

Friday August 11, 2017

Senate inquiry supports industry on mitigation and risk-based pricing

A Senate report into the general insurance industry has supported the Insurance Council's call for the Federal Government to invest at least \$200 million a year in natural disaster mitigation and resilience measures.

Insurance Council of Australia (ICA) CEO Rob Whelan said the Senate Standing Committee on Economics report released yesterday recommended the government reconsider its response to the Productivity Commission's inquiry into Natural Disaster Funding Arrangements. The government rejected a recommendation for an increase to \$200 million a year in federal funding for mitigation and resilience, matched by the states and territories.

The report comes as the insurance tally for Cyclone Debbie passes \$1.4 billion from almost 66,000 claims stretching from far north Queensland to northern New South Wales.

Mr Whelan said the report concluded insurance premiums appropriately reflected the level of risk, and had also commended work undertaken by the ICA and its members to improve disclosure and pricing transparency to assist customers in making informed decisions.

"The ICA agrees the Federal Government should reconsider its response to the Productivity Commission. Investing at least \$200 million a year in mitigation and resilience should be treated as nation building that protects vulnerable communities for generations," he said.

"The industry is also pleased the committee is encouraging the Australian Securities and Investments Commission in its work on regulatory change to enable insurers to communicate with customers with the same flexibility as other financial services.

"Many of the recommendations are already being addressed by the ICA through initiatives including the Disclosure Taskforce and the review of the General Insurance Code of Practice, through measures being implemented by insurance companies and through existing government programs."

Mr Whelan said the committee had received extensive evidence from consumer groups, regulators and industry that price comparison websites did not empower customers to choose the best product for their requirements.

"Insurance is highly complex. You can't compare insurance products as though you're comparing cans of soft drink, and each insurer's product is competitive on its features as well as its price," Mr Whelan said.

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Friday August 11, 2017

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“The ICA notes the recommendation relating to a price comparison tool but believes enough evidence has already been provided to demonstrate a government-run aggregator would not stand up to a cost-benefit analysis.”

The ICA’s submission to the inquiry is available here:

http://www.insurancecouncil.com.au/assets/submission/2017/2017_02_17_SENATE_INQUIRY_GI_INDUSTRY_ICA_SUBMISSION_FINAL.PDF

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