



Flood insurance to be simplified

Review of the Insurance Contracts Amendment Bill 2011

House Economics Committee Chair Julie Owens has tabled the committee's advisory report on the Insurance Contracts Amendment Bill 2011 and recommended that it be passed.

The summer floods of 2010-11 were a devastating blow to many communities in Queensland and Victoria with lives lost and homes and property destroyed. In the aftermath, the tragedy and devastation was made worse when many people found that they were under insured or their insurance policies did not provide cover.

In many cases, people thought they were insured only to be advised that their policies did not provide for the types of floods that occurred. The discovery that homes were not adequately insured against the floods was devastating for families.

The Insurance Contracts Amendment Bill 2011 is part of suite of measures to address issues associated with flooding. The Bill is a technical piece of legislation which introduces, through schedule 1, a standard definition of flood and, through schedule 2, a Key Facts Sheet (KFS).

Both the standard definition of flood and the KFS are widely supported by both industry and consumer groups. It is clear that consumer groups have wanted these measures and industry groups support them.

The National Insurance Brokers Association (NIBA), RACQ Insurance, the Insurance Council of Australia, and the Consumer Action Law Centre, all indicated that they support both measures.

The Bill provides the framework for the introduction of the standard definition and the KFS. Once the Bill is passed the regulations prescribing the standards definition and the KFS will be introduced.

The Treasury has issued draft regulations on the standard definition and will soon issue a discussion paper on the KFS. The committee's roundtable public hearing provided a constructive forum to gauge the adequacy of Treasury's performance in consulting on the standard definition and the KFS.

The committee is reassured by the constructive dialogue between the Treasury, industry groups and consumer groups and believes that the technical points raised during the hearing can be successfully dealt with as the regulations are further developed.

The committee concludes that the Insurance Contracts Amendment Bill 2011 is an important piece of legislation that should be passed.

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