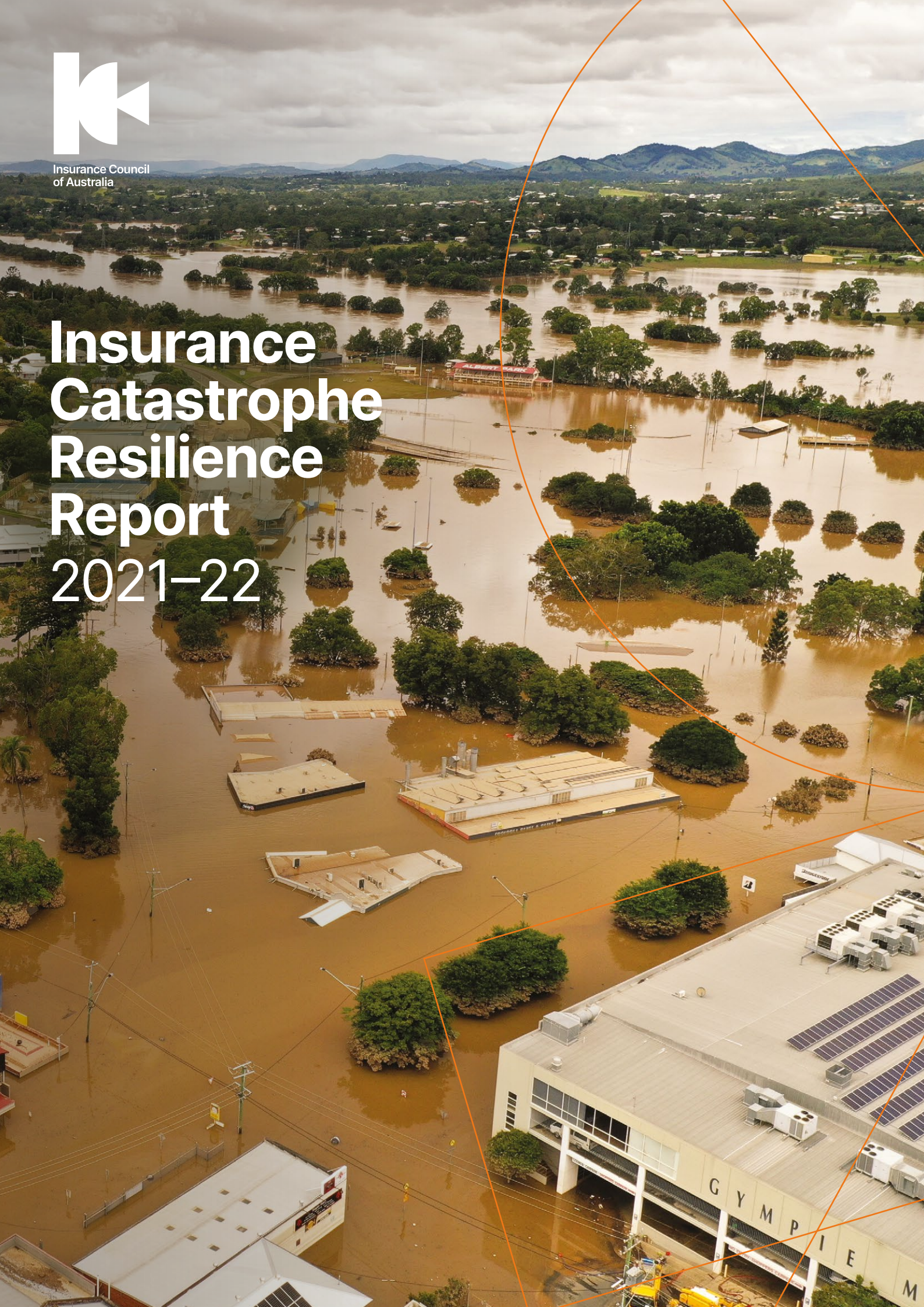




Insurance Council
of Australia

Insurance Catastrophe Resilience Report 2021–22



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.

With thanks

Thank you to Insurance Council of Australia members for their support in the last year and their work in assisting the thousands of Australians impacted by natural disasters. The last few years have been extremely challenging, and insurers have remained steadfast and committed to supporting their customers during unprecedented times.

Thank you to the stakeholders whose contributions help improve and refine the work of the Insurance Council and insurers in responding to natural disasters.

Thank you to the millions of insurance customers around Australia who put their trust in their insurer to support them in their time of need or crisis.

Finally, thank you to the thousands of men and women, many of them volunteers, who make up our emergency services and first responders, every year putting themselves in harm's way to protect the lives, property, and livelihoods of their fellow Australians.

Catastrophe and Significant Event numbering

Insurance Catastrophes (Cat) and Significant Events (SE) are numbered using the year and order in which they occur. As the South Australian and Victorian Storm was the sixth natural disaster declared an Insurance Catastrophe in 2021 it is known as Cat 216, the February and March East Coast Floods were the first natural disaster for 2022 so are known as Cat 221.

Significant Events are also incorporated into this numbering with the Mansfield Earthquake declared as SE 215, the fifth event for 2021. Likewise, the New South Wales floods in July 2022, which were also declared a Significant Event, are known as SE 222 as they were the second event (Cat or SE) for 2022.

This report covers Insurance Catastrophes and Significant Events since the publication of the 2020-21 Catastrophe Resilience Report.

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Foreword



Based on our experience over the last year, it's become even clearer that we live on one of the most disaster-prone continents on the planet. From July 2021 to June this year we have experienced severe flooding events across the eastern states, ferocious storms, damaging hail, and wild winds to our southern borders.

The south-east Queensland and northern New South Wales flood has so far cost the insurance industry \$5.28 billion – almost triple the cost of the 2011 Brisbane floods and now the second most costly extreme weather event in Australia's history.

The latest update on global megatrends from CSIRO also gives us a line of sight as to what has changed over the past decade and a view to the coming decades, with natural disasters expected to cost the Australian economy almost three times more in 2050 than in 2017¹.

Insurers play a significant role in protecting lives and livelihoods from extreme weather, as the money we pay in claims contributes directly to rebuilding the homes, businesses, and communities of those affected.

Our role in the recovery and rebuilding of communities across the nation gives us the expertise to have conversations about the policy settings and targeted investment in mitigation needed to create a more resilient Australia.

Earlier this year, the Insurance Council released *Building a More Resilient Australia*, which set out the policies we need governments to focus on to improve community resilience.

I'm proud of the leading role the Insurance Council and our members have taken in the debate on community resilience, which is shifting thinking and putting dollars where they need to be – better protecting homes and communities from the ravages of extreme weather events.

