

Flood Resilience: **Risks, Mitigation and Funding Solutions**



Institute of Actuaries of Australia

HERITAGE BALLROOM, WESTIN HOTEL, SYDNEY

Monday, 16 May 2011

**FLOOD POLICY
MYTH BUSTING & FUTURE PATHWAYS**

ALEX SANCHEZ

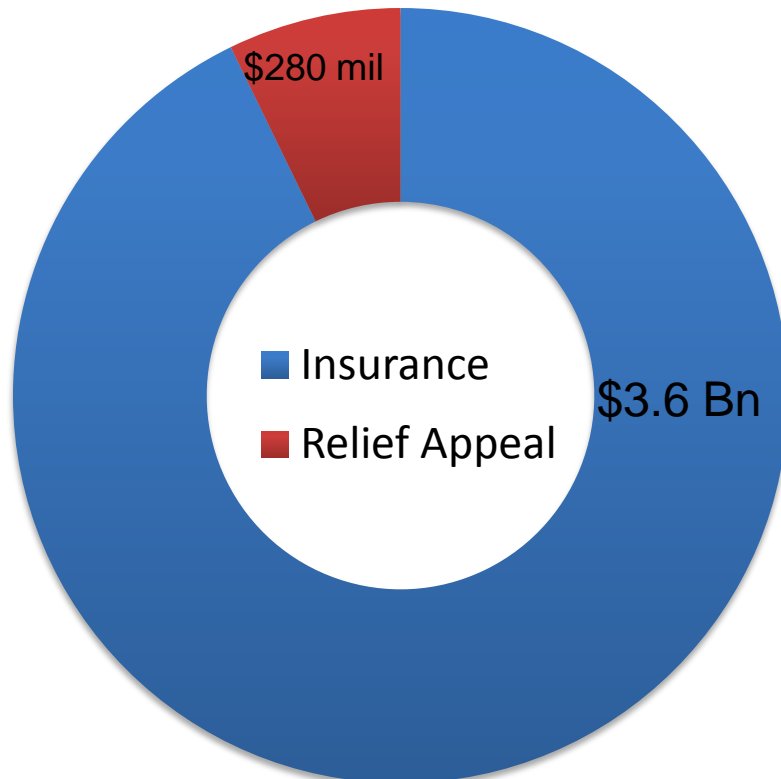
MAY 2011

MORE THAN ENOUGH CAPACITY - \$4 BILLION DELIVERED & 97% OF CLAIMS PAID

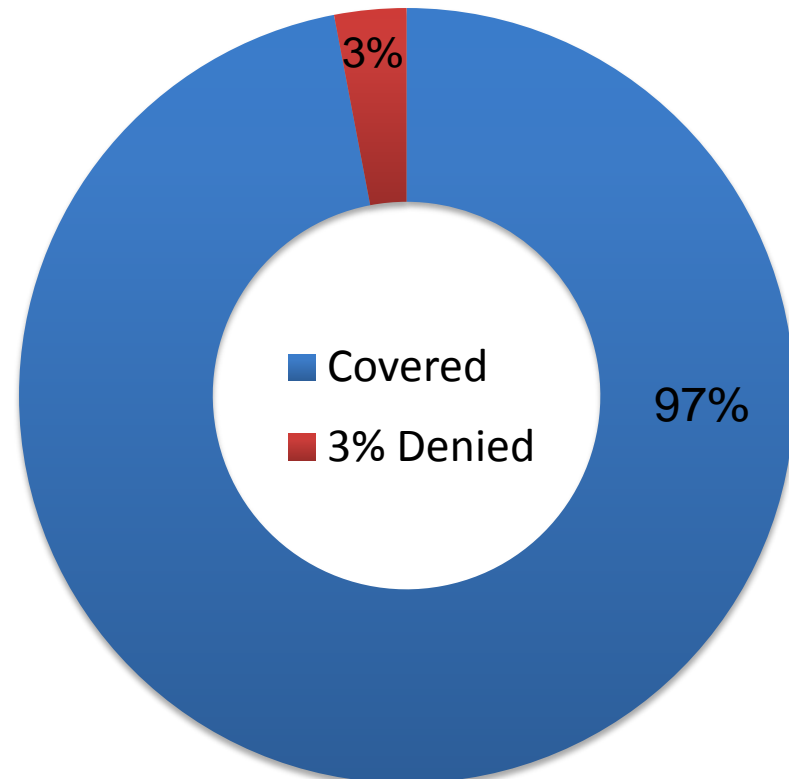
Event	Claims	Reserved
QLD Flooding	52,683	\$2.6 Billion
Cyclone Yasi	65,200	\$967 Million
Victorian Flooding	6,713	\$83 Million
Victorian Storms	41,247	\$316 Million
Perth Bushfire	410	\$35 Million
TOTAL LAST 120 DAYS	166,243	\$4.0 Billion

A difficult time for the community, over **166,000 claims** lodged.

