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# Industry responds to mutual review interim findings

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A discretionary mutual fund may be a suitable way to address the current insurance crisis facing amusement park, leisure and recreation operators, the Australian Small Business and Family Enterprise Ombudsman (ASBFEO) says.

ASBFEO made the assessment after wrapping up its initial review on whether such a scheme will work.

The review also explored a plan by the Australian Amusement, Leisure, and Recreation Association (AALARA) to set up a mutual for its members, who have been struggling to secure mandatory public liability insurance.

Rate hikes as high as 200% in some cases, combined with a scarcity of insurance providers, have sparked concerns about the long-term survival of the sector.

“There is a very real possibility shows won’t go on – something has to be done for the show to go on,” Ombudsman Bruce Billson said.

“A [discretionary mutual fund] may represent the only workable solution.”

The interim report says the lack of available or affordable insurance is not the fault of the amusement, leisure, and recreation industry. Rather, it reflects a hardening of the broader insurance market, both in Australia and internationally.

It also notes that specialist underwriting agency Coversure has recently entered the market to offer public liability insurance to the sector. It says the facility offered by Coversure will support some businesses, but not all.

Coversure GM Adrian Gamble says he isn’t against mutuals, explaining they have a role to play and can be good in some situations. But he says the discretionary mutual fund proposition as reviewed appears to focus on delivery of cheaper insurance substitutes and discusses little that will deliver any increased safety and risk mitigation for the public.

“The [interim] report does not appear to address the possibility that the premium rates being utilised are reasonable and prudent for a longer-term stable industry solution,” Mr Gamble told insuranceNEWS.com.au.

“Perhaps the path to ‘affordable premiums’ is via risk mitigation and risk management by the amusement businesses as well as legislative reform to eliminate the risk and liability for amusement and leisure operators.”

AALARA and the Business Council of Co-operatives and Mutuals (BCCM) have welcomed the Ombudsman’s interim findings.

“AALARA firmly believes a discretionary mutual fund offers the best strategic solution for our industry,” President Shane McGrath told insuranceNEWS.com.au.

“Traditional insurance has left many of our members high and dry, without the ability to operate their business.”

BCCM CEO Melina Morrison says the Ombudsman’s interim report is a step towards finding affordable risk protection solutions for small businesses and family enterprises affected by rising premiums.

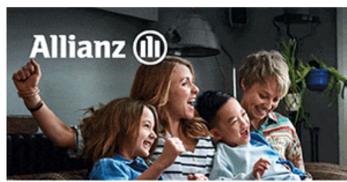
“As insurance markets harden and more areas of the economy are constrained by lack of access to appropriate risk protection, mutuals can offer a solution,” Ms Morrison said. “It is a proven model, when it is accompanied by good governance, robust management and adequate capital to ensure both members and consumers are protected.”

Mutual designer Picnic Labs has also responded to the interim report.

“Any report that backs up the pain being experienced from the current market conditions by businesses with hard data is important for everyone to read,” CEO Charles Pollack told insuranceNEWS.com.au.

“In Picnic’s experience, where there is a similar attitude towards risk mitigation across a broad group of members, a [discretionary mutual fund] is a great solution.”

Click [here](#) for the interim report.



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