We welcome the new Federal Government's commitment to investing \$200 million a year in mitigation and look forward to every state and territory in Australia matching this commitment.

It's also important to acknowledge that all levels of governments and key industries, including the insurance industry, have an essential role to play in tackling the driver of these worsening events – climate change.

That's why the Insurance Council is working to support an industry-wide transition to net zero and is developing a climate change roadmap to support this.

We know that for insurers to continue to provide insurance coverage at an affordable price, we must shift our approach to what we build and where we build it and see Australia's economy transition to net zero. This is a critical issue for our industry, our communities, and our country.

A handwritten signature in white ink that reads "Nick Hawkins". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Nick Hawkins
President

1. Based on figures quoted in CSIRO (2022) Report: Our Future World: global megatrends impacting the way we live over coming decades.

Introduction



Our industry is made up of 60,000 people who collectively serve to protect Australia and Australians from the full impact of loss, damage, and disaster. This means that when disaster strikes and indeed, as extreme weather events worsen, we must scale up and rapidly respond to events impacting our customers. As the February–March 2022 floods have shown us, the events are sudden, but the recovery can take years.

Insurers have geared up to work as quickly as possible to help customers recover, but long-term resilience and mitigation is a marathon not a sprint.

As an industry we know better than most that to properly deal with the impacts of worsening extreme weather events we must focus on what can be done to lessen the impact of these events before they occur. This doesn't just benefit those in the path of a cyclone, fire or flood, but the entire community.

This is the Insurance Council's second annual Insurance Catastrophe Resilience Report, utilising the perspective, data and insights gained from the Insurance Catastrophes and Significant Events of the last 12 months to advocate for change that improves community resilience.

The geographical spread and severity of the flooding that occurred in February and March, coupled with widespread labour, materials, and regional accommodation shortages that followed, will provide lessons for our industry, community, and government for years to come.

As part of this year's *Insurance Catastrophe Resilience Report* the Insurance Council has engaged leading think tank the McKell Institute to calculate the cost of this year's floods across the entire economy – and the results are staggering. According to McKell, this year's flood cost each Australian household an average of \$525 through price impacts on agricultural goods, as well as the additional government expenditure on recovery efforts funded through taxation.

McKell calculates that the average Australian household paid \$1,532 in direct costs in 2021-22 because of extreme weather events. This is well above the 10-year rolling average of \$888 per household, which will grow to \$2,509 a year by 2050, when the direct economic cost of extreme weather events is calculated to reach \$35.24 billion per annum.

That's why this year the Insurance Council has had an almost singular focus on improving the resilience of homes and communities to extreme weather events. Since the release of our pre-election report *Building a More Resilient Australia* in February 2022, we have taken every opportunity to drive home the benefits of investing in more resilient homes both new and existing, investing in public mitigation infrastructure and improved early warning systems, making changes to land-use planning, and removing state taxes on insurance products.

If we do this, we will not only better protect Australians, whether they are insured or not, but also improve insurance affordability and availability and move us closer to our goal of a safer and more resilient Australia.

A stylized, handwritten signature in black ink, consisting of several loops and a long horizontal stroke.

Andrew Hall
CEO and Executive Director

The impact of climate change

The frequency and severity of extreme weather events in Australia – from catastrophic floods to damaging bushfires – have highlighted the urgency for the insurance industry to escalate its efforts to tackle climate change.



11

Insurance Catastrophes
declared since 2019



\$13B

Claims paid
since 2019



\$35.2B

Annual extreme weather
cost by 2050

The insurance industry is uniquely placed to understand how climate change is impacting on lives and livelihoods across the country, with the McKell Institute forecasting that extreme weather events will reach \$35.24 billion per annum by 2050.

At present no region in Australia is uninsurable, however worsening extreme weather events are driving up premiums in parts of the country most exposed to extreme weather risk and rendering insurance unaffordable for some.

Australia's north is hardest hit by rising insurance premiums, with home and contents insurance costing about 1.8 times more than in the south, as of 2020.¹

Since the Black Summer bushfires in 2019, the Insurance Council has declared 11 catastrophes and two Significant Events, and this has resulted in insurers recording more than \$13 billion in claims costs.

As climate change worsens, Australia is set to experience more severe bushfires, hotter and longer heatwaves, rising sea levels that are exacerbating hazards along our coastlines, cyclones that are projected to intensify and possibly track further south, and an increase in rainfall intensity and associated flooding.

Without increased funding to make Australian homes, businesses, and communities more resilient to extreme weather, coupled with a change in approach to what we build and where we build it, the risk profile of communities exposed to extreme weather risk will not improve and neither will the growing costs of insurance.

In addition, tackling emissions is essential to maintaining an insurable Australia, as resilience measures will reach hard limits if emissions continue to climb.²



The Insurance Council is tackling the climate challenge by advocating for improved resilience in the built environment and better land-use planning, building a national picture of climate risk, and supporting programs that help communities to build back better following disasters.

Since the start of 2022, the Insurance Council has been working with its members to chart a path for the role insurers can play in reducing emissions in the real economy, to incentivise Australia's economic transition to a low emissions future, and capitalise on the billion-dollar opportunities presented by this transition.³ Our forthcoming climate change roadmap will expand on this further.

As an industry on the front-line of these impacts we have an essential role to play in maintaining a resilient and insurable Australia. The Insurance Council will continue to invest in industry leadership, landmark reports, cross-sectoral partnerships, and community engagement to tackle the critical and growing risks posed by climate change.

1. Based on figures quoted in CSIRO (2022) Report: Our Future World: global megatrends impacting the way we live over coming decades.
2. IPCC Summary for Policymakers.
3. Deloitte Access Economics (2022). All systems go: transforming Australia's economy to grow.

Mission critical

Insurance affordability and availability

The affordability and availability of insurance is a critical issue for Australia's economy and while there is no one silver bullet, a key lever to improving availability and affordability is reducing or mitigating the risk that is present. In the case of risk from worsening extreme weather, this means improved mitigation measures to better protect Australia and Australians.



Climate change is impacting availability and affordability of insurance



Leading to greater non-insurance and underinsurance



Taxes can add 20–40% to home and contents insurance

Worsening extreme weather is having a direct impact on the affordability and availability of insurance, particularly in those communities most exposed to extreme weather events such as cyclone, flood, and bushfire.

This is resulting in greater incidence of non-insurance and underinsurance, which can significantly impact recovery after disaster strikes.

For this reason, the ICA's advocacy prioritises practical measures to reduce risk and improve the ongoing affordability and availability of insurance.

