



Australian Small Business and Family Enterprise Ombudsman

Insurance Inquiry submission by :

BIG4 Holiday Parks of Australia

September 2020

Executive Summary

1. Holiday Parks have evolved significantly over the past 10+ years and now many have significant infrastructure, facilities and activities their guests. Parks are regularly being bought and sold with prices up to \$50m.
2. The move into the roofed accommodation market (villas, cabins, apartments) has doubled the size of the number of bookings and customers in the industry in that time
3. Holiday & Caravan Parks (“Parks”) are now a \$2.1 billion industry In Australia – mostly in regional areas. Collectively, Parks are also one of the largest employers across the regions.
4. These Parks are spread mainly across regional Australia from top to bottom, from east to west in bushy natural settings
5. With climate change we are seeing an increase in bushfires, cyclones and flooding through these regions which have impacted on Parks physical assets and also caused significant revenue loss
6. With the increased number of people visiting Parks and undertaking additional activities provided by Parks there is an inevitable increase in injuries
7. Given the unique nature of Parks across Australia, the number of insurers willing to cover the industry is quite small. A couple of specialist boutique insurers such as All Parks Insurance (API) tend to have significant market share. All Parks (API) itself is underwritten by a German Insurer. Very few Australian based insurers will provide cover to the industry.

Executive Summary

8. We have been advised by Marsh, our broker that:
 - Insurance premiums across Australia and the Pacific region are rising the fastest in the world – up 31% in Q2 2020.
 - Lloyds of London has also now started to scale back or refuse coverage.
9. All these factors have collided to make insurance one of the biggest issues facing Parks. Even less insurers are now willing to provide cover to the industry.
10. We have seen huge increases in premiums, excesses and reduced cover especially in areas with heightened increase of natural disaster risk – whether a park is large or small. Parks with waterparks and other activities are being further impacted through reduced Liability cover. Some parks are now being refused cover in total.
11. If this issue is not fixed in the next couple of years, it is likely that the industry will be brought to its knees with investment stopping and facilities & activities being removed - resulting in less demand and likely Park closures undermining the regional economies and employment of Australia.

01 |

The transformation of Holiday Parks has led to increased, and more complex, insurance requirements



The Holiday / Caravan Park Industry

- There are an estimated **1600** commercial holiday / caravan parks around Australia
- Caravan parks have an annual revenue of **\$2.1B** (BDO, 2019)
- Total visitor expenditure for caravan/camping is **\$8.6B** of which 90% is spent in regional Australia (TRA, 2019)
- Caravan parks receive approximately **7.5M** trips per year, totalling **39M** nights (TRA, 2019)
- Total caravan and camping nights, including non-commercial (i.e. National parks, side of the road & private property) is **64M** nights (TRA, 2019)

Who is BIG4?

BIG4 Holiday Parks (BIG4) is Australia's leading holiday parks brand and has been so for nearly 40 years.

BIG4 operates a network over 180 parks around Australia.

It has been built as a member owned cooperative where traditional 'mum and dad' style operators rely upon BIG4 for their brand and distribution marketing and loyalty programs.

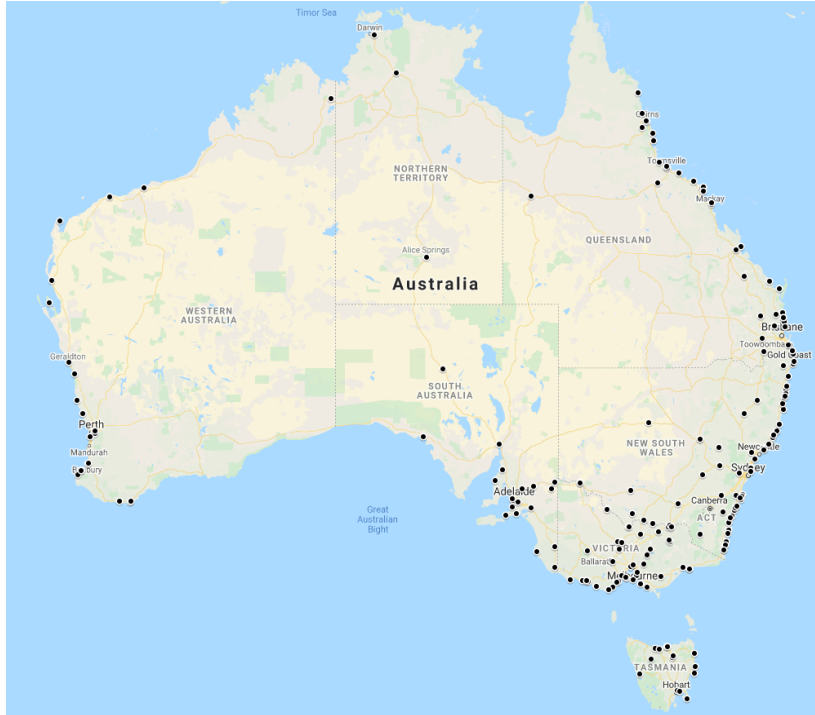
In recent years corporate groups and super funds have built sizable portfolios of parks.