\$4 billion being delivered to the community in cash, vehicles and building services



Recovery Costs



Claims

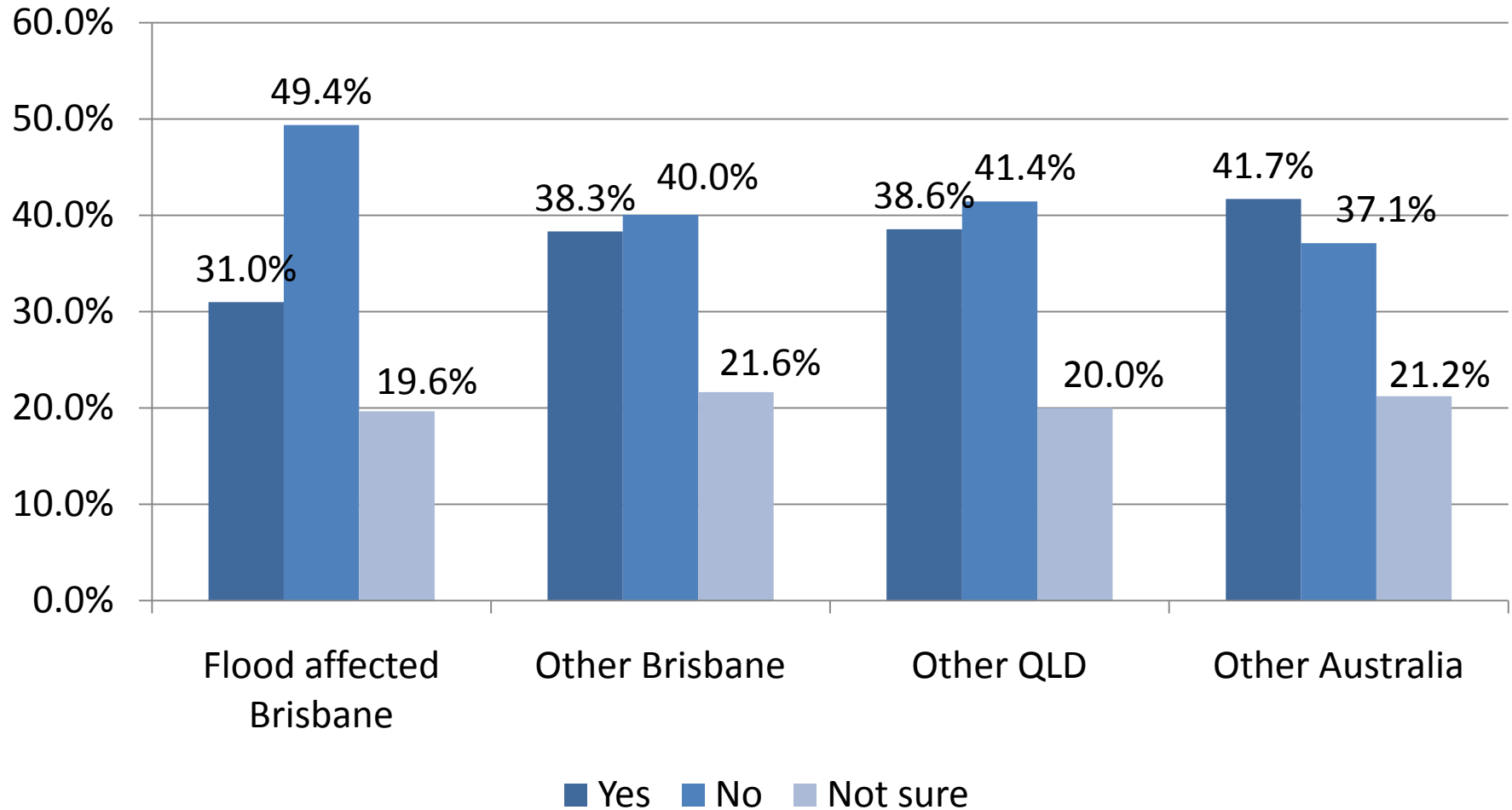
PRIVATE SECTOR CAPACITY MORE THAN MATCHES THAT OF GOVERNMENT

	Amount of Assistance (\$ billions)
Insurance Claims for Qld Floods, Cyclone Yasi & Victorian Floods	\$3.7 b
Commonwealth Natural Disaster Assistance	
<i>Rebuilding infrastructure under NDRRA</i>	\$2.6 b
<i>Assistance to individuals & businesses</i>	\$1.1 b
<i>Supporting local governments & communities</i>	\$0.2 b
Total Commonwealth Assistance	\$3.9 b

Source. 2011/12 Commonwealth Budget, Statement Number 3.

- Survey of 1600 insurance purchase decision makers across Australia by Roy Morgan Research (RMR)
- 397 from flood affected Brisbane zones, 407 from remainder of Brisbane, 415 remainder of Queensland, 415 rest of Australia
- Respondents must have purchased home, contents or home and contents insurance
- Respondents must be principal decision maker for purchase of home insurance
- Internet based using RMR data base drawn from Single Source Survey
- Survey conducted in late March/early April 2011

