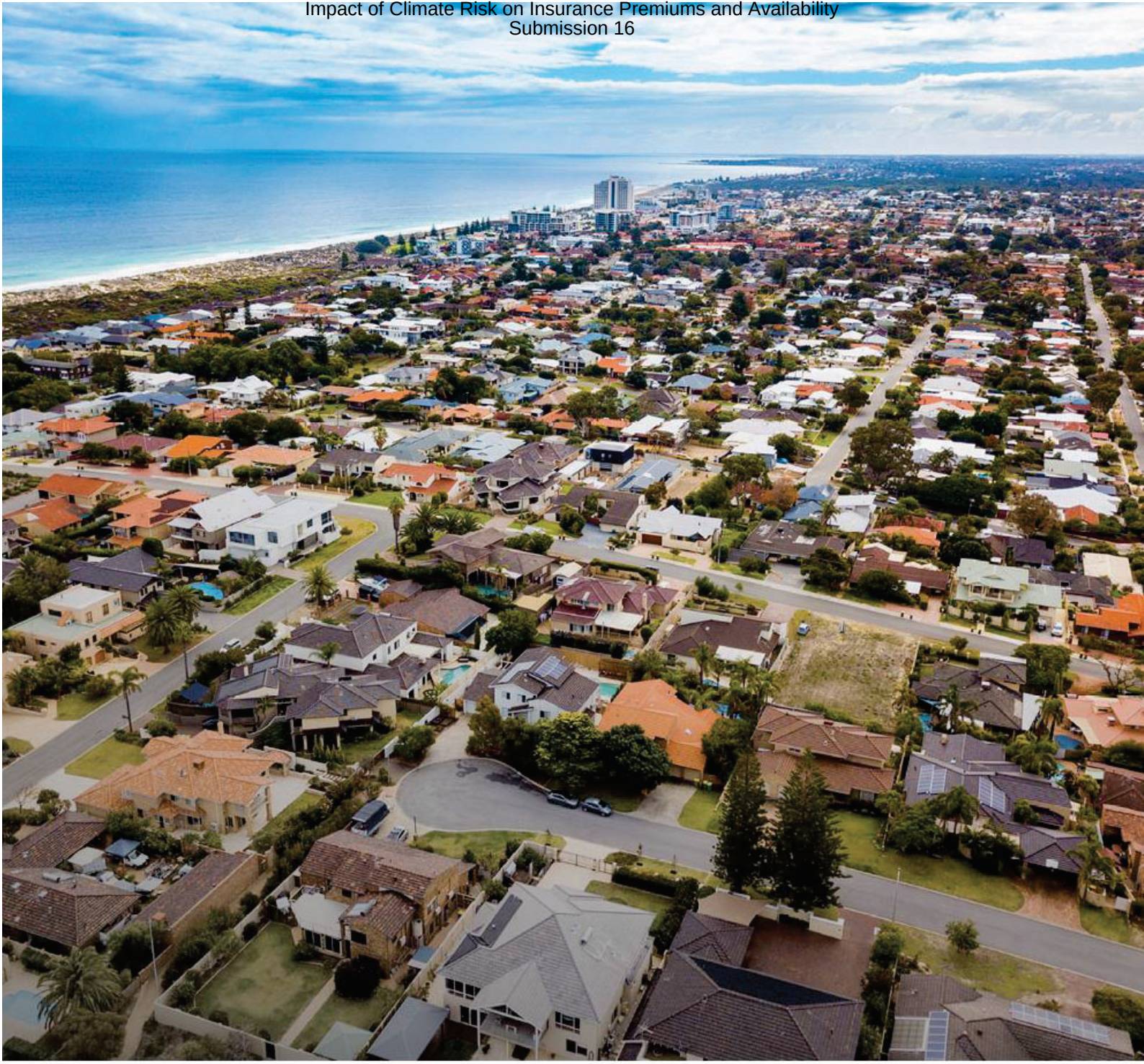

Senate Select Committee on the Impact of Climate Risk on Insurance Premiums and Availability

HIA Submission

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About HIA

The Housing Industry Association (HIA) is Australia's only national industry association representing the interests of the residential building industry.

