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2 July 2024

Select Committee on the Impact of Climate Risk on Insurance Premiums and Availability  
PO Box 6100  
Parliament House  
Canberra ACT 2600

**Email:** [climaterisk.insurance.sen@aph.gov.au](mailto:climaterisk.insurance.sen@aph.gov.au)

Dear Sir/Madam,

**Re: Terms of Reference: Impact of Climate Risk on Insurance Premiums and Availability**

As the peak body for Queensland's 77 councils, the LGAQ appreciates the opportunity to provide feedback to the Senate Select Committee on the Terms of Reference for its Inquiry into the Impact of Climate Risk on Insurance Premiums and Availability.

Throughout Queensland there are significant and ongoing challenges associated with insurance premium hikes faced by local communities and councils statewide. A surge in premiums has resulted in financial hardship for some homeowners, as some have been offered unaffordable premiums, whilst others have been denied insurance coverage.

This is despite significant investment in a range of mitigation projects by all levels of government and commencement of key initiatives aimed to address market failures, such as the Cyclone Reinsurance Pool established by the Federal Government.

As the most disaster impacted state in Australia, access to affordable and appropriate insurance coverage is essential for Queensland households. The LGAQ, therefore, welcomes the Terms of Reference for the Inquiry and has prepared feedback in relation to the most relevant aspects for Queensland councils.

Please find enclosed a copy of our submission which contains 10 key recommendations.

Should you wish to discuss any aspect of this submission further, please do not hesitate to contact

in the first instance.

Yours sincerely

Alison Smith  
CHIEF EXECUTIVE OFFICER



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# Senate Inquiry into the Impact of Climate Risk on Insurance Premiums and Availability

Submission to Senate Select Committee

July 2024

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## About the Local Government Association of Queensland (LGAQ)

The Local Government Association of Queensland (LGAQ) is the peak body for local government in Queensland. It is a not-for-profit association established solely to serve councils and their needs. The LGAQ has been advising, supporting, and representing local councils since 1896, enabling them to improve their operations and strengthen relationships with their communities. The LGAQ does this by connecting councils to people and places; supporting their drive to innovate and improve service delivery through smart services and sustainable solutions; and providing them with the means to achieve community, professional and political excellence.

## Partners-in-Government Agreement

The LGAQ on behalf of all 77 Queensland local governments is a signatory to a three-year Partners-in-Government-agreement with the State of Queensland.

The Agreement details the key principles underlying the relationship between the State and local governments and establishes the foundation for effective negotiation and engagement between both levels of government.

The Agreement acknowledges that local government is the closest level of government to the community, affecting the lives of everyday Queenslanders and acknowledging local government as a genuine partner in the Australian government system.

The intent of the Agreement was to continue the tradition of working in genuine partnership to improve the quality of life for all Queenslanders to enjoy. By identifying the roles and responsibilities of each party, it provides a solid foundation for effective negotiation and engagement between both levels of government.

The LGAQ is committed to working with the State Government and will continue to be a passionate advocate for councils, to serve our joint jurisdiction for the people of Queensland.

## Rural and Remote Councils Compact

The Rural and Remote Councils Compact<sup>1</sup> signed on 25 June 2021, complements the existing Partnership in Partners-in-Government Agreement in place between the LGAQ and the Queensland Government to provide a platform to ensure issues of priority for these communities are properly considered by the Government when developing policies, programs, and legislation.

The Rural and Remote Councils Compact, pledges to amplify the voice of and improve outcomes for the State's 45 rural and remote councils and their local communities by enhancing engagement between both levels of government.

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<sup>1</sup> Rural and Remote Councils Compact – available online [here](#)

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

## 1.0 Executive Summary

As the peak body for Queensland’s 77 councils, the LGAQ appreciates the opportunity to provide feedback to the Senate Select Committee on the Terms of Reference for its Inquiry into the Impact of Climate Risk on Insurance Premiums and Availability (the Inquiry).

