



A handwritten signature in black ink, appearing to be "K. Sullivan".

Dr Kate Sullivan  
Inquiry Secretary  
House of Representatives Standing Committee  
on Climate Change, Water, Environment and the Arts  
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Parliament House  
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4 September 2009

Dear Dr Sullivan,

The Insurance Council of Australia is pleased to respond to your inquiry of 17 August, where you have requested information regarding the following issues:

*Examples of wording used for definitions across insurance policies for exclusions relating to coastal events such as storm surge, landslip and sea level rise (coastal flooding, saltwater inundation, erosion, geotechnical events)?*

*Statistics on how prevalent these types of exclusions are across the Australian insurance industry, to provide some context to how difficult these risks are to insure against.*

It is critical to note that definitions for risks may differ from insurer to insurer, depending on the risk appetite of the insurer and the product being offered, and it is not practical to list all variations. The plain language used by insurers to inform consumers of risks that are covered or excluded by their insurance are contained in each insurer's Product Disclosure Statements (PDS). These documents are freely available at retail outlets and are available via the internet for those researching a potential insurance purchase. Insurers licensed to operate in Australia are required by ASIC regulation (RG168) to provide product disclosure information to customers as a condition of their license.

It is also important to note that there are no common definitions adopted within the general insurance industry on risks. This position was reinforced in 2008 when the Australian Competition & Consumer Commission (ACCC) ruled against the industry's application for use of a common definition for flooding, the ACCC noting that it was "...not likely to result in a public benefit that would outweigh the detriment to the public constituted by any lessening of competition arising from the arrangements." Definitions in insurance policies across the industry are only similar to the extent that they rely upon common plain language terms.

With regard to general exclusions relating to salt water risks or action of the sea, there are many approaches taken by insurers in terms of defining the event. The majority of policies use planning language terms such as *damage or loss caused by any actions or movements of the sea*. Some insurers go further in defining damage from the sea that arises from *sea level rise from storm or cyclone events*.

Geotechnical issues may be variously defined by some as insurers using plain terms such as *damage or loss caused by erosion, landslip, landslide, collapse, vibration, settling, expansion, shrinkage or any earth movement* (generally other than earthquake, which is often defined as a separate event).

The Insurance Council does not hold precise statistics regarding the prevalence or otherwise of exclusions on these matters. However, a scan of publicly available Product Disclosure Statements indicates that cover for damage or loss caused by action or movement of the sea is available in the Australian market, with some restrictions on the types of damage that will be covered as a result of the event. The majority of policies exclude, or have pre-defined limits on the extent of cover, for damage or loss caused by geotechnical matters which are defined using various plain language terms.

If you would like to discuss any of these matters please contact me

Yours sincerely



Karl Sullivan  
General Manager Policy -  
Risk & Disaster Directorate