

The Secretary  
Senate Economics References Committee  
Room SG.64  
Parliament House  
Canberra ACT 2600

**SUBMISSION TO THE ECONOMICS REFERENCES COMMITTEE**

**Inquiry into the impact of public liability and  
professional indemnity insurance cost increases**

from

The logo for Volunteering Australia is displayed within a blue rectangular banner. The word "Volunteering" is written in a large, white, serif font. Below it, the word "AUSTRALIA" is written in a smaller, white, sans-serif font, with each letter spaced out.

**Volunteering**  
A U S T R A L I A

## **About Volunteering Australia**

Volunteering Australia is the national peak body for volunteering in Australia. Its mission is to represent the diverse views and needs of the volunteer movement while promoting the activity of volunteering as one of enduring social, cultural and economic value.

Volunteering Australia receives funding from the Commonwealth Department of Family and Community Services (FaCS) under the National Secretariat Program (NSP) to represent the interests of volunteers and volunteer involving organisations.

Volunteering Australia's member organisations consist of the state and territory volunteering peak bodies, who in turn represent volunteer-involving organisations and interested individuals. Volunteering Australia also works closely with a large network of regional volunteer resource centres (VRCs).

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## **Introduction**

Volunteering Australia's interest in the current debate on insurance arises from its concern about the impact that lack of availability and affordability of insurance can have on volunteer-involving organisations, the involvement of volunteers and ultimately, the activity of volunteering.

There are 4.4 million volunteers (*Voluntary Work Survey*, Australian Bureau of Statistics, Catalogue 4441.0, 2000) working in all spheres of the community. Volunteers work in many sectors including health and welfare, emergency services, arts and culture, heritage, environment and conservation, sport and recreation, education, overseas aid, religious, animal welfare, human rights and youth development (*A National Agenda on Volunteering: Beyond the International Year of Volunteers*, Volunteering Australia 2001).

The work of volunteers benefits the community in many ways. In addition to providing vital community services and activities, volunteering provides important opportunities for people to participate in their communities and contributes to the building of social capital.

Rising costs and/or lack of availability of both public liability insurance and professional indemnity insurance (including Directors' and Officers' Liability) has the potential to erode the viability of volunteer-involving organisations and the activity of volunteering.

Volunteering Australia notes that the Terms of Reference for the inquiry extend beyond the more publicised debate about public liability insurance and makes reference to professional indemnity insurance. However we are disappointed that the Terms have been limited to the impact of professional indemnity insurance on small business.

Professional Indemnity Insurance is also required by some community organisations and its cost can be significant.

Volunteering Australia has included information about the impact of professional indemnity on volunteer-involving organisations as it is an issue that should not be overlooked.

Please note, Volunteering Australia made an earlier submission to *the Ministerial Meeting on Public Liability Insurance* held on 27 March 2002 in Canberra. The Committee is referred to this submission (attached) as it addresses all of the Terms of Reference of the current with respect to public liability insurance.

## **Impact of Insurance on Volunteer-Involving (Community) Organisations**

The effect that the rising cost of insurance premiums, particularly public liability insurance, has had on some community organisations has been widely publicised.

There are estimated to be in excess of several hundreds of thousands of volunteer-involving organisations in Australia. The majority of these are governed by volunteer boards and committees and are operated primarily through the involvement of volunteers. While some organisations have relatively large operating budgets, most organisations operate with minimal levels of funding, much of which is raised through the efforts of volunteers.

Except in very limited circumstances, volunteer-involving organisations do not have the capacity to pass on increased costs to consumers. Therefore, rising costs of insurance premiums, particularly at the level of some reports, have potential negative consequences including:

- Volunteers becoming concerned about an inadequate level of protection for themselves and/or their organisation, therefore becoming reluctant to participate in volunteer activities.
- Organisations may continue to operate without adequate levels of public liability insurance, thereby exposing innocent third parties to an unacceptable level of risk.
- Organisations may reduce the involvement of volunteers in their activities in order to minimise risk, thereby scaling down the level of service provided to the community.
- Organisations may cease operating entirely and/or important community events are cancelled.

