Good morning. It is my pleasure to welcome you here today to the Insurance Council of Australia’s annual Regulatory Update for 2012.

Standing up here again, I recall remarks I made just over a year ago, when I described the unprecedented number of natural catastrophes, the likes of which the industry had not had to deal with before.

In fact, we weren’t to know at that time that things were to get a lot worse for many Australians, and indeed worse for the insurance industry.

Today is a notable day, in that it was 12 months ago exactly where the tragic earthquake occurred in Christchurch. I guess that’s another example of the volatile natural disaster environment we live in.

The final count for catastrophe events in Australia for 2011 is still being tallied, but the latest figures available from the ICA show that eight catastrophe events were declared last year, and member companies received around 275,000 claims for these events, with losses approaching $5 billion.

Without pre-empting some of today’s other speakers I’d like to say that the industry should be pleased with its response, notwithstanding the unprecedented level of public, media and political attention we received last year.

Without insurance, communities would still be paralysed, thousands of businesses would remain shut, and tens of thousands of homes would be unliveable. The economic benefits of insurance are plain to see.

This is evident from the facts. The number of disputed claims being handled by the Financial Ombudsman Service represent less than 1 per cent of the catastrophe-related claims of last year. In many cases the disputes relate to the size of the settlements, not the denial of claims.
Further, in relation to the biggest events – Cyclone Yasi and the Queensland floods – more than 75 per cent of the reserved value of claims has been paid, with the remainder for rebuilding services, business continuity and the like. Even more impressive is the fact that 90 per cent of all flood and cyclone claims have been closed, which is a tremendous effort.

But I’m not suggesting that we cannot improve nor learn from this experience.

During 2011, we worked closely with Governments at all levels and engaged closely with consumer and community groups in an effort to work through the issues in a constructive manner.

The industry recognised the need to make changes in some areas, and I’m very pleased to say that we have made enormous progress.

Some of this reform includes:

- Reform to the Code of Practice, which we announced several weeks ago and will provide greater clarity and certainty for consumers

- In-principle agreement with the Federal Government on a standard definition of flood, which you’ll recall the ICA first championed in 2008.

- Moves to centralise flood mapping with Geosciences Australia.

- And some movement in tax reform, where final discussions are taking place on removing the Fire Services Levy in Victoria. I think we would all agree it is about time all these inequitable taxes on insurance were removed in the interests of affordability and efficiency.

Perhaps the greatest learning from the past year is that we need to do a better job as an industry educating the public and policy makers about insurance. Insurance can be complicated but it is critical to the economy and our general way of life. We need to build a sense of shared understanding. I see the ICA as playing an important and more proactive role in this regard.

It is through this shared understanding that the public will be able to make the right decisions regarding risk and governments can create the right policy settings, whether it’s more appropriate land use planning, better building codes or – as I mentioned a few moments ago – accepting the Henry Review’s recommendation that all taxes on insurance should be abolished.

However, those points that require attention from governments have shown little or no headway, which is a great disappointment.

We all know that communities in flood-prone areas will remain at risk unless governments cooperatively invest in preventative infrastructure projects, such as levees, flood gates and barrages.
In the past few weeks we’ve seen how effective these can be in protecting the public, but we are yet to see the level of commitment that brings these measures closer to reality for dozens of other towns.

This year’s regulatory event comes slightly earlier than normal, and there are a couple of reasons for this.

We can’t have a year like the one that has just passed without it having some ramifications, and I believe these will be felt for some time.

Several significant inquiries and commissions are drawing to a close, and with quite a few reports due to be handed down in the next month, we wanted to benchmark the achievements of 2011 and create an open forum for discussion of the big question – What’s next for general insurance with respect to regulation?

In my view there are some fundamental principles that are not being given sufficient attention in the current regulatory debate.

Firstly, it is fundamental that we continue to attract capital and people to our industry. Capital and talent are highly mobile and we must compete alongside other industries.

The recent years have been very challenging for both capital providers and employees of insurers. We should be very concerned about any form of regulation that makes it more difficult to attract capital or employ new staff. We need to ensure that we have the capital and the talent that can be called upon to deal with the next set of catastrophes.

The second important and related point is affordability of insurance. We have seen premium rate increases in response to higher claims cost, rising costs of reinsurance and lower investment returns.

The Australian public also bears an additional cost burden due to the $4.6 billion of state stamp duties and fire service levies applied to insurance.

At a time when household and business budgets are stretched, we need to be very careful of any regulation that will introduce additional costs or capital to the industry. The implications of LAGIC come to mind.

Unfortunately Minister Shorten was unable to join us in person today. He has offered a short videotaped address, which we will play for you in a few moments. Regrettably the Opposition was also unable to attend.

I am, however, pleased that today’s program will cover crucial ground in the regulatory area.

On behalf of the ICA Board I would like to thank Helen Rowell, who is Executive General Manager, Supervisory Support Division, for APRA, and ASIC Commissioner Peter Kell, for agreeing to speak to the industry today.
Most of all, I’d like to thank you for coming along today. Many of you have travelled from interstate, and I hope you find the day rewarding.

We’ll now hear from Minister Bill Shorten, immediately before we start the first Plenary Session.