

Submission: Reforming Flood Insurance-

The recent flood events on the eastern seaboard of Australia have created an enormous amount of confusion amongst home insurance policyholders regarding the definition of flood and the responsibilities of insurance companies.

It is apparent the insurance contracts are not easily understood by the general public and there is ambiguity and confusion as a result of a poorly worded contract or policy on the part of the Insurance industry.

In the electorate of Murray, there have been repeated instances of insurance company call centre staff providing wrong information to distressed and traumatised people. In particular claimants have been told that they must prove that the insurance company is liable. Such statements are not only wrong they are adding to the distress of people who have already been through significant trauma.

Similarly there have been numerous reports of insurance company staff advising potential claimants over the telephone that they are not covered "so there is no point in lodging a claim". No policyholder should be denied the opportunity to make a claim and they should also be advised of the appeal options in the event of a denial of their claim.

It is understood that it is difficult in the case of flood for insurers to make instant decisions on liability if the insured does not have flood cover as the cause of the inundation is often difficult to determine. However, there are still cases from the January 2011 floods being fought out some 14 months after the event. This is an unacceptable delay.

The following comments are submitted in response to the recommendations:

Recommendations 1 and 2

Insurers be required to offer flood insurance with all house, content and body corporate policies and that an "opt out clause" be provided consideration should be given to providing a second or a lower tier of cover for those that do not wish to take out flood insurance for economic reasons. It is a common problem in every flood event that policyholders must await the decision of the insurer regarding acceptance of liability.

Recommendation 39

It is believed that the period of 120 days years excessive in this period should be shortened to a maximum of 60 days unless exceptional circumstances exist with the insurer are being required to demonstrate the "exceptional circumstances" that prevent determination of liability are real and meaningful.

The following recommendation is submitted as an addition to the existing recommendations of the review.

Whilst it is understood that the delay in determination of liability is unavoidable in situations where people have cover for storm and water damage but not flood cover, policyholders are often left in the situation of being forced to obtain alternative accommodation without knowing if they will be reimbursed by the insurer or due to lack of financial resources policy holders chose to remain in their flood damaged homes at risk of illness and disease and placing a considerable burden on local resources during the emergency and early recovery periods.

For this reason it is suggested that those policyholders who wish to "opt out" of flood insurance be offered the opportunity obtain cover for the provision of alternative accommodation in the event that their home becomes uninhabitable due to flood. This lower level of cover would result in an increase in the policyholders premium, however it is believed that the costs would be substantially lower than taking out full flood cover and would allow the policy holder to obtain safe and affordable alternative pending assessment of liability and rebuilding/refitting of the home.

This cover would also relieve the burden on local emergency services as well as reduce the risk of illness or disease faced by people residing in flood damaged areas.

Should this proposal be adopted then those whose homes become uninhabitable can move to unaffected districts or regions which have sufficient resources and capacity to receive them pending the passing of the emergency and commencement of the recovery phase.