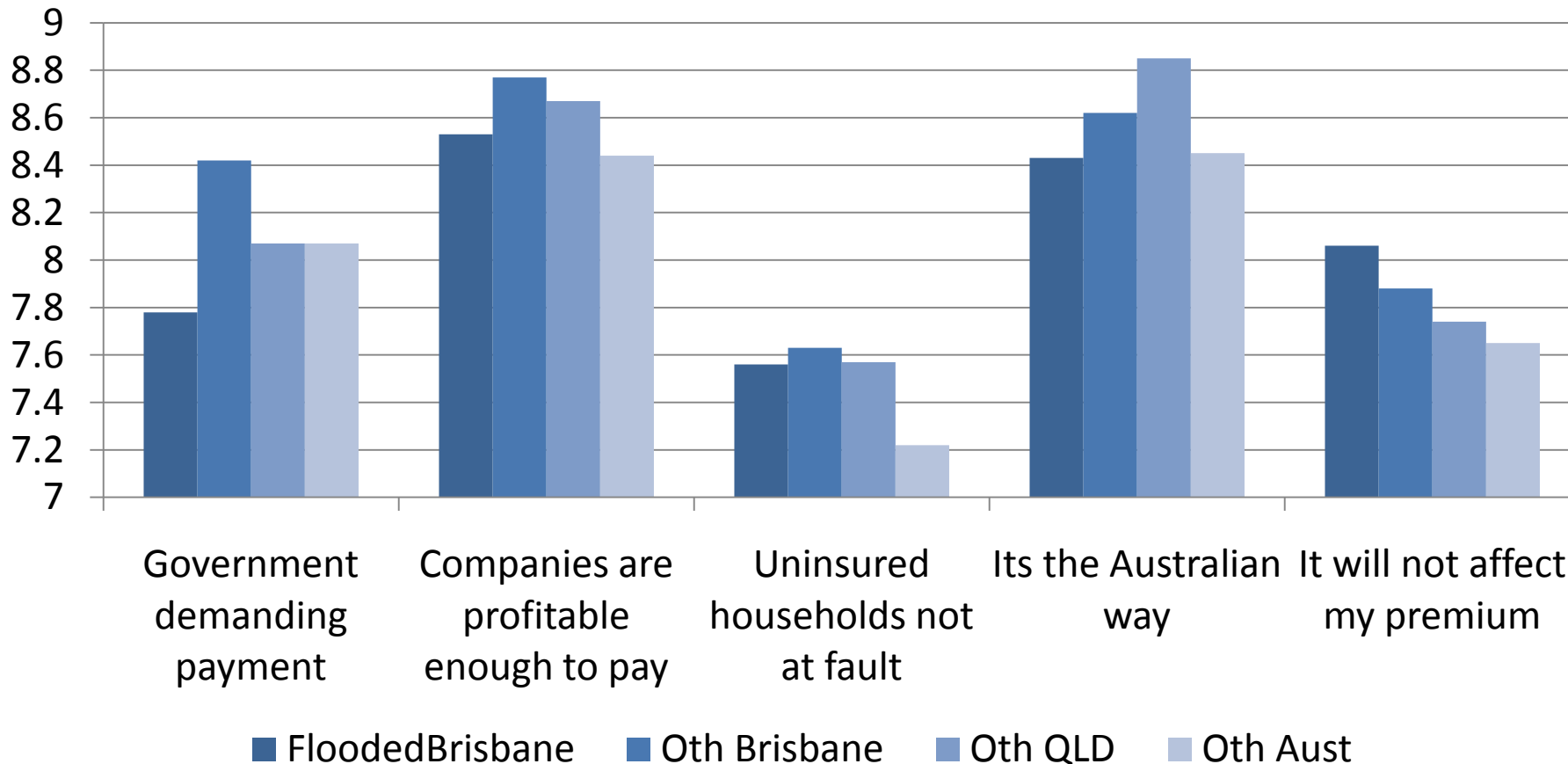
SUPPORT FOR INSURERS PAYING FLOOD CLAIMS OF THE UNINSURED IS MIXED



Note: LHS represents percent of all respondents in geographic zone.

PROFITABILITY & THE “AUSSIE WAY” ARE THE MAIN REASONS GIVEN FOR PAYING UNINSURED FLOODCLAIMS

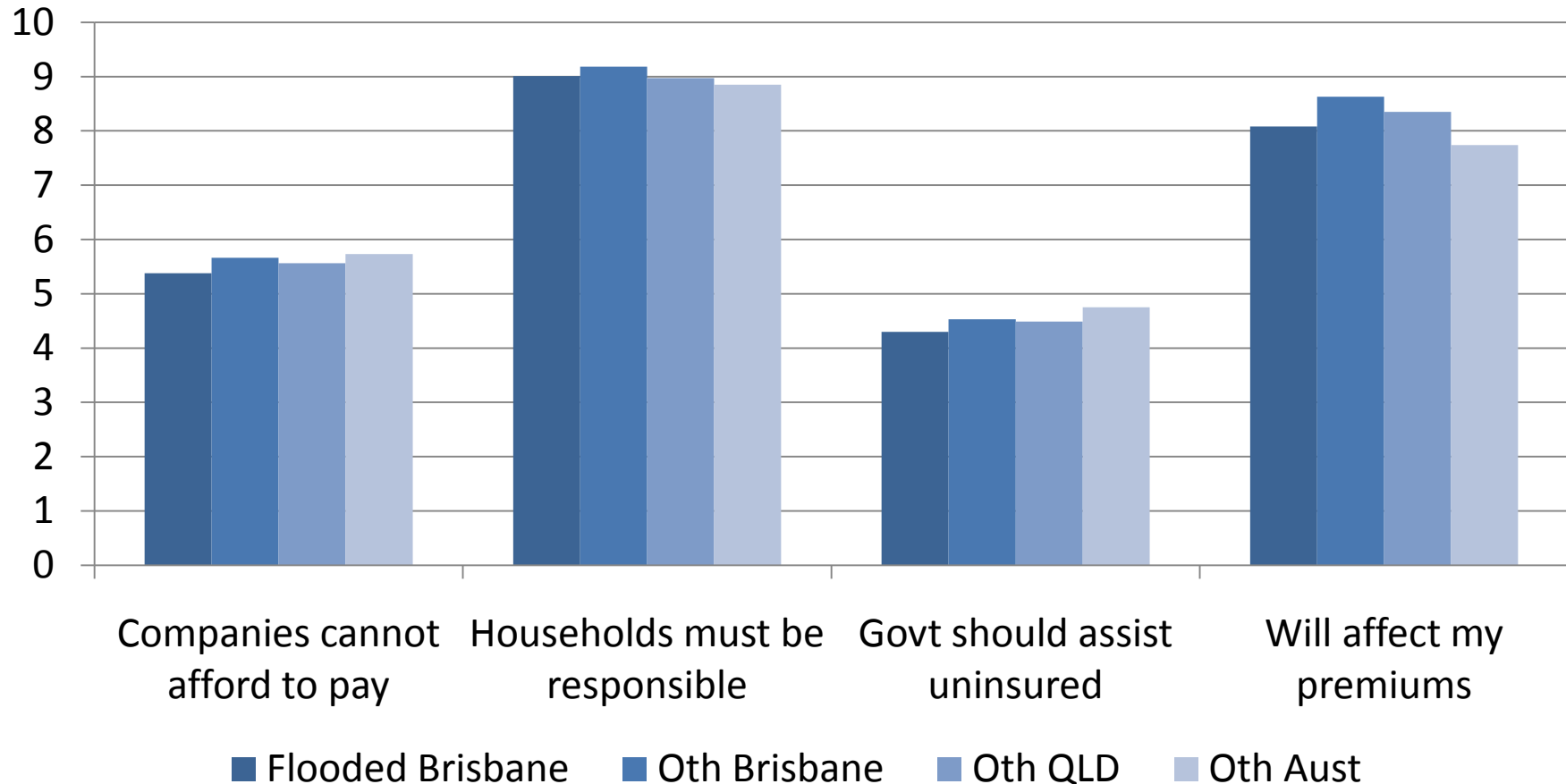
Average ranking for reason to pay uninsured



