

NDIR Submission from Bob Hutchison

Greetings

When the Canberra bushfires occurred I was the Executive Director of ACT Housing. The fires destroyed about 50 ACT Government properties of which 29 were in Duffy in the ACT. I made a number of observations relating to Insurance companies and their response to the disaster which I reported to the Government Taskforce which was managing the rebuilding of homes destroyed and I would like to share those observations with your Department.

Firstly, the insurance companies through the Insurance Council announced that they would seek to settle claims as quickly as possible. That proposal was well received at the time. However, I became aware that a number of private owners who had received a payment in full and final settlement of their claim within weeks of the bushfire were missing out on a clause in the insurance contract which allowed up to \$20,000 for renting accommodation for 12 months while their home was being rebuilt. The early resolution of claims therefore, sometimes, advantaged the insurance company and certainly in nearly every case diminished their administrative costs.

Secondly, a number of private owners were under insured and yet the insurance companies accepted their premiums knowing that their customers were under insured.

Thirdly, insurance companies often encouraged customers to take out insurance policies which offered replacement value. The difficulty with this proposition is that the people of Duffy often owned 40 year old ex Government 2 bedroom cottages on blocks of land worth \$400,000. The insurance policy only allowed for the replacement of their 2 bedroom home which grossly undercapitalised the block. I would suggest that customers been advised of the ratio between land value and improvements and the concept of under capitalisation by insurance companies to ensure that their insurance policies are appropriate.

Fourthly, a number of homeowners were elderly, retired people who were asset rich but cash poor. They could not afford the insurance premiums to adequately insure their homes. They may be an option for insurance companies to accept equity in the home in lieu of high premiums.

Fifthly, when a natural disaster occurs it may be that the Government (state, territory or commonwealth) could create a rebuilding taskforce to achieve economies of scale in the rebuilding process. In my former role I was required to rebuild the 29 Duffy homes. I engaged project home builders and I was able, due to the economy of scale, to build those homes for 50% less than the local industry was charging Canberrans.

Finally, I share the community concern relating to a lack of cover for certain types of disasters (eg. Flood) and also that insurance companies accept premiums and when a home is destroyed refuse to pay the full amount insured claiming that the home was "over insured".

I now work for the Department of Human Services and am writing to you purely as a private citizen.

I would be happy to expand on any of the comments above.

Bob Hutchison