



26 September 2019

Senate Finance and Public Administration Committee
PO Box 6100
Parliament House
Canberra ACT 2600

By email: fpa.sen@aph.gov.au

EMERGENCY RESPONSE FUND BILL 2019

The Insurance Council of Australia (Insurance Council) welcomes this opportunity to make a submission regarding the Emergency Response Fund Bill 2019 and Emergency Response Fund (Consequential Amendments) Bill 2019.

The Insurance Council supports the need for recovery funding to help communities to rebuild after a natural disaster. However, a much stronger focus, previously recommended by multiple government initiated inquiries, is required on spending for disaster mitigation.

The primary role of governments in disaster management should be to reduce community impacts arising from extreme weather events, strong policies that seek to control risks through appropriate building codes, land use planning and investment in preventative mitigation infrastructure.

The last of these risk reduction measures remains poorly addressed by government. Appropriate disaster mitigation serves to protect exposed communities, ultimately reducing the need for recovery funding raised through taxpayers and lowering premiums for those living in highly exposed areas. Whilst a cliché, the phrase prevention is better than the cure, is the rule in most policy areas, except it would seem in disaster management, where spending levels for mitigation account for 3% of spending compared to disaster response at 97%.

The lack of coherent and sustained focus on disaster prevention through mitigation is also able to be characterised through its treatment as a policy issue in each jurisdiction. Overly complicated and inconsistent processes are employed to consider mitigation proposals that must compete for low levels of available funding. The result is a dangerous lack of completed, or even commenced, mitigation programs in many of the most exposed areas of the nation.

The Insurance Council continues to support the 2014 Productivity Commission report on Natural Disaster Funding Arrangements, which recommended:

- an overhaul of the natural disaster funding arrangements in the form of a coherent policy package across recovery and mitigation funding, budget treatment of recovery costs, and accountability requirements for state and local governments, and
- an increase its funding to the State and Territory Governments for mitigation to \$200 million per year.

The most recent government initiated investigation relating to disasters is the ongoing ACCC inquiry into insurance premiums in northern Australia.

Risk based insurance premiums in the north are on average, twice as expensive as premiums in the less disaster prone south of the country. Insurance premiums therefore provide a useful lens through which to prioritise disaster response, recovery and resilience building needs.

Whilst a range of options to reduce insurance premiums have been canvassed, the only sustainable approach endorsed by key stakeholders is to reduce the risk through comprehensive mitigation. [The latest Insurance Council response to this inquiry provides more detail on the benefits of mitigation.](#)



The Insurance Council urges consideration of how the Emergency Response Fund arrangements could be employed to fund community mitigation needs, reducing over time the need for expensive ongoing government responses to catastrophic community losses.

If you would like to discuss this submission in further detail, please contact Karl Sullivan, the ICA's Head of Risk & Operations, on

Yours sincerely

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