Australia: Insurers delay or deny claims of Queensland flood victims

"The power these companies have is really frightening"

Terry Cook
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More than six weeks after massive floods devastated large tracts of Queensland, killing 35 people and damaging or destroying more than 35,000 homes, flood survivors continue to live in dire circumstances. Their harrowing situation is a direct result of the response of insurance companies, which are rejecting claims outright or delaying their processing, and of state and federal Labor governments, which are providing totally inadequate flood assistance.

Immediately following the disaster, Queensland Labor Premier Anna Bligh and Australian Prime Minister Julia Gillard claimed that their governments would provide rapid assistance to flood survivors. Two months later, hundreds of homeless and displaced people remain in temporary accommodation—in motels, caravans or overcrowded homes of friends or relatives—with others forced to live in the remains of their wrecked houses, with few or no facilities.

According to the Insurance Council of Australia (ICA), more than 43,000 claims for flood damage have been lodged, with a reserved claims value of $2 billion. Only $201 million has been paid out so far, however, leaving thousands of people in limbo and unable to begin repairing their homes and businesses.

The ICA continues to insist that the delays are caused by the volume of claims, and that its members are working "flat out to process them as quickly as possible". Information has begun to surface, however, that insurers are delaying the processing of claims to boost their bottom line. Brisbane's *Courier Mail* reported on February 28 that insurers were collectively earning about $300,000 in interest for every day they delayed paying the outstanding $1.8 billion in filed claims.

Ambiguous and confusing insurance policy clauses regarding what constitutes a flood are also being used to reject claims, even in cases where houses were totally inundated. Most policies, for example, do not cover flooding caused by riverine or inland floods. The two most commonly covered by insurance are so-called flash and storm water floods, but even these definitions are being disputed by insurers.

Last month, NRMA Insurance informed hundreds of policy holders in the Brisbane area that their claims had been rejected because a hydrology report by engineering company WorleyParsons found that the disaster was "sunny-day flooding" and not storm-water damage. The report was commissioned by CommInsure and NRMA Insurance.

Chester Chavez, a resident of Brisbane suburb Indooroopilly, told media that NRMA Insurance had denied his claim on the basis of the report. While the Chavez family has suffered $100,000 worth of damage to their home and possessions, they have only received $2,230 in government flood assistance. Moreover, they cannot receive any additional government assistance because Chavez and his wife's combined earnings are too high. "We haven't fallen through the cracks. I wouldn't call it that," he said, "I would say the Grand Canyon."

Ipswich resident Stephen Tarrant, his wife and 10-year-old son, are still living in the shell of their home, awaiting a decision on their insurance claim. Ipswich, in outer Brisbane, was hard hit by the floods, with almost 1,200 homes seriously damaged. Tarrant's flood-devastated home has no bathroom, kitchen, stove or floor covering. The internal walls have no plaster board covering, and the house is unsecured, because the back door and some of the windows are so warped they cannot be closed. The family sleeps in a tent, covered with netting to ward off mosquitoes.

Tarrant told the *World Socialist Web Site* that he had not received any word on his insurance claim: "While the insurers might argue they have a lot of claims, to my knowledge no one in the Ipswich area has been told yet if they'll be paid."

Tarrant said some companies were attempting to dissuade

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clients from making claims, and that a close friend had been warned by her insurer that her premiums would rise significantly if she lodged a claim.

"That's strategy number one," he said. "But after she made a claim, the company's next strategy was to deny it on the basis of information provided by the policy holder. That simply means that she used the word flood in her claim." He said the claim was rejected, even though an insurance assessor had not visited his friend's home.

Last month Tarrant organised a protest of Ipswich residents over the insurance delays. He has also insisted that his insurer provide his family with emergency accommodation, which is supposed to be covered in his policy.

Tarrant believes he is now "being punished" for speaking out. Instead of being assigned an assessor, his insurance company sent a loss adjuster to his home. "An assessor's job is to estimate and report, with some sort of truth, on the extent of the damage," he said. "A loss adjuster's duty is to reduce the payout for the insurer and assess whether the claim is legitimate or not."

Even when insurance claims are successful, policy holders can be forced to wait extraordinary amounts of time before an insurance company's "preferred" tradesman is available.

An independent builder, who wanted to remain anonymous, told the WSWS that many people were still waiting to be assigned a builder by their insurance company. He said Suncorp insurance only used 20 "preferred builders" and was using this to delay reconstruction work.

"They claim this so that they can 'guarantee' the repair work for life. This is nonsense. Any builder in Queensland that does work over the value of $3,000 must register the work with the Building Services Authority and must guarantee it himself," he said.

"Suncorp can control the speed of the recovery by farming out work to these selected builders as they see fit. It's just another means of delaying payments, collecting the interest and wearing people down. I've never been scared of anything," he added, "but the power these companies exercise over governments and policy is really frightening."

He told the WSWS that so-called information meetings called by the Insurance Council, the state government and other authorities were "intimidating". "I've been to several of these meetings," he said, "but many people don't speak up because they think that if they criticise their insurer they'll not get their claim met.

"I planned to go to a meeting called by the Building Services Authority. I rang them and said I wanted to open up on how the insurance companies were treating people. An official told me that there was no way that I'd be allowed to do that."

"People hit by this disaster have every right to feel they have been abandoned because they have. We need to develop a forum where we can become one voice, otherwise people will remain at the mercy of the insurers and the governments," he said.

Residents of Grantham, the small agricultural community in the Lockyer Valley where 15 people were killed, are still unable to rebuild their homes. While some insurance companies have agreed to pay claims, many residents are still awaiting local council clearance before any work can proceed.

Marty Warburton, Grantham service station owner and former municipal councillor, told media last week that reconstruction and rebuilding had ground to a halt. "The momentum we had is gone and everything seems caught up in red tape," he said.

Warburton said that immediately after the flood "I felt sure we'd get the town back to where it was. But every week that goes by and people can't live here [means] the death of this place gets that bit closer."

Grantham resident Allan Marshall told the WSWS that his insurer had agreed to meet his claim but that many in the community "were being wiped" by the insurance companies. Marshall's home was shifted off its foundations by the flood and its remains still lie jutting out halfway across the street.

Insurers of at least five families had refused to pay them anything, claiming they were not covered for flood. Others would only receive partial compensation. "How can that be right? Everyone in town was affected by the same three-and-a-half metres high flood that came through here," he said.

Marshall also denounced the inadequate level of government assistance to flood victims and the means testing of relief payments: "The means test is ridiculous and based on the level of income people earned last year or in the recent past.

"Most of the people here are not earning anything now; businesses are not operating and there's no income being made. The government doesn't seem to care that many people around here, and right across Queensland, are now living in poverty."

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