Insurance Council of Australia

Hon. Stephen Jones MP
Assistant Treasurer and Minister for Financial Services
Parliament House
Capital Hill ACT 2600

Via: PreBudgetSubmissions@treasury.gov.au

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Dear Minister

2024-25 Pre-Budget Submissions

Thank you for the opportunity to contribute to the Australian Government's 2024-25 Budget process.

Insurers know that cost of living is the number one issues for Australians and that measures to provide cost of living relief will be a focus of the 2024-25 Budget.

Along with groceries, housing, health, fuel and energy, the cost of insurance has seen a significant increase over the past 12 months, driven by the impact of extreme weather events, building and repair cost inflation, and the cost of reinsurance.

While there is no one solution that would immediately work to counter these factors, collectively the measures outlined in this submission work to relieve upward pressure on premiums by reducing risk, which is the ultimate driver of insurance costs, and so support the Government's agenda on cost of living.

Addressing the risk of extreme weather events in particular should be a continuing priority for all governments to keep people out of harm's way, close the protection gap – the difference between the cost of recovering from an event and the insurance in place to cover that event – and reduce pressure on premiums.

The Government's previous Budgets have laid strong foundations to improve community and household resilience to the impact of extreme weather events. The Insurance Council looks forward to continuing to work with the Government through the Hazards Insurance Partnership and seeing the results of investments from the Disaster Ready Fund, initiatives we strongly support.

The major flooding events of recent years and even over the last two months have demonstrated the scale of the challenge Australia faces in responding to extreme weather events, and why more investment is urgently needed to mitigate their effects and protect Australian lives and properties.

The Insurance Council has long advocated for policy solutions to reduce risk in Australia, including improved land use planning, better building standards, and investment in community mitigation infrastructure and household-level risk mitigation. Action in these areas would both reduce the risk to individuals and communities and, in turn, reduce pressure in the insurance system.

This submission sets out the areas of policy that insurers have identified as requiring reform, modernisation, or investment, and is the result of collaboration and consultation not just across the membership of the Insurance Council, but with stakeholders and policymakers across the country. Many of these areas have been addressed in previous submissions from the Insurance Council and we believe they remain priority areas for the Government:

- Further investment in disaster mitigation
- Reforming land use planning and building codes
- Providing immediate cost of living relief through reform of insurance taxes
- Investing in improved data provision
- Investing in improved cyber security
- Working to unblock labour shortages in the motor trades
- Undertaking much-needed regulatory reform

Together, this suite of policy proposals will reduce risk, put downward pressure on insurance costs, and support all Australians to recover more quickly from unexpected events and be better prepared for the future. We strongly recommend their adoption in the 2024-25 Budget.

Regards

Andrew Hall
CEO and Executive Director

Investing in mitigation

The Insurance Council welcomed the establishment of the Disaster Ready Fund (DRF) from 1 July 2023, with up to $200 million to be invested annually in disaster mitigation for five years from 2023-24, matched by the states and territories.

Given the long-term challenges posed by worsening extreme weather in Australia, investment in disaster resilience will clearly be required well beyond the 2028-29 end date for budgeted DRF spending. To enable communities and governments to plan and develop a pipeline of these investments, the Insurance Council believes that Commonwealth disaster mitigation funding must move to a rolling ten-year program, as occurs with funding for land transport infrastructure and defence spending.

A rolling ten-year program would align with the Government's stated objective, as outlined in the DRF Guidelines, that "*The DRF is intended to be an enduring fund, to provide all levels of government and affected stakeholders the certainty they need to plan for robust investments in resilience projects to reduce the impacts of disasters predicated by natural hazards*". A ten-year program would provide much needed certainty and enable communities, insurers, and governments at all levels to develop a long-term, high-quality pipeline of projects that targets high risk areas, delivers the best return on investment, and puts downward pressure on premiums.

A ten-year funding profile would also allow consideration of more flexible DRF Guidelines that could lead to higher-quality, longer-term projects. Were a ten-year program to be established, the Government could consider removing the three-year project time limit and allowing projects to be submitted for consideration at any time, rather than being confined to time-limited funding rounds. This would enable state governments to submit more comprehensive plans for funding approval, including projects that may require planning and construction over more than three years.

