



Supplementary Remarks –
Mr Steven Ciobo MP, Deputy Chair,
Ms Kelly O’Dwyer MP, Mr Scott Buchholz MP,
Liberal Party of Australia

Liberal Members of the Committee agree with the overall observations of the Committee report regarding the need and support for a common definition of “flood”; and the benefit of a key facts sheet for policies.

Liberal Members cannot, however, agree with paragraphs 2.50 and 2.51 of the report that outlined assurances the Department of Treasury was engaged in constructive dialogue with industry and consumer groups; as well as the observation that there were “no points raised in submissions or at the hearing that the Treasury was not already across or was taking steps to consider solutions”.

The clear evidence from industry representatives at the hearing was industry’s frustration that many of the issues – as identified in this report – that have been raised with the Government over the operation of the Insurance Contracts Amendment Bill 2011 (ICA) remained unresolved, with industry awaiting comprehensive consultation on regulations before obtaining any clarity on the identified issues.

We note that disappointingly the ICA Bill is bereft of much of the detail craved by industry to bring certainty; and industry and consumer confidence in the Gillard Labor Government’s policy response is contingent upon the regulations made under the ICA Bill being available.

In the absence of this detail, it is our observation that support is on a principles only basis, with the regulations holding potential to make matters worse rather than better.

Ms O'Dwyer: ... My question is directed to the Insurance Council of Australia ... concerning the legislation that is before us – and I am conscious that the regulations have a lot of the details here – in your view is it going to make it simpler or more complex for people to take out flood insurance?

Mr Anning: That detail needs to be looked at but the reasons we strongly endorse these two proposals is we think a common definition of flood does not make it simpler for people to understand their insurance cover and similarly a key facts sheet does have limitations. As NIBA explained, it is very difficult to summarise an insurance policy on one page, but as a means of highlighting particular aspects of the policy that the consumer needs to think about and to be able to compare with policies from other insurers, we think there are advantages in going down that route.

Ms O'Dwyer: But you would need to be satisfied as to the detail in the regulation before you could answer that question with any certainty – is that right?

Mr Anning: That is right. Also we need to be very clear about what the purpose of a key fact sheet is. We would not want people to be encouraged to take purchasing decisions solely on the basis of the key fact sheet because it will actually be a high-level summary of the information.

Ms O'Dwyer: Given it is a high-level summary, do you think that then could have the potential to be more confusing for potential consumers.

Mr Anning: It does have that potential, unless it is clearly explained to consumers what the key facts sheet is to be used for.

Similarly, the absence of a definition of flood in the Bill and the need for the definition to be clarified in regulation means industry and consumers continue to have no clarity on how they will be affected.

Mr Ciobo: So the standard definition would cover an event where sea water went into people's homes, would it?

Mr Anning: It would depend on what the definition of flood is decided to be.

Mr Ciobo: Wasn't that the entire point of this bill?

Mr Anning: Not the actual definition of flood. That is subject to the discussions under the regulations.

Mr Ciobo: So, we actually have no clarification yet of what the impact of this would be on potentially thousands of people...

Mr Anning: ...I guess the point is we are not at the point of having the clarity to even form a view.

Liberal Members of the Committee are of the view that given the length of time that has expired since the Gillard Labor Government undertook to clarify insurance issues, it is disappointing that the ICA Bill only addresses two issues, and these two issues remain unclear as the regulations actually contain the detail industry and consumers need to obtain clarity.

Mr Steven Ciobo, MP
Deputy Chair

Ms Kelly O'Dwyer, MP

Mr Scott Buchholz, MP