



# Catastrophes and Natural Disasters Insurance

## Background Paper 15

**The views expressed are the authors' views and are not to be understood as expressing the views of the Commission.**

**Any comments should be forwarded to [FSRCFeedback@royalcommission.gov.au](mailto:FSRCFeedback@royalcommission.gov.au) by Tuesday, 10 July 2018**

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TABLE OF CONTENTS

**CATASTROPHES AND NATURAL DISASTERS ..... 1**

1. Background ..... 1

2. Code and catastrophes ..... 3

3. Flood definition ..... 4

4. Catastrophic events: The New Zealand model..... 5

5. Dispute resolution ..... 7

**GLOSSARY ..... 8**

**APPENDIX ..... 9**

# CATASTROPHES AND NATURAL DISASTERS

This introduction to natural disasters and catastrophes is discussed below under the following headings:

1. Background;
2. Code and catastrophes;
3. Flood definition;
4. Catastrophic events: The New Zealand model;
5. Dispute resolution.

## 1. Background

- 1.1. The function of insurance in our community is highlighted in Australian natural disasters. Insurance in natural disasters has been in sharp focus since at least 2010. The variety, frequency, severity of natural disasters and catastrophes in Australia create unique challenges for our community, our policyowners and our insurers.
- 1.2. The fire, flood and cyclone natural disasters of 2010 and 2011 caused exceptional and distressing loss in our communities, and a number of inquiries into those natural disasters highlighted the role of insurance in paying claims and helping our communities to recover.
- 1.3. There were five Major Reports on the insurance industry in relation to natural disasters from April 2011 to May 2013.<sup>1</sup> There were some criticisms of insurers in that context and some recommendations about changes to insurers' practices, and to the General Insurance Code of Practice (the Code). The Insurance Council of Australia (ICA) brought the triennial review of the Code forward by 12 months to enable the review to focus on these issues. The independent review of the Code involved an Issues Paper and a Final Report.<sup>2</sup> There were legislative changes and changes to the Code.<sup>3</sup> The Final Report contained selected statistics and commentary on the impact of the natural disasters and the insurance position; an edited extract of the selected statistics and commentary from the Final Report is in the Appendix.
- 1.4. The frequency and severity of natural disasters and catastrophes has continued since; the natural disasters since have not been concurrent compared with the 2010-2013 period. The ICA has declared a Catastrophe on many occasions since 2013. The Appendix sets out a tabular summary<sup>4</sup> of the declared Catastrophes since 2013. The Appendix also sets out a tabular summary of Australia's worst cyclones.
- 1.5. The National Disaster Insurance Review (NDIR) Report highlighted the role of insurance in community recovery from natural disasters.<sup>5</sup> This role takes place in the context of a variety of impacts on the community from natural disasters and particularly those of 2010 and 2011. These impacts included: loss of life, personal injuries, significant property loss and damage, individuals needing to leave their communities temporarily or permanently; the loss of social infrastructure of businesses and community groups; and significant financial and emotional stress. Delays and

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<sup>1</sup> See General Insurance Code of Practice, Independent Review 2012, Issues Paper (Issues Paper) and General Insurance Code of Practice, Independent Review 2012-2013, Final Report, May 2013 (Final Report).

<sup>2</sup> See Issues Paper and Final Report

<sup>3</sup> See Part 5; Sutton, paras. 4.1200-4.1260.

<sup>4</sup> Based on media releases on the IC Act website.

<sup>5</sup> NDIR Report, paras 1.6-1.9.

disputes arising from insurance claims impact individuals and their families, and can inhibit the community's recovery. The NDIR Report noted, 'The community also bears some of the financial impact through charitable funds and government relief payments. In Queensland in 2011, the Premier's Fund raised \$273 million to distribute to those affected by the floods and Cyclone Yasi<sup>6</sup>; the payments by the State and Commonwealth governments to individuals and businesses have totalled approximately \$1.1 billion.'<sup>7</sup> Lastly, any delay or disputes have an impact on insurers, including loss of the community's confidence and considerable public backlash.

- 1.6. The role of insurance in community recovery from natural disasters can be seen in three dimensions. First, insurance can encourage mitigation to reduce losses from future weather events.<sup>8</sup> 'The price, or premium, for insurance provides signals about the level of risk from a range of hazards and has some encouragement for risk mitigation and reduced vulnerability to loss'.<sup>9</sup> Second, insurance can provide financial protection to property owners in the event of loss through a process of aggregating premiums and spreading risk. Third, and more widely, insurance 'allows the economy to manage risk more effectively, reducing financial uncertainty in the event of a disaster and allowing for a more efficient use of capital by individuals, business and government'.<sup>10</sup> The NDIR Report noted that: 'over the last 5 years, Australian insurers have compensated consumers and businesses by paying over \$11 billion in claims for weather events.'<sup>11</sup> The NDIR Report commented:

