



Insurance Council
of Australia

Insurance Catastrophe Resilience Report 2023–24



Contents

Catastrophe and Significant Event numbering

Insurance Catastrophes (Cat) and Significant Events (SE) are numbered using the year and order in which they occur.

As Ex-Tropical Cyclone Jasper was the second natural disaster declared an Insurance Catastrophe in 2023, it is known as Cat 232.

Significant Events are also incorporated into this numbering with the Valentine's Day Storms in Victoria declared SE 241, the first event for 2024 – with events remaining numerically chronological whether they are a declared Significant Event (SE) or Catastrophe.

This report covers Insurance Catastrophes and Significant Events since the publication of the 2022–23 Catastrophe Resilience Report, with data references based on a financial year calendar, with the most recent data from 30 June 2024.

What does a Catastrophe or Significant Event declaration mean?

A catastrophe declaration from the Insurance Council of Australia escalates and prioritises the insurance industry's response to support policyholders affected by the natural disaster that triggered the declaration.

A catastrophe declaration means:

- Claims from affected policyholders are given priority by insurers.
- Claims will be triaged to direct urgent assistance to the worst-affected property owners.
- ICA disaster response specialists are mobilised to the affected location to work with government agencies, emergency services, local agencies and affected policyholders.
- Insurers mobilise their disaster response specialists to assist their affected customers with claims and assessments as soon as emergency services say it is safe to do so.
- An insurance industry taskforce is established to identify and address insurance related issues arising from the natural disaster.

When a Significant Event declaration occurs, the Insurance Council's preliminary data collection and stakeholder engagement catastrophe processes are activated, assisting the ICA and insurers to better assess the insurance impact of a particular event. A Significant Event may be escalated to an Insurance Catastrophe if there is a material increase in claim numbers or complexity, if the geographical spread of this event is extended, or in consultation with insurers.

2	Foreword
3	Introduction
4	What's the problem we're trying to solve?
6	Long-term economic impacts of extreme weather
8	Reviews helping insurers better respond
10	How is the insurance industry taking action?
12	2023–24 Insurance Catastrophe Overview
14	Cat 232: Ex-Tropical Cyclone Jasper
16	Cat 233: Christmas and New Year Storms
18	SE 241: Valentines Day Storms
19	SE 242: Severe Weather
20	Community consultations
22	Progressing our advocacy
24	Policy recommendations

Acknowledgement of Country

The Insurance Council of Australia acknowledges the Traditional Owners of country throughout Australia and their continuing connection to land, culture, sea and community. We recognise the tens of thousands of years of continuous custodianship and placemaking by First Nations peoples and their proud role in our shared future. This report was produced on the lands of the Gadigal people of the Eora Nation. We pay our respects to Elders past, present and emerging.

Foreword



Once again, Australia's 2023 summer months saw weather events that significantly disrupted people and local communities. The *Insurance Catastrophe Resilience Report 2023–24* examines a catastrophe season that was marked by four major weather events: a cyclone, and three storms with significant flooding; collectively these events led to almost 157,000 claims and \$2.2 billion in insured losses.

This Report also reflects on the year's broader challenges and opportunities, including the Parliamentary Inquiry into the 2022¹ floods and the ongoing need for policy and regulatory changes to improve insurance outcomes for Australian communities.

And it describes changes made by insurers in response to recommendations from the Deloitte review, which was commissioned by the Insurance Council into insurers' response to Cat 221 floods in 2022.

That review, *The New Benchmark for Catastrophe Preparedness in Australia*, was released in October 2023. It found that claims processes during the 2022 floods were stretched as never before, even where insurers had comprehensive internal catastrophe plans.

A second phase of this review, due in coming months, will assess the industry's response to Deloitte's recommendations, and offer further guidance on how insurers can continue to improve their preparedness for future extreme weather events.

Insurance affordability remains a critical issue for Australians. Insurers' costs are being driven up by the impacts of natural disasters, the increasing value of insured assets, the impact of inflation on building and vehicle repair costs, and the increasing cost of doing business for insurers.

But insurers recognise the impact of increased living costs, including insurance, on Australian households. To maintain downward pressure on premiums, we continue to advocate for sustainable solutions that reduce risk, and work with governments to deliver these.

Solutions include improved land use planning, stricter building codes, and investment in resilience measures with mitigation infrastructure for communities and household retrofitting. They must also include state tax reform. In a time of cost-of-living crisis, state governments must no longer benefit from the very pressures that are making life more difficult for insurance customers. In this context we welcome the New South Wales Government's intention to remove the Emergency Services Levy, which adds a substantial impost to both residential and commercial property insurance.

While we welcome the ongoing collaboration we have with the Federal Government through the Hazards Insurance Partnership (HIP), further co-operation will be vital if we are to solve these problems.

This is the fourth *Insurance Catastrophe Resilience Report* published by the Insurance Council, and I recommend it to you. The Reports have added significantly to the better understanding of natural catastrophes, at the same time as setting out how we as a community must respond. We hope you find this edition useful as we work together to achieve a more resilient Australia.

Nick Hawkins
President

Introduction



The most recent catastrophe season was thankfully less extreme than previous years. Despite this, just one event – storms and flooding in South East Queensland over the Christmas period – led to \$1.33 billion in damages.

This growth in the cost of what insurers classify as 'secondary perils' – floods, hail, storms, and bushfires – is a phenomenon we are seeing around the world, driven in large part by population growth in areas exposed to these risks such as South-East Queensland.

This *Insurance Catastrophe Resilience Report 2023–24* lays out in three new graphs the significant impact of the growth in secondary perils on communities, our economy, and on insurers. It sets out the policy objectives we must achieve if we are to better manage this phenomenon.

Combined with the growing asset values, expanding populations, and inflation, secondary perils are placing great strain on the insurance sectors in the US as they are in Australia, worsening insurance availability in areas at high-risk of extreme weather. The US and Australia have much to learn from each other and much that we can share as we work to keep insurance available and affordable.

That is why, in July 2024, a delegation of Australian insurers, elected representatives and government officials travelled to the US to meet with our counterparts in Washington DC and California.

This trip created the opportunity for in-depth discussions about how the insurance industry and governments can work together to confront our shared challenges, improve resilience, and ensure community, environmental and industry sustainability.

Australia and California in particular share similar natural hazard risks, economies, regulatory and political environments, and cultures, with a long history of ties across the Pacific.

A landmark Wildfire and Flood Summit in California held as part of the delegation brought together insurance industry leaders and commissioners, heads of catastrophe management, climate science and government agencies, alongside Australian and Californian elected representatives, to build a blueprint for collaboration.

The Summit showcased best practice in preparing, responding and mitigating fires and floods. It looked at the important role of shared firefighting resources across hemispheres, which is becoming increasingly strained as disaster seasons overlap.

And it highlighted – as is set out in this Report – that investment in mitigation and resilience, alongside changes to building standards and land use planning, offer the best opportunity to improve community resilience and insurance availability over the longer term.

In the last few years Australian insurers and policymakers have started to think more seriously about this issue, and our US delegation showed that in many ways we are leading the world in our insurance product offerings and approach to extreme weather risk mitigation. But we must redouble our efforts if we are to manage the impact of worsening secondary perils in a changing climate.

Andrew Hall
CEO and Executive Director

1. House of Representatives Standing Committee on Economics' Inquiry into Inquiry into insurers' responses to 2022 major floods claims.

What's the problem we're trying to solve?

