

January 27, 2011

10 Point Plan to Tackle Disasters

The Insurance Council of Australia (ICA) today released a 10 point plan containing policy and industry initiatives aimed at developing a more effective and sustainable response to disasters in Australia.

“There is no simple, single solution to the flood insurance debate. It requires the development of a national policy approach to better deal with a number of challenges presented by floods in those communities at-risk,” said Mr Rob Whelan, CEO of the ICA.

The ICA invites Governments to engage in a meaningful national dialogue on how to develop more effective and sustainable responses to disasters in Australia, specifically flood. The 10 point plan provides the focus for this dialogue.

“I want to reiterate the position of the general insurance industry - that a flood levy may have unintended consequences - creating a moral hazard and encouraging fewer people to take responsibility for their own risks through purchasing appropriate insurance products,” said Mr Whelan.

The industry does not support the concepts of mandatory flood insurance or a national insurance pool for natural disasters. Both serve to distort the private sector insurance market and will result in people who have zero or extremely low levels of risk paying higher premiums to support those living in high risk areas.

It is the view of the ICA that whilst disaster support for the re-building of infrastructure is needed, it should only be conducted hand in hand with reforms to encourage greater take-up of private insurance.

The 10 key objectives of the plan are:

1. Standard definition for flood
2. Improved disclosure
3. Provision of adequate flood data
4. Removal of insurance taxes
5. Improved land-use planning
6. Improve building standards
7. Improve community infrastructure
8. Education and financial literacy campaign
9. Measure effectiveness of disaster relief payments
10. Better advice to consumers

A full summary of the 10 objectives is attached.

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Summary of Objectives

1. **Standard definition for flood:** Reform of the *Insurance Contracts Act* to include a common definition of flood for reference by insurers that offer flood insurance (to maintain competition and consumer choice, retain the right to derogate and amend the definition under the 'unusual terms' section of the Act).
2. **Improved disclosure:** Industry commitment to simplify and improve insurance product disclosure statement summary arrangements to enhance consumer understanding of insurance cover.
3. **Provision of adequate flood data:** Agreement from Government to establish an open source nationally consistent and contemporary digital terrain model, to allow the accurate mapping of flood risks nationwide and communication of those risks by government to property owners.
4. **Removal of insurance taxes:** Commitment across all Governments to encourage greater personal responsibility in the community through implementation of recommendation number 79 of the Henry Tax Review to abolish all insurance taxes, including fire services levies.
5. **Improved land-use planning:** Commitment by Government to develop national land-use planning criteria that prohibits inappropriate land-use in Australia.
6. **Improve building standards:** Commitment by Government to improve the community's disaster resilience by modernising the Building Code of Australia to include minimum standards for the durability of property to natural hazards.
7. **Improve community infrastructure:** Recovery funds dedicated to preventative infrastructure projects including levees, barrages, flood gates and improved drainage.
8. **Education and financial literacy campaign:** Government and industry commit to a community education campaign to increase awareness of insurers' obligations to consumers and dispute resolution arrangements. This includes promoting the insurance industry Code of Practice.
9. **Measure effectiveness of disaster relief payments:** Introduce annual reporting by the Productivity Commission on the effectiveness of State and Federal disaster relief payments.
10. **Better advice to consumers:** Commitment by Government to ensure the advice provisions in the *Corporations Act* do not impede discussion between consumers and insurers on appropriate insurance cover needs.