Dear Senate Committee,

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

JLT Risk Solutions Pty Ltd (JLT Public Sector) provides the following submission in response to the Select Committee Inquiry on the Impact of Disaster Climate Risk on Insurance Premiums and Availability.

We acknowledge that this new Senate Inquiry comes on the back of the currently ongoing House of Economics Committee's inquiry into Insurers' Responses to the 2022 flood claims and the Seante inquiry into Australia Local Government Financial Sustainability. As per the Terms of Reference, the inquiry aims to consider, investigate, and report on several issues, including but not limited to:

- the unaffordability of insurance in some regions due to climate-driven disasters;
- the unavailability of insurance for some people due to climate-driven disasters;
- the underlying causes and impacts of increases in insurance premiums;
- the extent to which increased climate risk is being priced into insurance products not exposed to climate-driven risks;
- the distributional impact of increases in insurance premiums across communities, demographics, and regions;
- the role of governments to implement climate adaptation and resilience measures to reduce risks and the cost of insurance;
- how the pricing of risk from climate-driven disasters can be better redistributed across the economy; and
- any other related matters.

Our intention, through this discussion paper is to provide options for some of the Terms of Reference whilst providing greater connectivity amongst stakeholders. We will focus our conversations on:

- definition of risk, disaster, climate, natural hazards, emergency response, protection, community;
- overview of understanding of “natural disaster and insurance” since 2011
- dissecting responsibility for effective response, risk mitigation, funding, enhanced investment, insurance, protection, and resilience

Our view is that there is a need for common language across all conversations supporting the complex structures required to create solutions to finance the cost of disaster risk.

Our paper aims to create thought provoking questions that will cause the taskforce to think beyond traditional solutions when dealing with disaster risks and the affordability for local communities and the governments that represent them.

JLT Public Sector looks forward to participating in further conversations through the taskforce inquiry.

Regards,

Gary Okely

Head of Public Sector
JLT Risk Solutions Pty Ltd

JLT Risk Solutions Pty Ltd (ABN 69 009 098 864 AFS Licence No: 226827) is a business of Marsh McLennan.

Select Committee Inquiry on the Impact of Climate Risk on Insurance Premiums and Availability, 2024

JLT Risk Solutions Pty Ltd (JLT Public Sector) provides the following submission in response to the Select Committee Inquiry on the Impact of Disaster Climate Risk on Insurance Premiums and Availability.

As per the Terms of Reference, the inquiry aims to consider, investigate, and report on several issues, including but not limited to:

- the unaffordability of insurance in some regions due to climate-driven disasters;
- the unavailability of insurance for some people due to climate-driven disasters;
- the underlying causes and impacts of increases in insurance premiums;
- the extent to which increased climate risk is being priced into insurance products not exposed to climate-driven risks;
- the distributional impact of increases in insurance premiums across communities, demographics, and regions;
- the role of governments to implement climate adaptation and resilience measures to reduce risks and the cost of insurance;
- how the pricing of risk from climate-driven disasters can be better redistributed across the economy; and
- any other related matters.

INTRODUCTION

On 31 May 2024 Treasurer Hon Stephen Jones MP announced the Albanese Government is establishing the Insurance Affordability and Natural Hazards Risk Reduction Taskforce as part of the federal budget to develop an integrated, cross-government approach to minimising the impacts of disaster on the community and help address insurance costs driven by more frequent and intense weather events.

"The government is committed to working with insurers and local communities to improve insurance affordability. We want Australians to earn more and keep more of what they earn".

In announcing this most recent inquiry, the Australian Senate confirmed that the Inquiry will inform the Albanese Government's broader program of work to address insurance access and affordability. This includes up to $1 billion over five years from 2023-24 (up to $200 million per year) to invest in measures that better protect homes and communities from extreme weather through the flagship Disaster Ready Fund.

The Government is taking proactive steps to mitigate disaster risk and build climate resilient communities. Currently, 97% of disaster funding is going toward recovery and only 3% toward risk mitigation.

While this Select Committee Inquiry is focused on the Impact of Climate Risk on Insurance Premiums and Availability, we encourage this committee to consider other related Inquiries and explore alternative risk financing solutions to improve community resilience. This submission presented as a discussion paper includes information and findings that will inform the Select Committee.

The topic and myriad of issues associated with investing in solutions for mitigating the impact of disaster risk to build national resilience against the impacts of natural hazard events are complex and complicated.