Collectively these owners are investing tens of millions of dollars each year into new parks, upgrades and experiences for their customers.

BIG4 does not own any parks. It licenses the BIG4 brand or services pursuant to the terms of a franchise or marketing agreement. Parks operate largely autonomously with BIG4 providing marketing and quality control services.



BIG4 Holiday Parks' Footprint



State Breakdown	Parks
VIC	43
NSW	57
QLD	35
SA	20
WA	18
NT	3
TAS	9
Total	185

The BIG4 network covers the length and breadth of key tourism destinations across Australia.

Holiday Parks are most often located in regional areas outside of main cities. One of the attractions of parks is often their natural bushy setting.

Many parks are also located in North Queensland given its popularity as a Tourist destination.

Both these factors mean that Holiday Parks are more exposed to natural disasters such as cyclones and bushfires than many other businesses.

Appropriate Property and Business Interruption Insurance is a key aspect of a park owners existence.

What is a Holiday Park?

Many people are not aware of the transformation of caravan parks into holiday parks over the past 15 years.

Many people still think of the caravan parks of the 1970's and 1980's which were largely bush paddocks with shared bathrooms and little else to do. Today's holiday parks can hardly be further away from that scenario.

The principal income of a holiday park is now through accommodation such as villas, apartments and cabins. Whilst caravan and camping equates for about 50% of the number of bookings, the accommodation side accounts for approx. 70% of the revenue.

In addition to the new roofed accommodation, many parks have extensive entertainment facilities such as pools, water parks inflatable trampolines, bike pump tracks, games rooms, playgrounds and small cafes. Many also have equipment hire such as mini golf, kayaking etc.

Activities such as kids club, art & craft sessions and astronomy classes are often held during peak seasons.



What is a Holiday Park?

In summary, parks can be divided into 3 categories— premier, holiday and classic. All are represented in the BIG4 network

Premier parks are those with first-class 4-5 star accommodation options and top-quality facilities and services. They operate as resort like destinations. They provide everything you could want in a holiday without having to leave the Park. They tend to be located in high travel tourism destinations.

Holiday parks have high quality facilities and services. These parks have a wide range of accommodation options on offer, from campsites to self-contained family accommodation. Many have kids' play areas, swimming pools, and well-equipped communal areas.

Classic parks offering powered and unpowered sites as well as neat self-contained accommodation in a beautiful natural setting. They are perfect for an overnight stay while on the road, or for a longer more relaxed natural break exploring the local region.



Accommodation and Sites

Roofed accommodation – Cabins, Villas, Cottages and glamping tents

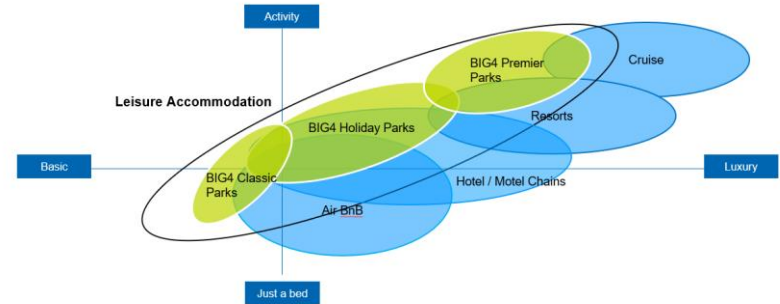
The main revenue for parks comes from guests staying in roofed accommodation. The type and quality of accommodation varies across parks with the majority of parks offering a range from basic to 3+ star.

Many Holiday and Premier parks also offer 4+ star villas.

Accordingly, parks do not just compete with caravan parks but also all types of leisure accommodation from Airbnb, hotels and motels, resorts and cruises. The Premier Parks and many Holiday Parks offer the full breath of accommodation from basic to luxury and have significant facilities (pools, water parks, kids clubs, playgrounds etc).