Queensland is Australia’s most disaster-impacted state and councils are at the forefront of experiencing and managing the impacts of a significantly changing climate. The increasing risks of climate impacts on infrastructure, the environment, and community wellbeing is a key priority for councils, who are committed to providing a leadership role to assist their communities to understand and address climate risk, and to work in partnership with all levels of government and industry to improve resilience and adaptive capacity.

Throughout Queensland, however, there has been a dramatic rise in the cost of insurance premiums faced by Queensland homeowners. This surge in premiums has resulted in financial hardship for homeowners, as some have been offered unaffordable premiums, whilst others have been denied insurance coverage.

Councils have also invested significantly in risk mitigation projects, yet insurance costs hinder the effectiveness of these mitigation efforts and pose financial challenges for homeowners and councils alike.<sup>2</sup>

Access to affordable and appropriate insurance coverage is essential for Queensland households and councils and is a critical element requiring the coordination and leadership of the Federal Government, with improved insurance affordability being an economic enabler that can reduce living costs for families and support local businesses, more investment and local jobs.

As the level of government that is funded the least – earning around three cents in every dollar of taxation revenue compares to 80 cents for the Federal Government and almost 17 cents for the State – councils also require appropriate levels of funding and resourcing assistance to implement identified immediate, medium-term and longer-term adaptation actions.

### 1.1 Recommendations

The LGAQ has prepared detailed comments in relation to the Terms of Reference for the Inquiry, making 10 key recommendations, summarised below:

**Recommendation 1:** The LGAQ recommends State and Federal governments urgently implement measures to alleviate the financial burdens imposed by unaffordable flood insurance premiums.

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<sup>2</sup> LGAQ Media Releases – “Communities behind flood walls smashed by insurance bills, not water” (April 2024) – available online [here](#)

**Recommendation 2:** The LGAQ recommends the Federal Government require insurance companies to increase transparency in the methodology used in setting insurance premiums and ensure that local governments' substantial investment in flood mitigation and data, guides risk ratings and informs insurance premiums.

**Recommendation 3:** The LGAQ recommends the Federal Government undertakes a holistic evaluation and review of the \$10 billion Cyclone Reinsurance Pool, in consultation with local governments, industry and the community, once all insurers have joined the pool, to assess the effectiveness of the initiative in reducing insurance premiums, including consideration of broadened criteria and scope.

**Recommendation 4:** The LGAQ recommends the Federal Government restores Financial Assistance Grants to at least 1% of Commonwealth taxation revenue, and indexed annually, to help fund the many projects and core services that councils provide, including those related to disaster management, resilience and adaptation.

**Recommendation 5:** The LGAQ recommends the Federal Government continues the investment in and expansion of the Disaster Ready Fund, including additional targeted engagement and collaboration with the local government sector to support disaster management, coastal hazard adaptation and other climate adaptation initiatives.

**Recommendation 6:** The LGAQ recommends the Federal Government continues the Hazards Insurance Partnership with the insurance industry and provide opportunities for additional targeted engagement and collaboration with the local government sector.

**Recommendation 7:** The LGAQ recommends that the State and Federal governments support ongoing and increased investment in the Resilient Homes Fund, to enable homeowners, to improve natural disaster preparedness and resilience.

**Recommendation 8:** The LGAQ recommends Federal Government takes a lead role in establishing a national coastal hazard adaptation framework, in consultation with local governments and the finance/insurance industry, that effectively consider, and address insurance and financial implications of coastal hazard risks identified through completed Coastal Hazard Adaptation Strategies.

**Recommendation 9:** The LGAQ recommends the Federal Government commits to ongoing funding for implementation of coastal hazard adaptation initiatives and disaster recovery in the short, medium and long term, given the increasing risk profile predicted with a changing climate to ensure resilience and future viability of local communities and infrastructure.

**Recommendation 10:** The LGAQ recommends the Federal Government supports an expedited review of minimum insurance requirements for local government across States and Territories, in consultation with councils, to ensure these are contemporary, fit-for-purpose and adequate. This should have regard to the risk profile of councils in the performance of existing roles, responsibilities and functions, as well as with respect to the anticipated future risks associated with a changing climate.

