The cost of adventure: the effects of rising insurance premiums on selected Adventure Organisations in South Australia, 2002.

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Abstract: This research examined what effect rising public liability insurance premiums over 2000 – 2002 had on a selection of adventure organisations in South Australia. Four adventure organisations were included in the research, comprising both business and ‘not-for-profit’ organisations. This paper reviews the insurance situation, identifying its causes, before moving on to its effects. Interviews, with adventure organisation representatives, established that all the organisations experienced a significant rise in their public liability premiums. It was found that some of the organisations were forced to operate uninsured for short periods of time while others were forced to postpone their activities. This research questions the future of these organisations, should premiums continue to rise.

Key words: Public liability insurance, insurance crisis, adventure organisations, sporting community.

Introduction

This research paper seeks to uncover the effect that rising premiums for public liability insurance are having on a selection of adventure organisations in South Australia. According to the Insurance Council of Australia (ICA) (2002, p.20) premiums for public liability insurance have been rising for the last few years. The ICA also states that in addition to an increase in premiums, some organisations have not been able to obtain liability cover at all. This situation has had the most significant impact on the tourism industry, volunteer and community groups, local government, sporting clubs, and small business (ICA 2002, p. 20) forcing some to close and others to increase their prices. The impact of the situation on sporting and adventure organisation raises questions as to Australia’s future as a sporting nation. As a nation Australia prides itself on its athletes, and part of its international identity is that of a sporting and recreational community. If sporting and adventure organisations are no longer able to operate because of insurance, where will young athletes train and learn? This research seeks to find out what the real effects of the insurance situation are on a selection of adventure organisations.

Background to the Insurance Industry

Insurance works by spreading risks (McTaggart, Findlay & Parkin 1996, p. 391). Organisations pay an insurance premium to an insurer to protect themselves against the financial consequences of an unforeseen risk. That way if any one organisation suffers
from a liability claim, cost is spread between many, and does not have such a devastating
effect on one party. An insurance market is most effective when the risk taken on by
insurers is spread as widely as possible (Marks & Balla 1998, p. 551). Losses will then
be more effectively spread over the entire market.

The insurance market is structured as follows. Organisations purchase insurance from an
insurance company through their brokers or agents (Trowbrige Consulting 2002, p. 4).
Because the general insurance industry is a competitive market (Trowbrige Consulting
2002, p. 3) brokers are employed to obtain the best possible insurance deal from insurers.
Insurers in turn underwrite a proportion of the risks they take on board with a reinsurance

The bulk of insurance risks in Australia is, in fact, reinsured on to overseas
markets (this is true of all countries). Hence, natural disasters overseas and
unfavourable claims experiences elsewhere (for example, liability insurance
claims in the United States) will have an effect on premiums charged in
Australia.

There are many different types of insurance and the current insurance ‘crisis’ is having a
negative effect on a number of them. This research is primarily concerned with the costs
of public liability insurance as it has been most significantly affected by the ‘crisis’. The
following is the definition of public liability presented in the report on public liability

Public liability insurance is insurance for claims by third parties (the public)
for personal injury or property damage caused by or attributable to the
negligence of the insured.

The Current Situation

In their report analysing public liability insurance for the meeting of Ministers 27 March
2002, Towbridge Consulting Limited (2002, p. i) described the current public liability
insurance situation as follows:

There is a crisis today in public liability insurance…..The nature of the crisis
is that there are fewer insurers than ever before accepting the business and
these insurers are generally charging much higher prices than previously and
are also being very selective in their acceptance of risks.