As the voice of the residential building industry, HIA represents a membership of 60,000 across Australia. Our members are involved in delivering more than 170,000 new homes each year through the construction of new housing estates, detached homes, low & medium-density housing developments, apartment buildings and completing renovations on Australia's 9 million existing homes.

HIA members comprise a diverse mix of companies, including volume builders delivering thousands of new homes a year through to small and medium home builders delivering one or more custom built homes a year. From sole traders to multi-nationals, HIA members construct over 85 per cent of the nation's new building stock.

The residential building industry is one of Australia's most dynamic, innovative and efficient service industries and is a key driver of the Australian economy. The residential building industry has a wide reach into the manufacturing, supply and retail sectors.

Contributing over $100 billion per annum and accounting for 5.8 per cent of Gross Domestic Product, the residential building industry employs over one million people, representing tens of thousands of small businesses and over 200,000 sub-contractors reliant on the industry for their livelihood.

HIA exists to service the businesses it represents, advocate for the best possible business environment for the building industry and to encourage a responsible and quality driven, affordable residential building development industry. HIA's mission is to:

"promote policies and provide services which enhance our members' business practices, products and profitability, consistent with the highest standards of professional and commercial conduct."

HIA develops and advocates policy on behalf of members to further advance new home building and renovating, enabling members to provide affordable and appropriate housing to the growing Australian population.

New policy is generated through a grassroots process that starts with local and regional committees before progressing to the National Policy Congress by which time it has passed through almost 1,000 sets of hands.

Policy development is supported by an ongoing process of collecting and analysing data, forecasting, and providing industry data and insights for members, the general public and on a contract basis.

The association operates offices in 22 centres around the nation providing a wide range of advocacy, business support services and products for members, including legal, technical, planning, workplace health and safety and business compliance advice, along with training services, contracts and stationary, industry awards for excellence, and member only discounts on goods and services.

1. Introduction

Thank you for the opportunity for the Housing Industry Association (HIA) to provide a submission to the Senate Select Committee on the Impacts of Climate Risk on Insurance Premiums and Availability.

Australia has a diverse climate, and our buildings can be potentially subjected to a range of different natural hazards such as cyclones, bushfires, flooding, earthquakes, hailstorms and the like. Both our climate and our landscape are continuing to change as is Australia's built environment.

Ensuring that residential and commercial buildings are resilient to natural hazards is not a new concern and the planning and construction of safe and resilient housing in all forms across our cities requires an effective relationship between governments and the residential development and building industry.

Following a number of a natural disasters in the past few years, there has been a number of recent government inquiries, both nationally and at a state level looking at a range of pertinent matters.

This has ranged from the 2020 Natural Disasters Royal Commission following the 2019/20 Black Summer bushfires, Australia's disaster preparedness and response to natural disasters, national climate adaption plan, the Northern Australia cyclone re-insurance pool and many other similar Inquiries.

A number of these Inquiries have published their final reports and associated recommendations. Whereas some of these Inquiries are still underway and draft or interim reports published.

Whilst each of these have their own Terms of References and Objectives, there are often overlapping or common issues or items raised in the associated recommendations arising from the reports.

The issue of ability to home owners to access affordable insurance, as well as the issue of under insurance and/or no insurance has been raised. This was particularly pertinent to those home owners that live in Northern Australia as well as those located in flood prone areas and bushfire prone areas.

This is a significant issue for homes built prior to our current and contemporary building codes and standards developed since 2009.

Past post incident assessment reports from past tropical cyclones Larry and Yasi as well as Wye River, Tathra and Black Summer bushfires have all shown that houses built to our current building codes and standards performed well and limited damage occurred in comparison to our existing housing stock that suffered greater damage.

This presents a significant challenge to the ongoing affordability and access to insurance for the 8-10 million existing homes in Australia built prior to our current and continually evolving and updating building codes and standards.

