



## **MEDIA RELEASE**

# **Survey supports risk-based model for property insurance for natural disasters – and some government involvement**

**11 April, 2011 SYDNEY** – A survey of 420 actuaries shows that an overwhelming majority (73%) support retention of a risk-rated model for property insurance with opinion divided on whether there should be premium subsidies for high risk properties. There was some support for government involvement in providing a minimum level of insurance coverage for households and businesses for natural disasters.

The Natural Disaster Insurance Survey, to be released at the Institute of Actuaries Biennial Convention in Sydney today, surveyed Institute members across general and life insurance, banking, superannuation and wealth management, about future insurance industry and government involvement in a national solution for natural disasters.

“Members of the actuarial profession work across risk management, insurance and public policy, so are well placed to provide valuable insights into viable options for a nation-wide approach to natural disaster management,” said Peter McCarthy, Chair of the Institute’s General Insurance Practice Committee.

“Our Institute survey showed that nearly 55% of actuaries believed there was a role for a national insurer to provide a level of disaster coverage while 58% said there was a role for a national reinsurer,” said Mr McCarthy.

However, only one third of respondents said flood insurance should be made compulsory.

“The survey finding against making flood insurance compulsory (55%), with over 11% unsure, recognises that the end result is likely to be low risk households subsidising high risk households, which may discourage individual responsibility,” Mr McCarthy said.

“The overwhelming majority of the profession supports the existing risk-rated model for property insurance, with more than 73% of respondents rejecting community rating for flood insurance and 53% rejecting premiums being subsidised for high risk policyholders,” he said.

Another 54% thought government compensation payouts should be capped for those without insurance to discourage rebuilding in high risk areas while 95% said the government should introduce requirements to restrict new developments/properties in flood prone areas or introduce building codes to mitigate risk of flood on new properties.

In the context of how the insurance industry should respond to increased risk from natural disasters, 75% of respondents think insurance companies should offer incentives for mitigation measures, 70% think there should be more investment in data collection (eg, flood mapping), while more than half (57%) believe there should be uniform definitions for cover.

The survey findings will feed into the Institute's policy making process.

## **ENDS**

### **About the Institute of Actuaries of Australia**

As the sole professional body for actuaries in Australia, the Institute of Actuaries of Australia (Institute) represents the interests of its members to Government, the business community and the general public. Actuaries assess risks through long-term analyses, modelling and scenario planning across a wide range of business problems. This unrivalled expertise enables the profession to comment on a range of business-related issues including enterprise risk management and prudential regulation, retirement income policy, finance and investment, general insurance, life insurance, health financing, and climate change.

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