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Almost two years after the devastating fires in Victoria and now with a large area of Australia progressively inundated by floodwater, it is relevant to ask, ‘what is the best way to compensate people who suffer loss as a result of disasters on a large scale?’

In response to the Victorian fires, over \$370 million was raised in donations to assist those affected. In response to the recent and current flooding, tens of millions of dollars have already been collected. With both disasters, some people were insured and some were not; and of those insured, some were not covered for the loss because of the terms of their policies. There is talk of a one-off government levy on all tax payers to raise funds for reconstruction. An average \$100 levy would raise over one billion dollars, as would \$100 average donation from every employed person.

What roles should governments play in response to these ‘disasters’? Should insurance be compulsory? Should insurance policies cover all possible eventualities? Should insurance be nationalised and be on a non-fault basis, as is the case with road trauma and workplace injuries? Should we look at what is best for the community or what is best for the individual? Are they, in the end, the same thing?

It is also relevant to ask whether all aspects of our lives should be open to commercial exploitation. Insurance has its origins in the seventeenth century when merchants sought to have their trading expeditions to the ‘far east’ and elsewhere protected against such eventualities as loss of ships and spoilage of cargo. Essentially, the risk was spread amongst people with spare cash in return for a share in the profits to be made by the merchants. It was in essence a commercial arrangement amongst merchants and financiers.

When I insure the contents of my house, it is a very different proposition. There is no pre-existing commercial relationship – I am not a merchant or ship owner and the insurer is not a financier of my enterprise. I am essentially buying a service. The details of what will be provided under the contract of service should be clear and transparent. In many insurance contracts it isn’t. In some ways, this is a gambling contract: the insurer is gambling on certain events not happening and will increase the odds in its favour by carefully defining those events.

In February 1972, Melbourne experienced one of its periodic extreme weather events – a massive downpour – resulting in flash flooding in the city and other areas, including almost a metre of water in the flat I rented in Fitzroy. I was insured for storm and tempest, but not for flooding, and received nothing from the insurer because the water came in under the door. My neighbour, with the same cover with the same insurer, was compensated because a branch had come through his window in the storm, allowing rain to come in, which was consistent with ‘storm and tempest’. The fact that the water level inside his flat was the same as outside, and the same as inside mine, was irrelevant.

People in Queensland, whose houses were flooded, may or may not be covered by their insurers. It all depends on how ‘flood’ is defined in each policy and whether there are exclusions for ‘storm water’, ‘river overflow’, ‘Act of God’ or some other possibility.

As a society we already take responsibility for people who suffer as a result of large-scale 'disasters' such as fires, hurricanes and floods. We give generously to appeals, we volunteer in our thousands to help with cleaning up and rebuilding and governments, on our behalf, make payments to help those in most need. It would not be such a massive step to put in place a structure that covers people for loss of their home or business or crops or livestock because of fire, flood, storm, earthquake or other event outside their control. We recognise that in the aftermath of such events as the current floods, if individuals and communities do not get themselves back on track quickly, the wider community suffers through the effect on the economy, on food supplies, on the availability of goods and services and simply from hearing about the ongoing misfortunes. By helping these people get back on their feet with minimum possible delay, we are really also helping ourselves.