Note: LHS represents average ranking of all respondents in geographic zone. A ranking of 1 represents “not at all important” to their decision with a ranking of 10 indicating “very important”.

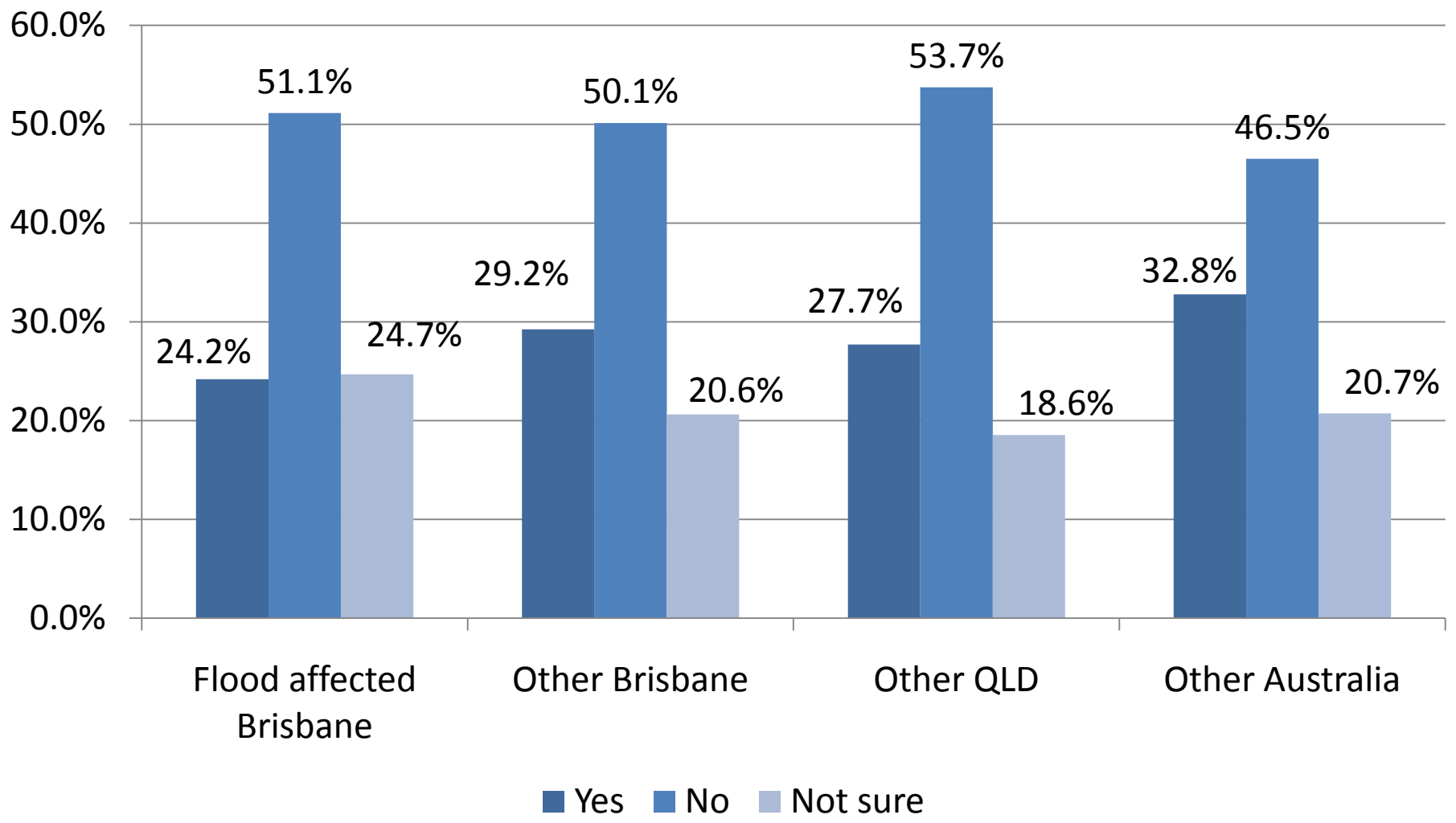
PERSONAL RESPONSIBILITY & FUTURE PREMIUMS ARE THE MAIN REASONS FOR NOT PAYING THE UNINSURED

Average ranking for reason not to pay uninsured



Note: LHS represents average ranking of all respondents in geographic zone. A ranking of 1 represents “not at all important” to their decision with a ranking of 10 indicating “very important”.