Within this context, the Terms of Reference are noted as follows:

To inquire into and report on:
(a) the unaffordability of insurance in some regions due to climate-driven disasters;
(b) the unavailability of insurance for some people due to climate-driven disasters;
(c) the underlying causes and impacts of increases in insurance premiums;
(d) the extent to which increased climate risk is being priced into insurance products not exposed to climate-

driven risks;
(e) the distributional impact of increases in insurance premiums across communities, demographics and regions;
(f) the role of governments to implement climate adaptation and resilience measures to reduce risks and the cost of insurance;
(g) how the pricing of risk from climate-driven disasters can be better redistributed across the economy; and
(h) any other related matters.

These are very broad terms of reference, encompassing a range of matters required to be considered in the context of the topic. For the purposes of our submission, HIA will providing comment and feedback primarily on:

- National approach to resilience
- Pressures from the insurance sector
- Addressing uninured properties and under-insurance
- Repair work post natural disaster the responsibility for community infrastructure provision by government
- The provision for clear and simple information for all stakeholders
- Other associated considerations impacting insurance premiums and availability.

This Inquiry presents an important opportunity to further consider what role, and what opportunities, there are for the Australian Government and organisations such as HIA can have in working together to help prepare for, respond to and assist recovering efforts in ongoing and predicted future natural disasters.

This in turn should aid improving insurance premiums and the ability for homeowners to access affordable insurance products.

In this submission a number of recommendations are put forward in addressing the Terms of Reference for the Inquiry as it relates to housing and practical measures government and industry can take to support improving Australia's changing climate.

Thank you for the opportunity to contribute to this important discussion and we would be happy to elaborate on any matters as outlined in this submission further as this Inquiry progresses.
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2. Recommendations

In relation to this Inquiry HIA's recommendations are as follows:

Insurance pricing & availability and cost of repair work

1. Homeowners should be able to obtain home insurance at an affordable rate no matter where the home is located in the country.

2. HIA is supportive of Government backed re-insurance pools for homes in higher risk areas, to overcome issues of people not being insured or under insured and enable policies to be provided at an affordable rate.

3. HIA is supportive of Governments working with the housing industry on an upgrading (mitigation) program to improve the performance of existing homes to natural hazards which should in turn lower insurance premiums for those homes.

4. Governments should investigate measures to limit significant price fluctuations (labour and materials) post natural disasters and from insurance repair work that draws on trades availability.

5. Support NEMA to continue to work with and liaise with key industry bodies both post natural disaster events and in an ongoing capacity in looking at preparedness, mitigation, measures to streamline re-building processes for affected homes and on workforce capacity issues.

Building resilience

6. The building code and associated referenced Australian Standards are the wrong tool to be addressing building (climate) resilence in isolation since it relates primarily to the building itself and resilience and mitigation needs to be considered holistically with a primary focus on the zoning, urban infrastructure and siting of dwellings.

7. The core goal of the National Construction Code (NCC) and relevant Australian Standards should remain focused on life safety of occupants as opposed to asset or property protection.

8. Any restrictions on zoning of specific land as deemed unsuitable for future housing must be based off verifiable evidence that the subject land has a high potential for natural hazard that would mean that the building could suffer significant & costly damage. And the building couldn't otherwise mitigate against the natural hazard through building design, siting or other infrastructure measures.

9. Revisions or amendments to building and planning codes in respect to building resilience or mitigation measures, be based off verifiable evidence from post incident assessments and preparation of a regulatory impact assessment that demonstrates net benefits to society.

10. There is a better need to differentiate homes built since 2010 to current and contemporary building codes and standards, are well performing and have in built building resilience to them covering bushfires, flood risks, cyclone, hail and heatwaves and land slip and erosion. These rules are constantly being reviewed and evolved based on verifiable evidence and research.

Home owner & industry information

11. Recognise & support the key role industry representatives bodies, such as HIA, play in providing key time critical information and support services to assist the industries they represent and in turn homeowners in clean up, responding to, recovery and re-building phase post major natural disasters.
12. Governments in collaboration with industry should establishing a central repository 'single source of truth' for relevant guidelines, tools, etc. for measures home owners and builders can use to make homes more resilient to natural hazards and post incident clean up and re-builds and repair work.
13. HIA is supportive of maintaining a central (federal) government coordination agency that is adequately resourced to focus on building resilience and recovery post natural hazards.

