

Monday March 30, 2015

## Insurance Council pleased with Northern Australia insurance taskforce's consultative focus

Today's announcement by the Federal Government that a taskforce will examine options to reduce insurance premiums in Northern Australia is a positive development in the development of policies that address cyclone risk, community resilience and insurance.

Insurance Council of Australia CEO Rob Whelan said the announcement showed the Government was seeking a positive and consultative approach to significant policy decisions.

He said the general insurance sector would seek to work closely with the members of the taskforce, contributing expertise and insights into shaping policies that would benefit cyclone-prone communities.

"The ICA and its members will seek to focus on disaster mitigation and improving community resilience as the best ways to reduce premiums in cyclone-affected regions," Mr Whelan said.

"Various government reports, including the independent Australian Government Actuary's two reports into North Queensland insurance, have directly linked the region's exposure to cyclone risk as the driver of insurance premiums."

He said the Actuary found insurers had been paying out \$1.40 for every \$1 they receive in premiums in North Queensland but also concluded there was competition in the market and there was not market failure.

"The taskforce will enable the insurance industry to fully explore the options and implications of government decisions in a rational, fact-driven environment with other stakeholders," Mr Whelan said.

"Though the taskforce will examine government support for a reinsurance pool and a mutual, the Minister has also been clear that other policy options will also be considered on their merits.

"The ICA and its members are keen to contribute to these discussions and also highlight significant affordability initiatives developed by both the ICA and insurers, including strata inspection schemes and building resilience tools.

"However, the best long-term and sustainable way to reduce insurance premiums is to reduce the damage that extreme weather causes. Improving the resilience of homes and businesses in cyclone-prone regions has a direct impact on insurance."

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Mr Whelan also welcomed today's Tax Discussion Paper, which he hoped would lead to a closer examination of measures that would lead to the removal of state stamp duties and levies on insurance products.

"Taxes on insurance are an incredibly inefficient and unfair way to generate revenue for governments, and these taxes also discourage consumers from being properly insured," he said.

"No discussion about insurance affordability in North Queensland can ignore the burden that consumers carry in taxes – state and federal taxes add 19.9 per cent to the price every household pays for their home, contents and vehicle insurance."

Mr Whelan said insurers were pleased the Minister had also deferred the proposed relaxation of regulations that would have allowed Unauthorised Foreign Insurers access to Australian markets.

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