*Home insurance policies in Australia have traditionally provided cover for storms, earthquakes, bushfires and cyclones. This has resulted in the private insurance industry playing the role expected of it by the community in many recent natural disasters in Australia, including the Hunter Valley storms in 2007, the Black Saturday bushfires in Victoria in 2009, the Perth and Melbourne hailstorms in 2010 and Cyclone Yasi in 2011. In these events, insurance policies generally responded well to the losses suffered. Properties that were damaged were repaired or rebuilt and lost possessions were replaced, enabling communities to recover from the events.*<sup>12</sup>

- 1.7. A primary challenge of the insurance industry is how to influence the adoption (by governments) of built environment policies that reduce hazard exposures in the community, leading to a reduction in claims value and volume. Insured losses to extreme weather events are growing, partly as the result of an increase in frequency and intensity of weather events, and partly as a result of building more expensive assets, in more brittle ways, in more hazardous areas. A long-term systemic failure to develop a built environment that is durable to the range of extreme weather experienced in Australia is now catching up with some regions. Insurers, required to price in accordance with risk, then transmit a price signal, through higher premiums, that reflect this systemic failure.<sup>13</sup>

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<sup>6</sup>NDIR Report, Executive Summary: Queensland Reconstruction Authority, August Report, 2011, p. 36.

<sup>7</sup>NDIR Report, Executive Summary: Queensland Reconstruction Authority, August Report, pp. 34-35.

<sup>8</sup> NDIR Report, paras. 1.6-1.9.

<sup>9</sup> NDIR Report, paras. 1.6-1.9.

<sup>10</sup> NDIR Report, paras. 1.6-1.9.

<sup>11</sup>NDIR Report, Executive Summary: Pearson, E, 'Key Performance Trends for the Australian Insurance Market — slide 15' from Finity Consulting Presentation at Weathering the Future — The 18th Sunshine Seminar 20-21 July 2011.

<sup>12</sup> NDIR Report, paras. 1.6-1.9.

<sup>13</sup> Final Report, s. 5.12.

## 2. Code and catastrophes

- 2.1. The Code enables the ICA to declare a Catastrophe.<sup>14</sup> The declaration applies to Retail Insurance only. A Catastrophe under the Code is an Exceptional Circumstance.<sup>15</sup> The effect of a declaration is that the four-month maximum time-limit for an insurer to decide about a claim<sup>16</sup> does not apply and a 12 month time-limit is substituted.<sup>17</sup>
- 2.2. The other effect of a declaration is that a person can request, within 12 months after the claim was finalised a review of a claim even if the person has signed a release.<sup>18</sup>
- 2.3. A Code Participant (a general insurance industry participant that is a signatory to the Code) also commits to co-operating and working with the ICA on industry coordination and communications under the ICA Industry Catastrophe Coordination Arrangements.<sup>19</sup> These arrangements are on the ICA website:

*The Insurance Council of Australia coordinates industry and Government liaison during the recovery phase of a disaster event.*

*This industry level capability focuses on five key outputs with regard to industry, community and government liaison:*

- *Providing senior industry representation to each State and Federal Recovery Group.*
- *Providing a 24hr escalation path for insurance queries from the impacted community.*
- *Providing key insurance data and decision support to the community and government.*
- *Providing clear public communication about the insurance response to the event.*
- *Providing liaison between insurers, assessors, brokers, trades, suppliers at an industry level on issues of collective importance to delivering services to the impacted community.*

- 2.4. The arrangements include a disaster hotline, priority and a triage process for disaster claims, and an insurance team to assist policyowners including community forums.

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<sup>14</sup> Defined in the Code, s. 15, as ‘Catastrophe means an event declared by the ICA (Insurance Council of Australia) to be a catastrophe, including, but not limited to, fire, flood, earthquake, cyclone, severe storm and hail, resulting in a large number of claims and involving multiple insurers.’

<sup>15</sup> The definition of Exceptional Circumstance, s. 15, includes a claim arising ‘from an extraordinary Catastrophe as declared by the ICA (Insurance Council of Australia) Board’.

<sup>16</sup> Code, s. 7.17.

<sup>17</sup> Code, s. 7.18.

<sup>18</sup> Code, s. 9.3.

<sup>19</sup> Code, s.9.4.

