

Tuesday September 24, 2019

Insurers welcome APRA's call for greater investment in natural disaster mitigation

The Insurance Council of Australia (ICA) today welcomed a call by the Australian Prudential Regulation Authority (APRA) for substantially greater investment in natural disaster mitigation to improve the affordability and availability of general insurance in northern Australia.

ICA CEO Rob Whelan said: "I applaud APRA Executive Board Member Geoff Summerhayes for his leadership on this issue.

"Today's announcement is a timely development in the debate about protecting communities from natural disasters and the flow-on effect this will have on improving the affordability and availability of insurance.

"The insurance industry strongly supports APRA's call for an informed debate about the best way to fund mitigation and adaptation, and reverse the current imbalance between disaster relief funding and prevention. At present only 3 per cent of disaster funding goes towards prevention and 97 per cent towards recovery.

"APRA correctly identifies that lowering the risk of property damage is the only sustainable way to lower insurance premiums. Risk-based pricing means property owners at greater risk pay higher premiums, and the ICA agrees insurance prices in northern Australia are a symptom of a much deeper problem."

Mr Whelan said the ICA for many years had been urging governments to invest in permanent mitigation. "Mitigation and resilience projects should be treated by governments as nation-building infrastructure that protect communities, generate jobs and improve regional economies," he said.

Mr Whelan said insurers were aware of many examples where mitigation investments had protected communities for generations, with the long-term benefits far outweighing the initial costs of the project. He said recently completed flood mitigation in Roma had resulted in greater economic certainty for the town while also delivering up to 90 per cent reduction in premiums for the most-exposed properties.

He said: "The ICA urges the Federal Government to heed APRA's guidance on mitigation. It should adopt the Productivity Commission recommendation that it invest at least \$200 million a year in mitigation and resilience projects, to be matched by the states and territories."

The Insurance Council's latest submission to the ACCC Northern Australia Insurance Inquiry Second Update Report is available here:

<http://www.insurancecouncil.com.au/submissions#2019Sep>

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