In this Budget, mitigation funding should also be indexed from 2024-25 so it does not fall in real terms, as will occur under current arrangements. This would reflect decisions taken in other ongoing programs, such as changes made to homelessness funding delivered under the National Housing and Homelessness Agreement.

A ten-year, indexed program would cost the budget approximately $2.5 billion over the medium term[1], $1 billion less than the cost of disaster recovery payments and allowances in 2022 alone. Indexation from 2024-25 would cost approximately $396 million over 11 years, approximately $63 million of which would fall in the forward estimates. Annual funding would reach $266 million in 2034-35.

In addition to this urgently needed additional funding, the Government should consider placing a greater weighting on DRF Stream One (infrastructure) to ensure priority is given to high quality hard infrastructure projects that directly reduce the risk to Australian communities.

Insurers have significant experience in disaster risk analysis and data on these risks. All governments should work with insurers, including through the Hazards Insurance Partnership (HIP), to understand the risks of disasters in different areas of Australia and identify the

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[1] Using Budget/MYEFO CPI assumptions over the forward estimates and assuming CPI remains at 2.5 per cent in the medium term.

mitigation projects that deliver the greatest $5m program for risk reduction ROI for the community and help put downward pressure on premiums.

The 2024-25 Budget should:

- Building on the five-year disaster resilience funding announced in the October 2022-23 Budget, move disaster resilience funding to a ten-year rolling program, as already occurs for land transport and defence funding.
- Index disaster mitigation funding from 2024-25 so it does not fall in real terms, as occurs under current arrangements.
- Place a higher priority on hard infrastructure projects covered under DRF Stream One.
- Identify risk mitigation projects, in partnership with industry, that deliver a significant return on investment and help put downward pressure on premiums, working with insurers through the Hazards Insurance Partnership.

Investing in better data

Worsening extreme weather is having a direct impact on the affordability and availability of insurance and the wellbeing of Australian communities, homes, and infrastructure. The development of a robust, national hazard database that streamlines existing national, state and territory datasets, that is accessible to all levels of government, industry and the Australian public can play a critical role in improving and standardising our understanding of climate risk and how we prepare for it.

National public baseline of climate risk and closing data gaps

The Insurance Council and its members welcome the focus of the Australian Climate Service and National Emergency Management Agency on the development of a national hazard data asset currently being established in consultation with insurers via the HIP. As part of establishing this asset, the Commonwealth should work with state, territory and local governments to update, standardise and make publicly available climate hazard data, considering long-term time horizons and prioritising the high impact perils of flood, bushfire, cyclone and coastal erosion. This data would help establish a national public baseline that can better inform land use planning, building codes and standards and understanding of current and future risk.

In addition, the Commonwealth should provide immediate funding to address critical hazard data gaps. For example, funding Geoscience Australia to develop robust floor-height data sets in high-risk regions will be critical to improving the government and industry's understanding of current and future flood risk. Providing funding to support the update of local government hazard mapping, such as flood mapping, will also be critical in providing an accurate view of current and future risks.

Improved and publicly available data would reduce uncertainty for insurers and improve consumer awareness of vulnerable areas.

Disaster resilience and impact registers

The Commonwealth Government should work with the states and territories to develop a national register of historical disaster impact data to improve understanding of impacted areas. This should be supplemented by a nationally consistent register of buildings – containing important risk and resilience characteristics such construction features – to assist the community, emergency services and insurers to understand risks, and of coastal defences.

Post Event Disaster Information

Insurance companies are swift to respond to catastrophic events, however incomplete and inaccurate information can reduce the effectiveness of the industry's response. More detailed warnings, updated information regarding active events and open communication channels enable insurers to move resources to the most impacted areas faster, offering the maximum benefit to affected communities. Governments should improve the accuracy, availability, and timeliness of catastrophic event information.

