



Insurance Council
of Australia

General Insurance Industry Charter

Extreme Weather and Disaster Response

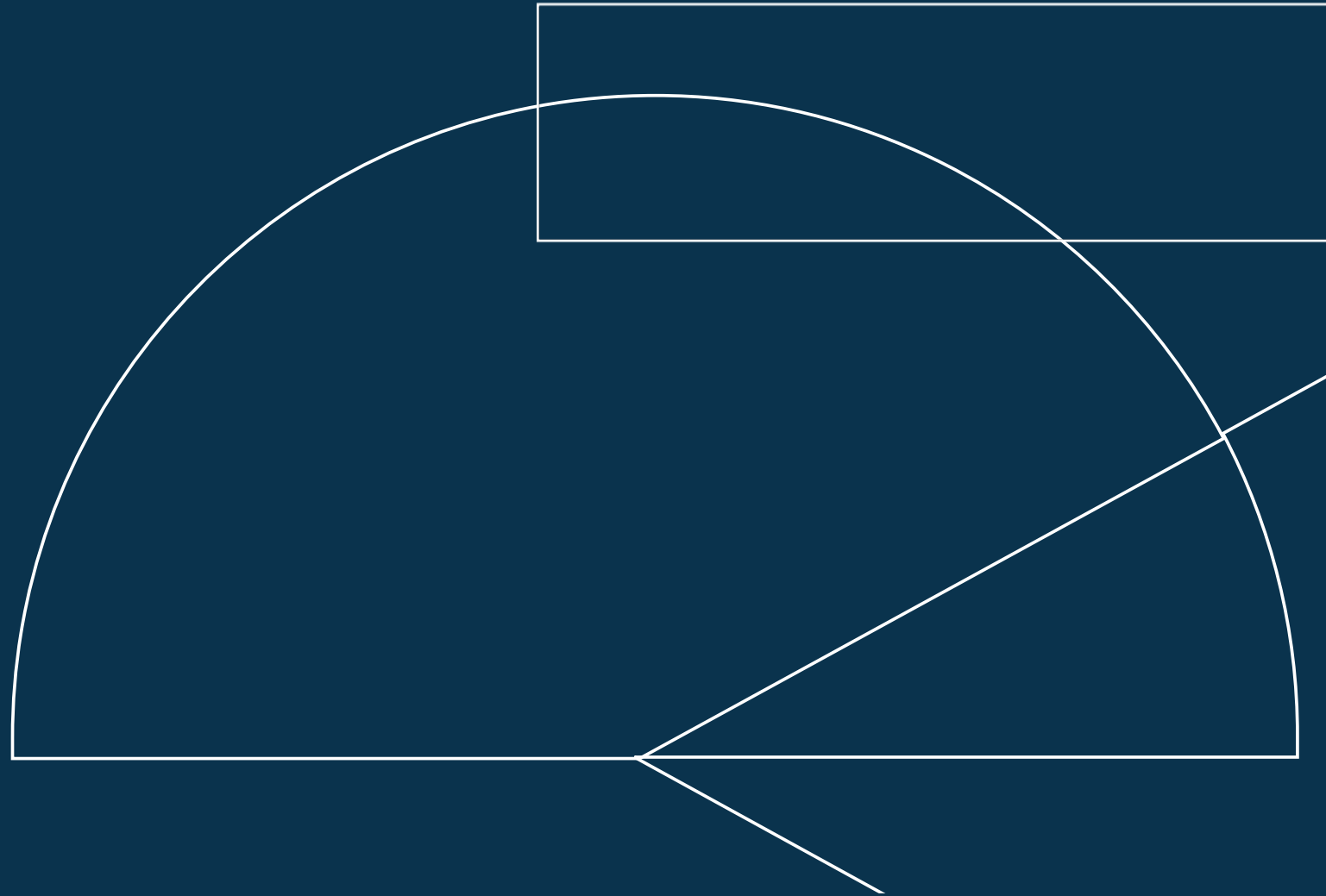
“I saw one of my primary tasks was to do what I could to restore confidence, to ensure that people knew and cared about their predicament and that governments were committed to helping. Equally an optimism had to be engendered, a belief that not only would they recover but would emerge 'bigger, brighter and better than ever.’”

General Sir Peter Cosgrove, AK, CVO, MC



Insurance Council
of Australia

Insurance Council of Australia	4
Our Charter	4
Our Challenge	4
Declaring an Insurance Event	5
Our Principles	6
Our Plan	7
Accountability	8
Our Code	8
Important Information	9



Insurance Council of Australia

The Insurance Council of Australia (ICA) is the representative body for the general insurance industry in Australia. The ICA has 52 member companies representing approximately 85% per cent of the GI industry in Australia.

As industry representatives, the ICA leverages its unique position to build partnerships with governments, communities and regulators to address the protection gap and ensure the strength and sustainability of the insurance sector.

The ICA also coordinates the response from member companies in the event of an extreme weather event, including organising community and business engagement programs in disaster-affected areas.

