

Help your clients make the complex facts simple during the extreme weather event seasons



Helping make the complex simple

According to the [Australian Bureau of Meteorology](#) and New Zealand's Institute of [Water and Atmospheric Research](#), La Niña weather formations have delivered above-average rainfall across Australia and New Zealand.

Unfortunately, as this increases the risk of flooding and flood-related property damage and business interruption to many businesses across Australia, it's important that you and your client are prepared and understand this risk exposure.

Our [2021 SME Insurance Index](#) revealed that a common cause for dissatisfaction during a natural disaster was client not understanding their policy's inclusions and exclusions.

This fact sheet has been developed to assist brokers with understanding the complexities that arise when a flood, storm or natural peril has occurred.

What's the difference between flood, storm and rainwater run off?

- Each of the terms 'storm', 'rainwater run-off' and 'flood' are different, and hence all individual cases are investigated and considered on their merits, to determine the actual cause of any damage.
- A storm involves some form of 'tempestuous activity' or 'atmospheric disturbance' – for example, violent winds with heavy rain and in many policies, this is a separate word alongside other terms such as wind, rain and flood.
- Flood usually has a specific industry agreed definition contained in the Policy.
The Vero Business Insurance Policy definition is:

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
- Rainwater run-off can be a by-product of storm; but may occur in the absence of a 'storm'.
 - Rainwater run-off can also arise from 'flood' e.g. rainwater accumulates on dry ground due to flood waters escaping from a river and filling up the drain system.
 - In Commercial Insurance, loss or damage caused by flood is usually excluded, but optional flood cover may be available.

Is flood included?

Many business policies exclude or limit loss or damage caused by flood, so it is important to check if your clients' business, contents, stock and business interruption policies contain cover for flood.

Review property, stock and contents insurance to ensure sums insured are adequate to cover the business today, including any more recent purchases, current repair / replacement costs and business performance.

Insightful Tip:

Business interruption cover is often an area that's overlooked, and loss of income resulting from the inability to access a business due to flooding in the area is unlikely to be covered unless the policy has Flood cover (and the other conditions to cover are satisfied). Inadequate sums insured (and under-insurance provisions) or limits / sublimits can also impact your clients' business to recover from natural disaster events.

What to know when reviewing flood cover

As agreed by the industry, the definition of a 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.

When reviewing your clients' policies, it's important to note that flood coverage and how the exclusion may operate differs by policy type and insurer.

Insightful Tip:

- 1. Check inclusion and exclusion wording around flood and have a conversation with your clients to ensure they hold the right level of cover for their needs.***
- 2. Brokers should always keep a client record of the advice provided on file with a written email sent to the insured with a request for confirmation when taking out or discussing the cover to ensure there is no misunderstanding at claims time.***

What's a Hydrologist and why do we use them when assessing claims?

It takes an expert to assist in determining the cause of the water damage, including whether a flood has occurred. To ensure we quickly and appropriately respond to claims, Vero uses independent hydrologists to assess an event.

A hydrologist is usually an engineer or scientist, completing a Bachelor of Civil or Environmental Engineering or a Bachelor of Science, specialising in earth sciences. They study and specialise in the 'water cycle' – rainfall, infiltration into the ground, runoff, streamflow, flooding and evaporation.

Using a range of data and other information (including rainfall, topography, flood mapping, drainage details, point[s] of water entry) they're able to assist with determining the cause(s) of any water entry to a property.

Other important information considered includes: the clients' version of the event, eyewitness accounts, photographs and CCTV footage.

Insightful Tip:

Be sure to advise your clients to collect information about the event including times, dates, direction of water flow, video, photos to assist with the determination.

How clients can mitigate loss prior to and after an event

Depending on the nature of an event, or potential event, some time may be available beforehand to undertake some loss prevention measures, for example turning off power, moving stock and business contents to safer areas. It is however important to follow the advice of local emergency services, the Bureau of Meteorology and other reliable news outlets.

After a substantial water event and depending on its source, cause of entry and depth, a range of measures may need to be undertaken depending on the circumstances, such as (but not limited to), isolating electrical and gas supplies, removing floor coverings to assist drying and other emergency cleaning due to public health risks.

Mitigating loss following a flood event can sometimes be more involved than other types of events because of the substantial amounts of mud, sewage and other contaminants that could potentially enter the property.

Any immediate work that is required should be photographed (in the property's damaged state), catalogued and the insurer contacted as soon as practical.

Insightful Tip:

When it's safe and practical to do so, ask your clients to capture photos of the damage and catalogue them as soon as possible. Ask them to make a list of each impacted item and include a detailed description, such as brand, model and serial number.

What to do if your client needs urgent financial aid

If your client is in urgent financial need, don't hesitate to ask us to fast-track their claim. Depending on Policy cover, we can usually make an advance payment within five business days of you demonstrating your clients' urgent financial need. Any advance payment may be deducted from the total value of the claim.