



4/14 Ocean St
Wollongong
NSW 2500

18th June 2011

Dear Sir, Madam, or M/S

Re: Natural Disaster Insurance Review

I have suffered three floods while living in Figtree, Wollongong being March 1974, 1975 and in 1998. Damage was not great being fences washed away, pool damage, gardens and lost laundry equipment plus personal photographs. The last flood cost \$6,000 and about a weeks intensive work. Others suffered far greater loss.

None of the damage was covered by my insurance policies, of which I was well aware. Government aid was also nil. I borne the cost knowing I was in a flood pan.

It seems whenever there is a flood or bushfire the Government are the ones that "victims" fall back on with blame being placed on insurers not coming to the party. Well this makes it too easy for the "victims" who;

1. Live in floor plains or bush fire areas, without considering risk
2. Do not take out flood insurance or rather do not insure at all
3. Under insure

Those people, who paid additional premiums for flood cover in the areas of Queensland, will get less support from the Government than those "victims" who never insured or omitted to take flood insurance in the first place. I understand some home owners may not afford to insure, but these would be a minority not the 25% that apparently never insured.

So no matter how the Insurance Industry provides flood cover the level of property insurance would not exceed 75% of property and probably less considering the likely premium rises that would occur. This inequality is already seen in the fire levy that insured's are required to pay. Non-Insured or under insured property owners get free fire brigade service.

Why should a property owner who does not insure get more government disaster relief while one that does gets less? I understand the welfare and publicity issue well. Private insurers cannot cover the whole risk due to this high level of non insurance and likely premium rises in high risk areas. Insurance works on pooling risk for a risk, claim, overhead and profit premium.

The Government will always be the insurer of last resort, or in the case of non insured first, in these disasters circumstances. The non insured in a perfect world would ONLY receive assistance above the level of where they would have held insurance. This of course will not be acceptable to the public.

Therefore, the Government of the day, either Commonwealth or State or both will always be the insurer of last resort to the uninsured, underinsured, especially those in high risk areas. The only solution is for Government to hold a fund with or without reinsurance for this risk.

Funding this disaster fund should be way of a levy on a property rates within Australia. This should include Commercial property, religious denominations property as well as private dwellings. Exclusion should only be to public and private hospitals. Government property if it is subject to rates should pay this levy. A discount on the levy should be available to insured property owners so as to encourage property insurance

This levy would be actuarially determined and managed to a meet a 1 in 250 year event. This is the level The Australian Regulatory Authority ("APRA") requires current insurers operating in Australia to meet.

Management of this Fund should be outsourced to the Future Fund but funds would need to be invested in either cash or AAA bonds excluding property secured bonds so that risk is not linked to real estate.

The cost to businesses and individuals would probably be less than the cost of the donations that have been made to the various disaster relief programs that have been established over past disasters.

I look forward to seeing the recommendations of your review

Yours Sincerely



John Taylor