

FLOOD INSURANCE

In the aftermath of a flood, many owners turn to their Strata Managers and insurance to help recoup their losses. However more often than not, owners are distressed to find their Strata Insurance policy does not cover damage as a result of flood.

This article addresses the ins and outs of flood cover, and whether your clients can include flood cover as part of their Strata Insurance.

1. How is flood defined?

In the past, different insurance companies all had their own definition of what constitutes 'flood' in their policy wordings.

However, in 2012, the Insurance Council of Australia (ICA) introduced a statutory definition of 'flood' for insurance contracts.

The main objective of the legislation was to standardise the scope of cover, as well as reduce consumer confusion around what constitutes flood.

Since 2012, the introduction of a standard flood definition has ensured greater clarity and peace of mind for both property owners and insurers.

As it stands, the standard definition of 'flood' is:

The covering of normally dry land by water that has escaped or been released from the normal confines of: any lake, or any river, creek or other natural watercourse, whether or not altered or modified; or any reservoir, canal, or dam.

Reference: Section 37B (2) (a) of the Insurance Contract Act 1984 (Cth). Insurance Council of Australia, 2012.

2. Does this definition apply to all insurance contracts?

Generally, the flood definition applies to a number of different insurance policies including Strata Insurance, Home and Contents Insurance, Car Insurance and Business Insurance.

A report from global reinsurance company Munich Re found Australia's floods caused \$US8.1 billion (\$11.7 billion) of losses, making them the fourth most costly natural disaster around the world in 2022.

Did you know?

2.8%

About 2.8% of Australian properties have moderate to extreme risks of flooding, while about 7% have some flood risk.

[\(Flood Insurance, Understand Insurance, Insurance Council of Australia\)](#)

80%

About 80% of insurance losses from floods occur in areas that have been flooded in the past.

[\(Flood Insurance, Understand Insurance, Insurance Council of Australia\)](#)

Alert!

Floods in Australia are expected to become more frequent and intense.

[\(Royal Commission into Natural Disaster Arrangements Report, October 2020\)](#)

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3. Misconceptions of flood cover

Despite the introduction of a standard flood definition, we still find that many owners are unsure of what constitutes flood when it comes to a claim. Below we have outlined two examples of storm damage vs flood damage to help put the flood definition into context:

a) Flood example

If water escapes or overflows eg. from a lake or water course, it is deemed in the insurers eyes as a flood. In this instance, your clients' Strata property **would only be covered for resultant damage if they have purchased flood cover** as an additional feature under their Strata Insurance policy.

NOTE: A standard definition for flood does not automatically mean flood cover is included in a Strata Insurance policy.

b) Storm damage example

A storm accompanied by extremely heavy rain and high winds passes through, dislodging roof tiles at a strata property. As a result, rainwater permeates into the plaster of the ceilings and walls of several strata units, causing severe water damage.

The resultant damage here is deemed to be a consequence of the storm and not a flood, therefore it **would always** generally be covered under a Strata Insurance policy

(subject to terms and conditions specific to the policy).

NOTE: Generally, storm damage is a policy feature under Strata Insurance policies, however please refer to Strata Insurance policy wordings for the exact terms and conditions specific to each insurance policy.

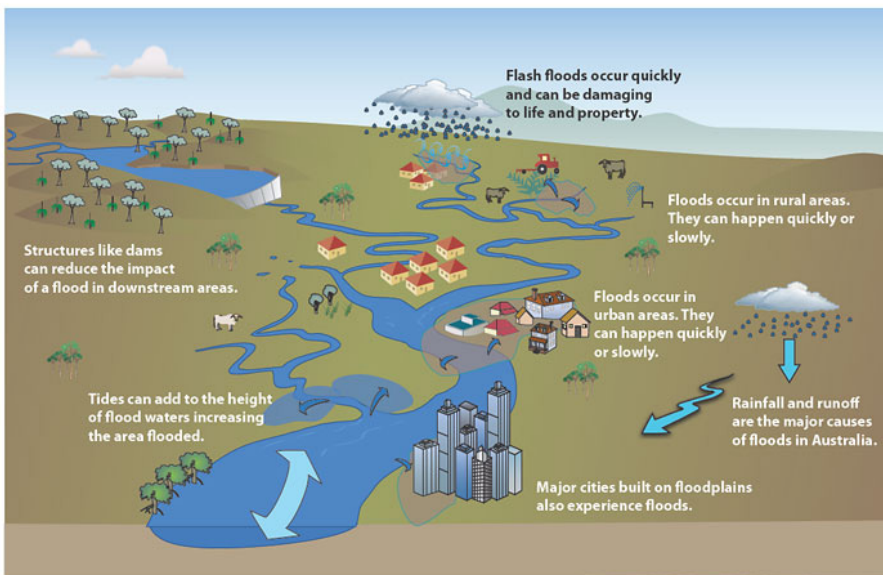
4. What does Flood Insurance cover include?

Generally, in a Strata policy, Flood Insurance will provide cover for the building structure and any fixtures and fittings in Common Property areas where flood has been deemed as the cause of damage.

5. Can I get flood cover for my Strata clients?

Strata Insurance policies **do** provide storm damage cover but **generally do not automatically provide flood cover.**

Flood cover can be requested by the owners, however insurers will assess their willingness to offer flood cover based on the location of the property, and the proximity of rivers, lakes and dams. Generally, insurers will refer to flood mapping to understand whether the area is prone to flooding. This information helps insurers determine whether they are able to provide flood cover under the Strata Insurance policy.



An illustration of factors that contribute to floods
Understanding Floods | www.chiefscientist.qld.gov.au/floods

Floods in Australia are usually caused by rainfall

Floods can be caused in a number of different ways; however the dominant cause of flooding in Australia is rainfall. When rain falls over an area of land, some is absorbed by the soil, while the rest becomes runoff and flows downhill. The area of land that contributes runoff to a particular point is called the catchment.

The amount of rainfall, the intensity of the rainfall over time (the temporal pattern) and the distribution of the rainfall over an area of land (the spatial pattern) can all vary widely. The floods that are produced by this rainfall are therefore equally variable, that is, every flood is different.

For more information on Flood Insurance, or to ask about including flood cover for your clients, first check their current insurance policy coverage, and then contact your Whitbread Insurance broker to make further enquiries.

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