A key challenge is that this evolution to quality across many parks is still a well-kept secret amongst many relevant holiday makers

Competitive Landscape Leisure Accommodation





**Premium Roofed
Accommodation
- similar
accommodation
is available in all
Premier and
most Holiday
Parks.**





Entertainment Facilities

As the Holiday Park industry has grown and more demand for high quality parks and activities has increased many parks have introduced facilities and activities such as

- Pools (indoor/outdoor),
- Waterparks – small and large
- Bike pump tracks
- Jumping pillows
- Playgrounds
- Ropes courses
- Tennis / basketball courts
- Indoor play and games rooms
- Gyms and yoga classes
- Mini golf
- Playrooms
- Kayaking
- Pedal boats





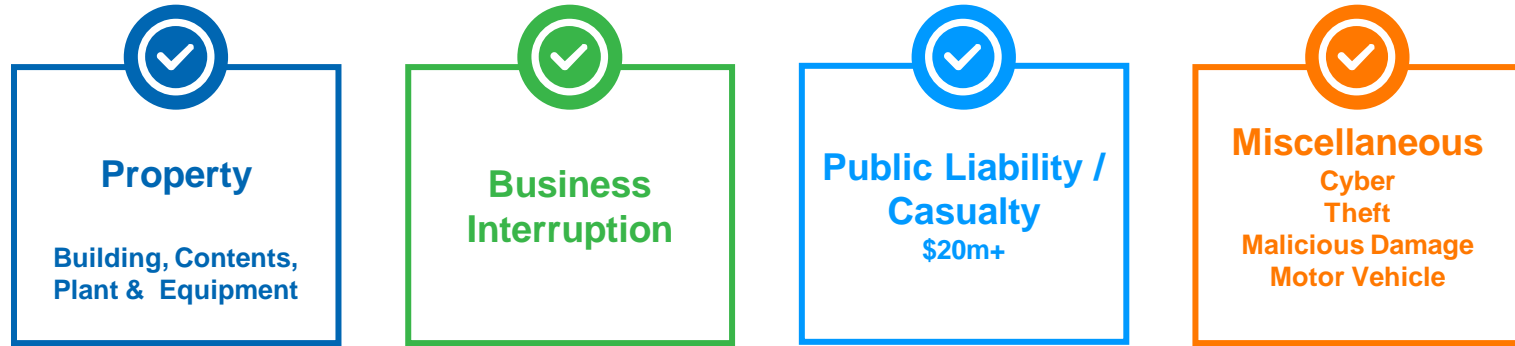




02 | Standard Park Insurance Policies



Standard Insurance cover adopted by Holiday Parks



Of these policies, parks are experiencing significant issues with Property, Business Interruption and Public Liability.

We will provide examples of the issues in each category below

03 | Australian and Holiday Park Insurance Market



Australia / Pacific insurance prices are rising the fastest in the world

Our Insurance brokers Marsh have undertaken a deep analysis of, and provided insights into, the performance of the world insurance market and how Australia compares as part of the Pacific region until end of Q2 2020. The Pacific has the highest increasing insurance pricing in the world at 31% (same as UK), which is nearly double USA and 3.5 times that of increases in Asia.

FIGURE 12 Pacific Composite Insurance Pricing Change

SOURCE: MARSH GLOBAL ANALYTICS

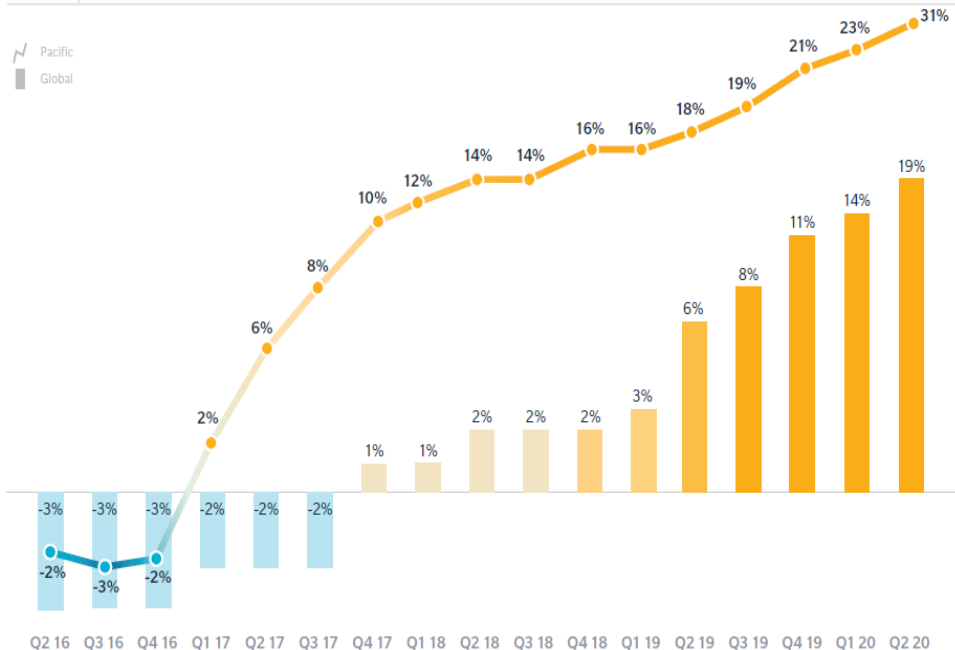
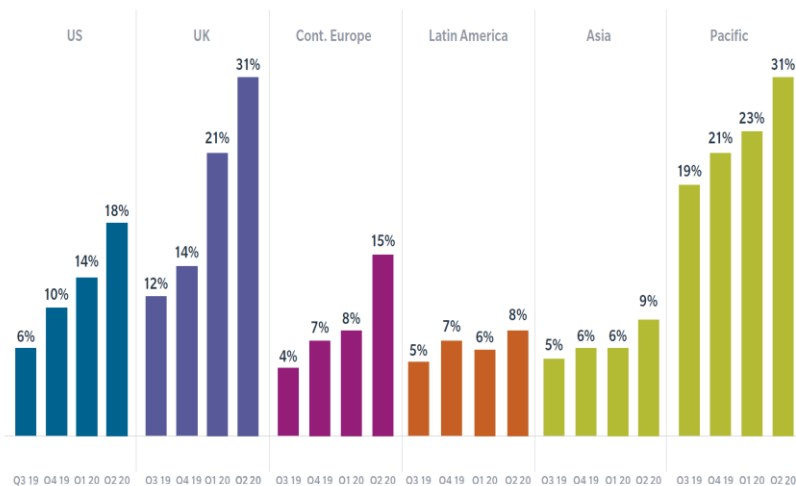