The reduction in levels of service and/or cancellation of events can have an unfortunate spiraling effect. As services decline, other funding or sponsorship can be harder to obtain.

What is important to understand is that as services decline, activities are cancelled or organisations cease operating altogether, not only are communities deprived of important social, cultural and economic services and activities, but the opportunity for people to contribute to their communities through volunteering is reduced.

Volunteers play a vital role in the delivery of services in Australia, but more importantly volunteering is an important way in which Australians are able to exercise their citizenship and contribute to society.

### Impact of Public Liability Insurance

The Committee is again referred to Volunteering Australia's submission to the *Ministerial Meeting on Public Liability Insurance, 27 March 2002* (attached) for our comments on the impact of the cost of such insurance, the reasons for increases in premiums, and our views of various solutions proposed.

In addition to the examples provided in that submission Volunteering Australia has also been informed of other cases where significant increases have been experienced. A motor sports club reported an increase in Public Liability Insurance of 230% to over \$23,000, representing 10% of the organisation's operating budget and a neighbourhood centre where premiums rose by 150% to \$3,430.

### Impact of Professional Indemnity Insurance

Professional indemnity insurance is not relevant only to the business sector. Professional indemnity insurance, including Directors' and Officers' Liability, for community organisations is an important protection for the organisation and its staff, both paid and volunteer.

Organisations most likely to require and take out professional indemnity insurance are those that are involved in the provision of professional services and advice. Examples include information and referral centres, such as Volunteering Australia's own network of volunteer resource centres, advocacy and legal services, counselling and helplines.

It is important to distinguish between professional indemnity insurance and Directors' and Officers' Liability. Anecdotal evidence provided to Volunteering Australia suggests that many organisations aim to have directors' and officers' coverage, but that the cost of professional indemnity insurance prevents organisations from taking out this form of cover.

One of the difficulties for some organisations is that funding contracts require the holding of professional indemnity insurance but in most cases, the cost of this cover is not factored into the amount of funding provided.

In preparation of this submission, Volunteering Australia contacted a number of organisations by e-mail for information about the situation with respect to professional indemnity insurance. To encourage responses from organisations, Volunteering Australia undertook that all responses would be treated confidentially, so where examples have been provided, names and locations of the organisations concerned have been omitted.

Of the limited responses received, about 25% indicated that the cost of obtaining professional indemnity insurance was less than 1% of their total operating budget.

However, for others the cost of obtaining the necessary cover was substantial.

Some examples provided include:

- One junior sporting organisation reported that the total cost of obtaining relevant insurance for their organisation was almost \$200,000 representing 20% of the organisation's budget.
- A community group advised that the cost of their professional indemnity insurance was \$6,000, representing approximately 10% of their operating budget.
- A volunteer information service advised that the total cost of insurance for their organisation was approximately 15% of their total operating budget of \$9,000.

Other organisations reported that there had been substantial rises in their professional indemnity insurance premiums.

- A community centre reported an increase in premium of \$1,400 to \$3,900.
- A church support programme reported an increase of \$700 to \$1,500.
- A tourist information centre reported an increase of \$6,000 to \$15,000.
- A peak organisation reported that the standard premium of \$850 applied to all of their members had increased to \$1,100 for about 45 members, while 15 members had their premiums increased to between \$4,000 and \$6,000.

While representing only a very small sample of organisations, these examples demonstrate the importance of professional indemnity insurance to community groups. It is important that when considering any issues relevant to insurance, the needs of the community sector are considered fully alongside those of the business sector.

### **Other Issues**

Governments often impose the necessity for government funded community organisations to indemnify government, sometimes for as much as \$10 million. One simple solution is for government to remove this impost from the sector and for Government to indemnify itself.

### **Conclusion**

Volunteering Australia commends the Senate for conducting this inquiry but wishes to stress that with over 700,000 (Lyons 2000) third sector organisations operating in Australia any recommendations must be relevant to them.

## **Attachments**

- Submission to Ministerial Meeting on Public Liability Insurance with three (3) attachments.