

Tuesday December 19, 2017

Turnbull Government's response to Northern Australia Taskforce provides clear policy direction

The general insurance industry welcomes the Turnbull Government's long-awaited response to the Northern Australia Insurance Premiums Taskforce, which was released last night (Monday December 18) by Financial Services Minister Kelly O'Dwyer.

Insurance Council of Australia CEO Rob Whelan said: "The Government's response to the Taskforce is fair, reasonable and balanced. It provides clear direction for government policy, and the insurance industry is already well advanced on many of the key recommendations."

Mr Whelan said the Government had sensibly decided against intervening in the insurance market in northern Australia, ruling out a cyclone mutual and an insurance pool. Such intervention would have had little impact on premiums, would have undermined risk-based pricing in a properly functioning market, and would have exposed taxpayers to potentially billions of dollars of losses.

Mr Whelan noted the Government's call for reforms to the General Insurance Code of Practice. He said the Code had been undergoing a thorough review this year to help ensure it remained relevant, and the Insurance Council was today announcing it was extending the deadline to provide submissions to the review.

- **Final submissions to the Code Review are now due by January 19, 2018:**
www.codeofpracticereview.com.au

Mr Whelan said the insurance industry particularly welcomed the Government's acceptance of the Taskforce's finding that mitigation activities were the only sustainable way to reduce natural disaster risks and sustainably reduce premiums.

"The Taskforce's findings reinforce key Productivity Commission recommendations on natural disaster recovery funding — that the Federal Government should increase its annual investment in resilience and mitigation to \$200 million, matched by the states and territories." Mr Whelan said.

"In its pre-Budget submission lodged last week, the Insurance Council urged the Government to commit to implementing the Productivity Commission recommendations by investing at least \$200 million a year on mitigation.

"Notwithstanding Budget pressures and debt reduction targets, investing in mitigation must be made a high priority by this government. Mitigation projects should be treated as nation-building infrastructure that protect communities and provide greater certainty for generations.

-MORE-

Media contact: Media adviser 02 9253 5161 0432 121 116 Twitter: @ICAUS

Page 1 of 2

Tuesday December 19, 2017

-CONTINUED-

“The Insurance Council is already helping governments to identify appropriate targets for mitigation, and the industry has vowed to reflect the lower risk provided by effective, permanent mitigation in insurance premiums.”

Mr Whelan said:

- The insurance industry was discussing the extension of unfair contract terms to general insurance with consumer groups, industry representatives and the Government. Any changes would require close examination and extensive consultation to ensure they were not detrimental to customer experiences or effective competition, product differentiation and pricing
- The Insurance Council was committed to helping consumers better understand their insurance products through the Understand Insurance financial literacy and engagement project, which was working closely with ASIC and other government agencies, including smartraveller.com.au, to provide guidance to consumers
- The industry’s Effective Disclosure Taskforce had conducted ground-breaking research into customer purchasing behaviours. It was engaged with member companies to identify ways to help customers better understand the products they were buying
- The Insurance Council was pleased the Federal Government was urging state governments to abolish unfair and inefficient stamp duties and other imposts on insurance products, and called for all governments to renew their commitment to tax reform. Removing these taxes would have a sharp impact on premiums, and reduce underinsurance and non-insurance, as well as providing an economic stimulus.

-ENDS-