

## Flood Premiums

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

### Main ideas

- Flood insurance can be very expensive if you live in a flood prone area.
- Your premiums may be lower if your insurer has good information.
- Opting out of flood insurance may lower your premium, but you will bear the entire cost of flood damage yourself.

## In this fact sheet:

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## Flood insurance can be expensive

Insurance premiums on many types of policies are increasing.

Some factors impact everyone who buys insurance:

- More frequent damage from natural disasters.
- Australian insurers are paying more for reinsurance (insurance that insurers take out to cover major events).

Some factors impact particular areas or individuals:

- Improved information about where and when floods are likely to occur.
- Better information about the costs of a claim – building/repair costs, accommodation costs.

- Flood risk is sometimes assessed at the address level (rather than general area), resulting in some people paying higher premiums, some paying lower.
- Insurers may not have complete and accurate information about local flood mitigation measures such as raised floor heights or levees.

## Minimising your premiums

Insurers consider a number of factors when calculating premiums, for example:

- the sum insured, and the excess you will pay if there is a claim
- your claims history, and the claims history of your area
- the likelihood of a natural disaster, like flood or bushfire, on your property
- the cost of repairing damage (a flood of only a few centimetres can significantly damage floors, carpets, furniture and also cause structural damage).

Some insurers may choose not to cover you, or may decide to increase your premiums by a little or a lot, because of the way they assess your flood risk.

### Make sure the insurer considers all information

Your risk compared with someone on the same street as you can be different. Many insurers consider particular features of your home and your neighbour's home, such as whether you have raised the stumps or foundation level, the elevation of the land, and whether your house is on a slope.

Your home may be on a watercourse or drainage system and more likely to flood than your neighbour, even if you are on the same street. For some insurers, premiums depend on local geographic factors, and these can be different from house to house.

Tell your insurer about any specific features of your property that make it less likely to flood than a flood map might suggest. Insurers consider the expected depth of flooding, so give your insurer evidence if you raised the height of the slab, stumps or footings of your property, improved drainage, or done other works to reduce risk.

Ask your insurer to review their decision in their complaints department ([internal dispute resolution department – you can find contact details on the Australian Financial Complaints Authority \(AFCA\) website](#)). The insurer must give you reasons.

You can ask about how your insurance premium was calculated, or why it was not renewed, or why the premium increased. The insurer usually will not allow you to see its flood maps (this is sensitive commercial information), so you will need to find other evidence if you want to challenge their decision. Consider getting current flood maps or reports about flood risk from engineers, hydrologists, or other experts.

If, after complaining, you still think the insurer is wrong, you can [complain to the Australian Financial Complaints Authority \(AFCA\)](#)

However, you can only complain if there is an error or misapplication of the premium.

Complaining to AFCA is free but can take many months. You may need to still pay for the flood cover, or shop around and get flood cover elsewhere while you wait. You can ask your insurer if you can pay the premium less the flood cover while AFCA considers the cost of the flood cover (but you will not be covered for flood).

## **Shop around**

See what the premium, including flood cover, will be with another insurer.

Insurance companies, by law, have a standard definition of flood across all policies. But different insurers calculate your risk (and your premiums) differently because they have different flood risk information. They may rely on different maps or local knowledge.

The insurance policies are different too, so compare carefully. Some may offer a lower premium but have a higher excess. The cover for some items might be restricted. Read the policy wording carefully so that you know what you are covered for, and how the insurer will pay the claim or repair the building.

When switching insurers, answer all questions honestly. If you do not know the answer, say so. Never guess or assume information in an insurance application. Giving wrong or misleading information may result in a claim on your policy being refused. [Read our fact sheet about a Home or Contents insurance claim being refused.](#)

## **The dangers of opting out of flood insurance**

If you opt out of flood cover, you are choosing to 'self-insure'. That is, if there is a flood, you will bear the entire cost of all the damage yourself. Consider the impact, financially and emotionally, on you and your family of having to replace your home and contents.

Extreme weather events like flood may seem unlikely, but they do happen. Even if your area is described as 'one in a hundred-year flood' area, floods do not happen to a timetable. You could be flooded multiple times within a few years. The severity of the next flood could break previous flood records.

Consider your risk by looking at council flood maps. Make sure the flood maps are up to date and include recent developments in the area that may influence flood behaviour. You can also contact your local Catchment Management Authority or check the [National Flood Risk Information Portal](#).

When opting out of flood cover, be careful that you are not also opting out of cover for rainwater run-off, rainwater run-off that mixes with floodwater, or storm surge.

## **My insurer is forcing me to take out flood cover**

Sometimes, insurers will not offer you any insurance unless you take out flood cover. As a business, an insurance company can generally decide who they are willing to insure and on what terms. You are free to shop around if you're unhappy with the terms they have offered. However, be mindful of the dangers of opting out of flood insurance (see above).

## **Need more help?**

Call the Insurance Law Service on 1300 663 464 on Mondays to Fridays, or through our [Contact Us](#) page.

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

*Last updated: February 2025*