Please do not hesitate to contact

discuss any aspect of this submission.

should you wish to

## 2.0 Introduction

Insurance plays a vital role in risk reduction and resilience for local governments and their communities. As Australia's most disaster-impacted State, Queenslanders are acutely aware that insurance products are being increasingly adjusted to higher premiums, resulting in many residents finding insurance unaffordable and the costs unsustainable. In addition, there are instances where insurance is no longer available in certain locations. Increasing insurance premiums and/or the inability to obtain insurance, also has a flow-on effect to housing affordability, by impacting on rental prices, and contributing to an additional financial burden for securing a mortgage in cases where insurance cover is a pre-requisite.

Certain demographics are disproportionately impacted by changes to insurance premiums, such as residents on low-incomes or pensions. All these factors impact on communities and leave them open to risk in the case of a high-impact climate-related events, which are increasing in their frequency and intensity.

The LGAQ has long advocated for adequate and well-funded adaptation action in response to climate risk to protect and build resilience.

In recent years, the LGAQ has made multiple submissions to the Federal Government, emphasising the importance of national leadership and investment in these matters, including through submissions to the:

- *Australian Competition and Consumer Commission's Northern Australia Insurance Inquiry (2020)*
- *Royal Commission into National Natural Disaster Arrangements (2020)*
- *National Climate Resilience and Adaptation Strategy (2021)*
- *Exposure Draft Legislation: Cyclone and related Flood Damage Reinsurance Pool (2021)*
- *National Adaptation Plan and Issues Paper (2024)*.

Specifically with regard to insurance, the LGAQ's response to the *Exposure Draft Legislation: Cyclone and related Flood Damage Reinsurance Pool*<sup>3</sup> in December 2021 highlighted the need for further review and scrutiny of how insurance premiums are determined. In this submission, the LGAQ urged the Federal Government to support local government and Queensland communities through ongoing financial support to target disaster management, coastal hazard adaptation and climate adaptation initiatives, to help build resilience at the local level and reduce long-term disaster recovery costs. The LGAQ also sought a commitment from Federal Government to "further identify opportunities to address gaps and limitations in the availability and affordability of insurance associated with the range of natural hazards and disasters impacting Queensland Statewide."

Most recently in early 2024, the LGAQ provided several recommendations in response to the *National Adaption Plan and Issues Paper*, specifically seeking the following related to climate risk and insurance<sup>4</sup>, including calls for "State and Federal governments to urgently implement measures to alleviate the financial burdens imposed by unaffordable flood insurance premiums, including ensuring that local governments' substantial investment in flood mitigation and data guides risk ratings and informs insurance premiums."<sup>5</sup>

Many of these recommendations remain relevant in the context of the Senate Select Committee's current Inquiry and have therefore, been incorporated throughout this submission.

<sup>3</sup> LGAQ Submission – Exposure Draft Legislation: Cyclone and related Flood Damage Reinsurance Pool – Dec 2021

<sup>4</sup> National Adaption Plan Issues paper – April 2024

<sup>5</sup> Recommendation 7: LGAQ Response to the National Adaption Plan Issues paper

## 2.1 LGAQ Policy Statement

The LGAQ is committed to member driven advocacy and working with members to build stronger local government and more resilient local communities. The LGAQ Policy Statement<sup>6</sup> is a definitive Statement of the collective voice of local government in Queensland and provides several key policy positions of local government of relevance to the Senate Select Committee Inquiry into the Impact of Climate Risk on Insurance Premiums and Availability.

