



Hon Tim Nicholls MP
Member for Clayfield
Treasurer and Minister for Trade

TOQ-00427

12 JUN 2012

Mr Neil Laurie
The Clerk of the Parliament
Parliament House
George Street
BRISBANE QLD 4000

Dear Mr Laurie

I refer to your letter of 22 May 2012 enclosing a copy of Petition No. 1792-11 presented to the Queensland Legislative Assembly regarding insurance claims following a natural disaster event.

While regulation of insurance is a Commonwealth responsibility, the Queensland Government is providing input into policy development at the national level to ensure the necessary steps are taken to address some of the difficulties encountered during last year's unprecedented series of natural disasters. The time taken for insurance claims to be processed was one of the biggest frustrations for many Queensland residents who felt let down by their insurance company.

In response to the deluge of complaints about the insurance industry's handling of claims, confusion over the various definitions of flood cover and the lack of affordable and consistent flood insurance, a national review of disaster insurance (NDIR) was undertaken. The NDIR presented its final report on 30 September 2011 with several of the 47 recommendations aimed at improving the industry's claims management practices and the information provided to consumers about the terms of their insurance policy. The NDIR also recommended changes to the General Insurance Code of Practice (Code of Practice) imposing a set timeframe for assessing and deciding claims and resolving internal claims disputes.

A handwritten signature in black ink, appearing to be 'TN'.

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As a result, a number of definitive steps have already been taken to strengthen product disclosure requirements and ensure consumers are better informed. Amendments made to the *Insurance Contracts Act 1984* now provide a standard definition of 'flood' and the requirement that insurers provide consumers with a simplified one-page Key Facts Sheet to help policyholders understand what they are covered for and any key exclusions. Regulations accompanying these amendments are currently being finalised. It is pleasing to see that several insurers have already adopted the preferred definition of flood and have expanded their product offerings to include flood cover.

In addition to the NDIR, the House of Representatives Standing Committee on Social Policy and Legal Affairs (the Committee) also reviewed the claims processing arrangements of insurers, the time taken to process claims and the effectiveness of the Code of Practice and internal and external dispute resolution processes. Among its 13 recommendations, the Committee calls on the Australian Government to legislate to make compliance with the Code of Practice compulsory for all general insurers and to empower the Australian Securities and Investments Commission (ASIC) to regulate insurance claims handling, settlement and disputes. The Committee also recommends ASIC have the authority to be able to publicly 'name and shame' insurers that breach the Code and fail to do the right thing by their customers.

The Queensland Government believes the Australian Government should strengthen the regulatory framework under which the insurance industry operates, including changes to the General Insurance Code of Practice as recommended by both national inquiries to ensure greater consumer protection. The Queensland Government has met with the Insurance Council of Australia (ICA) who has given a commitment to address government and consumer concerns and improve the performance of the industry particularly following a natural disaster. While some changes have already been made to the Code of Practice to provide greater certainty for policyholders, the ICA has brought forward its triennial independent review of the Code to July and will consider further revisions to the Code in light of the outcomes of these inquiries.

I can assure the petitioners that the Queensland Government will continue to work with the Australian Government and the ICA to do all that it can to ensure that people who've been through a traumatic natural disaster are not further traumatised by unacceptable delays in the assessment of their insurance claims or misunderstandings about the scope and extent of their policies.

I trust this information is of assistance and thank you for bringing the concerns of the petitioners to my attention.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'Tim Nicholls', written in dark ink.

Tim Nicholls
Treasurer and Minister for Trade