

Tuesday November 17, 2020

## NSW Budget offers a vital step forward in removal of dangerous building cladding

The Insurance Council of Australia (ICA) today welcomed a three-year NSW Government package to support the owners of at least 230 high-rise strata-titled properties to rectify or replace high-risk combustible cladding.

Project Remediate, detailed in the NSW Budget, will pay interest on loans by commercial lenders to building owners and owners corporations to fast-track the removal of unsafe cladding. At least 230 buildings have already identified as high risk by the NSW Cladding Taskforce.

ICA CEO Andrew Hall said the cost of removing or replacing cladding was often cited as a key barrier for strata owners and managers. Helping make finance more affordable would empower them to embark on urgent rectification programs.

“Since the Grenfell Tower tragedy in 2017, the Insurance Council has been calling for urgent, nationally consistent action to identify and remove flammable cladding from high-rise buildings,” he said.

“Today’s announcement of a remediation program in NSW is a positive step towards resolving the use of flammable cladding and other non-conforming products on high-rise residential and commercial buildings.

“The Budget contains \$139 million for a new Office of Remediation oversight agency to coordinate cladding rectification and certification, and the ICA looks forward to seeing the final details on the program design and loan scheme when it is announced in December.

“The goal of these works must be to save lives – to protect building inhabitants and the inhabitants of neighbouring structures. And insurers will play their part here. Where cladding rectification is completed to the appropriate standard, insurers will reassess premiums to consider the lower risk.”

Mr Hall said Project Remediate, and reforms in place under Cladding Safe Victoria, were models other states could consider.

“However, other States need to take notice of this work being done in NSW and Victoria to address the issues of combustible cladding and non-conforming building materials,” he said.

“Insurers today call on all state and territory governments to reaffirm their commitment to adopting all 24 recommendations in the Shergold-Weir Building Confidence Report, and report positive progress at the Building Ministers Forum on November 27.”

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The ICA also welcomed the government's \$27 million commitment over four years to extend the work of the Office of the Building Commissioner.

"The ICA congratulates the Berejiklian Government on a Budget that will help support small businesses, generate thousands of jobs and create opportunities for NSW to recover from the impact of COVID-19," Mr Hall said.

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#### **ABOUT THE INSURANCE COUNCIL OF AUSTRALIA:**

The Insurance Council of Australia (ICA) is the representative body of the general insurance industry in Australia. ICA members represent about 95 per cent of total premium income written by private sector general insurers. Insurance Council members, both insurers and reinsurers, are a significant part of the financial services system.

Insurance Council members provide insurance products ranging from those usually purchased by individuals (such as home and contents insurance, travel insurance, motor vehicle insurance) to those purchased by small businesses and larger organisations (such as product and public liability insurance, professional indemnity insurance, commercial property, and directors and officers insurance).

July 2020 Australian Prudential Regulation Authority statistics show that the general insurance industry generates gross written premium of \$51.4 billion a year and has total assets of \$135.4 billion. The industry employs about 60,000 people and on average pays out about \$171.1 million in claims each working day.

Over the 12 months to July 2020 the industry's net profit after tax (NPAT) was \$1.0 billion – a 70.5 per cent decrease from the prior year's NPAT of \$3.5 billion. The industry's underwriting result was \$1.4 billion, falling by 39 per cent from \$2.3 billion in the prior year. <http://www.insurancecouncil.com.au/about-us>