

2nd Submission to Natural Disaster Insurance Review
(addendum to my submission of 8 July 2011)

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The Issue of Compulsion

I believe that compulsion (both in terms of having insurance and in terms of adequacy of cover) should apply to all home owners. However, I acknowledge that to action this will be difficult politically.

It has dawned on me that my stated overall objectives would be nearly achieved if that compulsion only applied to homes listed in the future Natural Disaster Insurance Database which will be maintained by The Pool. That approach could be much more politically acceptable.

That Database should contain a list of all homes which are subject to "above-average" risk of natural disaster. My understanding is that such a list could consist of roughly 250,000 homes or about 4% of the total homes in Australia. Those are the homes which could be subject to compulsion.

That will leave the other 96% of homes where insurance is optional. Of course, even those homes might, one day, be subject to a natural disaster at an unprecedented level. However, the whole future structure of insurance along these lines would make those people more aware of the risks. It would also make it less likely that there would be community sympathy for them if they suffer a loss having failed to insure.