Insurance prices risk, and as the risk of extreme weather worsens, insurance can become increasingly costly for those in flood, bushfire-prone or cyclone-prone locations.

Furthermore, as insurance works by pooling risk, insurers cannot have a concentrated exposure to any one source of risk and premium pricing is one way they can manage their exposure.

What will assist?

At present, no region in Australia is uninsurable, however some regions may become increasingly difficult to insure as extreme weather risks grow. For insurers to continue to provide affordable coverage action is required to strengthen the resilience of our homes, businesses, and communities, shift our approach to what we build and where we build it, and see Australia's economy transition to net zero emissions.



Resilience and mitigation measures

Focusing on resilience and mitigation at a property and community level will not only better protect Australians, whether they are insured or not, but it will also improve insurance affordability and availability.

What we build and where we build it

What we build and where we build it plays a critical role in reducing flood risk to homes, communities and businesses and building a more resilient Australia.

New developments must consider the consequence and likelihood of the full range of possible severe weather events, including larger and more frequent floods, bushfires and cyclones, as well as considering future climate projections expected over the lifetime of the building.

State taxes and charges on insurance

Duties, levies and taxes on insurance products increase the cost of premiums and discourage adequate levels of cover. Depending on the state or territory, taxes and charges can add from 20 to 40 per cent to the cost of an insurance premium.

This is a particular issue for insurance customers in New South Wales who continue to pay a tax, the Emergency Services Levy, which has been or is being removed in every other state.

Cannot afford to wait any longer

Insurance is a critical financial safeguard, protecting homes and businesses across Australia from the full financial impact of disaster. Yet there are locations and industries where the affordability and availability of insurance is under severe strain.

At-risk communities cannot afford to wait any longer, which is why the Insurance Council's advocacy encourages urgent and collaborative action from industry, policymakers, and stakeholders.

The removal or reduction of state taxes provides the possibility of immediate relief, while the impact of the necessary resilience, mitigation and land-use planning changes can be progressively realised as homes are retrofitted, built-back better or communities are moved out of harm's way.

Sustainable, long-term change is possible, but action is needed now.

2021–22

Insurance Catastrophe overview



\$6.41B

Incurred



380,760

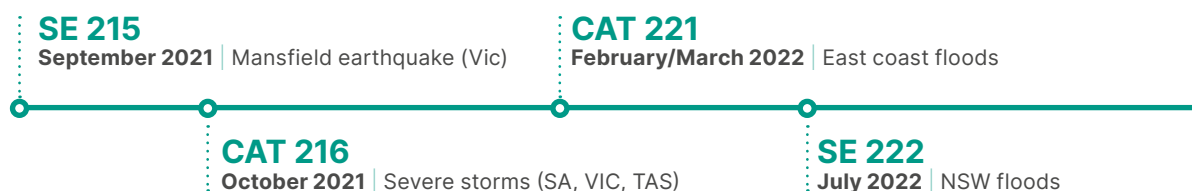
Claims



\$17K

Average claim

Timeline



Characterised by an earthquake, a severe wind and hailstorm, an unprecedented 'rain bomb' and catastrophic flooding spanning several months and two states, the 2021–22 weather season has left a legacy unusually difficult to define.

Mid-year in 2021, the nation's weather experts made predictions of another wet and wild La Niña weather pattern to follow the soaking that was the 2020–2021 season, which saw Australian communities battered.

They were right. However, nobody could have predicted the deluge of disasters that followed, including the nation's costliest flood and second costliest disaster in our history.

The dramatic extremes of the season began not with extreme weather, but with a magnitude 5.9 earthquake in the Victorian town of Mansfield, about 190 kilometres north-east of Melbourne, on 22 September 2021.

The earthquake was felt as far away as Tasmania and the New South Wales Central Coast, and was followed by several small aftershocks, causing damage to homes and businesses.

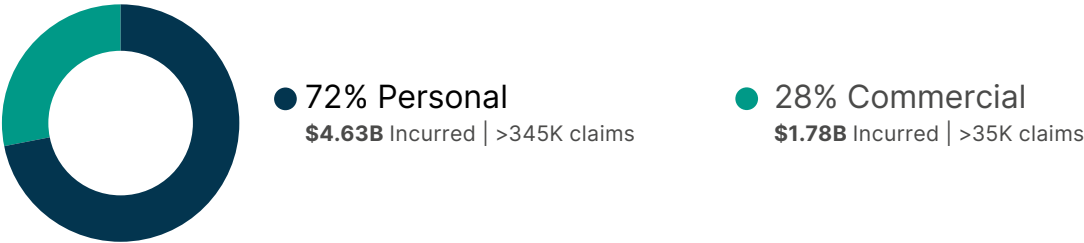
A severe weather event hit the Victorian coast and parts of South Australia in late October, when winds of up to 100 kilometres were accompanied by hail and lightening, leaving a trail of destruction across both states.

The usually pristine Barossa Valley, Australia's best known wine region, was hit with damaging hail and wind that left vineyards and homes in ruins.

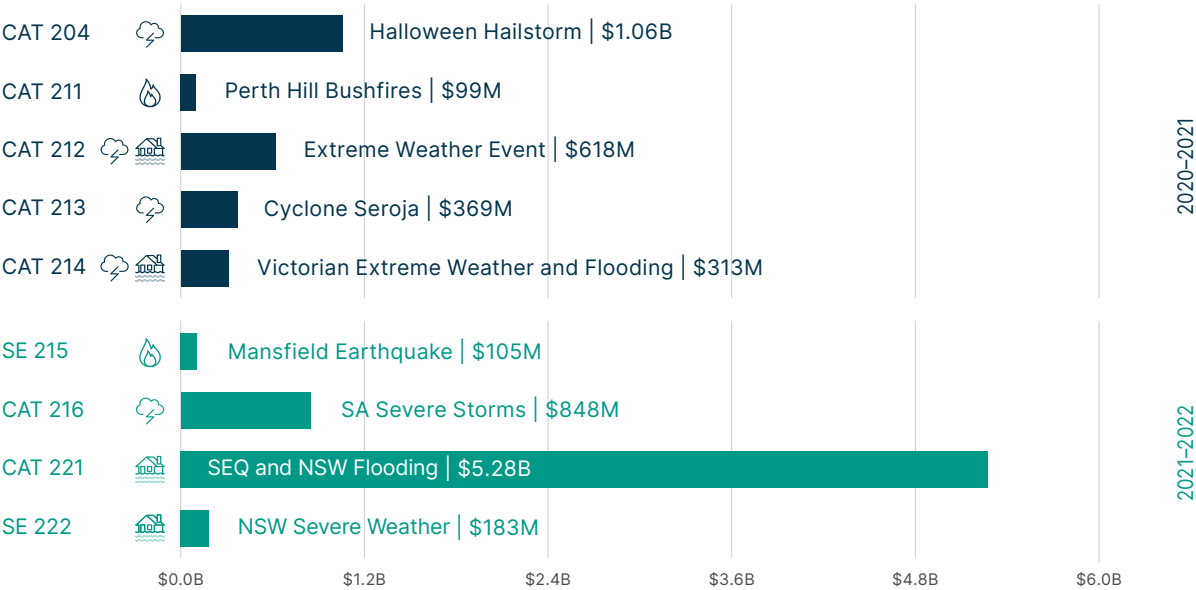
The Insurance Council declared the event an Insurance Catastrophe on Friday 29 October 2021, and immediately began engaging with the South Australian Government to allow essential insurance disaster responders to enter the State to operate and support impacted communities in their recovery.