The 2024-25 Budget should:

- Include funding to allow collaboration with state and territory governments to:
    - Update, standardise and make publicly available climate hazard data;
    - Develop an impact register which includes a footprint of historical event data;
    - Develop a Coastal Defence Register which includes a database of coastal defence works; and
    - Develop a nationally consistent asset register of buildings containing important risk and resilience characteristics, prioritising high hazard zones first.
- Provide funding to address critical hazard data gaps. For example, funding Geoscience Australia to develop robust floor-height data sets in high-risk regions.

Land use planning

The disasters experienced in Australia in recent years have highlighted the need for policy settings that more precisely, consistently, and deliberately consider the relationship between land use planning and extreme weather risk.

Too many homes are in the direct line of flood, fire, or at risk from the sea, because at the time of planning and approval not enough account was given to the extreme weather risk. Many of these properties are now cheaper to buy or rent because of this risk, and some are home to those who are least able to afford adequate insurance, compounding the impact of extreme weather events.

Reform of land use practices across Australia is critical to reduce extreme weather risk. Land use planning arrangements do not adequately account for current or future fire, flood or cyclone risk when determining where new homes can be built, unnecessarily worsening the impact of these events. As put best by the Royal Commission into Natural Disaster Arrangements:

> *"Natural hazards on their own are not disasters – they are merely earth systems in operation. Disaster occurs when natural hazards intersect with people and things of value, and when impacts of hazards exceed our ability to avoid, cope or recover from them."*

The impact of historical land use planning decisions and urbanisation is having significant consequences today: areas that should not have been developed or should have been developed with appropriate risk mitigation infrastructure are often those most affected by extreme weather events, leading to increased harm and catastrophe losses, which puts upward pressure on premiums.

Recent analysis by the Insurance Council found that although only 4.4 per cent of properties nationally are exposed to 1-in-100, 1-in-50, and 1-in-20 year flooding, flood events accounted for more than 54 per cent of losses from declared insurance events in the last five years.

As the population increases, the pressure for new houses to be built in higher risk areas will grow. The threshold of acceptable risk needs to be reconsidered and the consequence of extreme weather, not just the probability, taken into consideration. Without reform the lowest cost option will often be for these homes to be built in higher risk areas, putting more people in harm's way, increasing the cost of future disasters and putting upward pressure on premiums for all policyholders.

The Insurance Council strongly agrees with the National Cabinet that the days of developing on floodplains need to end and welcomes the development of a national standard that considers disaster and climate risk as part of land use planning and building reform processes. Alongside the development of a new national standard, the Insurance Council is urging governments to adopt a risk-based approach that stops development in high risk areas, requires stronger building codes and standards and/or adequate resilience infrastructure in areas of higher risk, and prioritises low risk areas for development. Future costs to homeowners, businesses and governments can be avoided with better government planning and investment.

Administration of land use planning is made more difficult given divided responsibilities between state and local government. Local governments have limited resources and on many occasions information that is incomplete, potentially inaccurate, and out of date. Floods do not respect local government boundaries and hazards are usually managed over multiple council areas, with actions in one Council potentially impacting another. In some cases, decisions by local councils are overridden by independent planning panels, creating further complexity.

Understanding the risk framework posed by extreme weather at a regional and local level will significantly enhance the ability make planning decisions fully cognisant of current and emerging risk. Planning should be state-led and catchment-based, incorporating flood risk and utilising water catchment boundaries rather than local government boundaries.

The capacity to accommodate new dwellings should be understood before the setting of housing targets for local governments. Councils should provide input into the strategic planning at the catchment level and receive direction from the State on where housing should not be planned as part of the development of regional plans.

Governments should also work to reduce the impact of past planning decisions by offering buybacks and house raising programs in high-risk areas. Recent buyback and raising programs in Queensland and New South Wales have been significantly oversubscribed following the 2022 flood events.

All governments should establish permanent programs for buybacks and home-raising to move people out of harm's way *before* disasters occur, reducing recovery costs for governments and affected communities. The Commonwealth should co-fund an ongoing program to support voluntary buybacks in all states and territories, focussed on those homes within the approximately 230,000 properties in 5% annual exceedance probability flood zones (1-in-20 chance of flooding annually). This investment should be made in addition to the DRF. Commonwealth funding of $250 million per year, matched by the states (largely New South

Wales, Queensland, and Victoria), could support approximately 750 voluntary buybacks per year.[2] Further funding would be required to support raising homes above defined flood levels.

