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Ms Santina Camroux,
Coastal and Natural Resources Policy branch,
NSW Department of Planning and Infrastructure,
GPO Box 39
Sydney NSW 2001

Insurance Australia Limited

ABN 11 000 016 722
AFS Licence No. 227681
trading as NRMA Insurance

388 George Street
Sydney NSW 2000 Australia
Telephone 1800 045 517
Facsimile 1800 649 290
nrma.com.au

Dear Ms Camroux

Draft Planning Circular on Coastal hazard notations on Section 149 planning certificates.

NRMA Insurance welcomes the opportunity to comment on the draft circular to provide councils with guidance on section 149 planning certificate notations relating to coastal hazards

NRMA Insurance

As the leading general insurer in New South Wales (NSW), NRMA Insurance represents the largest division of Insurance Australia Group (IAG). We are responsible for developing, underwriting, selling and managing claims for personal insurance products that are sold directly to customers. Our products include comprehensive motor insurance, home and contents insurance, Compulsory Third Party, home security, and business insurance.

We operate in New South Wales, Queensland, the Australian Capital Territory and Tasmania, along with Western Australia (SGIO) and South Australia (SGIC). We have over three million customers and insure approximately 1.2 million homes and 3 million vehicles.

Our role and interest

Weather is "core business" for the general insurance industry. At its most basic, insurers underwrite weather-related losses by assessing the risk, pricing and then meeting claims when they arise. Insurers provide a vital service in protecting the financial well being of individuals, families, businesses and the community more broadly.

In the event of unexpected loss due to weather events or otherwise we support our customers in recovering and rebuilding their lives. For governments, general insurance provides economic stability in the community. By contributing to the cost of assistance and recovery, insurers reduce the amount of pressure on government resources and tax payers.

While it is our role to cover customers' risk, the cost of natural disasters is increasing. The Australian Business Roundtable for Disaster Resilience and Safer Communities (an initiative of our parent company IAG)¹ estimates that the economic cost of natural disasters is expected to rise to an average of \$23 billion

¹ Australian Business Roundtable for Disaster Resilience and Safer Communities was formed in December 2012 by the Chief Executive Officers of: Australian Red Cross, Insurance Australia Group, Investa Property Group, Munich Re, Optus and Westpac Group

per year by 2050 from around \$6 billion in 2012. To keep insurance affordable and sustainable in the long term the risks of weather volatility need to be addressed before the event through risk assessment and risk mitigation.

Insurance and Coastal Hazards

Damage that is covered by home building and contents insurance that is related to extreme weather events include:

- Storm - covers violent wind, cyclone and tornado, thunderstorm, hail, rain or snow and the sudden excessive run-off of water as a direct result of a storm in your local area;
- Flood - the covering of normally dry land by water that has escaped or been released from the normal confines of any lake, or any river, creek or other natural watercourse, whether or not altered or modified; or any reservoir, canal, or dam;
- Lightning;
- Bush/ grass fire; and
- Storm surge (cover is offered by some but not all insurers).

Losses from sea level rise and coastal erosion are not covered by insurance in any country. Sea level rise is not a weather event like a storm or a flood. It is a gradual, background process that will occur over a long period of time, with change only becoming obvious over several decades. It is a certainty rather than a probability.

At NRMA Insurance, we use household or address level pricing for extreme weather events like flood and bushfire. This means that insurance premiums reflect our understanding of the individual risk of a property. When pricing for flood we consider the impact of all potential flood events that could affect a property including, where that information is available, the rarest and most extreme flood events – that is we price up to the probable maximum flood (PMF), not just up to 1 in 100 year events.

Recommendations

1. Greater clarity of 'coastal flooding'

We welcome any assistance in clear definitions on "coastal flooding", this would assist in pricing, communication to customer and assess and handling claims

Clarification of the term 'coastal flooding' in the circular may be beneficial given the difficulties separating tidal inundation, riverine and estuarine flooding, storm surge and sea level rise. Particularly in relation to insurance, the definition of coastal flooding is particularly problematic.

The coastal risks of storm surge, coastal erosion and gradual sea level rise are excluded by many general insurance policies in Australia. Consumers should ensure they are familiar with their policy and understand what they are covered for.