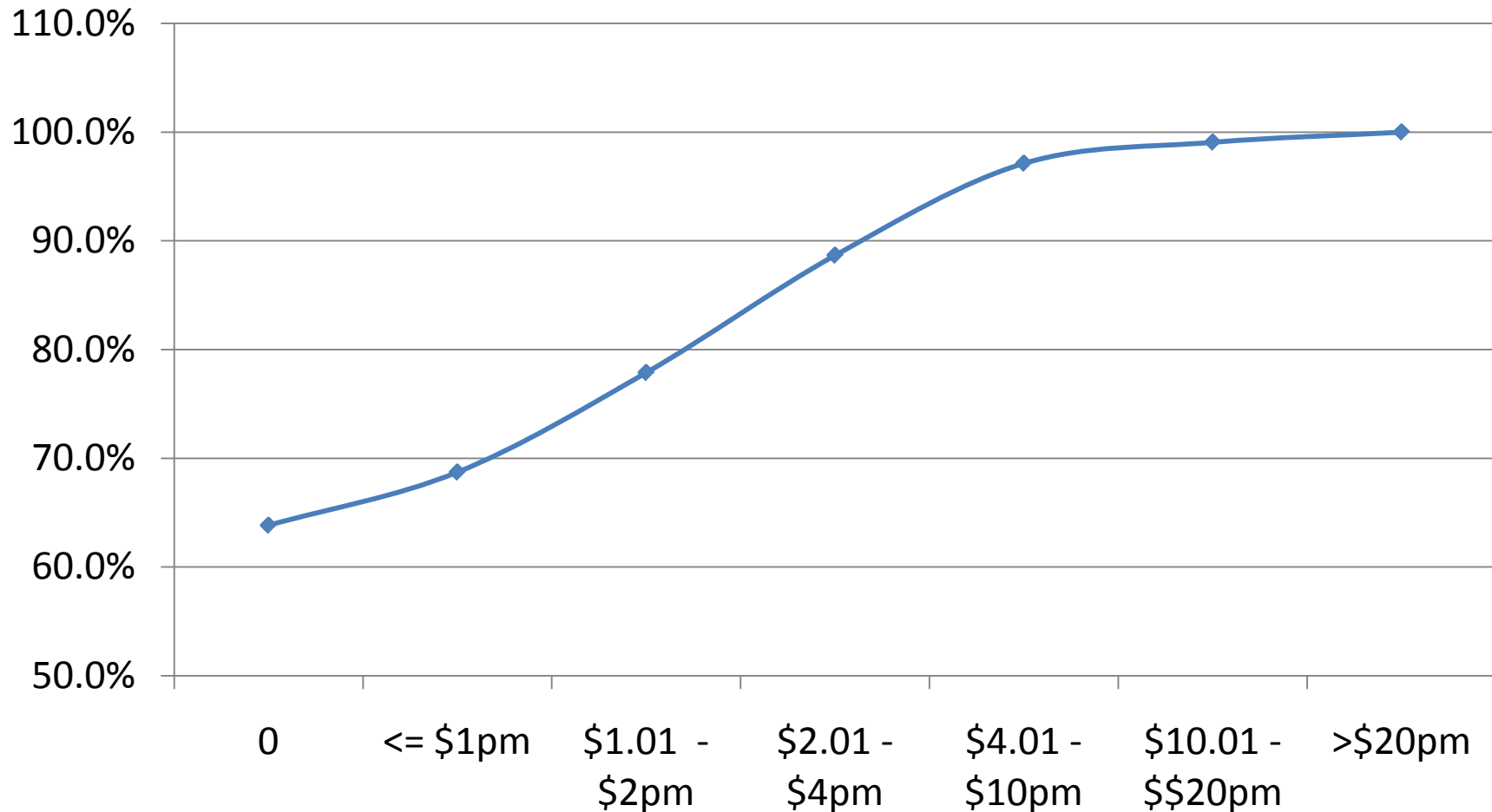
WILLINGNESS TO PAY A PROPERTY TAX/LEVY TO ADEQUATELY INSURE ALL AUSTRALIANS AGAINST NATURAL DISASTERS?



Note: LHS represents percent of all respondents in geographic zone.