FIGURE 3 Composite Insurance Pricing Change – By Region

SOURCE: MARSH GLOBAL ANALYTICS



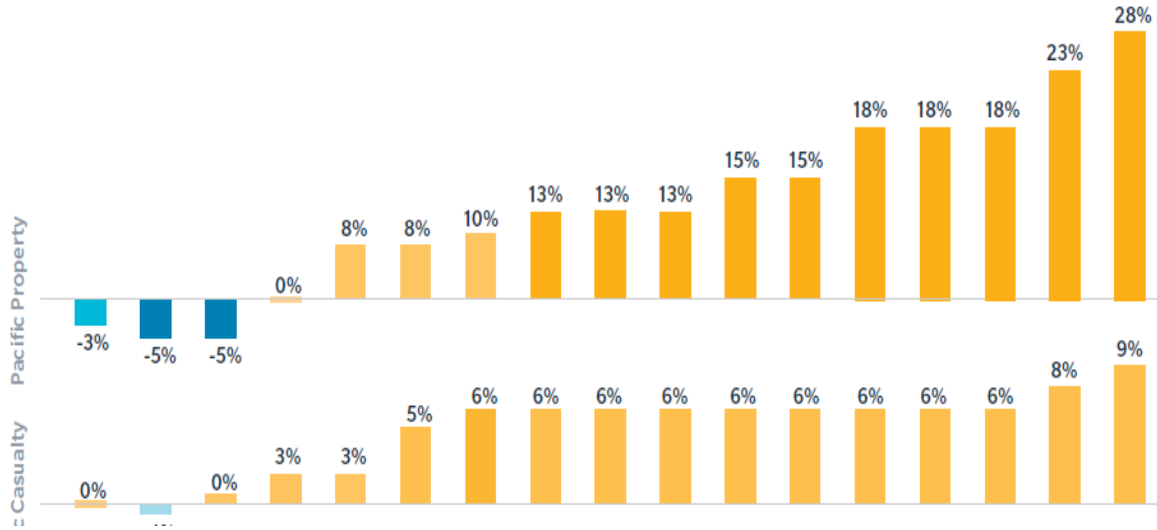
Geographically, composite pricing increased in all regions for the seventh consecutive quarter (see Figure 3):

- US 18%.
- UK 31%.
- Continental Europe 15%.
- Latin America and the Caribbean 8%.
- Asia 9%.
- Pacific 31%.

FIGURE
13

Pacific Composite Insurance Pricing Change — By Major Coverage Line

SOURCE: MARSH GLOBAL ANALYTICS



Property insurance pricing increased 28% in the quarter, the eleventh consecutive quarter of year-over-year double-digit increases.

- Wildfires and other CAT events drove the pricing increase, with concerns surrounding COVID-19 also having an impact.
- Policy wordings and coverage edits occurred frequently as a means to offset or mitigate pricing increases, adjustments to deductibles, and/or SIR increases.
- There was little competition among insurers, and a general move toward reducing line sizes (deployed capacity) on major placements, in particular those with CAT exposure.

Casualty pricing rose 9%.

- Casualty pricing continued to increase in the mid-single digits as it has for three years.
- Wildfire, construction risks, and clients with US exposures faced significant increases, ranging from 30% to 50% and above, as well as reduced capacity.
- Competition and capacity in the casualty market began to increase.

