

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS INSURANCE SECTOR

Insurance Australia Group

IAG07QON: **Dr LEIGH:** Thank you very much, Mr Harmer, for joining us today. During the bushfire crisis earlier this year, you put in place an embargo on some 20 postcodes in Victoria and New South Wales. Why did you do that, and how long did the embargo last?

Mr Harmer: Firstly, the embargoes lasted, I think, from a few days to some weeks. Again, I don't have specific details. If required, I can take that on notice. The embargoes are put in place to avoid people who would otherwise be uninsured simply getting in contact with us as the fire approaches their property to then take out insurance.

Answer: Embargoes on insurance are put in place when natural perils including fires, floods and cyclones are impacting or are predicted to have an imminent impact on a geographic area. In relation to the bushfires, embargoes are typically applied to the postcodes or regions identified in emergency alerts issued by the relevant state-based bushfire authority.

The time period for embargoes varies and depends on the likelihood of the risk occurring. This is usually for a few days or in some cases can stay for a week or more. We continually review the embargoes that are in place and will lift them as the likelihood of the risk occurring eases. For bushfires, embargoes can remain in place as long as the emergency warning applies for a particular location.

People are still able to get a new insurance policy when an embargo is in place. However, they won't be able to make a claim for the specific risk that is included in the embargo until that embargo is lifted.

In mid-January 2020, we had 20 embargoes in place for all our brands for certain areas with a bushfire risk. We understand the reference to 20 postcodes was misquoted in the Guardian. It should have referred to areas under embargo.

We have set out below some examples of bushfire embargoes in December 2019/January 2020:

Region/Postcode(s)	Product Types	Start	End
North-East Victoria	Consumer (home, motor, etc.)	3/1/2020	7/1/2020
Illawarra/Shoalhaven	Consumer (home, motor, etc.)	31/12/2019	8/1/2020
ACT	Consumer (home, motor, etc.)	4/1/2020	8/1/2020
2628 (NSW)	Commercial	6/1/2020	13/1/2020
3697, 3699, 3741 (Victoria)	Commercial	10/1/2020	20/1/2010
2609, 2620 (ACT)	Commercial	23/1/2020	28/1/2020