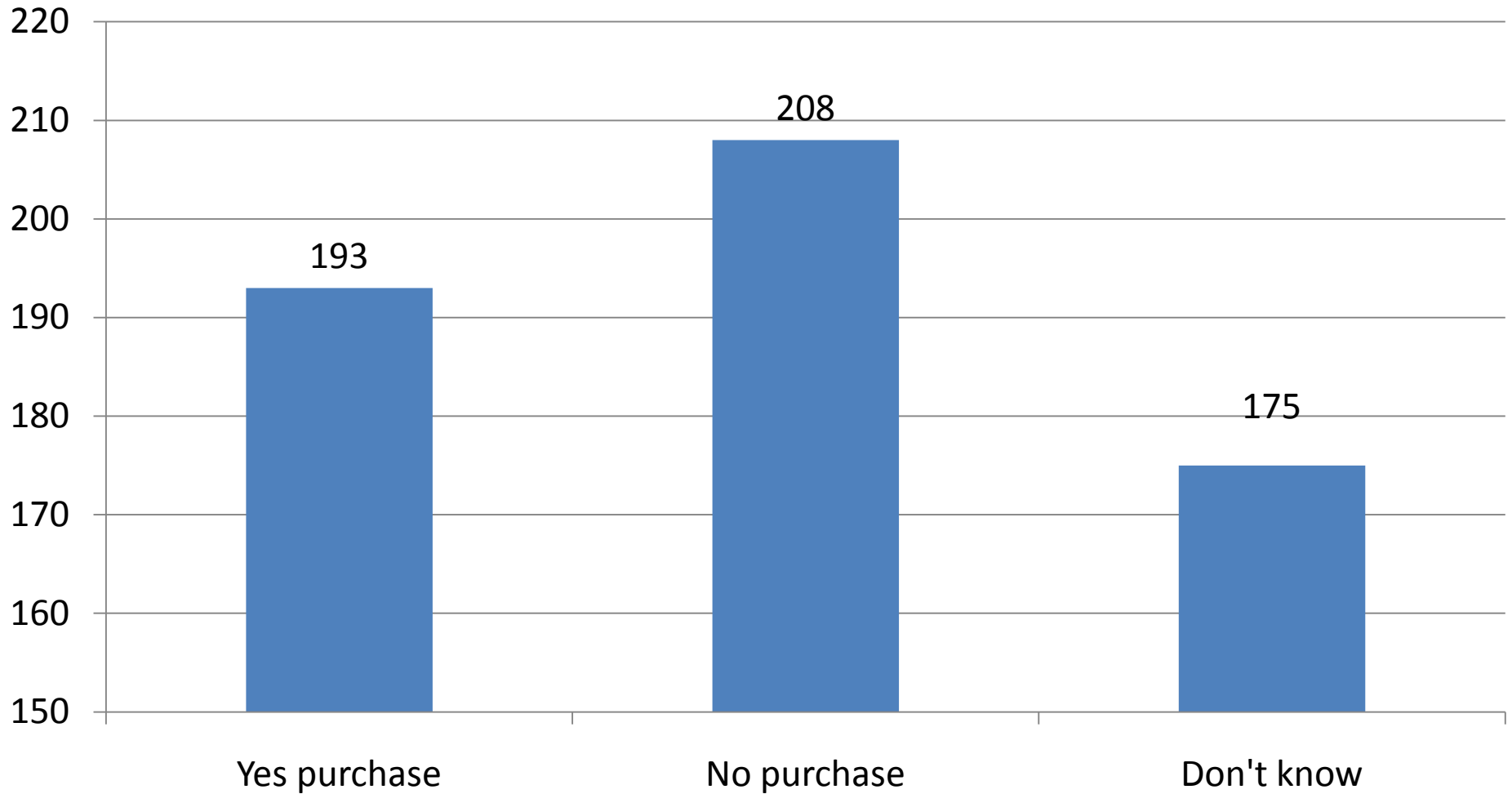
90% OF AUSTRALIANS ARE PREPARED TO PAY NO MORE THAN \$4 A MONTH TO PROTECT OTHER PEOPLES RISKS

Cumulative frequency of amount willing to pay



Note: LHS represents cumulative per cent, X axis is amount willing to pay including nothing at all. Don't knows are not included.

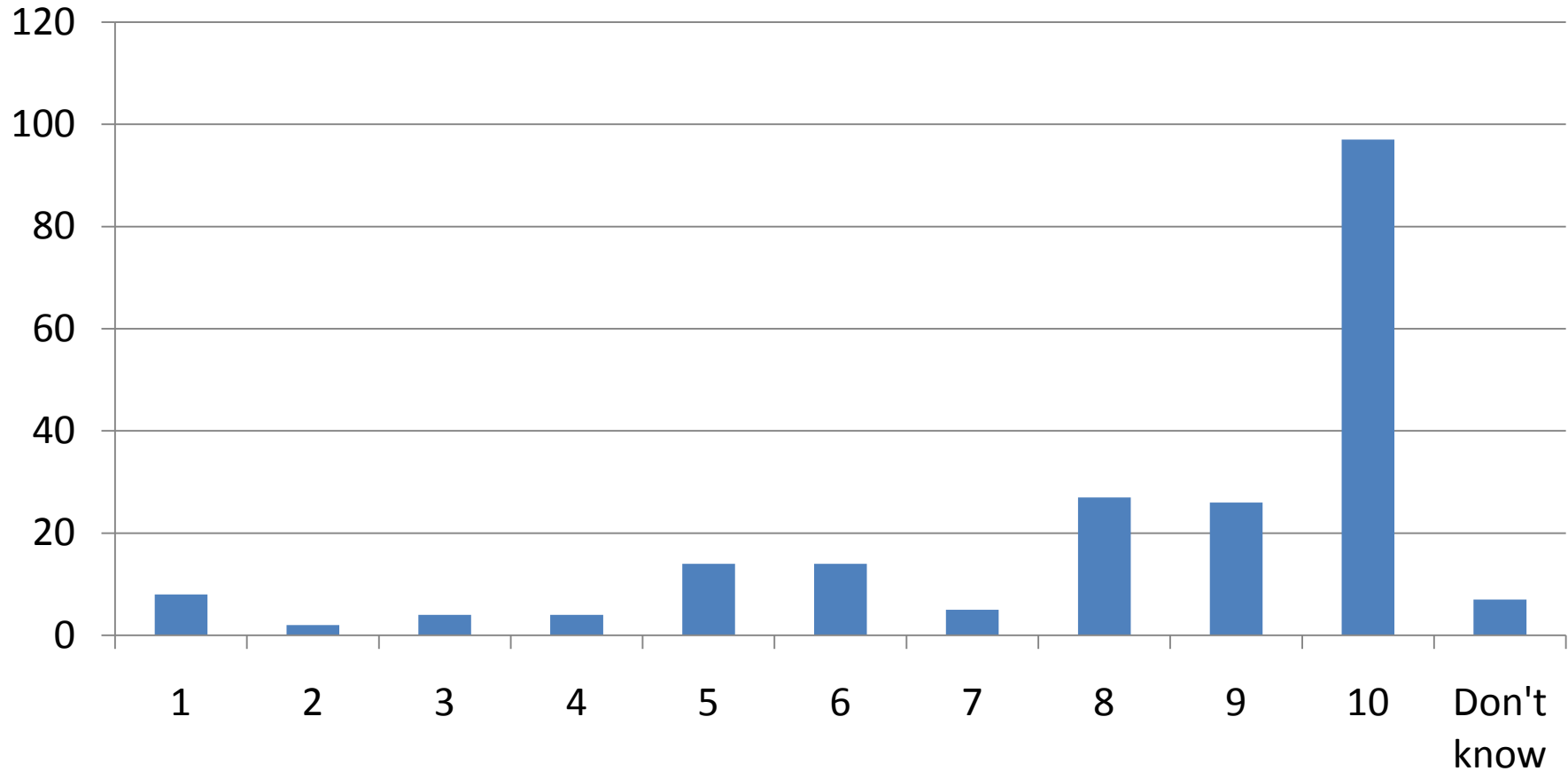
576 HOUSEHOLDS SAID THEY RESIDED IN LIKELY FLOOD WHAT WAS THEIR INSURANCE TAKE UP?