The highest rate of growth of 48% is for the financial products re D&O, Professional Indemnity etc.

Marsh insights into Australian market for Holiday parks

Broadly speaking the insurance market globally has struggled to turn a profit. Lloyds of London for two consecutive years has run at a loss. Locally we are seeing significant impacts on the profitability of insurers and a reduced capacity with insurers simply withdrawing and cutting their losses. We need only look at the share price of QBE and IAG.

Historically the Australian market would look to Lloyds for the capacity and ability to fill this gap. However, Lloyds following their losses have sought to undertake a mandatory review of all of their cover holders. All insurers who had high exposures to unprofitable business or the potential for their portfolio to turn rapidly unprofitable were given notices to advise on how they intended to strengthen their positions.

We have seen many insurers simply come off risk for a perception that they could be exposed to large losses. Basically insurers are operating with reduced capacity being very selective where they deploy that capacity. A risk by risk approach is being adopted over that of a portfolio mindset.

Property Cover:

- Location of risk is a large driver of premiums.
- The more properties sit above the 26th parallel the more “perceived” risk for the insurer
- As a rule, insurers place a higher loading on property north of Bundaberg
- Many insurers simply refusing to quote if north of the 26th parallel
- Major factors for property underwriters are: Storm surge (distance to coast), flood, rain depression (stormwater drains overflowing causing damage) and cyclone. In fact with cyclones, these can have all the above effects one disaster.

Marsh insights into Australian market for Holiday parks

Liability:

- Activities and the risk of injuries - jumping pillows, trampolines, water parks, high ropes courses are relatively new products causing concern. They can attract injuries to children.
- Historically these activities were all done by dedicated businesses such as theme parks or dedicated adventure parks and ran under a different operating model and scale. These activities are now being implemented in caravan park/holiday resorts, albeit on a different scale.
- Children and injuries - injuries for children can be exceptionally long tail in nature given the time frames for lodgement.
- The quantum of the loss when injuries occur. This example is a loss of \$4M for an injury on a jumping pillow. It is articles like this that insurers will look for when they are underwriting a risk / occupation.
 - o <https://www.brisbanetimes.com.au/national/queensland/woman-sues-over-jumping-pillow-injury-at-gold-coast-holiday-park-20170201-gu3464.html>

BIG4 Key Findings – Range of issues

BIG4 undertook a survey of insurance issues across its Park network. The questions asked were similar to those asked in your own survey. 28 responses were received (covering about 40 parks).

The aim was to identify general issues **and** provide a more detailed industry specific response on how the insurance market is currently affecting the sector and regional tourism.

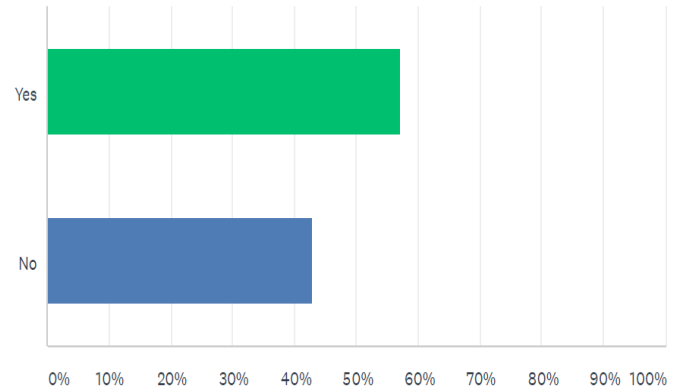
We received both qualitative and quantitative responses. This section provides the quantitative but the qualitative is dealt with in the next section.

Just under **60%** of Parks are having real issues with their insurance cover.

This is an incredibly high figure and shows the challenges that the Holiday Park industry is facing with the current climate in which the Insurance Companies operate.

Q5 Are you having any issues?

Answered: 28 Skipped: 0



Key Findings – Range of issues

The survey identified a range of problems for parks.

Only 33% of the parks that responded had made a claim, but the insurance issues extend well beyond that. In fact those that made claims were reasonably happy. It is more in the structures, premiums, excesses, conditions and exclusions that the issue lies.

Of those who are having insurance issues, Price (75%) and Extent of coverage (65%) are the highest cause of concern.

The most common concern is the financial stress (52%) that higher premiums are placing on the business.

