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Standing Committee on Economics
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Subject: Inquiry Submission Regarding Insurers' Responses to 2022 Major Floods Claims

Dear Dr. Daniel Mulino MP and Members of the Committee,

This submission has been prepared on behalf of the Restoration Industry Association (RIA) of Australasia and reflects the views and recommendations of its members who represent the first response to restoring property and contents while mitigating further damage following a major weather event.

The RIA recognises that flooding is a significant and growing concern in our country, causing substantial financial, emotional, and environmental damage to communities across Australia, and globally. There are some 30,000 businesses operating in the restoration industry and as an industry we have been at the forefront of every major weather event and natural disaster in recent history.

As such, it is crucial that we address this issue holistically, acknowledging that 90% of restoration business are small to medium and heavily embedded in communities regularly impacted by flooding. They see first-hand the full impact insurance claims management has on the welfare of customers.

About the Restoration Industry Association (RIA)

The RIA is the world's oldest and largest non-profit, professional trade association for the restoration industry. The association provides leadership, knowledge, training, events, support, and advocacy initiatives for the restoration industry.

Founded in the US in 1946, the association supports 1,500 member companies, representing over 36,000 cleaning and restoration professionals in the US, Canada, Australia, and New Zealand. With an extensive network of professionals working towards similar goals, RIA has become a trusted resource for those involved in restoration.

In 2019, RIA Inc. Australasia was established as a not-for-profit association. The Australasian Management Committee was formed to support RIA's Australasia's membership and promote RIA's interests in Australia and New Zealand.



What is a Restorer?

A restorer is any person or business that provides services to an organisation, government agency or consumer immediately after a weather event, fire, crime scene or natural disaster.

They are committed to mitigating further damage, reducing health and environmental hazards, and limiting environmental waste returning the customer's life to normal with minimal inconvenience.

Restorers are generally first responders and have been at the forefront of all Australasia's major disasters since the coordinated response to events began. They are one of the few businesses trusted by insurance companies to deal directly with their customers.

The industry focuses on repairing and restoring rather than removing and rebuilding property and contents. This approach limits overall costs, claims times and customer displacement from their homes.

Introduction

Flooding is a natural disaster that affects millions of individuals and businesses annually. It can lead to the destruction of homes, infrastructure, and the disruption of daily life. In recent years, the RIA has witnessed the frequency and severity of flooding events increase due to a change in climate, building and land use changes, and urbanisation.

We acknowledge that the 2022 flooding across Queensland, New South Wales, Tasmania, and Victoria were significantly bigger and more varied than we had witnessed before, highlighted by the approximately 200,000+ claims and estimated insurance costs of more than \$3.25billion. (ICA: "Updated data shows 2022 flood was Australia's costliest", 3 May 2022)

The RIA's following position and observations are based on direct customer feedback and member observed practices and data.

Observation Areas

1. Claims Approaches and Communication

Restorers are generally first responders to a household following a major event and subsequently become the main face-to-face human interface a customer will have following claims lodgement. The first 72 hours following water inundation is the most critical in terms of the ability to make safe, mitigate further damage and ultimately reduce the need for customer displacement. After this time the impact to the customer through more invasive works, loss of contents, and displacement length increases significantly. Delays in claims progressing and signoffs hinder this immediate work commencing with the customer frustration frequently directed to on-site trades.

The size and geographic spread of the 2022 events was problematic for all businesses or organisations to respond. This is largely due to lack of predictability of scale and spread of events during "disaster season" (generally November to February). It is uneconomical for insurers and insurance supply chain businesses like restorers to hold event staff and equipment during non-event periods, so while modelling and weather data provides some level of demand forecasting there will always be seasons where this simply can't be facilitated solely by the private sector. This means any delays to claims lodgement, processing and works authorisation compounds the customer inconvenience.



The Restoration Industry Association acknowledges during this initial 2022 event period the Insurance Council of Australia (ICA) and insurers did an excellent job in communicating the immediately impacted population regarding claims lodgement and support services.

However, the single industry voice and messaging naturally subsided within a few days and then customer specific claims contact and messaging became critical. It was during this period many RIA members reported increased customer concerns directed at them originating from the differences of claims management practices across insurers. Following the major flooding events community anxiety was heavily dictated by insureds witnessing the progress and approach of neighbours' claims. The adoption of different strategies and policy responses created a lot of confusion and frustration.

