

Flood Resilience:

Risks, Mitigation and Funding Solutions



Institute of Actuaries of Australia

HERITAGE BALLROOM, WESTIN HOTEL, SYDNEY

Monday, 16 May 2011

Presentation to the Institute of Actuaries of Australia Flood Resilience Seminar

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Natural Disaster Insurance Review**

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Guiding principles

- **Government intervention only if insurance is not *available and affordable***
- **Risk mitigation a key objective**
- **Individuals and businesses encouraged to insure**

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Flood cover options

Full Flood

- all insurers offer full flood cover
- all insured properties covered for flood

Opt Out

- all insurers offer full flood cover
- owners free to insure with or without flood cover

Status Quo

- insurers free to offer or not offer flood cover
- owners free to insure with or without flood cover

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Implications of Flood Cover Options

	Availability	+	Affordability	=	Access
Full flood	Yes		??		??
Opt Out	Yes		??		No
Status Quo	Maybe		No		No

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Implications of Full Flood Cover

Primary benefit:

would eliminate -

- non-insurance for flood
- disputes over cause of water damage

and my generate -

- more confidence in the insurance system
- Brand protection for insurers

but requires mechanisms to -

- give discounts on higher risk properties
- fund the discounts
- identify the higher risk properties

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Which are the higher risk properties?

Could a high risk threshold be established?

For example -

- use engineering techniques?
 - flood mapping and analysis
 - building and land features
- use insurance market mechanisms?
 - designed around risk-based pricing
- use some other method?