The 'protection gap' is the extent to which potential economic losses are not covered by insurance. These losses may be underinsured, meaning insurance does not cover the full replacement value of the loss, or there may be no insurance coverage in place. Protection gaps exist at a household or business level, as well as across communities, regions and economies.



1.2M
properties at risk
of flooding



230,000
properties face
1 in 20 risk of
flooding each year



420,000
properties face
1 in 50 or 1 in 100 risk of
flooding each year

Australia remains a well-insured nation, but nonetheless global reinsurer Swiss Re estimates the protection gap in this country for natural catastrophe losses over the decade 2014–2023 at US\$12 billion, or one-third of the estimated US\$37 billion cost of natural catastrophes over that period.²

Flood is Australia's most costly natural peril, and it's estimated that around 1.2 million properties face some level of flood risk. The National Flood Information Database currently estimates that 230,000 of these have a 1 in 20 chance of a flooding each year, with a further 420,000 properties facing a 1 in 50 or 1 in 100 annual chance of flooding, odds that translate into high premiums which can lead to a growing protection gap.

Driven by insurers' advocacy there has been significant and increasing interest by policymakers and other stakeholders in the protection gap and what to do about it. This interest increased significantly following the COVID-19 pandemic as inflation rose and cost of living pressures hit across the economy at the same time as the country was struck by a series of very large floods and storms.

In August 2023, the Actuaries Institute estimated that 12 per cent of all Australian households were under home insurance affordability stress, defined as the cost of home insurance being greater than four weeks of gross household income (whether insurance was purchased or not). That same study found a high correlation between flood risk and affordability-stressed households and that in general, low-income households had a greater exposure to flood risk than higher-income households.

Clearly, the most acute problem and the one in most need of a solution is the affordability and availability of insurance for those properties facing a high chance of flooding each year. While other natural peril risks have an impact on premiums, those risks are not significant drivers of premium increases.

Insurers remain steadfastly committed to the policies of derisking as the only sustainable way to reduce the pressure on premiums and close the protection gap: better planning so no more homes are built in harm's way, stronger buildings that are better able to withstand extreme weather, greater investment in public infrastructure to better protect communities, and an ongoing program of home buybacks where no other mitigation is possible. Plus, the removal of state taxes on insurance, which in 2023 cost insurance customers \$7.7 billion and added nine to 40 per cent to the cost of a premium.

But even if governments were to implement all these policies today their impact would only be felt over the medium- to long-term, and the problem is here and now.

The insurance industry recognises that it has a role to play in ensuring a competitive and active insurance market to provide support for as many Australians as possible. Insurers agree that the solutions required to address the issues should be highly targeted to those most in need and undertaken in partnership between industry and government, as has already commenced through the Hazards Insurance Partnership.

Any policy intervention to support those Australians most acutely challenged by affordability issues must be effective at addressing the underlying risk problem, not just the premium cost, as well as being targeted effectively to minimise any impacts on other consumers. We must continue to support ongoing market viability, including the important and ongoing role that reinsurers play in broader financial system stability.

Government policy in this area must be considered together and tied to accelerated investment in the medium and long-term solutions outlined above, and must not mask the risk which would only extend the exposure of people living in unsafe flood-affected communities.

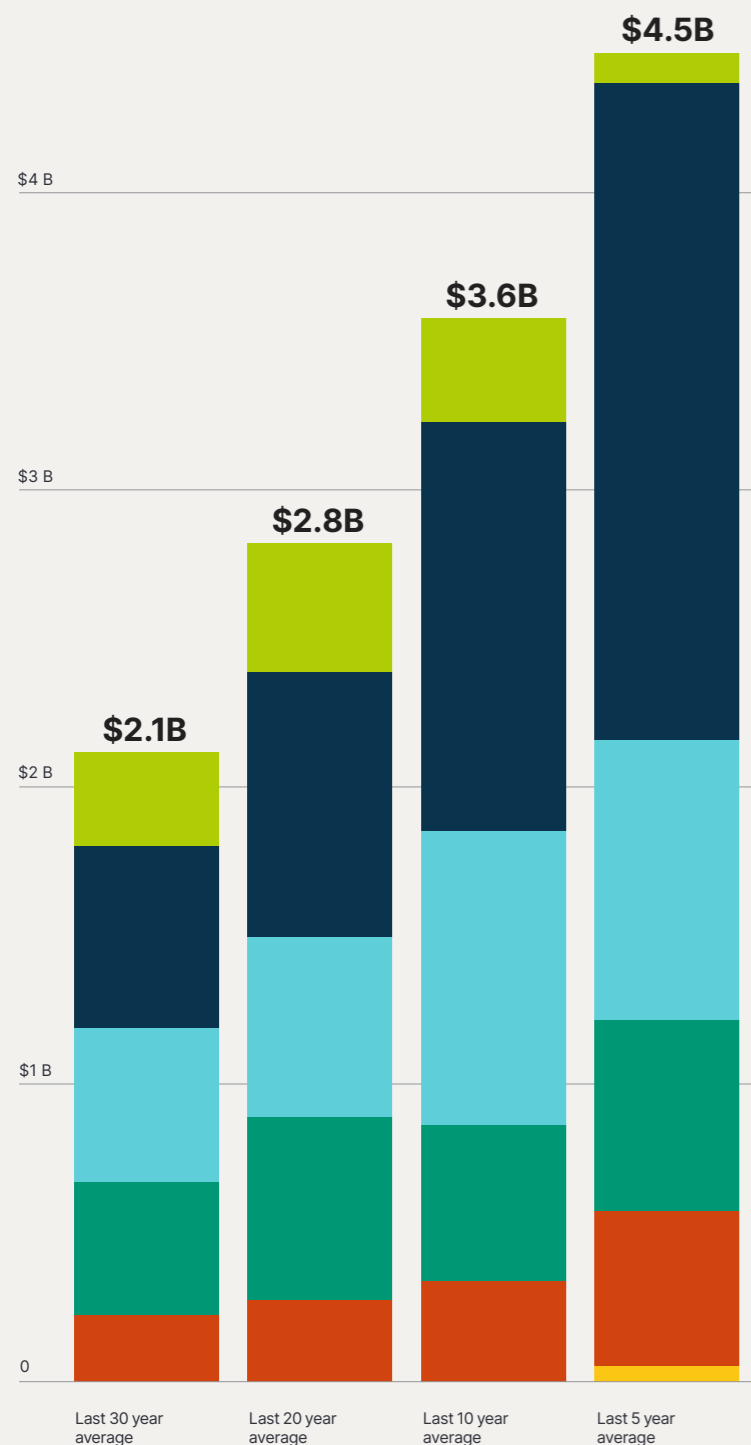
Insurance provides financial protection against floods, but it is not a solution to flood risk.

Addressing the risk of floods (and other natural hazards) in Australia should be a priority for all governments to keep people out of harm's way and improve insurance affordability.

2. www.swissre.com/risk-knowledge/mitigating-climate-risk/natcat-protection-gap-infographic.html#/country/Australia.

Long-term economic impacts of extreme weather

The cost of extreme weather in Australia is rising. Three new graphs show just how much the cost of extreme weather is increasing, the growth of extreme weather costs as a proportion of the economy, and the impact on insurer sustainability.



The cost of extreme weather is growing in real terms

Averaged over the past three decades and adjusted for inflation, insurers paid \$2.1 billion a year to policyholders impacted by extreme weather events.

However, shortening this time scale by decades illustrates how the cost of extreme weather has grown, to the point where over the past five years it has reached an average \$4.5 billion a year, with floods the main driver of this increase.