The concept that underpins the National Action Plan is that all Australians are responsible for disaster risk mitigation and building resilience. Similarly, we are all responsible for developing, and participating in, sustainable solutions that respond to mitigating the impacts and financing of the cost of disaster risk.

The ideals that accessibility and affordability of "insurance" in its established and contemporary form will provide an independent solution for building resilience in communities is utopia, Governments concurrently investing to build systemic "resilience" via mitigation is also only part of a solution. Integrating wholistic financing solutions that deal with mitigation, proactive payments to communities, risk financing catastrophic losses and high-level financial support from the insurance section is required.

17/6/2024: Insurance News Global
***Swiss Re chief risk officer Patrick Raaflaub** says extreme weather events, war, terrorism and social discontent, and cost-of-living rises are creating a complex risk environment.*

"One crisis nourishes others, a chain reaction of greater uncertainty, risk accumulation and loss potential," he said. "The question for insurers is ... how insurance solutions can help alleviate negative outcomes. In other words, how can we make the world more resilient?"

COST OF DISASTER RISK – NOT AN INSURABLE RISK

Insurance in its traditional form intends to cover pure risks, or those risks that embody most or all the main elements of insurable risk – i.e. an insurable peril. These elements are "due to chance," defined and measurable, statistically predictable and lack catastrophic exposure, random selection, and large loss exposure.

Insurance policies will only indemnify against a defined insured risk. An insurable risk includes any uncertain situation where the opportunity for loss is present and the opportunity for profitability is absent.

An insurable risk must have the prospect of accidental loss, meaning that the loss must be the result of an unintended action and must be unexpected in its exact timing and impact. The insurance industry normally refers to this as "due to chance."

Insurance risk assessments are built from statistics and insurance providers work tirelessly to estimate how often a loss might occur and the severity of the loss. Acceptance of and appetite for risk is built from these projections.

While standard insurance will offer protection against defined perils it does not guard against defined catastrophic perils.

This is because a catastrophic event is the consequence of an event that has exceeded capacity, capability of the insured.

There are two types of catastrophic risk. The first is present whenever all or many units within a risk group, such as the policyholders in that class of insurance, are all be exposed to the same event. Examples of this type of catastrophic risk include extreme storm events, floods, wildfires, or earthquakes (a natural hazard event).

The second kind of catastrophic risk involves any unpredictably large loss of value not anticipated by either the insurer or the policyholder. Perhaps the most infamous example of this kind of catastrophic event occurred in late 2010 – 2011 following a series of storms, floods and cyclones that affected many parts of Queensland, extending to Brisbane CBD.

All insurance companies retain certain amounts of catastrophic risk in their operations, with many insurance companies entering into reinsurance agreements to guard against catastrophic events. Investors can even purchase risk-linked securities, called "cat bonds," which raise money for catastrophic risk transfers.

Disaster risk therefore is not a pure risk - that is, disaster risk is not an insurable risk.

There is no such thing as a "natural hazard disaster". Disasters often follow catastrophic natural hazard events with the consequences bing a serious disruption of the functioning of a community or a society. This will involve widespread human, material, economic or environmental losses and impacts, which exceeds the ability of the affected community or society to cope using its own resources.

Disaster risk reduction / risk management is defined as the objective of anticipating and reducing risk. Disaster risk reduction (DRR), often used interchangeably with disaster risk management (DRM) describes the actions that aim to achieve the objective of reducing risk. Investment in the build of resilient communities is an example of disaster risk reduction.

In the context of disaster risk, resilience defines the ability of a system, community or society exposed to hazards to resist, absorb, accommodate, adapt to, transform, and recover from the effects of a hazard in a timely and efficient manner. This includes the preservation and restoration of its essential basic structures and functions through risk management.

Emergency Managers think of disaster risk as recurring events with four phases: mitigation, preparedness, response, and recovery and invest in risk mitigation, risk management accordingly. However, disaster risk results from the complex interaction between a natural hazard event and a community with no/limited capacity, capability to cope generating adverse conditions of exposure, vulnerability, wellbeing, and safety.

Disaster risk losses are defined (as the result of being deprived of something) as the measure (quantified or not) of the damage or destruction caused by an event. The impact of a disaster can, however, be much far-reaching impacting the built, natural, social/community and financial environment, causing a cascading and significant delay in recovery.

