

Insurance Council of Australia CEO Rob Whelan's opening address to the 2019 Annual Forum

**Wednesday February 27, 2019
Hilton, Sydney**

Good morning everybody and welcome to the Insurance Council's 2019 Annual Forum. It's fantastic to see everybody here today.

I wish to start proceedings by offering a welcome to country on behalf of all delegates here today.

We acknowledge the traditional custodians of the land on which we meet – the Gadigal people of the Eora Nation.

We pay respect to Eora elders past and present, and extend that respect to other Aboriginal and Torres Strait people here today.

I would also like to welcome our special guests this morning, including ASIC Commissioner Sean Hughes, APRA deputy chair John Lonsdale, my colleague from the Australian Banking Association Anna Bligh, Dr Ian Enright, Michael Gill, Karen Cox and Clare Payne. Welcome to you all.

It will come as no surprise to anyone here that this has been the decade of disruption for the insurance industry.

Since 2010, we have been under more scrutiny than we've ever experienced before. And that includes during the industry nadir with the HIH company collapse.

We've endured scores of government inquiries, some of the worst natural disasters Australia has experienced, and the vagaries of a tumultuous period of political uncertainty.

I've almost lost count of how many financial services ministers, assistant treasurers and even prime ministers I've met in my time at the Insurance Council.

However, all these changes pale in contrast to the Hayne Royal Commission.

This extensive and wide-ranging inquiry will in all probability result in the most substantial and enduring changes to the financial services sector yet seen.

Its impact will reach all parts of the sector and will see fundamental changes occurring for general insurers and their customers.

As you will all know, the Royal Commission looked at misconduct, and where businesses had failed to meet customer and community expectations.

It proved to be an excruciating examination for many companies and cost some CEOs, senior managers and even Board members their jobs and their professional reputations.

Having been myself cross-examined for several hours by the formidable Rowena Orr, or “Shock and Orr” as she’s affectionately known, it is an experience I’m not keen to repeat any time soon.

Having said that, there was also enormous pressure on the Commission and on Commissioner Hayne.

Expectations were that he would produce a set of recommendations that would, in essence, right all the wrongs, meet justice to all and ensure an industry purged of all its sins. A pretty tall order in 12 months.

Naturally in the end, Hayne produced a far more nuanced, if somewhat confusing, final report.

This is particularly the case when one considers all the interaction effects of the various recommendations of the Hayne Royal Commission.

In terms of General Insurance the Commission made it clear that some practices were not to community standards and needed redress.

Nevertheless, the Commission did not find any issues in this industry that were systemic in nature.

Though only a handful of the recommendations were aimed directly at General Insurance sector, the implications and the subtext are clear.

Trust in financial services providers in general has been broken and all parts of the sector must do all that they can to rebuild and maintain that trust.

We all must have an even greater focus now on the customer. Everything we do must be seen through the lens of their experience, and their expectations.

Today, this forum will explore the Royal Commission’s findings and recommendations in detail.

You will hear from ASIC and APRA. The federal Opposition will also provide their view.

And at the end of the day we will hear from the Assistant Treasurer, Stuart Robert, on the Government’s intentions.

We will ask our expert panels to unpick the key findings from the Commission and discuss what may happen to the industry and our self-regulatory regime as a consequence.

Now some of us may be feeling somewhat battered and bruised by the whole experience and may think the process has been unfair and unjust.

While understandable, these views should not impede the momentum for change.

It is vitally important that the entire sector hears the clear message from the community that major reform is needed.

Many of the changes ahead will be difficult, but they will ultimately improve customer experiences, help improve industry reputation and progressively rebuild trust.

The additional challenge for the sector will be balancing the urgency for reform against the inevitable increase in costs, which ultimately will be borne by all stakeholders.

This, for our industry, is of particular concern given the increasing frequency and severity of natural disasters and the impact on the affordability of insurance.

The industry has long advocated for much more investment by government in mitigation, and for fit-for-purpose planning and building regulations that will improve resilience of at-risk communities.

We have also argued for relief from unfair state and federal taxes on insurance. All with the objective of mitigating the impact on premiums of increasing disaster costs.

This, combined with the greater level of industry regulation as a consequence of the Royal Commission and other government initiatives, because it's not just the Royal Commission's recommendations but others as well, means the pressure on the industry to maintain affordable pricing in the market will be enormous.

Thus a balance must be struck that achieves the required reforms while maintaining industry viability.

World's best practice regulation will be of no avail if customers can't afford to buy the products.

A process by which regulation is introduced in a progressive and fashion, taking account of industry and market impacts, would reduce implementation risk and ensure more sustainable outcomes.

Such a process is available and has until recently been the method by which new regulation and legislation has been introduced.

Regulatory Impact statements were required before a given piece of legislation was introduced.

The process allowed industry a reasonable window of time to assess and comment on the draft legislation. Industry could evaluate its impact, including potential costs, and identify any unforeseen knock-on effects.

A reinstatement of this process as normal practice would allow reforms to be introduced with minimal unnecessary disruption to the industry and to consumers, thus achieving the desired outcomes more efficiently.

The price of getting reforms wrong is too high.

Another important tool we have in getting the balance right is self-regulation.

The General Insurance Code of Practice has long been an effective means of encouraging continuous improvement in customer service in the industry.

For many years it was considered the best example of industry self-regulation.

And for the past couple of years we have been undertaking the most thorough review ever seen of any Code, with the goal of making it even more responsive to community expectations.

We have sought to anticipate these expectations with provisions around mental health, financial hardship and domestic violence and overall vulnerable consumers.

Importantly the Royal Commission, while recommending changes to enforcement aspects of the Code, recognised the usefulness of the Code in delivering improved customer outcomes.

The status of the Code under the Hayne recommendations will be far more complex.

There will be elements that will be subject to black letter law enforcement and others that will be more akin to a statement of ethical principles.

It will also move from a voluntary Code to mandatory.

Again, a balance needs to be struck here between the legal enforceability of Code provisions and the living document we have today that responds to changing community needs.

This is the subject of one of the most interesting sessions today where a panel will debate how these sanctions and other recommendations will ultimately impact our Code.

All in all, today's Forum promises to be a warts-and-all examination of how the industry responds to arguably the most fundamental changes that general insurance has had to absorb in a generation.

If I have one piece of advice for all concerned it is to hasten slowly lest we repent at our leisure.

I hope you find the Forum meets your expectations. I look forward to chatting with many of you throughout the day.

Thank you for your attendance, I hope you enjoy the day.