2012 REGULATORY UPDATE

WEDNESDAY FEBRUARY 22 – SYDNEY CONVENTION & EXHIBITION CENTRE
Plenary Session 1
How the industry met the challenges of 2011
Panellist
Mr Rob Whelan
CEO, Insurance Council of Australia
The stress test

- Largest combination of Cat events in living memory
- Major events: Rural Qld, Brisbane, Ipswich, Toowoomba, rural Vic, Melbourne (x2), Perth and Christchurch
- We got the lot – fire, flood, earthquake & hail
- 275,000 additional claims (Australia)
- $4.9bn in insured losses
- Globally: $US105 billion in Cat losses
The pressure points

• Claims handling
• Code of practice
• Policy wording and definitions
• Hydrology
• Relations with Governments, regulators, media and consumers
• Industry reputation
The response

• Additional claims & assessing staff deployed:
  • claims determined within average of 29 days
  • Over 90 per cent of flood and cyclone claims finalised within 12 months
• 10 point plan – increased disclosure, common definition, key facts, mapping and mitigation
• Active engagement in six separate inquiries, commissions and reviews
The response

- Renewed commitment to providing flood cover:
  - Expedited rollout of flood products (five new products within first quarter 2012)
- Revisions to the Code of Practice – claims handling time frames, right to claim, transparency in compliance, access to expert reports
- Enhanced engagement with Government, media and consumer groups
Ongoing Issues

• Critical need for more commitment to better mitigation, land planning and building codes to raise resilience to extreme weather
• Critical need for improved government flood mapping and disclosure of risk to property owners
• Consumer education on exposure to risk and preventative actions
Ongoing Issues

• Need to rebuild public confidence in insurers – trust
• Growing costs of insurance and affordability:
  • increasing costs of reinsurance and capital
  • increased costs of repairs (labour and materials)
  • continued growth in development in at-risk areas
• Uncertain impacts of changing climate
Panellist
Mr John Price
General Insurance Ombudsman
Financial Ombudsman Service
Facts and Figures

• Who’s making the complaints and why... A quick look at the complaints from the natural disasters
• Do we really understand the policy?... Investing in training and communication
• Did we forget about BAU... Are complaints rising and why?