3. Insurance premiums & pricing

Insurance affordability has been a long-running concern and even more so in Northern Australia, and other parts of country that are potentially susceptible to natural disasters.

Understandably insurers bear a significant cost following each natural disaster and the increasing number of events each year is leading to a mix of outcomes – higher premiums based on ratings and metrics that take account of risk, and homes in some locations that are uninsurable.

Overlaid on this is the cost to individuals and governments for those who are uninsured or underinsured.

Post the 2019/20 Black Summer Bushfires and various inquiries into Northern Australia post cyclone events has shown that in these areas that is a significantly higher percentage of homes that are either not insured or substantially underinsured.

A recent northern Australia inquiry found that, the average premium for combined home and contents insurance across Northern Australia was almost double the average premium for the rest of Australia.

Recently, the Federal Government has implemented a reinsurance pool for insurance companies to cover risk for cyclones and cyclone-related flood damage, primarily for homes in Northern Australia, which is backed by a $10 billion Government guarantee.

The primary purpose of reinsurance pool is to lower the reinsurance cost for most policies with medium-to-high exposure to cyclone risk.

The cyclone pool also offers premium discounts for home policies that have undertaken flood and cyclone mitigation activities.

Internationally, there are many examples of government-supported reinsurance pools for natural disaster risks, such as the French government's national catastrophe reinsurer Caisse Centrale de Reassurance, Flood Re in the United Kingdom (UK), and the Florida Hurricane Catastrophe Fund in the United States of America. International experience shows that such pools can be successful at improving insurance access and affordability.

Repair work post natural disasters

With the insurance (repair) work HIA has heard examples where this work to say re-roof a home being 3-4 times higher paying work than for laying a roof on a new home. Naturally contractors may look to prioritise this higher paying work.

Recent natural disasters have occurred at a time where the building industry has been at one of if not their busiest periods. The repair work post natural disasters have placed further pressures on the industry to undertake this work and pulling from the same pool of contractors.

Whilst not opposed to prioritising this work, Governments and industry collectively, need to look at establishing a more strategic approach to a workforce that can be drafted in to support rebuild and repair work.

From the bushfires and rebuilds resulting from the Black Summer bushfires, in addition to the above, the ability to get in a timely manner planning approvals, building certifier/surveyors approvals, bushfire assessments and approvals, etc. was significantly constrained.

It also resulted in business of usual non rebuild/replacement approvals, getting significantly impacted from timely assessments and pushed back in the queue with rebuild/replacement approvals prioritised.

This Committee should consider recommending further work be undertaken by NEMA to at measures to ensure that this work doesn't adversely impact on business as usual work, and overcome the situation of significant price fluctuations for labour and materials post natural disasters.

Upgrading existing buildings to be more resilient & lower insurance premiums

While new land releases and housing can be seemingly well managed to address natural disasters, what about the majority of Australia's existing housing stock?

These homes are built to past building code standards, or well before building codes being in place, and located in areas that may today be considered inappropriate.

Moving forward, this will be the bigger challenge – how do we effectively and affordably mitigate the risks for the 8-10 million homes we already have?

HIA believes a greater focus is needed on government taking steps to mitigate the risk now and into the future.

The hard consequence of this is that we expect to see more discussion centered on whether to rebuild or relocate once a disaster has occurred.

In 2011, around 100 homes in Grantham were relocated with support from local, state and federal government. This year the same is occurring following NSW and Queensland floods, with local, state and federal government supporting homeowners to relocate.

This approach is the right one to take, to assist affected homeowners move to a safer place, where it is found that their homes will continue to be affected by extreme weather events.

HIA is supportive of governments voluntary 'buy back' programs for home owners who have had their homes significantly impacted by natural disaster and where that home is likely to be subjected to future natural disasters.

Further to this, a number of Government agencies (Federal and State) have started to look at potential upgrading of existing homes programs to improve their performance and resilience and assist in mitigation against future natural hazards.

It is likely that any such programs would be an opt in, apply for grant for works type of arrangement, as opposed to setting of minimum standards that they would need to meet.