### 3. Flood definition

- 3.1. As a result of the severe flooding which hit Queensland, New South Wales and Victoria in 2011, it became apparent that there was little consistency in the definition of ‘flood’ as between policies. It was proposed by the Commonwealth Government in *Reforming Flood Insurance: Clearing the Waters*, a document published in April 2011, that there should be a standard definition of ‘flood’ both for the purposes of coverage and exclusion, to allow policyholders to compare policies more easily. That proposal was enacted into law.<sup>20</sup>
- 3.2. The statutory standard definition of flood is 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 (whether or not it has been altered or modified); a river (whether or not it has been altered or modified); a creek (whether or not it has been altered or modified); another natural watercourse (whether or not it has been altered or modified); a reservoir; a canal; and a dam. The definition is relevant to any ‘prescribed contract’, defined as meaning insurance of residences of various types and their contents, and the equipment, stock, inventory or premises of a small business.
- 3.3. The statutory definition of flood is applicable for the following purposes. First, the word ‘flood’ and corresponding terms, as used in respect of a prescribed insurance contract<sup>21</sup> or a notice or other document or information given by the insurer in relation to a prescribed contract, must bear the meaning in the statutory definition. Flood cover or flood exclusions must, therefore, be construed in accordance with the statutory meaning. Second, before entering into a prescribed insurance contract, the insurers must clearly inform the policyowner in writing whether the contract provides insurance cover in respect of loss or damage caused by, or resulting from, flood as defined. Third, where a prescribed insurance contract covers loss or damage caused by, or resulting from, one or more flood events, then the policy covers the entire range of risks in the statutory definition of ‘flood’, and the insurers cannot refuse to pay a flood claim within the statutory definition. In the event that a prescribed contract covers flood but has different maximum amounts payable for different flood events, the highest maximum amount applies to each of them. All of this applies whether or not the insurers have clearly informed the policyowner of the purported effect of the flood provisions in the contract. These provisions do not affect the cover provided by the policy in respect of other events.

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<sup>20</sup> IC Act, ss. 37A to 37E, as supplemented by amendments to the *Insurance Contracts Regulations 1985*, in the form of added rr. 29A to 29D, now the *Insurance Contracts Regulations 2017* (Cth) at rr 33 to 35.

<sup>21</sup> See Part 6.

## 4. Catastrophic events: The New Zealand model

- 4.1. Australian law does not have generalised legislation on catastrophes, other than the Code standards described above. However, a good guide to the issues that can arise following a natural or other disaster can be found in the experience of New Zealand following the earthquakes in September 2010, February 2011 and June 2011. Some eight years later a substantial number of claims remain unresolved, and the New Zealand Government in April 2018 established a tribunal dedicated to the resolution of outstanding disputes. In the following paragraphs the New Zealand situation is considered.
- 4.2. The legislative structure is set out in the Earthquake Commission Act 1993 as supplemented by the Earthquake Commission Regulations, itself derived from the UK's War Damage Act 1941. The scheme is administered by the Earthquake Commission. The features of the ECA 1993 are as follows.
- a) the Earthquake Commission (EQC) does not enter into insurance contracts and its duties are owed under administrative law.
  - b) EQC provides cover against land damage (unlimited amount), residential properties (up to \$100,000, to be raised to \$150,000 in 2018) and their contents (up to \$10,000, to be phased out in 2018). The cover is for physical damage only and not consequential loss, and there is no cover where property is left undamaged but uninhabitable by reason of administrative action or from the threat of further loss.
  - c) The risks covered against are: earthquake, natural landslip, volcanic eruption, hydrothermal activity, tsunami; fire consequential on any of those risks; and storm or flood.
  - d) EQC cover operates only where there is private insurance in place, and EQC is funded by a levy on insurance premiums. EQC insurance in practice operates as primary layer cover, with private insurance coming in as excess layer cover. Note that private insurance does not cover land damage, only property and contents damage.
  - e) The EQC is not liable for pre-existing defects, fraudulent claims and loss caused by failure to mitigate.
- 4.3. The relationship between the statutory scheme and private insurance has given rise to a variety of problems, and these have either caused or at best exacerbated delays in settling insurance claims. First, there are regular demarcation disputes as to whether damage is to land or buildings. Where foundations are damaged, the solution can be to repair the land or it can be to use deeper or stronger foundations, the outcome having different consequences for the sums payable by EQC and insurers. Second, there have been problems of the construction of private insurance, notably whether the sum insured is net or gross of EQC's contribution. Third, in the event of successive losses in a policy year, there may be an issue as to whether EQC is liable for each loss separately or where they are to be aggregated. Fourth, questions have arisen as to the means of calculating the premium where a number of buildings are insured under a single policy with an aggregate value greater than the sum insured.
- 4.4. Leaving aside the problems raised by the interaction of statutory and private insurance, ordinary private claims have given rise to a series of difficulties. These have arisen from the combination of outmoded and unclear wordings, massive underinsurance and the occurrence of multiple losses. Given that these problems have all arisen, it is important to consider what steps might be taken to prevent any replication in the event of a natural catastrophe in Australia.
- a) What is 'loss (of) or damage to' property, including uninhabitable property, unreachable property and property under threat?