Note: LHS represents total number of households.

FOR HOUSEHOLDS THAT DIDN'T BUY INSURANCE, THEY SIMPLY BELIEVED THEIR HOME WAS NOT GOING TO BE FLOODED

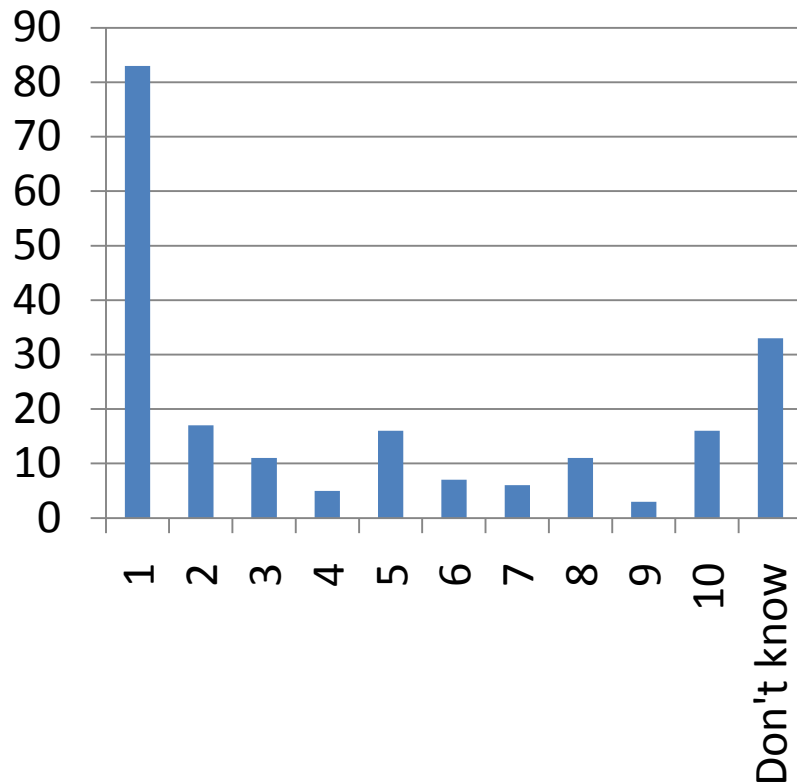
My residence is not subject to river flood



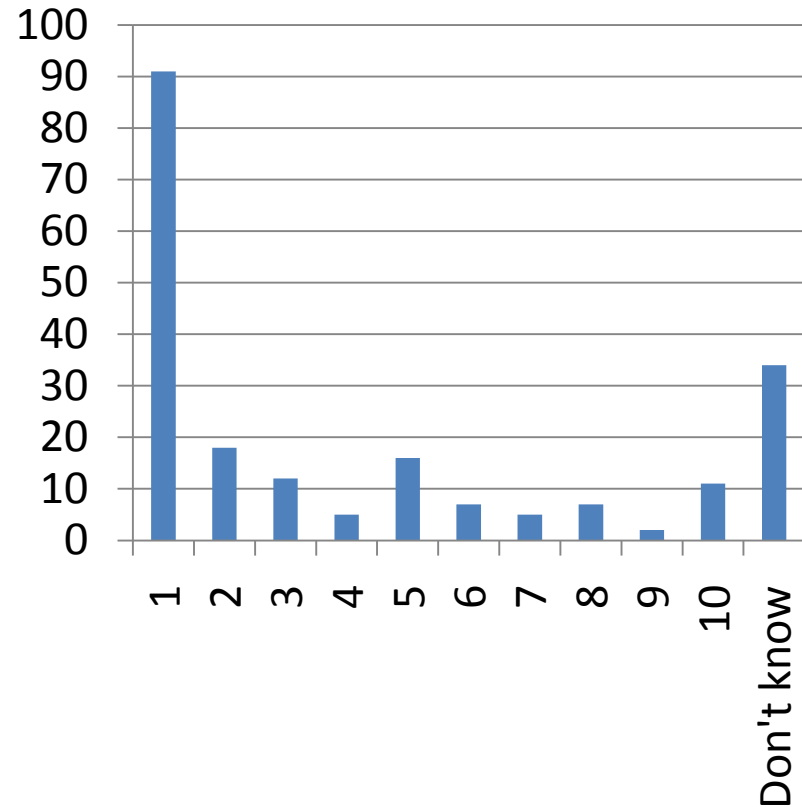
Note: LHS represents total number of households. X axis represents ranking. A ranking of 1 represents "not at all important" to their decision with a ranking of 10 indicating "very important".

