaningful way. Insurers can use this data to make more informed decisions, assess risks more accurately, and potentially offer more favourable insurance terms.

Efficiency: Technology can automate some parts of the risk management process, making it more efficient. This can lead to fewer errors, faster response times, and ultimately better risk mitigation.

Consistency: A technology solution can provide consistency in how risks are identified, evaluated, and mitigated. This standardisation can make it easier for insurers to understand and assess the park's risk mitigation practices.

Ongoing Monitoring and Adjustment: Technology can allow for ongoing monitoring of risk factors and the effectiveness of mitigation strategies. This means strategies can be adjusted as necessary, keeping the park's risk profile as low as possible.

Guidance from the insurance industry suggests that the implementation of a risk mitigation technology solution, which grants visibility to insurance brokers and/or insurers, would bolster confidence and enhance the risk mitigation processes within caravan parks. This system could encompass daily, weekly, monthly, and yearly checklists, along with procedures for risk identification and rectification.

Action item 3.1: Conduct a feasibility analysis on the implementation of an industry-wide technology solution for caravan parks to undertake risk mitigation processes and maintain accurate records.

5.4 Caravan Park Risk Profiling

Risk profiling is essential as it enables caravan park operators to understand their risk landscape, implement appropriate risk mitigation measures, obtain suitable insurance coverage, and ensure business continuity while effectively managing costs and regulatory compliance.

Insurance Eligibility: Risk profiling enables insurance brokers and insurers to assess the risk profile of a business. A well-understood and accurately presented risk profile enhances the chances of obtaining insurance coverage. Insurers rely on risk profiles to evaluate the potential risks associated with a business and determine the appropriate coverage and premium rates.

Appropriate Coverage: By conducting risk profiling, businesses can identify their specific risks and vulnerabilities. This knowledge allows them to obtain insurance policies that adequately address their unique needs, ensuring appropriate coverage for potential risks.

Risk Mitigation: Risk profiling helps businesses identify potential risks and hazards within their operations. By understanding these risks, businesses can implement appropriate risk mitigation strategies, minimising the likelihood and impact of adverse events. This proactive approach can lead to a safer working environment and reduced insurance claims.

Cost Management: Effective risk profiling enables businesses to manage insurance costs more efficiently. By identifying and mitigating risks, businesses can potentially reduce their exposure to incidents, leading to fewer claims and potentially lower insurance premiums.

Business Continuity: Understanding and managing risks through profiling contributes to business continuity. By addressing potential risks, businesses can enhance their resilience and reduce the likelihood of disruptions that could impact operations, ensuring continuity even in the face of unforeseen events.

In discussions with insurance brokers and insurers, a prominent consensus emerges that parks stand a higher likelihood of securing insurance coverage when the broker possesses a comprehensive understanding of their business and risk profile, which is effectively conveyed to the insurer.

Action item 4.1: Collaborate with insurance brokers and insurers to develop a code of conduct that offers guidance to parks on the specific requirements expected by insurance brokers and the optimal presentation methods necessary for effectively conveying information to insurers.

5.5 Educate Insurers and Brokers

Educating the insurance industry on the importance and characteristics of caravan parks is essential for several reasons:

Risk Assessment Accuracy: Caravan parks have unique characteristics, amenities, and operations that require specialised risk assessment. By educating the insurance industry about caravan parks, insurers can gain a better understanding of the specific risks associated with this sector. This knowledge helps insurers accurately assess risks, set appropriate premiums, and provide comprehensive coverage tailored to the needs of caravan parks.

Proper Coverage and Pricing: Education about caravan parks enables insurers to offer suitable insurance coverage and pricing. By comprehending the intricacies and nuances of caravan park operations, insurers can design policies that address the specific risks faced by these businesses. This ensures that caravan parks are adequately covered and pay premiums commensurate with their risk profiles.