Our Charter

Our charter outlines principles and key actions for addressing the challenges of extreme weather events, as well as disaster preparation, response, and recovery.

The intent is to provide an approach to solving challenges at scale and is not intended to direct the delivery of actual financial services. It does not interfere with legislative, regulatory, or code requirements.

Our Challenge

The escalating frequency and severity of extreme weather events is one factor affecting the affordability and availability of insurance, especially in communities most vulnerable to cyclones, floods and bushfires.

Since the Black Summer Bushfires of 2019-20, insurers have paid out \$19 billion in claims from 20 declared insurance catastrophes or significant events. Of this total, \$6.95 billion was incurred in 2022 because of the four declared flood events in that calendar year. Other disasters such as the magnitude 5.9 earthquake in Mansfield, Victoria in 2021 generated more than 18,000 claims costing more than \$100 million.

The general insurance industry in Australia has a critical role in mitigating the financial impacts of extreme weather events and disasters while supporting recovery efforts.

Extreme weather events and disasters are special cases because often many thousands of customers are impacted all at once by the same event. Infrastructure is frequently damaged, impacting supply chains and communications and impeding recovery efforts. Government support is required to fund recovery, and difficult decisions often need to be made about prioritising certain regions or critical infrastructure.

Declaring an Insurance Event

Insurers will always respond to claims regardless as to whether an event is declared an Insurance Event by the ICA.

An 'Insurance Event' is a situation or set of circumstances that arises that can severely impact the normal practices, routines and operations of consumers, communities, and industry. Insurance Event declarations are reserved for the most severe events, and signal activation of our extreme weather response plans.

The ICA decides whether declaring an event is necessary based on industry, community, government, operational and other factors. Each declaration is made on its own merits and does not impact or have effect on other disaster declarations made by the Commonwealth or state governments, nor change or alter in any way the terms and conditions of an insurance policy.

Industry	Community
<ul style="list-style-type: none">• What are the anticipated claim volumes?• What is the extent of damage being reported by policyholders?• Do members consider a declaration is beneficial?• Are there expected challenges for the insurance industry in managing the repair and reconstruction arising from claims?	<ul style="list-style-type: none">• What is the extent of the impact on the community?• What is the likelihood of prolonged disruption to services?• Has the community experienced a recent extreme weather event?• Has there been a State or Commonwealth disaster declaration?

There are three types of Insurance Events the ICA may declare:

1. A **Significant Event** is typically a localised event with moderate impacts and claim volumes, and the possibility of specific challenges in recovery (accessibility, specialist labour etc). Close monitoring of recovery progress is necessary.
2. A **Catastrophe** may be a localised or very widespread event with regions of very severe impact including high claims volumes, displacement of residents, and total destruction of property. Many challenges will likely need to be solved for in recovery and coordination between governments and industries is essential.
3. A **Extraordinary Catastrophe** is a Catastrophe that is so significant in size or magnitude or one that coincides with multiple other Catastrophes that the Board of the Insurance Council of Australia declares it to be extraordinary. To date an Extraordinary Catastrophe has never been declared although the ICA has developed guidelines for declaring an Extraordinary Catastrophe. The Extraordinary Catastrophe definition in the Code is currently being reviewed by the independent review of the Code. ICAs criteria for declaring an Extraordinary Catastrophe can be found here - [Q: What are the guidelines for declaring an Extraordinary Catastrophe? - Insurance Council of Australia](#)

Our Principles

These principles guide the collective preparations and responses of ICA and our members' to extreme weather events and disasters that have been declared an Insurance Event:

- 1. Communities** - We recognise that communities have unique needs in their recovery and that understanding these needs is crucial to inform our planning and decisions.
- 2. Information & Communication** - We will maintain a catalogue of clear and comprehensive information related to extreme weather preparation, claims and recovery. We will make it easily accessible before, during, and after extreme weather events and disasters so that customers are informed.
- 3. Resourcing & Scaling** - We will understand the capacity of our workforces and supply chains and have plans in place to scale these up where possible and reasonably address any shortfalls to ensure effective, efficient and transparent responses to extreme weather events and disasters.
- 4. Presence & Engagement** - We will deploy our teams to impacted communities when it is safe to do so, and develop alternative plans when access is not possible due to damaged infrastructure or ongoing safety concerns. We will keep individuals and communities updated on our ongoing deployments so that impacted customers and community leaders can have the opportunity to talk to someone face to face.
- 5. Coordination** - We will tailor industry responses with State and National led recovery initiatives and community and industry needs where possible to provide impacted customers with as much clarity and certainty in recovery as is possible.
- 6. Customer Voice** - We will implement a 'Customer Voice' as and when we develop plans, strategies and responses to extreme weather events and disasters through direct consultation with our Consumer Advisory Committee.
- 7. Collaboration & Advocacy** - We will work with governments, community sector groups, and other stakeholders to coordinate where possible in the delivery of services to communities before, during and after events. We will prioritise advocacy for efficient and effective recovery, and investment in resilience to keep communities safe into the future.

