

Friday March 4, 2016

Insurance Council supports findings of Northern Australia Insurance Premiums Taskforce

The Insurance Council of Australia (ICA) welcomes the Northern Australia Insurance Premiums Taskforce's finding that mitigation is the only sustainable way to address home insurance prices in cyclone-prone areas.

Speaking at today's ICA Annual Forum in Sydney, Assistant Treasurer Kelly O'Dwyer said the Taskforce's final report warned government intervention in the market could cost taxpayers more than \$5 billion dollars and crowd out private insurers.

ICA CEO Rob Whelan, who was on the Taskforce Reference Panel, said the report reinforced the industry's argument that a mutual or cyclone reinsurance pool would not address the cause of the issue.

"Insurers have paid out more than \$3.5 billion to North Queensland policyholders since 2006 due to cyclone damage alone," he said. "That is the fundamental reason insurance premiums have risen. Any strategy to reduce prices must address this or it will fail.

"The Australian Government Actuary found the cost of claims in North Queensland was five times higher than Brisbane, Sydney or Melbourne, and that insurers had been paying out \$1.40 in claims for every \$1 they collected in premiums across the region.

"The ICA welcomes the Taskforce's emphasis on prevention and mitigation: improving older properties to make them stronger; strengthening building codes; and better land-use planning to ensure developments in cyclone-exposed areas are appropriate."

A greater government focus on pre-disaster mitigation spending has also been backed by the Productivity Commission report into Natural Disaster Funding, and the Australian Business Roundtable for Disaster Resilience and Safer Communities.

Mr Whelan said the industry was already acting on Minister O'Dwyer's call to more actively roll out products to assist willing homeowners lower their premiums.

"We are already seeing some insurers start to reward their customers with discounts for steps taken to strengthen the cyclone resilience of their properties," he said.

"The industry will closely examine the Taskforce's recommendations such as creating better access to resilience ratings tools and stepping up their mitigation awareness campaigns."

Mr Whelan urged the Federal Government to closely consider the ICA's alternative proposal, A Third Way, developed by consultants Urbis.

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“A Third Way proposes the government provides short-term, targeted subsidies to retrofit the roofs of low-income residents. By reducing the risk of cyclone damage, premiums can be lowered,” he said.

“The ICA and its members welcome further opportunities to work with governments and communities to improve Northern Australia’s ability to withstand and recover from cyclones.”

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