Risk Mitigation Strategies: Education fosters awareness of risk mitigation strategies within the insurance industry. Insurers can provide guidance and support to caravan parks on implementing effective risk management practices, safety measures, and compliance with regulations. This collaboration helps reduce the frequency and severity of risks, benefiting both the caravan parks and the insurers.

Industry Growth and Stability: By highlighting the importance of caravan parks to the insurance industry, it encourages insurers to invest in the sector and develop specialised products and services. This facilitates the growth and stability of the caravan park industry, supporting its overall success and contributing to the economy.

Industry Reputation: Educating the insurance industry about the significance of caravan parks helps elevate the reputation of the industry as a whole. It showcases the professionalism, risk management efforts, and commitment to safety within the caravan park sector. This positive image attracts insurers who value well-managed risks and strengthens the industry's standing among stakeholders.

Currently, there exists a significant disparity among insurers regarding the genuine risks faced by parks in Australia. In discussions, insurers have expressed perceptions that Australia is constantly prone to either wildfires or floods, without accounting for the nuanced risk factors specific to each park, their location, or their operational strategies to protect assets. Moreover, misconceptions about park operations, such as deflation of jumping pillows at night or separation of roofed accommodations to mitigate total loss, have led to generalised assumptions resulting in exemptions or disproportionately high premiums that do not align with the actual loss profile. Addressing these misunderstandings is crucial for establishing fair and accurate risk assessments,

facilitating appropriate coverage, and mitigating unrealistic premiums for parks in Australia.

Action item 5.1: Develop an educational initiative aimed at providing insurers with a comprehensive geographic understanding of Australia and increase their awareness of park operations that effectively mitigate insurance losses.

Action item 5.2: Create an online public document and link library on caravan park standards and good practice guides.

Action item 5.3: Present to European insurance businesses to provide comprehensive education on Australia's caravan park industry, thereby fostering a deeper understanding of this sector.

Action item 5.4: Create an educational toolkit for underwriters and brokers on caravan park insurance risk, focused on profiling perceived individual risk areas such as jumping pillows, natural disasters, and water parks.

Action item 5.5: Establish an industry insurance forum represented by caravan park operators, representative bodies and insurance providers that meet to discuss issues, discuss market conditions and collaborate on activities regularly and consistently.

6 Government Led Solutions

It is evident, that the caravan park industry must lead the way in providing insurance accessibility and affordability; however, government also has a responsibility to support the sustainability of the industry and to ensure that it can improve its standing with insurance companies in tough market conditions. CIAA is calling on the Government to support the industry in the following way:

Extensive Civil Liability Reform: As per ASBFEO Report and Expansion of Cyclone Reinsurance Pool, this includes increasing the coverage of the pool to cover ALL natural disasters (not solely cyclones as declared by BOM). Also increase of the threshold of 'Total Sum Insured' from \$5M to adequately cover SMEs - to at least \$10M, plus additional measures.

Tort Law Review: A national review of tort law which will examine the impact current legislation is having on small and medium businesses, including the caravan park sector, in particular their ability to access appropriate insurance. This includes advocating for including jumping pillows and water parks in the "inherent risk" definition to strengthen legal defences and protect adventure activity providers without extensive tort law reform.

Industry Training and Education Program Funding: CIAA is seeking \$4 million to fund the development of industry training and education accreditation programs, as outlined in this strategy, to improve risk management and national standards across the caravan park sector, including the implementation of standardised technology and risk profiling solutions.

Diplomatic Relations: Caravan Industry is calling on the Australian Government to establish diplomatic representation on behalf of industry in response to the insurance environment. Newly established free trade agreements (FTA) with the United Kingdom and the European FTA are in final negotiation phases. It is incumbent upon the government to utilise such opportunities to make diplomatic representations to the international insurance underwriters.

Insurance Claim Decisions: CIAA advocates for a decrease in time it takes for insurance claims to be completed:

- For general time frames from 4 months to 3 months.
- For 'extraordinary catastrophes' from 12 months to 4 months.



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