



Half-Day
Seminar

Natural Disaster **Insurance Review** – Discussion of Options

Wednesday, 6 July 2011 • 8.30am – 12.30pm Westin Hotel Sydney

A consumer advocate's perspective

Gerard Brody
Director Policy & Campaigns
Consumer Action Law Centre

SMS Questions 0402 293 251



What I'll cover:

- Market failure in flood insurance
- Options in NDIR Issues Paper
- Non-insurance and under-insurance
- Contents insurance
- Claims-handling and disputes



Market failure in flood insurance

- 122,000 claims (end of May)
- 0.6 % of claims to be determined
- 15 % claims refused (mainly due to exclusions for flood)
- 1.2 % of claims referred to dispute resolution

Preferred option: automatic flood cover

- Competitive market unlikely to exist
 - Affordability
 - Barriers to entry
- Model should ensure consumers have access to affordable flood cover
- Community benefit from broader insurance coverage
- Need to consider other schemes (i.e NZ model)



Under-insurance

- Under-insurance is a different issue to non-insurance
- Experience of Victorian bushfires
- “Sum insured” versus “total replacement” policies: who bears risk?



Non-insurance

- Mainly affects lower income households, especially tenants
- Coverage for contents is increasingly “essential” – significant assets
- Research from the Brotherhood of St Laurence
 - Product design and payment method reforms



Claims-handling and disputes

- Access to Financial Ombudsman Scheme: why low numbers taking disputes?
- Anecdotally, high levels of “withdrawn” claims
- Slow decision-making
 - efforts being made, including Code amendments
 - Australian Standard on Claims Handling?



Contact details

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