There are also discussions about such a program, being coupled with insurance policies and discounts for home owners that have undertaken specific mitigation measures.

From initial discussions with some of the agencies investigating these programs or looking to establish a pilot program, that they have been looking at highly bureaucratic processes for assessments, inspections and reports for determining what measures to implement, which could quickly and easily add significant costs to undertaking fairly simple mitigation measures.

As such, HIA's knowledge of simple, practical and effective measures can assist in designing and effective scheme.

HIA is well placed to assist in designing such a scheme on determining practical measures that can retrofitted into homes and on financial support packages for this work.

This in turn would have the added benefit of lowering their risk profile but also insurance premiums should be adjusted accordingly.

Recommendations:

1. Homeowners should be able to obtain home insurance at an affordable rate no matter where the home is located in the country.

2. HIA is supportive of Government backed re-insurance pools for homes in higher risk areas, to overcome issues of people not being insured or under insured and enable policies to be provided at an affordable rate.

3. HIA is supportive of Governments working with the housing industry on an upgrading (mitigation) program to improve the performance of existing homes to natural hazards which should in turn lower insurance premiums for those homes.

4. Governments should investigate measures to limit significant price fluctuations (labour and materials) post natural disasters and from insurance repair work that draws on trades availability.

5. Support NEMA to continue to work with and liaise with key industry bodies both post natural disaster events and in an ongoing capacity in looking at preparedness, mitigation, measures to streamline re-building processes for affected homes and on workforce capacity issues.

4. Building resilience & mitigation

Over recent years alongside the discussion on insurance pricing and availability, the issue of mitigation and building resilience to natural disasters continues to be discussed and relevant inquiries have put forward various recommendations on land use planning & building codes/standards potential reviews or changes.

In Australia building work is regulated through State and Territory building legislation and that legislation calls up the National Construction Code (NCC) for the technical design and construction requirements for buildings and other structures.

The continual development of the NCC and associated Australian Standards for necessary building codes and standards of safety, health, amenity and sustainability in the design, construction and performance of buildings is a key function of governments.

The NCC is developed and maintained on behalf of states and territories by the Australian Building Codes Board (ABCB). The ABCB's work is overseen by Commonwealth and State and Territory Building Ministers.

The NCC is a uniform set of technical provisions for building work and provides the minimum necessary requirements for safety, health, amenity and sustainability in the design and construction of new buildings throughout Australia.

Whilst the NCC is a uniform set of technical provisions, within its scope it has the ability to provide for variations in standards based on different geographic or climatic zones.

This allows for buildings that are 'mapped' in a specific areas such as buildings located in cyclonic areas, earthquake areas, bushfire prone areas, flood hazard areas, etc. it places additional design and construction requirements on those buildings, beyond those that apply to a 'standard building'.

These additional requirements will seek to mitigate the risks posed by those natural hazards and the requirements are generally applied through Australian Standards called up in the NCC.

Within this context it is important to highlight that the NCC and through it the relevant referenced Australian Standards has for many decades contained requirements addressing most natural hazards.

This includes:

- Bushfire risk
- High rainfall and hail
- Flooding
- Cyclones
- Heatwaves (through energy efficiency)
- Heat island affect (through energy efficiency)

An important point to note is that the building policies apply to ensure the safety of the occupants of buildings and their ability to exit the building to a place of safety, as opposed to the building being able to completely withstand these events.

Australia's Building Codes and Standards are Under Constant Review

Australian Standards referenced in the NCC are developed though a technical committee approach that includes experts in specific fields. These experts are informed by research, international approaches and the learnings from past building performance where a natural hazard exists or an event has occurred.

These standards are reviewed on a regular basis to ensure that they are adequate and remain contemporary. When natural hazards such as cyclones, bushfires, floods, etc. occur the adequacy of the building's resilience is monitored.

Where it has been found that a certain area or component of a building or design feature is deficient, the requirements will generally be upgraded.

Industry plays a key role in informing this and in the development of the technical requirements within our codes and standards to address the concerns. HIA participates on numerous Committees and Working Groups in the development of these codes and standards.