However, it is not widely agreed that the insurance market is in crisis. The Law Council
of Australia (LCA) (2002, p. 7) does not label the current situation as a crisis. In their
actuarial advice on public liability to the Law Council of Australia, Cumpston Sarjeant
Pty Ltd (2002, p.1) wrote, that ‘the economic and social consequences of the unstable
public liability insurance market seem minor, and there is no evidence of a crisis’. This
paper does not seek to evaluate whether the insurance industry is in crisis or not however
it is evident that there is a very real problem with the current insurance market. For example, the forced closure of some organisations and the difficulty in finding affordable insurance premiums for others, has received much public and media attention. Countless articles have appeared in local and national newspapers addressing the issue. Government at all levels have sought to address the situation amongst public pressure to resolve the ‘crisis’. In his presentation at the Sports Industry Seminar 27 March 2002, Robert Hughes, the Chief Executive Officer of Insurance Exchange of Australia Brokers (IEA Brokers), said that the impact of the liability insurance situation was being felt across a wide range of organisations in Australia and that ‘the potential effect on Australian Society is enormous’.

In addition to a rise in premiums and the inability of some organisations to find cover, there is a trend towards insurance companies becoming more selective as to what risks they will accept (Trowbridge Consulting 2002, p. 30). For an insurance company to be profitable, the insurance premiums they collect must cover the amount they pay out in claims, and their operating costs; in addition to generating a normal economic profit (McTaggart, Findlay & Parkin 1996, p. 392). They may also choose to invest their premium income in an attempt to make a profit (Hay, 1992, p.19). Insurance companies must set a value for premiums before they know the costs of future claims (Gittins 2002, p.13). While insurance companies have past figures to assist them in predicting future claims, realistic future estimations are growing increasingly difficult. In the current ‘crisis’ some insurers are unwilling to provide insurance for high-risk activities or public liability insurance, which has the potential to draw large claims.

Causes of the ‘Crisis’

Before the effects of the insurance ‘crisis’ can be fully understood and any suggestions can be made to attempt to solve the problem, the causes of the ‘crisis’ must be understood. In doing this, no one factor can be looked at in isolation, as there are a variety of reasons for the current situation (LCA & ICA joint submission in LCA 2002, p. 5).

The insurance market moves in cycles (Gittins 2002, p.13). It goes through periods of underpricing, then over-charging every 3-5 years (Trowbridge Consulting 2002, p. 4). Figure 1 shows the insurance cycle. The insurance market is currently in the extreme part of the cycle where premiums are at their highest and insurance is most difficult to obtain (Gittins 2002, p. 13).
The global nature of the insurance industry, where the majority of all country’s insurance risk is reinsured overseas, means that events such as September 11 have a worldwide impact. Preliminary estimates suggest the loss to the global insurance industry, as a result of the terrorist attacks on the World Trade Centre, will be between USD 30 billion and USD 80 billion (ICA 2002, p.18). The insurance industry was also adversely affected by the global fall in the share market following September 11, resulting in a negative return on invested premium revenue. Post September 11 losses have forced insurers worldwide to reassess the risk they hold for potential claims, a reassessment that has ‘inevitably’ put inflationary pressure on premiums in Australia (ICA 2002, p.18). This rise in premiums came soon after the collapse of one of Australia’s major insurance companies, HIH (ICA 2002, p. 6). At the time of its collapse, HIH held approximately one third of the market for Australia’s public liability insurance (Gittins 2002, p. 13). The collapse put pressure on the entire insurance industry. The government was forced to provide assistance and initiated the HIH Claims Support Scheme (ICA 2002, p.15). September 11 and the collapse of HIH occurred at a ‘hard’ stage of the insurance cycle, compounding the problem and forcing premiums higher.

Prior to its collapse HIH was underpricing its insurance premiums (LCA 2002, p. 8). In the competitive insurance market HIH was seeking to outcompete its competitors by offering insurance at increasingly lower prices. This occurred at the period of the
insurance cycle where premiums were at their lowest and the market was most competitive. Indeed for the majority of the 1990’s insurance was underpriced in Australia (Towbridge Consulting Limited 2002, p. 10). As recent events have demonstrated such pricing was unsustainable (LCA 2002, p.8). In March 2001 HIH went into provisional liquidation (Towbridge Consulting Limited 2002, p. 10) when the true costs of the risks it insured became evident. These events led to the rest of the insurance market raising its premiums to compensate for past underpricing. To compensate for this period of underpricing insurance companies must not only raise premiums to ‘normal’ levels but raise them even higher until they begin to resume profitability. Hence the overpriced situation faced today.