The trend clearly shows that the cost of all perils except cyclone are growing, and that flood is growing the fastest and is the most significant. The average annual cost of flood alone jumped from \$620 million over the 30-year average to \$2.2 billion in the past five years.

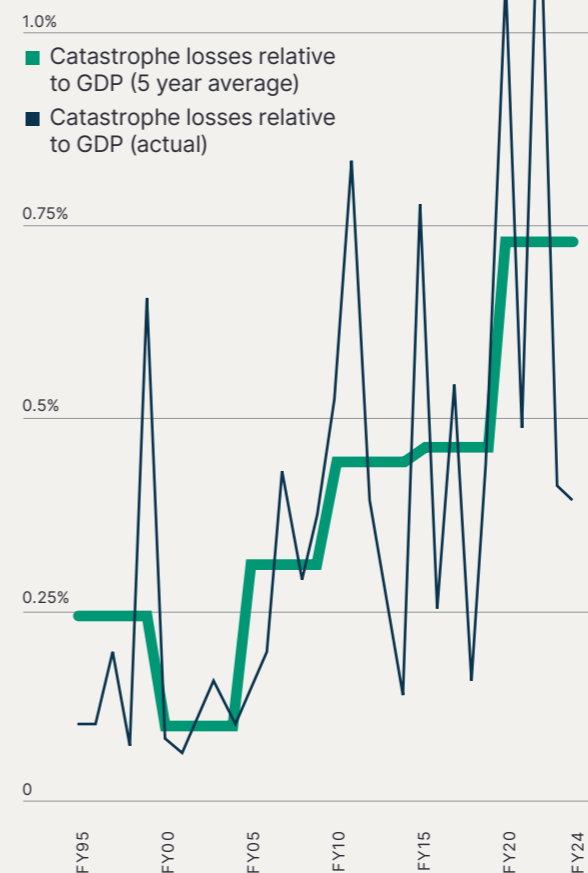
The main factors driving up disaster losses are expanding development and urbanisation. The upward pressure on premiums from these factors, even before climate change impacts are fully felt, underscores the urgent need to reform land use planning, improve building standards, and implement programs such as property buybacks in the most vulnerable areas.

- Cyclone
- Flood
- Hail
- Storm
- Bushfire
- Earthquake

The cost of extreme weather is increasing as a proportion of GDP

The rate of growth of the financial impact of extreme weather is also outpacing the rate of economic growth. Over the past three decades extreme weather costs have consumed more and more of our economic resources, increasing relatively by more than three times over that period.

The cost of extreme weather events as a proportion of GDP bounces around from year to year but has nonetheless been on a steady upward trajectory. And when that bounce comes from one very large event like the Black Summer Bushfires or the 2022 floods, it can have a significant and lasting economic impact.



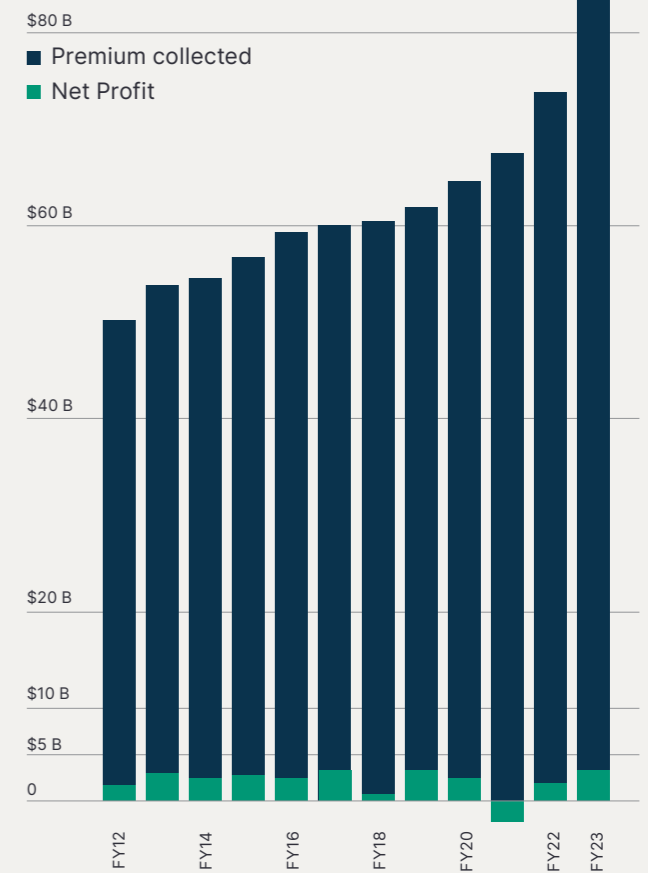
Insurance premiums are increasing, but insurer profit is not

Insurer profit is necessary to attract local and global capital, through both investment and reinsurance, to ensure we have a viable and sustainable industry that can continue to buffer the impacts of extreme weather.

Over the past 12 years the increasing cost of extreme weather has had an upward impact on the amount of premium collected by insurers, however insurer profitability has not improved.

APRA data on insurer profitability since 2012 shows that insurer profits were almost \$5 for every \$100 in collected premiums up until 2020. Since then, this figure has dropped to an average of \$1.50 for every \$100 in collected premiums.³

While the more benign conditions of the immediate past catastrophe season, a softening of the reinsurance market and stronger investment returns have seen expectations of current returns increase above this average, the trends from all three of these graphs show that costs are only going one way.



3. Premium collected is estimated from APRA's published gross earned premium increased for stamp duty and GST.

Reviews helping insurers better respond

Australian insurers seek to be at the global forefront of extreme weather response, while providing a sustainable, competitive and affordable product that all Australians can benefit from.

The 2022 floods, particularly Cat 221, challenged communities across the eastern states and tested insurers' systems, processes and people like never before.

Insurers have acknowledged there were failures of systems, processes and resourcing which impacted some customers as they progressed through their claims process. That is why insurers commissioned their own review of their performance following Cat 221, why the Insurance Council engaged an independent and diverse panel to review the General insurance Code of Practice, and why we have been positively engaging with the House of Representatives Economics Committee inquiry into insurers and the 2022 floods.

Deloitte Review

The industry knew as it worked through the multiple issues that came out of 2022 that there was more to learn and understand about how it responded to this unprecedented year of floods.

Insurers commissioned an independent review of our own performance by Deloitte, who had access to insurer data, input from consumer groups, legal aid, impacted customers with good and bad experiences, regulators, the Australian Financial Complaints Authority, and cases provided by local MPs and mayors.

In October 2023 Deloitte published *The New Benchmark for Catastrophe Preparedness in Australia*.

The report recommended seven areas for action by the industry to improve responses to future events. The industry accepted all seven recommendations – noting that insurers are incorporating the recommendations in a way that's appropriate for each business.

Insurers have already implemented many changes as a result of the lessons learned from the 2022 floods and other extreme weather events. There is a strong cultural commitment across the senior leadership of the industry to support customers when extreme weather strikes and continually improve our response.

As part of this commitment, insurers recently commissioned Deloitte to conduct a further review to assess the implementation of their recommendations. The Insurance Council expects to make these findings public later in 2024.

Parliamentary Inquiry into Insurers' Responses to 2022 Major Floods Claims

Following a reference from the House of Representatives in August 2023, the House of Representatives Standing Committee on Economics commenced an inquiry into insurers' responses to 2022 major floods claims.