Whilst our building codes and standards are always evolving, in the most part Australian new houses and buildings have a sound track record in their ability to withstanding natural hazards where they occur. Often Australia's regulations and policies inform other countries standards regarding building performance and resilience to natural hazards.

HIA does not believe however, that the current processes around updating the NCC and the relevant Australian Standards require any change to further facilitate responses to natural disasters.

The current processes can be shown to already cater for changes where required. Through this process any changes to building policies need to be evidence based and be informed by Regulation Impact Analysis.

Further to this, the NCC and associated referenced Australian Standards are the wrong tool to be addressing building (climate) resilence in isolation since it relates primarily to the building itself and resilience and mitigation needs to be considered holistically with a primary focus on the zoning, urban infrastructure and siting of dwellings.

For example larger gutters on a house will do little to protect the home from overland flooding during heavy rainfall, nor will it aid the building if there is not an approprate outfall in which the water will be directed into.

Associated considerations impacting insurance premiums and availability

Uncontrolled 'red' and 'green' tape burden is buckling the planning system

The management of natural hazards and environmental constraints, such as landslip, erosion and flooding, through the zoning and development process is generally well understood and the community accepts these are matters that should be considered in land use planning.

Responding to and mitigation for these matters have been introduced into regulations by governments mostly to address community views about improving the environmental outcomes from urban development.

Sometimes without due cause, policy makers use planning systems to mandate new environmentally sustainable design (ESD) standards for development (e.g. 'green' tape).

These reforms often duplicate or hold to a higher standard than the NCC, a dwelling's environmental performance. The NCC adequately manages this, and it should be kept out of the domain of the planning system.

There is a tendency for authorities to apply different discretionary ESD standards across the planning system for residential development, that are not consistent with the NCC.

Regulations impose costs, barriers and administrative burdens on business and in particular, the delivery of an adequate supply of new and affordable housing. Changing regulations does not always lead to an overall improvement in built form outcomes or reduced administrative burden.

HIA supports regulatory reforms that eliminate unnecessary regulation, reduce red tape and the administrative burden on business, facilitate the orderly operation of the residential building industry and improve conditions to facilitate more efficient and effective delivery of housing across Australia.

Appropriate community infrastructure for the impacts of climate change is a government responsibility

In principle, HIA's supports the provision of community infrastructure which provides resilience to the impacts of climate change. This should be planned, developed and implemented in a coordinated manner by all levels of government, in consultation with the residential development/building industries, and must have a minimal impact on the affordability of new housing.

As beneficiaries of the provision of new infrastructure, it should be government funded with the whole community sharing the cost of that benefit. The residential construction industry is under extreme pressure from these emerging new 'red' and 'green' tape burdens, making it harder and more costly to supply much needed housing.

According to the August 2021 report *Development Contributions: How should we pay for new local infrastructure* by NHFIC (now Housing Australia), development contributions are increasingly being used for social infrastructure with no clear nexus to development, as opposed to local essential infrastructure.

The NHIFC report states *"If the scope of developer charges doesn't have a clear nexus to the new housing development or costs aren't apportioned appropriately between the beneficiaries of the local infrastructure, developer contributions ultimately can act like a tax and discourage development."*

Indicative case studies sourced by Housing Australia show that developer contributions can ultimately amount to between $37,000 and $77,000 per dwelling in Victoria (~2016 dollars for 'greenfield development), which is a substantial cost levied on a new home.

These costs may be for (not limited to) community infrastructure such as, public open space and shelters, drainage/flood mitigation assets, river levees, etc. which benefit the wider community more than the individual home owner.

The imposition of up-front charges and levies on new home buyers for *community, social* and *regional infrastructure* is inequitable, discriminatory, inflationary and erodes housing affordability

National Climate & Adaption Strategy

The *National Climate Resilience and Adaptation Strategy 2021 - 2025, Positioning Australia to better anticipate, manage and adapt to our changing climate* (the Strategy) released in 2021 continues to be the Federal government's current headline policy on building resilience to extreme weather and natural disasters.

This strategy is currently under review.

