

# IMPACT OF RECENT FLOODING EVENTS ON INSURANCE PREMIUMS

It will likely come as no surprise that the recent flood events in NSW and Queensland will lead to higher premiums for the upcoming renewal period. The **Insurance Council of Australia (ICA)** has revealed that, as of 8 March 2022, insurers had received 96,844 claims related to the storms and flooding, and the cost so far is \$1.45 billion.

## Q: I DON'T LIVE IN THE AFFECTED AREA. WILL MY INSURANCE PREMIUM INCREASE?

It's expected the catastrophic losses will affect premiums in many classes of insurance. This is because insurers will be forced to pay more for their insurance to meet their obligations. This is known as *reinsurance*.

The insurers we deal with in Australia will be seeking to renegotiate the reinsurance contracts and the pricing they each set on their portfolios will be dependent on the cost of reinsurance. Historically, cost of reinsurance in the Asia-Pacific region was low, however the increase in major climate related catastrophes in recent years has resulted in higher costs for reinsurance, which flows on to the premiums you pay.

## Q: WHAT CAN I DO TO KEEP THE INSURANCE PREMIUM MANAGEABLE?

Building defects and maintenance-related issues are a significant financial exposure – for insurers who are faced with rising claims costs, and for owners who may be forced to pay higher excesses or self-insure the losses that fall below a high excess. A well-maintained property will always be easier to insure than a property with a poor risk profile and claims history.

## Q: I'M STILL WAITING FOR REPAIRS TO BE COMPLETED FROM LAST YEAR. WHY ISN'T MY CLAIM PROGRESSING?

The extended period of lockdown in 2020 and 2021 prevented non-essential repairs such as painting, patching, carpentry, fencing and landscaping being done.



Repairers were still catching up on the backlog of routine claims from the last two years before catastrophic events such as the Victorian earthquake, monsoon rains in Queensland and East Coast Lows in NSW. Structural damage was widespread and required immediate attention. Claims and repairs will be managed by order of priority.

## Q: WILL MY CLAIM BE FURTHER DELAYED BY THE CLAIMS FROM NSW AND QLD?

Possibly. Some resources have been re-directed to support the extensive work required to get people back into their homes and businesses in flood affected areas. Loss adjusters, assessors and repairers have been directed to NSW and QLD to assist insurers.

## QUESTIONS?

If you have any questions, please contact your local BCB branch via one of the options below.

[BCB.COM.AU](http://BCB.COM.AU)

### NEW SOUTH WALES

☎ 02 9024 3850  
@ nsw@bcb.com.au  
📍 Level 11, 338 Pitt Street  
Sydney NSW 2000  
✉ PO Box 20288  
World Square NSW 2002

### QUEENSLAND

☎ 07 5668 7800  
@ qld@bcb.com.au  
📍 Suite 1, 7-9 Burra Street  
Chevron Island QLD 4217  
✉ PO Box 5579  
Gold Coast MC QLD 9726

### WESTERN AUSTRALIA

☎ 08 6245 5300  
@ wa@bcb.com.au  
📍 155b, 22 St Georges Terrace  
Perth WA 6000  
✉ PO Box 5655  
Perth St Georges Terrace WA 6831

### VICTORIA

☎ 03 8609 2300  
@ vic@bcb.com.au  
📍 Level 12, 390 St Kilda Road  
Melbourne VIC 3004



# RECENT CATASTROPHE EVENTS

## Claims Management Update

*In the past two years we've seen financial losses but it's the emotional losses, coupled with the pandemic, that are inestimable, and the effects will be felt for a long time.*

This period has been extremely challenging for the insurance industry, not just due to the claim costs but also the strain on resources and the people involved in claims management.

Customers seek out their strata managers for assistance when claims occur, and BCB works with strata managers to lodge claims and to progress them as quickly as possible. This process normally works well, but the events of the past two years have put a strain on the entire system.

### A CATASTROPHIC COMBINATION OF EVENTS

From late February to early April 2022, Australia's east coast endured three intense weather systems that led to record rains and flooding. This was Queensland's worst flooding since 2011 and both Queensland and NSW received more than a year's rainfall in one week.

The Insurance Council of Australia (ICA) estimates the current losses from these recent events is \$2.32 billion with 168,000 claims lodged.

However, when all this occurred, the industry was still struggling to recover from the previous events of 2020 and 2021.

- 1 November 2020 – Halloween hailstorm (SE QLD) – \$1.05bn, 45,000 claims
- 22 March 2021 – extreme weather (NSW, QLD, Vic) – \$618m, 59,000 claims
- 9 June 2021 – severe storms (Vic) – \$294m, 33,000 claims
- 29 October 2021 – severe storms (SA, Vic and Tas) – \$760m, 99,000 claims





## RESOURCES ARE STRETCHED

Since this time, loss adjusters and contractors have been moving around the country to everyone who has been affected.

These suppliers are spread very thin amongst many insurers, covering domestic and commercial properties, not just strata. It's easy to sometimes forget what's outside of our strata bubble, and that the same suppliers are used across the entire insurance network.

## MATERIALS ARE IN SHORT SUPPLY

The ICA advised in March that "insurers are cautioning that global materials shortages and local labour constraints will have an impact on the rebuild and recovery timeframe."

The industry is experiencing shortages in materials, affecting not only rebuilding but also quoting. The cost of building materials has skyrocketed in the past three months and in some cases prices have doubled. Quotes for materials are out of date as soon as they are issued, and prices are increasing on a weekly if not daily basis.

## ASSESSING CLAIMS ISN'T ALWAYS STRAIGHTFORWARD

Recent flooding events have an added complication. Insurers have appointed hydrologists to ascertain where the flood waters came from to determine acceptance or denial of a claim where no flood cover exists. Hydrologists are also limited in numbers, so we're experiencing long delays (sometimes months) before they deliver their reports and claims outcomes are known.

The volume of claims has also challenged the usually high level of communication between affected parties. Insurers, adjusters, builders and brokers are all working on the claims, but our ability to communicate efficiently and effectively with customers is entirely dependent on the information we receive.

It's uncomfortable when we don't have anything to tell our customers. However, most people understand that whilst tolerance of the situation is difficult, it's largely out of our control.



## KEEPING IN TOUCH

We can assure strata managers and customers that the industry and BCB are doing their best to progress all claims as quickly as possible and to keep you as informed as possible. As such, we've advised adjusters and contractors that they may communicate directly with lot owners to expediate the flow of information, provided we're included in those communications.

If you have an enquiry, and this information does not help provide context around the claim delays, please contact the Claims Consultants appointed to manage the claim.

## QUESTIONS?

If you have any questions, please contact your local BCB branch via one of the options below.

[WWW.BCB.COM.AU](http://WWW.BCB.COM.AU)

### NEW SOUTH WALES

☎ 02 9024 3850  
@ nsw@bcb.com.au  
📍 Level 11, 338 Pitt Street  
Sydney NSW 2000  
✉ PO Box 20288  
World Square NSW 2002

### QUEENSLAND

☎ 07 5668 7800  
@ qld@bcb.com.au  
📍 Suite 1, 7-9 Burra Street  
Chevron Island QLD 4217  
✉ PO Box 5579  
Gold Coast MC QLD 9726

### WESTERN AUSTRALIA

☎ 08 6245 5300  
@ wa@bcb.com.au  
📍 155b, 22 St Georges Terrace  
Perth WA 6000  
✉ PO Box 5655  
Perth St Georges Terrace WA 6831

### VICTORIA

☎ 03 8609 2300  
@ vic@bcb.com.au  
📍 Level 12, 390 St Kilda Road  
Melbourne VIC 3004

