

October 23, 2014

Insurers concerned about consumer rights and protections on Nth Qld insurance rules

The Insurance Council of Australia (ICA) today said it was concerned about Unauthorised Foreign Insurers being granted easier access to Australia's tightly regulated household insurance market following an announcement by the Federal Government.

ICA Acting CEO Karl Sullivan said the industry was urgently seeking more details about several initiatives aimed at the North Queensland market, which were announced today by Assistant Treasurer Mathias Cormann.

"North Queensland homeowners need to be assured they have the same level of protection, and that companies and products are regulated to the same standard, as the rest of Australia," Mr Sullivan said.

"This is particularly important given the very high exposure households and businesses in this region have to cyclones and floods.

"Existing licensed insurers operate under some of the tightest regulations of any industry sector, yet Unauthorised Foreign Insurers (UFI) may not be held to the same legal, prudential and capital requirements, nor the same consumer laws and remedies.

"The industry is concerned consumers who buy a product from a UFI under these new guidelines may not be able to rely on that company to deliver on its promise if the consumer needs to make a claim.

"The ICA believes all market participants selling retail insurance products must abide by the same set of laws and capital requirements, and exceptions should not be made that would diminish consumer rights and create further uncertainty."

Mr Sullivan said the industry would also seek more details about a proposed service that would compare home and contents products on price, features and claims handling.

"Insurance premiums reflect the risk that each policyholder faces. As ASIC and other agencies and organisations have pointed out, buying a product on price alone may result in the consumer not having cover for the risks they face. Buying a product should first focus on its features and benefits.

"This is especially important in North Queensland, which is one of Australia's most exposed regions to natural disasters."

Mr Sullivan said the industry broadly supported a proposal to develop an engineering assessment program for strata-title properties.

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October 23, 2014

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The ICA had already developed a comprehensive strata building inspection scheme in conjunction with James Cook University as one of a number of consumer-focused insurance affordability initiatives.

This scheme remains available for government to access and implement.

Mr Sullivan said insurers were also fully cooperating with the Australian Government Actuary, who was preparing a report on home and contents pricing in the region.

"The ICA notes the AGA has twice examined strata pricing in the region in the past year and has concluded it represents the risk these property owners face, and that the market is competitive," he said.

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