The insurance industry welcomed the Inquiry and the opportunity to appear before the Committee. Eight insurers and the Insurance Council made submissions to the Inquiry and appeared as witnesses. Many of the issues that have been raised in hearings by other stakeholders are being considered ahead of the Committee's Report.

Insurers have appreciated the collaborative approach of the Committee when examining this complex and important matter and look forward to considering the Report, due in October 2024.

Independent Review of the General Insurance Code of Practice

The General Insurance Code of Practice sets out the minimum standards of service and conduct that general insurers must meet in their dealings with customers. Adherence to the Code is mandatory for Insurance Council members who represent around 90 per cent of the Australian general insurance market.

Late last year, the Insurance Council commissioned an independent review of the current Code in accordance with the standard three-year review cycle.

The review is being undertaken by an independent three-person panel with backgrounds in consumer advocacy, financial regulation and the insurance industry – former APRA Deputy Chair Helen Rowell (panel chair), consumer expert Gerard Brody, and industry expert Paul Muir.

The Review has been designed in two phases to align with any recommendations from the Parliamentary Inquiry into the 2022 floods and the Panel has been directed to consider the findings of the Deloitte Review, including a key recommendation that the Extraordinary Catastrophe definition in the Code be reworked.

In its submission, the Insurance Council has outlined support for strengthening the Code in a number of areas, including financial hardship, customer vulnerability, and claims handling.



[Keep up to date with the Independent Code Review](#)



How is the insurance industry taking action?

The insurance industry is already acting in response to the three key industry reviews – Deloitte’s report, the independent review of the Code of Practice, and the Parliamentary Inquiry.



Acting on Deloitte recommendations

The Deloitte report included **seven recommendations for change** covering catastrophe preparedness, customer experience, resourcing, operational responses, governance and transparency, coordination with governments, and the Code of Practice review. These recommendations have already led to shifts in insurers’ approach to claims handling, customer communication, and identifying vulnerable customers.

Deloitte’s progress review of insurers’ implementation of its recommendations will be published in late 2024.



Helping consumers better compare

Insurers are **helping consumers better compare insurance** products by supporting standard definitions for maintenance and wear-and-tear and working with Treasury on its investigation into the standardisation of natural perils definitions – changes that would mean all policies have the same definition for flood, fire and storm.

The industry has supported the development of the Bushfire Resilience Rating App which measures the resilience of individual homes to local bushfire risk. This empowers customers by **providing better information and tools to make informed decisions about cover**, premiums and natural disasters. The use of this app now provides a discount from some insurers.

Improving information provision

Insurers and the Insurance Council are doing more to **improve the provision of information to impacted customers** and local stakeholders following extreme weather events, holding 33 community consultation forums in 2023 alone.



Long-term advocacy

The Insurance Council continues to **advocate for long-term solutions**, using evidence and data to take the argument to governments at all levels that more needs to be done to make homes safer and regions more resilient to catastrophic weather events and improve the long-term viability of communities at risk.

Expert Report Best Practice Standard

The industry has agreed an **Expert Report Best Practice Standard**, which means that insurance customers can be confident that when an expert report from a hydrologist or engineer is required as part of the claim process, it will be conducted to the highest standard from a qualified practitioner, that the customer has an opportunity to provide input into the report, and that the report will be written in plain English, among other customer protections. The Standard will be referenced in the Code of Practice.



Industry Event Response Charter

Amongst its recommendations, the Deloitte Report included a recommendation that the ICA should consider introducing a baseline category as part of the Insurance Event Management Plan to support industry and community preparedness for extreme weather events.

In response, the Insurance Council is developing an Extreme Weather and Disaster Response Charter and accompanying Playbook that outlines how the general insurance industry will prioritise, plan, and deliver a holistic response to extreme weather events and disasters.

This charter and playbook, which codifies our existing response activities and builds upon them with the experience and feedback from the last several years of unprecedented extreme events, is currently undergoing a broad consultation process with members, regulators, and the community sector. The charter and playbook considers the unique nature of large-scale extreme weather events which are typically associated with a rapid influx in claims and widespread community impacts due to infrastructure and knock on supply chain impacts.

2023-24 Insurance Catastrophe Overview



The most recent catastrophe season saw a significant jump in the number of insurance claims compared to the previous year, with 73 per cent more claims made, despite a very small difference in insured losses. This period was marked by a cyclone and three major storm events, all which resulted in flooding and added significantly to the overall insured losses of \$2.19 billion.

Floods once again played a significant role in the cost of the catastrophe season, with Ex-Tropical Cyclone Jasper and subsequent flooding marking the first major event of the Catastrophe Season. Known as Cat 232, Jasper struck Queensland's tropical north in December 2023, impacting a 160 kilometre stretch of coastline from Townsville to Cooktown and resulting in a week of torrential rain. Homes were flooded, roads turned into rivers, and the initial Significant Event declared by the Insurance Council was quickly upgraded to a Catastrophe as the true extent of the damage became known. Insurers deployed to the region, but the immediate challenge was simply reaching those in need – flights were cancelled, roads were closed, and temporary accommodation options proved to be a challenge for insurers as flood waters rose and blocked access.

Ex-Tropical Cyclone Jasper resulted in 9,950 claims being lodged costing \$357 million in insured losses. The average claim cost was \$36,000, the highest average claim cost across all declared events this catastrophe season.

As if on cue, another weather system brewed just before Christmas, unleashing a violent storm that struck parts of Queensland, New South Wales, and even dipping into Victoria.

Initially also declared a Significant Event before quickly being escalated to a Catastrophe known as Cat 233, the immense scale and destructive nature of the storms became apparent in the high number of claims, with almost 100,000 claims lodged at a cost of \$1.33 billion in damages.

However, given the damage caused from this storm was mostly related to the impacts of fallen debris, the average claim cost for this weather event was relatively low at \$13,000.

The rest of January and even start of February offered a brief reprieve, but even Valentine's Day wasn't spared Mother Nature's wrath.

The severe storm that struck Victoria prompted another Significant Event declaration (SE 241), resulting in 27,000 claims and \$215 million in damages, with sustained power outages having an impact on initial recovery and the nature of claims.

