

November 21, 2011

La Nina warnings a timely reminder – check flood risk and insurance policies

Recent La Nina updates from the weather bureau, which is predicting higher-than-normal rainfall in many parts of Australia this summer, are a timely reminder for property owners to review their insurance policies and check their flood risk.

The Insurance Council of Australia (ICA) says northern and eastern Australia can expect a wet summer, with the weather bureau tipping that La Nina conditions will peak towards the end of 2011 and last into early 2012.

ICA Executive Director and CEO Rob Whelan says: “Property owners in flood-prone areas should contact their local councils and check their specific flood risk, especially following the tragic circumstances of last summer in Queensland and Victoria. They should review their insurance policies and, if in doubt, check what is covered with their insurer.

“Last week’s announcement from the Federal Government that it intends to implement a standard definition for flood and mandatory flood cover (with opt-out options) for residential property insurance policies is a step forward. The industry is committed to adopting the standard definition for flood as soon as it is practical, and is working closely with the Government on implementation issues.

“However, the insurance industry is concerned that many consumers may think the Government’s mooted changes will be immediately implemented. This is not the case.

“Insurers can’t adopt a standard flood definition without supporting legislation. The Government is still completing its consultation program, and the ICA hopes relevant legislation will be passed by Parliament by mid-2012. Transitional arrangements mean that changes to many policies could take a further 12 to 24 months from that point.”

Mr Whelan said that until consumers and insurers had regulatory certainty, existing policies would operate under their current agreed definitions, terms and conditions. In most cases, new policies written before the changes have been legislated would also use current terms and conditions.

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“We understand that Queensland Premier Anna Bligh would like insurers to voluntarily adopt the standard definition for this summer,” Mr Whelan said. “Legally and practically this is not possible, though we welcome her goal of reminding Queensland property owners about their flood risks this summer.”

Mr Whelan said insurers have been seeking a standard definition since 2008, coinciding with the introduction of flood insurance options for residential policies. He said the industry looked forward to ongoing consultation on draft regulations relating to the standard definition, especially how it will apply to some small businesses and strata title body corporate.

“Property owners in non-flood prone areas should also take the time to check their policies. The weather bureau’s tropical cyclone season outlook points to an above-average number of tropical cyclones across northern Australia during the coming season, and other parts of Australia have a high bushfire risk,” he said.

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