

Wednesday 14 February 2024

Dr Daniel Mulino MP
Member for Fraser
Shop 1, 25-27 Clarke Street
Sunshine VIC 3020
By email: Daniel.Mulino.MP@aph.gov.au

Dear Dr Mulino MP,

Financial Counselling Victoria thanks you and the other members of the Standing Committee on Economics for your close attention to our presentations during the 1 February Committee hearing for the Inquiry into insurers' responses to 2022 major floods claims.

As you heard from myself, Tracey Blythe our Disaster Recovery Coordinator, our financial counsellor members, and representatives from Financial Counselling Australia, the breadth of insurance-related issues following natural disasters is alarming and causes significant detriment and additional trauma to those who have been through these events.

While our submission was focused on the insurer's response, there are other issues impacting on this area which we have been advocating for for many years. In July 2022, we held a forum titled 'Insurance in a Changing Climate' which examined the same issues which we discussed in our submission to the Inquiry. I have attached notes from this July 2022 forum to this letter for your reference, to be considered alongside our submission and our presentations at the hearing.

Additionally, as part of our Disaster Recovery Project, Financial Counselling Victoria has recently commenced a research project into the adequacy of offers of cash settlements by insurers after natural disasters. We have made the decision to fund this important project because while there is significant anecdotal evidence of this issue, there is little data on the prevalence, conditions, and nature of these settlement offers. We will have this report by June 2024 and hope to inform the upcoming review into the General Insurance Code of Practice once it is finalised.

This research will, we hope, form part of a larger as-yet-unfunded project to develop a comprehensive national discussion paper about the issues in this space. The national landscape for disaster recovery advocacy is currently fragmented, and we believe that we can take a leading role in coordinating a national response across the financial counselling sector.

We know that community-level disasters will continue to be recurring events in our state into the future. Funding for service delivery as well as project coordination and advocacy must be ongoing, rather than time-limited. A central specialist service comprising financial counsellors experienced in disaster recovery issues, integrated with a specialist community

legal service and social work team would provide an ideal model to dramatically increase the ability to deliver early interventions and support long-tail recovery for people affected by disasters. This has been shown to mitigate the risk of escalating financial hardship, and provide better mental health and recovery outcomes.

Dr Mulino, we believe there are some key reforms that can be quickly and effectively implemented to improve insurance experiences for consumers, in connection with natural disaster events. These reforms can be included in the Inquiry's final report and implemented by insurance companies and government with no significant financial impact.

1. Aligning the interests of insurers and insured

The health and wellbeing role played by insurance in protecting communities and sharing risk-related cost burdens should be considered an essential service and supported where there is a service and equity gap, to deliver ongoing health and economic benefits to the community and the economy.

2. Embed a trauma-informed, transparent case management model into insurer claims management.

Internal training and process changes within insurance companies to better support a trauma-informed and proactive wellbeing approach to working with customers and their legal and financial representatives will help to reduce claim timelines and detrimental impacts on client's mental health and wellbeing.

3. Proactively, rather than reactively, addressing disaster planning and response.

Government investment of a steady and consistent amount into disaster recovery service planning across community support services including financial counselling will make it more immediately responsive, more efficient, and less of an unexpected budget cost to respond to events when they happen, rather than having to ramp up a response from a zero base.

Time lags to recruit and adequately train staff in the specialisation required to meet the needs of people after a disaster would be reduced, and a core integrated model would meet the needs between disasters by retaining expertise, and servicing the long-tail service needs of the most disadvantaged.

4. Engage banks in the insurance process

Banks are interested parties in the insurance process, and can help to mitigate risks by limiting mortgage exposure in high-risk areas and considering the cost of insurance when approving future finance.

Dr Mulino, we would appreciate the opportunity to meet with you to further discuss these reform opportunities and inform the Inquiry's final report.

Finally, we would like to invite you to attend our 2024 Summit, 'The Changing Face of Hardship' on March 20 at the Timber Yard in Port Melbourne. We understand that this is

during a Parliamentary sitting week, however given that there will be a session titled “Climate Change and Hardship” with a panel of experts ‘exploring risks, service affordability gaps and industry thinking and solutions that go beyond short-term hardship responses’, we believe there is clear correlation to the work of the Inquiry. You would be most welcome to attend or send an advisor on your behalf.

Dr Mulino, to RSVP to this important solutions-focused sector event and to arrange a meeting to further discuss the opportunities detailed in this letter, please contact me directly on zylhw@fcvic.org.au.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Zyl', with a horizontal line underneath.

Zyl Hovenga-Wauchope
Executive Officer
Financial Counselling Victoria