Then came the big one. In late February 2022, a catastrophic combination of three separate weather systems clashed and caused a history-making deluge, flooding 600 kilometres of Australia's east coast.

Catastrophe claims 2021–2022



Loss incurred by event



The ‘rain bomb’, as weather experts described it, first struck Maryborough in Queensland and slowly travelled south to Sydney in New South Wales, impacting more than 70 local government areas and causing devastating loss of life and property.

The Insurance Council declared an Insurance Catastrophe for Queensland on 26 February, and two days later extended the declaration to New South Wales.

The deluge lasted from 22 February to 9 March 2022, tragically resulting in the loss of 22 lives and leaving more than \$5 billion in insured losses making it now the second costliest extreme weather event in Australia’s history books.

Queensland and New South Wales were continually battered by rain throughout the next few months, including yet another devastating flood in the Hawkesbury-Nepean catchment in early July, the worst faced by the regularly-flooded region in 47 years.

Residents of the bowl-like Hawkesbury Nepean valley faced life-threatening flood conditions, with 50,000 people placed under evacuation orders.

The Insurance Council declared a Significant Event, with insurers mobilising assessors to the impacted regions to help policyholders with the claims process.

Unlike the previous year, tropical North Queensland was left relatively unscathed from extreme weather with no cyclones making landfall, despite several developing off the north coast.

But perhaps the sheer scale of this year’s catastrophe season could be summed up by the cost – a huge \$3.9 billion difference in the cost of insured damaged from one year to the next. With the likelihood of another La Niña season upon us, insurers are gearing for another wet and wild catastrophe season ahead.

Cat 221

East coast floods (Qld & NSW)



\$5.28B

Incurred



233,133

Claims

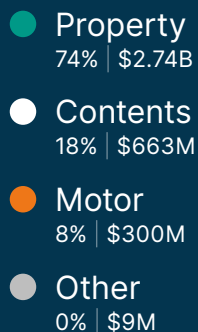


\$23K

Average claim

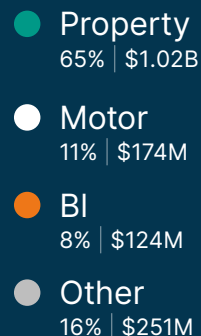
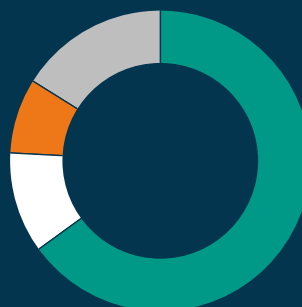
Personal claims

\$3.71B



Commercial claims

\$1.57B



From 22 February to 9 March 2022, a combination of three separate weather systems brought an unprecedented downpour to almost 600 kilometres of Australian coastline, causing devastating loss of life and property.

The extreme multi-day rainfall event began in south-eastern Queensland and travelled slowly towards New South Wales, dumping a record-breaking amount of rain and causing catastrophic flooding to more than 70 local government areas across both states.

The Bureau of Meteorology's flood warning extended from Maryborough in Queensland to Grafton in New South Wales, with the worst impacted regions seeing flood waters rise over several days to reach levels that far exceeded expectations.

The record rain tragically left many residents stranded in the Queensland city of Gympie as businesses and homes were overwhelmed by flood waters when the Mary River swelled to 22.8 metres on 27 February, the highest level since 1893.

As the downpour continued in the days that followed, more than 140 suburbs and thousands of community members around Brisbane were placed under evacuation orders as the Brisbane River burst its banks at four metres above normal levels, resulting in another devastating flood for the River City.

The destruction continued down the east coast to northern New South Wales, where the city of Lismore saw unprecedented flooding of the Wilson River to 14.4 metres, tragically inundating the entire city centre and surrounding catchments, leading to the city's worst flooding in almost 50 years.

In the first week of March 2022, the rainfall system shifted south along the New South Wales coast, bringing further heavy rainfall to eastern parts of the state, overwhelming the Hawkesbury-Nepean catchment and leaving many communities stranded.

Sadly, many of the communities impacted by the February and March event were affected multiple times throughout the remainder of March and in April by a succession of high-volume rain events.



Industry response

On 26 February, as flood waters started to rise around communities in the wake of four days of unrelenting rain, the Insurance Council declared an Insurance Catastrophe for southeast Queensland.

Two days later the Catastrophe declaration was extended to New South Wales when a major flood warning was issued for the Wilsons River in Lismore and thousands of residents were placed under emergency evacuation orders.

Insurers immediately engaged with local, state and federal governments and their agencies to assist impacted community members where possible during and in the aftermath of the floods.

On 3 March, following almost a week of devastating rain and flooding in Queensland, the flood waters had receded enough that insurance assessors were given the all-clear by emergency services to begin the assessment and management of claims.

However, the distressing scenes left in the wake of the flood in Northern Rivers meant the Insurance Council and its members had to wait until 7 March before being given safety clearance from State Emergency Services to start assisting community members in the region.

Over the month of March, insurers and the Insurance Council supported the community at 42 recovery centres, hubs and assistance points across both states to ensure the claims process could get started as soon as possible.

To make sure impacted community members received the most up-to-date information on the claims process, complaints avenues and other useful information, the Insurance Council hosted an online townhall on 12 May.

This was followed by in-person forums at 13 locations in Northern New South Wales and Queensland through May and June.

Issues in recovery

The extent and level of damage caused from the floods meant there were serious safety concerns for impacted residents and emergency services in the immediate aftermath of the floods.

Insurers had to wait for clearance from emergency personnel on the ground before being allowed to enter impacted communities and in many cases it took weeks for services like electricity, water, and telephone services to be reinstated.

There were also immediate concerns for temporary accommodation for the hundreds of impacted residents across both states, with insurers working overtime to secure safe housing for policyholders whose homes were tragically destroyed.

