

RECEIVED

20 JUL 2011

BY: _____

GPO Box 2975
SYDNEY NSW 2001

Dear Sir/Madam

Re: Natural Disaster Insurance Review

Insurance is provided and priced according to risk via processes that have been established for many decades if not hundreds of years. If people chose to live in fire flood or tempest prone areas they should knowingly bear the risk of their choice and insure at a price that is determined by insurers or/and their reinsurers or, bear their own risk by not insuring.

It is absolutely wrong for the proper operations of the market to be so distorted by mechanisms such as those persons who make a rational choice to not live and build in high risk environments to be forced to subsidise those who chose, in the knowledge of their risk (and they should have looked before they buy), to deliberately build or reside in high risk areas by increasing the price of all insurance or, by limiting by legislation or other market distorting means, the cost of the disaster insurance in high risk areas.

The market pricing of development reflects the risk and cheap housing is probably 'too good to be true' and therefore reflect its locational risk profile whether that be from natural causes or larceny or vandalism.

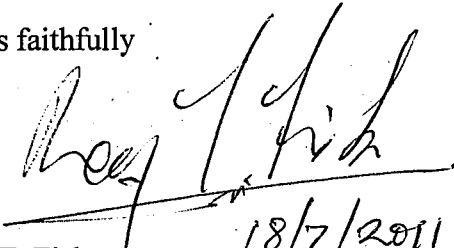
Is a market distorting mechanism for natural disaster to be extended to include such other factors as burglary and what confidence should we have that a market distorting mechanism will not in future be extended for some nefarious other reason?

It is also very wrong for a state like Queensland to not ensure in the knowledge that the remainder of the country will subsidise their perverse risk strategy. I note that this last mechanism has now been partly closed as a result of Commonwealth legislation but still exists within the state boundaries. Most states supposedly at least partly self insure, so that high risk areas such as river valleys and buildings in eucalypt forests are being subsidised for disaster recovery by the remaining less risky areas and residents.

The Review should ensure that perverse intervention in the operation of the disaster insurance market is not tolerated and that the true costs are borne by those who chose to live riskily and not borne by those citizens who chose to minimise their risk in housing location and style.

Yours faithfully

Reg. T. Fisk


18/7/2011