Another factor said to be causing the current insurance situation, is the increased frequency and amount of claims (Gittins 2002, p.13). Just how much this has affected the current insurance situation can be debated, nevertheless it is a contributing factor. The Trowbridge report (2002, p.7) claims that the ‘upward trends in bodily injury claims’ is one of the drivers of the current ‘crisis’. It lists a number of reasons for this including: changes in community attitudes, a drift in the definition of negligence, increased levels of compensation and the increasing deregulation of legal fees. In its Submission to the Heads of Treasuries Working Party, the LCA (LCA 2002, p.9-12), argues against various elements of the reasons for increased claims listed by the Trowbridge Report. It has been argued in the media that Australia is following the USA’s lead in becoming a more litigious society (Breusch & Mellish 2002, p. 64). The LCA (2002, p.9-11) argues that there is no conclusive evidence of changing community attitudes to legislation and there needs to be further analysis to determine if and why compensation claims for bodily injury have risen. Nevertheless the report of actuarial advice on public liability submitted to the LCA (Cumpston Sarjeant Pty Ltd 2002, p. 6) states that claim payments have increased from ‘about 0.03% of GDP (Gross Domestic Product) in 77-78 to about 0.1% in 00-01’.

The current situation, whether or not it should be labelled as a ‘crisis’, is having a demonstrable effect on Australian society. This research seeks to uncover some of these effects in order to get a better understanding of the ‘crisis’. The basis of this research is public liability insurance and those organisations running so called ‘high risk’ adventure activities.

**Methods**

Secondary data for this research was sourced using an extensive library search and utilising information presented on the websites of prominent organisations in the insurance industry. Those being the Insurance Council of Australia (ICA), the Law Council of Australia (LCA) and the Australian Prudential Regulation Authority (APRA).

Semi-structured interviews as defined by Dunn (2000, p.61) formed the primary method of research. Representatives from four adventure organisations were interviewed as listed below:
• Graham Brown, President, South Australian Skiers Association;
• Scott McKenzie, Managing Director, Greenhill’s Adventure Park;
• Graham Pilkington, Public Officer, Cave Exploration Group; and
• Greg Smith, Proprietor, SA Skydiving.

Adventure Organisations were chosen as a research subject for the perceived high level of risk posed to participants in these types of activities. As well as the known difficulty organisations such as this were having in obtaining insurance cover for public liability insurance. These four diverse organisations in particular were selected to give varied perspectives and for their availability and willingness to participate in the research.

The South Australian Skiers Association is a not-for-profit organisation of approximately 200 members that aims to promote snow sports, including snowboarding, in South Australia. The Association holds monthly meetings to organise three primary activities a year; an annual ski sale, an interschool skiing program in the July school holidays and a development program that gives disadvantaged children, who otherwise would not have the opportunity, the chance to ski. The Association is aligned with Skiing Australia.

Greenhill’s Adventure Park is a privately owned business located at Victor Harbour, South Australia. It offers a variety of activities including rock climbing, canoeing and go-carting. It is a popular tourist destination with approximately 60,000 people visiting the park each year. Greenhill’s has been open since 1982.

The Cave Exploration Group is a not-for-profit organisation of approximately 80 members. Its main activities are cave exploration, speleology, (including palaeontology) and cave surveying. The group holds all the information on caves for South Australia and commonly works for National Parks South Australia. It is part of the Australian Speleological Federation.

SA Skydiving is a privately owned business offering skydiving in the Murray Bridge area. It is affiliated with the Australian Parachute Federation and its activities include Tandem jumps, teaching people to skydive and the coordination of a Skydiving club that meets every weekend. SA Skydiving has been running since 1990.