- b) What is the measure of indemnity? In particular: can a building be regarded as destroyed if it is repairable but only at high cost; does the insurer or the policyowner decide on rebuilding; what is the standard of repair required by 'as new' and 'when new' wordings; which party bears the cost of rebuilding to a new higher standard introduced after the happening of a catastrophic event; if rebuilding is not possible or not to be effected, how is the measure of indemnity to be calculated where the policy refers to notional rebuilding costs?
- c) If the policyowner is to rebuild, does the assured receive payment from the insurers before himself having paid the builders?
- d) Where there are consecutive losses in a policy year: how is the damage to be allocated between events where there have been no repairs; is the policyowner entitled to recover for each event even though the loss is replicated by later events; and how do automatic reinstatement clauses operate?
- e) Where the sheer volume of claims prevents assessments being made in a timely fashion by insurers, should they bear liability for those delays in the form of damages or interest?
- f) Where the parties have negotiated over a period of time, at what point has there been an election to build or pay, and if payment at what point is there agreement on amount? Further, if there is a settlement and court decisions on other cases then undermine the basis of the settlement, can it be overturned on the grounds of mistake?
- g) Are insurers liable for defective repairs even if they do not have a contractual relationship with the builder? If insurers pay for the correction of defective repairs, do they have subrogation claims against negligent builders in circumstances where the payment is voluntary?
- h) Natural catastrophes give rise to important litigation issues: should class actions be permitted; what role should be allowed to litigation funders; should policyowners be permitted to sell damaged property and assign insurance claims to third parties and, if so, should the assignment be confined to market value or should it extend to rebuilding costs?



## 5. Dispute resolution

- 5.1. In the Ramsay Report's view, factors critical to the success of the existing ombudsman schemes have benefits which are particularly important in natural disasters. First, there is administrative flexibility and responsiveness so that they can move quickly when circumstances require it; for example, by raising funds for additional staff if dispute numbers rise unexpectedly. As a result, FOS and CIO are generally capable of resolving disputes quickly — FOS within 62 days and CIO within 107 days.<sup>22</sup>
- 5.2. Second, the single EDR body would be required to have adequate funding and flexible processes to deal with unforeseen events (such as an increase in disputes following a financial crisis or natural disaster) and must be financially transparent.<sup>23</sup>
- 5.3. Third, FOS also operates a dedicated natural disaster hotline to provide help and information on financial hardship, insurance claims and other financial issues experienced as a result of extreme weather events. It received 255 calls to this line 2015-16.<sup>24</sup>
- 5.4. Fourth, there are other ancillary benefits that would follow from a single EDR body in the event of an unanticipated disaster or crisis, including that it will be easier for government and other stakeholders to coordinate responses with a single body than with multiple bodies.<sup>25</sup>

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<sup>22</sup> Ramsay Report, p. 8.

<sup>23</sup> Ramsay Report, p. 13.

<sup>24</sup> Ramsay Report, para. 4.71.

<sup>25</sup> Ramsay Report, para 5.145.

## GLOSSARY

**Code** – General Insurance Code of Practice

**Code Participant** – a general insurance industry participant that is a signatory to the General Insurance Code of Practice

**EQC** – Earthquake Commission

**FOS** – Financial Ombudsman Service

**IC Act** – *Insurance Contracts Act 1984*

**ICA** – The Insurance Council of Australia

**Independent Code Review 2013** – The General Insurance Code of Practice Independent Review, Final Report, May 2013, Ian Enright

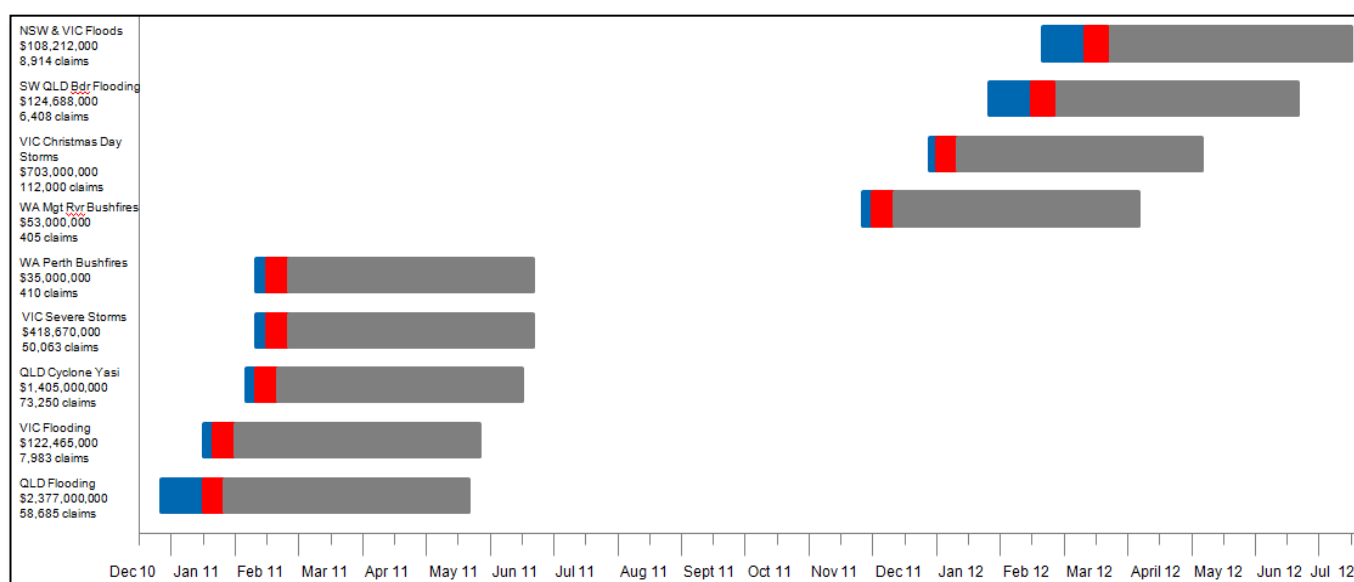
## **Issues Paper – Issues Paper for the 2012 Independent Review of the General Insurance Code of Practice, published in October 2012**

