

November 14, 2011

Insurers welcome standard flood definition

The Insurance Council of Australia (ICA) today welcomed the Federal Government's decision to implement a standard definition of flood for residential home and contents insurance policies and some small businesses.

The Assistant Treasurer and Minister for Financial Services and Superannuation, The Hon Bill Shorten MP, announced the intention to implement a standard definition today as part of the Government's response to the Natural Disaster Insurance Review (NDIR).

ICA Executive Director and CEO Rob Whelan said: "The industry is very pleased that the Government is seeking to finalise a standard definition of flood. This will provide certainty to Australian consumers.

"Insurers have been seeking a standard definition since 2008, coinciding with the introduction of flood insurance options for residential policies. We look forward to ongoing consultation on draft regulations relating to the standard definition, especially how it will apply to some microbusinesses and strata title body corporate."

The ICA also supports a number of other initiatives relating to the NDIR, which have been developed through close consultation between the government and the ICA. Several of these reflect existing common practices among insurers.

The ICA today announces:

- Support for developing a Key Facts Sheet to accompany the plain-English Product Disclosure Statements. The industry has provided samples to Treasury to assist it in developing this initiative.
- In-principle agreement by the ICA board for changes to the General Insurance Code of Practice relating to clear time frames for claims handling during catastrophes and for completion of external expert reports, staff training, making external expert reports available to claimants, and for a right to lodge a claim.
- The ICA Board has agreed to bring forward an independent review of the General Insurance Code of Practice from May 2013 to mid 2012.

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- The ICA executive has also recommended that the ICA Board agree to make Code Compliance Committee reports available to the public.
- The ICA is working closely with the Federal Attorney-General's department and Geosciences Australia on modernising the approach to flood mapping throughout Australia, with the aim to generate better information for those exposed to flood risk and those who manage it.

Mr Whelan said: "The insurance industry cannot stop flooding. What insurance has done over the past year is help tens of thousands of householders and businesses right across Australia bounce back from cyclones, floods, bushfires and storms.

"In Queensland, insurers received and determined almost 130,000 disaster-related claims and are paying out \$3.7 billion to policyholders. To date about 82 per cent of flood claims and 73 per cent of cyclone claims have been closed, with insurers spending more than \$9.2 million every working day to help Queenslanders get back on their feet.

"Of the 130,000 claims that have been lodged and determined, only 3987 (3 per cent) were rejected and in most cases the policyholder has agreed with the decision, with less than 0.6 per cent of the total (725) having been referred to the Financial Ombudsman Service for determination."

Mr Whelan said insurers were providing policies to help at-risk property owners protect their assets, but this did not negate the fact risk mitigation was the responsibility of governments.

"Adequate flood mitigation strategies in terms of land use planning and building codes, infrastructure and consumer education about insurance policies play a major role, and we welcome moves by the Queensland Government to improve its flood mapping processes and infrastructure," he said. "This is a fantastic proactive measure aimed at protecting the general public in the unfortunate event of a natural disaster."

Radio newsrooms: A brief audio statement is available. Please contact the media adviser on 0432 121 116.