

Flood Insurance

Description

This fact sheet is for information only. You should get legal advice about your personal situation.

Main ideas

- Have your insurance policy in place before a flood.
- Know what your policy covers – policies vary between insurers.
- Get evidence of loss and damage. Photos/videos can help.
- Negotiate with the insurer. Tell them how you would like the claim settled.
- Get legal advice if you are unsure about your policy or settlement.

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Preparing for flood

This is not an emergency guide. If floodwaters are already rising or forecast to rise in your area soon, follow the advice from the State Emergency Service. Your safety comes first.

If you live in an area that may flood, take videos and photos of your property and contents before a flood comes. Save this somewhere safe away from your home, such as on a cloud storage service. Having this information easily available can help the insurance company process your claim quickly, as you can show what condition your property was in, and what items you owned.

It can be helpful to also have a copy of your insurance policies. Think about uploading them to a cloud storage service. If there is a flood, you may be able to claim on the following policies:

- **Home Building Insurance** – for destruction or damage to the building.
- **Home Contents Insurance** – cover for personal belongings and household possessions.
- **Motor Vehicle Insurance** – cover for cars, motorcycles, trailers, caravans.
- **Accident or Sickness Insurance, Income Protection Insurance, or Consumer Credit Insurance** – cover for accidents, injuries, illness or if you lose your job.
- **Life Insurance** – cover for injury, disability, death. Could be stand-alone insurance or as part of your superannuation. (Contact your super fund to check what insurance you have.)

Your insurer will have a copy of your policy if you lose yours.

If you can't remember who you are insured with, contact the Insurance Council of Australia (ICA: 1300 728 228), or if there has been a large-scale disaster, the ICA Catastrophe Hotline (1800 734 621).

Understand your policy

Not all insurance policies cover flood. And policies from different insurers may deal with flood damage in different ways.

Your policy is made up of your Product Disclosure Statement and your policy schedule. These documents set out the scope of your insurance cover. Insurance policies vary about what events they cover and what they don't cover (exclusions). Read your policy to make

sure you get all the benefits you are entitled to, and understand what losses are not covered. Read our fact sheet about Understanding your insurance policy.

If your policy does not cover you for flood, you still may have cover for storm or rainwater.

Check what you are covered for when you take out your policy. If you leave it until a flood is forecast or happening, you may find that insurers have paused offering cover in your area and will not let you add cover until the risk passes. Or the insurer may give you a policy, but the policy may say you are not covered for flood in the first 72 hours (or other time period) from when you first took out the policy.

Definition of ‘flood’

Most home and contents insurance policies use a standard definition of ‘flood’:

The covering of normally dry land by water that has escaped or been released from the normal confines of any of the following:

- A lake (whether or not it has been altered or modified);
- A river (whether or not it has been altered or modified);
- A creek (whether or not it has been altered or modified);
- Another natural watercourse (whether or not it has been altered or modified);
- A reservoir;
- A canal;
- A dam.

But some policies may not cover (exclude):

- Actions of the sea, storm surge or tsunami.
- Soil movement, such as erosion, landslide, shrinkage or subsidence (some policies will cover it if it happens within 72 hours of the flood).

If you choose not to get flood cover, your policy may also not cover (exclude):

- Rainwater run-off.
- Rainwater run-off combined with flood waters (even if this is not stated in the policy).
- Storm surge.

If you arranged your policy through an insurance broker, and the broker gave you financial advice, your policy might not use the standard definition of flood. **Check your policy.**

Definition of ‘storm’, ‘rainwater’, ‘run-off’

There is no standard definition of ‘storm’, ‘rainwater’ or ‘run-off’, so check the definitions in your policy.

If you are not sure what your policy covers, get free legal advice from the Insurance Law Service on 1300 663 464.

Example definitions:

Storm

If loss or damage is caused by storm. (For example, hail damages your roof.)

Covered

- *violent wind, cyclone or tornado*
- *rain, thunderstorm, hail or snow*
- *sudden, excessive run-off of water as a direct result of a storm in your local area....*

Not covered

- *... loss or damage caused by flood...*

Storm, rainwater or run-off

We will pay for loss or damage caused by storm, rainwater or run-off ...