**NDIR** – National Disaster Insurance Review, the Report of the Inquiry into flood insurance and related matters, September 2011

## APPENDIX

The Independent Code Review 2013 sourced, collated and considered Selected Statistics for the natural disasters over 2010–2013, in the Table below, and compared them with the Selected Statistics for the period 2009–2012 in Appendix D.<sup>26</sup>

The below graph illustrates natural disasters and associated claims information over the past two



years.<sup>27</sup>

Notes:

- Blue bars indicate the length of each disaster event.
- Red bars indicate a period of ten days after the event, at the end of which about 47% of insurance claims were assessed.
- Grey bars indicate a four month period, at the end of which 89% of insurance claims were assessed.<sup>28</sup>

In a seven week period from 21 December 2010 to 7 February 2011, there were five natural disasters occurring almost concurrently, involving insured losses of \$4.36bn and 190,391 claims, across three different States, with three in Queensland. In a fifteen week period from 22 November 2011 to 6 March 2012, there were four natural disasters occurring almost concurrently, across four different States, with two in Victoria, involving insured losses of nearly \$1bn and 127,727 claims.

The period for each natural disaster, including the following claims assessment period meant that for 2010–2011, there was a period of five months, and for 2011–2012 a period of eight months, in which five and four major natural disasters were affecting the community at the same time. Against an industry average, for the statistics period, of about 315,000 claims each month, 190,391 claims arose from the 2010–2011 natural disasters and 127,727 claims arose from the 2011–2012 natural disasters. Against an industry average, for the statistics period, of about \$2.2bn in gross claims payments each

<sup>26</sup> Final Report, s. 5 and Appendix D.

<sup>27</sup> Claims statistics current at 14 August 2012.

<sup>28</sup> QFCI Report paras 12.2.4 and 12.5.1.

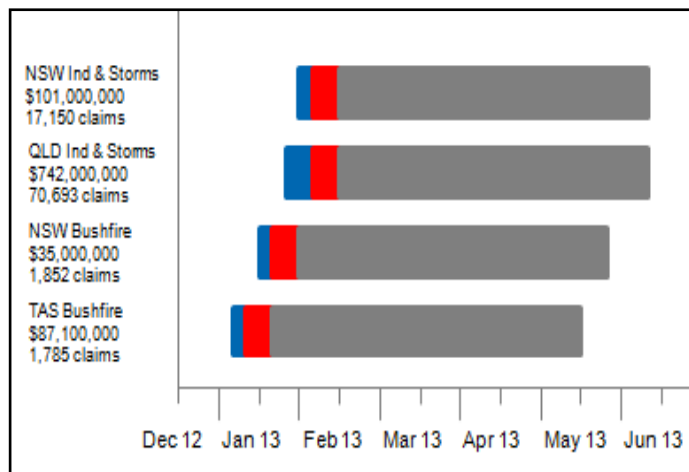
month, about \$4.36bn of claims were paid on the 2010–2011 natural disasters and nearly \$1bn of claims were paid on the 2011–2012 natural disasters.

Total claims increased from 2009 to 2010 because of the extreme weather events but the percentage declined decreased, but the percentage of disputes increased. The NDIR (National Disaster Insurance Review) table on disputes lodged with the Financial Ombudsman Service (FOS) supports the NDIR views that the number of lodgements per 1000 claims indicates that:

- a) There is a clear difference between the frequency of disputes in floods (8.5 and 14.8 for the Queensland and Victorian floods) with much lower frequencies for the storms; and
- b) The difference is largely explained by the absence of flood coverage in many policies.

The community endured a summer of multiple natural disasters in 2013. In a four week period from 4 January to 30 January 2013, there were four natural disasters occurring almost concurrently involving insured losses of nearly \$1bn and 91,480 claims across three States. These included the Tasmanian bushfires, and the Queensland and northern New South Wales inundation and flooding in January 2013.

The below graph illustrates the natural disasters of 2013 and expected claims information based on



patterns observed over the past two years.

