

18 April 2011

**QLD Floods Commission of Inquiry
QLD Government
Brisbane QLD 4001**

Re: Disaster Events 2010 / 2011

Dear Sir / Madam

Please find the outline of our insurance claim which was lodged in December 2010.

We operate Timber and Hardware stores and also have roof truss and wall frames manufacturing facilities.

Madder Timbers Pty Ltd trading as Mad About Timber and South West Truss and Timber have stores located in Noosaville, Gympie and Chinchilla.

We are a privately owned operation, Mr Geoffrey Lawrence Madder is the sole director and this business was established in 2005 and trading in all possible market sectors across Queensland and interstate.

We employ 38 full time employees along with a further 6 that are engaged on a sub contractor basis.

We are the only business of this nature in Chinchilla and regularly supply materials and manufactured product to many areas of Queensland with a good solid loyal builder customer base, receiving repeat business due to our excellent build quality and service along with the fact that we are prepared and will travel to deliver anywhere in Queensland and beyond.

Our reps are constantly on the road liaising with builders and construction companies, providing technical information, offering economical cost saving suggestions and building the relationship with the client to ensure that long term business partnerships are beneficial.

We were inundated with water on the 26th of December 2010 and then again on the 10th January 2011.

During the first event in December 2010 we sustained damage to majority of our manufacturing equipment and machinery, stock along with built product awaiting delivery to site.

This occurrence took place at our Chinchilla Manufacturing facility.

We began the clean up process on the 3rd of January 2011 once the roads were opened and we could have staff safely access our site.

No sooner had we taken large amounts of damaged stock to the dump and finished the clean up process, we again were inundated with water reaching a higher level on January 10, 2011.

After undertaking the clean up process once again, losing additional stock and built and cut product due to the higher water level being present. This impacted not only on our manufacturing facility at Chinchilla but also on timber and hardware sales from both our newly opened Gympie site and our Noosa facility equating to loss of sales in the order of \$200 000 per month.

Given that we were unable to produce frames and trusses due to equipment damage we also missed out on a large amount of work from our other two supply sites.

We have an insurance policy provided by AMP underwritten by GIO and it was under this instrument that we lodged a claim via our broker. It was indicated to us that we would receive \$ 50 000 as an upfront payment and then a further \$25 000 per week to cover wage costs and ancillary expenses during the clean up process until such time when our claim would be settled.

It was then indicated that they would desk assess and progress the claim in this manner.

I asked for our claims manager to confirm our verbal discussion via an email. At this point all offerings were then revoked. An assessor visited site to report his findings and convey these back to his office.

It was then requested that a hydrologist report be sought to determine if the damage sustained was due to overland flow and rainwater run off or that of flood.

Our insurer experienced delays in commissioning a hydrologist to prepare a report, we then asked if we were clear to proceed and seek the services of a hydrologist that we could engage ourselves and were advised that we were welcome to employ a hydrologist to prepare a report should we be able to find one that was available. We managed to obtain Bowden Environmental to prepare a report on our behalf. At this time we advised our insurer that we had a suitably qualified professional to prepare the same, however, our insurer indicated that they too had been able to secure a date for Alluvium, a Townsville based organisation to prepare a report also.

As we had committed to Bowden Environmental to visit site and collect the necessary information we progressed with obtaining the necessary report from them.

As we commissioned Mr Michael Bowden to prepare a report based on our site to which the claim relates it was determined that the damage and our loss was as a result of rainwater run off.

The Alluvium report was prepared based on the events that occurred in each township, Dalby, Chinchilla etc. etc. and suggests that the event was namely riverine flooding.

Upon receipt of both reports the insurer then proceeded to pass the claim to an internal review panel, an internal legal panel and furthermore an external legal panel to then issue us a formal decline letter dated 23 March 2011.

In short we have experienced near on 4 months of delay in receiving an unfavourable decision from the insurer, this has severely impacted on our cash flow and sales from all sites.

Our main piece of equipment is the Hundegger Computerised CNC saw, this piece of equipment is a multi axis saw and provides a fully automated job cutting process, piece marking for the ease of manufacture and provides cut product timely and accurately for each job. Waste is minimised as each length of timber inserted to be cut is optimised to ensure that the most economical cutting lengths are realised from each stick of timber.

The replacement cost of this piece of equipment alone is \$381 205.

We have a number of other pieces of equipment that are unable to be repaired and will need to be replaced and it is estimated that this cost including the Hundegger is in the order of \$700 000.

This plant is now operational again, however the process has become extremely manual and volume of produced jobs has been somewhat restricted further impacting on cash flow and sales.

There are a number of costs we have already met and remitted from working capital:-

Travel

Repairs to Equipment that was able to be salvaged

Equipment Repayments

Additional Freight for customers orders to be processed and built by other truss and frame plants

Wages for the staff we employ, all local families in a small country town, we did not want to lose staff and have to retrain others or want to see them have to resort to surviving from the Government system, Centrelink etc.

Stock

Cut and or Built jobs

The degree of loss we have experienced, at this stage the figure estimated is \$1.66 m plus the loss of Gross Profit and Sales for the same period. Going forward I would imagine that there will be other items of equipment that may fail and require replacing also.

Given that we pride ourselves on being a locally owned company, employing local people and our community contributions through the support and involvement with kids in sport, charities etc. we are disgusted at the treatment from our insurer as are many other Queensland business and residential property owners.

These insurers are only too happy to accept your premium on an annual basis along with the increases they impose upon each and every renewal. When there is a disaster and peoples livelihood and well being is affected and there is a legitimate claim lodged the insurers should accept liability and act promptly to ensure that business's are able to continue trading in these already difficult market conditions.

We are conscious of the fact that we have looked after our staff all being local families and are proud to have been able to ensure that they remained employed, they too have been supportive in true Queensland spirit, obviously the insurers that operate in our wonderful state fail to have any Queensland spirit and have not been proactive to support business's in a time of need.

The insurance industry requires some strict guidelines and a sensible code of conduct, it is appalling at what they can decline by using the policy fine print and PDS, misleading consumers and or not honouring claims for which under the policy wording they are liable.

Should you require any additional information please do not hesitate to contact me on [REDACTED].

Regards

Madder Timbers Pty Ltd

Glen Read

Glen Read

General Manager