- *“Storm” means violent wind (including cyclones and tornadoes), thunderstorms and hail which may be accompanied by rain or snow;*
- *“Rainwater” means rain falling naturally from the sky onto the buildings and/or ground;*
- *“Run-off” means rainwater that has collected on or has flowed across normally dry ground or has overflowed from swimming pools or spas.*

We will not pay for loss or damage caused by:

- *Flood; or*
- *Flood water combined with run-off and/or rainwater.*

Type of cover: replacement or indemnity

Indemnity cover: The policy will generally cover you for actual losses up to the ‘sum insured’. Your policy schedule or certificate of insurance will state the amounts – for example ‘up to \$500,000 for building, \$30,000 for contents’.

Replacement cover: The policy will generally cover you for the amount it would cost to replace or repair damaged building/contents to the condition it was in just before the flood.

Under or overinsurance

If you have indemnity cover, **underinsurance** is when your sum insured is not enough to cover your loss. This can be a problem when there is a widespread natural disaster – increased demand can increase the cost of tradespeople and building materials. Changes in local building codes can also increase costs.

Some insurers offer a 'safety net' for an additional premium. For example, 'Safety net home protection – 25% extra of the home sum insured'.

Overinsurance is where your sum insured is more than you need to cover your loss or damage. Overinsurance can create a buffer to make sure you are fully covered. However, the insurer will only pay the amount of your actual loss if it is less than your sum insured. And you won't get a refund of the higher premiums you paid.

When you take out a policy, and at every renewal, it is up to you to make sure the amount of cover meets your needs. If you are not satisfied with the amount of cover you are offered, you can negotiate with your insurer or shop around other insurers.

If you were misled by your insurer into getting too little or too much insurance, get legal advice. If you relied on the insurer's sum insured calculator, get legal advice.

Additional benefits

Check your policy to see what additional benefits you have; these are **generally** on top of your sum insured. For example:

Emergency or temporary accommodation

If you can no longer live in your home, your insurer may pay for alternative accommodation for a time. For example, your policy may include a clause like: *We [the insurer] will pay the reasonable costs incurred by you for comparable accommodation for up to 12 months while your building is being rebuilt or repaired.*

Check if there is a limit on the cost of accommodation, for example

- a percentage of policy sum insured
- 'reasonable costs'.

There could also be a limit on the time the accommodation will be paid for, for example:

- up to a specific period (say, 12 months)
- 'reasonable time'.

You may also be able to argue for additional accommodation if you need it because your insurer has acted unfairly towards you (for example, by delaying repairs so your home remained unliveable for longer than necessary). Get legal advice immediately – you may need to argue for these benefits and it may take time.

Demolition / removal of debris

Your policy may cover the cost of removing debris and clearing your land.

Check your policy to see what types of debris are covered. For example, debris from trees, shrubs and plants may not be included.

Architects, surveyors, and legal fees

Your policy may cover for the services of architects, surveyors and legal fees reasonably required to rebuild or repair the building. It may be limited, for example, up to 10% of the sum insured.

Costs of complying with new regulations

Your policy may cover the cost of bringing your home up to standard with new building or safety regulations introduced since your home was originally built. For example: *We will also pay any additional costs required for your buildings to comply with government or local authority by-laws.*

If you have total replacement cover, you may be covered for additional compliance costs.

Claiming on your policy

Insurers must respond to catastrophes and disasters in a fast, professional and practical way. They must act in a fair and reasonable manner.

Insurance claims management services

Think carefully about whether to hire someone to help you manage the claim. Insurance claims management services are commercial businesses that charge a fee to represent you and do the paperwork on your insurance claim. Understand the risks before signing up.

[Read our fact sheet about Insurance Claims Management Services.](#)

1. Contact your insurer

If you are unsure whether you will be covered, make a claim and see what the insurer says. Reading a policy can be difficult; contact us if you need help.

Your insurer will have an electronic record of your policy documents, so don't be concerned if your copies have been lost or destroyed.

