

# Flood, Insurance and Your Property



Sunshine Coast Council is committed to helping build a safer and more flood resilient community. This information sheet provides an overview on how flood planning may affect insurance costs and property values

## What is flood insurance?

There is a common or standard definition of the word flood for all insurance policies:

*the covering of normally dry land by water that has escaped or been released from the normal confines of any of the following:*

- a lake, a river, a creek or another natural water course (whether or not it has been altered or modified);
- a reservoir;
- a canal;
- a dam.

This means flood insurance covers damage from water rising from lakes and rivers as a result of run-off and rainfall. It is different to storm-water damage caused only by rainfall, and does not cover sea level rise, high tides, or ocean storm surges.

Flood insurance has only been widely available on the Australian market since about 2009. Prior to that, information about flood hazards in Australia was

considered so poor that most insurers were unwilling to provide insurance.

As of March 2014 93% of home building and contents insurance policies include flood cover.

However it is important you read your Product Disclosure Statement (PDS) to know exactly what you are covered for.

## Where do insurance companies get their flood information from?

Insurers use data from a variety of sources including historical flood measurements, Federal, State and Local government studies, the Insurance Council of Australia's (ICA) National Flood Information Database and through their own research. Council flood data is publicly available and can be viewed on the council website.

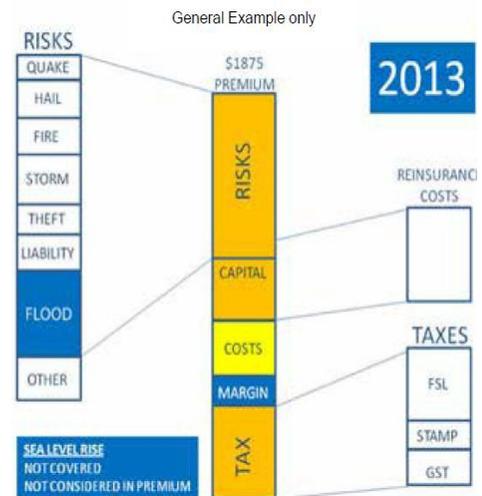
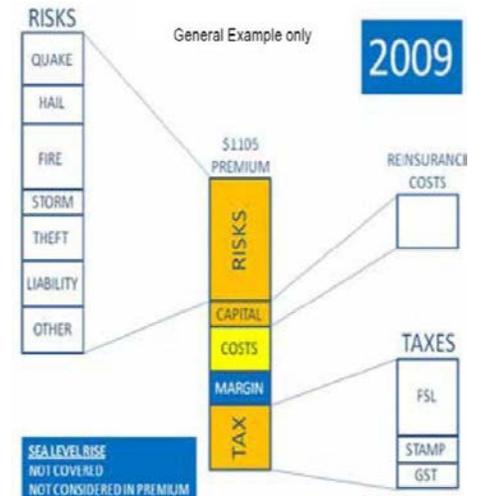
Insurance companies use these sources of data to make their own assessment of risk – different companies will assess the risk in different ways. Insurers typically do not use information from Section 149 property certificates to calculate risk or set premiums.

## Why have flood insurance premiums gone up?

Over the past few years a number of factors have combined to raise the price of flood cover and insurance more generally. These include:

- the cost of claims generated by the series of major disasters in 2010-11
- Australian insurers paying more for reinsurance (insurance that insurers take out to cover major events) because of these disasters
- changes in understanding where and when floods will occur and how much it costs to fix damage
- increasing household or address level assessment and pricing of flood risk meaning those with lower risk are paying less and those with higher risk are paying more, and
- lack of information about local flood mitigation measures such as raised floor heights or even a levee.

Some of these factors – such as claims costs and reinsurance - have affected everyone who buys insurance because insurers spread the cost across all their customers. The other factors only affect very specific areas or customers.



Information provided by the Insurance Council of Australia above shows a general example of an average premium in a relatively benign risk location. High risk locations can have a very different premium profile. FSL references the fire service levy.

## Why am I charged a flood premium even though my property isn't affected by the Councils Defined Flood Event?

Although your home might be outside the flood mapping that Council uses for planning, its floor height may be above the minimum floor level prescribed by Council, or it is protected by a levee, there may still be a chance your home could be flooded.

Insurers have to cover even the most rare and extreme floods. There are floods that are bigger than the defined flood event that Council adopts for planning. There are also floods that will overwhelm most flood mitigation structures, including levees and dams.

In most cases, if your property is only at a risk from a very rare and extreme flood, the risk is very small and as a result the premium charged should reflect the lower risk.

However, very rare and extreme events can also cause very severe damage. So although the chance of it happening may be small, the potential cost of fixing the damage caused by the flood could be very high.

If there is information that a property is at risk from a very rare and extreme event some insurers may take that into account when deciding how much to charge you.

## Is projected sea level rise causing insurance premiums to increase?

Insurance is provided for the period of the premium (typically one year) and for a specified event or hazard, not for a gradual process such as sea level rise. Therefore, the level of a lake, river or the sea in 20 or 50 years' time should have no effect on the premium calculated for the current year.

## How can I get the best deal on flood insurance?

If you are not satisfied with the cost or coverage of your insurance, you can shop around to find another product suitable for your needs. Make sure when purchasing insurance that you look at what you are covered for rather than just basing your decision on the price. The ICA has set up some websites to help people find an insurer ([www.findaninsurer.com.au](http://www.findaninsurer.com.au)) and understand insurance ([www.understandinsurance.com.au](http://www.understandinsurance.com.au))

## What is Council doing to help reduce the cost of flood insurance?

Building new developments to a standard that can better respond to current and future flood risk, such as increasing floor heights or using flood-proof building materials, can reduce the impact a flood will have on the property. This will also reduce the chance of

having to make a claim on your insurance.

Sunshine Coast Council is also working to make information about the potential impact of flood – including flood levels - more easily available to owners, buyers, lenders and insurers. When insurers are uncertain about flood risk they are likely to charge more for flood cover. If councils are able to provide insurers with clear, up to date information they can be more accurate in their risk assessment. This often means a reduction in premiums.

## Will Council's flood mapping affect the value of my property?

Many factors affect the property market and the individual choice of buyers, including interest rates, the health of the economy and the desire to live in a particular location. Studies on the value of properties in flood-affected areas here and overseas show some consistent patterns:

- There is already a discount built into the market for properties that are known to flood
- Even in known flood areas, other factors such as aspect, views, and direct water frontage are strong drivers of value
- In some particular cases prices may drop after a major flood or other disaster prices (typically five to 10 per cent) but generally recover after one or two years

## For more information about planning for floods:

Visit [www.sunshinecoast.qld.gov.au](http://www.sunshinecoast.qld.gov.au)

Call Council on (07) 5475 7272

Email

[mail@sunshinecoast.qld.gov.au](mailto:mail@sunshinecoast.qld.gov.au)

Write to Locked Bag 72, Sunshine

Coast Mail Centre, QLD 4560