

Roger and Hangbing Dalton

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16 January 2012

To the Parliamentary Inquiry on Insurance
Dear Sirs,

We are the owners of a unit in ██████████ Townsville. We have grave concerns at insurance costs, which were horrendous enough formerly but have in the last year jumped in an appalling fashion. It was our belief that our body corporate and our managers would submit to the inquiry.

We have been slow to submit personally through a feeling of inadequacy to express ourselves, a feeling of incapacity in the face of the situation believing basically that the insurers have the power and we are helpless and finally a longstanding cynicism with parliament in which we feel that there may be a lot of talk but you will not do anything meaningful to help us. I suspect (though I cannot speak for any other persons) that other owners may feel exactly the same.

Insurance has always been excessively expensive in North Queensland. Townsville has suffered only two cyclones in over 60 years, with over 30 years passing between any two direct hits typically. Since Althea, the building codes have been improved, and recent properties generally survived well, primary damage being mostly from falling or flying trees, plus a little from local flooding. This is to be compared with several severe storm cells annually which hit Brisbane and Ipswich, causing *annually* more damage than any North Queensland Town suffers. And yet bodies corporate in Brisbane have always had lower insurance premiums. Therefore we have been victimised by the insurance industry, baselessly, for a very long time. And now premiums have multiplied hundreds of percent in one hit. This is unconscionable.

Our apartment buildings being class 3 town houses are built of substantial construction in accordance with the BCA such that they are resistant to cyclones, and this is typical of apartments in general. Our body corporate would be prepared to forgo insurance, and place funds in an account instead. We already submit fairly substantial sums to a Sinking Fund and it maintains the buildings. Accidental damage could be covered by a separate fund. With less money collected than is now required for insurance, we would have the replacement value of the property in an investment account in not too many years time. However, the law does not grant us this option.

I submit that insurance companies are abusing the law that compels us to have property insurance and are covering losses such as floods in Brisbane and Lockyer Valley by hitting on us, since we cannot say no.

We have canvassed the available options, from which it is evident that there is no real competition in the insurance market. Few insurers offer policies: those that do are suspiciously similar and highly priced. Moreover they all raised prices by the same factor at the same time. This certainly looks like collusion and price fixing. No thinking person could believe it is coincidental.

My recommendation to the inquiry is that something needs to change. Some sort of "shakeup" of the insurance industry **will not suffice**. The law that makes insurance compulsory needs to change. Bodies corporate should be allowed to decide. This would take away the cash cow from the insurers. I propose that the amended law freeing up the insurance issue would stipulate only that all vendors provide a statement (the form of which could be prescribed) informing prospective purchasers of the situation in each case. Clearly the option to insure or not could be varied at any AGM of a body corporate.

I also recommend that as the Queensland government once ran SGIO to ensure a fair benchmark for policies was available to Queenslanders, so the Government needs to recreate a government insurance office, backed by the assets of the state offering low premiums based on a non-profit structure. The experiment to fully privatise insurance (and banking!) has clearly demonstrated its consequences in the disaster that this inquiry is looking into.

Yours faithfully
Roger Dalton