Furthermore, it was not uncommon for Insurers to change their remediation or repair approach during last year's events. There were several instances where restorers and builders commenced an event with a certain approach and weeks later the process and approach changed which impacted both suppliers and customers.

Examples:

- *Tile removal* - Some insurers make a blanket decision at the commencement of the event that all tiles in flood affected areas are to be removed while other insurers take the approach of assessing each claim on its merit and making a customer-by-customer based decision. During 2022 events, the RIA witnessed community meetings where the Insureds became frustrated and questioned why their neighbour had tiles removed but they had not.
- *Government Buy-Back* - In Lismore there was a lot of confusion and delay due to the Government buy back scheme. Restorers were advised by clients on numerous occasions that they didn't want restoration or further damage mitigation work to proceed due to the uncertainty of a buy-back offer, and subsequently if they would accept it or not. This took considerable time and, in some cases, resulted in increased damage through lack of early drying and make-safe procedures.

Recommendations

- Agreed consistent industry claims approach and messaging following the immediate high level industry claims lodgement and community support communications. This approach might not be a standing agreement but rather agreed specific to each event via an insurer claims response roundtable and supported or endorsed by Government authorities.
- Insurers, the ICA and potentially government agencies to publish a single document that can be provided by first responders to the Insured at the first face-to-face contact, whether from an assessor, restorer, or government representative. This would explain who some of the different parties are that they may hear from during an event and their role in the claims process. For those who have never had a claim previously it is not only a stressful situation, but they are then receiving calls from multiple trades, restorers, loss adjustors etc.

2. Excessive Removal and Replacement of Building and Contents

As "restoration" focuses on "restoring" property and contents to its previous condition, we look foremost at how to preserve items safely and efficiently in line with Australian and International Standards as well as global industry best practice. If this cannot be achieved then a recommendation is made to the customer, insurer, or government agency to potentially remove, replace, or rebuild.

We believe in 2022 there were many cases where unsustainable pressure was placed on insurers, loss assessors and restorers to replace everything as new and undertake more significant work than was required. Often customers were unnecessarily displaced and required to go into temporary accommodation which during 2022's multiple high-volume events, extended to several months due to the shortage of skills, labour and materials. This also has significant environmental impacts through excessive waste and landfill



and increased claims costs which is ultimately passed onto the insurance industry and subsequently back to the customer.

Historically “Mud Army” volunteers became important community assets in supporting business and homeowners to deal with the aftermath of water inundation. While the immediate removal of water impacted items allows the owners to remove perceived hazards and start a level of recovery, restorers witnessed a significant increase in home building materials and contents unnecessarily removed or thrown away.

The more items in need of replacement and rebuild only adds to delays in access to specialised trades and materials, which was prevalent in 2022 as many companies became stretched as they tried to support national claims and recovery efforts.

Examples:

- *Displacement Challenges* – In 2022 the RIA witnessed significant customer challenges in Lismore and Tweed Shire due to the lack of temporary accommodation for displaced homeowners. These regions have traditionally smaller pool for rentals and then it was exacerbated by a national rental crisis. We witnessed many homeowners camping long term due to the high demand with some camping at local showgrounds with very limited facilities. Following inspection of many homes we identified cases where displacement would not have been required, or limited, if work was undertaken immediately following the event.
- *Loss of Resilience Investment* – Federal, State and Local Governments are investing heavily in resilience and rebuilding programs using materials and practices that reduces the impacts of flooding. The RIA’s formal technical assessment of these materials and practices indicates the minimal need to disturb properties and people to repair and restore post flooding. Excessive and untrained removal of these material represents a significant loss of Government and homeowner investment and drives unnecessary claims costs.

Recommendations

- *Expedited Work Authorisations* - Agreed industry approach to immediate authorisation, to an agreed value and scope, of make-safe, restoration and damage mitigation. This would reduce customer displacement, reduce loss to valuables and mitigate further internal damage. Having works completed immediately without multiple contact points would ease customer stress, anxiety, and complaints.
- *Public Awareness Campaign* - Undertake an education program in flood risk areas pre and post events to limit the extent of material and content removal. This should be supported by a high-level guideline for ‘mud army’ members which allows them to discriminate better the items they remove or place into landfill.

3. Fire Brigades, but no Flood Brigades

Australia has one of the world’s best approaches to fire response and management during and post-events. The country is supported by a formal fire brigade and a rural volunteer brigade that is funded, resourced, and consistently trained. However, water causes more personal and commercial damage annually than any other event, and accounts for some of the greatest insured losses in Australian history.

