From: valerie Applegarth [mailto:valapple@bigpond.net.au]
Sent: Sunday, 1 April 2012 10:31 AM
To: Flood Insurance
Subject: Fwd: Natural Disaster Insurance Review.consultation paper NAVLD=2221

2,

Begin forwarded message:

From: valerie Applegarth <valapple@bigpond.net.au>
Date: 31 March 2012 6:22:50 PM
To: ministereal@wwwtreasury.gov.au
Subject: Natural Disaster Insurance Review.consultation paper NAVLD=2221

(cont. from p.1)

13 Agree with the opt out basis if the insurance course is followed.

14. What is good for one has to be good for the other. Although small business may claim insurance premiums as a tax deduction, though only receive a benefit if they have a taxable income &/or profit.

15. O.K. if the insurance course is followed .

16. Not needed, however for any insurance scheme to work, insurers must charge the same rates and cede reinsurance premiums to a reinsurance pool according to the sums insured that they wish to cede to the pool. Maybe an exchange commission is appropriate for the lead insurer.

I recall in times past, in Queensland, there was created by insurers a Motor Vehicle Act pool to cater for undesirable Third Party insurance risks. This worked well. In later years this pool was disbanded by the industry and insurers went their own separate ways. This then led to fewer insurers accepting a poor risk profile owner-driver so a semi-monopoly was created to cater for this compulsory insurance. This has since changed again and if insurers are registered for this class of business under the Act, they must accept all risks offered. Insurers apply to a government body for increases in premiums as appropriate based on overall claims experience.

Flood, an undesirable insurance risk, could perhaps also be handled this way if the insurance course is adopted. Cost of cover and indemnity limits could be built into the scheme. This however would only work for those people who insured against flood.

17 I agree that $500,000 should be the maximum for

any domestic scheme. Above this amount owners should pay an extra premium or levy.

18. Same as above

19. Same as above.

20. Not needed. Flood mitigation is a risk management issue for governments and local councils. I have suggested in my previous submission that after a period of time, should the disaster fund grow through good claims experience, investments and the like, that it could contribute to mitigation schemes on a priority basis. (refer submission April 2011)

21 Needs further practical application research if the insurance course is agreed. (refer Item 16 above)

What is needed is a quota share agreement up front to a certain sum insured limit and then the excess pooled. The pool then buys 1st excess of loss reinsurance, probably with a stop loss limit. Then each year the pool considers its options based on funds held in the various layers.

22. Here, the Commonwealth is active as the excess of loss funder. This will require a government budget reserve if the government treats t this as an accrual accounting issue, otherwise it would be treated as a bottomline cost, whether the finances are in surplus or deficit

cont.p3