The cost of a disaster will therefore impact on the four pillars of vulnerability (built, natural, social/community and financial environment) of an area/community and include the potential for loss of lives, health well-being status, community values/ideals, livelihoods, supplies, services, infrastructure, assets, buildings, and homes which could occur to a particular community or a society over an extended future time period.

Pre-disaster risk assessments (preparedness) can only be conducted on an "all hazards" basis and include gathering information and data relevant to:

- the identification of hazards;
- a review of the technical characteristics of hazards such as their location, intensity, frequency, and probability;
- profiling exposure and vulnerability, including the physical, social/health, environmental and economic dimensions of an area.

Solutions for financing "disaster risk" therefore cannot be limited to traditional peril-based insurance policies and/or government backed reinsurance or financial guarantee arrangements.

The process to create an effective and efficient "disaster response system" is complex and will require Australian Government led financial reform to establish public/private partnerships engaging all stakeholders – Australian Government, state/territory governments, local government, councils, insurers, reinsurers, brokers, banks, disaster risk financiers, businesses, communities, ratepayers.

PAST LEARNINGS

OVERVIEW OF 2011 “NATURAL DISASTER INSURANCE” REVIEW

Following the series of storms, floods and cyclones that significantly affected many parts of Queensland and some parts of Victoria in late 2010 and early 2011, the Assistant Treasurer, the Hon Bill Shorten MP, announced on 4 March 2011 the Natural Disaster Insurance Review (the Review).

The Review focussed on insurance arrangements for individuals and small businesses for damage and loss associated with flood and other natural disasters. The Inquiry examined ways to ensure that individuals and communities at risk of extreme weather events are aware of the risks but are able to obtain suitable protection against those risks, including having access to insurance.

The terms of reference included the following matters:

- the extent of, and reasons for, non-insurance and underinsurance for natural disasters;
- the ability of private insurance markets to offer adequate and affordable insurance cover for individuals, small businesses, and governments for natural disasters;
- whether there is a case for subsidising insurance premiums for individuals and small businesses in the areas of highest risk facing the highest premiums;
- whether there is a role for the Commonwealth Government in providing disaster insurance or reinsurance to the private sector;
- the relationship between disaster mitigation measures and the availability and affordability of flood and other disaster insurance; and
- whether there is a need for a national disaster fund to support the rebuilding of public infrastructure in the aftermath of events such as the recent floods.

The Terms of Reference also specifically asked the Review Panel to consider whether the existing Commonwealth and State arrangements for dealing with natural disaster recovery and resilience require supplementation.

The Review Panel received more than 100 submissions from both private individuals and organisations, including insurers, governments and government agencies, consumer groups and various experts. Panel members consulted directly, both individually and collectively, with representatives of insurers, local and state governments, consumer groups and community representatives.

The Review final Report, including 47 recommendations was released publicly in November 2011. The Review Panel made, what was described as, four pivotal recommendations:

Pivotal Recommendation 1: Architecture
That an agency sponsored by the Commonwealth Government be created to manage the national coordination of flood risk management and to operate a system of premium discounts and a flood risk reinsurance facility, supported by a funding guarantee from the Commonwealth.

Pivotal Recommendation 2: Availability
That all home insurance, home contents and home unit insurance policies include flood cover.

Pivotal Recommendation 3: Affordability
That a system of premium discounts be introduced in order that most purchasers of home insurance, home contents and home unit insurance policies in areas subject to flood risk be eligible for discounts against the full cost of flood insurance.

Pivotal Recommendation 4: Funding
The Commonwealth Government guarantee the payment of claims by ensuring that, whenever a funding shortfall occurs in the reinsurance facility through claims exceeding the funds held in the facility, the Commonwealth would meet the shortfall *and* the Commonwealth would seek reimbursement of a portion of the shortfall from the State or Territory government in whose jurisdiction the flood occurred.

Given there was no “insurance failure” in response to the 2010/2011 disasters, the majority of recommendations were weighted toward traditional Insurance structures, insurance policy, policy definitions, insurance claims, community, consumer response, However Recommendation 21 and 25 prompted a broader view for solution:

Recommendation 21:

That a flood risk reinsurance facility, or reinsurance pool, be established which would have two primary functions:

- to deliver discounts to home, contents, and home unit insurance policies for eligible properties; and
- to provide flood reinsurance capacity to the insurance market;

and two key design features:

- an excess of loss arrangement whereby insurers retain and price a ‘first loss’ portion of each policy on a commercial basis; and

a ‘facultative/obligatory’ reinsurance treaty that will allow insurers to cede individual properties to the pool if they wish (facultative offer) but the pool would be obliged to accept them (obligatory acceptance).

