

Tuesday October 13, 2020

Insurers welcome Palaszczuk Government's \$42.5m Bundaberg flood levee commitment

Today's election commitment by the Palaszczuk Government of \$42.5 million towards building the East Bundaberg Flood Levee is positive news for the local community and when completed is likely to reduce the cost of insurance premiums.

Insurance Council of Australia (ICA) CEO Andrew Hall said the levee was long overdue.

"Bundaberg is notorious for its floods. The 2013 floods caused more than \$1.1 billion in insured property losses (in today's dollars). Industry data shows more than 10,300 building policies have flood exposure," Mr Hall said.

"Today's announcement is recognition by the Palaszczuk Government that investments in permanent mitigation are vital to ensure the long-term economic and social viability of communities.

"It supports the Insurance Council's long-held position that governments should focus on measures that will provide long-lasting change by addressing the underlying cause of insurance affordability issues.

"The good news is that insurers will reassess the risk and lower their premiums for property owners protected by the completed levy, with premium reductions of 10 to 27 per cent likely. The levee plan is testament to the hard work of the Bundaberg Regional Council.

"However, Bundaberg is just one of dozens of Queensland towns and cities where well-designed flood mitigation would reduce flood risk for generations. The insurance industry believes mitigation should be treated as nation-building infrastructure and must take the impact of climate change into account.

"Insurers are committed to working closely with the Commonwealth, state and local governments and have identified areas of high exposure where mitigation projects should be considered as a priority.

"The ICA also urges the State Government and Opposition to commit to the abolition of unfair and inequitable state taxes on insurance. Queenslanders pay a combined 19.9 per cent in taxes on their insurance (GST plus state stamp duty). This burden is a key cause of non-insurance and underinsurance, especially in high-risk regions."

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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).

June 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 the end of June 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>