

April 27, 2012

## Insurance Council welcomes Productivity Commission draft report on climate change adaptation

The Insurance Council of Australia (ICA) today welcomed a draft report from the Productivity Commission on the role of insurers and government in adapting to climate change.

The report, Barriers to Effective Climate Change Adaptation, was released today (April 27) and broadly supports the ICA's [10-point plan](#) to tackle natural disasters, released in January 2011.

It talks of the importance of insurance in a changing climate and warns against government intervention in the insurance business.

ICA CEO Rob Whelan said: "We would urge the government to carefully consider this report. It makes it clear insurance should be left to insurers.

"As we have seen from the string of catastrophes in 2011 and this year, insurers are more than qualified to meet the challenges of extreme weather events and adapt accordingly.

"We are pleased the report has emphasised that government meddling in the insurance market benefits no one."

In particular, the ICA notes and supports the following recommendations:

- *Governments should not subsidise premiums for household or business property insurance, whether directly or by underwriting risks. This would impose a barrier to effective adaptation to climate change*
- *The Australian Government should only proceed with reforms that require all household insurers to offer flood cover if it can be demonstrated that the benefits to the wider community would exceed the costs*
- *These benefits and costs should be assessed, and any reforms implemented, after barriers to effective climate change adaptation in other policy areas are addressed*
- *State and territory taxes and levies on general insurance constitute a barrier to effective adaptation to climate change. State and territory governments should phase out these taxes and replace them with less distortionary taxes. The report also states: These taxes and levies can discourage people from taking out adequate insurance*

Mr Whelan said 2011 had been unprecedented in terms of natural disasters, with almost \$5 billion in catastrophe-related claims, but the industry's response had been immediate and effective.

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“More than 90 per cent of claims relating to the catastrophes of the 2011 summer have been closed and the industry has made firm inroads into revising its Code of Practice, supporting the development of key facts sheets for policyholders and working with the Federal Government on a standard definition of flood,” he said.

“This report from the commission supports what the industry has been saying in terms of improving funding for flood-mitigation infrastructure, such as levee banks, and removing state and territory taxes on insurance.”

Mr Whelan said the industry looked forward to the government’s response to the draft report and would take part in further discussions on preparing for extreme weather events and adapting to the challenges of climate change.