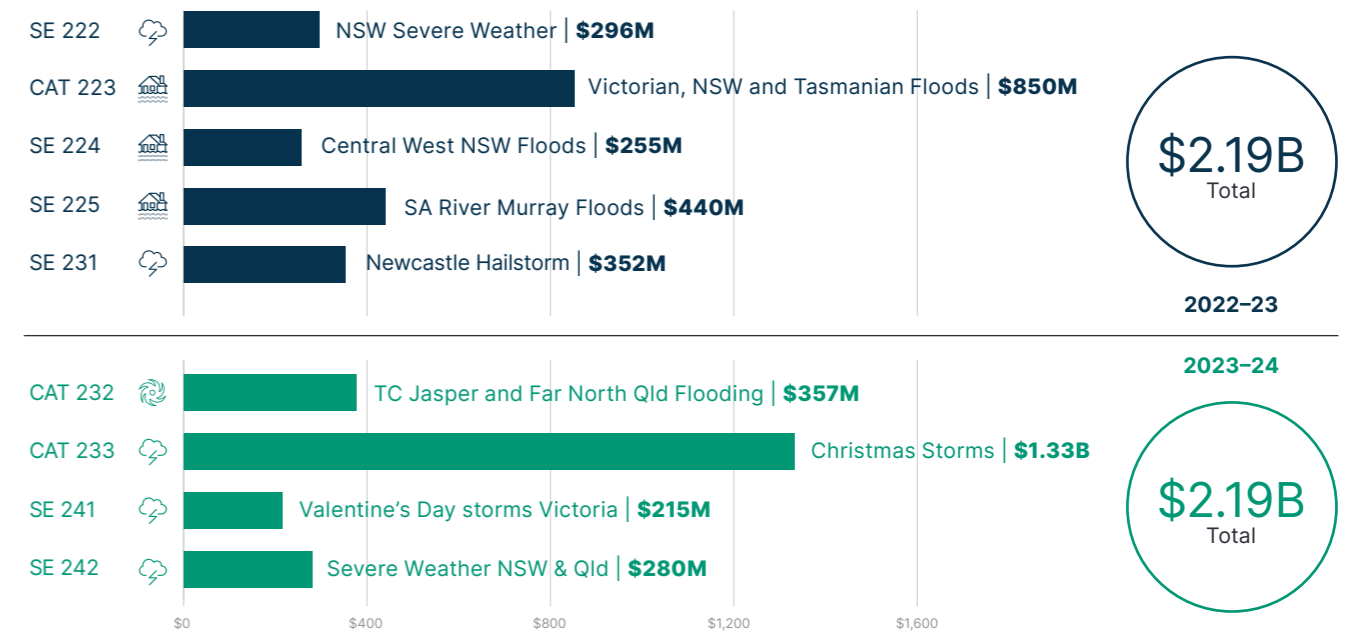
By early April, another round of storms pummelled New South Wales and Queensland, particularly impacting the Hawkesbury-Nepean and Illawarra regions.

The severe weather later declared a Significant Event and known as SE 242, saw homes battered by wind and rain, gutters overflowed and damage to rooves, with some low-lying regions impacted by flash floods. Almost 20,000 claims were lodged at a cost of \$280 million.

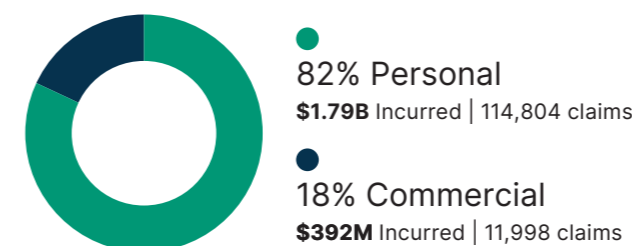
This most recent catastrophe season saw a significant rise in claim volumes compared to the previous year, indicating a greater number of homes, businesses, and people affected by extreme weather events.

While the severity of these events was lower, as reflected by the relatively flat incurred costs and a lower average claim cost, the higher claim volume highlights the widespread impact on communities. The data underscores that behind each claim is a story of resilience and recovery, emphasising the critical need for ongoing support and preparedness in the face of worsening extreme weather events.

Loss incurred by event



Catastrophe claims 2023-24



Keep up to date

* Data accurate as of 30 June 2024.

CAT 232

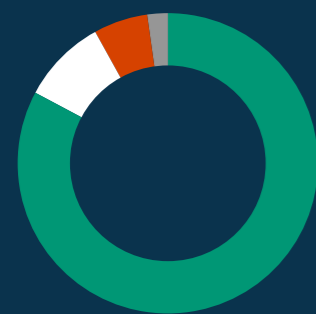
Ex-Tropical Cyclone Jasper (Qld)


\$357M
Incurred


9,950
Claims


\$36K
Average claim

Personal claims
\$283M



- Building
83% | \$235M
- Contents
9% | \$25M
- Personal Motor
6% | \$18M
- Other
2% | \$5M

Commercial claims
\$74M



- Corp Property
41% | \$31M
- SME Building
22% | \$16M
- SME Property
14% | \$10M
- Other
23% | \$17M

Overview

Ex-Tropical Cyclone Jasper struck the Queensland coast near the small township of Wujal Wujal, about 170 kilometres north of Cairns, as a category 2 system on 13 December 2023.

Originating in the Coral Sea, the cyclone intensified rapidly, reaching up to 120 kilometres per hour and wreaking havoc on homes, businesses and infrastructure from Townsville to Cape Tribulation.

As Ex-TC Jasper crossed the coast, boats were tossed and moorings strained at marinas, and despite measures taken by tourist operators and fishermen to prepare their vessels and shelter them in the mangroves, many were damaged.

In the popular tourist town of Port Douglas, damage was caused to local infrastructure including power lines and roads, with thousands of homes left without electricity for up to a week.

However, one of the most significant challenges faced by residents in the aftermath of Ex-TC Jasper was the widespread flooding triggered by cyclonic rainfall.

The deluge caused the Daintree and Mossman Rivers to burst their banks, inundating homes, businesses, and farmland, and triggering more than 120 landslips, resulting in the closure of a 27-kilometre section of the highway between Buchan Point and Oak Beach.

But of all the damage caused by Jasper, arguably the most imposing was the 300-tonne boulder that cut the Captain Cook Highway near Rex Lookout between Cairns and Port Douglas, causing extensive delays for emergency services.

The floodwaters also brought with them myriad additional hazards, including the risk of waterborne diseases, contamination, and dangerous wildlife displaced by the rising tides.



Image AAP

Industry response

In the immediate aftermath of the storm, restoring power outages and clearing debris from roads were a priority for emergency services as they worked to restore essential services and help those in need.

The rapid escalation of claims and ongoing weather forecast prompted a Significant Event declaration on 18 December 2023, which was followed by a Catastrophe declaration on 21 December as the geographical spread of damage and claim numbers continued to rise.

This coincided with an escalation in insurers' response, prioritisation of claims and additional engagement with emergency services and government agencies on the ground.

Insurers joined emergency response teams at recovery centres throughout the impacted region, providing support to policyholders, including access to emergency funds and temporary accommodation where appropriate.

Since then, insurers have held eight community events, offering impacted policyholders an opportunity to meet face-to-face with their insurer and talk through the claims process.

Issues in recovery

In the days following the disaster, travel in and out of Cairns was brought to a standstill as Cairns Airport cancelled 36 flights, and roads and highways were blocked by flash flooding.

This delayed recovery efforts for emergency services and insurers, who could not gain in-person access to communities impacted by Ex-TC Jasper.

Securing temporary accommodation was a significant issue for insurers as hotels and resorts were booked out for holidaymakers over the traditionally busy Christmas holiday period.

Insurers also faced complex assessment processes as the damage caused by the cyclone and flooding varied and meant that insurers had to deploy hydrologists and specialised assessors. Additionally, there were also delays in assessors gaining access to homes and businesses due to the dangerous conditions caused by landslides and flooding in remote communities like Mossman.

* Data accurate as of 30 June 2024.

CAT 233

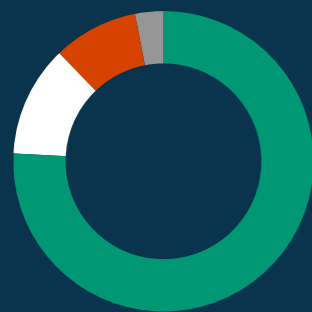
Christmas and New Year Storms (Qld, NSW & Vic)


\$1.33B
 Incurred


99,908
 Claims


\$13K
 Average claim

Personal claims
\$1,124M



- Building
76% | \$853M
- Personal Motor
12% | \$136M
- Contents
9% | \$101M
- Other
3% | \$34M

Commercial claims
\$211M



- Corp Property
29% | \$62M
- SME Building
25% | \$52M
- SME Property
17% | \$35M
- Other
29% | \$62M

Overview

Terrifying winds and rain from the Christmas and New Year Storms hammered the east coast of Australia over several days.

