

Wednesday April 12, 2017

## Federal Government should treat flood mitigation as nation building

The Insurance Council of Australia (ICA) today called on the Federal Government to treat the construction of mitigation infrastructure to protect flood-prone towns as nation building projects, and increase funding to at least \$200 million a year.

Speaking at a Senate hearing in Sydney today, ICA CEO Rob Whelan said the Federal Government should join state, territory and local governments in identifying, then making provision for, mitigation projects across Australia. "This is one form of nation building that would have a lasting positive impact," he said.

"The Insurance Council has strongly advocated for disaster mitigation funding and improved resilience by participating in a number of federal and state reviews. The industry agrees with the Northern Australia Insurance Premiums Taskforce and the Productivity Commission that mitigation is the only way to reduce premiums on a sustainable basis.

"The Insurance Council was disappointed the Government's response to the Productivity Commission's report on Natural Disaster Funding did not take up the recommendation to increase mitigation funding to \$200 million a year, matched by states and territories.

"Today, in the aftermath of Cyclone Debbie, the case for urgent investment in permanent, well-designed mitigation for disaster-prone communities cannot be clearer. Where mitigation does not exist or poor decisions were made about the design, floods have proved devastating. Insurers have to price the risk of these events, and where the risk is high, so too are the premiums."

Mr Whelan said Canada's Liberal Federal Government had appreciated the need to support disaster risk reduction, committing \$CAD2 billion (\$A1.99 billion) in its 2017 Budget to create a Disaster Mitigation and Adaptation Fund.

He also told the Senate hearing that competition in the general insurance industry was strong, and that comparison websites "will lead to adverse consumer outcomes".

"The design and natural price focus of comparison services often results in the purchase of a product that is not necessarily suitable to needs. A focus on price without due consideration for policy coverage will put consumers at risk of underinsurance and an expectations gap if a claim is made," he said.

"The experience with these websites in similar markets, most notably the UK, has been to the detriment of consumer choice, competition and product choice. If consumers do not understand the policies they are buying, it can result in major financial losses and angry customers."

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A full transcript of Mr Whelan's opening statement to the Senate Economic References Committee Inquiry into Australia's General Insurance Industry is available on the ICA website [here](#).

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