

## SUBMISSION – NATURAL DISASTER INSURANCE REVIEW

My name is Lisa Bonifant. I lived Fig Tree Pocket 4069 with my three small daughters, and husband. Our house is uninhabitable due to damage caused by the floods in January.

We bought the property in 2007, at the peak of the “drought”, when climate changers and the State Government (which had failed woefully to adequately provide water supply infrastructure) were telling us we would be lucky to see rain again. A culture which promoted riverside development; a government complacent about the risks.

The house was dated; a renovation some 20 years old. Enough land for our small children to run around and ride bikes on; a beautiful little local State school with green fields and only 400 children, within walking distance. We bought with our hearts, not our heads.

We bought at auction, only learning afterwards from our insurance broker that their insurer would not cover us for flood. We did specifically inform our insurance broker of our requirement for flood cover, but our broker did not change the insurer. We thought we had the best possible cover, as we were using a broker.

By the time the flood warning was changed from moderate to major, our street was flooded and we could not get our contents out. The water came a metre through our second floor. The roof, timber framing and slab are all that remain; the house was gutted by an army of wonderful workers in the days immediately following the floods.

We are middle class, but not wealthy. Middle class enough not to qualify for the disaster relief fund (beyond initial minimum payments); not wealthy enough to be able to afford to rebuild our house. We are investigating legal recourse against our broker but that also takes time and money.

To say it has been a difficult year, would be a gross understatement .

I have obtained an on-line quote from Suncorp for house and contents insurance at the above address. I sought cover for a \$500,000 house and \$50,000 contents. The quote for this (on their basic cover) was nearly \$8,000.

Our (new) broker has informed us that Chubb is still refusing to provide flood cover. We understand Mansions Australia is no longer offering flood cover.

What do we do? We cannot rebuild without knowing we are able to secure adequate and affordable insurance.

I would like to see a national disaster insurance scheme brought into effect. I understand that this is how other places such as New Zealand protect people who live in disaster prone areas:

- : it would eliminate the cost of setting up and administering relief funds, deciding who gets what and inevitably coming up short, every time a natural disaster occurs;
- : it would eliminate significant uncertainty and delay for people waiting to determine whether they are covered or not (I can't believe a standard definition of flood will eliminate this – certainly not until it has been through the courts a few times at the very least; and even then, clever lawyers can usually find a way around a standard definition), not to mention the associated emotional toll ;
- : it is not limited to natural disasters such as flood, so a much broader section of the community will benefit;
- : I fail to see how it would distort the insurance market when there doesn't appear to be one;
- : I don't believe private insurance will be affordable;
- : I do not see how mandatory flood cover with an option to "opt out" will protect people who cannot afford the premiums.
- : the Brisbane floods stopped a metre short than predicted. It was higher than was ever thought could happen again. People who were flooded in 1974 were not flooded in 2011. Who needs cover? The people who buy the houses on flooded land close to us which was approved by the Brisbane City Council for residential subdivision in April 2011 (on the condition that house pads be filled to allow a house to be built above the new interim flood levels)?

It is not good enough to leave it to the private insurance market and "wait and see" if it works. Wait and see may well be too late for many people, like us, if the insurers don't make affordable insurance available. The impact on people's lives is devastating. Reducing trauma should be a primary objective; this means minimizing uncertainty and delays. The diminishment of risk perception over time also needs to be considered: we are a prime example of what can happen when events occur once in a generation.

We pay our taxes and have private health cover. We subsidise many other people for many things and accept it as part of our social obligation. A national disaster scheme is no different. Only people who do not put their hands in their pockets to donate to those in need at such times, would think otherwise.

If a national scheme is not implemented, then it is essential that insurers become more sophisticated in their flood risk assessments in determining premiums. I have researched flood resilient housing on the

internet, and it seems to me that the UK has a significantly more sophisticated flood insurance offering than Australia. It would seem flood insurance is widely available and flood resilience is actively promoted and understood by insurers.

In an ideal world, we would build a lower floor of concrete, besser block and tile (add another 6% to cost for carbon tax), and move all our habitable areas to the first floor, above the new interim flood level. We have seen what will survive and what will not. We now know about plastic carcasses for cabinetry, hinges that enable cabinetry doors to be easily removed. All of our white goods will be readily removable; our airconditioning compressors in the roof and our electricity on separate circuits. We will have a written flood plan. We will move all our belongings out even if only a minor flood is predicted.

Mitigation measures need to be taken into account when determining premiums.

This would have the added advantage of encouraging home owners to be proactive in being flood prepared and promote flood awareness. Indeed, it should be implemented even in the event of a national insurance scheme.

However, there needs to be some level of protection for consumers if premiums are not affordable (A rebate? A tax deduction? Property purchase).

I would also like to remark that it staggers us to think any government, department or body thinks it has any grasp of the true cost of the January floods in Brisbane. No-one has ever asked us what it has cost us; our losses will not be included in any statistics and we are surely not alone. People who were insured will still have suffered other losses and costs which are not recoverable. These figures are not captured anywhere. The reported costs of natural disasters must be significantly inadequate, and any review should incorporate measures to capture these costs more accurately.

The success or otherwise of this review and its outcomes will only be tested in times of great trauma for large numbers of people. The responsibility of the government is to the people, not to the insurers or the insurance industry or the philosophy of free markets.

Thank you for your time.

Yours sincerely

Lisa Bonifant

### **Further comment**

The purpose of sharing my experience was not for intervention. We accept the consequences of our decision, and have not asked for, and do not expect, assistance. That said, I do believe local and state governments should bear some accountability for allowing development in flood plains without ensuring that the community fully understood the flood risk.

I wanted to illustrate that it is not just wealthy riverside property owners or low income earners who can be affected; that the impacts are devastating and long lasting; and that it is not good enough to leave those of us who have suffered, and continue to suffer, in the hands of an insurance industry which has no moral or commercial imperative to provide us with affordable insurance.

The rueful irony of our situation is that, if we had not used an insurance broker, we would have made our own investigations and discovered that flood insurance was available.

Thank you again for your time.