



# Northern Rivers Flood Action Group Inc

## Submission/presentation

### Lismore hearing-federal flood insurance inquiry

The attached notes are intended to give additional detail to verbal testimony on the meeting date of the 11 April 2024 at Lismore.

**We consider one of the biggest ongoing problems that is affecting a large number of flood effected people is the inability to secure insurance with any insurance companies for partly damaged ( non structurally damaged) homes:**

Where houses have had the internal wall cladding removed, kitchen taken out and all floor coverings removed. In this condition the house is deemed unliveable by all the insurance companies. In this condition although the building is structurally sound no insurance can be secured not even public liability as further detailed below.

- 1. **NO...Normal building insurance**( Fire ,storm & tempest). **Not possible** ( As insurance companies consider houses in this condition to be unliveable).
- 2. **NO...Builders-construction insurance. Not possible** ( As a result of stripping the Gyprock, kitchen and floor coverings etc the underwriters have deemed those cleanout operation as "commencement of works" and as such " builders insurance" cannot be offered as a builders insurance policy must be **in place prior to any works commencing**. A bit hard in the circumstances of a major flood, which determines when cleaning has to start..( in the case of flood silt, the earlier you commence cleaning works the easier and better the end result).
- 3. **No... public risk insurance possible** as you need a minimum of 2 categories of insurance i.e.; building and contents etc before the insurance companies will sell you a third section of a policy such as " public Liability".
- Following the flood hundreds of people have rushed to pay their insurance when they received their premium renewals thinking this would automatically lock them into continuation of their policy . Most having no understanding of the technical implications of the condition of their house puts them in regarding the obligations in

the disclosure section of their insurance policy to notify the Insurance company of any changes etc.

- As a consequence they would not be insured if a disaster was to occur e.g. severe storm, cyclone, fire, vehicle collision or whatever event caused damage to their home triggering a claim event under normal circumstances. In the event of a claim being lodged, an assessor would eventually attend the claim site and following investigation of the house discover that it was not fully restored, advise the insured people that their home should never had been insured. As a result of the breach and non disclosure by them, we, the insurance company will not honour your claim.
- **A new type of insurance policy product is required to rectify the above issue.**  
A basic policy that offers 1. Public Liability 2. Basis fire, storm and tempest cover for the structure in its unliveable state ( I might advise that there are people living in these type of buildings). Invite the insurance company to come and take photos to their hearts' content and keep on file, the insured notify the insurance company when the house is complete and request a further inspection prior to converting the basic policy to full normal building, public risk and contents insurance, if required.

**Post Code rating to set premium rates without consideration of AHD ground levels:**

- Insurance companies have advised people they calculate premiums on post codes within the area in which your house is located.
- To the best of our knowledge and reports to our group, no practical knowledge is obtained to calculate the premium, for example get an AHD ground level certified by say a surveyor). Some people with houses out of flood reach were disadvantaged with a higher premium, even though their house was out of flood. Because they are in a certain post code area and that code's higher risk of insurance is applied to their policy.
- Insurance companies were too slow to organise assessors to attend claim sites.
- Lack of clear concise information. Not even able to advise insured people when they initially made phone contact to lodge claims and ask if they could move debris and start cleaning up. There was no clear concise reply and advice to those people in the majority of cases. Answers along the lines of....I'm not sure, no..., it might be ok but take photos !!!
- Overseas assessors, good experienced people, but not totally familiar with Australia insurance coverage and the differences in what is covered and not covered e.g. water intrusion into roof cavity not covered in some overseas countries but is covered in Australia. Potentially resulting in incorrect assessment of a storm damage claim in that example, even if the people did not have flood cover they should have been covered for water intrusion if it came through the roof due the squalling cyclonic winds and flooding rains at the same time.
- A big percentage of Insurance customers are normal people, have no idea of what is covered and not covered by insurance. They are not insurance experts and rely on

their insurance company to help them when they have a problem and have the need to lodge a claim.