Ask your insurer about organising temporary accommodation under your policy. Be careful about your insurer putting you in an expensive temporary property which will use up your accommodation allowance quickly. If it is going to take 12 months to rebuild your home, you

will need a sustainable housing arrangement.

If your insurer says you are not covered for flood

Your insurer must clearly tell you that you are not covered for flood damage when you take out a policy. Consider:

- asking for voice recordings of your conversations, or a copy of your online application form with the questions and answers clearly set out
- checking the insurer sent you the policy documents within the 14 day cooling off period
- any confusion or ambiguity in the wording of the policy.

Get legal advice to help you argue if you think your policy should cover your loss.

Proving damage was caused by storm or rainwater

Even if you don't have flood cover, your policy may cover you for storm or rainwater damage.

Proving what event caused damage can be very technical. Opinions from experts like hydrologists may be needed.

Consider:

- Where did the water come from? What path did the water take?
- When and how did the water enter your house?
- Did stormwater pool in a lake or river before reaching your property?
- Was it raining when the water first entered your property? How heavily and how long did this continue?
- Did the water damage occur during the heaviest rainfall?
- How far away is the river/lake/watercourse from your property?
- What time did flood waters reach your property?
- Are there any stormwater drains close by? If so, were these overflowing before water entered your house?
- Could rainwater alone have risen to a sufficient height to cause the damage?
- Could flood water alone have risen to a sufficient height to cause the damage?
- Did the water level rise in one go, increase in stages, or increase at a constant rate?

Provide evidence to support a storm damage claim

Information you may use to prove your damage was caused by storm and not flood includes:

- Insurer hydrologist reports – if your insurer has provided a hydrologist report, read it carefully. The report may be based on incorrect assumptions or be inconsistent with other reliable evidence like eyewitness reports.

- Independent hydrologist report – you could pay for an independent hydrology report, but these are expensive. Ask your local community – has someone else got an independent hydrologist's report, or could you share the cost to get a joint one? But there is a risk that the report may not support your case.
- Local council information – such as flood histories of your local area, evidence of soil drainage in your area, water flow paths, maps of watercourses and stormwater drains, council commissioned hydrology reports, contour maps. Check your council's website.
- Your property survey plan – including height of property, location of stormwater drains etc.
- Eyewitness statements.
- Photos or videos of rainwater inundating your area or your house.
- Bureau of Meteorology (BoM) – such as rainfall data and river gauges. Information is available from BoM's website.

2. The insurer will appoint an assessor

The assessor will come to your property to assess the damage and whether you are covered under the policy. This may take time during catastrophes like floods.

The insurer has the right to inspect your property. They decide whether buildings or contents should be repaired/ rebuilt/ replaced and by who. Talk to your insurer to get their consent before doing any repairs. If you are worried about more damage happening, and your insurer is not doing anything, get legal advice.

While you are waiting for the assessor:

- **Your safety is the highest priority.** Only enter damaged buildings if it is safe to do so. Always follow directions of emergency services.
- **Protect your belongings if it is safe to do so.** You must take reasonable steps to prevent further damage. For example, you might put a tarp over your contents or move them under shelter. Document what you have done with before and after photos, invoices, and copies of any directions from council or local emergency services.
- **Take photos of damaged items and buildings.** Make a list of all the things that have been lost or damaged.
- **Do not throw away any items unless it is a danger.** Try to get the insurer's permission before you throw anything away. Take photos and keep a record of what you have done.

Some insurers ask for a room-by-room list of damaged items. But if everything is lost, ask them to pay your total sum insured. If they insist on a detailed list, ask why they want it and seek legal advice. The insurer should not ask for a list if they are satisfied your claim is a total loss.