The interviews sought to find out how much the organisations’ insurance premiums had risen, if at all, and what effect this had had on the viability of these organisations. The aim of the interviews was to determine whether memberships or costs had risen as a result of an increase in premiums and whether any activities had to be cancelled or altered to conform to guidelines imposed by insurance companies. The organisations’ representatives were also asked to speculate as to the effect a continued high pricing, or rise in pricing of insurance premiums would have on their future activities.
Limitations of this Research

This research sought to establish the effects rising insurance premiums were having on a small number of organisations. It is not intended to be representative of adventure or sporting organisations in Australia or even South Australia. These organisations were chosen because they were known to be having difficulties with rising insurance premiums. A number of other organisations in Adelaide have not been effected by rising insurance premiums in the same way as they are covered either by a larger organisation’s insurance policy or are insured through the government.

The dynamic nature of the current insurance ‘crisis’ means data collected for this research can only represent a small snapshot in time. Prices of insurance premiums are dynamic and often organisations do not know what their premium costs will be until they are due. The insurance coverage of one of the organisations interviewed changed so dramatically within a few hours of the interview that the interview had to be repeated.

The current nature of the ‘crisis’ also made secondary data collection difficult. The various causes of and ways to solve the current ‘crisis’ are still very much under public debate. Media reports and official submissions often presented contradictory points of view. Due to the nature of the public liability market where claims can be made years after an incident it is difficult to judge the cost of claims for the current year. Insurance companies must work on an estimate of their claims expenditure to set the price for current premiums.

Due to difficulties in accessing information experienced by some of the organisations insurance prices were only obtained for the years 2000, and 2002. This makes it impossible to identify any long-term trends or cycles of insurance prices and only illustrates the immediate changes in the current ‘crisis’.

Results and Discussion

Have premiums been rising?

For each of the four organisations, insurance premiums for public liability insurance rose dramatically, between 2000 and 2002. The rise ranged from an increase of 220 per cent to an increase of 660 per cent. Table 1 shows the premiums the adventure organisations were paying in 2000 and 2002, and the percentage increase. Premiums for the Australian Speleological Federation (ASF), not the Cave Exploration Group (CEG), are shown here as members of the CEG pay their insurance fees directly to the ASF.
Table 1: Costs of insurance premiums and percentage increase in 2000 and 2002.

<table>
<thead>
<tr>
<th>Organisation</th>
<th>2000</th>
<th>2002</th>
<th>Percentage increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greenhill’s Adventure Pk</td>
<td>13,950</td>
<td>72,600</td>
<td>520%</td>
</tr>
<tr>
<td>SA Skydiving</td>
<td>10,000</td>
<td>22,000</td>
<td>220%</td>
</tr>
<tr>
<td>SA Skiers Association</td>
<td>200</td>
<td>1,320</td>
<td>660%</td>
</tr>
<tr>
<td>Australian Speleological Federation</td>
<td>4,200</td>
<td>18,500</td>
<td>440%</td>
</tr>
</tbody>
</table>

Respondents reported a difficulty in not only finding insurance at an adequate price but in finding coverage at all. Scott McKenzie, the Managing Director of Greenhill’s Adventure park, reported that not only had his premiums increased but his coverage had decreased, from $20 Million in 1998 to $10 Million in 2002 (pers comm., 17 May 2002). In effect, he was paying more for less cover. In addition, an excess of $1,000 was required per claim after 2002, a cost that was not previously required. McKenzie also reported that it was with great difficulty that he found a new insurer for 2002 after his previous insurer quoted him an increase in premiums from $24,800 to $100,000. He stated that he was forced to operate uninsured for two days until he obtained coverage from his current insurer, and that coverage was backdated for the two days he had no cover. It was only through utilising a family connection to call the Chief Executive Officer (CEO) of his current insurance company directly, that he was able to obtain cover.