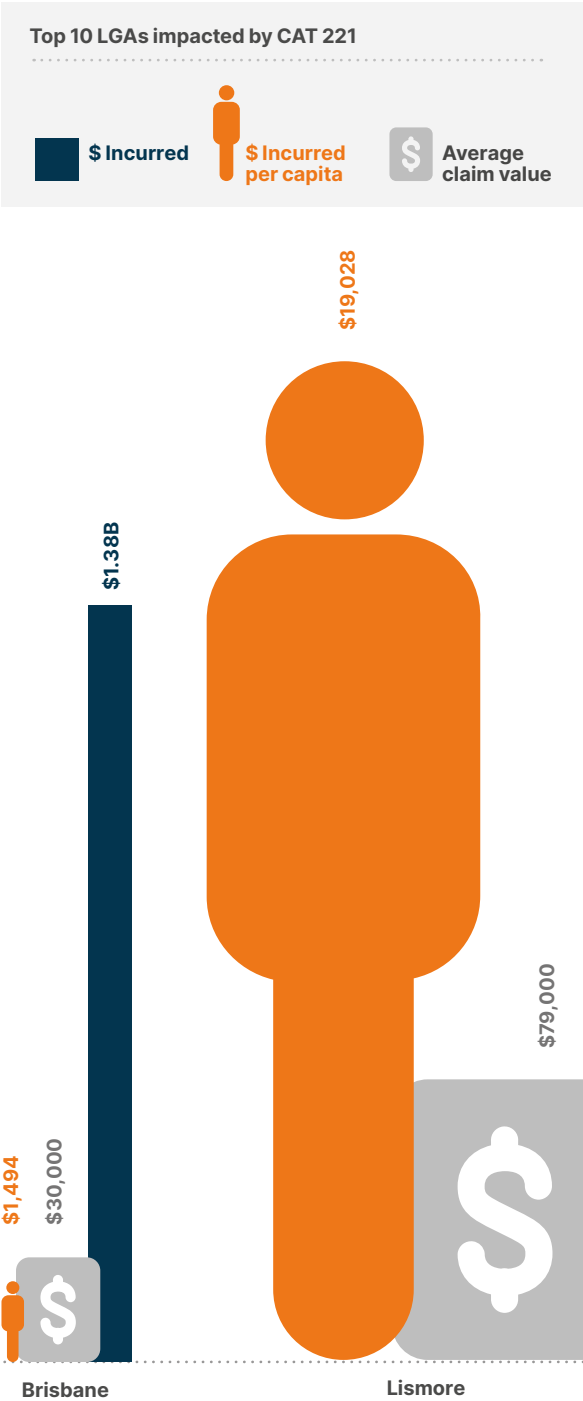
Once safely in the field, insurers began the mammoth task of assessing and processing claims, which meant employing thousands of additional staff members to work specifically on claims associated with the floods.

Unfortunately, this process has been and continues to be impacted by ongoing delays in trades, labour, and other supply chain constraints, as well as very high demand for expert reports such as engineering and hydrology.

Continual rain events have, in many cases, meant starting the building recovery from scratch as waterlogged buildings dry out.

Australia's most expensive flood

Australia is the driest inhabited continent on Earth, so it is somewhat ironic that floods are the costliest and most destructive extreme weather event we experience. The cost of floods to Australians is large and growing – since 1967 floods have cost insurers more than \$23 billion, with more than \$9 billion incurred in just the last 10 years.



The floods that hit south-east Queensland, northern New South Wales and parts of western Sydney in February and March were a tragic reminder of just how destructive floods can be. In terms of insured losses, the February-March 2022 floods are now indisputably the costliest in our nation's history and are the second costliest natural disaster after the 1999 Sydney hailstorm. As the claims tally grew in the weeks and months following the event, Cat 221 as insurers call it, surpassed the Newcastle earthquake and even Cyclone Tracy in financial magnitude.

At \$5.28 billion¹, the losses incurred from this one event dwarf the devastating 2019-20 Black Summer bushfires, which cost insurers \$2.32 billion, and are more than double the \$2.45 billion insurance loss incurred across all extreme weather events over the previous 12 months from July 2020 to June 2021.

1. August 2022

As the graphic below illustrates, the local government area (LGA) that suffered the greatest loss was Brisbane, at \$1.38 billion. The Lismore LGA, where flood waters reached over 14 metres, suffered the next greatest loss at \$508 million, however with its much smaller population the incurred loss per adult resident was almost \$20,000 compared to Brisbane's \$1,500.

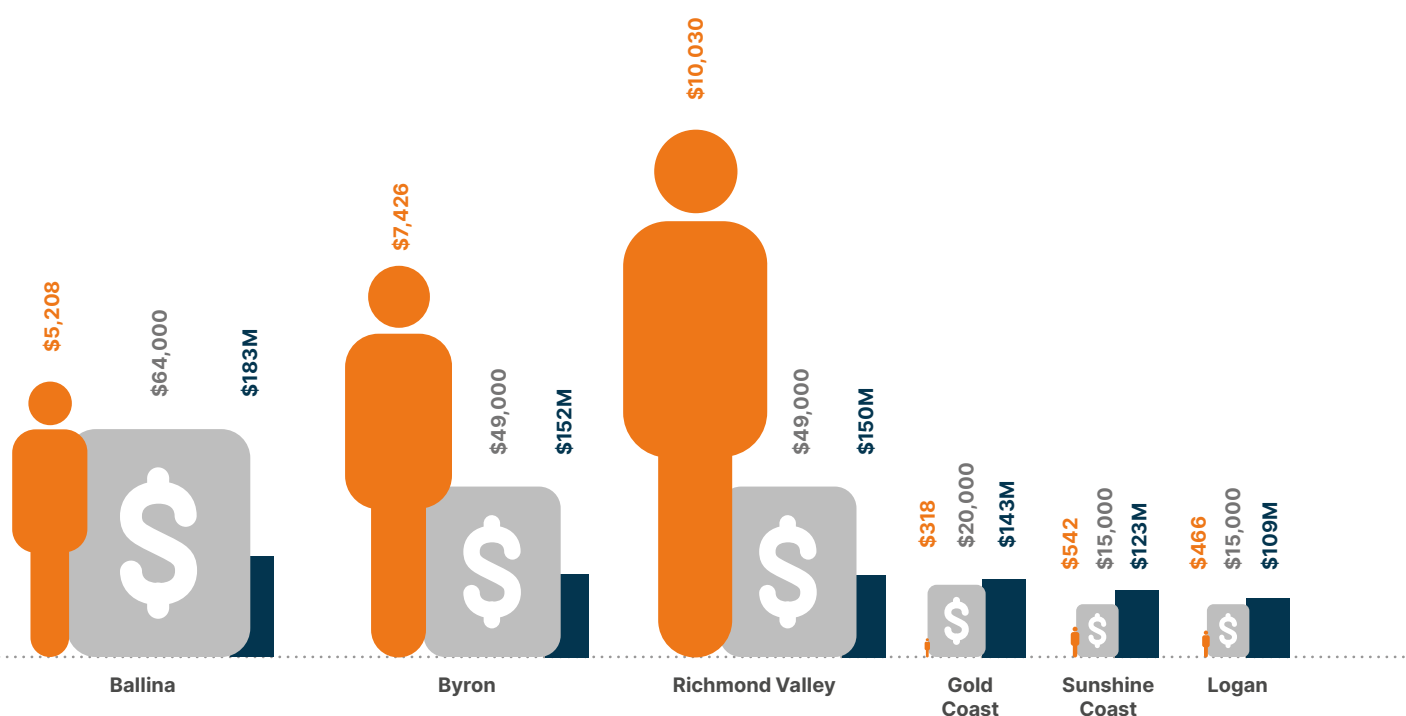
The average claim value tells a story that is also not apparent in headline data. Claims from the Lismore LGA averaged almost \$80,000, Ballina \$64,000, and Byron and Richmond Valley both around \$50,000, whereas in Brisbane the average claim was around \$30,000. Although Moreton Bay was the third highest LGA by total loss, costing insurers \$255 million, by comparison the average claim in this LGA was around \$15,000.

