

February 28, 2012

Insurance industry has already acted on key recommendations of Perrett Report, says ICA

The Insurance Council of Australia today welcomed a House of Representatives committee report into the operation of insurers during disasters, with the insurance industry already having made substantive changes that address key recommendations.

The House of Representatives Standing Committee on Social Policy and Legal Affairs report, released late yesterday by Committee Chair Graham Perrett MP, offers a series of recommendations stemming from the experiences of some property owners following 2011's string of catastrophes.

ICA Chief Executive Rob Whelan said the general insurance industry had handled an unprecedented 275,000 claims stemming from extreme weather in 2011, with insurance losses of almost \$5 billion.

Mr Whelan said many of the Perrett report's recommendations listed changes already enacted by either the insurance industry or the Federal Government. He said current dispute resolution processes had proven robust and effective, and further government and regulator intervention was not necessary.

"In early February the ICA Board agreed to [changes to the General Insurance Code of Practice](#) that addresses the concerns of consumer groups relating to claims handling timetables, external expert reports and a right to claim," he said.

"The industry has decided to bring the triannual review of the Code forward to mid 2012 and the independent reviewer, whom we hope to appoint in March, is likely to examine the Perrett Report as part of the assessment process.

"Further, the ICA has committed to releasing future Code Compliance Committee reports that describe significant breaches of the Code by insurers, and has also supported a legislated standard definition of flood – which the ICA first proposed in 2008 – and key facts sheets for consumers."

Mr Whelan said the Perrett Report had unfortunately neglected to identify actions that governments could take in terms of mitigation to reduce the impact of severe weather events on at-risk communities and improve the affordability of insurance.

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He said [the ICA's 10-point plan to tackle disasters](#) – which in January 2011 listed key actions needed to reduce the impact of natural disasters and drew attention to areas that needed to be focused on by both industry and governments at all levels – had provided a blueprint to government for physical measures and policy reforms.

“Without insurance, communities would still be paralysed, thousands of businesses would remain shut, and tens of thousands of homes would be unliveable,” he said.

He said the ICA would continue to work closely with government, regulators and consumer groups to resolve technical issues stemming from catastrophe claims handling.

“Last year, despite the fact insurers operated in extremely tough conditions and were handling thousands of calls every day, catastrophe claims were finalised on average in 29 days,” Mr Whelan said.

“Despite the massive number of claims, much less than 1 per cent of all catastrophe claims were referred to the independent Financial Ombudsman Service for determination, which proves the effectiveness of both the internal and external dispute resolution process.

“The facts show that the industry pulled out all stops to help those affected and extra claims handling and assessment staff were drafted in, with many working round the clock to ensure claims were processed.

“While we recognise that a small number of policyholders were not satisfied with the way their claims were handled, in almost all cases insured property owners have received highly positive outcomes, ranging from rebuilding and repairing homes and businesses and business interruption payments through to cash settlements.

“More than 90 per cent of all claims relating to last year’s catastrophes have been closed, with the remainder involving work in progress or finalisation of negotiations with businesses.”

NEWSROOMS: A brief audio statement is available. Please contact the media adviser on 0432 121 116.