Recommendation 25:

That a national agency sponsored by the Commonwealth Government be established to undertake national coordination of flood risk management and to operate the system of premium discounts and the flood risk reinsurance facility.

The Agency would:

- coordinate flood mapping across the country (while leaving responsibility for undertaking flood mapping in the hands of State and Territory governments and local authorities);
- introduce national guidelines for flood risk mapping and classifications, prepared in consultation with producers and users of flood risk information;
- act as a national repository of flood risk information, primarily through collating and analysing information collected by others;
- continue development of the Insurance Council of Australia's National Flood Information Database or an equivalent developed by the Agency;
- monitor the effectiveness of flood risk mitigation initiatives across the country and advise on priorities for flood risk mitigation;
- publish and disseminate flood risk information in forms appropriate to various groups of users; and
- oversee the quality of flood risk information.

Importantly, in response to Recommendation 25, the Australian Government created the National Recovery & Resilience Authority which today is established as the National Emergency Management Agency.

The National Emergency Management Agency is an executive agency of the Australian federal government under the Department of Home Affairs. The agency is responsible for coordinating and managing a national-level emergency response to help those affected by natural disasters, including droughts, bushfires, and floods.

Founded: 1 September 2022

Minister responsible: Minister for Emergency Management

Parent department: Department of Home Affairs

Preceding agencies: National Recovery and Resilience Agency; Emergency Management Australia

Managed by the National Emergency Management Agency (NEMA), the Hazards Insurance Partnership (HIP) and Strategic Insurance Projects are designed to support communities to be better prepared for disasters.

Hazards Insurance Partnership (HIP) & Insurance Affordability

Natural hazard risk is increasing in many areas of Australia, which is driving up the cost of insurance and creating underinsurance issues. Poor insurance coverage makes it harder for households and communities to fully recover if hit by a disaster.

This HIP is a single touchpoint between the Australian Government and the insurance industry to engage on issues of disaster risk reduction and hazard insurance.

The Australian Government has allocated $24.3 million over five years (from 2022- 2023 financial year) for initiatives to improve insurance affordability and availability, including Hazards Insurance Partnership, natural hazards research, research to support national mitigation against rising premiums and insurance sector innovation.

This foundational work is required to:

- identify the most pressing insurance issues in areas with high natural hazard risk;
- target and test the best policy solutions to reduce risk and insurance costs; and
- support better consumer outcomes via more affordable insurance and a better understanding of insurance products.

These measures build on the Disaster Ready Fund which provides up to $200 million annually to build disaster resilience and migration projects across Australia.

Strategic Insurance Projects

Alongside the Department of the Treasury (Treasury), and the Australian Climate Service (in partnership with the Australian Bureau of Statistics and the Bureau of Meteorology) NEMA is delivering a number of strategic insurance projects to further our understanding of disaster insurance issues, and how to address these. These are:

- Establishing and delivering the HIP;
- Developing a national private mitigation measure knowledge base;
- Exploring options for public-private partnerships;
- Creating an enduring data asset of insurance affordability and underinsurance to inform policy and programs; and
- Reviewing the standard cover regime and various standard definitions.

Collectively, these projects aim to address core concerns raised by the Government, insurance industry, and the general public surrounding hazard risk and insurance. These are ongoing streams of work, with progress being pursued by Australian Government partners and in collaboration with the insurance industry through the HIP.

Roll forward to June 2024...

On 31 May 2024 and on the back of and the Standing Committee's Inquiry into "Insurers' Response to the 2022 Floods and the Senate Inquiry into Australia's Local Government Financial Sustainability" , the Albanese Government announced the establishment of the Insurance Affordability and Natural Hazards Risk Reduction Taskforce as part of the federal budget to develop an integrated, cross-government approach to minimising the impacts of disaster on the community and help address insurance costs driven by more frequent and intense weather events.

