



16<sup>th</sup> February 2023

Select Committee on Australia's Disaster Resilience

By email: [disasterresilience.sen@aph.gov.au](mailto:disasterresilience.sen@aph.gov.au)

**Re: Submission to the Select Committee on Australia's Disaster Resilience**

Dear Committee,

Thank you for giving us the opportunity to make a submission to the Select Committee on Australia's Disaster Resilience.

Australian Consumers Insurance Lobby Inc (**ACIL**) are a leading consumer representative group for issues related to insurance.

ACIL believe the committee should place emphasis on **insurance considerations** given the role it has in responding to most major catastrophic events.

We outline a number of considerations for the committee.

**Insurance considerations at the time of a major catastrophe?**

At the time of a major catastrophic event, the federal government should ensure that properties are repaired in a more resilient way.

ACIL believe the government should set in place requirements on what must be done during repair process to ensure resilience.

Examples of such mandated measures or guidelines that could be implemented include (but are not limited to):

1. If a small portion of a roof sheet blows off in a storm the whole roof should be inspected and re-screwed rather than just replacing the damaged roof sheets.
2. In a cyclone if a garage door is blown off, it should be replaced with bracing rather than just replacing it to its previous state without bracing.
3. A more extreme measure may be buying back homes damaged by flood and turning them into government or council property or requiring that houses must be raised above historical flood lines.

Options to fund such measures could include:

1. **Government funding:** Having a fund in place to cover any additional costs associated with resilience. This fund would be paid for through consolidated revenue.
2. **Insurer funding:** Having insurers cover the cost at the time of claims. This should be done in consultation with insurers and it must be noted that end consumers will likely pay for the additional repair measures through higher insurance premiums. But it may also benefit consumers and insurers if properties are more resilient and insurers experience less claims for



future events due to the resilience measures implemented through the repair process of earlier events - this would/should have a flow on effect to consumers through lower premiums.

3. **Property owner funded:** Requiring property owners to fund the additional costs.

ACIL favour option 1 above as the cost is subsidised by all Australians meaning the cost burden is lower for those impacted. Option 2 could be viable if it was demonstrated that the initial costs of resilience was offset by lower premiums in future due to insurers incurring less claims. ACIL does not favour option 3 as it would impose too much of a cost burden on individuals impacted and some property owners may not be in a position to fund the additional measures meaning properties would not be repaired.

### Mitigation

Making properties more resilient before a major catastrophic event would lessen the impact and cost of those events.

From an insurance perspective, it is widely accepted by the Federal Government, Insurers & Consumers that mitigation plays an important part in minimising the cost of disasters which would flow on to benefit consumers through lower insurance costs. What is yet to be determined is who should pay for mitigation.

ACIL believe viable funding models include:

1. **Reallocation Stamp Duty Spending or Government Funding:** The introduction of GST was supposed to mean the end of state-based taxes and duties. For insurance, State Governments have received GST revenues, Stamp Duties &/or Levies – GST is applied to premiums, stamp duty and levies which is therefore tax on tax on tax. ACIL believe stamp duty revenue should be used to pay for mitigation and resilience, otherwise the Federal Government should pay for mitigation & resilience through consolidated revenue.
2. **Consumer funded:** Impose a mitigation levy of 5-10% on insurance premiums for fixed property which the government spends on mitigation on a cost/benefit basis. While in the short term this may cost consumers in higher premiums, it would benefit consumers in the long term through lower premiums if insurers had reduced claims as it should flow through to premium reductions. This additional levy should be sold to consumers not as an additional cost, but as an investment to reduce premiums in the future. Before such measures are considered, the Federal Government in connection with the Insurance Council of Australia should commission a report to understand:
  - what mitigation measures would be considered;
  - the cost/benefit of the mitigation measures; and
  - what impact this might have on reducing premiums for consumers (if any).
3. **ARPC Funded:** For perils covered by the Australian Reinsurance Pool Corporation (**ARPC**), a portion of premiums (for example 10%) should be allocated to mitigation on a cost benefit basis for that peril. For example, instead of collecting premiums of \$776m for the cyclone reinsurance pool the ARPC should increase premiums by 10% with the additional \$77.6m to be spent on mitigation to resilience proof properties against cyclone. This would come at a cost to consumers in the short term (through higher premiums), but it would benefit consumers in the long term if the reinsurance pool experienced less claims for the future and the ARPC were able to reduce premiums. This measure would be particularly beneficial if the



Federal Government adopted ACIL's suggestion of expanding the ARPC to other events such as flood, bushfire and storm surge.

ACIL favour option 1 above as this option imposes the lowest burden on consumers. **ACIL would only support options 2 & 3 if it could be demonstrated that a premium saving would be greater than the additional mitigation cost and the cost/benefit was monitored on an annual basis.**

ACIL believe resilience and mitigation is beneficial not only from the direct impact of disaster at a major catastrophic event, but also indirectly through reduced costs of insurance.

Thank you for taking the time to consider our submission to the Select Committee.  
Kind Regards.

**Tyrone Shandiman**  
Chairperson