

19 May 2003

Mr Ian Dundas
Secretary
Select Committee on the Recent Australian Bushfires
House of Representatives
Parliament House
CANBERRA ACT 2600



Dear Mr Dundas

INQUIRY INTO THE INCIDENCE AND IMPACT OF BUSHFIRES

Please find attached Insurance Australia Group's submission to the House of Representatives Select Committee on the Recent Bushfires.

Insurance Australia Group is the largest general insurer in Australia and New Zealand (as measured by GWP in both countries). In the year ended 31 December 2002, the Group's Gross Written Premium (GWP) on a pro forma basis totalled approximately \$6.0 billion. The Group has more than five million customers.

The Group manufactures and distributes personal and commercial insurance products and manages government workers' compensation schemes. The Group owns a variety of subsidiaries and brands through which these general insurance products are distributed. These brands include NRMA Insurance, SGIO, SGIC, CGU, Swann Insurance, State Circle and NZI. The Group also provides a range of retirement financial products and services under the Clearview Retirement Solutions brand.

Insurance Australia Group would be happy to discuss with the Committee any of the issues raised in our submission or to make a formal presentation where we would be happy to field any questions Committee members might have. Please contact Susan Moxham, Policy Adviser on (02) 9292 8462.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Barbara Hayes', is written over a light-colored background.

Dr Barbara Hayes
Head of Government Relations and Policy
Insurance Australia Group

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a) the extent and impact of the bushfires on the environment, private and public assets and local communities

Losses

As of 24 April, the Insurance Council of Australia has provided an estimate of losses for the ACT bushfires of \$345 million. This figure is likely to increase as more claims are registered. Major losses were the Pine Forest, and Mt Stromlo along with private homes and public buildings. The disruption to the community in terms of the personal grief and suffering from the fires is unquantifiable.

b) the causes of and risk factors contributing to the impact and severity of the bushfires, including land management practices and policies in national parks, state forests, other Crown land and private property

Basic Strategies for Dealing with Bushfire Prevention

In the first instance the bushfires have provided Canberrans with an opportunity to look at new ways to rebuild and plan the city. Increased awareness of risk management strategies around bushfires could be extended to the built environment as well as the siting of parks and the types of vegetation planted. One example which came to our attention was the highly flammable nature of pine bark. People use wood chips and pine bark on their gardens to retain moisture in the soil and to prevent the growth of weeds. A Mittagong client took delivery of pine bark for their garden immediately preceding the fires. The pine bark caught fire and caused damage to the side of their house in the wall cavity and the under the floor area. Assessors consider that if the pine bark had not been where it was at the time, the house would not have caught fire.

Increased Funding for Fire Fighting Agencies

Fire fighting agencies should be funded to run summer campaigns concentrated around hazard reduction programs. This should include educating people to clean out their gutters and remove superfluous items from around their property.

c) the adequacy and economic and environmental impact of hazard reduction and other strategies for bushfire prevention, suppression and control

Hazard Reduction

There is some uncertainty as to how hazard reduction programs conducted in national parks would impact on future bushfire events. The point has been made that the fires were burning for days and weeks. Normal hazard reduction programs would not make any impression on the levels of fuel which were burning in the lead up to the fires arriving in the ACT. Apparently, one of the reasons that the fire spread so quickly was due to the unusually strong winds, which pushed the fires through treetops and continued to carry burning airborne fuel towards more bushland and forested areas.

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- d) appropriate land management policies and practices to mitigate the damage caused by bushfires to the environment, property, community facilities and infrastructure and the potential environmental impact of such policies and practices*

Preparedness for Bushfire Events

As a city, Canberra was unprepared for what would happen when the bushfires hit. It has been said that the primary reason why people in the ACT did not worry about the fires, which had been burning in the national parks for weeks, was because they did not think the fires would ever reach them. This observation points to the need for greater education around bushfire awareness in the ACT. It also identifies the need for more firefighting resources in the region. The main lesson of the 2003 ACT bushfires is that no city or township is immune from bushfire risk especially if the climatic conditions are adverse.

