

# Demystifying flood insurance

FLOOD INSURANCE HAS BEEN THE TOPIC OF HEATED DEBATE SINCE THE RECENT FLOODS IN BRISBANE, TOOWOOMBA AND NORTHERN VICTORIA. MORE SPECIFICALLY, POLITICAL COMMENTATORS HAVE EXAMINED THE LACK OF COVER BEING OFFERED IN THE INSURANCE INDUSTRY AND THE GOVERNMENT'S ROLE IN PROVIDING ASSISTANCE WHEN A FLOOD DISASTER STRIKES.

Shepparton's Griffiths Goodall Insurance Brokers broking operations manager Nathan Goodall says from an insurance industry perspective, there is a need to distinguish between house and contents customers and business clientele when it comes to flood cover.

"Very few insurers, including Australia's leading direct insurers, provide flood cover for house and contents customers. Even where they do include flood events, some provide a sub-limit of cover or operate under a definition of flood such as 'flash flooding' (damage occurring within 24 hours of the storm). Insurers that offer full flood cover price their products at a premium, and in our experience, at a price the consumer is usually unwilling to pay. With such limited demand, many insurers do not consider the cover a necessity. The industry did not actively set out to deceive the population on the issue of flood coverage."

Instead, Mr Goodall says, the cover on offer is the byproduct of very limited flood mapping data being made available by each state and territory, combined with heavy price-driven competition from foreign insurers entering the marketplace.

"From a business insurance perspective, the situation is slightly better, with cover usually being taken out through an insurance broker who is able to tailor the insurance package to the customer's needs. The policies also contain a more consistent definition of flood leading to satisfactory claims outcomes. Depending on the size of the insured and how the policy has been structured by the broker, there can be some significant supplementary benefits triggered by a flood event," he says.

"One of our clients, a very prominent national franchise, incurred serious damage to buildings, plant, contents and stock during the Brisbane flood. They were also unable to enter another site as access had been restricted. The policy contained flood cover, as well as an allowance for claims preparation costs, additional increased costs of working and prevention of access considerations. Within 24 hours an independent expert had been appointed, the client had the option of leasing temporary premises and/or purchasing stock at full market rates to continue servicing the existing customer base. In addition, as a result of access being restricted at the other site, the client was also able to have the lost income at that site included as part of the damage to be assessed under the policy. Other businesses in the area were so impressed with our client's flood cover they wanted to know who had arranged their insurance."

Despite the Federal Government's decision to introduce a flood levy to deal with flood losses, Mr Goodall says the free-market insurance mechanism is the world's oldest and most effective risk management tool.

"And it's most effective where the customer is fully informed, engages the services of an insurance broker and is prepared to pay for the cover. From the perspective of an insurance professional, flood cover is available. It simply comes at an extra cost."

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