The taskforce will oversee a comprehensive, whole of government approach on a range of all-encompassing issues, including:

- *Community level risk reduction*
- *Hazard risk reduction*
- *Economic impacts of underinsurance*
- *Standardising natural hazard definitions*
- *Other near-term solutions to improve affordability.*

In today's environment, Australian communities continue to struggle from a series of disasters stemming from flood, bushfire, extreme storm events, pandemic, flood (2021 - 2024) The current broader issue that is financially impacting all Australians are the financial risks and costs of near-term solutions to improve insurance company affordability. This significant impact of this most pressing issue can be seen in the impact of rising insurance premiums on inflation.

The taskforce inquiry will be considering economic impacts of insurance market failure (unlike the 2011 Review where insurers had capital to respond efficiently to events and claims) and this will lead to discussions around the need for non-traditional financially sustainable models in order to "*...flip this on its head...*"

Comment attributed to the Senate Committee presentations Insurer's Response to 2022 Floods:

"One of the other things we're hearing a lot about, at the moment, is a lack of trust between government and communities. It's a compelling theme coming out of current research. It somewhat goes back to that issue around not being frank and honest with what communities are facing, and that data sits in different places; it's difficult to understand".

"...is it sustainable for the insurance industry to continue to fund those losses and, conversely, does our community have the capacity to pay those premiums under those scenarios? The combination of these annualised losses, increasing exposure over time, rising insurance premiums and, in some cases, people being unable to obtain insurance in the first place presents such a significant social and economic risk to Australia's community."

"...important that when we're thinking about financial services we don't just stop at the insurers, because while the insurance is a risk transfer it's also a pathway to mortgages, effectively. We've had these conversations with banks and financial services sectors."

PARLIAMENTARY INQUIRY INTO INSURERS' RESPONSES TO 2022 MAJOR FLOODS CLAIM

JLT PS' submission addressed only certain terms of reference relevant to local government and its statutory role as community leader in preparedness and recovery in response to, and learnings from, the 2022 floods subject of this inquiry.

In preparing this submission, JLT PS relied on local government sector observations, information and evidence-based data collected from impacted councils who are members of the relevant state/territory based "mutuals".

JLT Public Sector (JLT PS) provides risk solutions and services to 97% of local councils across Australia. Initially engaged to provide insurance brokerage services to councils, JLT PS led local government through challenges created by the withdrawal of the traditional insurance industry and mechanisms to provide local government with appropriate risk protection in the late 1980s and early 1990s. In summary, this is referenced as "market failure".

This resulted in the development of mutual risk management arrangements ("mutuals"), in partnership with relevant state/territory LGAs, to provide expansive, long-term protection and services that are specifically designed to meet the local government sector's needs.

These mutual risk products provide a collaborative means for local government collectively to manage and protect their risks, while providing long term financial stability supported by efficient, responsive claims management and effective investment in risk mitigation – to the benefit and betterment of local communities.

This inquiry proposed to take a "whole of economy" view of the ongoing challenges faced by intense and frequent flood events – not an "all hazards" view.

- The Inquiry proposed to inform the Albanese Government's broader program of work to address insurance access and affordability. This includes up to $1 billion over five years from 2023-24 (up to $200 million per year) to invest in measures that better protect homes and communities from extreme weather through the flagship Disaster Ready Fund.
- The Government is taking proactive steps to mitigate disaster risk and build climate resilient communities. Currently, 97% of disaster funding is going toward recovery and only 3% toward risk mitigation. "*We want to flip that on its head*".

JLT PS' submission acknowledged the numerous calls on government to take concrete action to '*make (personal lines home, content, and motor) insurance accessible and affordable'* in light of increasingly frequent extreme weather events.

JLT PS endorsed reference to the "mutual" concept as an alternative to traditional insurance solutions. Traditional insurance methods are not a sustainable current or future answer to protecting communities from disaster risks. Homes, community assets and small businesses in many high-risk locations are uninsurable and governments need to plan for other solutions...

JLT PS in its capacity as expert risk advisor to local government has established a trusted partnership that allows us to be the voice of local government in all these discussions and conversations around enhanced investment for building disaster risk resilience.

AUSTRALIAN LOCAL GOVERNMENT FINANCIAL SUSTAINABILITY

Through this submission, JLTPS provided the Committee with an understanding of how the escalating, unquantifiable cost of “disaster risk” is placing significant financial pressures on local government throughout Australia.