The 2024-25 Budget should:

- Provide any necessary resources required for the Government, working with the National Cabinet, to urgently finalise the development of a national standard for considering disaster and climate risk in land use planning.
- Establish a permanent voluntary program for buybacks and home-raising to move people out of harm's way before disasters occur, with funding of at least $250 million per year reserved for home buybacks, to be matched by the states and territories.

National Construction Code and building standards

Currently, minimum building codes in Australia are designed to preserve life in a catastrophic event, but not with the goal of preserving the property itself. As a result, homes are not built to withstand the extreme weather events of today, let alone the future. Importantly, when it comes to floods, building standards do not consider resilience at all.

The ABCB's business plan includes a commitment to review current provisions to ensure NCC-compliant buildings are resilient to extreme weather caused by climate change, however the draft NCC 2025 and its referenced standards do not currently include the concept of resilience. The Insurance Council encourages the Federal Government to address this swiftly, by providing the necessary funding to the Australian Building Codes Board to progress this work as priority.

A recent Centre for International Economics report released by the Insurance Council found that strengthening the National Construction Code to require that new homes are made more resilient to extreme weather could save an estimated $4 billion a year in average building costs: $2 billion for cyclones, $1.475 billion for floods, and $486 million for bushfires.

It is important to note that improvements to building standards alone cannot eliminate the risk of extreme weather, especially the impact of floods. For this reason, improvements to building standards must be considered in parallel with land use planning reform.

The 2024-25 Budget should:

- Include adequate additional funding to the ABCB to support amendments to the National Construction Code and relevant standards to include minimum technical requirements for building resilience that take account of current and future extreme weather events and climate projections.

Cyber security

Recent high-profile incidents involving the theft of customer data from Optus and Medibank highlight the growing risks of cyberattack. Although cyber-attacks on such large corporates are high-profile, small and medium sized businesses are the most vulnerable. The rising incidence of cyber-attacks, including ransomware attacks, has driven large premium increases over the last few years.

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[2] Based on the average cost of $660,000 per home under the Queensland and Commonwealth Government's Resilience Homes Fund: [Flood buyback scheme: Where hundreds of Qld homes demolished | The Courier Mail]().

Cyber insurers provide rapid response support in the event of a cyberattack and financial support for forensic investigation, data restoration, customer notification and rectification, and indemnification of penalties imposed by regulators. Where the data breach is due to the malicious act of a foreign state actor or criminal gang, coverage may include costs related to the services of a negotiator, legal advice to determine if any ransom payment is legal or reportable, and indemnification of the ransom if the business decides to pay.

Cyber insurance remains a specialist line of insurance in Australia, in part because of the nature of cyber risk assessment and the need to provide rapid response support to clients to limit the severity of a cyberattack. Several insurers provide free advice to businesses as part of their initial assessment of a prospective policyholder. Not all of Australia's major insurers have entered the cyber insurance market and often exclude silent or implied cyberattack exposure from their property and other business insurance products, which means cyber insurance must be purchased as a standalone policy.

There is an urgent need for government to improve cyber resilience among businesses. This should include a review of legislation that requires personal data retention with the aim of minimizing the harm resulting from a data breach, and initiatives to address cyber resilience, including governance, people, and ICT infrastructure.

Catastrophic cyberattacks pose an accumulation risk to the cyber insurance market. A significant, widespread cyberattack could potentially exceed the capacity of the private insurance and reinsurance markets. A catastrophic cyberattack could potentially trigger concurrent claims across insurers' portfolios and costs to businesses that are above claims caps. There may be a role for Government in providing reinsurance for catastrophic cyber risk.

Government procurement contracts which impose onerous and/or unnecessary insurance requirements on businesses over and above what is reasonably required for the work being undertaken increase the sense of risk associated with cyber and lead to over-insurance which can reduce market capacity. These requirements can even include sourcing unlimited cyber security insurance (which does not exist in the market).

