

# General insurance complaints about flood claim decisions

This fact sheet outlines what information financial firms and complainants should provide to AFCA in complaints about flood claim decisions, particularly when a site-specific hydrology report is not available.

This fact sheet was developed in response to catastrophic and widespread floods in northern NSW and southern Queensland in early 2022, which meant there were delays to accessing property level hydrology reports. This fact sheet also sets out what information AFCA will consider in complaints where delays are unavoidable due to the scale and/or frequency of weather events, particularly where a natural disaster is declared a catastrophe by the Insurance Council of Australia, or other national and international events (such as pandemics).

The purpose of this fact sheet is to seek a fair balance between the efficient, and fair assessment of these complaints while ensuring relevant information is provided on these complaints. This fact sheet is a guide only. It does not mean that if the parties provide the information set out in this fact sheet, it will result in a decision in their favour. Instead, AFCA will evaluate all the available information to determine whether the insurer's claim decision is fair in all the circumstances.

## Availability of property hydrology reports

### Background

When an insurer declines an insurance claim due to a flood exclusion, it is preferable for the insurer to obtain a site-specific hydrology report that supports the claim denial. This provides evidence for the insurer to rely on, to satisfy the onus to establish the flood exclusion applies. However, we acknowledge the practical difficulties of arranging hydrology reports for multiple properties in an efficient and timely way.

While the ultimate inundation in these cases is expected to be almost always flood, it is often the initial inundation that is in dispute. A hydrology report can help to determine whether the likely source of the initial inundation was flood or not. This is because even if the initial inundation is at a low level, it can make a significant difference to the outcome for many complainants.

Where a site-specific hydrology report is not available, or obtaining one will cause unreasonable delay to the resolution of the claim or complaint, then AFCA will consider other relevant information. In doing so we will consider, and give appropriate weight to, regional or area hydrology reports, and contemporaneous information such as witness reports and CCTV footage.

However, where alternative information is limited, insurers should obtain a site-specific hydrology report.

Where there are likely to be delays in obtaining a site-specific hydrology report, insurers should consider using available alternative information to support their decision.

If the insurer declines a flood claim, and the complainant disputes the decision and requests a site-specific hydrology report, then the insurer should communicate whether:

- the insurer agrees to obtaining one, and if it does,
- the likely timing of the report and the delay this will create for the claim finalisation to the complainant.

### Desktop reports

If it is not possible to arrange a site visit to undertake a site-specific hydrology report, insurers should consider a desktop report undertaken by someone with the appropriate skill and expertise. In undertaking a desktop review, the hydrologist should consider the following matters:

- the specific details of the home (e.g., floor levels)
- all relevant data for the area (e.g., rainfall records, river levels, area observations)
- the local topography, catchment and other relevant data.

Where available, insurers should also consider the complainant's, and other witnesses' statements, in relation to the flow of water and when initial inundation occurred.

### AFCA site visits

AFCA will consider undertaking site visits to help collect information to decide the cause of the damage. However individual site visits for every complainant are not feasible due to the scale of the inundated areas.

Where possible, and appropriate, AFCA will visit and inspect the affected areas, and obtain local knowledge. This might involve visiting a sample of complainants' homes and businesses, as well as some randomly affected properties/businesses. AFCA will inform the relevant insurer before the visit to any complainant's property and, if possible, the insurer can also attend the site inspection.

AFCA may use this information to inform the approach to complaint resolution of claims with similar characteristics, e.g., buildings in the same street affected by similar flood characteristics. To the extent it does so, it will ensure the parties are aware of this and provide them with a reasonable opportunity to comment.



## Other relevant information

In addition to the information recommended for desktop reviews, insurers should collect the following information where a site-specific hydrology report is not available:

- a hydrology report for the area, or nearby properties
- photos and videos of the property
- any available CCTV footage
- the height of the property including the height of the bottom floor level, how many stories and other site-specific information
- consideration about whether water entered through the roof or surged from sources such as a toilet before the property was inundated by floodwater
- a statement from the complainant about the timing and direction of the initial water inundation
- any available data about the:
  - rainfall levels in the area
  - recorded levels of nearby rivers and watercourses
- statements or information from local sources about source, direction and timing of water inundation, e.g., storm water, drain, river, creek, rainwater runoff
- the history of inundation at that location.

## Claims handling timeframes

### Background

AFCA acknowledges that claims handling timeframes will be affected by the scale of the event as well as other concurrent events (e.g., COVID related shortages). These will likely affect the availability of materials, tradespeople, assessors and temporary accommodation.

The insurer should be able to show that they triaged claims appropriately, considering the circumstances of the policyholder and their property. This includes anything that makes the policyholder particularly vulnerable.

## Communication about delays

Insurers should clearly communicate expected timeframes and any delays to the complainant as early as possible. This should also be done regularly as the claim progresses. While there may be early progress in property and damage assessment, make-safe works and initial strip outs, rebuilding may take time due to supply issues. Timeframes should be clearly communicated to the policy holder with regular updates. In considering complaints about delays we will consider whether the insurer has acted reasonably taking into account:

- the number of claims received
- available resourcing
- steps the insurer has taken to address resource shortfalls
- how frequently and effectively the insurer has communicated with the customer
- whether the insurer has provided temporary accommodation within a reasonable timeframe
- how the insurer has dealt with vulnerable customers and customers in hardship
- any other steps the insurer has taken.

## Complaints about temporary accommodation

We encourage insurers to continue to be proactive and flexible when arranging and continuing temporary accommodation for policyholders under the terms of the policy. This includes providing cash payments in lieu of temporary accommodation where it is not available, but the policyholder is staying with friends or family.

## Complaints about contents claims

We expect that insurers will be reasonable where there has been a total, or significant loss, and not generally require itemised contents with total loss claims.

This is because in those cases, it is unlikely the policyholder will have access to proof of contents. Given the scale, severity and number of flood events, we expect that many policyholders will also be traumatised which makes a requirement to provide itemised contents lists more difficult.

## Information that insurers and complainants should provide

AFCA will consider the following information when resolving these complaints. We ask insurers and complainants to provide the following information as early in the complaints process as possible:

- Insurer:
  - > Product Disclosure Statement
  - > Certificate of Insurance
  - > claim notes
  - > hydrology report for specific property or locality, if available
  - > geo-map of water levels
  - > relevant assessor reports.
- Complainant:
  - > photos and videos of property and damage
  - > CCTV footage if available (particularly in industrial, commercial or shopping areas)
  - > information about timing of the inundation, direction of water flow, and clarity and colour of the water
  - > information from neighbours who may have recollections of the timing and direction of the inundation.