CONTRARY TO POPULAR BELIEF, PRICE & SUPPLY WERE NOT MAJOR CONSIDERATIONS FOR THE FLOOD UNINSURED.

Flood cover was too expensive for my property



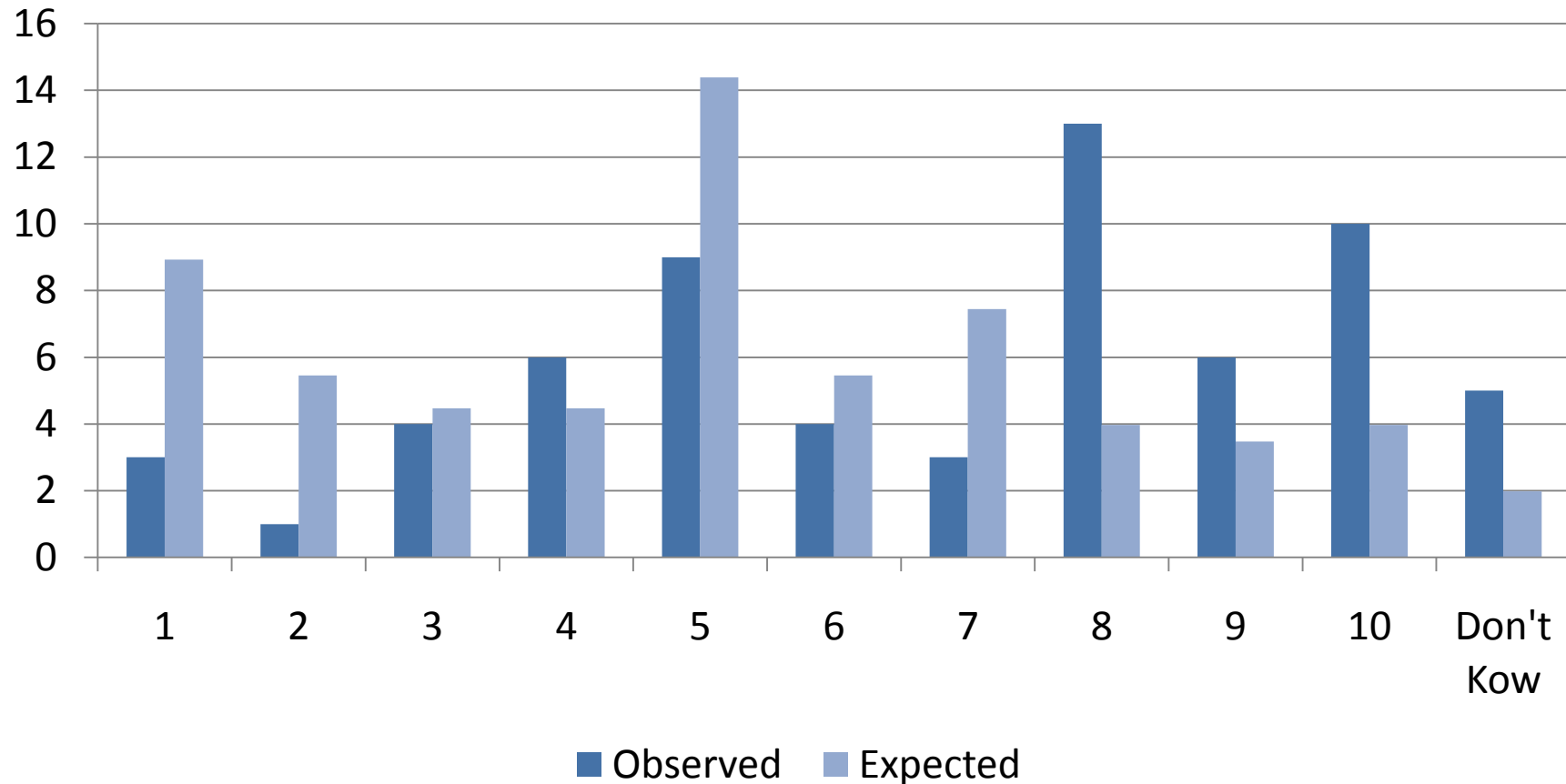
Was unable to obtain cover



Note: LHS represents total number of households. X axis represents ranking. A ranking of 1 represents “not at all important” to their decision with a ranking of 10 indicating “very important”.

CHEAP & AFFORDABLE COVER IS IMPORTANT TO BUYERS OF FLOOD COVER IN HOMES HIGHLY LIKELY TO FLOOD

Cover was cheap and affordable



Note: LHS represents total number of households. X axis represents ranking. A ranking of 1 represents "not at all important" to their decision with a ranking of 10 indicating "very important".

IMPROVING THE MARKET - A SHARED APPROACH

Industry 10 Point Plan to Address Disaster Resilience

1. Standard definition for flood
2. Improved disclosure
3. Provision of adequate flood data
4. Removal of insurance taxes
5. Improved land-use planning
6. Improve building standards
7. Improve mitigation infrastructure
8. Education and financial literacy campaign
9. Measure effectiveness of disaster relief payments
10. Better advice to consumers