

Tuesday July 30, 2019

Hits and misses in ACCC's Northern Australia recommendations

Household insurance in northern Australia remains unprofitable for insurers, according to the second update report of the Australian Competition and Consumer Commission's Northern Australia Insurance Inquiry.

The report, released today, confirms that higher costs and heavy losses incurred as a result of natural disasters result in premiums that are on average much higher in northern Australia.

Insurance Council of Australia (ICA) CEO Rob Whelan said: "The ICA notes today's report, and will continue to contribute its expertise and data-driven insights to the ACCC's current inquiry. It respects the broad aims of recommendations that seek to improve transparency and product availability to customers. Insurers will consider practical solutions that do not overwhelm customers with information.

"The industry has emphatically supported the most powerful recommendation in the ACCC's first report – that state stamp duties on insurance be abolished – because it will have the most direct and immediate impact on the affordability of insurance in northern Australia. Unfortunately, no progress has been made.

"Insurers also support the ACCC view that mitigation can improve affordability. Again, little progress has been made despite the Productivity Commission recommending the Federal Government invest at least \$200 million a year in permanent mitigation and resilience measures, to be matched by state and territory governments.

"The industry is disappointed that the ACCC is examining several flawed ideas – a government-backed reinsurance pool, mutual and direct subsidies – despite these options having been the subject of previous inquiries and found to be unviable and too expensive.

"These initiatives have been tried in other countries and have failed to address the fundamental issue of reducing the risks through better planning, building and mitigation. Insurance in Northern Australia should not be subsidised by the rest of the nation; this would be unfair and unsustainable.

"Insurers do not support a national price comparison website for home insurance because it will not deliver useful information, since consumers in other parts of the country do not face the same level of risks as those who live in the north. A comparison website, run by ASIC, already provides premium comparisons for householders in northern Australia.

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“The insurance industry would have preferred the ACCC offer practical recommendations that address the key drivers of pricing and availability of insurance in northern Australia – the high risk and impact of natural disasters (in particular cyclones and floods), high costs of materials and trades, inadequate building controls and poor-quality building stock.”

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