The respondents representing the other three organisations reported similar experiences. As shown in figure 2, the premiums for SA Skydiving also rose significantly. Greg Smith, the proprietor, stated that this premium gave him coverage for up to $10 million for public liability claims and up to $4 million for professional indemnity claims (pers comm., 24 May 2002). He also stated that due to difficulties in finding an insurer, he was forced to operate uninsured for two weeks. Part of the reason both Smith and McKenzie were forced to operate uninsured was the refusal of insurance companies and inability of brokers to quote on insurance premiums until they were due. This left them vulnerable to any liability claims, claims which, if significant, could have resulted in the loss of their business and the onus being placed on them to personally cover claim costs.

Both the Cave Exploration Group (CEG) and the SA Skiers Association were insured through larger organisations, those being the Australian Speleological Federation (ASF) and Skiing Australia respectively. Therefore they did not have to negotiate insurance contracts themselves but paid a portion of the larger organisation’s insurance costs. Graham Pilkington the Public Officer for the CEG stated that in 2000 his premium covered four types of insurance; public liability, office bearers’ liability (for the organisers of activities), professional indemnity and insurance for equipment (pers comm., 29 May 2002). In 2002, his insurance premium covered his group for only public liability and office bearers’ liability. He noted that the ASF as a whole was uninsured from 1 July to 1 December last year as they were unable to find an appropriate insurance
policy, despite searching overseas. All official ASF activities were cancelled during this period. The SA Skiers Association also experienced a rise in premiums, as shown figure 2. In 2000 this premium gave them blanket public liability coverage for all their activities up to $10 million, including, they believed, public liability coverage for their members (pers comm., 16 May 2002). In 2002 their insurance covered only the activities they ran and did not extend to their members. When examining these insurance figures, it is evident that liability premiums are not only rising, but are rising significantly. For any organisation such a significant rise in costs raises serious questions as to the future viability of that organisation.

**Effects of the Rise in Premiums on the Management of the Organisations**

The four organisations reported that they had to adjust their prices/memberships due to the rises in their premiums. This adjustment had a significant effect on both SA skiers and the CEG as they are ‘not-for-profit’ organisations. Therefore the cost of their insurance premiums was passed directly to their members. Brown from SA Skiers reported that in 2000 his members paid about $1.00 in their membership toward insurance costs and in 2002 this had risen to $6.60 (pers comm., 16 May 2002). Pilkington from the CEG said that his members paid membership and insurance separately and that the amount paid for insurance rose from $4 in 2000 to $25 in 2002 (pers comm., 29 May 2002).

The prices at Greenhill’s Adventure Park and SA Skydiving were also raised for insurance reasons. Mr Smith from SA Skydiving had to raise his prices from $240 to $315 a jump to cover insurance costs (pers comm., 24 May 2002). McKenzie said the cost of insurance had risen from approximately 25c for every person that visited his adventure park to approximately $1.00 (pers comm., 17 May 2002). He has 60,000 – 65,000 people visit his park each year. As Greenhill’s is part of the tourism industry, it received funding assistance from the South Australian Tourism Commission to help meet rising insurance costs (Letter from W. Spur, Chief Executive, of the South Australian Tourism Commission, to S. McKenzie, Tourism Operator, Greenhill’s Adventure Park 2002). This funding assistance was to the value of $5,000 (McKenzie, pers comm., 17 May 2002). None of the other organisations were fortunate enough to receive government assistance.

As well as adjusting prices to cover costs, the insurance situation has also affected the management of the organisations in a variety of ways. McKenzie said that in the past two years his Park was safer than it had ever been, yet this was not reflected in premiums. Under an insurance contract, organisations are required to comply with all laws and guidelines in their area. In Greenhill’s case, the governing body is Workplace Services. McKenzie followed advice from Workplace Services to make his park safer. This has included engineer evaluations on all his rides and the introduction of logbooks to record all maintenance on vehicles. McKenzie estimates that in addition to spending extra money making his park safer, he has increased his staffing levels by 20 per cent to comply with safety regulations. In addition to these changes, made in accordance with
Workplace Services guidelines, McKenzie’s insurance company advised him on the addition of warning and disclaimer signs around his park. Warning signs introduced around the park include ‘Please stand clear of players swinging golf club’ on top of the golfing cages, ‘Danger keep off fences’ on the wire fences in the park and ‘Entrance to this park is at your own risk’ on the welcoming sign at the front of the park. A disclaimer situated between the car park and entrance reads as follows:

