

## NDIR Submission from Canegrowers

CANEGROWERS is the peak representative body for Australian sugarcane growers. Around 80% of Queensland sugarcane growers are members of the highly successful lobby, representation and services group. Based in Queensland, the State that produces around 95% of Australia's raw sugar output, the CANEGROWERS National Office represents the interests of cane growers Australia wide.

Our formal name is Queensland Cane Growers Organisation Ltd but everyone knows us as **CANEGROWERS**. We have been advancing and protecting the interests of cane farming families in Queensland since 1925.

### ***Canepol General Insurance Scheme***

General insurance arrangements for cane growers to cover on and off-farm assets and liabilities have been available as a CANEGROWERS service to members since 1978. CANEGROWERS has been able to deliver to individual cane growers what we consider to be the best insurance arrangements in Australia to service and support the insurance needs of growers and their family members.

Through its preferred insurer, CGU Insurance, CANEGROWERS has negotiated a quality insurance product designed specifically for cane growers as part of a very attractive package of competitive premiums, personalized professional service and prompt settlement of claims. CGU offers additional benefits that are only available to growers under the CANEGROWERS Canepol scheme.

### ***Cyclone Yasi Experience***

CANEGROWERS held early discussions with CGU Insurance about the Cyclone Yasi event and their response to receiving claims reports and attending to assessments and repairs to Cyclone Yasi damage.

A brief summary of our experience is as follows –

Within 48hrs of the cyclone CGU had sent, from Brisbane to Cairns, a team of 5 senior experienced staff to provide leadership, co-ordination and support for existing staff located in North Queensland. With the co-operation and support of CANEGROWERS Tully, CGU set up a claims reporting centre at CANEGROWERS Tully office. Over the next 3 weeks CGU manned their temporary office in the CANEGROWERS Tully building to receive initial claims' reports and appoint assessors. The CGU personnel were rotated every 5 days and more than 30 CGU staff members were involved in manning the claims' reporting centre.

When the CGU staff first arrived in Cairns they were briefed by their local management, assessors and repairers. The CGU personnel made contact with the local CANEGROWERS management and conducted an inspection of the cyclone affected area with particular emphasis on the Innisfail and Tully areas to establish the nature and extent of the cyclone damage. Having completed the initial inspection it was decided to establish the Claims Reporting centre in the CANEGROWERS Tully office.

Through an alliance with the Bendigo bank, CGU's sister company that works with financial institutions, CGU placed two staff at the Innisfail branch of the Bendigo bank to receive claims notifications for this area. When road access became available CGU sent its mobile office (caravan) firstly to the Ingham area and then to Mission Beach. CGU also placed one staff member at the local Landmark office to receive claims.

CGU has expressed appreciation to CANEGROWERS for the use of the CANEGROWERS Tully facilities. They advised that there was a constant flow of people coming to the CANEGROWERS Tully office to report claims. CGU's State Manager for Regional Queensland commented that the CANEGROWERS Tully staff were fantastic

Whilst CGU has a panel of dedicated builders CGU enables their clients to utilise local repairers if the client so wishes to have a local builder do their property repairs. CGU received details of the names of local

builders and passed them onto their panel of builders. In those instances where building repairs exceed \$3,500 it is necessary for there to be a contract. This is a regulatory requirement.

To handle the claims' processing CGU has engaged an additional 40 staff of which 15 are located in Brisbane.

CGU has provided CANEGROWERS with updates on the number of claims received, percentages of claims settled and number of claims outstanding. The small number of enquiries received from cane growers have been passed on to CGU and a response to the particular enquiry has been received and conveyed to the grower.

CGU has advised CANEGROWERS on the likely impact from the Reinsurers and the flow-on impact to premiums which are expected to increase substantially within the coming months. Excesses will also trend upwards.

#### ***Canepol Insurance Scheme Review***

CANEGROWERS has made submission to CGU for improvements to be considered for inclusion in the Canepol Insurance Scheme policy wordings and our submissions have requested cover for damaged caused by tidal wave/storm surge where such property damage is associated with and as a consequence of a declared cyclone.

CGU has advised that they will cover flood damage on residential properties from the beginning of 2012. Discussions are yet to take place with respect to farm property insurance.

#### ***CANEGROWERS District offices comments***

In preparing this submission we consulted with CANEGROWERS District offices located in North Queensland in those areas affected by Cyclone Yasi.

