

Opening Remarks

2017 ICA Annual Dinner

Mr Anthony Day

President, Insurance Council of Australia

(Anthony will be introduced by Rob Whelan about 7.20pm)

- Good Evening, and welcome to the Insurance Council's Annual Dinner.
- I think Rob has highlighted the success the industry has had in the past year, in particular, the superb response our staff and suppliers have provided to customers suffering the loss of their homes and businesses, and other assets, in the wake of Cyclone Debbie.
- I agree the industry has become adept at its response to catastrophes, especially since 2011.
- We are much better able to anticipate the impact of these disasters, and ensure the right resources are available in the right places.
- For me this leads to two key focus areas for us as an industry.
- The first is the importance of protecting communities.
- Insurance is the canary in the coal mine. We hear complaints about the cost of insurance in regions and communities that we all know are vulnerable to the impact of severe weather events like cyclones storms, floods, bushfires and hailstorms.

- While we understand that there is support for mitigation on both sides of the political divide, the policy debate has continued too long. Without a clear position and action, we continue to hear calls for government intervention into lowering premiums through the creation of alternative funding arrangements. This may appeal to some consumers, and to some politicians.
- It taps the hip-pocket nerve on what is a grudge purchase. But it is a bad idea.
- You'd expect me, as the President of the Insurance Council and head of a major insurer, to try to protect the industry from further regulation and imposition.
- You may also expect me to defend the way insurers price premiums in these areas.
- However, report after report has examined the industry and its pricing.
- The Australia Government Actuary examined the issue for northern Australia three times. It found insurers were pricing appropriately to the risk, that they were not gouging in North Queensland, competition was solid and that for many years' insurers had paid \$1.40 for every \$1 they collected in premiums.
- The Financial System Inquiry concluded the industry was operating efficiently and effectively.
- Most importantly, two other reports must be accepted as the foundations for appropriate and urgent government action, not intervention.

- The Productivity Commission examined disaster relief funding and concluded the Federal Government should increase its spending on mitigation and resilience fourfold to \$200 million a year, to be matched by the states and territories.
- And the Northern Australia Insurance Premiums Taskforce reached a similar conclusion.
- It said mitigation was the only sustainable way to reduce premiums.
- It also said intervention through a government-backed mutual or a reinsurance pool would have little lasting impact on premiums, would expose taxpayers to immense costs, and would be complex to implement.
- Nature venting her fury is a reminder that we can't be complacent when it comes to protecting our customers and communities.
- Today, in the aftermath of Cyclone Debbie, the case for urgent investment in permanent, well-designed mitigation for disaster-prone communities cannot be clearer.
- This week I was on the ground in Hamilton Island – which was hit the hardest. The resilient spirit and sense of community was strong, and efforts to start the recovery process were great to see. However, the focus will need to be on rebuilding to higher standards.
- Where mitigation does not exist and where poor decisions are made about the design and location of homes and communities, floods prove devastating. Insurers have to price the risk of these events, and where the risk is high, so too are the premiums.

- When the risk is reduced, premiums fall. We've seen that take place in many parts of our country.
- Australia must do much more to prevent the impact of extreme weather, rather than throw money at it afterwards in ways that does nothing to reduce the impact of the next cyclone, or flood, or storm.
- The situation where only 3 per cent of the budget available for natural disaster responses is spent on mitigation and 97 per cent on relief and recovery must end.
- So why don't governments do this?
- Well they do. Canada's Liberal Government recently committed about \$2 billion in its 2017 Budget to create a Disaster Mitigation and Adaptation Fund.
- We have had enough reports. Wouldn't it be great to see some sort of positive action and commitment of this nature in next week's Federal Budget?
- Perhaps governments are thinking about it the wrong way. Mitigation is nation building. Properly done, it not only drives employment but protects communities for generations. It helps communities do more than just survive.
- They have the chance to prosper, especially when mitigation is combined with improving building resilience, better building codes and effective land use planning.

- This is especially important when we factor in the likely impact of climate change in coming decades, and the mooted economic development of northern Australia.
- This leads me to my second focus area.
- Though insurers have worked hard to do the right thing by their customers, and have in my view acquitted themselves well during numerous government inquiries, it is no time for complacency.
- The pressure on the banking and life insurance industries is relentless, but they're not alone.
- This year the Senate has initiated two inquiries that involve general insurance. The current political climate federally and in many states means the focus on this industry will be maintained, and may even heighten.
- Insurers must put their best foot forward at all times. Small human mistakes can hurt the reputation of individual companies and the industry. Faults with products, with customer service, with dispute resolution, are easily and rapidly amplified with social media and the vein of mistrust more broadly in financial services
- Insurers need to be proactive. We can't just prove our worth during natural disasters. Every day should be taken as an opportunity to prove we deserve our social licence.
- The Insurance Council is well advanced in some of these areas. The industry's Code of Practice is under review, and I hope to see some positive recommendations that will enhance the Code to better assist customers.

- The ICA's *Find an Insurer* service and *Understand Insurance* financial literacy program are providing consumers with much of the information and tools they need to make better decisions about their insurance needs.
- I have also been impressed with the insights into consumer thought processes through the ground-breaking work that flowed from the Disclosure Taskforce.
- I expect insurers are busy right now exploring ways to guide customers through the sales process and towards products that best suit their needs.
- These are real and positive solutions that will help customers and also help ensure the industry can continue to do what it does best – pay claims.
- In the meantime, I thank you and trust you'll have a wonderful evening.