

**From:** valerie Applegarth [mailto:valapple@bigpond.net.au]  
**Sent:** Sunday, 1 April 2012 11:41 AM  
**To:** Flood Insurance  
**Subject:** Fwd: insurance review

Begin forwarded message:

**Personal advice to the Minister, additional to my submission**

**Subject: insurance review**

Hon. Bill Shorten  
Parliament House  
Canberra ACT. 2600

Ref. NDIR Consultation paper- 2221

30th March 2012

Dear Mr. Shorten

Thank you for your letter of 15/3/12. Whilst generally I have not changed my views from those expressed on 8/12/11, I have provided a submission on the consultation paper as you suggested because of my keen interest in protecting good people and their future lives from natural disasters. My submission has gone forward separately by e-mail.

May I say to you that there is no getting around the fact that governments, federal and state, will need to find the majority of the reserves needed for any fund in the early years. However, if the funds management is prudent with its strategies and management, then in years to come it may become self-funding and hopefully then can contribute to some risk management priorities.

One should always remember the early teachings in Insurance which are:-

- . One is providing an intangible product which must respond in the event of flood and the like.
- . The pool of premiums or levies provided by the insureds are generally designed to cater for unexpected losses of the few and at various intervals. Some people never make a claim.

In these circumstances insurers generally make a profit for shareholders.

- . Where risks are spread and losses intermittent, the risk can be catered for amongst numbers of insurance groups who have the reserves to fund insured losses which are generally unpredictable.

. With disasters such as floods, cyclones, rampant bush fires, these have become almost predictable thus insurers try to steer away from insuring these risks or otherwise charge too much premium.

Risks are then spread by ownership with shareholders, all thinking they wish to participate and not miss out on a share of the pie. Sharing in this way for disasters is costly with inconsistent coverage and costs also providing inconsistent and scattered outcomes, all of which are unacceptable for a disaster type fund.

Because of these factors all proceeds towards disaster funding need to be managed in one pool arrangement. I do not believe that this can happen with the system recommended by your review group and now up for further consultation. It is quite complicated, would require considerable administration and a doubt exists of its practicality as it now stands. I trust my input is of assistance.

Sincerely,  
David V. Applegarth (FNIBA & AAll now retired)

42 Hillock St. Coorparoo. Brisbane 4151