## SELECTED STATISTICS

**Table 1: Disputes lodged with Financial Ombudsman Service<sup>29</sup>**

Disaster Event	Number of Insurance claims as at 24/6/2011	Number of disputes lodged as at 30/6/2011	Lodgements per 1000 claims
SW/SE Queensland flooding — Roma and Charleville	7,056	21	3.0
Victorian Hail Storm — Melbourne	135,000	93	0.7
WA Hail Storm — Perth	165,000	43	0.3
Queensland Flooding — Brisbane, rural Queensland, Toowoomba, Lockyer Valley	56,200	479	8.5
Victorian flooding — rural Victoria	7,500	111	14.8
Cyclone Yasi — Cassowary Coast, North Queensland	68,300	49	0.7
Victorian Storms — Melbourne and suburbs	48,000	56	1.2
WA bushfires — Perth and surrounds	410	0	0

Source: See footnote.

The number of lodgements per 1,000 claims, as recorded in the right-hand column of this table, shows the clear difference between the frequency of disputes in floods (8.5 and 14.8 for the Queensland and Victorian floods, with much lower frequencies for the storms).

<sup>29</sup> Financial Ombudsman Service Submission to the House of Representatives Standing Committee on Social Policy and Legal Affairs Inquiry into operation of insurance industry during disaster events, 29 August 2011, p. 19.

**Table 4: Select industry, claim, dispute, breach and sanction statistics**

Industry Statistics	2009 <sup>30</sup>			2010			2011 <sup>31</sup>			2012		
	Total	Personal	Commercial	Total	Personal	Commercial	Total	Personal	Commercial	Total	Personal	Commercial
Policies	36,371,082	30,972,178	5,398,904	36,643,881	31,481,201	5,162,680	37,186,220	31,937,791	5,248,429	37,186,220	31,937,791	5,248,429
								86% <sup>32</sup>	14% <sup>33</sup>		86% <sup>34</sup>	14% <sup>35</sup>
Gross Written Premium	31.823b			33.216b			34.289b			37.413b		
Gross earned premium	Not available before Sept 2010			Not available before Sept 2010			34.288b			36.947b		
Investment income on assets backing insurance liabilities	Not available before Sept 2010			Not available before Sept 2010			2.368b			3.43b		
Investment income on shareholder's funds	4.319b (This is total Investment income)			4.85b (This is total Investment income)			2.29b			1.967b		
Total Assets	95.185			99.192b			114.993b			118.131b		
Gross Claim Payments <sup>36</sup>	22.836b			21.319b			24.025			29.217b		
Combined Expense Ratio <sup>37</sup>	94.9%			90.1%			95.4%			98%		

<sup>30</sup> The figures for the items in the Executive Summary appear different from the figures for the same items in Appendix B.

<sup>31</sup> FOS General Insurance Code of Practice, Overview of the Year 2010–2011, February 2012.

<sup>32</sup> Steady from 2010.

<sup>33</sup> Steady from 2010.

<sup>34</sup> Steady from 2010.

<sup>35</sup> Steady from 2010.

<sup>36</sup> APRA Quarterly General Insurance Performance Report (Gross Claims incurred-closing outstanding claims + opening outstanding claims)

<sup>37</sup> Ibid. Note: Prior to September 2010, ratio based on net written premium. From September 2010, ratio based on net earned premium.

Claims and Disputes	2009 <sup>38</sup>			2010			2011 <sup>39</sup>			2012		
	Total	Personal	Commercial	Total	Personal	Commercial	Total	Personal	Commercial	Total	Personal	Commercial
Claims <sup>40</sup>	3,623,255	3,020,382	602,873	3,872,618 <sup>41</sup>	3,308,728 <sup>42</sup>	563,890 <sup>43</sup>	3,810,513 <sup>44</sup>	3,251,179	559,334			
Number of claims accepted <sup>45</sup>	3,550,422			3,804,894			3,744,217				Not yet available	
Declined Claims <sup>46</sup>	72,833	68,371	4,462	67,724 <sup>47</sup>	62,340 <sup>48</sup>	5,384 <sup>49</sup>	66,296	59,776	6,520			
Total IDR Disputes <sup>51</sup>	21,447	20,258	1,189	22,581 <sup>52</sup>	21,209 <sup>53</sup>	1,372 <sup>54</sup>	23,285 <sup>55</sup>	21,544	1,741	90% of declines <sup>50</sup>	10% of declines <sup>50</sup>	
Total IDR Resolved Disputes	21,320	20,155	1,165	22,643	21,326	1,317	22,673	21,058	1,615	93% of disputes	7% of disputes	
In Favour of Code Participants	13,932	13,128	804	15,084	14,162	922	15,527	14,342	1,185			
In Favour of Customers	7,388	7,027	361	7,559	7,164	395	7,146	6,716	430	68% of disputes	73% of disputes	
EDR/FOS number of disputes <sup>56</sup>	5,833			5,041			5,627			32% of disputes	27% of disputes	7,595

<sup>38</sup> The figures for the items in the Executive Summary appear different from the figures for the same items in Appendix B.

<sup>39</sup> FOS General Insurance Code of Practice, Overview of the Year 2010–2011, February 2012.

<sup>40</sup> FOS General Insurance Code of Practice Annual Overview.

<sup>41</sup> Increase of 7% from 2009; FOS said: 'Undoubtedly the most significant contributing factor to the overall increase ... has been Australia's extreme weather events' (s. 5.2.4).