- e) any alternative or developmental bushfire mitigation and prevention approaches, and the appropriate direction of research into bushfire mitigation*

Bushfire Mitigation and Prevention Strategies

One of the actions which should be considered is to address the appropriateness of existing planning and building codes in determining whether or not government should automatically rebuild in the affected areas. Is it appropriate to have large pine forests adjacent to residential housing? Rebuilding is already occurring around Duffy and Chapman. However, recollections of the 1952 bushfires would suggest there is a case for implementing a risk management policy around fire prevention for these residential areas. One long time resident has spoken of the 1952 bushfires coming down a similar ten mile front to Mt Stromlo and Red Hill. The 1952 fires penetrated as far as Griffith and came to where the Narrabundah shops are currently located. The fires also burnt out Bombala. The main difference between 1952 and 2003 is that areas which were previously bushland, have now given way to housing estates. It is understood that the Inquiry has received information from people who remember the 1952 bushfires and this knowledge suggests that any rebuilding program should address the potential for future bushfires re-occurring in the area.

- f) the appropriateness of existing planning and building codes, particularly with respect to urban design and land use planning, in protecting life and property from bushfires*

Planning and Building Codes

Planning authorities should review the cul-de-sac layout of suburbs like Duffy and Chapman. Some fire fighters could not negotiate down these dead end streets because abandoned vehicles clogged the roads leading to and from the critically affected suburbs. Suburbs which have been the subject of a bushfire of the magnitude of the fires which hit the ACT in January, should be designed and built in such a way that it is easy for fire trucks to get in and out of the streets as expeditiously as possible.

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Since the bushfires, and with the goal of promoting improved urban and housing design, NRMA through its parent company IAG, has initiated a Sustainable Housing Project in the ACT which has the endorsement of the Bushfire Recovery Taskforce. The objective in pursuing a sustainable housing project is to promote innovation in the rebuilding of parts of the affected suburbs and to demonstrate how a more sustainable housing model can be achieved economically whilst producing benefits in terms of environmental excellence and reducing vulnerability to the major risks impacting on residential housing in the community.

There are seven criteria which will need to be incorporated into this more sustainable housing model. They are

- Fire Safety
- Storm Safety
- Security and Theft
- Energy Efficiency
- Water Sustainability
- Safety & Community
- Disability

The goal is that this initiative will serve as a model to encourage people not only the ACT, but across Australia, to build more sustainable housing which meets the demands of their environment, improves risk and involves as little additional financial burden for the resident as possible.

g) the adequacy of current response arrangements for firefighting

National Parks

Some people have queried why it was that the fires were allowed to continue to burn for so long in the National Parks.

Response to Fires and Firefighting

The bushfire season of January 2003 raised a discussion around whether people should stay in their homes and fight an approaching fire or whether they should evacuate. The Canberra bushfires caught many people by surprise and in some respects there was not a lot of choice about whether to evacuate. But in many examples where people stayed on to fight the fires throughout the Sydney metropolitan area and in Canberra, the end result was that homes were saved whilst people who were absent subsequently found their properties succumbed to the fire. Is it clear which alternative has precedence, and is there enough public education as to what people should do in the event of a fire? Should a research project be conducted on houses lost and saved by people staying in their home?

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h) the adequacy of deployment of firefighting resources, including an examination of the efficiency and effectiveness of resource sharing between agencies and jurisdictions

Access to Streets for Fire Fighters

NRMA has been told about problems for firefighters in accessing streets in Duffy and Chapman. In addition to the problem of abandoned vehicles clogging the streets, the fire services were not familiar with the layout of the suburbs to which they had been sent. A basic need for the Rural Fire Service units, who came from other regions in the State to fight the bushfires, would appear to be the provision of Global Positioning Systems (GPS). GPS helps to identify and locate streets. IAG understands that Rural Fire Services from regions such as Wollongong, found it extremely difficult to navigate suburban streets in the ACT. Especially difficult for the Fire Fighting Services was the use of traditional street directories in the identification of cul-de-sacs and access roads amidst the smoke and chaos of the bushfire. This procedure was not only very difficult for the firefighters but also very dangerous. Residents have commented that they never saw the fire brigade anywhere near threatened properties.