### 3.4 Risk Management

#### 3.4.1 Liability Exposure

*3.4.1.2 Local governments support the introduction of a legislative exemption from liability for advice given or acts done or omitted to be done in good faith in respect to the management of natural hazards, including flood, bushfire, landslide, storm tide inundation and coastal erosion.*

### 3.5 Climate Risk and Management

#### 3.5.1 Role of Government

*3.5.1.1 Local government is committed to providing a leadership role to assist local communities, including industry, to understand and address climate risk including acute and chronic physical risks and transition risks associated with moving to a low carbon economy.*

*3.5.1.2 Local government is committed to working in partnership with all spheres of government, industry and the community to develop and implement effective climate risk management strategies focusing on emissions reduction and adaptation.*

*3.5.1.3 Local government is committed to utilising the best available scientific information, robust risk assessment methodologies and community engagement when developing climate risk management strategies and action plans, establishing priorities and the allocation of resources.*

#### 3.5.2 Empowering local government and communities to take climate risk management action

*3.5.2.1 Local government seeks appropriate policy and legislative frameworks from the Federal and State governments to allow necessary decision making and responses to climate risk to occur without prejudice or undue risk exposure to councils.*

*3.5.2.2 Local government seeks timely access to high quality, nationally consistent but locally appropriate data, methodologies, standards and codes from the Federal and State governments to ensure responses to climate risk are safe, timely, proportionate and equitable.*

*3.5.2.3 Local government urgently seeks appropriate levels of funding and resourcing assistance to develop Climate Risk Management Strategies, undertake detailed risk assessments for priority risks and prepare and implement local government area wide action plans for the immediate, medium- and long-term protection and benefit of communities.*

### 3.6 Disaster Management

#### 3.6.1 Community Disaster Resilience and Disaster Mitigation

*3.6.1.1 The Federal and State governments should expedite the delivery of the suite of recommendations of the 2020 Royal Commission into National Natural Disaster Arrangements (28 October 2020).*

<sup>6</sup> LGAQ Policy Statement (2023) – available online [here](#).



3.6.1.2 The Federal and State governments should commit to continued funding of the Natural Disaster Resilience Program (NDRP) as a fund to assist local governments to undertake community resilience building projects to reduce the impacts of identified natural disaster risks on communities. In accordance with recommendation 22.7 of the Royal Commission, the Federal and State governments should review current funding arrangements and recovery methods to ensure there is increased focus on building community resilience. Priority should be given to communities that are more likely to be affected by natural disasters based on historical records and predictive models. In accordance with recommendation 9.4 of the 2020 Royal Commission into National Natural Disasters the Federal and State government should work with local governments to ensure a collective awareness of risks.

### 3.6.2 Disaster Recovery Funding Arrangements (DRFA)

3.6.2.1 Local governments support in principle an upfront reconstruction and recovery funding model of the type announced in the Disaster Recovery Funding Arrangements 2018 (DRFA) including provisions for betterment as per recommendation 22.6 of the Royal Commission, which calls on more broadly including 'build back better' arrangements into the DRFA.

3.6.2.2 In accordance with recommendation 22.3 and 22.4 of the 2020 Royal Commission, the Federal and State governments should review the thresholds and activation processes of the DRFA.

3.6.2.3 Where a council experiences a disaster event under the Disaster Recovery Funding Arrangements (DRFA), for all essential public assets – whether they be a road, bridge, water supply or wastewater treatment assets or other essential public assets – they be treated as eligible for assessment on the same terms under the DRFA Guidelines. In each case, consideration to provide funding for an asset to be "built back better" should be incorporated into the core criteria of DRFA.

## **5.3 Natural Asset Management**

### 5.3.5 Coastal Management

5.3.5.1 Local governments recognise the importance of coastal hazard adaptation planning (as a climate adaptation mechanism) to help safeguard their communities from the impacts of coastal hazards.

5.3.5.2 Local governments seek financial support from the State for the implementation of coastal protection and coastal hazard adaptation projects.

