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## Mandatory flood cover not the answer

Mandatory flood cover will not fix the issue of repeated flooding of flood prone areas, the Insurance Council of Australia (ICA) stated today.

ICA CEO, Rob Whelan, urged the Natural Disasters Insurance Review to give serious consideration to appropriate mitigation in flood prone areas, especially in Queensland and Victoria.

“Forcing all Australians to pay extra to subsidise policy holders in high risk areas will neither fix the issue nor will it stop disaster events such as those we recently saw in Queensland and Victoria,” Mr Whelan said.

“We need to reduce the risk to properties to ensure Australians do not lose their homes in the first place.

“Only seven percent of Australian properties are currently in flood prone areas.

“The Government will have a hard time selling this increase to the 93% of Australians who are not in areas at risk of flood damage.

“Insurance seeks to help consumers pick up the pieces and get their lives back together; it does not stop these unfortunate events from happening.”

The ICA warned that mandatory flood cover would increase the cost of living for all Australians, or force them not to insure at all.

“This increase could become a serious burden on Australian households, it is unnecessary and would only put further stress on consumers,” Mr Whelan said.

“The insurance industry is doing its part. The industry already provides flood cover to properties throughout Australia with over half of all home policies offering cover, which will increase to eight in ten policies by 2012/13.”

In its submission to the Natural Disaster Insurance Review (NDIR), the ICA urged the Federal Government to help protect and reduce the risk to consumers.

“The Federal Government and COAG need to reach an agreement on national land policy for homes constructed on flood prone land. The real issue here is that the same areas flood on a persistent basis and we need to prevent this getting worse by better regulation.

“An agreement must be reached that does not allow residential property to be constructed on at risk land unless there is strict enforcement of development controls that reduce the risk to less than a 1:100 year return period.

“I urge the Trowbridge Inquiry to give more careful consideration to our proposals, we need to treat the cause not the symptoms,” Mr Whelan said.

“Unless we attack the root causes of flood damage then it will continue to impact on at risk communities into the future. The funds are there, as State governments collect approximately \$5 billion in stamp duty and fire service levies each year from insurance consumers. The funds are there, all it takes is the political will to address the real problem.”

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