But it's not just the insured losses that tell the story of the February-March 2022 floods. Extreme weather events such as this experienced in 2022 also cost governments – that is, taxpayers – via payments from the Commonwealth to states and territories and payments made by all governments directly to those impacted.

There is also a cost associated with goods that are uninsured or underinsured – estimated in a report by the McKell Institute for the Insurance Council to be 46.5 per cent of all home and contents.

The McKell Institute calculates that this year's flood cost each Australian household an average of \$525 through price impacts on agricultural goods, as well as the additional government expenditure on recovery efforts funded through taxation.

McKell calculates that the average Australian household paid \$1,532 in direct costs in 2021-22 because of extreme weather events. This is well above the 10-year rolling average of \$888 per household which will grow to \$2,509 a year by 2050, when the direct economic cost of extreme weather events is calculated to reach \$35.24 billion per annum.



CAT 216

Severe storms (SA, Vic & Tas)



\$848M

Incurred



109,650

Claims



\$8K

Average claim

24 hours

Insurance Catastrophe
declared

1 week

Insurers allowed to
cross borders

Personal claims

\$682M



- Property
55% | \$378M
- Contents
3% | \$20M
- Motor
42% | \$283M
- Other
0% | \$1M

Commercial claims

\$167M



- Property
50% | \$84M
- BI
1% | \$2M
- Motor
23% | \$38M
- Other
26% | \$44M



Image AAP

In late October 2021 a low-pressure system developed over south western Australia bringing ferocious thunderstorms, damaging hail and wild winds to South Australia, Victoria, and Tasmania.

The Bureau of Meteorology issued a severe weather warning for damaging winds across much of South Australia and Victoria on Thursday 28 October, predicting hail across Adelaide's Barossa Valley and wind speeds to average 60 to 70 kilometres an hour.

However, the severity of the storm front was much worse than anticipated, with the highest wind gusts reported to be 142 kilometres an hour at Mount William in Victoria's Grampian Mountains and giant hailstones leaving a trail of destruction across Adelaide's northern suburbs, the Hills area, and the Barossa Valley.

More than 5,000 lightning strikes were reported across south-eastern Australia in 24-hours, as the high winds caused trees to fall on powerlines, some ripped out of the ground, and thousands to be left without power across both states.

Industry response

The Insurance Council declared an Insurance Catastrophe for parts of South Australia just 24 hours after the storm struck the coast, and immediately began engaging with the South Australian Government to allow essential insurance disaster responders to enter the State to operate and support impacted communities in their recovery.

On Monday 1 November, the Catastrophe declaration was extended to include areas of Victoria and Tasmania impacted by the same storm cell.

On Friday 5 November, the Insurance Council announced 21 insurance disaster responders were to enter South Australia to begin the assessment, management, and resolution of claims.

The deployment of insurance disaster responders from interstate was necessary because there was not enough local claims specialists or trades to meet the needs of those impacted.

Issues in recovery

With Covid-19 border restrictions still in place in South Australia, it took more than a week to obtain the permits for 21 insurance specialists to enter the state and begin the disaster response.

A construction industry specific lock down impacting Melbourne and other Victorian LGAs in September and October created additional strain in the system, further limiting the ability for local trades to respond.

During this time, the Insurance Council was calling for a nationally consistent approach to the deployment across states and territory borders of insurance disaster responders.

Delays to repairs were impacted across all three states by factors including a shortage of tradespeople and disruption to building supply chains related to the pandemic causing delays to the supply of building materials nationally.

SE 215 & 222

Mansfield earthquake and NSW floods

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.

Both the Mansfield earthquake (September 2021) and the New South Wales floods (July 2022) fall under the Insurance Council's classification of a 'Significant Event', and are known as SE 215 and SE 222 respectively.

SE 215 Mansfield earthquake Catastrophe claims



75% Personal
\$78M Incurred | 16,032 claims

25% Commercial
\$27M Incurred | 1,094 claims

SE 222 NSW floods Catastrophe claims



92% Personal
\$168M Incurred | >19K claims

8% Commercial
\$16M Incurred | 763 claims





\$105M

Incurred



17,936

Claims



\$6K

Average claim

SE 215: Mansfield earthquake

At 9:15 am on 22 September 2021, a 5.9 magnitude earthquake was recorded centred around Mansfield in the Victorian Alps. The quake was also felt in New South Wales, Australian Capital Territory, South Australia and Tasmania.

While the earthquake was stronger than the 5.6 magnitude 1989 Newcastle earthquake that tragically killed 13 people, overwhelmingly the damage reported from the Mansfield earthquake was minor, with the few significant structural claims prioritised.

The majority of home building claims lodged were for minor damage such as cracks in plaster and render damage, with a handful of significant structural damage claims and some contents claims.

Australia experiences very little earthquake activity and many claims made following the Mansfield earthquake were for cracks that were already present but not previously noticed by homeowners. This was determined following assessment from geo-technical engineers.