Storm and rainwater damage vs flood damage

If you do not have flood cover and are relying on cover for storm or rainwater damage, the insurer will need to figure out the main (or dominant) cause of the damage. In general:

- **If rainwater was the entire cause of the damage**, your claim should be paid under storm or rainwater cover. But if you opted out of flood cover, some policies may also exclude rainwater run-off or storm surge.
- **If flood water was the entire cause of the damage**, your claim will not be paid unless you have flood cover.
- **If rainwater was the primary cause of the damage and flood water caused minimal damage**, your claim should be paid under storm or rainwater cover for the whole loss. But if you opted out of flood cover, some policies may also exclude rainwater run-off or storm surge.
- **If flood water was the primary cause of the damage and rainwater caused minimal damage**, your claim will not be paid unless you have flood cover.
- **If rainwater and flood water were both primary causes of the damage**, your claim will not be paid unless you have flood cover (as one dominant cause is excluded). But if rainwater entered your house first and caused damage, you may be covered for the initial damage caused only by the rainwater.
- **If flood and rainwater mixed together before causing the damage**, your claim will not be paid unless you have flood cover. But if some damage was caused solely by stormwater/ rainwater (for example, roof damage or damage caused by leaks), your insurer may pay that part of your claim.

Working out the cause of storm or flood damage to your home can be complicated.

If your insurer rejects your claim, ask the insurer for the reasons for the rejection in writing, along with any information and reports they relied on to reject your claim. If you don't think the rejection is fair, get free legal advice from the Insurance Law Service on 1300 663 464.

3. Negotiate a settlement

Check the amount you are insured for, and for any additional benefits in your policy. Make sure you understand what you are entitled to under your policy.

The insurer can decide whether to repair, replace or cash settle a claim. You can challenge that decision if it is not fair or reasonable, but usually you won't be able to force the insurer to do repairs for you (get advice if your circumstances prevent you from organising the repairs yourself).

Consider getting your own builder or engineer to review the insurer's 'scope of works' to check it is appropriate. Sometimes the insurer may ask you how you would prefer to settle,

and you can negotiate. Be clear about what is being settled – the whole claim or only part.

If you have a mortgage over your home, the insurer may pay your claim directly to your home lender. You then need to negotiate with your lender to release the funds to rebuild or repair. If there is a problem, get legal advice.

Think carefully before accepting a cash settlement offer. Consider:

- If an insurer repairs or rebuilds, they are responsible for and guarantee the work. If you agree to a cash settlement and engage your own repairer, you will need to sort out any problems about the quality of repairs yourself.
- Insurers manage the repair process which can sometimes be complicated. If the repair is complex, think about your ability to project manage the repairs and whether the settlement amount gives you enough money to hire someone to project manage the works for you.
- Insurance companies may be able to get cheaper quotes because of their purchasing power. You may not be able to get the job done for the same price. Get your own quotes to make sure the amount being offered is realistic.
- Sometimes repair costs are uncertain – a cash settlement may leave you out of pocket. If the insurer insists you do the repairs yourself, ask if the insurer will pay you an uplift (for example, an additional 10-25%) on top of your repair quote for unexpected expenses. You usually will not be able to go back to your insurer funds later if you run out of money to finish the repairs.
- In contents claims, the insurer may pay your claim in store credit instead of cash – but only if the policy says they can do this. If the policy doesn't say anything about store credit, you can ask for cash. The insurer may offer you more in store credit than cash (because they get discounts). Get advice if you think the insurer is acting unfairly.

How long should the claim take?

Once they receive your claim, the insurer should move it forward reasonably quickly.

The insurer should decide your claim within 4 months. If there are exceptional circumstances (including situations such as a major bushfire or flood), the insurer should decide your claim within 12 months. This does not mean an insurer can sit on your claim and do nothing for 4 or 12 months – they must still move the claim forwards during this time, and you can complain if they are not. [Read our factsheet about Insurance claim delays.](#)

If the Insurance Council of Australia declared the flood a catastrophe and the insurer finalises your claim within one month of the flood, but you believe the assessment was not complete or accurate, you can ask your insurer to review your claim. You can do this up to 12 months after the claim was finalised – even if you have signed settlement or release papers.

If you are worried that further damage could happen in the meantime, give details to your insurer and ask if they can do urgent make-safe repairs to prevent that from happening.

Get legal advice if they say no.

If you are in **urgent financial need**, your insurer must fast-track your claim. They must make an advance payment within 5 business days of you demonstrating your urgent financial need. The advanced payment will be deducted from your final claim payment.

