

18 December 2017

The Hon Kelly O'Dwyer

Government responds to Northern Australia Insurance Premiums Taskforce and General Insurance Senate Inquiry

The Turnbull Government has today announced its formal response to the Final Report of the Northern Australia Insurance Premiums Taskforce (the Taskforce), along with its response to the Senate Inquiry into the General Insurance Industry.

The Taskforce was asked to consider the feasibility of options to lower insurance premiums in areas subject to high cyclone risk and released its Final Report publicly in March 2016. In its assessment of policy options, the Taskforce found that mitigation activities to reduce the risk of damage from cyclones are the only way to reduce premiums on a sustainable basis. The Government accepts this finding, and will not intervene directly in the insurance market.

Instead, the Government is proceeding with a set of important reforms to place downward pressure on insurance premiums through increased accountability and transparency within the industry, as well as proposals to increase consumer understanding of insurance, which were recommended as part of the Senate Inquiry into the General Insurance Industry. These include:

- Ensuring consumers are treated fairly through the General Insurance Code of Practice. The code sets out the standards that general insurers must meet when providing services to customers and timeframes for insurers to respond to claims, complaints and requests for information from customers. The Government calls on the Insurance Council of Australia to expedite work on reforming the Code.
- Extending the unfair contract term provisions to contracts of insurance with proposals to be released in early 2018.
- Tasking the Australian Securities and Investments Commission (ASIC) with developing options to improve consumer understanding of insurance products as part of the development of a financial literacy strategy, and to work with industry on its ability to provide guidance to consumers on their insurance needs.
- Tasking the Commonwealth Treasury with developing proposals to improve consumers' understanding and access to information through better transparency and enhanced disclosure practices in the insurance sector.

While these reforms will result in a fairer and more efficient insurance sector, the Government remains focused on the ability for communities in northern Australia to have access to affordable insurance, securing their ability to rebuild following natural catastrophes.

The Government has already acted on a number of recommendations in the Northern Australia Insurance Premiums Taskforce Report:

- Established a North Queensland Insurance Comparison Website, announced in the 2014-15 Budget and operational since March 2015, that provides comparison information on available home buildings and contents policy features and indicative premiums for nearly 800 Queensland towns and suburbs north of Rockhampton, including coastal and inland regions.
- Provided \$12.5 million for the development and management of a strata title inspection scheme in north Queensland, announced in the 2014-15 Budget, which will be undertaken by James Cook University and commencing in 2018.
- Provided \$7.9 million to the Australian Competition and Consumer Commission to undertake an inquiry into the monitoring of insurance premiums in northern Australia, announced in the 2017-18 Budget. The ACCC will monitor and report on prices, costs and profits in the insurance market for home, contents and strata insurance in northern Australia, with a particular focus on the impact of natural catastrophe risk. The ACCC released an issues paper for consultation in October 2017 and has held eight public forums across northern Australia. The ACCC will provide its first report to the Government by 30 November 2018.

In addition to these initiatives, the Australian Government has, over the past decade, contributed over \$10.5 billion under the Natural Disaster Relief and Recovery Arrangements to support recovery efforts nationally. Of this, more than \$9 billion has been provided to Queensland.

Since 2013, the Australian Government has committed more than \$30 million to the Queensland Government under the National Partnership Agreement on Natural Disaster Resilience to support local projects that build the disaster resilience of Queensland communities.

Tackling the problem of insurance affordability in northern Australia is a complex issue and requires action by all stakeholders, including state and territory governments, insurance companies, business and residents.

The Government continues to urge the Western Australian, Queensland and the Northern Territory governments to abolish inefficient stamp duties, strata commissions and other levies on general insurance premiums. These taxes increase the cost of insurance for policyholders and can lead to under or non-insurance. Removal of these taxes by the Western Australian, Queensland and the Northern Territory governments would see an immediate reduction in insurance premiums for policyholders. For instance, in Queensland, the stamp duty removal would mean a nine per cent reduction immediately.

The Government also continues to urge the Queensland Government to review strata title legislation and its impact on insurance premiums.

The Government also continues to encourage insurers to better meet consumer needs in northern Australia and monitor progress through regular consultation with industry. Insurers must also contribute to reducing the cost of premiums by developing more innovative insurance products as well as by better recognising the reduction in risk from the mitigation work that is undertaken by households.

The Government remains committed to working with all stakeholders to develop solutions that will lead to sustainable reductions in premium levels, promote a competitive insurance market and a recognisable difference for consumers across Australia.