Assessment and repairs in Victoria following the Mansfield earthquake were impacted by Covid-19 border closures, construction lockdowns as well as associated labour, material and supply shortages which impacted the availability of trades, insurance assessors and specialists such as geo-technical engineers.

The Mansfield earthquake was the first event classified as a Significant Event by the Insurance Council. This triggered additional data collection and analysis and stakeholder engagement.



\$183M

Incurred



20,041

Claims



\$9K

Average claim

SE 222: NSW floods

On 5 July 2022, the Insurance Council declared a Significant Event for regions of New South Wales impacted by severe storm and flooding.

The impact of flooding was felt most significantly in communities surrounding the Hawkesbury and Nepean Rivers, however all regions impacted by flood in New South Wales since 1 July fell under the SE declaration.

While evacuation orders were in-place for a significant number of locations, by 7 July many communities were given the go-ahead from emergency services to return home. At this stage, while claims were coming in, the volumes were not consistent with recent declared catastrophes.

This was the fourth large-scale flood event for some Western Sydney communities over a two-year period, prompting increased focus on what can be done to make these communities more resilient to flood.

Insurers sought to prioritise customers who had been impacted by multiple flood events, proactively contacting them where possible to provide assistance.

To support insurance customers impacted by the July 2022 floods, in mid-July, the Insurance Council hosted a virtual insurance panel with participation from the Australian Financial Complaints Authority and New South Wales Legal Aid.

The purpose of the panel was to provide general advice and helpful tips to insurance customers as they start to clean-up and commence the insurance claims process.

Policy recommendations

The past 12 months have demonstrated that Australia can no longer take a reactive approach to disaster management.



>9M

Australians impacted by natural disaster



\$13B

Claims paid since 2019

\$888

Annual household extreme weather cost

The repetition of devastating floods in the Northern Rivers and parts of Western Sydney highlight that nature is not forgiving, or considerate to the clean-up and recovery process.

Worsening extreme weather events have forced all governments to adopt a proactive approach to natural disasters and catastrophes.

The data shows that the cost of natural disasters is real, significant, and growing. Since the 2019–20 Black Summer bushfires, insurers have paid out more than \$13 billion in natural disaster claims from 11 declared catastrophes. It is estimated that more than 9 million Australians have been impacted by a natural disaster or extreme weather event over the last 30 years.

This is not just an issue that impacts those directly impacted by extreme weather, but as research from the McKell Institute for the Insurance Council shows, the February–March floods cost each Australian household an additional \$525.

There is no silver bullet solution for Australia's worsening extreme weather risks. Collectively governments, stakeholders and insurers must develop a toolbox of solutions to confront these growing challenges, giving consideration and priority to reducing Greenhouse Gas Emissions and investing in resilience. This can only be done by identifying and adopting policies in the short, medium and long term to alleviate the dangers faced by local communities and the cost of rising insurance premiums.

Short-term solutions

Abolition of taxes on insurance

Removing state taxes on insurance products is an immediate measure that governments can take to make insurance more affordable, improving the level of privately insured cover in the community. State taxes, such as stamp duty and in New South Wales the Emergency Services Levy, all increase the cost of insurance, and this impost can be as high as 40 per cent. To improve levels of underinsurance and non-insurance all states and territories should abolish stamp duty on insurance, and New South Wales should follow other states and abolish its Emergency Services Levy. Tasmania should continue on its already announced pathway to abolishing its Fire Services Levy.

According to a 2015 report the abolition of all state taxes on insurance would lead to a \$643 million (or 13 per cent) increase in household expenditure each year on pre-tax insurance premiums on homes or contents across Australia.

The Insurance Council acknowledges the significant loss of state revenue from abolishing stamp duty on insurance and calls on the Federal Government to incentivise states and territories to undertake this important reform for the benefit of all Australians.

Improved coordination

The past three years has also highlighted the need for greater preparedness to deal with clean up coordination during a pandemic or other unforeseen events. All levels of Government need to improve preparedness and operating procedures to ensure freedom of movement between domestic and international borders for workers involved in rebuilding and repairing disaster-affected communities. National Cabinet must learn from the Covid-19 experience and develop a consistent exemption framework for essential activities to provide clarity upfront in any lockdown.

The past year has also tested the country's preparedness for coordinated disaster clean-up, especially in the face of multiple events. Safe, efficient and timely clean-up of waste and debris following a natural disaster is critical to physical and psychological recovery for communities. Continual focus on improving processes and arrangements is necessary to ensure the response meets and exceeds community needs. The Insurance Council welcomes the findings of the O'Kane-Fuller inquiry and the creation of the Northern Rivers Reconstruction Corporation. The Insurance Council also welcomes the Federal Government's merger of Emergency Management Australia and the National Recovery and Resilience Agency into a single agency which is aimed at streamlining emergency response. We call on all other state and territories to examine their operational response capability against best practice to ensure they are well prepared for any future events.

Medium-term

Better land use planning and improved building codes

Recent flood experiences in New South Wales and Queensland have highlighted the need for better land use planning. Too many homes are in the direct line of flood, fire and cyclone, or at risk from actions of the sea, because at the time of planning and approval, not enough account was given to the natural peril risk present. Improved policy settings, across all levels of governments but particularly at a local and state level, are needed to ensure better land use planning decisions so future communities are out of harm's way and no longer require costly investment in mitigation.

Planning controls must also reflect the growing impact of climate change on the natural environment and adopt resilience measure for all future development.

Federal and state governments must improve building quality and standards. Instilling resilience into our building codes is a key tool to mitigate the physical risks arising from catastrophes. The National Construction Code must be reviewed and amended to ensure greater resilience to extreme weather is incorporated into building design and construction, including the growing risk from climate change. This should be complemented by improved inspection and compliance enforcement, to ensure buildings are constructed at least to code, and periodic inspections of existing buildings in high-risk areas are maintained post completion.

Long-term

Investing in mitigation

Earlier this year the Insurance Council called on the Federal Government to invest \$200 million each year for mitigation projects across Australia, to be matched proportionately by each state and territory. Accordingly, we welcomed the new Federal Government's Disaster Ready Fund which will see a doubling of Commonwealth investment in mitigation projects to \$200 million annually, and the Queensland Government's \$741 million Resilient Homes Fund, co-funded by the Commonwealth.

We call on all other states and territories to follow suit and match the Commonwealth Government's contribution and identify projects as a priority to protect those communities most exposed to extreme weather risk. The process of allocating investment in publicly funded resilience projects and infrastructure must be data-driven, independent of the political process with bipartisan support, require business cases to support high-value projects, and be followed up with analysis of the investment's impact.

