



14 July 08

The General Manager  
Adjudications Branch  
Australian Competition and Consumer Commission  
GPO Box 3131  
Canberra ACT 2601

[adjudications@acc.gov.au](mailto:adjudications@acc.gov.au)

Dear Sir

**Insurance Council of Australia – Authorisation A91086**

I refer to the ACCC's draft determination of 3 July 2008 in relation to the Insurance Council's proposal for a consistent definition of flood.

The National Insurance Brokers Association (NIBA) supports the draft determination together with the Conditions that are to apply.

In its submission to the ACCC on the proposed authorisation, NIBA strongly supported the concept of insurance companies applying a consistent definition of flood but expressed some concern as to the actual definition proposed by the Insurance Council (IC).

NIBA's main concerns were:

1. The definition proposed by the IC was an expansive one, wider than the definition currently used by many insurers. If the expanded definition was used in an insurance policy to define an exemption for flood it was likely to have the effect of reducing the cover otherwise provided.
2. There was no compulsion for insurance companies to use the consistent definition and it may well be that individual insurers chose to use the consistent definition when it suited them and another definition when it did not.
3. There was no obligation on insurers to explain to policy-holders where their definition varied from the common definition.

NIBA notes that Australian Securities and Investment Commission (ASIC) had similar concerns to NIBA.

The ACCC in its draft determination supports the use of the consistent definition proposed by the IC subject to certain conditions. Put simply the conditions are:

1. The IC undertake a comprehensive and effective consumer education campaign to improve consumer awareness of flood insurance and report bi-annually to the ACCC on the effectiveness of the campaign.

2. The IC provide a bi-annual report to the ACCC detailing the adoption of the common definition, including information about the number of policies written containing the consistent definition.
3. Members adopting the consistent definition clearly disclose this to insureds and potential insureds.
4. Members adopting the consistent definition are not permitted to modify the common definition.

These conditions should overcome NIBA's difficulties with the IC's original proposal. As a result of the imposition of the conditions there is likely to be increased use by insurance companies of the consistent definition of flood and consumers are more likely to understand the coverage offered by their insurance policy for flood. The insurance industry and others will also gain a firm indication of the extent of the use of the consistent definition by insurance companies.

NIBA also endorses the view of the ACCC that the communications campaign by the IC should proactively inform consumers about the consistent definition of flood by utilising a broad range of direct marketing techniques in partnership with participating members.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Noel Pettersen', is written over a thin red vertical line.

Noel Pettersen  
Chief Executive Officer