i) liability, insurance coverage and related matters

Liability Cover

In regard to liability cover, NRMA responded quickly to the changed circumstances brought about by the ACT bushfires on 30 January 2003 on behalf of all its NRMA customers who had suffered losses. More than two months after NRMA had addressed the problem, the ACT Government announced on 17 April 2003, that the Bushfire Recovery Taskforce had arranged public liability insurance with an Australian insurer. This insurance was to assist home owners who had either settled their home insurance claim or whose insurance policies had expired and who no longer had public liability insurance.

Home Buildings Insurance - Liability Cover

Usually, under the Home Buildings policy, when a home has been completely destroyed and the buildings sum insured is paid, the contract of insurance has been fulfilled and the policy ends. As a result all cover ceases, including liability cover.

NRMA Insurance recognised that customers needed special consideration at this time. Therefore, for existing Home Buildings Insurance customers an extension was made to the liability cover of the Home Insurance Policy book, for claims arising from incidents which occur on the site and for which the insured or their family were responsible as owner of the site.

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If the policy would have been due on or before 18 July 2003...

Liability cover extends until 18 July 2003.

Eg. the policy is a total loss and was due to expire on 15 May 2003 - the Liability cover is extended until 18 July 2003

If the policy would have been due after 18 July 2003...

Liability cover extends until the date the policy would have normally expired.

Eg. the policy is a total loss and was due to expire on 11 November 2003 - the liability cover is extended until 11 November 2003

Home Contents Insurance

Because of the extent of the devastation for so many people who had lost their homes, NRMA recognised the need for a separate style of insurance policy for people who were living in temporary housing. The following new business insurance policy was implemented to meet this new need.

Customers, whose contents have been declared a total loss, whether they are insured with NRMA Insurance, another insurer or they are uninsured, can take out a new Home Contents Insurance policy. In addition to cover for listed events, Home Contents insurance provides liability cover for incidents that occur outside the site and within Australia. The sum insured can comprise undamaged items salvaged from the home, in addition to items as they are replaced.

Demolition on Site

One outstanding issue which came to the attention of NRMA was the complete lack of awareness that existed in the ACT bureaucracy about what sort of products were sold in home building and contents policies. For example, the ACT Government appeared not to realise, until after they had entered into negotiations with Bovis Lend Lease, that NRMA Insurance included the cost of demolition in their building insurance contracts. NRMA Insurance pay this money directly to the insured. Not all insurance companies cover for demolition in their home building contracts.

a) the roles and contributions of volunteers, including current management practices and future trends, taking into account changing social and economic factors

Response to the ACT Bushfire Crisis by Insurance Industry

Overall the insurance industry as a whole, handled the aftermath of the bushfires in a highly professional and efficient way. The industry played an important role through the Insurance Disaster Response Organisation (IDRO) which assisted at the Lyons Recovery Centre with advice on insurance to residents and worked cooperatively with other agencies. NRMA also put on a HELP EXPO for bushfire affected residents. NRMA donated \$100,000 to the Salvation Army to be used for

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food vouchers redeemable at Coles, Franklins and Woolworths for people affected by the Canberra bushfires who were in genuine need of assistance.

Dispute Resolution Process

Volunteers at the Lyons Recovery Centre were of the impression that bushfire affected residents could have almost any issue attended to if it related to an insurance matter. In some cases these issues were trivial in nature, and under normal circumstances, would have been the subject of a dispute resolution process. To illustrate the point being made, one insured person complained about the condition of their curtains after they were dry cleaned. In that instance the claimant insisted the curtains had shrunk and added to their complaint the assertion that their carpets had not be cleaned sufficiently. These complaints divert attention and resources away from the more serious issues of helping people who have suffered a total loss. Given the high number of serious losses encountered by individuals in the ACT Bushfires, it is suggested that in any future event, claims of this nature are dealt with separately to the more serious and important issues affecting people who have suffered a total loss or partial loss of property.