



CONSUMER TIPS

FLOOD INSURANCE IN AUSTRALIA

The material contained in this information sheet is designed to provide general information only and is not intended to provide personal or professional advice. Readers should not act on the basis of this material alone without taking appropriate professional advice relating to their particular circumstances.

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Flood is a persistent risk in the Australian community that traditionally accounts for nearly one third of natural hazard damage. Floods in Australia are predominately caused by heavy rainfall, with La Niña years experiencing more floods on average than El Niño years. Rainfall can cause both riverine floods and flash floods.

There are many inundation risks captured by the term 'flood', which can cause confusion in communities exposed to the various different kinds of damaging inundation. In the broadest of terms flooding can be divided into three general categories:



Flash Flooding / Stormwater / Rainfall Run-Off – these are terms often used to identify water that is produced by high intensity but short duration storms producing very localised flooding conditions. Some descriptions of this type of flooding describe it as water running towards a natural water course. The majority of, but not all, insurance policies cover this type of inundation risk. If you have a risk of this type of damage, for example if you live on sloped land, you should examine your insurance policy to determine if it will cover you for this type of damage.



Riverine / Inland Flooding/ Flooding – are titles often used to identify inundation caused by rivers, creeks or artificial catchments (eg dams) overflowing their banks due to long duration rainfall over large catchment areas. Insurance policies differ greatly in terms of how they identify this type of risk. For example, some insurers may use terms such as “..the inundation of normally dry land by water that has escaped or been released from the normal confines of a natural watercourse, lake, lagoon, reservoir, canal or dam”. Many insurers use unique definition of what flood means. Some insurers provide cover for this type of risk, but it is critical to read and understand the definition of “flood” being used by the insurer who is offering cover. Many insurers expressly exclude flood damage from insurance policies. If you have a potential flooding risk from this type of inundation you should carefully examine your options and shop around for appropriate cover. Unfortunately, due to poor planning decisions in the past, many properties can find themselves at extreme risk for this type of inundation.

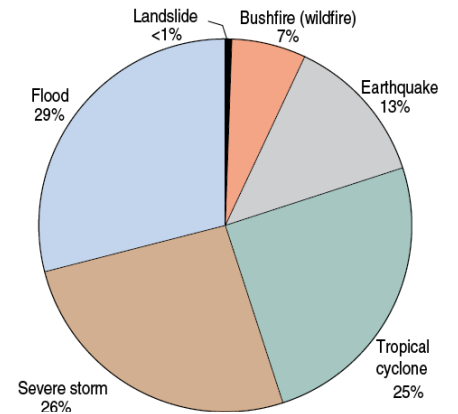


Actions of the Sea, Sea Level Rise, Storm Surge– are titles often used to identify inundation caused by movement of seawater. Movements of the sea can also be defined by terms such as “rise in the level of the ocean”, “sea waves”, “high tides and king tides”. Coastal properties can often be grossly exposed to this type of risk or associated damage (such as erosion). There is very little cover available for this risk. Coastal property owners should ensure that they understand exactly what damage is covered in terms of this risk and what is not covered by their policy. Where cover is not available, property owners should consider alternatives to protect themselves such as working with local government on risk reduction and protection works.

Why isn't there a common industry definition for flooding, to help consumers understand?– A universal definition for flooding would assist consumers to understand the risk and to take appropriate action to protect themselves. The general insurance industry made application in early 2008 to the ACCC for insurers to voluntarily adopt a common definition for flooding. This application arose as a result of consumer confusion regarding the different definitions for flooding available in the market. As part of the application the industry budgeted for a consumer awareness campaign regarding flooding, its nature, its definition and mitigation measures. The timing of the application was intended to allow insurers to adopt the definition as a preliminary step in the preparation of flood insurance products for market, possible due to the development National Flood Information Database.

Unfortunately, consumer legal groups objected to the common definition for flood and as a consequence the ACCC did not authorise insurance companies to adopt a common definition for this hazard - Consumers remain faced with an array of different definitions for flooding in insurance policies. Flood cover has now been developed by several insurers and there is no longer an opportunity for further attempts to implement a common definition as existing products would then need to be recalibrated and recast.

