

June 18, 2012

Insurance Council welcomes Standard Definition of Flood

The Insurance Council of Australia today welcomed the enactment of regulations that introduce a standard definition of flood to insurance contracts.

Insurance Council CEO Rob Whelan said the regulations followed almost 18 months of discussions with the Federal Government. He said many insurers had already adopted the definition.

“The standard definition has long been a goal of the general insurance industry. We are pleased it is finally enacted in regulations,” Mr Whelan said.

“This is a positive example of the insurance industry working with the Federal Government to better protect communities from known risks, and we congratulate Minister Bill Shorten for his commitment to achieving this goal.

“The Insurance Council first attempted to introduce a standard definition in 2008, but unfortunately it was rejected on anti-competition grounds by the Australian Competition and Consumer Commission. The standard definition will now provide greater clarity and peace of mind to both property owners and insurers.”

Mr Whelan said the standard definition regulations should serve as a reminder to all levels of government that they should not overlook the importance of protecting communities from flood risks.

“Though the standard definition is welcome, it is one part of a complex issue. Insurance can only help communities recover from the impact of floods. Governments are responsible for protecting at-risk communities in the first place,” he said.

“Urgent investments in permanent, well-designed physical mitigation measures – such as levees, barrages, flood gates and improved drainage – are still required.

“Governments should also consider other measures in line with the ICA’s [10-point plan](#) to tackle disasters, including better land-use planning, improvements to flood mapping, modernising the building code to improve the durability of property to natural hazards, and removing all insurance taxes to help make insurance more accessible.”

Mr Whelan said the insurance industry was pleased the regulations allowed for a two-year transition to allow product disclosure statements to be updated, staff to be retrained and systems to be changed.

“Many insurers who offer flood products have already moved to the standard definition, and others are well advanced towards introducing the definition to their contracts,” he said.

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“However, we advise consumers that they should still assess whether they need flood insurance.

“Introducing a standard definition does not mean they have flood cover if they have not purchased the appropriate policy.”

* **EDITORS NOTE:**

The definition of flood is:

- *the covering of normally dry land by water that has escaped or been released from the normal confines of:*
- *any lake, or any river, creek or other natural watercourse, whether or not altered or modified; or*
- *any reservoir, canal, or dam.*