#### ***Comments by CANEGROWERS Tully***

Category 5 Cyclone Yasi devastated the Tully District early in February 2011. The damage was to building infrastructure, communication and electrical infrastructure, native and non-native vegetation and agricultural crops. Subsequent flooding caused by cyclone debris blocking drainage also damaged private and public road and rail networks. In addition coastal communities were damaged by the impact of tidal flows associated with Cyclone Yasi.

Considering the force of the cyclone the structural damage was less than expected, demonstrating the value of the building codes that have been implemented. Essential services were restored as soon as possible, but the damage to overhead wires suggests that underground infrastructure, although of a high capital cost should be considered in the wet tropics where cyclones are frequent and vegetation is prolific.

Insurance companies were quick to establish themselves in the area to register claims, and assessors were on the ground soon after. The impact of the work load on insurers' claims teams caused by recent and continuing floods, bushfires and earthquakes was noticeable and it was clear that many were operating at extended capacity.

While the initial response gave comfort to clients and the community, claims settlement is a slow process involving assessors, insurers and builders and bringing repairs up to the current building code introduces more complexity.

Maintaining an adequate replacement value on properties is difficult when building costs skyrocket as a result of a natural disaster. Additional costs associated with importing and housing builders (when accommodation is short) adds to the cost of the rebuild.

Uninsured buildings are an issue and there are some equity issues related to those who pay premiums and those who do not and chose to rely on government and community relief funds.

Commonwealth and State governments have a role in providing funding for essential community assets and to provide funds to kick start the local economy while business is re-established. Without the Commonwealth and State NDRA funding the Tully District would not have been able to maintain employment levels in the months following Cyclone Yasi and the clean-up and re-establishment of business and community infrastructure would have been much slower.

Drainage in the wet tropics is an essential community infrastructure and while the efforts to re-establish flow paths in streams within urban areas has been commendable, cyclone debris in rural areas will result in flooding in subsequent wet seasons unless it is removed. Flooding in cane and banana with the wet tropics will have a detrimental effect on long term economic recovery.

### ***Comments by CANEGROWERS Innisfail***

The universal gripe has been the slowness by Insurance Companies to authorise repairs. It is quite evident that things have been done differently than they were after Cyclone Larry in 2006, which is the best comparison we have for insurance industry response to natural disaster.

My own investigation and discussions with people close to the insurance industry has revealed that with Cyclone Yasi, insurance companies undertook their own verification assessments of repairs.

After Cyclone Yasi, most insurance companies appointed their own "repairers", companies such as John Ling, Waterhouse and Queensland All Trades. They were able to arrange repairs or oversee repairs by repairers/builders, requested by the insurer, had their quotes appraised and verified by the appointed "repairer".

The decision by insurance companies for a second level assessment/verification has caused a divide between on-site situations and actions authorised by the insurance company.

In the Innisfail area all damage was caused by the storm. In the coastal areas near Tully and at Cardwell, damage was caused mostly by the "tidal surge". Some insurance companies were reluctant to recognise particular cases where the damage was solely caused by the tidal surge, with little or none caused by the storm.

New building codes has resulted in higher rebuild costs which has exceeded the sum insured. Some insurance companies have been specific on the sum insured whilst others have allowed some flexibility in recognition of the impact new building codes have caused.

The following cases are examples of some issues that have arisen. It should be noted that there are examples where insurers are very pleased with repairs that have been undertaken and the response by insurance companies. Generally less gripes than complaints.

It should also be noted that in some cases damage to buildings was sustained due to poor workmanship with repairs done after Cyclone Larry, and in some situations the "weakening" of roofs by Cyclone Larry.

### **CASE 1.**

An insured had multiple buildings damaged on his farm. Domestic dwellings and farm sheds, all insured with the same insurance company and under the same policy.

Several assessors and "repair" companies, with multiple claim numbers were listed against the insured under the same policy.

Some repairs were authorised while others weren't, one assessment was "lost" and had to be redone.

This caused distressed and unwarranted concern to the insured. The insured had to deal with several assessment companies.

### **CASE 2.**

A family had the upper section of their house substantially damaged. They attempted to protect the least damaged sections the best they could with tarps, to at minimise any further damage to contents and personal possessions.

They removed what contents they could to the double garage area of their parents house next door. (The parents are elderly and this created anxiety and unwarranted stress). However it was considered to be a quick option.