If you, as a consumer, feel you do not understand the definition for flooding in your policy, you should make contact with your insurer to seek clarification. Consumers should also carefully note the definition of flooding being used by their insurer of choice to determine if it suits their particular flooding risks.



Proportional Costs of Natural Disasters by type, 1967-1999
Geoscience Australia, based on BTE(2001), T3.1



NSW SES/Phil Campbell

Hunter River Flooding, Hinton NSW, June 2007

Determining if You Are Covered For Flood - Consumers with property and contents insurance, who may be at risk of flood damage, should review the terms and conditions of their cover by reading their Policy Disclosure Statement (PDS). Characteristically, restrictions on policy cover are listed as exclusions which detail the circumstances under which cover is not applicable. Flood insurance is now available in Australia for many locations (where flood mapping has been made available to the insurance industry). The cost of cover is typically proportional to the risk of flooding in your location and the value of the assets you seek to protect. If in doubt make contact with your insurer to clarify the extent of cover currently held and your insurance needs. **Don't assume you are covered - Read your policy and if unsure discuss the extent of your cover with your insurer.**

Determining the Risk to Your Home - Flood maps are available for most Australian communities that primarily focus on rivers and creeks. In some cases these maps also cover historical localised flooding due to overtaxed drains, etc (flash flooding). In many regional areas Australian governments and other agencies have studied, analysed and modelled the risks by producing flood maps showing areas of inundation for 1:100 year flood events. Whilst the style and content of these maps may differ they will all classically focus on highlighting geographic areas generally referred to as "flood zones or flood overlays", simply meaning those places at greatest risk of flood. The zones and overlays identify areas that have been flooded in the past, or are predicted to flood in the future. History shows approximately 80 percent of all flood loss occurs within these areas.

To determine if there is a flood risk to your property consumers should approach your Local Council or floodplain management authority and ask if your property is known to be affected by flooding. Many States require Local Councils to develop and implement natural hazard and environmental information as part of development controls. Some States also require this information to be provided as part of various property purchasing processes in an effort to ensure that consumers are made aware of any latent risks with the property in question. If, as a consumer, you have not been given flood risk information as part of your State's property purchasing process you should seek out the Local Council and/or floodplain management authority and request whatever information is available. Consumers should be aware that many factors can influence the accuracy of flood mapping including building development, road works, new agricultural growth, changes to river & creek catchments as well as changes to drainage and sewer arrangements for your area. Frequent re-familiarisation of the risks through engagement with your local council and/or floodplain management authority is essential.

How do Insurers Determine the Flood Risk to My Property? - Development and maintenance of flood maps and how they impact upon the built environment is a responsibility of local government and/or floodplain management authorities in each of the states. In some instances there are highly accurate flood maps made available to the community and industry, upon which reasonable risk decisions about the risk can be made. In other instances no flood mapping is or can be made available, leaving a situation where local communities and insurers are unsure of the extent of the risk.

In partnership with each of the State Governments, the general insurance industry has developed and licensed the National Flood Information Database (NFID). NFID is an address database containing 11.3 million property addresses, overlaid with the known flood risk according to government flood mapping.

The vast majority of properties in Australia have little or no flood risk. Approximately 2.8% of properties have some risk of flooding. NFID is used by insurers to determine the flood risk to individual properties. Presently, not every flood prone area in Australia is covered by the NFID. Some local governments and agencies have yet to release flood mapping for their jurisdictions. Where flood information has not been released by government constituents will have very limited choices regarding flood insurance.

Protecting Your Home if Subject to Flood Risk - Apart from choosing to not establish a home in an area of known flood risk - the most prudent prevention method – there are personal flood mitigation actions that can be taken that may reduce the level of impact experienced during a flood.

Consumers in a known flood zone or overlay should familiarise themselves with their Local Councils emergency management plan or any flood awareness material provided by your local council, floodplain management authority or state emergency service agency for information that will help protect both yourself and to some extent your property.

Consumers can also familiarise themselves with flood preparation guidance offered by Emergency Management Australia www.ema.gov.au

If your assets are at risk of flooding you should Consider a policy that covers flood damage.



Houses inundated in Brisbane, 1974