

Yarra Ranges Council Submission to General Insurance Code of Practice

CGC 2023-24 Monitoring & Compliance Priorities Consultation

Background

On 9-10 June 2021, Victoria experienced a severe weather event with strong winds and heavy rain causing trees and power lines to fall and several rivers to flood. The areas with the most extensive storm impact were the communities based in the Dandenong Ranges, particularly Mount Dandenong, Kalorama, Olinda, Monbulk and Mount Evelyn. Damage occurred to homes, buildings, public infrastructure including roads, power, telecommunications, water and gas infrastructure and the natural environment including roadside vegetation, forested areas, conservation reserves, park land and walking tracks.

Following the severe weather event that took place in June 2021 Yarra Ranges Council has proactively worked with local residents and businesses to support recovery. There are clear issues regarding insurance that are currently being faced by community members. Yarra Ranges Council anticipates these challenges to continue as more residents look to renew home or business insurance over the next 12 months.

The following key Issues have emerged for the Yarra Ranges:

- Insurance Provider Claim Process and Implementation exacerbating trauma
- Affordability (increasing future under insurance implications)
- Uninsurable properties and businesses

In addressing the question: What are the potential and actual causes of detriment to insurance customers? This submission explores point 1 in detail: the impacts of the claims process and how timing and the communication of decisions can exacerbate peoples existing trauma.

The Yarra Ranges experience was unique in terms of timing. The storm coincided with metropolitan Melbourne emerging from a lockdown and thankfully (and incredibly fortunately) only minor injuries were reported so whilst there was media coverage of the damage, it was short lived and therefore the political impetus to improve the situation wasn't as large as what have seen in response to other disasters.

Supply chain shortage, lack of temporary housing, a Covid induced backlog of 2 years in planning permits and a builder shortage means that the Yarra Ranges will see the effects of the June 9 storms on its residents for many years to come. Whilst it has been over 18 months since the storm event many of those with significant damage to their home have still not been able to return home and those families facing rebuilds will be still 18 to 36 months away from being able to move 'back home'.

To many residents their claims process, with lengthy delays and lack of clarity, have created greater uncertainty. This along with the compounding impacts of navigating having to rebuild for their home makes this a harrowing and traumatic affair.

Community Impacts

“Unnecessary trauma.”

This is the main theme that resonates from the Yarra Ranges residents and their insurance experience. The psychological and emotional trauma experienced by those that went through the storm has been exacerbated by multiple insurance companies as they look to delay the claims process through administration and seemingly punitive measures. It is this increased trauma that has led to multiple, verified accounts of families breaking up due to the delays some insurance companies have made residents live through. It is a cost on top of the data and statistics Yarra Ranges Council collects that will take years to overcome even as the last debris is cleared from our region.

Some residents have seen delays in communication from their insurance providers for up to 6 months, they have seen gaps in getting 2nd and 3rd quotes of up to 8 months. All the while this is happening residents are living in temporary housing.

These inefficiencies in insurance provider's processes have very real impacts on residents creating uncertainty and stress. This is then added too when residents are the ones who have to attempt to negotiate with insurers individual arrangements for extensions to their rental support which can have more financial impacts for the value of their final settlement.

The experience of those that have had their homes partially or fully destroyed by the storm and their insurance journey has been described as forgotten or lost especially in the media sphere.

Case Study: A Yarra Ranges Resident

A Yarra Ranges resident whose home was partially damaged by the storm has gone through a lengthy and traumatic claims experience. Following the June 9th, 2021, storm event this resident needed to replace their roof after a tree crashed through it. After the insurance assessor visited the property and a lengthy claims process this resident was asked to restump their home in order to have their roof repaired. The cost of restumping the home was in excess of \$100,000.00 and as an elderly, recently widowed individual they had no way of making this happen. The trauma of restumping the home was further magnified as it was found out that many of the renovations that the homeowner's now deceased husband made to the property would be destroyed in the process. This resident has now listed the property for sale and will move away from the area.

Recommendations

Improvements in the claims process

Improvements need to

- Clarify decision making processes (in plain language)
- Clarify people's expectations of the process
- Reduce time delays
- Create greater clarity and certainty for people making claims
- Simplify the dispute resolution process especially for first time users of the system and those that are already traumatised

Rental Support

Remove the onus from residents to negotiate rental support extensions when the delays have been caused (fully or in part) by the insurance providers and their agents. If the standard practice in response to natural disasters, is for rental payments to be extended then included this information in the PDS's.

Trauma informed approach

Insurance companies should take a trauma informed approach when dealing with natural disasters: As referenced by Mental Health Australia when service providers have not been trained appropriately many of those affected have been inadvertently re-traumatised in systems of care lacking the requisite knowledge and training around the particular sensitivities, vulnerabilities and triggers of trauma survivors.