

Friday October 30, 2020

## Insurers welcome Royal Commission's focus on mitigation and resilience

The insurance industry today welcomed the final report of the Royal Commission into National Natural Disaster Arrangements and key recommendations aimed at strengthening Australian communities.

Insurance Council of Australia CEO Andrew Hall said: "The Royal Commission's recommendations provide clear and urgent direction to governments and agencies on how they should work cooperatively to protect Australian communities from natural disasters.

"Australia experienced its worst natural disaster season on record in 2019-20, with more than \$5.94 billion in insurance claims. Without urgent action, hundreds of communities will remain vulnerable to the impact of cyclones, floods, tropical storms and bushfires.

"Key recommendations reflect the ICA's submission. The industry argued that the only means to effect lasting improvements to hazard exposure in Australia was by adopting a systematic approach to disaster risk reduction. This consisted of increased public and private mitigation, improved building quality and standards, and improved land-use planning.

"The Insurance Council is pleased the Commissioners have called for a national resilience-focused body aimed at reducing natural disaster risk and improving resilience.

"The industry also called for state taxes and levies on insurance to be removed. This was supported by the Commissioners, who said these taxes mask the role of insurance to accurately signal risk, and urged states and territories to consider the findings of previous inquiries that had explored the effect taxes have on insurance affordability and coverage. More than a dozen recent inquiries have concluded that states should abolish these unfair imposts because they are a key cause of non-insurance and underinsurance."

**Data released today by the Insurance Council shows insurance losses from the 2019-20 natural disaster season now total \$5.94 billion from 315,638 claims.**

**This consists of bushfires in NSW, Victoria, SA and Queensland (\$2.32b), November hailstorms in south-east Queensland (\$504m), January's hailstorms in the ACT, Victorian and NSW (\$1.65b), February east coast storms and flooding (\$963m) and the Rockhampton hailstorms (\$503m).**

**Insurers have closed an average of 85 per cent of household and motor natural disaster claims despite COVID-19 interruptions.**

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Key recommendations supported by the Insurance Council include:

- Establishing a national organisation dedicated to championing resilience across the nation. It would think broadly about all measures necessary to make the country resilient to natural disasters, and plan and respond accordingly. It should focus on reducing long-term disaster risk and harmonising approaches across Australia
- A clear role for governments to educate communities and provide accessible information to help them make informed decision and take appropriate actions to manage disaster risk
- Greater Commonwealth support for State Governments in disaster management
- Improvements in the availability and quality of data to help governments and other stakeholders understand and manage natural disaster risk
- Mandatory consideration of natural disaster risk in land-use planning decisions
- Guidance for insurer-recognised retrofitting and mitigation

Mr Hall said the ICA was keen for the recommendations to be accepted by the Federal Government and Opposition, and for government funding to support the urgent implementation of key recommendations as well as priority mitigation and resilience programs.

“Many communities need help now for the risks they already face, as well as measures to make sure they can withstand the changing risks caused by climate change,” he said.

“Spending by federal and state governments on projects that prevent or reduce the impact of natural disasters still falls significantly short of the combined \$400 million a year that the Productivity Commission recommended in 2014, let alone the \$3.5 billion a year that APRA has estimated will need to be spent.”

-ENDS-

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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>