

ITEM C NOTICE OF MOTION - COUNCILLOR PETTY - FLOOD STUDY REPORTS

Councillor Petty has submitted the following Notice of Motion –

“I formally move that Council write to the Insurance Council of Australia, NSW Division, and provide a copy of -

- 1 The latest Flood Study Report for each study area in the Wollongong Local Government Area; and,
- 2 The WMAwater Report.”

Background provided by Councillor Petty:

The following information was received from the Insurance Council of Australia and it indicates they use Flood Study information as far back as 1991 when subsequent studies may be available.

“Thank you for your email received overnight by our communications team.

Please excuse the brevity of this reply and any potential typos, I am on the road but did not want to delay a response to what is a refreshingly genuine approach to this challenge.

Without devolving this into a 'who said what' letter, I will simply summarise that I believe ICA last formally spoke with WCC in 2013 requesting GIS data for relevant flood studies. The data currently relied upon by industry varies in age with one of the older datasets carrying a vintage of 1991.

I am advised that in 2013 WCC offered access to updated flood data, for a fee. A very considerable fee. Insurers are quite willing to adopt new data produced by a council and to adjust premiums accordingly, to reflect a council's best understanding of the risks. However the industry does not pay for the flood data it uses as these costs would need to be passed on to the same policyholders that funded the studies in the first place with council.

Taking your points in turn...

- (1) *Council would argue publishing a flood study on Councils website following a resolution of Council to adapt a Flood Study provides the Insurance Industry with the latest data. Does the Insurance Industry accept these as formal evidence of a Flood Study or is the Insurance Council of Australia or individual member organisation demanding a formal letter of a revised Flood Plan before flood levels for insurance purposes are reset?*

Publishing a flood study on councils website does not provide the data required in order to set premiums. Whilst the PDF version of a flood study is of interest, what is required is the GIS data used to create the 1%,2%,5% and PMF defined flood events (or the closest council has to these). We would argue that publishing a Flood Study on your website does very little to inform constituents of the risks as they are technical documents produced to support council decision making on mitigation and flood control, rarely digestible by those visiting your website. Some councils have their own electronic flood mapping services on their websites, able to be used by residents to determine how flood impacts their address. These website are, likewise, not suitable for insurers who deal with tens of thousands of quotes every day and cannot visit a council website to extract data each time.

What is required is GIS data in a raster format (any will do) as a flood depth grid, or surface grid and the associated domain data. The same data that council holds and that has been used to create the information described in the published flood studies. This is then analysed by industry and converted to underwriting data (and provided back to local government for their own use and records). This underwriting data (and its source GIS as released by council) is absorbed by all insurers who underwrite flood into their own systems, so that when a constituent seeks a quote from an insurer, the insurer can quickly derive a premium based on data they hold and have already analysed.

- (2) *As you are probably aware Wollongong City Council will accept independent accredited reports on particular blocks for new DA purposes, especially as the MWAwater report has been released which*

generally provides for lower flood levels in many study areas. Where an independent accredited report specifies a lower flood level (RL) compared to the report held by the insurance provider, does the Insurance Council of Australia or individual member organisations have a policy to accept or reject that independent report for insurance purposes?

Presently, the ICA does not receive amended data for individual properties from any Council in Australia. When flood data is updated by council it is typically sent to ICA for incorporation into the national dataset, this normally occurs when mitigation has been completed or a new/updated flood study released.

It would be possible to engineer a process for manual adjustment of data for individual properties where council has accepted an independent report. This would not be ideal and would require the resolution of a number of challenges at our end, but it is something we would be willing to have a look at. It would need to be done on an exception basis and not become the standard way in which council communicates flood risk. The ability for insurers to make incremental changes to underwriting for individual properties where a letter has been provided is very limited. They are quick to adopt a new dataset that involves changes to a larger region, typically when a new or updated flood study GIS dataset is revved by ICA and incorporated.

(3) What RL is used for insurance purposes for flood insurance?

Insurers typically use the analysed depth of flooding for the 1%, 2%, 5% and PMF events at an address. This is not data that council routinely creates and industry does not expect council to do so. Insurers have a longstanding and funded program call the National Flood Information Database (NFID) that takes local government data and converts it to the required underwriting data. The data required from council to achieve this is that described at (1).

(4) If the answer is 16.0, would this change to 14.0 upon receipt of letter from WCC including the latest Flood Study report? What would the timeframe for implementation be?

As per (2) - timeframe for such data to be manually updated and distributed is 90 days from receipt (worst case). However, insurers (once they receive data) make their own decisions regarding how quickly it is adopted. Individual changes, to singular addresses, would be a poor option compared to simply releasing updated data for the WCC LGA.

(5) From (4) then, it follows that from (2) that the Insurance Council of Australia or individual member organisations could well be versed and updated by a briefing from WMAwater on the recent good work that reviewed all the data deemed originally to be evidence of blockage in WCC. Could ICA advise if this is of interest?

We would be happy to participate in a briefing - However it would be counter-productive if the intention is anything other than to have the industry leave the meeting in possession of the GIS data necessary to make changes to premiums.

(6) I am not familiar with a renewal that contains flood insurance. It would seem a significant improvement in communication for greater transparency between the insurance industry and policy holders would be to include the RL on each policy and show separately the premium for the total amount of flood insurance covered?

I think you will find that most in the industry agree very strongly with the intent of this. Why is it not currently done? What are the constraints? In the first instance we don't have reliable data for your area. In the second, it's your RL or depth data that insurers would be releasing to your own constituents, something that many councils specifically ask us not to do (for a variety of reasons some good, some bad). In the third, releasing the dollar cost of the flood cover would compromise commercially sensitive data, as each insurer calculates the monetary value of the risk in a different way, giving rise to quite surprising competition when looking at price alone.

There is still a need for your constituents, who are our policyholders, to have a fundamental understanding of the flood risks that they face. To assist this we encourage councils to include flood depth and exposure information on rate notices, this has been very successful in some jurisdictions. The ICA runs a service where constituents can receive feedback from us on pricing issues, we

describe the extent to which a flood risk may be contributing to an amplified price signal. The answers given to residents of your LGA typically focus on the outdated nature of the data used by industry and the unavailability of new data. We also run community seminars, usually with councils, for flood prone communities where one-to-one explanations and support is given.

Councillor, thank you again for your email and the refreshing approach you have taken. I would be very happy to come down and offer a more comprehensive briefing at any time that is convenient, perhaps answering these questions (and any others that you have) in greater detail.”