

COASTAL CITIES NATURAL DISASTERS

THE INSURERS RESPONSE TO A DISASTER



OVERVIEW

- THE AUSTRALIAN INSURANCE INDUSTRY
- GLOBAL WARMING – AFFORDABILITY
- CYCLONE LARRY
- INDUSTRY RESPONSE
- INTERACTION WITH GOVERNMENTS
- REGULATORY IMPACT
- LESSONS LEARNED



BASIC PRINCIPLE OF INSURANCE

- CHINESE MERCHANTS
- POOLING TO SPREAD THE RISK
- ACCUMULATION OF PREMIUMS OF MANY TO PAY A SMALL NUMBER OF CLAIMS WILL KEEP PREMIUMS AFFORDABLE



IT ISN'T THAT SIMPLE

- CONCENTRATION OF RISK
- RISKS CAN AGGREGATE
- AGGREGATE EXPOSURES
RESULTING FROM INDIVIDUAL
INCIDENTS
- REINSURANCE – MORE SPREADING
OF THE RISK



DIMENSIONS – APRA DATA

- \$29 BILLION IN PREMIUM INCOME
- 83.9 BILLION IN ASSETS
- 43,000 EMPLOYEES
- 41 MILLION POLICIES
- 3.5 MILLION CLAIMS ANNUALLY



ABSENCE OF INSURANCE COVER ASIC SURVEY 2005

- NO INSURANCE
- 200,000 BUSINESSES
- 1.8 MILLION HOMES
- 70% OF TENANANTS
- UNDER INSURANCE
- 7.5% HOMES INSURED FOR LESS THAN 70% OF THEIR VALUE
- 35% OF ALL CONTENTS ARE GROSSLY UNDER INSURED



INSURANCE PRICING CHALLENGE

- UNDER PRICING MAY MEAN INSUFFICIENT FUNDS (HIH EXPERIENCE)
- OVER PRICING COULD RESULT PEOPLE NOT PAYING AND TAKING THE RISK



INSURANCE IS IMPORTANT

- MINIMISES EMOTIONAL TRAUMA
- REINSTATE TO PRE LOSS POSITION
- CONTRIBUTES TO THE WELL BEING OF THE ECONOMY
- EMPLOYMENT OPPORTUNITIES
- MINIMISES BUSINESS INTERRUPTION



INSURANCE COUNCIL OF AUSTRALIA

- NOT THE ICA
- REPRESENTS 90% OF TOTAL PREMIUM INCOME WRITTEN BY PRIVATE SECTOR INSURERS.
- STRATEGIC BLUEPRINTS – ONE OF WHICH IS DISASTER MANAGEMENT AND RESPONSE



DISASTER RECOVERY BLUEPRINT

- CRISIS MANAGEMENT
- CREATING A BETTER UNDERSTANDING OF RISK
- RISK MITIGATION
- THE ROLE INSURANCE CAN PLAY IN THE EVENT OF A DISASTER





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CLIMATE CHANGE

- MORE CLAIMS = GREATER COST
- HIGHER LOSSES = HIGHER PREMIUMS AND DEDUCTIBLES
- LOWERED LIMITS
- TIGHTER RESTRICTIONS
- REFUSAL TO COVER????



CATASTROPHE MODELLING

ESTIMATE OF LOSSES BASED
ON HISTORICAL EVENTS AND
ASSOCIATED PROBABILITIES



WHY INSURERS MODEL

- UNDERSTAND THEIR EXPOSURE
- LOOK AT RISK REDUCTION
- PRICE SETTING AND DEFINING TERMS
- RISK MITIGATION ACTIVITIES SUCH AS BUILDING CODES, BCP'S AND NEW PRODUCTS



POTENTIAL ACTION POINTS

- LOSS DATA COLLECTION
- ANALYSE THE IMPACT OF CLIMATE CHANGE
- PROMOTE AND SUPPORT BUILDING CODES
- CORPORATE CLIMATE FOOTPRINT

