



## **MEDIA RELEASE**

**Tuesday, 15 November 2011**

### **Stronger response needed to ensure consumers are protected in times of disaster**

The Consumer Action Law Centre has expressed disappointment with the Government's initial response to the National Disaster Insurance Review (NDIR) Panel's report which it labelled as 'indecisive'. While the Centre welcomed moves towards a system which would see more Australians covered by flood insurance, it raised concerns about the proposed 'opt out' model and has lamented the lack of tangible interim measures in the Government's response.

Under the model the Government is seeking further feedback on, consumers will be given the opportunity to opt out of flood insurance, decreasing the overall cost of their policy. But Consumer Action's co-CEO Catriona Lowe said she feared that those most likely to opt out would be those most in need of flood cover and called for the Government to adopt the NDIR's panel recommendation of premium discounts where flood insurance is unaffordable.

'Consumers in flood prone areas face higher costs for their insurance policies. Consumers also have a tendency to discount the likelihood of future risks. We are concerned that, faced with a choice between paying what seems like a 'big bill' now and mitigating a possible future risk, many will attempt to cut costs by opting out of flood cover. In particular, it will be the lowest income households that are most likely to opt out, and this is one of the groups least able to cope with the effects of a natural disaster.

'The Government's proposal will mean more people will be covered for flood damage, but not necessarily the people who need it most.'

Ms Lowe said her organisation understood the Government was dealing with a difficult task in ensuring insurance remained affordable, but that she was disappointed that the Government had put the hard decisions off and announced very little which would benefit consumers in the short term.

'The Government isn't alone in this – we're still waiting for insurers to sign up to Centrepay - a system that would make it much easier for Centrelink recipients to make payments and thus reduce the incidence of non-insurance.

'We're also disappointed with the Government's response to the issue of underinsurance. The NDIR Panel recommended that all home insurance policies be modified by 2014 to include total replacement cover for total loss of the home. Yet the Government have left this recommendation to the insurance industry.

'Total replacement cover removes the problem of underinsurance completely, yet it's only offered by a small number of insurers.

'Many people find out too late that their sum insurance cover doesn't meet the cost of rebuilding their home. Total replacement policies mean people aren't left out of pocket in the case of total destruction of their home, such as a fire.

'The introduction of key fact sheets is welcome and, if properly designed, should help consumers understand the difference between total replacement cover and sum insured policies, but it's only a small part of the reforms necessary to ensure insurance is fair and accessible for consumers,' said Ms Lowe.

END

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