

From:
To: [Inquiry, Flood Insurance \(REPS\); Committee, Economics \(REPS\)](#)
Subject: LANSW supplementary submission to the Inquiry into Insurers' responses to 2022 major floods claims
Date: Wednesday, 31 July 2024 2:21:42 PM
Attachments:

Dear Secretariat,

On behalf of Legal Aid NSW, I'd like to extend our sincere thanks to the Standing Committee on Economics for the opportunity to appear and provide evidence at four of the public hearings in NSW. We appreciate the Committee's attention to these crucial issues affecting numerous individuals and communities impacted by the major floods of 2022.

During our last appearance at the public hearing held at Richmond on 9 May 2024, our solicitor took two questions on notice. I'd like to provide the following responses:

*CHAIR: Thanks very much. I'll kick off with some questions, and then—I know that other committee members have questions—I'll hand over to them. Firstly, I wanted to touch on this issue of no flood coverage. Based on your experience, has that trended in a particular way over the last, say, five, 10 or 20 years? You may not have 20 years direct experience, but you might have corporate knowledge. **Has the absence of flood coverage changed?***

The absence and affordability of flood coverage have been ongoing issues, with some significant developments over the years:

1. **Regulatory Changes:** The introduction of the standard definition of 'flood' in the Insurance Contracts Regulation 2017 provided some clarity and consistency. However, confusion about flood cover details and high premiums remain significant barriers.
2. **Bundling of Coverage:** Some insurers have adopted bundling flood cover with storm surge and rainwater runoff cover, leading to confusion among policyholders who may not realise the extent of their coverage exclusions.
3. **Affordability Issues:** High premiums, especially in high-risk areas, continue to be a barrier. We often hear from our clients about their unaffordable premiums, with quotes ranging in the thousands for flood cover alone sometimes as high as \$60,000 per year.
4. **Increased Reliance on Government Assistance:** Due to the affordability issue, there has been an increased reliance on government grants and assistance programs to help disaster-affected individuals recover, highlighting the need for more accessible and affordable insurance solutions.

*Mr LAXALE: In AFCA's evidence to this inquiry, they said that the early resolution rate in insurance companies across major floods was 34 per cent. That's compared to 46, or around 50 per cent, for general insurance inquiries. **Why do you think it was a lot lower for the major floods?***

We agree with Mr Laxale that AFCA would be better placed to respond to this question however, we would like to offer some thoughts. Based on our casework experience, several factors likely contributed to the lower early resolution rate for major flood insurance claims compared to general insurance inquiries:

1. **Complexity and Scale of Claims:** Major flood events lead to a high volume of complex claims involving extensive property damage, requiring detailed assessments and repairs. This complexity can prolong the resolution process.
2. **Difficulty in Assessments:** Determining the cause of damage (e.g., floodwater, storm surge, or rainwater runoff) is often contentious and requires expert hydrological reports, leading to significant delays due to shortages of hydrologists.
3. **Insurer Communication and Workforce Issues:** Insurers faced challenges in scaling up their workforce to handle the surge in claims, resulting in difficulties in contacting insurers, unreasonable delays, and

poor communication.

4. **Policy Exclusions and Confusion:** Many policyholders were unaware of their coverage details, particularly regarding flood cover. Confusion over bundled coverages and high premiums led to disputes and delays in resolution.
5. **Quality of Repairs and Settlements:** Issues with assessor reports, repairs, and the cash settlement process contributed to disputes and further delays in claim resolution.

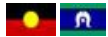
Thank you again to the Committee for the opportunity to contribute to this important inquiry. Should the Committee require any further information or assistance, please do not hesitate to contact me.

Regards,

Ma'ata Solofoni

Senior Solicitor (Disaster Recovery & Insurance) | [Disaster Response Legal Service](#)

Address: 323 Castlereagh Street Sydney NSW 2000



I acknowledge and pay my respects to the traditional owners and custodians on whose land I walk, work & live.

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