



**INSURANCE
COUNCIL**
OF AUSTRALIA

2012 REGULATORY UPDATE

WEDNESDAY FEBRUARY 22 – SYDNEY CONVENTION & EXHIBITION CENTRE



**INSURANCE
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Plenary Session 1

How the industry met the challenges of 2011



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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



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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?