



November 2021

## Addressing the affordability of home, contents, and vehicle insurance for people on low incomes

### Background

While we lack accurate data on insurance take up, many studies have found lower rates of insurance among people on low incomes. Approximately 1 in 10 to 1 in 15 low income home owning households do not have home insurance.<sup>1</sup> Approximately 1 in 2 or 3 people on a low income do not have contents insurance,<sup>2</sup> while 1 in 4 people on a low income with a vehicle do not have comprehensive vehicle insurance.<sup>3</sup> Some surveys of people on low incomes have found far higher rates of uninsurance - Maury and Lasater's<sup>4</sup> auditing of people who had applied for no interest loans found only 8% held home and/or contents insurance, and only 30% had car insurance.

Affordability of premiums is a major barrier to insurance take up. A number of factors risk creating a potential perfect storm around uninsurance:

- Natural disasters are increasing due to climate change.
- People on low incomes are more likely to live in areas with higher risk of natural disasters because the housing tends to be cheaper.
- People on low incomes are unlikely to have the resources or power to engage in much mitigation (because they're renting, and/or because of the cost).
- Insurance premiums have been rising (doubled since 2000 in Adelaide), and will continue to rise with increased natural disasters.

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<sup>1</sup> Insurance Council of Australia. (2019). *The impact of government duties on household insurance*. ; Collins, D. (2011). *Reducing the risks: Improving access to home contents and vehicle insurance for low-income Australians*. <https://www.bsl.org.au/research/publications/reducing-the-risks-improving-access-to-home-contents-and-vehicle-insurance-for-low-income-australians/>

<sup>2</sup> Collins, D. (2011). *Reducing the risks: Improving access to home contents and vehicle insurance for low-income Australians*. <https://www.bsl.org.au/research/publications/reducing-the-risks-improving-access-to-home-contents-and-vehicle-insurance-for-low-income-australians/>; Banks, M., & Bowman, D. (2017). *Juggling risks: insurance in households struggling with financial insecurity*. <https://www.bsl.org.au/research/publications/juggling-risks-insurance-in-households-struggling-with-financial-insecurity/>; Robinson, T. (2017). *Uninsured Australia: The case for not-for-profit insurance*.

<sup>3</sup> Collins, D. (2011). *Reducing the risks: Improving access to home contents and vehicle insurance for low-income Australians*. <https://www.bsl.org.au/research/publications/reducing-the-risks-improving-access-to-home-contents-and-vehicle-insurance-for-low-income-australians/>

<sup>4</sup> Maury, S., & Lasater, Z. (2020). *Low-income households and insurance patterns*. <https://apo.org.au/node/310359>

- Financial strain on households has increased during the Covid-19 pandemic, with the risk that these households may let their insurance premium payments lapse, leaving them uninsured.

If there is no government intervention, these factors combined risk the possibility of a large number of people falling into poverty or having their poverty entrenched in future natural disaster seasons. Lack of insurance also increases the public cost of natural disaster recovery, as more government support is required.

### **Policy response**

In the face of increasing natural disasters, and the emphasis on the role of insurance in government natural disaster resilience planning, insurance must be treated as an essential service. Providing concessions for people on low income for home, contents, and vehicle insurance, as the state government already does for essentials such as energy and water, would make a direct and immediate impact on access to insurance. The ACCC inquiry<sup>5</sup> concluded that direct subsidies, concessions or rebates would be the most efficient way to address affordability of insurance. As well as making insurance premiums more affordable, a concessions system would signal the importance of people holding these insurance products, which may also facilitate greater uptake.

This may best be achieved through the addition of a 'general insurance concession' where people on low incomes receive a percent of their premium back as a rebate. This could be delivered through Concessions SA as for the Cost of Living, Energy, Water, Sewerage, and Residential Park Resident Concessions in South Australia. The state residential park resident concession would also provide a good opportunity to ensure the insurance needs of park residents are being met, as some residents report facing difficulties securing insurance.

With insurance premiums expected to continue to rise, SACOSS urges the government to continually review South Australians' access to insurance as we face increasingly frequent natural disasters.

### **SACOSS proposal**

SACOSS is calling on the government to:

1. Implement a percentage based concession scheme for home, contents, and vehicle insurance for people on low incomes, modelled on the existing cost of living concessions.
2. If concessions are introduced, the government should resource partner non-government organisations to facilitate access to the concessions for communities that would benefit from the support, as Victoria has done with the Power Saving Bonus.

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<sup>5</sup>Australian Competition and Consumer Commission. (2020). *Northern Australia insurance inquiry final report*. <https://www.accc.gov.au/publications/northern-australia-insurance-inquiry-final-report>