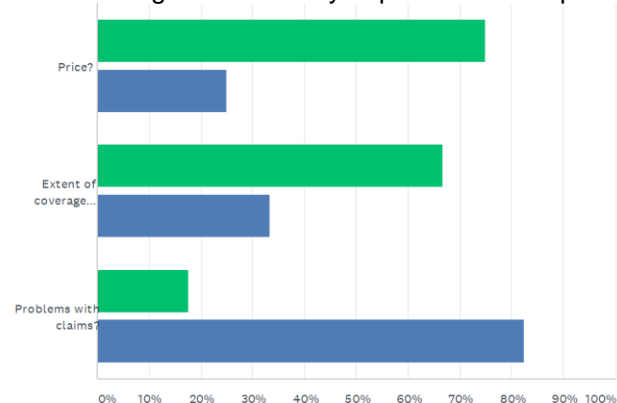
Some parks are unable to undertake their usual activities (42%) due to the added burden.

Others have been unable to expand their operations due to insurance issues (20%).

5% of parks have also had to close parts of their businesses due to insurance.

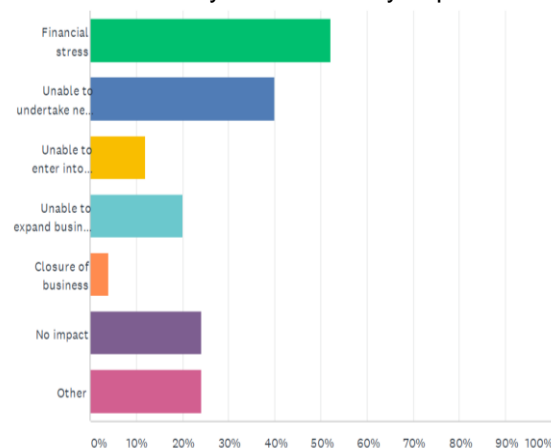
Those results are consistent with feedback and qualitative responses to the BIG4 Survey detailed under Major Issues below.

Which of the following have caused you problems in respect of Insurance?



■ Yes ■ No

How have they have caused you problems?



Key Findings – Claims

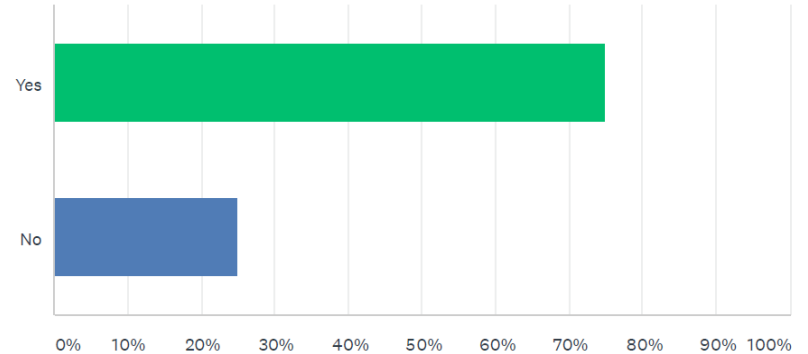
Only 32% of respondents had made a claim within the last 5 years. Most claims appear to be on a smaller scale.

Where a claim was made only 25% were unhappy with the resolution.

Of those parks that were unhappy issues relate mostly to the assessment process and coverage not being adequate.

Q11 Were you satisfied with the resolution?

Answered: 28 Skipped: 0



04 | Major Issues facing parks



Property Damage

Over the past few years, we have seen

- Several cyclones in North Queensland, NT and Nth WA
- Annual devastating bushfires in almost all states and territories; and
- Localised flooding in regions of NSW, Qld and Vic

Given Parks are mainly located in regional areas, many parks have been impacted by these natural disasters although few have suffered property damage making their parks inoperable.

Most parks have been constructed with these risk factors built in and through good planning, well maintained infrastructure and dedicated on site managers, significant damage to major park infrastructure have been avoided. Despite this, insurance companies are now imposing unreasonable conditions or even refusing cover for property damage .

There is also only 1 or 2 insurers that are willing to ensure property in parks in those regions, so the parks are effectively having to pay whatever is asked. This includes,significant increases in premiums and excesses and more restricted cover or outright refusal.

This is not sustainable in the longer run and the Government needs to step in to address market failure. North Qld and regional areas are key tourism markets for Australia and if parks and tourism operators cannot operate due to insurance this will have a significant impact on those regional economies – that are already devastated by covid.

Property Damage

Here are two case studies in respect of the impact of these factors on parks this year.:

1. A park in North Queensland, had its premium doubled 2 years ago. It went up another 20% this year. Its excess has been raised from \$20,000 to \$100,000 for property damage. This park has not had any significant property claims in recent years despite being within cyclone areas. The fact that it is has survived such cyclones seems to not be relevant. This is not the only example of such a park in the Nth Qld. We are aware of a number of other parks in that location that have had the same experience.
2. A park along the Great Ocean Road in Victoria was located near the bushfires in 2018. No damage to the parks was suffered although it was effectively closed as all roads in and out were closed by authorities to reduce traffic to the area. This park has this week been advised by its current insurer that it will no longer provide any property damage cover due to fire risk. It was not even offered insurance with fire risk excluded. This park has since tried to place cover with other insurers but has been unable to do so. The matter has been reported to the Vic Bushfire Recovery. The park currently faces the prospect of being totally uninsured for property loss despite the millions of dollars of infrastructure located in the park.