The current Strategy is built on the six principles of effective resilience and adaptation identified in NCRAS 2015 and developed three objectives and four connected domains.

These three objectives (listed below) are intended to be addressed and satisfied will be pertinent for this Committee.

- Objective 1: Drive investment and action through collaboration
- Objective 2: Improve climate information and services
- Objective 3: Assess progress and improve over time

The Strategy also identifies adaptation strategies for each state / territory, these are:

- Northern Territory Climate Change Response, Towards 2050
- Western Australian Climate Policy
- South Australian Government Climate Change Action Plan 2021 – 2025
- Victoria's Climate Change Strategy - Our pathway for reducing emissions and building resilience to the impacts of climate change
- Tasmania's Climate Change Action Plan 2017–2021
- ACT Climate Strategy 2019 – 2025
- NSW Climate Change Policy Framework
- Pathways to a climate resilient Queensland - Queensland Climate Adaptation Strategy 2017–2030

The common theme in these initiatives is a call for climate change adaptation to respond, manage and reduce the impacts of natural disasters on both the natural environment and the built environment.

Recommendations

1. The building code and associated referenced Australian Standards are the wrong tool to be addressing building (climate) resilence in isolation since it relates primarily to the building itself and resilience and mitigation needs to be considered holistically with a primary focus on the zoning, urban infrastructure and siting of dwellings.

2. The core goal of the National Construction Code (NCC) and relevant Australian Standards should remain focused on life safety of occupants as opposed to asset or property protection.

3. Any restrictions on zoning of specific land as deemed unsuitable for future housing must be based off verifiable evidence that the subject land has a high potential for natural hazard that would mean that the building could suffer significant & costly damage. And the building couldn't otherwise mitigate against the natural hazard through building design, siting or other infrastructure measures.

4. Revisions or amendments to building and planning codes in respect to building resilience or mitigation measures, be based off verifiable evidence from post incident assessments and preparation of a regulatory impact assessment that demonstrates net benefits to society.

5. There is a better need to differentiate homes built since 2010 to current and contemporary building codes and standards, are well performing and have in built building resilience to them covering bushfires, flood risks, cyclone, hail and heatwaves and land slip and erosion. These rules are constantly being reviewed and evolved based on verifiable evidence and research.

5. Information & advice for homeowners & industry

Over the last number of years there has been a proliferation of guides, resources, handbooks, etc. being developed by numerous different entities on rebuilding, current rules, mitigation measures, etc. etc. this creates confusion and uncertainty on which one to use, which one is better than the offer or what takes precedence.

There is benefits in a more coordinated approach to bring this together into a central repository as a single source of truth for home owners and builders can use to make homes more resilient to natural hazards and post incident clean up and re-builds and repair work.

Central government coordination agency

Similar to the above matter, having various different agencies having different coordination functions and response functions creates a siloed approach to recovery, response, pay-outs, rebuilds, etc.

The last thing homeowners that are affected by a natural disaster needs is to be passed around from one government agency to another, particularly at a time when it is a highly emotive and distressing time.

Similarly with responding to parliamentary inquiries and recommendations, have a central agency responsible for responses, or coordinating responses, is far better than a piecemeal approach.

Following the 2019 bushfires the National Bushfire Recovery Authority was established. Since then the agency has been recreated as the National Emergency Management Agency (NEMA).

That agency now has carriage of overseeing, coordinating and supporting recovery efforts after each natural disaster.

HIA is supportive of their establishment and remit and for maintaining such an agency and ensuring they are adequately resourced to focus on building resilience and recovery post natural hazards.

Recommendations

1. Recognise & support the key role industry representatives bodies, such as HIA, play in providing key time critical information and support services to assist the industries they represent and in turn homeowners in clean up, responding to, recovery and re-building phase post major natural disasters.
2. Governments in collaboration with industry should establishing a central repository 'single source of truth' for relevant guidelines, tools, etc. for measures home owners and builders can use to make homes more resilient to natural hazards and post incident clean up and re-builds and repair work.
3. HIA is supportive of maintaining a central (federal) government coordination agency that is adequately resourced to focus on building resilience and recovery post natural hazards.