Government emergency payments may also be available if you have been affected by flood. Also contact your lenders – they can offer financial hardship arrangements.

Complaining about an insurer

You can complain if you are unhappy with the progress of your claim, or any decision made by the insurer. You can also complain about the conduct of an assessor, repairer or anyone else hired by the insurer.

Get as much evidence as you can to support your complaint. You may need to get your own independent expert report to argue against the insurer.

First, complain to the insurer's internal dispute resolution department. [You can find contact details on the Australian Financial Complaints Authority \(AFCA\) website](#) or by phoning 1800 931 678

If the insurer does not resolve the matter and does not respond in 30 days, you can complain to AFCA. [Read our fact sheet about Insurance Complaints to AFCA](#). Time limits apply.

You can also consider court proceedings. Get legal advice first as court is risky – you may end up paying for the insurer's legal and court costs. Time limits apply.

Keeping on top of your finances during an insurance claim

Contact your creditors

If you have a mortgage or other loans, contact your lender immediately to ask for hardship assistance. They may allow you to reduce or postpone your repayments for a few months, or

they may remove or reduce interest for a time. Some lenders have generous disaster recovery assistance – ask what they can offer. Read our fact sheets about [Financial Hardship](#) and [Credit Reports](#).

Utility and telecommunications companies can also provide hardship assistance. If your provider won't help, [contact the Telecommunications Industry Ombudsman through their website](#) or by calling 1800 062 058, or the Energy & Water Ombudsman in your state. [Contact details are included in our Useful Links page.](#)

Do not just miss payments while you are waiting for an insurance claim – this could increase your debt. Most creditors will provide some form of help when there has been a catastrophe.

Talk with a free financial counsellor

Financial counsellors can help you work through the financial implications of your loss and insurance claim. They can put you in touch with community organisations and charities that can provide help with food and emergency accommodation. They can also refer you to other services, like the No-interest loans scheme (NILS), to pay for essential household items such as whitegoods.

You can talk to a free financial counsellor by calling National Debt Helpline on 1800 007 007..

Need more help?

The following fact sheets will provide more information:

- [Understanding your insurance policy](#)
- [Home or Contents Insurance Claims](#)
- [Home or Contents Insurance Claim refused](#)
- [Car Insurance Claim](#)
- [Car Insurance Claim refused](#)
- [Insurance Claim Delay](#)
- [Insurance Complaints to AFCA](#)

Call the Insurance Law Service on 1300 663 464, or [contact us through our web enquiry form available on our Accessibility page](#).

Legal Advice

- [Find your local community legal centre](#)
- **Legal Aid** in your state
 - [Legal Aid New South Wales](#): 1300 888 529
 - [Legal Aid ACT](#): 1300 654 314
 - [NT Legal Aid Commission](#): 1800 019 343
 - [Legal Aid Queensland](#): 1300 651 188

- [Legal Services Commission South Australia](#): 1300 366 424
- [Tasmania Legal Aid](#): 1300 366 611
- [Victoria Legal Aid](#): 1300 792 387
- [Legal Aid Western Australia](#): 1300 650 679
- In **NSW LawAccess** has a dedicated bushfire number: 1800 801 529
- In **Victoria Legal Aid** has the Disaster Legal Help Victoria 1800 133 432
- If you are a tenant affected by a flood, contact a **Tenants Union in your state or territory**.
 - [Tenants Union NSW](#)
 - [Legal Aid ACT](#) or [Canberra Community Law](#)
 - [NT: Darwin Community Legal Centre](#)
 - [Tenants Queensland](#)
 - [SA: RentRight](#)
 - [Tenants Union TAS](#)
 - [Tenants Victoria](#)
 - [WA: Circle Green Community Legal Centre](#)

Other services

- [National Debt Helpline](#) –1800 007 007 for free financial counselling
- [Ask Izzy](#) – an online directory of community assistance programs (such food, clothing, emergency relief, emergency and community housing)
- Family and Community Services (FACS) Housing Contact Centre 1800 422 322
- [Insurance Council of Australia](#) Disaster Insurance Hotline 1800 734 621

[For a list of other resources, visit our Useful Links page.](#)

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