However with the “disconnect” between the assessment and verification by their insurance company of the insured’s plight and priority of the situation, was not recognised. (The insured was recognised at a Cyclone Relief Centre as a person of concern due to the stressed situation. CANEGROWERS Innisfail instigated assistance for the insured by arranging family members and neighbours to help move contents and cover the damaged house.)

Comparing with Cyclone Larry, the Insurance Company “repairer” undertook priority assessment and in some cases temporary repairs to allow the insured to have some comfort while they waited for full repairs to be undertaken.

With Cyclone Yasi, all insurance companies failed to recognise to have approved such work.

### **CASE 3.**

A panel beating business had four roller doors and roof damaged.

The insurance company rejected the quotes to replace the roller doors of the repairer/supplier that the insured had arranged. The insurer wanted to get his businesses operating as quickly as possible.

He repeated requested the assessors to approve the replacements without success and finally directed his requested to the insurance company, without success.

In frustration he arranged to have the doors replaced, without authorisation. The insurance company expressed their displeasure at his actions. The Insured found out that the quote for replacement of the rollers doors that the insurance company were to authorised was much higher than the quote the insured had obtained.

The insured’s roof has not been fixed. It has tarps preventing water entering the workshop area but is entering the office area. The roof needs to be completely redesigned because of new building codes. Assessment has been carried out by structural engineers. No repairs have been authorised.

His current insurer has however advised him that they will not be accepting reinsurance for the building.

### ***Insurers decision to increase premiums substantially***

CANEGROWERS has been briefed by CGU Insurance representatives, on CGU’s corporate decisions following a comprehensive review of CGU’s operational experience during the last 12 months. CGU reported that within Australia there have been a large number of natural disaster events including a serious bush fire event in Western Australia in the past 12 months. Each of these events individually and cumulatively has had a heavy impact on CGU and indeed on the whole of the Australian insurance industry. Such events have included cyclones, storms, floods and bush fire and these events have occurred throughout Australia including, of course, North Queensland.

As an organisation, CGU is actively involved in farm insurance and domestic insurance including those risks in North Queensland. CGU is committed to its partnership with CANEGROWERS and its members and to the current model/structure for its operations throughout the cane growing regions. However, to remain in this market there are a number of 'must dos'. Preliminary discussions with their Reinsurers have indicated that CGU's reinsurance premiums will be increasing substantially from the end of this year. Whilst base premiums will increase on farm and domestic property, premium increases may vary widely depending upon the risk being insured and taking into account the different rating factors including location, age and construction.

CGU is not withdrawing from the rural insurance market place nor are they deliberately charging excessively higher premiums so that customers won't insure with them. The premiums have been actuarially calculated for sound and ongoing underwriting to secure their future operations and to safeguard their clients' interests through quality protection, claims support and professional service.

### **Comments by CANEGROWERS Mackay**

While we fully appreciate the significant change taking place within the Insurance market this year, as we have a direct Authorised Representative relationship we are dealing with Members daily regarding this issue sweeping across our nation. CANEGROWERS Mackay is running a series of articles in our Newsletter, to inform Growers of the changing world of insurance and to balance the reasons for why these are taking place.

What we are seeing is twofold,

1. Members are seeking premiums elsewhere [away from CGU] and even though we explain that the new insurer they seek will at some point in time increase their rates, Members under financial pressure are moving now and stating they will deal with the other insurers increase when it comes. Examples of substantial increases over last year's premiums are being observed.
2. The more disturbing point is people downgrading their cover and adopting a personal risk approach, hoping they will survive. This will leave many of our Members exposed in coming years. While this is still their personal private and business decision, it is a trend we are swiftly trying to arrest against a tide of surprise and reactive concern from Members.

CANEGROWERS local management has, for some time, casually discussed the New Zealand Disaster funding that applies to the first \$100,000 dwelling cover and the first \$20,000 contents. This question is to be considered by CANEGROWERS and for representation to be made to the National Farmers' Federation for reference to State primary producer organisations and industry/commodity groups. An investigation into the merits of a National Natural Disaster Fund is being advanced for consideration, as it may also then alleviate the premium pressure for insurers and their re-insurers. CANEGROWERS is very concerned about the magnitude of the premium increases that we are hearing about.

CANEGROWERS submits that the outcome of such an investigation into the benefits of a National Natural Disaster Fund will also be of interest to Government at State and Federal level.

CANEGROWERS commends this submission for consideration by the Natural Disaster Insurance Review Panel.

Regards,



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