<sup>42</sup> Increase of 9% from 2009.

<sup>43</sup> Decrease of 6% from 2009.

<sup>44</sup> Includes subsequently discontinued or withdrawn claims.

<sup>45</sup> APRA Quarterly General Insurance Performance.

<sup>46</sup> FOS General Insurance Code of Practice Annual Overview.

<sup>47</sup> Decrease of 7% from 2009.

<sup>48</sup> Decrease of 9% from 2009.

<sup>49</sup> Increase of 21% but the percentage of accepted claims remained at 99%; it is not clear how this result could follow.

<sup>50</sup> 22% increase on declines from 2010.

<sup>51</sup> 22% increase on declines from 2010.

<sup>52</sup> Increase of 5% from 2009.

<sup>53</sup> Increase of 5% from 2009.

<sup>54</sup> Increase of 15% from 2009.

<sup>55</sup> Overall steady from 2010 but commercial disputes increase by 28%.

<sup>56</sup> FOS General Insurance Code of Practice Annual Overview.

Monday November 6, 2017

## Australia's worst cyclones

Rank	Name	State	Year	Losses*
1	Cyclone Tracy	NT	1974	\$4.1b
2	Cyclone Debbie	QLD	2017	\$1.565b
3	Cyclone Yasi	QLD	2011	\$1.532b
4	Cyclone Madge	WA/NT/Qld	1973	\$1.492b
5	Ex-TC Oswald	Qld/NSW	2014	\$1.13b
6	Cyclone Ada	Qld	1970	\$1.01b
7	Cyclone Dinah	Qld	1967	\$878m
8	Cyclone Larry	Qld	2006	\$799m
9	Cyclone Justin	Qld	1997	\$650m
10	Cyclone Althea	Qld	1971	\$648m
11	Cyclone Marcia	Qld	2015	\$544m
12	Cyclone Joan	WA	1975	\$398m
13	Cyclone Tasha	Qld	2010	\$393m
14	Cyclone Elaine	Qld	1967	\$390m
15	Cyclone Hazel	WA	1979	\$287m
16	Cyclone Alby	WA	1978	\$265m
17	Cyclone Sid	Qld	1998	\$245m
18	Cyclone Winifred	Qld	1986	\$205m
19	Cyclone Cliff	Qld	1981	\$205m
20	Cyclone Nancy	Qld/NSW	1990	\$197m
21	Cyclone Zoe	Qld/NSW	1974	\$171m
22	Cyclone Aivu	Qld	1989	\$138m
23	Cyclone Joy	Qld	1990	\$121m
24	Cyclone Herbie	WA	1988	\$117m
25	Cyclone Daisy	Qld	1972	\$116m
26	Cyclone Vance	NT	1999	\$108m

\*insurance losses, estimated loss value in 2015 dollars (apart from Cyclone Debbie, actual losses)

Source: [www.disasters.org.au](http://www.disasters.org.au)



## Insurance Council of Australia – Declared Catastrophes

These statistics are sourced from the Insurance Council of Australia Media Releases on its website.

Date of Incident	Catastrophe	Place	Claims	Insurance Losses
Jan. 2013 <sup>57</sup>	Ex-tropical cyclone	Bundaberg Wide Bay-Burnett, Qld	75,000	\$977m.
Nov. 2014 <sup>58</sup>	Hailstorm	Brisbane	121,195	\$837.5m.- Domestic \$513.3m. - Commercial \$1.35billion-Total
Jan. 2015 <sup>59</sup>	Bushfires	S.A.	996	\$24.6m.- Domestic \$12.0m- Commercial 36.6m. - Total
Feb 2015 <sup>60</sup>	Cyclone Marcia	Central Qld.	36,483	\$327.7m. - Domestic \$190.3 m.- Commercial \$518m.- Total
25 Apr. 2015 <sup>61</sup>	Hailstorm	Sydney	9,500	\$63.3m.
30 Apr. - 4 May 2015 <sup>62</sup>	Storms	South East Qld, Northern NSW	27,825	\$289.8m.- domestic \$70.2m. - commercial
Apr. 2015 <sup>63</sup>	Storms <sup>64</sup>	NSW-Sydney, Hunter, Illawarra	119,935	\$629.6m.- domestic \$172.1m.- commercial
4-5 Jun. 2015 <sup>65</sup>	Storms	East. Qld,	11,150+	\$38m.
25 Nov-2 Dec. 2015 <sup>66</sup>	Bushfires	S.A. Pinery	2,030 <sup>67</sup>	\$170m. <sup>68</sup> 73% commercial
16 Dec. 2015 <sup>69</sup>	Storms and hail (tornado)	Sydney, Kurnell	5,199	\$206m. <sup>70</sup> 72% commercial
25 Dec. 2015 <sup>71</sup>	Xmas Day bushfires	Great Ocean Rd. Vic.	527	\$110m. <sup>72</sup>
Jan. 2016 <sup>73</sup>	Bushfires	South West W.A. - Yarloop	1358	\$71m. <sup>74</sup>

