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The General Manager
Financial System Division
The Treasury
Langton Crescent
PARKES ACT 2600

Submission : Reforming flood insurance

Dear Sir/Madam

Thank you for the opportunity to make a submission on the 'Reforming flood insurance: Clearing the waters' consultation paper.

Definition of 'flood'

The meaning of flood used in the consultation paper is:

'Flood means the covering of normally dry land by water that has escaped or been released from the normal confines of:

- (a) any lake, or any river, creek or other natural water course, whether or not altered or modified; or*
- (b) any reservoir, canal or dam'.*

Limitations

Is the limitation "has escaped or been released from" in the definition necessary?

It is entirely possible that flooding may occur simply as the result of inundation, rather than water escaping from some source. That is, rain fall occurring at a rate faster than the run off rate for a particular area, or run off from several areas accumulating in another lower lying area. Such inundation, to the lay person at least, is a flood regardless that the water has not escaped from some source.

The definition of 'flood' if implemented as currently suggested will leave a significant uninsured risk exposure for policy holders who adopt only 'standard' flood cover.

Specified sources

In addition, the use of specific sources of escaped or released water leaves open the possibility of uninsured risks and/or disputes regarding:

- the source of the water (that is, the practical question of determining the source of flood waters); and,
- whether a source of the water falls within the definition (for instance, billabongs and ponds may not be considered as natural water courses as they do involve a flow of water).

Objectives

Accordingly, I believe the definition of flood as currently suggested will fail two objectives of the reform:

1. it will leave insurance holders with significant uninsured risks of which many, if not most, policy holders will be unaware (particularly as by standardising the definition policy holders are less likely to question the extent of coverage relying on the government involvement to protect their interests); and,
2. opportunities for disputes between insurance companies and policy holders regarding insurance coverage remain.

An alternative

A simpler definition of 'flood' would, I believe, alleviate these problems. May I suggest:

'Flood means the covering of normally dry land by water (other than sea water).'

Thanking you for the consideration of this submission.

Yours sincerely

Glenn Toohey