## **2.2 Annual Conference Resolutions**

In the context of this submission, there are a number of resolutions passed by Queensland councils at previous LGAQ Annual Conferences that are relevant to climate risk and resilience, adaptation, as well as insurance and the impact of weather events on built infrastructure, with the following specifically seeking action by the Federal Government:

*Resolution 111 (2023): The LGAQ calls on the State and Federal governments to urgently implement measures to alleviate the financial burdens imposed by unaffordable flood insurance premiums.*

*Resolution 145 (2023): The LGAQ calls on the State and Federal Government to:*

- *Support and implement ongoing betterment funding programs to increase the resilience of assets and communities in the event of future natural disasters, and*



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- *Increase betterment funding for disaster susceptible roads to ensure they are reconstructed to make the road network connecting communities in Queensland to critical services more resilient.*

*Resolution 57 (2021) - That the LGAQ calls on State and Federal Governments to:*

- *Develop a comprehensive coastal hazard adaptation framework and actions in consultation with local governments and the finance/insurance industry, that effectively consider, and address insurance and financial implications of coastal hazard risks identified through completed Coastal Hazard Adaptation Strategies; and*
- *Commit to ongoing funding for implementation of coastal hazard adaptation initiatives and disaster recovery in the short, medium and long term, given the increasing risk profile predicted with a changing climate to ensure resilience and future viability of our community infrastructure.*

### 3.0 LGAQ Response to Terms of Reference

The Senate Select Committee's Inquiry into the Impact of Climate Risk on Insurance Premiums and Availability, is of considerable interest to the LGAQ and Queensland councils, recognising the significant and ongoing challenges associated with insurance premium hikes faced by local communities and councils statewide.

Overall, the LGAQ welcomes the Terms of Reference for the Inquiry that includes:

- (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.

In preparing this submission, the LGAQ has incorporated the agreed policy positions of local government as well as feedback and insights from council officers, with this section of the submission structured on certain aspects of the Terms of Reference, as follows:

- Section 3.1 – Affordability and Availability of Insurance (Items (a) and (b) above)
- Section 3.2- Role of Governments to Implement Climate Adaption and Resilience Measures to Reduce Risks and the Costs of Insurance (Item (f) above)
- Section 3.3 – Other Related Matters (Item (h) above).

Specifically, the LGAQ emphasises the urgent need for Federal Government action to alleviate financial burdens facing Queensland homeowners who have been refused insurance or face unaffordable insurance premiums, as discussed in the section below.

#### 3.1 Affordability and Availability of Insurance

Insurance affordability and availability throughout Queensland, including in high hazard areas, is a critical element requiring national coordination and leadership of the Federal Government.

Throughout Queensland there has been a dramatic rise in the cost of insurance premiums faced by Queensland homeowners. This surge in premiums has resulted in financial hardship for homeowners, as some have been offered unaffordable premiums, whilst others have been denied insurance coverage.

As the most disaster impacted state in Australia, access to affordable and appropriate insurance coverage is essential for Queensland households. Councils and other levels of government, have also invested significantly in a range of hazard mitigation projects, such as flood levees, yet the flood insurance costs hinder the effectiveness of these mitigation efforts and poses financial challenges for homeowners and councils alike.

As such, both State and Federal governments must intervene to mitigate the financial hardship faced by homeowners who have been refused insurance or faced unaffordable premiums,

through solutions that result in fair and reasonable insurance rates, enabling homeowners to adequately protect their properties without facing financial strain.

**Recommendation 1:** The LGAQ recommends State and Federal governments urgently implement measures to alleviate the financial burdens imposed by unaffordable flood insurance premiums.

Measures to alleviate the financial burdens imposed by unaffordable flood insurance premiums should ensure that local governments' substantial investment in flood mitigation and data is considered and guides risk ratings.

Most recently, the LGAQ reported<sup>7</sup> on the situation facing councils in southwest Queensland, including Murweh Shire Council and Balonne Shire Council that have been impacted significantly by recent hikes. In Murweh Shire, there have been instances of insurance premiums rising by 500%, and in Balonne Shire, increases of 100% have been recorded. This is despite considerable investment in flood mitigation measures in these local communities.

As noted by Mayor Shaun Radnedge of Murweh Shire, *"All our communities here in southwest Queensland have levee banks and we need the government to step in here and help us out – where is that flood mapping derived from and where do the insurance companies take that information."* Similarly in Balonne Shire, Mayor Samantha O'Toole has stated that towns – including St George, Thallon, Dirranbandi, Bollon and Mungindi – were protected by levees, however insurers were still raising premiums even though none had been flooded.

