

Response ID ANON-DUXZ-42BA-M

Submitted to Northern Australia Insurance Inquiry
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About you

What is your name?

Name:
Peter McCallum

What is your email address?

Email:

[REDACTED]

What is your suburb/town and postcode? (Only one is required.)

Suburb/town::

[REDACTED]

Postcode::

[REDACTED]

If you live in northern Australia, please tick all descriptions that apply to you.

[REDACTED]

What type of residence do you live in?

[REDACTED]

What insurance do you currently have? Please tick all descriptions that apply to you.

[REDACTED]

What is important in your decisions about insurance?

1. How important is the price ('premium') in your decision?

You could also tell us: Did you know about the price of insurance in your town before you moved there? Has price changed a lot? Have you tried to get a lower price? :

We moved to Mackay in 1993 and have had insurance continuously since then. Our insurance premiums tripled following the 2008 rainfall event in Mackay. Although we suffered only minor damage personally the surrounding areas were severely affected with some new housing estates having houses undermined by river erosion and other properties completely submerged. Across the city there were serious life threatening situations.

Over the next few years the price of insurance rose considerably from under \$1000 per annum to close to \$4000 now. What we have found is that our choice of insurers has declined and the premiums have steeply increased. As a consequence we have dropped any insurance for extra items such as personal items used off the premises and significantly increased our excess. Most insurers won't insure properties such as our timber home built prior to the 1980s.

2. How much choice of insurers do you have?

You could also tell us: Where you live, how much choice is there between insurers? Do you think different insurers offer different policies (i.e. is coverage different)? :

There are only a few insurers such as the Commonwealth Bank, Suncorp and RACQ who will insure us. Of those, some exclude significant risks such as storm surge, which can occur as a result of a cyclone so there is almost no point insuring with those companies given cyclone is the most significant issue in our decision to insure.

3. What are you covered for?

You could also tell us: Can you get the sort of insurance you want? Do you want flood insurance? How confident are you that you know what you are covered for and what limits you have? If you have made a claim, were you covered for what you thought you were?:

Within the limits of a few insurers we have been able obtain coverage so far. We have flood insurance and storm surge insurance.

4. How important is customer service and claims handling reputation?

You could also tell us: How much does an insurer's reputation matter? How much does customer service matter? Have you seen an insurer behaving in a way that you think is unfair or confusing?:

In the past my family was insured by FAI which ended up becoming insolvent and did not pay out on claims during the months leading up to the winding up of the business. Fortunately we did not have to make a claim against our insurance with that company. Following that experience we feel it is important to be insured by a company that has a good reputation in Queensland and Mackay in particular.

Following the 2008 event, I had a workmate who couldn't obtain approval from his insurer to have his preferred local builder undertake repairs because the quoted price was too low. The builder wasn't trying to take advantage of the crisis. My own house suffered some minor inundation that damaged two sliding doors. I claimed around \$100 from our insurer (Suncorp) for the cost of replacement. I intended to install them myself but was told that I had to obtain a quote from a builder to do that. Suncorp arranged a quote which was several thousand dollars. I think that there are builders who take advantage of catastrophes and the insurance companies facilitate them.

5. Have you seen an insurer behaving in way that you think is unfair or confusing?

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No

6. Has an insurer told you that they won't insure you or renew your insurance policy? If they have, what were the reasons they gave you?

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No

How you get information about insurance and how easy it is to understand?

7. What information does your insurer give you and how useful is it?

You could also tell us: Does your renewal notice say if price has changed and the reason? Does it say how premiums are calculated? What could insurers do to make it easier to understand their products? :

Most insurers have online tools that enable me to adjust the coverage and excess to see what difference is made to the bottom line however they don't provide justification for those calculations.

8. Where else do you see or look for information?

You could also tell us: How much effort is it to look for better or cheaper policies? What sort of advertising do you see? Have you used websites, tools or calculators? If you live in Queensland, have you heard about or used the North Queensland Home Insurance website? What did you think about it?:

Due to the limited number of companies willing to insure older homes in Queensland there is not much point searching for cheaper policies. The NQHI website is useful in that it confirms the limited range of insurers willing to cover significant natural disasters. The website make the assumption that homes are built between 1980 and 2009 so it is unhelpful for someone living in an older home. Most of the south side of Mackay has homes constructed pre 1980.

