



Insurance Council  
of Australia

5 October 2022

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

Via: [fpa.sen@aph.gov.au](mailto:fpa.sen@aph.gov.au)

Dear Committee

### **Emergency Response Fund Amendment (Disaster Ready Fund) Bill 2022**

The Insurance Council of Australia (ICA) welcomes the opportunity to provide a submission to the Senate Finance and Public Administration Legislation Committee (committee) for inquiry and report on the Emergency Response Fund Amendment (Disaster Ready Fund) Bill 2022.

#### **About Us**

The ICA is the representative body of the general insurance industry in Australia. Our members represent approximately 89 percent of total premium income written by private sector general insurers. Insurance Council members, both insurers and reinsurers, are a significant part of the financial services system. As at December 2021, the Australian Prudential Regulation Authority statistics show that the general insurance industry generates gross written premium of \$59.2 billion per annum and has total assets of \$155.4 billion. The industry employs approximately 60,000 people and on average pays out approximately \$155.5 million in claims each working day.

Insurance Council members provide insurance products ranging from those usually purchased by individuals (such as home and contents insurance, travel insurance, motor vehicle insurance) to those purchased by small businesses and larger organisations (such as product and public liability insurance, professional indemnity insurance, commercial property, and directors and officers insurance).

#### **Disaster Ready Fund**

The establishment of National Emergency Management Agency (NEMA) and the Disaster Ready Fund are vital and necessary steps to prioritise and accelerate climate and hazard risk reduction investment in Australia.

The ICA supports all amendments proposed which will:

- a. change the name of the Emergency Response Fund to the Disaster Ready Fund;
- b. allow up to \$200 million per annum to be debited from the Disaster Ready Fund for natural disaster resilience and risk reduction;
- c. allow the responsible Ministers to adjust the maximum disbursement amount via a disallowable legislative instrument;
- d. require responsible ministers to review the legislative maximum annual disbursement amount at least every five years; and



- e. facilitate the transfer of responsibility for fund expenditure to the National Emergency Management Agency (NEMA) and streamline administrative arrangements in relation to transfers from the fund.

### **Building a National Picture of Climate and Hazard Risk**

Robust national climate and hazard data that is accessible to the Australian public, industry and all levels of government will play a critical role in improving and standardising our collective understanding of climate and hazard risk, and critically, in informing and directing investment.

The ICA recommends the Federal Government:

- Update and standardise existing and future climate hazard data, considering long-term time horizons and prioritising the high impact perils of flood, bushfire, cyclone, and coastal erosion. This data should consider the full spectrum of event occurrence for each peril, be nationally consistent and publicly available, to establish a national public baseline that can better inform land use planning, building codes and standards and understanding of current and future risk. Government funding to support an existing national agency to execute this work will be critical.
- Establish an asset risk register. A nationally consistent asset register should be established containing important risk and resilience characteristics. This may include information such as: housing construction type, wall construction, roof type, year of construction, floor height, BAL rating, renovations and retrofitting works. This is essential for current and future homeowners as well as emergency services, insurers, and banks to better understand climate-related impacts on the infrastructure.
- Establish an Impact Register. An impact register should be developed to include a post-event hazard footprint that includes current and historical event hazard data to improve understanding of impacted areas. For example, after a flood it should include the depth of water experienced at properties. This register could begin by prioritising the high hazard zones in Australia.
- Amend the Privacy Act to allow prudent sharing of data between insurers and government agencies to support community recovery by improving the practicality of an Emergency Declaration by expanding the criteria and consequences of an approval, introducing a new intermediate category of data sharing, or expanding the scope of Section 16A.
- Collaborate with insurers to utilise their data capabilities to maximise the government's investment in mitigation projects against extreme weather events.

### **Resilience Investment**

The ICA is encouraged by the engagement of the relevant states and territories to meet their respective obligations and we look forward to collaborating with the government to identify relevant projects and initiatives to fully realise the benefits of this investment.

The ICA commissioned research by Finity to develop a five-year program of resilience measures requiring an investment of approximately \$2 billion that is expected to reduce financial costs to Australian governments and households by more than \$22.6 billion by 2050 (*Reaping the Rewards of Resilience Report* is attached). Based on an extensive review of current research, the proposed resilience program is expected to provide a return on investment (ROI) of 6 to 8 nationally.



State	Investment \$m	Return \$m	ROI <sup>1</sup>
Queensland	971	3,617	4
Northern Territory	14	153	11
ACT	5	10	2
New South Wales	327	4,069	12
Tasmania	53	499	9
Western Australia	195	706	4
Victoria	319	1,665	5
South Australia	29	625	22
<b>Total</b>	<b>1,913</b>	<b>11,345</b>	<b>6</b>

The challenge for the Federal Government is to build a national picture of climate risk to ensure that the maximum good is achieved through this current funding allocation. This requires the Government to work with insurers to use their experience in risk analysis and data to prioritise the urgency of natural hazards, locations, and the most appropriate mitigations projects.

### Conclusion

If you have any questions or comments in relation to our submission please contact Kylie Macfarlane, the Insurance Council's Chief Operating Officer, on telephone: 0418 111 154 or email

Regards

**Kylie Macfarlane**  
**Acting CEO**

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<sup>1</sup> 2 per cent real discount rate