Whilst communities may already have levee banks protecting towns from floods, insurers are still raising premiums, with councils and government spending significant money maintaining these levels. The ripple effects of these premiums could exacerbate the housing shortage impacts felt particularly in regional Queensland, as insurance cover is required to get a mortgage.

As such, there are calls for a review of the methods used by insurers to calculate increases in premiums, especially in light of council-funded mitigation strategies and greater transparency in how insurance companies are determining insurance premiums.

**Recommendation 2:** The LGAQ recommends the Federal Government requires insurance companies to increase transparency in the methodology used in setting insurance premiums and ensure that local governments' substantial investment in flood mitigation, hazard mapping and data, is used to guide risk ratings and inform insurance premiums.

The impact of the 2019 monsoon trough rainfall and flood event, which caused catastrophic damage and losses to communities across North, Far North and North West Queensland, also sparked calls by Queensland councils for action to bring down the prohibitive cost of insurance for North Queensland residents and businesses.

In May 2021, the LGAQ and Queensland councils welcomed the announcement by the Federal Government to introduce the \$10 billion reinsurance pool for cyclones and related flood damage, to reduce insurance premiums for residences and businesses in Northern Australia, designed to incentivise the expansion of insurance markets into under or non-insured regions in Northern Australia.

In a submission to the Federal Treasury in December 2021, the LGAQ did, however, note the need for a review of the effectiveness of the Cyclone Reinsurance Pool (24 months after its

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<sup>7</sup> LGAQ Media Releases – "Communities behind flood walls smashed by insurance bills, not water" (April 2024) – available online [here](#)

commencement), and also called for the introduction of complementary measures by the Federal Government that provides dedicated funding to target disaster management, coastal hazard adaptation and other climate adaptation initiatives.

The LGAQ is aware the Australian Competition and Consumer Commission (ACCC) is required to monitor pricing of insurers who have joined the Cyclone Reinsurance Pool since it commenced in 2022, and “collect data to evaluate the impact of the cyclone pool and assess whether the savings from the cyclone pool are being passed through to policyholders.” In its *Insurance Monitoring Report* (December 2023)<sup>8</sup>, the ACCC noted the benefits of the reinsurance pool on reducing insurance premiums to date has been limited, stating that:

*“A key objective of the pool is to make insurance premiums more affordable, but the pool is still in transition. Insurers only began to join the pool at the start of 2023, and most that have joined did so around or after July 2023. This timing means that the early effects of the pool are unlikely to have extended to most consumers yet, or be directly reflected in this year’s data reported to the ACCC, which is from the 2022–23 financial year. Large insurers are required to join the pool by 31 December 2023 and small insurers by 31 December 2024” (page 1).*

As such, the LGAQ maintains there is a need for a holistic review of the Cyclone Reinsurance Pool to ensure economic benefits for homeowners and business owners in northern Australia, are realised as soon as practicably possible.

This should include consideration of the following previously raised by the LGAQ in its submission on the Exposure Draft Legislation: Cyclone and related Flood Damage Reinsurance Pool (December 2021):

- broadening the scope and application of the Pool – i.e. not restricted to solely cyclone-related flood damage and be modified to include events consistent with the *Queensland Disaster Management Act 2003* section 16(1)(a) including a cyclone, earthquake, flood, storm, storm tide, tornado, tsunami, volcanic eruption or other natural happening.
- reducing restrictions on coverage of the Pool – i.e. currently only for cyclones and cyclone related damage that occurs 48 hours after the beginning of a cyclone, which must be officially declared by the Bureau of Meteorology (BoM). This means that any weather-related damage outside of this period or before the announcement of a cyclone (such as in the case of a tropical low which precedes a cyclone) is not covered by the insurance measures of the Cyclone Pool.

