

IMPACT OF RECENT FLOODING EVENTS ON INSURANCE PREMIUMS

It will likely come as no surprise that the recent flood events in NSW and Queensland will lead to higher premiums for the upcoming renewal period. The **Insurance Council of Australia (ICA)** has revealed that, as of 8 March 2022, insurers had received 96,844 claims related to the storms and flooding, and the cost so far is \$1.45 billion.

Q: I DON'T LIVE IN THE AFFECTED AREA. WILL MY INSURANCE PREMIUM INCREASE?

It's expected the catastrophic losses will affect premiums in many classes of insurance. This is because insurers will be forced to pay more for their insurance to meet their obligations. This is known as *reinsurance*.

The insurers we deal with in Australia will be seeking to renegotiate the reinsurance contracts and the pricing they each set on their portfolios will be dependent on the cost of reinsurance. Historically, cost of reinsurance in the Asia-Pacific region was low, however the increase in major climate related catastrophes in recent years has resulted in higher costs for reinsurance, which flows on to the premiums you pay.

Q: WHAT CAN I DO TO KEEP THE INSURANCE PREMIUM MANAGEABLE?

Building defects and maintenance-related issues are a significant financial exposure – for insurers who are faced with rising claims costs, and for owners who may be forced to pay higher excesses or self-insure the losses that fall below a high excess. A well-maintained property will always be easier to insure than a property with a poor risk profile and claims history.

Q: I'M STILL WAITING FOR REPAIRS TO BE COMPLETED FROM LAST YEAR. WHY ISN'T MY CLAIM PROGRESSING?

The extended period of lockdown in Victoria in 2020 and 2021 prevented non-essential repairs being done, such as painting, patching, carpentry, fencing, landscaping etc.



Repairers were still catching up on the backlog of work from the last two years when the Victoria earthquake happened. Structural damage was widespread and required urgent attention.

Q: WILL MY CLAIM BE FURTHER DELAYED BY THE CLAIMS FROM NSW AND QLD?

Possibly. Some resources have been re-directed to support the extensive work required to get people back into their homes and businesses in flood affected areas. Local loss adjusters, assessors and repairers have moved north to assist insurers in NSW and QLD.

Q: HOW MUCH WILL MY INSURANCE PREMIUM INCREASE?

A lot will depend on the risk profile of the property. We recommend making allowance in your budgets for 25% – 30% increase, however we may need to revise this expectation in the coming months.

QUESTIONS?

If you have any questions, please contact your local BCB branch via one of the options below.

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