



**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

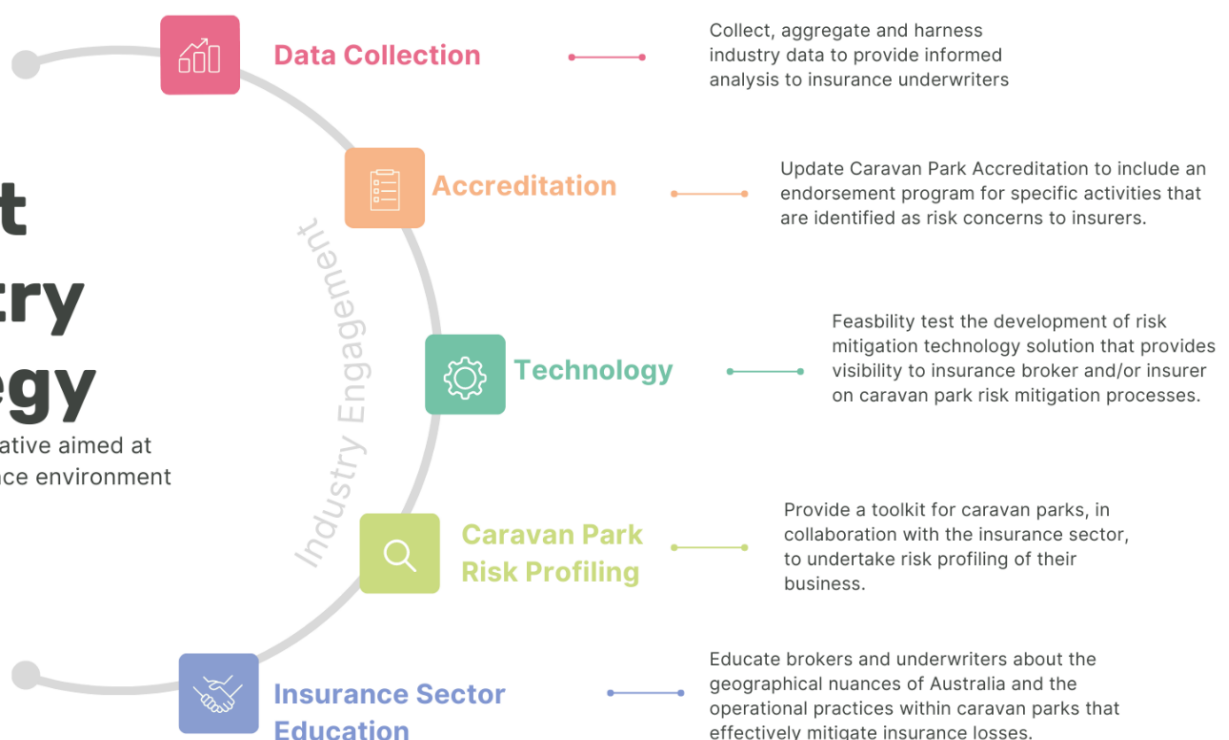
This industry roadmap aims to explore the insurance landscape in the caravan park industry, to provide a 5-point strategy for the industry to address current challenges in insurance affordability and accessibility.

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.

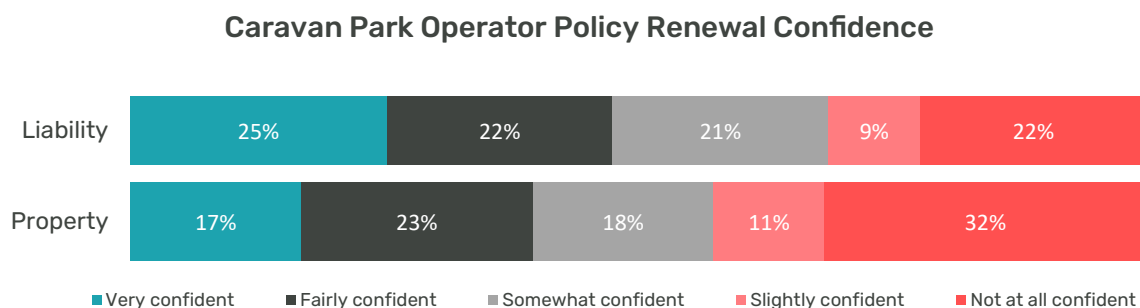


Figure 1 Caravan Park Operator Policy Renewal Confidence. Source: CIAA Insurance Claims Survey, 2023

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.

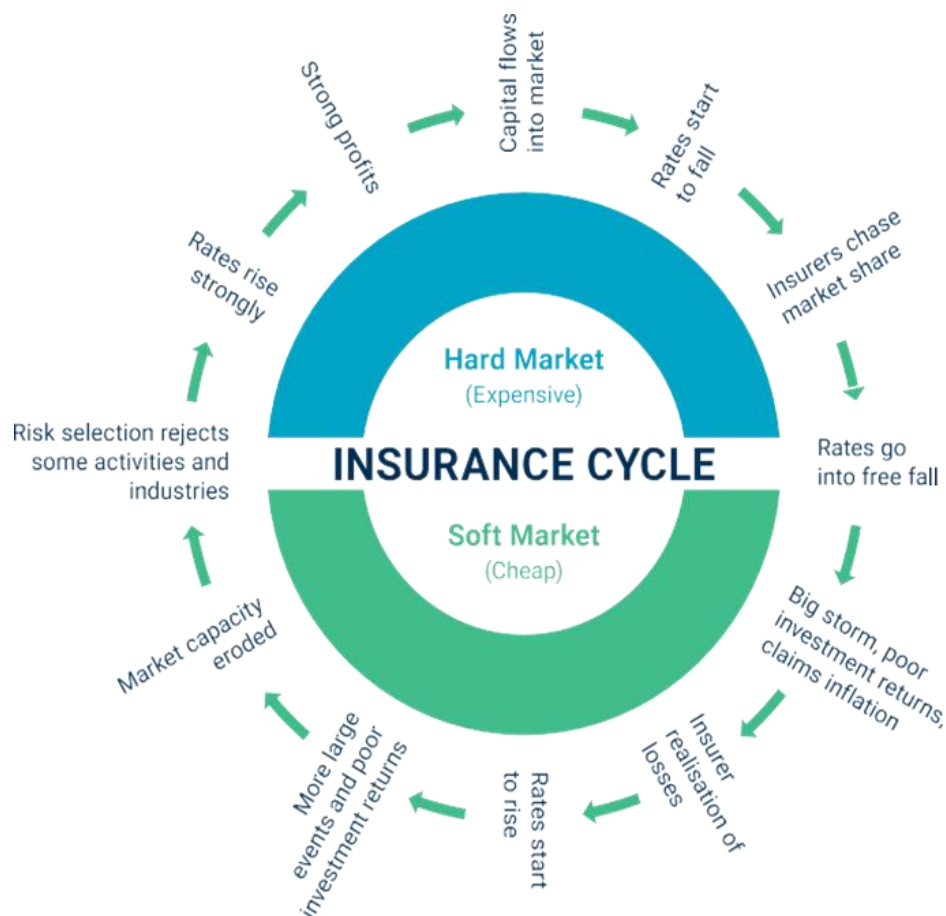


Figure 2 Insurance Market Cycle. Source: Insurance Advisernet Australia.