The storm cell hovered over the Gold Coast, New South Wales and even parts of Victoria between 23 December and 3 January, bringing with it an onslaught of heavy rain, destructive winds and even a tornado confirmed by the Bureau of Meteorology over parts of the Gold Coast and Scenic Rim on Christmas Eve.

Hundreds of lightning strikes and wind gusts exceeding 90 kilometres an hour were recorded, with thousands left without electricity for days and in some cases weeks after the storm subsided.

In the Gold Coast's Tamborine Mountain, a 40-metre tree was uprooted by the fierce wind, crushing a home beneath its weight, while numerous other residences in the area suffered damage from fallen tree limbs and flying debris.

Camping grounds and holiday hot spots along the Gold Coast and in northern New South Wales also bore the brunt of the storm, with caravans flipped over, roof damage, broken windows, and flooding.

Tragically, the storm claimed the lives of seven people and required an extensive cleanup effort by local, state and Commonwealth government agencies.



Image AAP

Industry response

Insurance assessors were swiftly deployed to evaluate the extent of the damage and facilitate the claims process, working as quickly as possible to expedite recovery efforts.

On Wednesday 27 December 2023, the Insurance Council declared a Significant Event for regions of Queensland, New South Wales and Victoria impacted by severe storms since 23 December 2023. In the subsequent days, ongoing extreme weather and strong winds continued, particularly around the Gold Coast and Scenic Rim area.

As the immense scale and destructive nature of these storms correlated with increasing claims numbers, the Insurance Council escalated its initial declaration to a Catastrophe on 29 December 2023.

Recognising the critical importance of community engagement during the early recovery, the Insurance Council joined emergency recovery centres in Mount Tamborine and Coomera to help impacted residents. Insurers were able to offer financial assistance to eligible customers for food, supplies and temporary accommodation while the clean-up and assessments were underway.

Being available in-person in the days after the storm provided impacted residents with a platform to voice their concerns, seek guidance on insurance matters, and gain insights into coverage options and the claims process.

Issues in recovery

The Christmas and New Year storms were associated with a high number of claims and while the severity of damage varied significantly, the average claim cost was significantly less than the claims associated with Ex-Tropical Cyclone Jasper in Far North Queensland. The concentration of extreme weather events across Queensland during this period tested assessors and the initial clean up and recovery process.

Power outages across the region were the first major hinderance for policyholders, as many were unable to make a claim until days after the storm had subsided. Insurers were quick to respond to these emergency payments, offering cash payments for food spoilage and temporary accommodation.

Some policyholders did see minor delays for more complex claims that required an assessor and expert reports due to the holiday period, or because of a shortage of labour and supply for the building industry, which has continued to impact the industry.

* Data accurate as of 30 June 2024.

SE 241

Valentines Day Storms (Vic)



In February 2024, Victorians experienced a full spectrum of extreme weather events, ranging from bushfires to severe storms. By 13 February, communities in central Victoria were battling significant fires, resulting in the destruction of numerous homes, particularly in and around Bellfield and Pomonal. Later that day, a cool change brought high winds and storms, which persisted into the next day.

The storms and extreme winds significantly impacted Victoria's power transmission infrastructure, bringing down numerous transmission towers and triggering a temporary shutdown of one of the state's largest coal-fired power stations. This caused additional power outages, affecting more than 500,000 energy customers. While power was progressively restored, many customers were without power for more than a week, leading to a high volume of food spoilage claims.

Reported damage from the event was widespread and varied in severity, with a higher than usual number of commercial insurance claims relative to other declared events in the 2023-24 catastrophe season. Claims ranged from low-cost food spoilage to minor physical damage to property and assets, and a small number of very severe losses due to damage to homes and businesses from fallen debris from trees and bushland.

Following a rapid uptick in claims, with more than 3,000 claims lodged in the first 24 hours and almost 10,000 lodged by 16 February, the Insurance Council declared a Significant Event. This declaration triggered the Insurance Council's preliminary extreme weather processes to assess and monitor claims and support insurers' priority response to affected homeowners, motorists, and businesses.

By 19 February, the Insurance Council had deployed several employees to recovery centres in affected regions to provide a vital connection to insurers and support for communities.

SE 242

Severe Weather (NSW & Qld)



On the weekend of 6 and 7 April 2024, a series of rain bands fed into an upper low-pressure system in southern New South Wales, resulting in heavy rainfall, damaging winds and flash flooding.

Rainfall in impacted regions ranged from 100-200 mm per day, creating dangerous conditions. By Sunday afternoon the NSW State Emergency Service reported there had been more than 5,000 calls for help and 200 flood rescues completed.

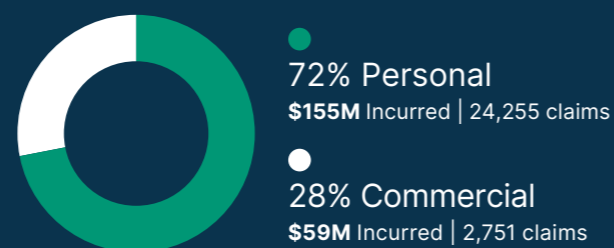
While the severe weather impacted large portions of New South Wales and the Greater Sydney region, the Illawarra and Hawkesbury-Nepean regions were hit hardest, with the flood vulnerability of the Hawkesbury-Nepean area emphasised by the fact that this was its seventh flood in 18 months.

By 10 April, insurers had received 11,500 claims, with most from damage to buildings and contents attributed to wind and heavy rain causing gutters to overflow and flash flooding.

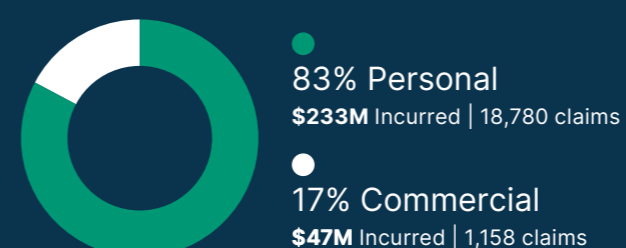
At this point the Insurance Council declared the weekend's severe storm in New South Wales a Significant Event, activating preliminary extreme weather processes that enable data collection and the ongoing assessment and monitoring of claims to support insurers' priority response to affected homeowners, motorists, and businesses.

The Insurance Council continues to monitor the recovery process with insurers with more than 27,000 claims reported as of 30 June.

SE 241 Valentines Day storms (Vic)
Catastrophe claims



SE 242 Severe Weather (NSW & Qld)
Catastrophe claims



* Data accurate as of 30 June 2024.

* Data accurate as of 30 June 2024.

Community consultations

Community support is essential through the response and recovery stage of extreme weather events. Townhalls and other forms of community engagement are important ways the Insurance Council and insurers support customers in response to declared Insurance Catastrophes and Significant Events.

In-person consultations


Since July 2023, the Insurance Council coordinated 35 in-person consultations or townhalls, assisting hundreds of insurance customers. This included nine in-person events for CAT 223, eight in-person events for CAT 232, 12 in-person events for CAT 233, five in-person events for SE 224 and one in-person event for SE 225.⁴

The events take place as either one-on-one consultations or townhalls with representatives of the Australian Financial Complaints Authority (AFCA) and Legal Aid typically in attendance, providing valuable information about legal rights and insurance complaints processes.