Additionally, the [Insurance Contracts Amendment Regulation 2012 \(No.1\) \(Cth\)](#) which takes effect on 19 June 2014 introduced a standard definition of 'flood' into the Insurance Contracts Regulations 1985 (Cth) for home building, home which defines flood as:

the covering of normally dry land by water that has escaped or been released from the normal confines of...

- a lake (whether or not it has been altered or modified);
- a river (whether or not it has been altered or modified);
- a creek (whether or not it has been altered or modified);
- another natural watercourse (whether or not it has been altered or modified);
- a reservoir;

- a canal;
- a dam.

2. Coastal Hazards Risks should be assessed consistently and communicated accurately

There is a need to more accurately and consistently quantify the risks facing properties in coastal and estuarine regions, particularly in locations where there is a merging of the riverine floods with coastal storm surge effects.

Flood maps represent information that is of significant public interest and importance. All parties with a legitimate interest in a property – including potential purchasers, tenants, residents, developers and insurers – should have access to up-to-date flood risk mapping data. This is the main aim of the National Flood Risk Information Project including Geoscience Australia's online flood risk information portal. NRMA Insurance supports the efforts being made by the NSW Government to assist in the success of this project including the provision of data in a format that can be accessed and used by all stakeholders.

Where insurers have access to the same data as those who are responsible for mapping and managing the impact of flooding – which, in NSW, is primarily local councils, we can help educate the community on the risk they have. When insurers are not able to use the most up to date and accurate information available there is greater potential for confusion and scepticism in the community about the impact of flooding.

3. The community should understand the risks they face

Accurate flood information should be available to the public in a form which allows individuals to easily can understand their level of flood risk, this include their risk to event with annual recurrence interval (ARI) of greater than 100 years. This level of transparency is essential in reducing consumer confusion and encouraging people to take steps to manage their risk (such as understanding the flood risk of a property they are buying and purchasing appropriate insurance cover). It would also assist local councils in making decisions about mitigation measures, planning and building standards easier for local councils and ensure consumers were more aware of the likely impact of their geographical location on costs such as land value and insurance premiums.

We urge the NSW government to consider means to improve the transparency of the flood risk for communities and consumers investing in flood risk areas. For example, if flood studies have not been undertaken by local government, or have not been recently updated, the flood risk may not be identified on planning certificates used as part of property conveyance, including the section 149 Certificate.

From our discussions with Councils and our own experience with customers, it seems a significant number of people misinterpret an absence of planning controls as an indication that their property is 'risk free'. However, a number of properties not subject to development controls will still have a small but relevant flood risk that will be reflected in their home insurance premiums. This creates a great deal of confusion as residents try to reconcile these messages. It can also create an administrative burden for councils as they have to provide additional information to their residents which may not then result in a reduction of premium. The misapprehension can also lead to people deciding not to take out flood cover as they rely on their s 149(2) certificates as the 'source of truth' on their flood risk. Accordingly, we would support any efforts to ensure residents are not misled and understand there may be further risk.

NRMA Insurance works proactively to educate the community on the risk of natural perils. Across the country we run joint campaigns with our community partners to encourage the community to prepare their homes to help prevent the risk of property damage through weather events. As part of this, we encourage consumers to check their level of insurance cover and participate with our organisation in ways other than just at sales and claim time. We are undertaking an extensive community consultation program to help local communities better understand the flood risks they face and how we can work together in addressing

flood in their community. We have also recently piloted two Flood Awareness community seminars to attempt to build greater understanding of risk and insurance in high flood risk locations.

Ultimately, the goal is to ensure that communities, planners, emergency services, individuals, property owners and insurers understand the flood (and indeed other natural peril) risks that they face, and that effective risk mitigation measures can be undertaken.

NRMA Insurance would be happy to discuss this submission and to assist in any way we can. If you wish to discuss this matter or make further inquiries please contact Brook O'Rourke, Manager Public Policy and Industry Relations on (02) 9292 1203 or email brooke.orourke@iag.com.au.

Yours faithfully



George Karagiannakis
Head of Corporate Affairs and Government Relations