

Opening Remarks

2017 Annual Forum

Mr Rob Whelan

CEO, Insurance Council of Australia

(Rob will be introduced by MC Michael Pascoe at 9.02am, February 17)

Good morning everybody, and on behalf of the Insurance Council of Australia, this Forum and all speakers and delegates, I would like to acknowledge the traditional custodians of the land on which we meet – the Gadigal people of the Eora Nation.

I pay my respects to Eora elders past and present, and extend that respect to other Aboriginal and Torres Strait people who are here today.

I am very pleased to see so many familiar faces here today at the Forum. It's always gratifying to see a good roll up to these events. A lot of work and energy goes into producing them, so I appreciate your support.

We will shortly hear a video message from the Minister for Revenue and Financial Services Kelly O'Dwyer, who could not make it here today.

But I am very happy to say, and delighted, that Senator Katy Gallagher, the Shadow Minister for Small Business and Financial Services, will be speaking this morning. Welcome Senator.

If I might, I'd like to briefly update on what's happening with the Insurance Council's Board.

No doubt most of you will be aware that Colin Fagen, our Past President, who started as the Insurance Council President on January the first, has left QBE.

Therefore, as he is no longer a representative of a member company, he has been required to step down from the Board and from that position of President. I emphasise this is normal procedure. You cannot be on the Board or part of the Insurance Council if you are not part of a member company.

His role has been assumed by Deputy President Niran Peiris until a special Board meeting, which will be held next month.

I would like to thank Colin for his dedication and hard work. He provided invaluable guidance and support to me and my executive team in his two prior years as Deputy President, and I wish him all very best for the future.

Now I'd like to turn to some of the issues that are confronting the industry and which will no doubt feature prominently in today's discussions.

We live in a world in which perception, untruths and so-called alternative facts compete with facts and evidence-based argument.

The political cycle is becoming increasingly short. Where in the past our federal and state government representatives had a couple of years to push through strong policies before switching back into election mode, they now are faced with a diminishing window of opportunity for policy development and success. And this small window of opportunity is increasingly influenced by everyday events in the media.

Regrettably this has meant the opportunity to get things done, particularly major reforms, is getting shorter and shorter.

The insurance industry has needed to adapt to this new political paradigm in order to progress important reforms that will benefit the community and the economy in the medium and long term.

But therein lies the challenge as the issues and headwinds confronting the industry are complex and nuanced with a need to take a long term view. This does not play well in a media and political cycle that is increasingly short in duration.

Such things as:

- Disruptions to business models caused by technology;
- Global shifts in economic and political power;
- And the impact of climate change on communities that are already vulnerable to extreme weather.

All these are weighty issues that inevitably will reshape the industry and are the areas that the industry and policy makers will need to come together to find suitable long term strategies.

Regrettably this cooperation is not always evident between industry and government.

In a recent report into disaster relief funding, the Productivity Commission made a series of recommendations to address the imbalance in disaster funding. They recommended that \$200 million a year, matched by the states, for mitigation and community resilience be allocated in the budget on an ongoing basis, thus moving to a greater emphasis on prevention rather than cure, with clear and significant economic benefits highlighted in the report.

Despite this comprehensive and rigorous analysis by the Productivity Commission, the government in its response has decided not to proceed, thereby maintaining the imbalance where 97 per cent of disaster funding each year goes to recovery, and only 3 per cent goes to prevention and mitigation.

This short term view has implications for how the industry must respond and that will be in how risks are evaluated and premiums calculated. Without concerted action in mitigation for high risk areas, it will inevitably be that people pay more for their insurance if they live in those areas.

This fact has been borne out by the changing trajectory of premiums in high risk areas since 2009. From 2001 to 2009, household insurance premiums ran close to wages growth. Then natural disasters hit in 2009 and beyond: in particular the 2009 bushfires, and the Angry Summer of 2010-11 with major cyclones and massive floods.

Premiums had to rise sharply to cover the extraordinary impact of these catastrophes, and also the fact that the Australian market was rerated by global reinsurers as more risky.

Over the past three years with a more benign claims environment home building premiums have steadied, even though the average sum insured and the average claim size has increased substantially.

Governments can make real changes that would lower premiums in the Australian market:

- They can reduce the risk for vulnerable communities by investing in mitigation or in improving buildings;
- They can improve land use planning and strengthen building codes;

- They can remove taxes on insurance products that unfairly hurt consumers who choose to protect their assets.

Without these changes and policy initiatives we will continue to see the relentless pressure on insurance pricing and affordability.

So today is another opportunity to discuss these matters and hopefully advance the cause of improved cooperation between government and industry to tackle these long term structural issues.

Indeed the Forum is a great opportunity to engage on the range of challenges that confront us.

Issues like climate change, mental health, consumer protection, the concept of a social licence and improved disclosure are the subjects that we will range across over the course of the day and I'm sure there will be robust debate.

I'm also sure that while passions might run high the dialogue will be conducted in an atmosphere of good will and desire to make real progress.

Assisting in these debates we have a range of highly qualified and respected speakers.

We have ASIC Chairman Greg Medcraft who will no doubt have some messages on industry conduct: Geoff Summerhayes who will be talking on some of the prudential issues on climate change and climate risk; Richard Boele from KPMG will explore what it means to have a social licence; Michael Gill who will chair a session on Effective Disclosure and at lunch we have the renown pollster Mark Textor to help us interpret the kaleidoscope that is domestic and international politics.

I think you will agree this promises to be a smorgasbord of topics and speakers to engage you throughout the day.

Before settling into the first course of this I'd like to make a couple of announcements.

First, the Insurance Council is today launching a fresh review of the General Insurance Code of Practice.

The Code is a key part of the industry's commitment to its consumers. Ian Enright did a such sterling job with a wide-ranging review a couple of years ago that the Code was totally rewritten.

I believe the Code remains the best of breed for industry self-regulation, but it's vital we keep checking to see if our Code measures up, and be brave enough to change it where it should be improved. That process kicks off today.

Secondly, after a year of consultation and consumer research we will be publishing the comprehensive research into Effective Disclosure.

This research is ground breaking. It's the first time any organisation has delved into the behaviours of consumers when they buy insurance and it will be launched today.

The findings will enable insurers to explore strategies and tools for providing policy information, which may help customers make better decisions when they're buying our products.

And so on that positive note of proactive industry engagement I'd like to once again welcome you all to the Forum and hope you have an interesting and enlightening day.

Thank you very much.