9. Have you used, or thought about using, a broker? Why or why not?

You could also tell us: Did it make it easier for you to get a policy that you were more confident suited your needs?:

No we haven't used a broker.

10. Is there information to meet the needs of all consumers?

You could also tell us: Who can you ask if you need help understanding insurance? Is there information for people who are unable to read or write or use a language other than English? Do insurers have an office in your area or do they visit? Is mail, phone or internet access an issue in remote areas?:

None of these criteria are an issue for us

11. What special information do owners or managers of strata units need?

You could also tell us: How difficult is it to get clear and useful information about strata insurance? How transparent is the information provided to strata unit owners?:

Not applicable to me

12. Have you seen examples of tools, technology or information in other industries that should be used to make insurance easier to understand?

Have you seen examples of tools, technology or information in other industries that should be used to make insurance easier to understand?:

No

Have you switched insurers?

13. Have you considered switching insurance in recent years? Did you go ahead and switch? Why or why not? Please tell us about your experience.

You could also tell us: Did you consider switching policies with the same insurer, to a different insurer, or both? How did you find and compare policies? How many quotes did you compare? Was it a lot of effort? How does the use of standard definitions, such as for 'flood', make it easier to compare? Was your focus on price or coverage or both? Did you use a broker to help you? :

We have switched policies. In our search for new and cheaper insurance we discovered there are very few insurers willing to cover pre 1980 build houses in our area.

What can households and insurers do to make insurance more affordable?

14. Have you considered renovating or altering your home, or building a new home to, to reduce the risk of storm or cyclone damage? Did you go ahead?

You could also tell us: How did you find out about building for your local conditions? How did you decide that it was a 'worthwhile' investment? If you made any alterations, did this have any impact on your insurance premium? Has it already, or will it, save you money in the long run?:

The cost of installing cyclone strengthening is not really economically feasible especially when insurance premiums fluctuate rapidly and there is no certainty that the reduction in premium one year would remain in place in the future.

15. What are insurers doing to make it easier and could they do more?

You could also tell us: Would your premium be lower if you made your house or belongings safer? Can you pay fortnightly or monthly and how much extra does it cost to do so? Does your insurer offer Centrepay to eligible customers? Have you seen new or different policies to target particular consumers, such as tenants, households on a low income, or people with only a small amount to insure? :

We currently have a significant excess so we are unlikely to make a claim for property theft or damage unless our home is destroyed. Our current insurer (RACQ) does not charge extra for monthly premium payments.

16. What are you doing to manage the cost of insurance?

You could also tell us: Have rising premiums motivated you to spend more effort looking for better policy options? Have you, or would you, reduce your level of coverage to save? Who else can you get help from?:

We have become more careful in calculating the value of insurance we have so we can reduce the premium as well as increasing excess.

Other issues

17. If you have a view or experience to share that you haven't already covered in another question, please tell us about it. (Optional)

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Yes. The Queensland and local governments are facilitating development of areas of Mackay that are at high risk of natural disaster. Areas such as East Point (south of the Mackay Harbour) are slated for development for housing despite expert warnings of high risk of inundation during a cyclone. There is also a plan to intensify development along the Pioneer River and beaches at East Mackay.

The Bureau of Meteorology description of the 1918 cyclone that severely impacted on Mackay says "One observer saw a wall of water 7.6 m high sweep over the beaches towards the town at 5 am 21 January at the height of the cyclone. In 1987 a survivor recalled seeing waves 2.4 to 2.7 m high breaking in the centre of Mackay."

By putting more people and property in harm's way, the cost of insurance will increase for all North Queenslanders following a significant natural disaster. The current estimate of climate related sea level rise in our planning instruments is 0.7 metres. However, this only accounts for normal tidal inundation not storm surge or cyclonic wave impact. There should be a retreat from low lying areas rather than intensification of development within them.