



News release

Insurance Council
of Australia

Thursday, 7 March 2024

ICA welcomes consultation paper on standard definitions

The Insurance Council of Australia (ICA) welcomes today's announcement by Assistant Treasurer and Minister for Financial Services Stephen Jones that The Treasury will consult on standardised definitions of natural hazards in insurance policies and the standard cover regime.

The consultation process announced today aligns with ongoing efforts by insurers to improve customer outcomes by improving transparency and consumer understanding of insurance.

Standardised definitions would mean that all insurers use the same definition for a particular event in their insurance policies.

A standard definition for flood was legislated in 2012.

The Treasury will now consider standardising definitions for three other natural hazards: fire, storm, and stormwater and rainwater runoff.

Separately, the ICA has commenced discussions with insurers about the possible adoption of standardised definitions for maintenance and wear and tear exclusions in policies.

Any adoption of standardised maintenance and wear and tear exclusion definitions by insurers through this process would be subject to obtaining required regulatory approvals.

The Treasury will also consult on the standard cover regime, which has been in force since the passage of the *Insurance Contracts Act* in 1984.

The regime was established to provide standardised terms and conditions and improve comparability in certain types of policies but has declined in relevance because of subsequent legislative and policy design changes.

Quote attributable to ICA CEO Andrew Hall:

We welcome this consultation process announced by Assistant Treasurer Stephen Jones today and look forward to working with The Treasury on the standardised terms being considered.

We acknowledge there is more to be done to improve consumer understanding of policies, and standardised definitions for fire, storm and stormwater and rainwater runoff may assist with this.

An independent review of the industry's Code of Practice is currently underway and the ICA has commenced discussions with insurers about the possible adoption of standardised clauses for maintenance and wear and tear exclusions in policies, which may also assist with providing greater clarity for customers.