Listening and learning from the community

In aftermath of a natural disaster, insurers are on the ground as soon as it is safe to do so, helping customers get their lives back on track. This is a responsibility we take seriously and a process we aim to continuously improve by listening and learning through our community engagement, townhalls and consultations.



20 in-person events



5 virtual events

The sheer scale and severity of the most recent catastrophe season, with a total of 380,760 claims and \$6.41B in estimated insured losses, does not come close to the total economic and emotional cost.

On-the-ground community support is essential through the response and recovery stage, and townhalls and other forms of community engagement is just one of the ways we can support insurance customers as part of a coordinated insurer response to Insurance Catastrophes.

Since October 2021, the Insurance Council has held more than 25 community engagement sessions for impacted groups. The number of community engagement events in the past year reflects the volume and complexity of claims from these events and is additional to industry presence in recovery centers and customer engagements and consultations held by individual insurers.

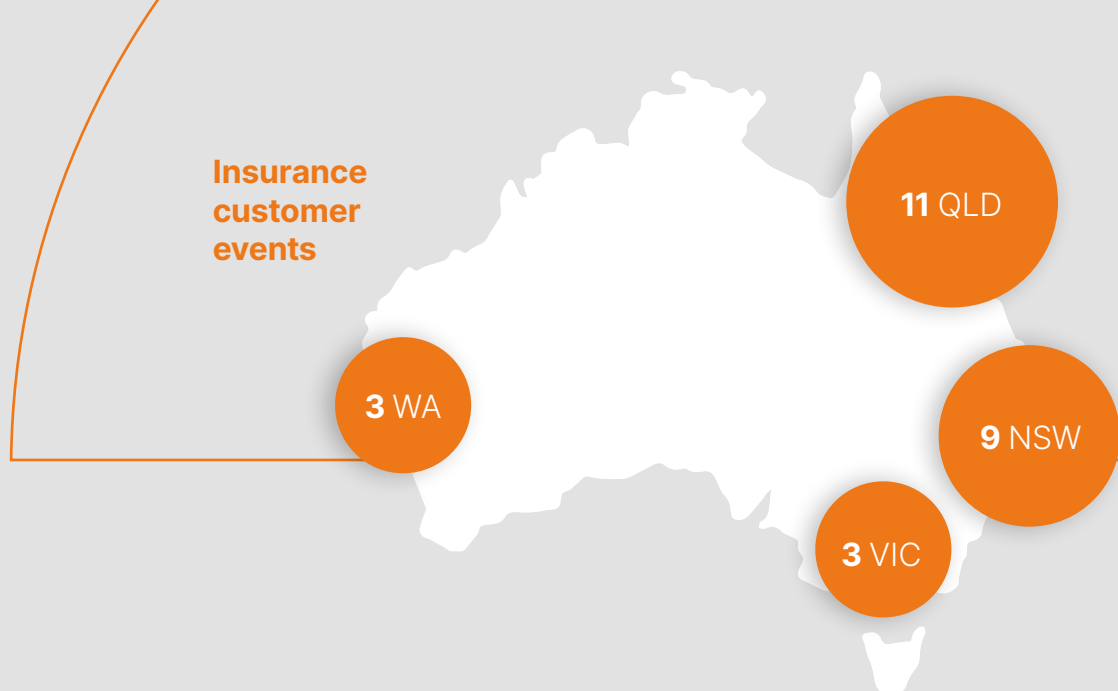
While the 20 in-person events were facilitated by the Insurance Council, insurers were present to provide customers with the opportunity to discuss the specifics of their claim, work through any outstanding issues, and process claim settlements.

Townhall roadshow

To cover the huge geographic area impacted by the February–March floods, the Insurance Council ran a townhall roadshow in May and June across Northern New South Wales and South-East Queensland in 13 locations. In addition to the Insurance Council and insurers, attendees also heard from representatives of the Australian Financial Complaints Authority (AFCA) and Legal Aid, providing valuable information about legal rights and insurance complaints processes.

Virtual panels

To provide flexibility to insurance customers, the Insurance Council hosted two virtual community engagements, which also included participation from AFCA and Legal Aid. Our first virtual insurance panel following the February–March floods attracted more than 193 participants, higher than any in-person engagement or townhall. While we need to remain sensitive to the fact that this type of engagement can exclude those without access to reliable technology and connectivity and will never replace in-person engagement, it will become an increasingly important part of the Insurance Council's post-catastrophe community engagement in future.



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 while also providing a direct line of feedback from the community. Across our consultations following the February–March floods there were consistent themes identified.

Insurer communications

The most consistent feedback from community forums was the desire for more frequent and clearer communication from insurers about the claims process, timeframes and specifically the progress of their claims.

Like for right

Customers, particularly those who had been impacted by flood more than once, were keen for greater choice or control around the rebuild process, with particular interest in building back 'like for right' rather than 'like for like' to better protect their property in the future.

Complaints process

Customers wanted to understand more about when and how to make a complaint. AFCA attended most engagements and was able to provide advice on best process for making a complaint. There is opportunity to improve awareness of the complaints process and the escalation to AFCA.

Flood cover

Given the nature of this event, customers wanted more information about the approach and process insurers take in determining how their property was inundated, how the definition of flood cover is applied, and the causes of delays in this process.

Rural claimants

Rural policyholders face unique challenges when impacted by significant damage or total loss. There is opportunity for greater consideration of the unique requirements for rural customers from livestock disposal, remote access, technology constraints, and retention of harvest.

Contributing factors


To some extent many of the common issues identified by the community were exacerbated by the huge number of claims, along with the persistent onslaught of wet weather and recurring flooding events over a huge geographical area.

Added to this was the lingering impact of Covid-19 restrictions, border closures and the associated labour, material and supply shortages which impacted the availability of trades, insurance assessors and specialists such as hydrologists.

Indigenous engagement

In April the Insurance Council and representatives from our Indigenous Advisory Council organised a roundtable with Indigenous stakeholders in Lismore. The roundtable included representatives from New South Wales Aboriginal Housing Office, New South Wales Aboriginal Community Housing Industry Association and Bundjalung Tribal Society.

The Insurance Council was also invited by Jali Local Aboriginal Land Council's Chief Executive to visit Cabbage Tree Island and view first-hand the impacts of flooding in that community. Key issues discussed included resilience and mitigation, affordability of insurance, flood insurance and opportunities for more collaboration between the insurance sector and Aboriginal housing sectors.



About the Insurance Council of Australia

The Insurance Council of Australia is the representative body for the general insurance industry of Australia. Our members represent approximately 89 per cent of total premium income written by private sector general insurers, spanning both insurers and reinsurers. Our work with our members, consumer groups and all levels of government serves to support consumers and communities when they need it most.

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