

Tuesday October 6, 2020

## Statement on the 2020-21 Federal Budget

Statement attributable to Andrew Hall, CEO, Insurance Council of Australia:

The Insurance Council of Australia (ICA) welcomes tonight's Federal Budget as a strong step towards Australia's recovery from the COVID-19 pandemic and devastating summer bushfires.

The Budget's focus on infrastructure will help with regional job creation and economic stimulus in the medium term, and income tax cuts will assist with cost-of-living pressures. Additional support for business, in particular the small business sector, will help boost employment and underpin economic growth.

The industry is encouraged by Treasurer Josh Frydenberg's statement that further announcements in relation to natural disaster mitigation will be made in response to the Royal Commission into National Natural Disaster Arrangements.

When that response comes, the Federal Government must take a lead on building a more resilient Australia. A significant investment is required.

More than five years ago the Productivity Commission recommended the Commonwealth invest at least \$200 million a year in mitigation and resilience projects (matched by state and territory governments). At present more than 97 per cent of natural disaster funding is spent on clean-up and recovery and only 3 per cent on resilience and mitigation.

The ICA has provided compelling evidence to the Royal Commission on the importance of mitigation and resilience programs to reduce risk, along with an urgent need for reform of punitive state taxes on Australian's insurance policies, and significant improvements to building codes and land-use planning.

Insurers in Australia will continue to contribute their expertise to assist the Commonwealth in improving community resilience with data and insights. The industry is pleased that \$7.6 million has been pledged over three years from 2020-21 to upgrade the Australian Community Climate and Earth System Simulator (ACCESS) to increase Australia's capacity to respond to future climate disasters and emergencies.

The ICA also welcomes the Government's \$5.7 billion commitment to supporting the mental health and wellbeing of all Australians, including funding for critical frontline services, suicide prevention and key programs.

It also believes the Australian Bureau of Statistics should be funded to urgently update the 2007 National Survey of Mental Health and Wellbeing.

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Conducting the survey would contribute to the public's understanding of mental health issues and provide a quantifiable basis of the impact of mental health conditions for government policy making. This would be consistent with the Australian Government's objective (as stated in its response to the National Mental Health Commission's review of mental health programs and services) to further develop the evidence base on mental health conditions.

-ENDS-

#### **ABOUT THE INSURANCE COUNCIL OF AUSTRALIA:**

The Insurance Council of Australia (ICA) is the representative body of the general insurance industry in Australia. ICA members represent about 95 per cent of total premium income written by private sector general insurers. Insurance Council members, both insurers and reinsurers, are a significant part of the financial services system.

Insurance Council members provide insurance products ranging from those usually purchased by individuals (such as home and contents insurance, travel insurance, motor vehicle insurance) to those purchased by small businesses and larger organisations (such as product and public liability insurance, professional indemnity insurance, commercial property, and directors and officers insurance).

June 2020 Australian Prudential Regulation Authority statistics show that the general insurance industry generates gross written premium of \$51.4 billion a year and has total assets of \$135.4 billion. The industry employs about 60,000 people and on average pays out about \$171.1 million in claims each working day.

Over the 12 months to June 2020 the industry's net profit after tax (NPAT) was \$1.0 billion – a 70.5 per cent decrease from the prior year's NPAT of \$3.5 billion. The industry's underwriting result was \$1.4 billion, falling by 39 per cent from \$2.3 billion in the prior year. <http://www.insurancecouncil.com.au/about-us>