

Opening Remarks
2018 Annual Forum
Hilton Sydney March 7, 2018

Mr Rob Whelan

CEO, Insurance Council of Australia

INTRODUCTION

- Good Morning and welcome to the Insurance Council's annual industry Forum
- Once again we have a rich and diverse program for you and I'm very pleased Ellen can be here to help steer us through today's busy agenda
- Before we dive into the program, on behalf of the Insurance Council of Australia, this Forum and all speakers and delegates, I acknowledge the traditional custodians of the land on which we meet – the Gadigal people of the Eora Nation
- I pay respect to Eora elders past and present, and extend that respect to other Aboriginal and Torres Strait people here today

THREE AREAS OF FOCUS

- Before we hear from our Minister, the honourable Kelly O'Dwyer, I'd like to take just a few moments to share with you some perspectives on the industry I think are pertinent to today's content
- My remarks focus on the state of play in three key areas:
 - The regulatory scrutiny on the general insurance industry over recent years
 - The way insurers have responded to improve consumer outcomes
 - And a note of caution on the prospect of reform fatigue

CYCLONE DEBBIE

- It's salient to recall that just under a year ago, Cyclone Debbie struck North Queensland
- Debbie was a large and unusual cyclone that rampaged through North Queensland, impacting an area larger than Great Britain
- It caused widespread wind and particularly massive flood damage to thousands of homes and businesses in three states before heading over to New Zealand, where it wreaked further havoc, causing one of the worst storms there in living memory
- The latest figures show insurance losses total 1.67 billion dollars from some 75,000 claims
- The effective response from the industry has resulted in more than 95 per cent of 37,100 residential building claims and 23,000 contents claims being finalised at this 12-month anniversary
- This is a truly outstanding result to a catastrophe which by any measure was one of the country's worst
- Perhaps more important than the claims statistics themselves is the demonstration of how effective the industry has become in mobilising massive resources to deal with tens of thousands of claims, often in highly remote areas
- I mention this not only because it is a great achievement but also because this is what the industry does day in and day out regardless of what other challenges it must deal with
- And the community would expect no less

- That's not to say that issues haven't occurred
- And while there are always lessons to be learnt and improvements to be made, the industry has demonstrated a willingness to resolve issues and make necessary changes
- An important part of that process is being there and listening to customers long after the media spotlight has moved on
- The ICA, with its member companies, has organised more than 200 community gatherings, forums and one-on-one meetings to help locals through their issues and forge a better relationship between the industry and customers
- And we'll be up in the Whitsundays again next week to check on progress and talk to policyholders, and their community leaders and political representatives
- Nevertheless the industry attracts criticism and scrutiny, which in many respects would be expected when we play such a vital role in the economy and in the life of the community
- And so we have today perhaps an unprecedented level of regulatory and governmental oversight on the financial services sector broadly, and on the General Insurance industry in certain aspects of its conduct

REGULATORY SCRUTINY

- Without listing all the inquiries and reviews the industry has been subjected to over the past few years – suffice to say we have been kept very busy responding to the demands of these inquiries
- And today I would hazard that we have never been busier
- We have a Royal Commission under way, plus a three-year ACCC inquiry into northern Australian insurance, a Productivity Commission examination of industry competition, and more
- Naturally we will do all we can to provide the necessary information and material to these inquiries
- But what is important is that we don't lose sight of our core business and our raison d'être
- Indeed we look to these inquiries as opportunities to:
 - Challenge commonly held misconceptions
 - Highlight the importance of the industry in a modern economy
 - And profile what has been achieved by an industry willing to embrace change and improve its performance for the betterment of its customers
- In many respects the Royal Commission can be seen as a positive for insurers
- It will deal with community concerns in one fell swoop and will facilitate reforms already in the pipeline

- It may boost community trust in insurance, and other financial services, through increased transparency
- This afternoon a panel of consumer and insurance experts will help unpack the Royal Commission, with a particular focus on community expectations
- It should be a lively session

IMPROVING CONSUMER OUTCOMES

- From the General Insurance perspective I'm pleased to say the industry has been working diligently to address areas of community concern
- In these endeavours the industry has partnered with government, regulators and consumer representatives to identify issues and concerns and to devise ways they can be addressed
- Of particular note is the work being done on finalising an extensive review of the Industry Code of Practice
- And in implementing the findings of the Disclosure Taskforce, which will help improve consumers' understanding of the products they buy and guarantee a level of service
- Another example of partnerships to improve consumer outcomes is a joint public and private sector initiative with Comcare
- This afternoon, Comcare CEO Jennifer Taylor will launch a partnership that holds the prospect of benefiting thousands of injured and disabled Australians by coordinating the various sectors that provide care and getting the injured back into a productive work life
- I'm also proud the industry is embracing complex issues, including how insurers can help those suffering the impact of family violence, mental health concerns and other sensitive claims

REFORM FATIGUE

- However, I have some concerns regarding the sheer volume and complexity of the reform agenda
- The combined impact of years of government and regulatory focus on this industry is taking its toll
- Early in the life of the Turnbull Government, key ministers talked about reducing unnecessary regulation, and the need to balance new regulations with the removal of others
- Instead, more imposition seems likely, particularly through Unfair Contract Terms and Product Design and Intervention powers
- And of course whatever recommendations may result from the Royal Commission
- Reform fatigue is alive and well
- At some point we need to pause – to take stock of the cumulative impact of regulatory change, the capacity for the industry to implement the changes and the commensurate increase in costs that may be passed on to consumers
- That being said we must also not give up on changes that would genuinely and transparently benefit the Australian public
- I strongly support Ken Henry's comments last week, in which he lamented the failure of governments to reform unfair and inequitable tax burdens
- Most notably state stamp duties on insurance premiums, which add 9 to 11 per cent to the price of insurance

- And so to today's Forum, which promises to be not only informative but also challenging to some points of view
- We will hear from our Minister Kelly O'Dwyer and from the Shadow Assistant Treasurer Dr Andrew Leigh, and I thank them for their participation
- We will also hear from our regulators – Geoff Summerhayes from APRA and Peter Kell from ASIC
- Their perspectives on the state of the industry will no doubt give us a better understanding of the direction for future regulation
- I'm also looking forward to hearing again from George Megalogenis, one of Australia's most admired journalists and commentators, as he explores the way changes in Australian society are shaping our politics, economics, business and media
- For those who want the big picture we will soon hear from Dr Stefan Hajkowitz, a CSIRO scientist who will be exploring five global digital megatrends and what they mean for us
- Today is an opportunity to challenge your thinking, to seek the opportunities in the issues that confront us, and to be proud of your contribution to the communities in which we live
- Once again I welcome you all to the Forum