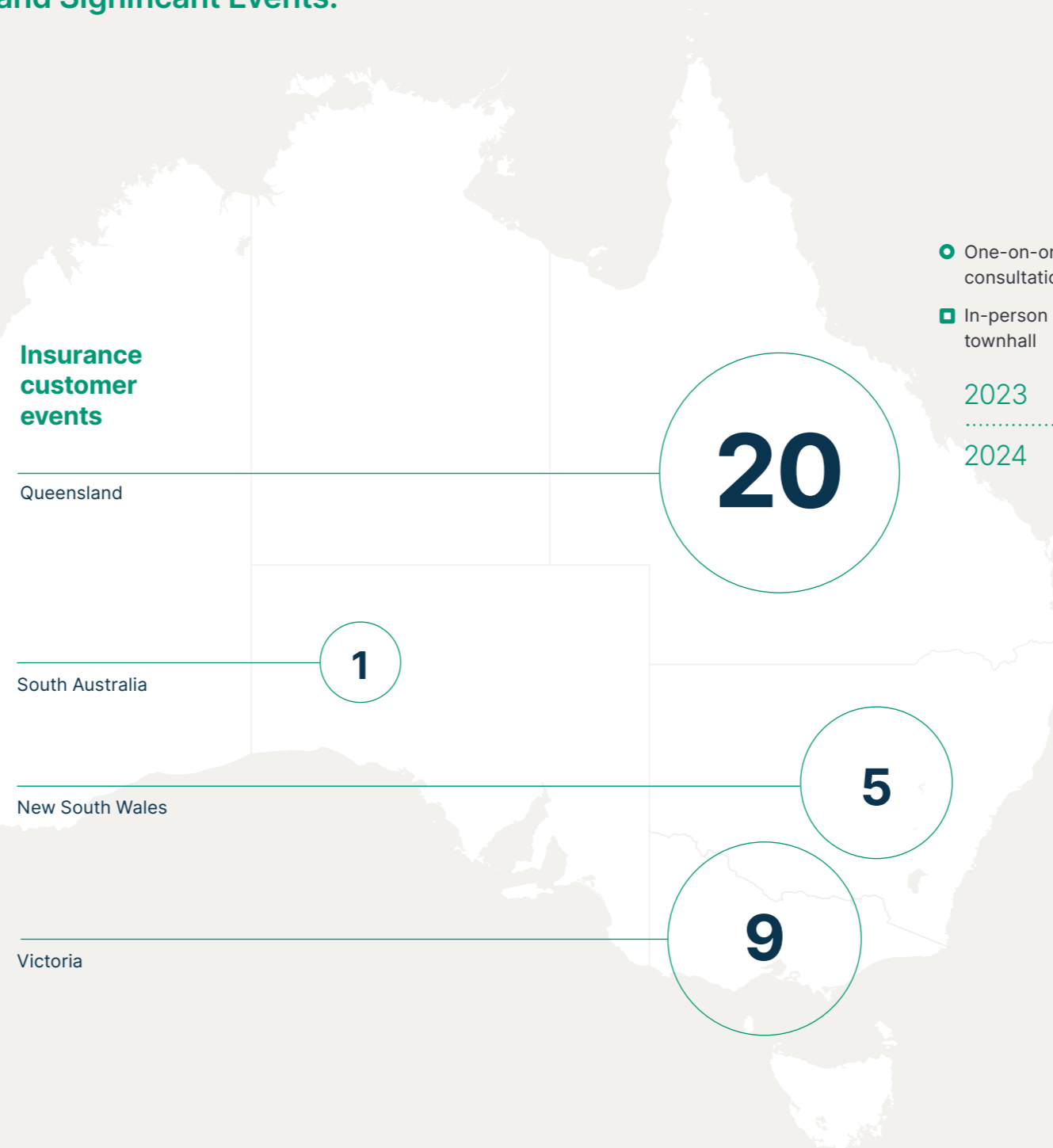
Community feedback themes

The aim of the Insurance Council's post-catastrophe community engagement is to help insurance customers as they navigate the insurance claim process. Across our consultations since July 2023, a number of consistent themes were identified:

- Insurer communications and claim management
- Scope of works (building repairs and settlements)
- Temporary accommodation
- Like for right
- Complaints process
- Specialist reports



35
in-person events



24 July	○ CAT223	Rochester
25 July	○ CAT223	Rochester
26 July	○ CAT223	Rochester
27 July	○ CAT223	Rochester
9 August	○ SE224	Central West NSW
10 August	○ SE224	Central West NSW
19 September	○ CAT223	Maribyrnong
20 September	○ CAT223	Mooroopna
21 September	○ CAT223	Moama
22 September	○ CAT223	Rochester
23 September	○ CAT223	Rochester
31 October	○ SE225	Adelaide
7 November	○ SE224	Central West NSW – Parkes
8 November	○ SE224	Central West NSW – Molong
9 November	○ SE224	Central West NSW – Eugowra
24 January	□ CAT232	Cairns
31 January	□ CAT233	Upper Coomera
1 February	□ CAT233	Jimboomba
2 February	□ CAT233	Tamborine Mountain
12 March	○ CAT232	Cairns
13 March	○ CAT232	Innisfail
14 March	○ CAT232	Port Douglas
19 March	○ CAT233	Jimboomba
20 March	○ CAT233	Upper Coomera
21 March	○ CAT233	Tamborine Mountain
11 June	○ CAT232	Cairns
12 June	○ CAT232	Port Douglas
13 June	○ CAT232	Mossman
18 June	○ CAT233	Jimboomba
19 June	○ CAT233	Upper Coomera
20 June	○ CAT233	Tamborine Mountain

4. This breakdown accounts for all community consultations that occurred during the period 1 July 2023–30 June 2024, even if the corresponding Catastrophe or Significant Event occurred prior to this window. For clarity the number of consultations for each Catastrophe or Significant event from the most recent is specified.

Progressing our advocacy

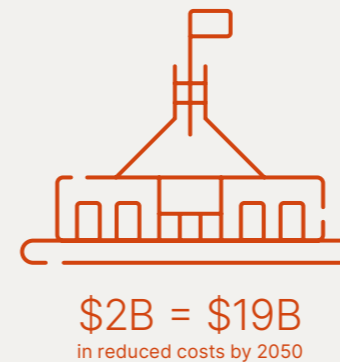
The Insurance Council's advocacy for more resilient communities has made an impact, but the importance and enormity of the need to reduce risk means there is still more work to do. Here is a summary of our progress to date.

Increased investment in resilience and mitigation

The Insurance Council's *Building a More Resilient Australia* report launched ahead of the 2022 Federal election, advocated for the Federal Government to double its investment in resilience and mitigation from \$100 million to at least \$200 million a year, or \$1 billion over the next five years, matched by the states and territories – a \$2 billion investment to better protect Australian homes and communities.

In the 2022–23 October Budget, the Federal Government announced its five-year, \$1 billion Disaster Ready Fund for mitigation infrastructure, matched by the states and territories. Applications for the second round of the Disaster Ready Fund closed in April 2024 and successful projects are expected to be announced in the second half of 2024.

The Insurance Council has also advocated for investment in programs to improve household resilience that can put downward pressure on premiums. Earlier this year, the Queensland Government announced a fourth round of the successful Household Resilience Program that helps strengthen homes against severe weather, utilising funding from the Disaster Ready Fund. The Queensland Government also recently announced the commencement of an additional Strata Resilience Program that provides funding to support similar strengthening for bodies corporate in cyclone risk areas.



Asked for
\$200 million each year from the Federal Government matched by funding from states and territories over the next five years, equivalent to \$2B.

