

June 6, 2014

Government actuary report shows North Queensland strata insurance market is fair and operating properly

The independent Australian Government Actuary's latest strata title pricing report, released today, shows the market is operating efficiently and intervention cannot be justified, the Insurance Council of Australia (ICA) said.

The AGA's Second Report on Strata Title Insurance Price Rises in North Queensland concludes that premiums in North Queensland reflect the much higher risk and the volatile claims experience in the region compared with other Australian markets.

ICA CEO Rob Whelan said: "The Australian Government Actuary conducted a thorough and independent investigation using claims data going back to 2005-6. The report provides the facts about strata pricing in east coast and northern Australian insurance markets, and explains the complex pricing factors in play in the volatile North Queensland market.

"It concludes that insurers are not gouging – they are providing appropriate risk-priced products after a period of underpricing that reflects North Queensland's high exposure to cyclones compared with other markets.

"The report supports the evidence that insurers have provided to the Federal and Queensland governments since 2011, and also demonstrates that pricing is reasonable.

"The insurance market continues to respond to the challenges of North Queensland through innovative solutions and recent new market entrants.

"Market driven responses are the only practical and appropriate solution, and we implore governments to take this report into account before considering any form of intervention.

"The greatest risk for governments in market intervention is reduced competition and consequently further negative pricing pressures for consumers."

The ICA believes government action should focus on mitigation measures, developing appropriate planning and development controls and supporting consumers through education and hazard data.

These actions are supported by the 2013 Productivity Commission report into Barriers to Effective Climate Change Adaptation and this week's study by the Climate Institute.

Consideration should also be given to removing or reducing state stamp duties on strata insurance products as a step towards abolition of all insurance taxes.

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Mr Whelan said the ICA was developing affordability initiatives that were helping to communicate the relationship between risk, available data and premiums to consumers and all levels of government.

“We continue to work closely with all governments in Queensland, and nationally, to source appropriate hazard data to help reduce the uncertainty in assessing risk and calculating premiums for Queensland households and businesses,” Mr Whelan said.

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