**Recommendation 3:** The LGAQ recommends the Federal Government undertakes a holistic evaluation and review of the \$10 billion Cyclone Reinsurance Pool, in consultation with local governments, industry and the community, once all insurers have joined the pool, to assess the effectiveness of the initiative in reducing insurance premiums, including consideration of broadened criteria and scope.

### 3.2 Role of Government to Implement Climate Adaptation and Resilience Measures to Reduce Risks and the Costs of Insurance

Across Queensland, councils are already planning for, and responding to, the impacts of a changing climate by developing, adopting and implementing proactive plans and strategies to reduce emissions and to adapt to unavoidable climate change impacts. This includes undertaking risk assessments, actively supporting diversification of local economies, and

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<sup>8</sup> ACCC Insurance Monitoring Report (December 2023): Second Report following the introduction of a cyclone and cyclone-related flood damage reinsurance pool – available online [here](#).

investing in adaptive and resilience-building measures such as through land use planning responses.

As stated in the LGAQ Policy Statement, local government is committed to working in partnership with all spheres of government, industry and the community to develop and implement effective climate risk management strategies focusing on emissions reduction and adaptation – this includes providing a leadership role to assist local communities, including industry, to understand and address climate risk.

However, as the level of government that is funded the least – earning around three cents in every dollar of taxation revenue compares to 80 cents for the Federal Government and almost 17 cents for the State – councils require appropriate levels of funding and resourcing assistance to implement identified immediate, medium-term and longer-term adaptation actions.

**Recommendation 4:** The LGAQ recommends the Federal Government restores Commonwealth Financial Assistance Grants to at least 1% of Commonwealth taxation revenue, and indexed annually, to help fund the many projects and core services that councils provide, including those related to disaster management, resilience and adaptation.

The role of the Federal Government in providing national science and information to support climate change adaptation outcomes is critical. Importantly, Queensland councils seek timely access to high quality, nationally consistent but locally appropriate data, methodologies, standards and codes to ensure responses to climate risk are safe, timely, proportionate and equitable.

Some suggestions regarding the Federal Government's role in the provision of national science and information, previously identified by council officers in feedback to the LGAQ, include:

- Improving and maintaining existing useful platforms such as CoastAdapt, with additional consideration of the development of the equivalent for drought, bushfires, heatwave, and urban design.
- Delivering relevant science and information in a form that can be used by local governments in practical on-ground applications without external reliance for interpretation. Platforms, methods, or systems must be easily understandable and usable to councils' key officers – reflecting the varying levels of capacity and expertise, and number of councils without technical climate risk management experts.
- Delivering science and information within 12 months of new relevant data becoming available to ensure appropriate time available to local government to build responses, recognising that this is the least resourced level of government.

In addition, increased and ongoing Federal Government support and investment in the protection and long-term sustainability of assets and betterment funding programs will also be critical in the face of a changing climate, to increase the resilience of assets and communities in the event of future natural disasters.

It is acknowledged that various Federal Government programs are currently in place to assist in climate risk mitigation, preparedness and resilience including: the Disaster Ready Fund<sup>9</sup>; and the Hazards Insurance Partnership<sup>10</sup> (managed by the National Emergency Management Agency), as well as the Federal/State government jointly funded \$741 million Resilient Homes

<sup>9</sup> Disaster Ready Fund: <https://nema.gov.au/disaster-ready-fund>

<sup>10</sup> Hazards Insurance Partnership: <https://nema.gov.au/about-us/Federal-budget/hazards-insurance-partnership>

Fund, that was made available to homes affected by the 2021-22 Queensland floods across 39 affected local government areas.

It is important these programs continue and expand to meet the needs of local communities, and the LGAQ, therefore, makes the following recommendations:

**Recommendation 5:** The LGAQ recommends the Federal Government continues investment in and expansion of the Disaster Ready Fund, including additional targeted engagement and collaboration with the local government sector to support disaster management, coastal hazard adaptation and other climate adaptation initiatives.