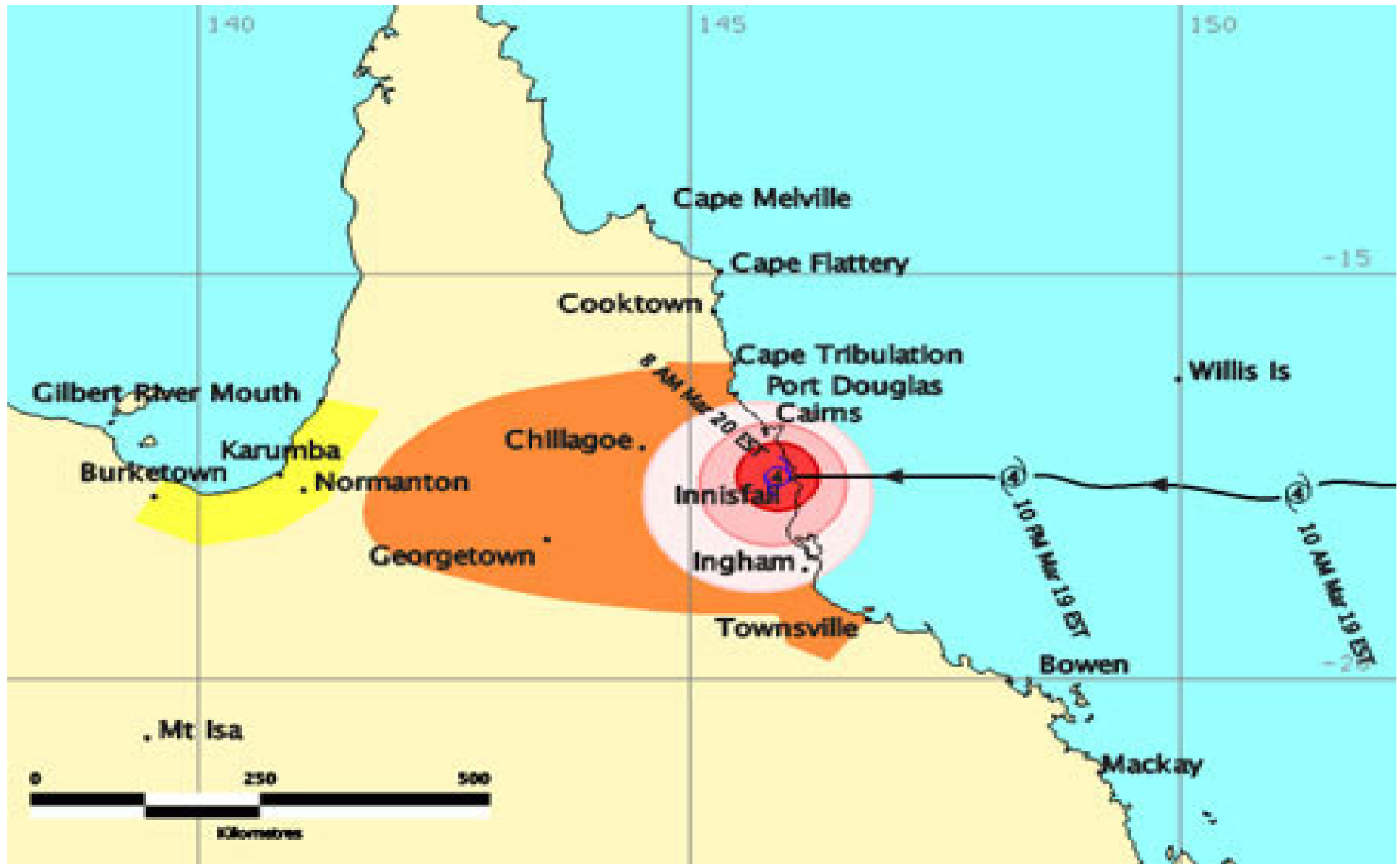




PAST CATASTROPHES

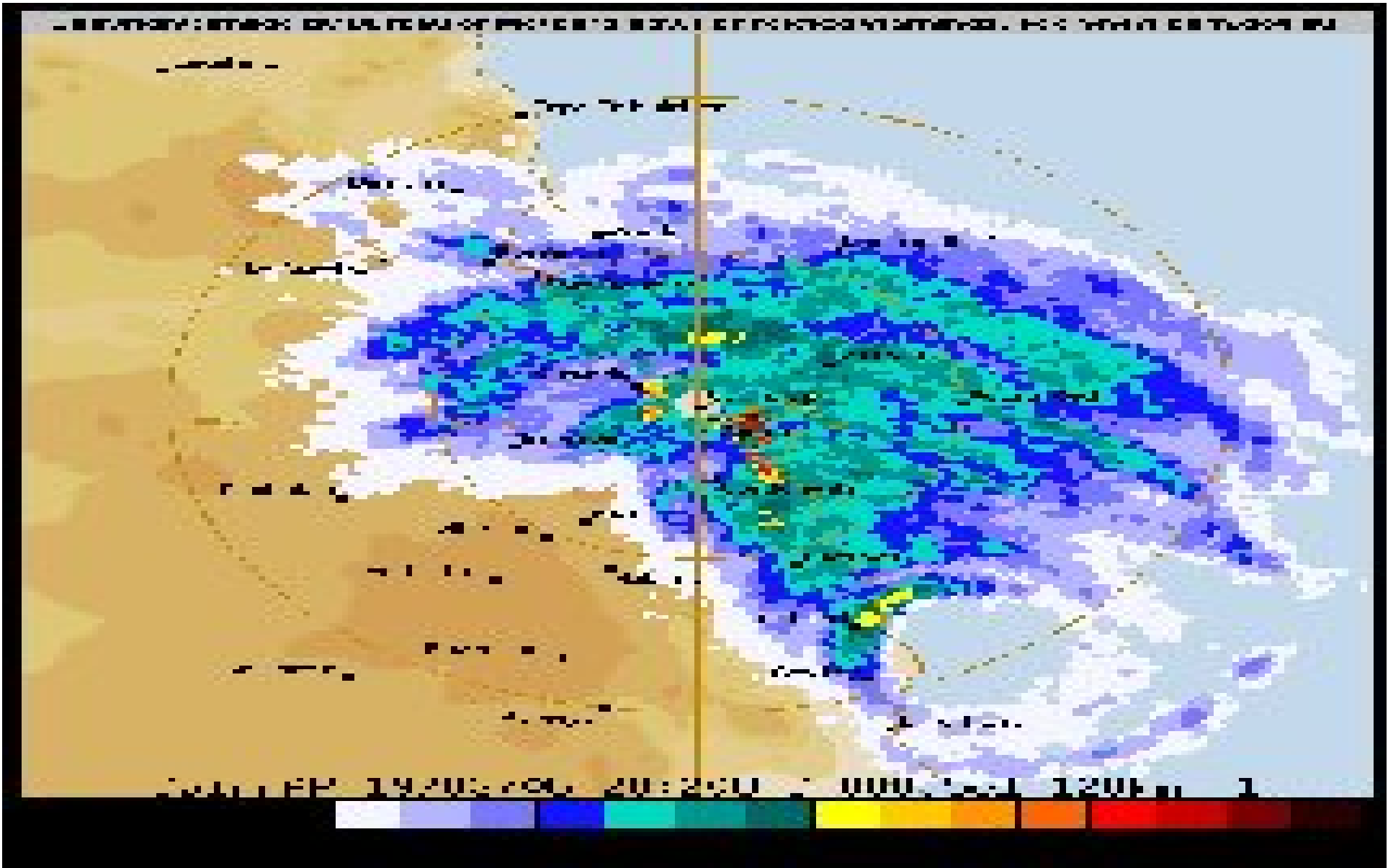
- CYCLONE TRACY – 1974
- ASH WEDNESDAY – 1983
- NEWCASTLE EARTH QUAKE – 1989
- SYDNEY HAIL STORM – 1999
- ACT FIRES – 2003
- CYCLONE LARRY - 2006

