

Tuesday, May 9, 2017

Insurance Council of Australia response to the 2017 Federal Budget

The following statements are attributable to Insurance Council of Australia (ICA) CEO Rob Whelan.

Statement on the Budget spending on ACCC monitoring of insurance premiums:

"Providing \$7.9 million to the ACCC to monitor insurance pricing in far north Queensland does not address the real problem - the impact of extreme weather on vulnerable communities. It is a missed opportunity to invest in urgent nation-building mitigation and resilience measures.

The insurance industry will fully cooperate with the ACCC; however, the Federal Government has already spent tens of millions of dollars on numerous reports into insurance in northern Australia, which have concluded insurers are operating in a competitive market and are appropriately pricing risk.

The independent Australian Government Actuary has issued three reports into insurance in Northern Australia and said insurers are pricing appropriately. The government's own Northern Australia Insurance Premiums Taskforce has concluded investing in mitigation is the only sustainable way to lower insurance premiums. A recent Productivity Commission report called on the government to spend \$200 million a year on mitigation.

When mitigation is undertaken and lowers the risks to properties, insurers respond through reductions in premiums."

Statement on the creation of a new consumer dispute resolution service:

"The Insurance Council of Australia (ICA) supports a single ombudsman for financial, credit and investment disputes. The new Australian Financial Complaints Authority could deliver a more streamlined consumer experience and facilitate efficiencies due to the sharing of resources and back-office functionalities.

However the merger must be carefully managed to prevent any detrimental impact on consumer services, such as backlogs or delays. The ICA would also seek to be consulted on the changes to prevent disruption to the existing arrangements between insurers and the Financial Ombudsman Service."

Statement on the lack of spending on mitigation:

"The Insurance Council of Australia (ICA) is disappointed the Budget does not address the urgent need for a significant increase in spending on nation-building mitigation infrastructure and resilience measures.

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The allocation of \$26.1 million in disaster resilience programs is well below the minimum \$200 million a year recommended by the Productivity Commission and overlooks the endorsement of mitigation by its own Northern Australia Insurance Premiums Taskforce.

Without more mitigation spending, hundreds of communities that are predictably exposed to the impact of cyclones, storms, floods and bushfires will remain vulnerable to catastrophic losses.”

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