You enter these premises at your own risk and on the condition that you have no right or action against the owner or operator of these premises or their servants or agents for any injury to you or any person or loss or damage to any property. It does not matter how the injury, loss or damage is caused by the negligence or breach of contract of the owner or operator of these premises, servants or agents.

Signs such as this significantly change the landscape, making it appear more hostile. Mounted with a warning sign a fence, which would normally be viewed with indifference, suddenly appears dangerous. It is impossible to label every risk in an environment and once labelling has began, knowingwere to draw the line is difficult. It could be said, when visiting Greenhill’s, that the current insurance situation has contributed to an excessive installation of warning signs.

Higher liability premiums affected the CEG in different ways. It had to cease activities for a total of five months while it searched for an insurance provider, and it lost five of it’s members. In addition to this loss of members the CEG could not obtain cover for professional indemnity insurance, so it can not train new members. It can, however, take them caving as they are covered by public liability insurance (Pilkington, pers comm., 29 May 2002). This raises serious questions as to whether they may be held negligent for accidents involving inexperienced people when they are not allowed to train the people they take caving. It should be noted that the CEG is unique in its requirement for public liability insurance as it also takes insurance out on the landowners on whose properties they go caving. Otherwise the landowners could be held liable for any accidents occurring on their property.

The SA Skiers Association faces a potentially significant drop in its membership numbers as a result of increased insurance premiums. Their previous liability coverage applied to all their members, covering them at all times they went skiing, or so the Association believed. There is now some confusion as to whether the insurance purchased in 2000 actually extended to the Association’s members. Brown fears a drop in membership as many of his members were attracted to the Association by the personal insurance coverage they thought they could obtain. As it stands, insurance costs have risen despite a reduction in coverage, so his members are paying more for less. A business can take a cut in profits or salaries when faced with an increase in costs, ‘not-for-profit’ organisations such as SA skiers do not have the convenience of such a buffer.

SA Skydiving did not experience the same amount of pressure to conform to their insurance company’s recommendations. Their business follows the guidelines set out by
the Australian Parachute Federation. This lack of restrictions imposed by their insurance company can be attributed to their past claims record of no claims.

Effects of a continuation of the ‘crisis’

All the adventure organisations stated they expected another rise in public liability premiums in 2003. They also said that they were unsure if their current insurer would renew their insurance. SA Skydiving planned to continually search for a better insurance deal even though it’s current insurance policy had not yet run out. They did not want to operate without cover again in the event they could not find out if their cover would be renewed early enough to find another insurer. Smith stated that if he was unable to find insurance at a workable price, he would continue to operate regardless.

Brown from SA Skiers said he feared a drop in members now that he could not provide public liability insurance for them. He said that if his premiums continued to rise the following year he would expect to loose even more members. Mr Pilkington from the CEG was unsure as to whether his insurance would be renewed by his current insurer but expected that his Group would be charged a higher premium. Greenhill’s said they would have to increase admission next year to cover insurance costs. They did not expect insurance costs would force the Park’s closure directly. But if prices continued to rise significantly to cover increased insurance costs, the resulting loss of customers would force closure. McKenzie stated that if he was to sell his business at this time the value would be greatly decreased as without a stable insurance market and no guarantee of affordable public liability insurance the Park is not an attractive investment.