<sup>57</sup> ICA MR 21/10/15

<sup>58</sup> ICA MR 1/5/15; ICA MR 2/6/15

<sup>59</sup> ICA MR 2/6/15; ICA MR 5&7/1/15; ICA MR 1&4/5/15

<sup>60</sup> ICA MR 20&23/2/15; ICA MR 12/3/15; ICA MR 1&4/5/15; ICA MR 2/6/15

<sup>61</sup> ICA MR 1/5/15; ICA MR 4/5/15

<sup>62</sup> ICA MR 23/4/15; ICA MR 4/5/15; ICA MR 2/6/15

<sup>63</sup> ICA MR 22/4/15; ICA MR 2/6/15

<sup>64</sup> ICA MR 23/4/15

<sup>65</sup> ICA MR 6/6/16.

<sup>66</sup> ICA MR 26,27&30/11/15; ICA MR 15/1/16

<sup>67</sup> ICA MR 25/3/16

<sup>68</sup> ICA MR 15/1/16

<sup>69</sup> ICA MR 17/12/15; ICA MR 15/1/16

<sup>70</sup> ICA MR 25/3/16

<sup>71</sup> ICA MR 26/12/15; ICA MR 15/1/16

<sup>72</sup> ICA MR 25/3/16

<sup>73</sup> ICA MR 8&15/1/16; ICA MR 15/2/16.

<sup>74</sup> ICA MR 25/3/16.

Jun.-Jul. 2016 <sup>75</sup>	Storms and floods <sup>76</sup>	Tas., East. Vic.	14,500 incl. E. Qld and NSW	\$56m.
Jun. 2016 <sup>77</sup>	Storms	Qld, NSW, Vic, Tas	32,000	\$235m.
26 Sept. 2016 <sup>78</sup>	Flooding	Central West NSW: Forbes		10s of millions.
11 Nov. 2016	Hailstorm	Mildura Vic, S.A., NSW	9,000	\$20+m.
12-18 Feb. 2017 <sup>79</sup>	Bushfires <sup>80</sup>	NSW-Warrumbungles, North Coast,	2,000	\$33.5m.
19 Feb. 2017 <sup>81</sup>	Two hailstorms	Sydney	53,720	\$512m.
23 Mar. – 17 Apr. 2017 <sup>82</sup>	Cyclone Debbie <sup>83</sup>	Airlie Beach to South East Qld and Northern Rivers NSW	73,556	\$1.613b.
19 Dec. 2017 <sup>84</sup>	Storm, floods, hail.	Melbourne & Vic	25,000+	\$105m.
17 Mar. 2018 <sup>85</sup>	Cyclone Marcus <sup>86</sup>	NT-around Darwin	3,100	\$15.5m. <sup>87</sup>
Mar. 2018 <sup>88</sup>	Storms	North Qld. Cassowary Coast and Hinchinbrook	750	\$14.8m.
18 Mar. 2018 <sup>89</sup>	Bushfires <sup>90</sup>	South West Vic., Southern NSW	120+	\$12+m.
18 Mar. 2018 <sup>91</sup>	Bushfires	Tathra NSW	340	\$36m.
10 May 2018 <sup>92</sup>	Storm	Hobart	1,000+	

Notes:

- a) There were 16 deaths referred to in the Media Releases but these numbers are not verified.
- b) There were in most catastrophes, loss of homes. The available numbers have not been verified.
- c) The amounts for the value of claims or losses are estimates.

<sup>75</sup> ICA MR 5/6/17.

<sup>76</sup> ICA MR 7/6/16; ICA MR 18/7/16.

<sup>77</sup> ICA MR 7&16/6/16.

<sup>78</sup> ICA MR 26/9/16.

<sup>79</sup> ICA MR 14/2/18; ICA MR 20&21/2/17.

<sup>80</sup> ICA MR 13/2/17.

<sup>81</sup> ICA MR 19/2/17; ICA MR 20&21/12/17.

<sup>82</sup> ICA MR 28/3/17; ICA MR 31/3/17; ICA MR 27/9/2017; ICA MR 6/11/17; ICA MR 21/12/17.

<sup>83</sup> ICA MR 28/3/17; ICA MR 6/4/17; ICA MR 29/6/17.

<sup>84</sup> ICA MR 21/12/17.

<sup>85</sup> ICA MR 18/3/18.

<sup>86</sup> ICA NR 20/3/18.

<sup>87</sup> ICA MR 21/3/18.

<sup>88</sup> ICA MR 10&21/3/18.

<sup>89</sup> ICA MR 18&21/3/18.

<sup>90</sup> ICA MR 18/3/18.

<sup>91</sup> ICA MR 18&21/3/18; ICA MR 11/4/18; ICA MR 17/4/18.

<sup>92</sup> ICA MR 11/5/18.

- d) The insurance claims for ICA declared catastrophes for the period November 2014 to June 2015 were \$3.45 billion.