Our Plan

The ICA and our members review and maintain plans to respond to extreme weather events and disasters. Below are the key activities we will undertake to respond to extreme weather events in alignment with our principles:

Customer & Community	Coordination & Collaboration	Planning & Better Practice
Before an Extreme Weather Event		
<ul style="list-style-type: none"> • ICA and members: Communication and distribution of key risk reduction and insurance and claims information and materials • ICA: Supporting preparedness and education campaigns 	<ul style="list-style-type: none"> • ICA: Preparedness briefings with key stakeholders including Governments, Agencies and Partners • ICA: Collaborative community engagement 	<ul style="list-style-type: none"> • ICA and members: Scenario Planning considering varied situations and challenges • ICA and members: Review response systems, processes and plans • ICA and members: Assess resource requirements, including training and development of response teams
Responding to an Extreme Weather Event		
<ul style="list-style-type: none"> • ICA: Insurance Event Declaration by the ICA • ICA and members: Deployment of Industry response teams to affected communities • ICA and members: Distribution of key insurance and claims information and materials 	<ul style="list-style-type: none"> • ICA: Develop, coordinate, and communicate key emergency information and messages • ICA: Coordination of early operational response with Emergency Services • ICA and members: Identification of Industry coordination requirements • ICA: Response briefings with key stakeholders including Governments, Community Sector Groups, Agencies and Partners 	<ul style="list-style-type: none"> • ICA and members: Monitoring and documenting response • ICA and members: Activation of response plans • ICA and members: Industry data collection to inform response and recovery strategies, decision making, and to keep stakeholders and communities informed
Recovering from an Extreme Weather Event		
<ul style="list-style-type: none"> • ICA: Coordinate community engagement including Town Halls and Insurer Consultations to provide response and recovery information and to provide face to face service • Members: Delivery of claims management and service including assessments, specialist reporting, settlements, and dispute management 	<ul style="list-style-type: none"> • ICA: Develop, coordinate, and communicate key recovery information and messages • ICA and members: Delivery of coordinated responses • ICA: Collaboration with Local, State and National Recovery Organisations to deliver efficient and effective responses • ICA: Recovery briefings with key stakeholders including Governments, Community Sector Groups, Agencies and Partners 	<ul style="list-style-type: none"> • ICA and members: Post Activity Reviews • ICA and members: Extreme Weather Response and Disaster Charter review and evaluation

Accountability

The ICA has a standing Catastrophe Operations Working Group, comprised of representatives of the ICA and our members. One of its key responsibilities is to guide the insurance industry response to extreme weather events and disasters in accordance with our Charter.

To hold ourselves accountable we will:

- a) On a quarterly basis publish a report outlining industry challenges, progress, and projections for all active extreme weather and disaster responses; and
- b) On an annual basis:
 - i. Consider diverse scenarios and conduct planning and testing of our systems and processes so that we are ready to respond when impacted customers need us; and
 - ii. Publish a review of our Charter and our performance to it.

Code of Practice

It is a condition of ICA membership that members who offer insurance products covered by the General Insurance Code of Practice (Code) must also subscribe to the Code. The monitoring of compliance performance and sanctions is administered by the Code Governance Committee (CGC).

The Code sets out the minimum standards that general insurers must meet when providing services to their customers, such as being open, fair and honest. The Code is intended to positively influence all aspects of the general insurance industry, including product disclosure, claims handling and investigations, relationships with people who are experiencing vulnerability, and reporting obligations.

To maintain the standards set out in the Code, the ICA is obliged to commission a formal, independent review of the Code at least every three years. An independent review of the Code commenced in November 2023. This review of the Code will occur in two phases to align with any recommendations from the Federal Parliamentary Inquiry into insurers' responses to flooding events in 2022. This inaugural Charter was developed alongside the Phase 1 consultation period of the Code review.

Important Information

The general insurance industry is supervised and regulated by:

- The Australian Prudential Regulation Authority (APRA) is Australia's prudential supervisor, responsible for ensuring that our financial system is stable, competitive and efficient - [Welcome to APRA | APRA](#)
- The Australian Securities and Investment Commission (ASIC) regulates general insurance and expects your insurer to treat you honestly and fairly - [Insurance | ASIC](#)

If customers are not satisfied with an insurance product or claim:

- Complaints can be made with insurers and they will be reviewed by the Internal Dispute Resolution (IDR) process. Part 11 of the Code deals with Complaints - [Code of Practice \(COP\) - Insurance Council of Australia](#)
- The Australia Financial Complaints Authority (AFCA) provides fair, free and independent dispute resolution for financial complaints including general insurance complaints - [Home | Australian Financial Complaints Authority \(AFCA\)](#)
- Concerns can also be reported to the Code Governance Committee - [The General Insurance Code Governance Committee](#)



Insurance Council
of Australia

September 2024

© Insurance Council of Australia