

Natural disaster insurance review: 14th July 2011 By Nathan Jones

I have 2 comments, one relating the coast and one on rivers.

1. Coasts

I grew up on the central coast of NSW and know the area very well. There dozen of houses built on the between the road and the beach with only sand in between peoples homes and the raging storm waves. This is the case in suburbs such as Wamberal (Ocean View Drive) and Norah Head.

The local council, Gosford, has since paid tens of millions over the decades to support these buildings from falling into the ocean when a massive storm surge happens. These home owners get two benefits, living right on the coast – excellent views, lifestyle and they get for free, hundreds of thousands of dollars spent on their individual properties keeping them 'safe from the ocean'.

While half of the local government area LGA gets next to no spending on it – e.g. half of the homes have no curb and guttering. Poor suburbs in the LGA have both low land values and low quality of life compared to the beachside homes. But the council is still spending hundreds times more on the rich homes than the poorer suburban home in the LGA.

This is not fair. I propose that the homeowner is responsible for where they choose to buy. They have to pay private insurance for their building and not be subsidized by the council one cent to let them live in an exclusive location. If they do not want the hassle of insurance at a very high premium or worry about the next major storm, then they should move to higher ground.

2. Rivers

A similar approach should apply to people who live near rivers, riverbanks and floodplains. They choose to live there. They choose to buy an acre of cheap land near a river rather than buy a quarter acre block at a higher elevation in the suburbs. We live in a free country. We take gambles and risks all the time. The insurance industry helps minimize our risk and financial loss in disasters.

People who choose to live in an area with risk from natural disaster should pay for insurance. Insurance premiums may cost 4 times the amount for building insurance for a house up the hill. But they got the choice to live there in the first place. If they want to not fear a flood – then live on a hill, not a floodplain. They should have paid more for land at a higher elevation. They can also rent if they do not want to buy a property. No one is holding a gun to people's heads and saying 'You must live here and you must buy this property in a floodplain'

Insurance companies must insure any house/building in Australia who wants insurance. But they can charge premiums at a higher price if a building is in a floodplain area. They have the right to make a 10% profit. The local council may choose to give a \$100 rebate to people who insure their homes in high-risk areas.

P.S I do own a property along the Brisbane river. I will pay insurance!!