There are increasing demands on councils to access available funding frameworks for investment in preparedness, mitigation, community recovery, changing social/community needs and expectations while reducing the impact of, and build resilience to, future disaster events. Local government’s ability (or not) to make better informed financial decisions for the benefit and betterment of their communities is increasingly frustrated by the unpredictability and extremity of disaster events.

> “*Local government has a massive asset portfolio, and a lot of it is a legacy from different times that is ageing, past its use by date and/or no longer fit for purpose. The challenge is to upgrade it, renew it and, at the same time, insure it—not only insure it but have the capacity to recover under that insurance when hit by the catastrophe events*.”

A financially sustainable local government is an essential element for supporting Australian communities through the provision and management of its built, natural, social/community and financial environment.

Our submission illustrated the escalating financial enormity of “disaster risk” costs across Australia’s capital cities, metropolitan, outer region, regional, rural, and remote locations, and the challenges faced by local government in supporting the concept of community resilience before, during and after a disaster event.

JLTPS has been an essential partner for local government in facing unprecedented challenges brough on by successive natural hazard events and subsequent disasters, including the impact of the Covid-19 pandemic.

Local government continues to value the assistance and support provided by JLT Public Sector as it confronts the impacts and cost of disaster risk in restoring community infrastructure, natural environments, essential services, and functions – while driving community recovery in a way that fosters the build of resilience.

With a lens on local government, JLTPS can be a key participant for all government discussions around disaster risk and future economic reforms by:

- advising on options for a "disaster risk" finance strategy.
- offering a range of risk transfer and financial solutions that traditional insurance cannot.
- providing the framework for successful public/private arrangements to effectively address disaster risk.
- providing quality data and risk profiling information that is new and valuable to compliment the Commonwealth government and other essential disaster risk datasets.
- ensuring government funding and expenditure is efficiently and effectively allocated to reduce identified vulnerabilities across the entire local government environment.
- Designing a tailored claim management process that is adequately resourced and capable of responding proficiently.
- Bringing all relevant stakeholders to the discussion table – including Local Government Associations, councils, insurers, reinsurers, National Insurance Brokers Association, risk financiers and community.

Comments attributed to submissions from local government for Financial Sustainability:

> *"Investing in community resilience is an ongoing piece of work. $50,000, $100,000, as an investment to a community in a one-off is not going to solve the problem. It doesn't necessarily mean it's a federal government responsibility, but it is a responsibility to continue investing in community resilience in the long term. There's an urgency but there's also a need for ongoing investment."*

> *"So that idea of sharing the decision with communities is a more deliberative and collaborative governance approach. It's the only way you can make hard decisions. We're not comfortable with that yet, I think, as a government culture, across the board."*

> **"...**is it sustainable for the insurance industry to continue to fund those losses and, conversely, does our community have the capacity to pay those premiums under those scenarios? The combination of these annualised losses, increasing exposure over time, rising insurance premiums and, in some cases, people being unable to obtain insurance in the first place presents such a significant social and economic risk to Australia's community."

LOCAL GOVERNMENT FUNDING THE COST OF DISASTER RISK

JLT PS can bring both expert risk solutions and extensive knowledge of local government and community risks to the discussion around investing in the cost of disaster risk to build resilience. Local government, as an essential stakeholder in the National Action Plan, should also be included in these discussions.

JLT PS' relationship with the local government sector across Australia is a genuine, established example of the public and private sector collaborating and therefore able to better provide a single touchpoint between the Australian, state/territory, local government, communities, and the insurance industry.

The current insurance market in its traditional form has deficiencies, which is driving consumers away from the market. This results in more challenging responses for governments and communities in responding to a natural hazard/disaster event. It is our suggestion that any consideration of alternative solutions, must include the concept of a local government area/region partnering with its community, other levels of Government and the insurance sector to develop options based on public/private partnerships, "community catastrophe mutual" financial models.

Comments from Hansard attributed to various to presentations to the Committee:

Local council representatives called for a change in the national approach to flood risk management. "Through this approach, councils should engage with insurers and reinsurers with consistent information to outline cost of insurance for communities, with consideration ... if properly informed mitigation measures can be placed to reduce potential costs."

Options for consideration similar to a Community Catastrophe Mutual can be designed to meet local expectations, specific community needs and requirements - as well as providing long term financially stable risk protection. Such a model will necessarily encompass participation from all stakeholders, to be supported by economic reform.