During many of the events of 2022 there were witnessed gaps in first-responders awareness of water inundation and its management. There was lack of consistency and many cases customers reported being given advice on mould and damage that was incorrect which resulted in time delays due to incorrect claims prioritisation.

There was also inconsistency in approaches to air quality and moisture density testing across companies and insurers, again resulting in increased claims costs and delays. There is a critical need for an agreed post-event guideline to dictate agreed safety levels and therefore claims approaches.



If insurers receive different advice from hygienists regarding what sort of Post Remediation Verification (PRV) clearance should be achieved prior to building repairs commencing it causes a lot of confusion and frustration for the insured. Those insureds who are with an insurer that implements more extensive PRV guidelines are in most cases not reinstated to their property as quickly as those Insurers with lighter PRV clearance guidelines.

Examples:

- There were significant complaints received by restorers from insureds who were confused as to why it was taking longer for their property to achieve PRV clearance than neighbouring properties considering like-for-like damage and inundation – they were not aware that neighbouring properties were requiring lighter PRV clearance levels and therefore significantly less work was being completed.

Recommendations

- *Standards Adoption* - Australian adoption of international water and mould standards (S500 and S520) to remove confusion around post event management. Insurers to only contract companies adhering to these standards. (Note: S500/S520 standards are presently undergoing harmonization and adoption in conjunction with Standards Australia)
- *Post-Remediation Verification (PRV)* – Should be consistent across all insurers and government authorities to ensure there is no difference in “clearance” procedures for flood affected properties. Insureds using broader clearance levels can take significantly longer to get a customer back into their property.
- *Training* - RIA Australasia to assist in the formalised training of all frontline resources such as military, insurance workers and government agencies about the safe management of water and mould impacted materials including basic identification of salvageable materials.
- *Industry Response Framework* - Develop an industry post-event framework that provides a commitment to minimising customer displacement and safely restoring and repairing properties with residents and business still operational. This would include agreed safety and testing requirements for properties. Represented industries would include insurance, government, and key supply chain representative organisations.

4. Under and Non-Insurance

Flood insurance premiums can be prohibitively expensive for many, particularly those in high-risk areas. This financial burden can discourage residents from obtaining coverage and in 2022 we witnessed an increase in direct to member business in certain geographic pockets following catastrophic flooding events. The advice from customers was that they were either trying to self-manage claims below their excess levels or in fact had reduced their coverage to keep costs down.

Many members also indicated call outs to properties in the six months following the event where properties were incorrectly tested, dried, or repaired by the owner or by an unqualified operator which resulted in further damage or potentially dangerous air quality issues.

Repairs managed through reputable insurer and restorer partnerships generally guarantees the use of qualified business and practices leaving the customer in a safely restored property and with clear recourse processes if there are any issues.

Without adequate guidance and support the RIA continues to see vulnerable customers left exposed financially and physically by using unqualified tradespeople or opportunistic businesses following a major event. There remains a clear opportunity for a formal post-event government and industry partnership to ensure at the very least people can live safely in their homes while seeking affordable insurance solutions.



Recommendations

- *Vulnerable Residents Safety Assessments* - Establish and fund a targeted government assistance program through the National Emergency Management Agency (NEMA) to support low-income individuals and vulnerable communities get basic restoration to ensure properties are safe and habitable in line with Australian and International air quality, moisture, and mould standards. This will ensure a higher proportion of impacted residents can continue to remain and live in their homes while undertaking self-funded repair work.

Conclusion

The issue of major flooding is one that can only be addressed through strong government and industry partnerships. While it is unlikely that the frequency and severity of events will decrease, there is certainly more than can be done to improve our resilience to flooding and minimise the size and severity of insurance claims made.

The RIA Inc. Australasia supports the Insurance Council of Australia's "Building a more resilient Australia" policy paper specifically around increased investment in resilience measures to ensure more homes can be cost effectively repaired as well as changes to building and waste clean-up management standards.

The RIA also commends the Queensland Government's Household Resilience Funds and Programs, which have been technically assessed by the RIA. These programs not only reduce potential damage and customer displacement length but supports faster and more efficient restoration work following an event.

I urge the Committee to consider the above recommendations as part of its inquiry and work toward creating an improved recovery experience for all Australians impacted by flooding.

Thank you for your time and attention to this important matter. RIA President Owen Boak, other industry technical experts, and I are available to provide further information or answer any questions.

Sincerely,

Marcus Taylor
Head of Advocacy
RIA Inc. Australasia