



Floodplain Management Australia

Supporting Wise Planning and Development

www.floods.org.au ABN 67 007 279 179

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18 January 2018

The Northern Australia Insurance Inquiry Team
 Australian Competition and Consumer Commission
 GPO Box 520
 MELBOURNE VIC 3001

(Submitted on line: insurance@accc.gov.au)

Dear Sir/Madam

Submission – Northern Australia Insurance Inquiry

Thank you for the opportunity to provide input to the Inquiry.

About Floodplain Management Australia

Floodplain Management Australia (**FMA**) was established to promote sound and responsible floodplain management, and helping reduce the risks of flooding to life and property.

FMA has continued to carry out these important roles for more than 50 years and is now the national voice for floodplain risk management, with a membership of around 140 local government councils, catchment authorities, government agencies, businesses, and professionals involved in all aspects of urban and rural flood risk management. Our members are at the front-line of flood risk assessment, flood management planning, decision making and community engagement - see <http://www.floods.org.au/>

Natural disasters are costing Australia over \$560 million a year, and flooding from rivers and local catchments is the costliest and yet most manageable of natural disasters. Progress is being made in flood risk management - sound land use planning based on reliable flood data, well designed and maintained mitigation works, and development of resilient communities have proved their worth.

FMA recognises that flood insurance is an essential element of building community resilience and we have been at the forefront of bringing together insurers, local governments and other flood risk management stakeholders via the FMA network. In 2014 FMA established a Flood Insurance Working Group, to facilitate sharing of flood data between councils and insurers, and making flood insurance more affordable. As a result the flow of information from councils to insurers has increased substantially, and a series of Flood Insurance Fact Sheets were produced and are available at the FMA website: <http://www.floods.org.au/site/flood-insurance-fact-sheets>

The Insurance Australia Group, Suncorp and Factory Mutual Insurance are FMA Members, and FMA has a positive working relationship with the Insurance Council of Australia.

FMA wishes to offer the following comments in regard to the flood related aspects Issues Paper:

Costs, premiums and profits for insurance in northern Australia

FMA holds the view that when insurers have access to high quality flood data premiums can be set to more accurately reflect the real risk. Most councils possess flood studies and mapping of varying degrees of accuracy and currency, which can assist insurers better understand flood vulnerability.

Some insurers perform further analysis on this data to improve their understanding of risk at specific locations.

FMA encourages its Members to enter into dialogue with insurers and share their flood risk information to the greatest extent possible and appropriate. Creating greater consistency between governments' and insurers' understanding of risk in a local community reduces confusion and debate and improves the ability of all stakeholders to work together.

Importantly, there is evidence that premiums for many properties with risk of flood often go down after local governments provide insurers with more up to date or sophisticated data.

When insurers have access to high-quality flood related data the issue of high flood premiums should be about the vulnerability of homes to flood damage. High insurance premiums have created hardship for a significant number of people in flood prone areas, but the cost of insurance is a valuable price signal or indicator of risk. Where people may ignore messages from council or education campaigns they are less likely to ignore the shock of an insurance premium. Provided those premiums do accurately and reasonably reflect the cost of the risk, it is a legitimate incentive for individuals and governments to address the underlying cause – the vulnerability of property to flood damage.

Risk Mitigation

FMA supports sound land use planning integrated with best practice flood risk management, and well designed and maintained flood mitigation works as highly effective means of managing flood risks and reducing private and public flood losses. FMA strongly supports the finding of the *Productivity Commission Inquiry into Natural Disaster Funding* that increasing the proportion of investment in pre-disaster mitigation and preparation would further reduce future flood risks, and losses.

Reduction in flood risks should reflect in lower costs of flood insurance, and there have been several examples of public mitigation leading to reduced flood insurance premiums. These include the Queensland towns of Roma, St George and Charleville where levees were constructed to provide protection from frequent flood events.

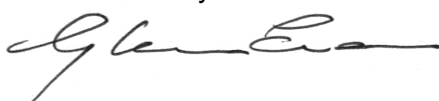
Contrary to an often held belief levees can rarely, if ever, provide complete protection from all possible floods as there almost always remains some risk of a flood higher than the design height of the levee. In these instances properties "protected" by levees cannot be considered completely flood free, and insurance premiums are likely to contain some flood insurance cost.

When new flood mitigation initiatives are being considered FMA encourages Members to consider potential cost reductions in insurance premiums for their communities when carrying out cost-benefit analyses.

Conclusion

FMA brings together expertise and experience from all aspects of flood protection, preparedness, response and recovery, which we would be pleased to contribute further as the Inquiry progresses.

Yours faithfully



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