- Simplify policy details and have an independent information line to educate people that have no idea.
- Different responses and assessments varied greatly between different insurance companies. In some cases for example, neighbouring houses in the same street...storm water damage paid at 250mm at one house and nothing at the other house with the same or very similar floor levels.
- Septic through the house; insured absolutely understood they were not insured for flood damage. Insured lodged a claim, assessor eventually attended claim site.
- Insurance assessor was advised that on the day before the flood broke the road, due to the excessive rainfall entered the septic system and engulfed the entire system plus flooding the yard, air in the underground seepage trenches forced its way through the entering storm water pushing septic effluent to bludge out the toilet pan inside the house and out onto the floor.  
That same afternoon, with four men lifting furniture and traversing the whole house to remove and lift belongings, walked raw sewerage throughout the whole house. The home owner requested the acceptance of the claim to a depth of 50mm above the floor level. The company rejected that request and the claim going on the advice of the hydrologists report and nothing offered in way of compensation.
- The insured now has to engage a surveyor to double check the AHD levels and other details stated in the report that the Hydrologists have quoted. An estimate given to the home owner for this was between \$5,000 to \$ 7,000 .
- This type of response from insurance companies' results is a form of oppression being inflicted on a lot of people that haven't got the money, means, knowledge or time to follow the system through as they are trying to keep their family and or business afloat at the same time.
- In the state of turmoil, stress and duress that these devastated people are in, leads most of them to a point where without the direct intervention from an independent body offering support( which has been either absent or doesn't exist), they simply give up !
- What the country doesn't want is a situation where people just give up and don't insure at all. Self insurance might be an option for a very small percentage of people, but will result in a lot of pain, suffering and loss of housing as well as community structure and well being.
- Unfortunately some in many flood affected communities on the Northern Rivers would say it's all just getting too hard with increases in most peoples' insurance premiums increasing between 25% and 35% in the last renewal 12 month period.
- Clarity is needed, regarding when an insured is required to continue to pay premium past a time when a claim has been lodged yet not settled or finalised and no repairs carried out under the oversight of the insurance company.
- Is there a duty of care of the property by the Insurance company ?

- When does that duty to finalise the contractual arrangement between the Insurance company and the insured( the agreement if the claim is proven correct in accordance with the policy-contract between the two parties) is it fair to ask the insured to continue to pay premium ? Considering the contract is not satisfied by the insurance company.
- Is there any other contractual agreements between two parties that dictate additional payments be made before settlement of the issue ? When the identified job to return the property to a like pre damage state, has not been completed and in a lot of cases not even started ?

**The following is a list of insurance companies that are presented as an example of the difficulties people experienced in the process to re insure their homes, please note the period of survey was May 2023.**

Our committee undertook this investigation seeking home insurance and flood cover options for the Woodburn township 2472 post code (note, the home where a quote for insurance was sought is located in Lismore City Council area-North Woodburn-Lismore LGA, post code 2472)

Contact for quotation was made with each of the insurance companies listed; the first group totalling 24 companies were not offering any insurance cover what so ever normal building, contents or **flood cover as at the date of the survey.**

NRMA  
AHM  
ANZ  
Australia Post  
Australian Seniors  
Budget Direct  
CHU  
Coles  
Domain Insure  
Everyday Woolworths  
ING  
Kogan  
Qantas  
QBE  
Real Insurance  
Share Cover  
ST George  
Virgin  
West Pac  
Youi  
1<sup>st</sup> for Women  
Bendigo Bank  
Elders  
Summerland Credit Union

The following companies did offer building insurance with the following **additional cost p.a. for flood** insurance cover over and above standard building insurance premium charges.

AAMI.....\$ 37,601.32  
APIA.....\$ 38,677.47  
GIO.....\$ 36,774.96  
Suncorp.....\$ 36,183.15

The following companies did offer normal house and contents insurance with the associated costs quoted...**but No Flood available.**

Property to be insured was a residential home in North Woodburn with a sum insured of \$1,250.00 Inc contents.

Allianz.....\$ 4,328.89 pa ....No Flood  
Hume Bank .....\$ 5,421.77 pa....No Flood  
NAB Bank.....\$ 5,367.82 pa.....No Flood  
Great Southern bank.....\$ 5,421.77pa.....No Flood  
Australian Unity.....\$ 5,576.87 pa.....No Flood  
Comm Insure.....\$ ??

Another issue is that some homes that had insurance renewals post Flood 2022 and that **did include Flood insurance** had their sum insured frozen at the original sum insured prior to the flood and their insurer would not allow or accept any additional increases in the house or contents values.

Home owners are fully aware of the inflationary effects and increases in building costs and some are conscious that they have a policy obligation to maintain a current value regarding the level of insurance cover for the insured home, yet at that time the insurance company would not accept any changes to the policy ( note, as at the period of survey dated May 2023).

In closing we would like to thank the members of the inquiry for giving our group the opportunity to outline some of the issues that faced the insured people of the Northern Rivers. It was a devastating time in all our lives, the biggest and most devastating flood our country has ever experienced.

We hope the information you have gained from the cross section of the community, our local MP's, local government, business, and all the other bodies will eventually lead to a better Insurance structure available to the whole country and in doing so fortify a stronger community.

Please feel free to make contact with either, Cath Cremin [REDACTED] or myself Tony Carusi([REDACTED] [REDACTED] [REDACTED] in the future if you think we can be of any assistance.

Yours Faithfully

[REDACTED]

Tony Carusi  
President  
The Northern Rivers Flood Action Group

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