If this action is effectively a sign of things to come for the parks in locations of higher bushfire risk, and the increasing likelihood of fires due to climate change, it sounds a devastating blow for the Tourism industry and Regional Victoria. No owner will invest in infrastructure that cannot be insured.

Business Interruption

Similar to the issues surrounding insurance for property damage, Business Interruption Insurance (BII) is also problematic.

1. The same risks driving the increases in premium or/ excesses or refusal to insure for property also relate to BII. In fact BII is more problematic as it does not always require physical damage to trigger a claim.
2. In addition here is confusion around the entitlement to claim for losses due to Covid19 under BII policies. We note this is the subject of a test case involving the *Insurance Council of Aust* and the *Aust Finance Complaints Authority*. Interestingly, one of the plaintiff's in the case is a caravan park and the specific clause being tested in the case is in many parks insurance contracts. We await the outcome with great interest as its impact is likely to be significant. <https://www.afca.org.au/news/media-releases/insurance-council-and-afca-agree-to-launch-business-interruption-test-case>.
3. BII has many restrictions, limits and exclusions and these are often confusing.
 - Several policies include 'prevention of access' as a claimable event. There is often confusion though as to what "prevention of access" means. It's clear when there is a State of Emergency and evacuation orders are in place but generally those situations are in the minority. Are road closures by themselves sufficient to trigger the claim? Again what is a road closure? Does it require all roads leading to the park to be closed? What if the only way to get there is a 200km detour? Is that prevention of access? A good example of this situation is in respect of parks located on the South Coast of NSW. The main catchment for those parks closer to the Vic border is Victoria not NSW. Yet post the Mallacoota fires, the Princes Highway north from Vic was closed for many weeks and Victorian guests could not travel to the parks. But travel was still available via Canberra or from the north. Does that qualify as a "prevention of access" when a significant number of guests are impacted, but not everyone?
 - Another issue that arises is in respect of intermittent road closures. If a road is closed for a few days, then reopens but is then forced to shut again are they all considered the event if the underlying cause is the same. Do the roads have to be continuously closed? This is important when there is a 2-3 day "waiting period" before a BII claim for prevention of access can be made. If a road is opened / closed / open / closed – that waiting period can defer claims for an indeterminable amount of time.

Business Interruption

- In addition, how far away from the park does the event have to be before it is claimable? Some policies have a 50km restriction in that the event must be within 50 km of the park. Flooding could close roads in Nth Queensland for weeks. Given limited access, those closures generally stop the bulk of people travelling north to Cairns but the cyclone and flooding itself might be closer to Townsville. These claims are often not allowed due to the distance that the event is from the park – but the impact is the same whether 20km or 200km from a park. In recent months, parks in Wangaratta were heavily impacted with lost income but they were more than 50 km from the fires and the road closures, but those closures stopped the bulk of guests being able to travel.
- 4. Another issue that often arises are the meaning of disputes around ‘loss of attraction’. Events that cause a loss of attraction are often claimable. But like the “prevention of access” it is often a source of confusion and uncertainty. Some policies set distance limits on how far away the event causing the loss of attraction can be - eg 50km. What happens in major catastrophes that impact large areas but are more than 50 km away from the park?
- 5. Many parts of the Victoria regional areas were impacted by smoke and poor air quality during the fires. Does that amount to “loss of attraction” when one of the key reasons to visit the park was the fresh country air and outdoor activities? If a park has its income reduced due to overall amenity (smoke) or halo issues (media coverage) this may not be covered by BII. Some parks have been able to specifically nominate an area, attraction or activity that is defined to be part of the overall attraction of the park. If that area or attraction is closed, then the definition is met. This has certainly made it easier to meet the rather vague interpretation, but many have not been able to include it

Public Liability

One of the key attributes of BIG4 Holiday Parks is that we provide the opportunity for our guests to have a great Australian break. The underlying brand attributes are great locations, with quality facilities and services where you can go and have fun and connect with your family and friends.

Families are a key audience and parks over the past few years has been investing millions of dollars to grow their entertainment precincts in their parks. This is following the end of parks in Europe which have become entertainment destination in their own right.

The challenge with this investment is that the insurance market has not been supportive. The demand from Consumers is there but the insurance doesn't follow.

