

October 25, 2011

## No lack of choice for consumers – ICA

The Insurance Council of Australia (ICA) has criticised as irresponsible a review of flood insurance published today by CHOICE.

The Executive Director and CEO of the ICA, Mr Rob Whelan, said he was concerned that the review may frighten at-risk property owners away from obtaining urgent flood insurance.

“We don’t want a situation to arise in which property owners do not have appropriate cover for their property because they were put off by irresponsible and inaccurate statements by CHOICE,” Mr Whelan said.

“About 130,000 insurance claims have been lodged and determined as a result of the flooding and cyclone in Queensland last summer, yet less than 0.6 per cent – only 725 claims – have resulted in disputes being referred by the policyholder to the Ombudsman.

“Those property owners with a flood risk should be responsibly encouraged to purchase flood insurance and not leave themselves unprotected.

“In 2008 the insurance industry agreed to a standard flood definition, but it was rejected by the ACCC at the time. In January the industry again called for a standard definition of flood, and repeated this in May in its submission to the Natural Disaster Insurance Review. This is awaiting approval by the Federal Government.

“The ICA has worked hard with the Federal Government to make insurance more easily understandable for policy holders, and highlighted the importance of providing information to consumers in its submission to the NDIR.

“The development of Key Facts sheets, which will outline what is covered by each policy, will be a positive step in helping time-poor consumers understand their policies. Of course, if consumers have any concerns they should call their insurer or insurance broker and clarify any issues,” Mr Whelan said.

Mr Whelan said the real issue was that property owners affected by the 2010-11 floods were certain to be affected by flooding in the future.

“Future flooding is what needs to be addressed. Governments need to refocus efforts on reducing the occurrence of flood through mitigation, the improvement of building codes and better land-use planning,” he said. “Handing out dummy awards is a stunt, not a solution. It’s not worthy of CHOICE.

“We often invite consumer groups to engage in dialogue on insurance-related issues. Regrettably, CHOICE has never accepted our invitations. We again invite CHOICE to talk to us in an open and transparent manner about its issues so that these can be discussed with all the facts in hand.”