The 2024-25 Budget should:

- Establish a cyber insurance partnership to develop new cyber resilience initiatives that improve the cyber risk environment and support accessible and affordable insurance for businesses.
- Include funding for an investigation into the consequences and reinsurance options for catastrophic cyberattacks, including government backed reinsurance, and the related issues of cyber acts of war and cyber terrorism.
- Include funding for a review of the Commonwealth Procurement Rules to ensure cyber insurance and risk protection requirements are appropriate.

State taxes and charges

According to research from the Actuaries Institute, the second biggest component of the cost of insurance premiums, after peril risk, is taxation.[3] Unfair and inefficient state taxes and charges, such as stamp duty and levies to fund emergency services, can drive up premiums by 20 to 40

[3] Funding for Flood Costs: Affordability, Availability and Public Policy Options (actuaries.asn.au)

per cent. All states and territories except the Australian Capital Territory charge stamp duty on insurance, increasing premiums by nine to 11 per cent.

Multiple government reviews have criticised the impact of insurance taxes, including the Henry Tax Review, Thodey Review of Federal Financial Relations and ACCC Northern Australia Insurance Inquiry.

The Insurance Council commends the recent decisions of the New South Wales and Tasmanian Governments to abolish levies on insurance used to fund fire and emergency services. This sprit of reform should be extended and built upon by all jurisdictions that continue to charge stamp duty on insurance through the abolition of these unfair and distorting taxes.

The Commonwealth and state and territory Treasurers, through the Council on Federal Financial Relations, should consider ways to remove stamp duty on insurance as a means to improve affordability of insurance.

The 2024-25 Budget should:

- Through the Council of Federal Financial Relations, consider providing incentives to states for reforms that improve the affordability of insurance, including by removing unfair state taxes on insurance premiums.

Regulatory certainty

The Government should establish a clear and predictable plan for future regulation that enables Australian businesses to plan ahead by adopting a similar approach to the UK Regulatory Initiatives Grid. The UK Regulatory Initiatives Grid sets out the planned regulatory initiatives for the next 24 months, published twice a year, and is a product of the Financial Services Regulatory Initiatives Forum. The Forum is made up of the key financial regulators with the Treasury having observer status.

A regulatory grid would help ensure sequencing, transparency, and focus on the initiatives that will best drive efficiency, competition, innovation and productivity across the economy in a way that does not unnecessarily burden businesses.

A regulatory grid is also supported by the Finance Industry Council of Australia (of which the Insurance Council is a member), Australian Banking Association, Customer Owned Banking Association, Australian Finance Industry Association, Australian Financial Markets Association, Australian Securitisation Forum, and Financial Services Council.

The 2024-25 Budget should:

- Commit necessary funding to adopt a predictable plan for future regulation, similar to the UK Government’s Regulatory Initiatives Grid.

Motor vehicle insurance

Electric vehicles

Electrification of Australia’s transport sector, including of passenger and commercial vehicles, will play an important role in the transition to net zero. Insurers are seeking to reduce emissions across their operations, underwriting and supply chain, and a faster transition to electric vehicles in Australia will facilitate this. Insurers and governments can work together on a range of policies to accelerate this transition.

Skill shortages in EV repair can contribute to delays in repairs, increasing costs and inconvenience for consumers. To address this skills gap, the Commonwealth should work with the states and territories to prioritise and fund micro-credentials in EV repair to assist in upskilling existing mechanics and add EV repair to state-based training programs for school leavers. Governments should also work to improve access to technical information on EVs to enable them to be safely repaired.

The Government should use the New Energy Skill's program to incentivise and support all states and territories to establish pilot programs to train EV technicians. The Victorian Government has already established a pilot program to upskill 500 electricians and inform a new course that will be funded through its Workforce Training Innovation Fund.

EV uptake is accelerating, and it is vital Australian homes are ready for this change. The Government should consult with insurers and other relevant industries regarding the potential risks and new opportunities created by charging infrastructure upgrades, including a greater focus on compliance with existing standards on EV charging installation to ensure the safe installation and operation of EV chargers.