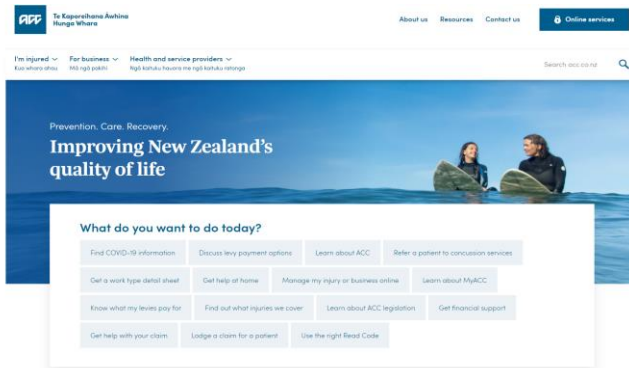
There are several examples of parks in the past 12 months that have recently built water parks but have been unable to operate them in the manner intended due to the inability to attract insurance. This is particularly the case for parks that have a height in excess of 3m off the ground. Even relatively small water parks these days are higher than 3 metres. Interestingly many councils are now also building waterparks for their own community swimming pools.

Some water parks have had to be shut down until the insurance issues have been resolved which has not been any and has often required significant additional investment to be re insured such as CCTV.

Another rapidly increasing issue is the increased premiums and excess due to the installation of a "jumping pillow" or inflatable trampolines. These have been a hall mark of BIG4 for well in excess of 10 years yet again in recent years the risk of claims for injuries suffered has meant that parks are now beginning to remove them which ultimately denies the customer one of the most popular activities in a park. I am aware of at least 3 trampolines that have been pulled out or closed in 2020 alone. The excess on some jumping pillows has increased to 50k which effectively closes down the ability to keep a jumping pillow for smaller parks.

Public Liability

- ❑ In addition to waterparks and jumping pillows, parks are also investing in activities such as bicycle pump tracks, ropes courses, skate parks, water sports and golf simulators.
- ❑ The park accept that these additional activities do increase risk. There is no argument with that but they also come with risk mitigation plans and strategies. The issue is that given the limited available pool of insurers and the consequential impact of doubling/ tripling premiums, increased excesses with additional restrictions and exclusions is making them uneconomic.
- ❑ The fact that so few insurers are prepared to insure this market, is creating monopolistic powers for those that do. The market needs to be refreshed to allow more insurers to take on the liability cover to reduce premiums and excesses and increase available cover. This is likely only to come about if more insurers can be enticed into the market or a cap is imposed on maximum claims, particularly ones with contributory negligence.
- ❑ A consideration could also be given to introduce a NZ type of accident compensation scheme similar to the type provided by the Accident Compensation Commission, a broader variant of our WorkSafe and Motor Vehicle compensation schemes. See <https://www.acc.co.nz/>



Help when you're injured in an accident

Everyone in New Zealand is covered by ACC's no-fault scheme if they're injured in an accident. This includes children, beneficiaries and students. It doesn't matter if they're working, unemployed or retired. It also includes visitors to New Zealand.

The cover we provide helps pay for the costs of your recovery. This includes payment towards treatment, help at home and work, and help with your income.

For a recent overview of the ACC scheme and its origins and performance see <http://press-files.anu.edu.au/downloads/press/n5314/pdf/ch14.pdf>

Combined Impact

With:

1. Property Insurance premiums more than doubling, excesses tripling, and insurance being outright refused in certain locations
2. Business Interruption insurance premiums increasing sufficiently with more and more restrictions, caps and uncertainty around the meaning of the exclusions and breadth of cover ; and
3. Public liability premiums increasing, excesses escalating, and uneconomic conditions being imposed upon new and pre-existing 'activities'
4. Many insurers refusing to cover the industry

It is little wonder that the Holiday Park and Carvan Park sector is struggling to find relevant, affordable and meaningful insurance cover.

Without it the industry is at real risk of significant contraction or collapse in certain areas and activities, causing significant economic impact at a time where it is severely curtailed by Covid. Regional Tourism in Australia needs a thriving and successful Holiday Park sector.

Conclusion

1. Holiday Parks have evolved significantly over the past 10+ years and now many have significant infrastructure, facilities and activities their guests. Parks are regularly being bought and sold with prices up to \$50m.
2. The move into the roofed accommodation market (villas, cabins, apartments) has doubled the size of the number of bookings and customers in the industry in that time
3. Holiday & Caravan Parks (“Parks”) are now a \$2.1 billion industry In Australia – mostly in regional areas. Collectively, Parks are also one of the largest employers across the regions.
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5. With climate change we are seeing an increase in bushfires, cyclones and flooding through these regions which have impacted on Parks physical assets and also caused significant revenue loss
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Contact

If you have any questions or wish to discuss this submission in more detail, please contact

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CEO
BIG4 Holiday Parks