InsuranceNews 9/4/2024 ...in the southeast Queensland town of Caboolture, allowed flood victims to speak to parliamentary committee members after initial sessions in Canberra heard from insurers, regulators, consumer advocates and other stakeholders. Angry residents raised issues with insurance claims, some of which remain unresolved more than two years after the February 2022 catastrophe.

The ICA Insurance *Catastrophe Resilience Report 2022-23* notes that "insurance affordability" is the number one concern of the insurance industry, and the Insurance Council and insurers have been advocating strongly for measures that reduce risk to moderate pressures on premiums.

It is our submission that consideration of an alternative partnering approach (national, state/territory/local government, communities, insurers, brokers) to developing community-based risk solutions option will be essential to the government's aim to *"...flip that on its head"*.

"A failure to meet obligations to inform about their policy, a failure to communicate with their clients on an ongoing basis, a failure to deal with claims in a clear and concise manner, a failure to be in the community at a time of crisis, and lastly a failure to know their own product."

APPENDIX

ICA proposes more local council input on resilience projects.

InsuranceNews

06 June 2024

The Insurance Council of Australia has called on the federal government to better tap local councils' knowledge to maximise benefits from resilience projects delivered through the Disaster Ready Fund.

It says greater weighting in the funding should be given to infrastructure, prioritising high-quality projects that will deliver significant returns on investment by directly reducing risks to communities, and the government should consider ways to "more meaningfully consult" with councils on potential projects.

"Local councils play an important role in developing and delivering risk mitigation projects needed to build the resilience of existing homes at risk of impact from worsening extreme weather," it says in a submission to a House of Representatives inquiry into local government sustainability.

"Councils are also a key stakeholder in the process to enhance community resilience through projects delivered under the Disaster Ready Fund."

The five-year funding program is providing $200 million a year for mitigation projects, with matching state and territory investment.

ICA also wants more support for local governments on flood mapping and to ensure they have the resourcing and skills to deliver climate adaptation initiatives.

Flood mapping is often undertaken by state government agencies, but ICA says it is critical councils also have the capacity, where necessary, to complete work.

"Better flood mapping improves insurance outcomes for communities at risk of flood and enables better assessment of flood risk to support investment in flood mitigation infrastructure," it says.

ICA is pushing for a national standard for considering disaster and climate risk in land use planning and says the federal government should work closely with local councils to support implementation.

Local governments will also have a key role in delivering initiatives identified under an adaptation blueprint being developed at federal level and should be sufficiently resourced, it says.

The lower house committee inquiry has received more than 50 submissions and is holding public hearings.

"Local governments are facing a number of increasing challenges including the attraction and retention of a skilled workforce, changing service delivery requirements including infrastructure and development, and climate change impacts all within the context of an inflationary environment," committee chair Luke Gosling said before the first hearing last month.

INVESTING IN DISASTER RISK TO BUILD RESILIENCE

Insurance Affordability and Natural Hazards Risk Reduction Taskforce
Parliament of Aust

31 May 2024

The Albanese Government is establishing the Insurance Affordability and Natural Hazards Risk Reduction Taskforce as part of the federal budget to develop an integrated, cross-government approach to minimising the impacts of disaster on the community and help address insurance costs driven by more frequent and intense weather events.

The government is committed to working with insurers and local communities to improve insurance affordability. We want Australians to earn more and keep more of what they earn.

We know household budgets are under pressure and insurance costs are contributing. Natural hazard risk is a key factor impacting insurance affordability, and contributing to cost of living pressures, for communities across Australia.

Different Australian government agencies play a role in reducing natural hazard risk and the taskforce will work closely with these agencies to ensure a comprehensive, whole of government approach on a range of issues, including:

- *Community level risk reduction*
- *Hazard risk reduction*
- *Economic impacts of underinsurance*
- *Standardising natural hazard definitions*
- *Other near-term solutions to improve affordability.*

The Taskforce will be led by the Department of Prime Minister and Cabinet in order to coordinate a whole of economy view of the issues impacting insurance affordability and solutions to reduce risk from natural hazards.

This work will be informed and complimented by work already underway through the Hazards Insurance Partnership, which was established by the Albanese Government in the October 22–23 budget.

The Hon Stephen Jones MP
Assistant Treasurer and Minister for Financial Services