Delivered
In the 2022–23 Budget, the Federal Government announced a five-year, \$1 billion Disaster Ready Fund for mitigation infrastructure and household resilience programs, matched by states and territories.

Abolishing the Emergency Services Levy

New South Wales has the highest rate of insurance taxes in the country, with insurance customers hit with both stamp duty and the Emergency Services Levy (ESL), which means they pay 20 to 40 per cent more for insurance than any other state or territory.

The Insurance Council has long advocated for the New South Wales Government to abolish the ESL and find a fairer way to fund emergency services.

New South Wales insurance customers paid \$1.4 billion in ESL in 2023–24 and, without reform, would pay \$5 billion in ESL over the forward estimates.

In late 2023, the New South Wales Government committed to abolish the ESL and bring insurance tax arrangements into line with every other mainland state and territory. The Insurance Council is a member of the Stakeholder Reference Group being consulted on this important reform.



Asked for
Abolishing the ESL in New South Wales.

Delivered
In late 2023, the New South Wales Government committed to abolish the ESL.

Buy-back schemes

The Insurance Council was an early advocate for home buy-back schemes, encouraging all state and territory governments to establish ongoing mechanisms and programs to support buy-back schemes in high-risk areas.

Following the 2022 east coast floods, both the New South Wales and Queensland Governments established buy-back schemes co-financed by the Commonwealth Government, which have both experienced strong interest from residents in affected areas.

The 2024 New South Wales Budget included an additional \$525 million towards the Resilient Homes Program, which will support additional home buy-backs across the Northern Rivers and Central West regions.



Asked for
Federal and state buy-back schemes to move people permanently out of harm's way where the risk is too great.

Delivered
NSW and Queensland governments established buy-back schemes co-financed by the Commonwealth Government.

Resilient Buildings

The Insurance Council has long called for the Australian Building Codes Board (ABCB) to adopt building resilience as a key objective of the National Construction Code, alongside health, amenity and safety.

Analysis conducted for the Insurance Council by the Centre for International Economics found that strengthening the National Construction Code to require that new homes are made more resilient to extreme weather could save an estimated \$4 billion a year.

In June, Commonwealth, state and territory Building Ministers decided to include building resilience as a specific objective of the ABCB from 2025. Providing this mandate to the ABCB is the first step to ensuring the 2028 National Construction Code includes requirements that new homes are built to withstand worsening extreme weather events.



Asked for
Adoption of building resilience as a key objective of the National Construction Code by the Australian Building Codes Board (ABCB).

Delivered
In June 2024, Building Ministers announced the inclusion of building resilience as a specific objective of the ABCB from 2025.

Policy recommendations

In the five years since the 2019–20 Black Summer bushfires, insurers have paid out almost \$20 billion in natural disaster claims from 14 declared catastrophes and seven significant events.



10 year program



End floodplain development



Reform state taxes

From July 2023 to June 2024 there were almost 157,000 disaster-related claims lodged from four declared insurance events, totalling \$2.19 billion in claims.⁵ Federal, state and territory governments can improve Australia's resilience to future disasters and in doing so, moderate rising pressure on insurance premiums.

Federal, state and territory governments must:

- Increase investment in resilience and mitigation funding, as part of a 10-year rolling program with indexed funding to reduce risk.
- Prevent development of homes in high-risk locations and undertake home buy-backs where there is no viable way to protect against the risk.
- Reform unfair state taxes and levies on insurance products that increase the cost of insurance premiums.
- Implement formalised recovery arrangements for greater coordination and collaboration between governments and the insurance industry.

Greater investment in resilience and Mitigation projects

Given the long-term challenges posed by worsening extreme weather in Australia, investment in disaster resilience will clearly be required well beyond the 2028–29 end date for budgeted Disaster Ready Fund spending. To enable communities and governments to plan and develop a pipeline of these investments, the Insurance Council believes that Commonwealth disaster mitigation funding must move to a rolling ten-year program, as occurs with funding for land transport infrastructure and defence spending.

A ten-year program would provide much needed certainty and enable communities, insurers, and governments at all levels to develop a long-term, high-quality pipeline of projects that targets high risk areas, delivers the best return on investment, and puts downward pressure on premiums. Funding should also be indexed from 2024–25 so it does not fall in real terms, as will occur under current arrangements.

A ten-year, indexed program would cost the budget approximately \$2.5 billion over the medium-term, \$1 billion less than the cost of disaster recovery payments and allowances in 2022 alone.

End development and undertake buy-backs in high-risk areas

Reform of land use practices across Australia is critical to reduce extreme weather risk. Land use planning arrangements do not adequately account for current or future fire, flood or cyclone risk when determining where new homes can be built, unnecessarily worsening the impact of these events.

The impact of historical land use planning decisions and urbanisation is having significant consequences today. Analysis by the Insurance Council found that although an estimated four per cent of properties nationally are exposed to 1-in-100, 1-in-50, and 1-in-20 year flooding, flood events accounted for more than 54 per cent of losses from declared insurance events in the last five years.

The Insurance Council strongly supports the agreement of National Cabinet in December 2022 that “the days of developing on floodplains need to end”. Moving from this agreement to specific policies and clear direction is now a matter of urgency and requires significant effort.

The Insurance Council is urging governments to adopt a risk-based approach that stops development in high-risk areas, requires stronger building codes and standards and/or adequate resilience infrastructure in areas of higher risk, and prioritises low risk areas for development.

All governments should also establish permanent programs for buybacks and home-raising to move people out of harm's way *before* disasters occur, reducing recovery costs for governments and affected communities. The Commonwealth should provide \$250 million per year for this purpose, matched by the states and territories.

Reform unfair taxes on insurance

According to research from the Actuaries Institute, the second biggest component of the cost of insurance premiums, after peril risk, is taxation. Unfair and inefficient state taxes and charges, such as stamp duty and levies to fund emergency services, can drive up premiums by 20 to 40 per cent. All states and territories except the Australian Capital Territory charge stamp duty on insurance, increasing premiums by nine to 11 per cent.

Multiple government reviews have criticised the impact of insurance taxes, including the Henry Tax Review, Thodey Review of Federal Financial Relations and the ACCC Northern Australia Insurance Inquiry.

The Commonwealth and state and territory Treasurers, through the Council on Federal Financial Relations, should consider ways to remove stamp duty on insurance as soon as possible as the most direct way to improve the availability and affordability of insurance.

Enhanced recovery arrangements

Greater coordination and collaboration between governments and the insurance industry through the establishment of formalised ‘recovery arrangements’ could serve to improve community recovery.

Recommended improvements include:

- reviewing policyholder eligibility criteria and evidentiary requirements to ensure equitable and efficient disaster relief.
- pre-planning state-coordinated clean-ups and resilience programs to ensure the focus is on delivery rather than design during recovery.
- enhanced data sharing of claims and damage assessments to create a more unified picture of the impact of extreme weather events, improving decision-making and accelerating recovery efforts.

5. Data as of 30 June 2024.



Insurance Council
of Australia

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The Insurance Council of Australia is the representative body for the general insurance industry of Australia. Our members represent approximately 90 per cent of total premium income written by private sector general insurers, spanning both insurers and reinsurers.

General insurance has a critical role in the economy, insulating individuals and businesses from the financial impact of loss or damage to their insured assets.

Our work with our members, consumer groups and all levels of government serves to support consumers and communities when they need it most.

We believe an insurable Australia is a resilient Australia – and it's our purpose to be the voice for a resilient Australia.

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