

# CATASTROPHIC RISK INSURANCE IN AUSTRALIA

## ...WITH THE G20 AUSTRALIAN PRESIDENCY IN 2014 NOW IS OUR CHANCE TO SHINE

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### PHD FINDINGS ON THE MOST SUITABLE MODEL FOR AUSTRALIA

#### ELEMENTS OF THE PROPOSED MODEL FOR AUSTRALIA

- A multi-risk catastrophic insurance regime is the most preferable economic protectorate for losses arising from natural catastrophes & climate change.
- The PhD has found that any model utilised must be all encompassing and facilitate access to insurance (whilst still using signals such as pricing or other mechanisms to prevent moral hazard) – the thesis itself promotes a legal and economic model which encompasses how access to disaster insurance can be provided.
- Any national catastrophe insurance must be objectively affordable.
- The solution encompasses mitigation to create more resilient properties.
- There must be an integrated regime whereby different government departments (both at State and Federal Level) work together with the insurance industry, individuals and communities to reduce the economic impacts of disasters. The success of such a regime will depend on a clear demarcation of roles and responsibilities particularly in relation to who should be responsible for fiscal resourcing and facilitating the obligations under the proposed model.

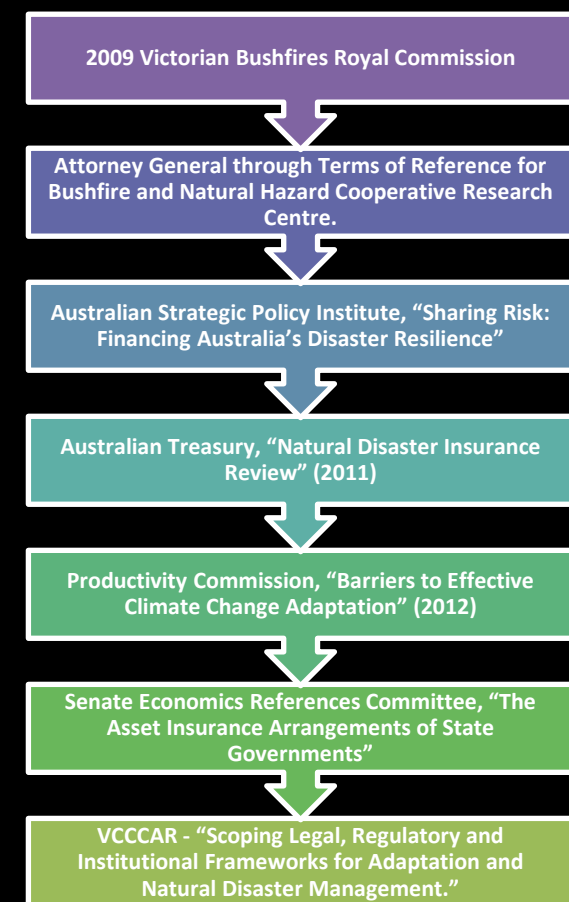
#### PhD Thesis Question

Is the current insurance, legal & regulatory regime adequate to deal with economic losses from natural disaster? What is the best economic and legal model for Australia?

#### AUSTRALIAN INSURANCE PROBLEMS AND CHANGES TO THE EXISTING SYSTEM POST QUEENSLAND FLOODING

- Insurance Cover generally includes cover for fire, hailstorm and cyclone
- In 2012 there was the introduction of Uniform Flood Definition (but not uniform cover)- insurers can decide not to cover flood in particular localities or price risk on actuarially sound models and thus the focus should be on facilitating cover for all natural catastrophes
- Autonomy of individual insurers (coverage terms and pricing) – this is causing great problems with access and affordability
- There is a disconnect between the roles and responsibilities of the key stakeholders
- The starting point should be to resolve the key issues of access and affordability

### EXAMPLES OF SOME OF THE DOMESTIC INTEREST IN DISASTERS AND INSURANCE



### DOMESTIC AND INTERNATIONAL IMPACT OF PHD RESEARCH THUS FAR



Source: 3 News

### LEGAL & REGULATORY REGIME FOR INSURANCE IN AUSTRALIA

#### MAINTENANCE OF SOME OF THE EXISTING LAW

- The Insurance Contracts Act 1984 (Cth) currently governs insurance contracts in Australia.
- Insurance Contracts Act 1984 (Cth) should apply except where the regulatory regime setting up the disaster insurance regime has disaster specific legislative requirements.
- Historical legislative debates can be of assistance in introducing a national catastrophic insurance regime in Australia.
- There must be a modification regarding the way in which taxation is imposed upon insurance for natural disasters to prevent the cascading effect as this causes affordability problems

#### LEAD END USER COMMENT ON UTILITY OF PHD THESIS – MICK AYRE SOUTH AUSTRALIAN COUNTRY FIRE SERVICE

*“Emergency services organisations would benefit from the establishment of a changed regulatory regime for disaster insurance that encourages equitable access to reasonable cost insurance cover offsetting the cost to individual property owners against disaster loss. Such a scheme should be predicated on the concept of shared responsibility at whole of community level and would engage the emergency services in risk identification and communication, and supporting communities to build resilience to natural disaster through targeted prevention and preparedness programs.*

*Economic protection against the cost of disaster would potentially reduce the costs of response and recovery, not just in economic terms, but in regard to mitigating the degree of personal loss and aiding faster recovery.”*