



Insurance Council
of Australia

Select Committee on the proposal to raise the Warragamba Dam Wall

ICA Responses to Questions on Notice (Monday 7 June 2021)

1. What is the level of underinsurance in the Hawkesbury-Nepean Valley?

Underinsurance occurs when a policyholder does not have sufficient cover for the replacement of their assets.

The level of underinsurance on homes is difficult to determine with confidence as it is dependent on a number of subjective variables that are not currently recorded at a national, state or regional level. Market research that has been undertaken estimates the level of household underinsurance to be as high as 81 per cent.¹

The new General Insurance Code of Practice, which started on 1 July 2021, has a provision for insurers to provide access to a calculator for customers when they apply for or renew a home building insurance product to help estimate their sum insured. The Insurance Council also has calculators on its website to assist with determining an appropriate level of cover.

Underinsurance in NSW is closely linked to the affordability of the policy's premium. Rising premiums typically are offset by a reduction in sums insured or the policyholder selecting a higher excess level to maintain affordability. Several reports have now found that the impact of the Emergency Services Levy and Stamp Duty is compounding to reduce NSW residents' capacity to appropriately insure their home and contents.

In November 2019, The Insurance Council provided a submission² on the NSW Review of Federal Financial Relations Discussion Paper. The submission stated that according to data from the 2015-16 ABS Household Expenditure Survey, of the nine million households that could potentially purchase contents insurance it is estimated that 30 per cent (about 2.7 million households) did not have contents cover, and of the 5.8 million potential buyers of home insurance, 5.7 per cent did not have building cover.

2. How many homes and SME's have no flood insurance

The Insurance Council does not have specific data on the number of SMEs either in the Hawkesbury-Nepean or more broadly that do not have flood cover, however, analysis undertaken for the Insurance Council in 2019 found that 91 per cent of all policies in force (which includes both commercial and domestic) in the Southern Sub-Tropical Region (which is principally the area south of Gympie, Queensland) choose to include flood cover. Of the remaining nine per cent who do not have flood cover, 1.9 per cent have a flood exposure.

According to the ACCC's Northern Australia Insurance Inquiry Report, the non-insurance rate for households in NSW is 12-13 per cent, compared to seven to eight per cent in other southern states.³ The impact of Emergency Services Levy and Stamp Duty is compounding to reduce NSW residents' capacity to appropriately insure their home and contents.

¹ Pg 8 Quantum Market Research 2014 [Slide 1 \(understandinsurance.com.au\)](#)

² Pg 9 Insurance Council's [submission](#) to the NSW Review of Federal Financial Relations Discussion Paper

³ Pg 279 [Northern Australia Insurance Inquiry - Final Report - 30 November 2020.pdf \(acc.gov.au\)](#)



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3. (Re. Graduated flood development controls) Do we have anything like that currently operating for the Hawkesbury-Nepean you are aware of?

A demonstration of the level of graduated flood development controls being affected can be found in the Riverstone/Schofields/Marsden Park areas of the Blacktown LGA, which is presently undergoing significant development. We refer to their website⁴: and draw attention to the following paragraph:

We enforce development controls that include setting minimum floor levels, prescribing flood compatible materials, ensuring new buildings are structurally sound, assessing flood impacts to others from development, and evaluating potential flood evacuation routes. Where possible we are upgrading old and undersized drainage networks to increase capacity in larger storm events and reduce local overland flooding.

⁴ Flooding in the Blacktown local government area ([Flooding in the Blacktown local government area - Blacktown City \(nsw.gov.au\)](#))