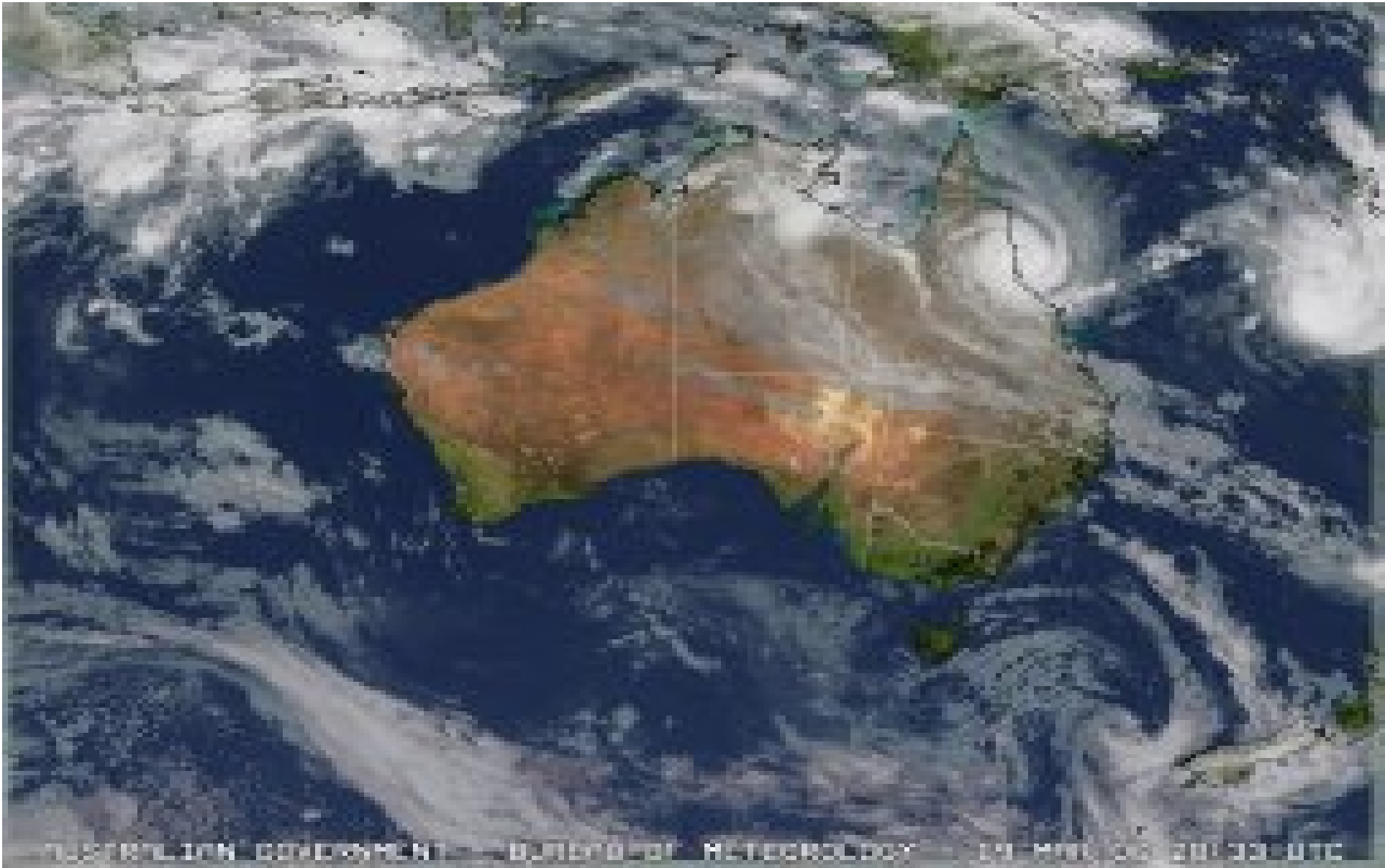




'LARRY'

- 20 MARCH 2006 – INNISFAIL REGION
- CATEGORY 5 CYCLONE
- WIND GUSTS OF 250 KMH
- 12,000 SQ KM OF LAND
- SINCE THE 1870'S THERE HAVE BEEN 22 CYCLONES IN THE REGION











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IMMEDIATE ISSUES

- ACCOMODATION – BOTH FOR VICTIMS AND EMERGENCY PERSONNEL
- COMMUNICATIONS
- ACCESS
- FOOD AND WATER



KICKED WHILE YOU ARE DOWN

- 4 MONTHS OF CONTINUOUS RAIN AND HUMIDITY HINDERED RESTORATION
- MOULD COMPOUNDED THE DAMAGE
- ASBESTOS ISSUES EMERGED



SOME ISSUES

- WEATHERPROOFING HOMES – LANDLORDS AND CASH SETTLEMENTS
- MASSIVE DEMAND FOR TRADES PEOPLE AND SUPPLIES
- ACCOMMODATION



INSURANCE INDUSTRY RESPONSE

- 140 PERSONNEL BY LATE MARCH
- FEEDBACK TO THE INDUSTRY WAS NOT GOOD
- LESSONS LEARNED
- A BETTER CATASTROPHE RESPONSE IS PENDING



GOVERNMENT INITIATIVES

- RECOVERY CENTRES
- COUNSELLING
- FREE LEGAL ADVICE
- FREE TRANSPORT
- HEALTH
- LABOUR COORDINATION



FINANCIAL ASSISTANCE

- \$1500 - \$12,500 GOVERNMENT ASSISTANCE FOR RESIDENTS DEPENDING ON CIRCUMSTANCES
- UP TO \$500,000 BY WAY OF A LOW INTEREST LOAN TO BUSINESSES AND FARMERS



COSGROVE TASK FORCE

- INITIATIVE OF THE GOVERNMENT
- COORDINATE RELIEF INITIATIVES
- MANAGE EXPECTATIONS
- ENSURE ACCOMMODATION RECEIVED PRIORITY
- OTHER BUILDING ISSUES
- COMMUNICATION



BUILDING COORDINATION CENTRE (BCC)

- WATERPROOF HOMES
- HOME AND REBUILDING EXPOS
- DEMOLITION AND DEBRIS PROBLEMS
- WILL BE PRESENT UNTIL THE END OF 2007



REGULATION – OUCH!

- NECESSARY PAIN
- CREATED BOTTLENECKS
- ADDED TO THE COST
- OLDER HOMES UPGRADED
- SAFER ENVIRONMENT



OBSERVATIONS

- CATASTROPHE PLAN
- POTENTIAL IMPACT ON CLAIMS STAFF
- WORK WITHIN THE RECOVERY INFRASTRUCTURE
- THE WISDOM OF CASH
- STREAMLINE YOUR PROCESSES



MORE OBSERVATIONS

- COSGROVE TEAM A WINNER
- REGULATION IS A NECESSARY EVIL
- THE INSURANCE INDUSTRY WILL BE BETTER FOR THE EXPERIENCE
- THIS WILL ONLY EXPEDITE THE RECOVERY PROCESS WITH FUTURE DISASTERS