Effects on the community

Adventure organisation representatives reported that they found the difficulties in obtaining insurance stressful. Some reported that the situation had affected the morale of their organisations and there was considerable negative talk and concern over risks between organisation members and/or employees. It can be seen that the effects of rising public liability insurance premiums have had significant effects on all these organisations. Through various media reports this can be seen to be having an influence on a range of sporting and other organisations in the community (Whittington & Merriman 2002, p. 1; Megalogenis & Le Grand 2002, p.4). Reports have related how organisations have been forced to close and how others have faced a significant rise in premiums (Whittington & Merriman 2002, p. 1; Merriman, 2002, p. 10-11). With the closure and restriction of sporting and adventure activities one cannot help but wonder how long the community will let insurance issues put a stop to their opportunity for fun.

However, not all the effects of the insurance situation are negative. The rising concerns insurance companies have about the risks they take on board can have a constructive effect. In his presentation at the Sports Industry Seminar, Rob Hughes the CEO of IEA Brokers (2002, p. 5), encourages the sporting community to implement effective risk management programs. He said that this would help to reduce insurance premiums by reducing the incident rate of claims and making insurance companies more willing to
provide insurance as this improves the insurer’s loss ratio. In its Review of Sports Insurance, the Office for Recreation, Sport and Racing (2002, p. 18) encourages the introduction of Standards into the Recreation, Sport and Racing Industry. It states that:

It is intended that the development of such Standards will enhance the safety of outdoor recreation participants... They are intended to provide a benchmark to assess the risk and quality of a program, which is intended to also assist insurers in ascertaining the real risk of an activity upon which to base premiums. (Office for Recreation, Sport and Racing 2002, p. 18)

In his presentation, Rob Hughes (2002, p. 6), also encourages the sporting community to keep accurate records of all their injury data. This, he says, is ‘invaluable for the identification and implementation of appropriate intervention strategies.’ These strategies can only make participation in these activities safer. All the adventure organisations interviewed had appropriate risk management strategies in place. The rise in their premiums did not, therefore, reflect poor risk management but rather was a result of the general insurance ‘crisis’.

Although data was not collected for the years prior to the insurance ‘crisis’, and the price of the various adventure organisations insurance premiums is not known for the mid to late 1990’s, it is assumed that their premiums were also under priced. McKenzie from Greenhill’s believed that in 1998 and 1999 he was paying too little for insurance with premiums of $12,700 and $13,000 respectively (pers comm., 17 May 2002). He believed the amount paid in 2001, a premium of $24,800, was a more realistic consideration of the risk of insuring his park. The premium for 2002 of $72,600 is not, however, seen as a realistic fee. McKenzie also commented on a general change in the insurance market where in previous years competitive insurance companies were vying for his business. Now he is lucky if he can find insurance at all.

Conclusion

There has been much debate over possible solutions to the current situation. Whatever solutions are introduced, it will take a combination of efforts from all levels of government, the legal community, the insurance industry and the community as a whole to make them effective. Governments are financially limited as to how much assistance they can provide. They also face the ethical dilemma with respect to which sectors of the community should receive this assistance. In encouraging reforms on legislation, the report by Cumpston Sarjeant Pty Ltd (2002, p. 13) notes that more statistical study needs to be done before any proposals on claims are legislated. Changes can be made at the community level by organisation’s introducing effective risk management plans. Insurance companies in turn should make a realistic assessment of risk and set their premiums accordingly.

It can be seen that the insurance market ‘crisis’ had a very real effect on a selection of adventure organisations in South Australia. Through media reporting it can be seen that
the rest of the community has also been affected by the insurance crisis. Solutions to this crisis will take time and progress for some organisations will be too late. If it is not amended, concern must be felt for the small adventure and sporting organisations, particularly those that are non profit, who will not be able to survive. One must wonder where Australia’s next Olympic athletes will come from if there are no small sporting clubs or organisations around to teach Australia’s youth. It is important for these youth and the nation’s identity that a permanent resolution is found to the insurance industry’s problems.

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Smith, G., Proprietor of SA Skydiving, pers. comm., 24 May 02.

Endnotes:

1  Third year Bachelor of Arts Student (2002), Geography Major, Flinders University, Adelaide.
2  Some of the prices quoted are a combination of public liability insurance and other insurance such as professional indemnity insurance.