**Recommendation 6:** The LGAQ recommends the Federal Government continues the Hazards Insurance Partnership with the insurance industry and provide opportunities for additional targeted engagement and collaboration with the local government sector.

**Recommendation 7:** The LGAQ recommends that the State and Federal governments support ongoing and increased investment in the Resilient Homes Fund, to enable homeowners, to improve natural disaster preparedness and resilience.

At the 2021 LGAQ Annual Conference, Queensland councils also called on State and Federal governments to develop a comprehensive coastal hazard adaptation framework and actions in consultation with local governments and the finance/insurance industry and commit to ongoing funding for implementation of coastal hazard adaptation initiatives and disaster recovery in the short, medium and long term. These outcomes remain an important priority for the LGAQ and Queensland coastal councils.

**Recommendation 8:** The LGAQ recommends Federal Government takes a lead role in establishing a national coastal hazard adaptation framework, in consultation with local governments and the finance/insurance industry, that effectively consider, and address insurance and financial implications of coastal hazard risks identified through completed Coastal Hazard Adaptation Strategies.

**Recommendation 9:** The LGAQ recommends the Federal Government commits to ongoing funding for implementation of coastal hazard adaptation initiatives and disaster recovery in the short, medium and long term, given the increasing risk profile predicted with a changing climate to ensure resilience and future viability of local communities and infrastructure.

### 3.3 Other Related Matters

In addition to access and affordability of insurance for their communities, insurance for local government also presents significant risk and financial sustainability concerns. The LGAQ, as the trustee for Local Government Mutual Services (LGMS) mutual schemes, provides cover for the majority of Queensland councils and their insurable risks. The LGMS mutual schemes actively engage with supporting insurers to develop risk management strategies and initiatives which includes climate resilience, and also provide a range of support services to mitigate these risks for local government.

Recognising that climate-related risk is already having significant direct and indirect impacts on both the function and operations of local government, and councils continue to face increased exposure to liability risk in the face of a changing climate, the LGAQ and Queensland councils have raised concerns with the insurance requirements prescribed under the *Local Government Regulation 2012* (Queensland) which currently specifies minimum coverage as \$30 million for public liability and \$10 million for professional indemnity insurance.

These minimum insurance requirements for Queensland councils have not been reviewed since commencement in 1994, and are considered to be largely inadequate having regard to the risk profile of councils in the performance of existing roles, responsibilities and functions, let alone with respect to the future risks of increasing frequency and severity of weather events associated with a changing climate.

In contrast, the South Australian Government recently amended the Local Government (Financial Management) Regulation 2011 (SA) to require minimum level of cover for civil liabilities of \$300 million.

As such, Queensland councils are calling for the current minimum insurance requirements prescribed under section 214 of the Local Government Regulation 2012, to be reviewed in consultation with Queensland councils, to ensure these are contemporary and fit-for-purpose.

Whilst conversations are ongoing with the State Government to seek consideration of amendments, national leadership and support to accelerate action would strengthen local government's capacity to adapt and build resilience for increased climate-related impacts.

**Recommendation 10:** The LGAQ recommends the Federal Government supports an expedited review of minimum insurance requirements for local government across States and Territories, in consultation with councils, to ensure these are contemporary, fit-for-purpose and adequate. This should have regard to the risk profile of councils in the performance of existing roles, responsibilities and functions, as well as with respect to the anticipated future risks associated with a changing climate.

## 4.0 Conclusion

Overall, the LGAQ welcomes the Select Senate Committee's Inquiry into the Impact of Climate Risk on Insurance Premiums and Availability.

Throughout Queensland there has been a dramatic rise in the cost of insurance premiums faced by Queensland homeowners. This surge in premiums has resulted in financial hardship for homeowners, as some have been offered unaffordable premiums, whilst others have been denied insurance coverage.

As the most disaster impacted state in Australia, improved access to affordable and appropriate insurance coverage is essential for Queensland households and local governments. It is critical element requiring national coordination and the leadership of the Federal Government, as an economic enabler that can reduce living costs for families and support local businesses, more investment and local jobs.