In addition, the Insurance Council encourages the Government to work with jurisdictions to fund research into the unique fire risks posed by EVs and the associated charging technology. A number of studies have shown that EVs have a very low risk of battery fire, however, when they occur, they need to be managed differently, and may require more time, resources and firefighting water to manage the incident.

Addressing skills shortages

The Insurance Council's members oversee around 1.5 million motor vehicle repairs each year, primarily through independent third-party small businesses. The industry is critically reliant on skilled trades such as panel beaters, vehicle painters, motor mechanics, vehicle body builders and electricians to ensure repairs are carried out safely and efficiently.

According to Jobs and Skills Australia, all the abovementioned trades have been consistently in shortage across all jurisdictions for the last three years. This is resulting in longer repair times and higher costs of repairs, which places upward pressure on insurance claim costs and premiums.

The Insurance Council appreciates the Government's efforts through the migration strategy to streamline visa processes for skilled labour, however we consider that there is further opportunity for refinement to ensure that the system is working as efficiently as possible.

Trades Recognition Australia is the primary skills assessment service that verifies whether a migrant possesses the necessary skills for a skilled visa. This system is currently leading to significant backlogs and bottlenecks in processing skilled visa applications.

To facilitate faster visa processing, motor trades associations should be permitted to conduct the skills assessment process for obtaining a skilled visa in key motor repairs trades, as already occurs with assessments for engineers using Engineers Australia.[4] Educational institutions such as TAFE providers could also be recognised as eligible bodies for conducting skills assessments.

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[4] Assessment fees and additional services | Engineers Australia

The Insurance Council also strongly recommends removing the restriction on the occupation of Vehicle Painter (ANZSCO 324311) that prevents holders of 482 visas from working in non-regional areas. This limitation does not apply to other motor repair trades and data from JSA shows that the shortage of vehicle painters is not limited to regional areas.

The Insurance Council welcomes the proposed adjustments to the Skilling Australians Fund administrative arrangements aimed at lowering up-front costs of hiring foreign skilled labour. However, the current requirement for employers to contribute between $4,800 and $7,200 to sponsor a worker under a 482 visa still poses a significant financial burden, especially for small businesses.

The government should consider a temporary reduction or waiver of SAF levies for panel beaters, vehicle spray painters, vehicle body builders, motor mechanics and auto-electricians to remove a key barrier to filling skills shortages for small businesses.

The 2024-25 Budget should:

- Include funding out of the New Energy Skills Program for willing states and territories to establish pilot programs to train EV technicians.
- Include funding to support collaboration with state and territory governments, insurers and other relevant industries to develop a path for insuring and encouraging the uptake of EV home charging infrastructure.
- Invest in research and training for fire authorities and other first responders to enable safe management of electric vehicles involved in collisions and fires.
- Expand skills assessment for skilled visas relating to motor repair trades to include motor trades associations and TAFEs.
- Remove the restriction on the occupation of Vehicle Painter (ANZSCO 324311) that prevents holders of 482 visas from working in non-regional areas.
- Reduce or waive Skilling Australians Fund levies for panel beaters, vehicle spray painters, vehicle body builders, motor mechanics and auto-electricians.

Risk management

The Australian public liability insurance market is currently experiencing limited capacity, leading to higher premiums and difficulty obtaining insurance for many businesses, particularly those in the hospitality, live-music, caravan park, amusement park, leisure and tourism sector. Many operators in these sectors are struggling to maintain appropriate public liability insurance cover, threatening their ongoing viability.

In response to this is issue, in 2021 the Insurance Council released a report into the availability and affordability of commercial lines insurance, and subsequently established a Business Advisory Council bringing together key business groups including COSBOA, the ASBFEO and ACCI to explore possible solutions. The Business Advisory Council activity has seen success in both the live music and caravan industry sectors, where the industry associations for those sectors have worked to address risks identified by insurers across the sector. This work has, in both instances, resulted in greater capacity in the insurance market for these sectors, and similar results could be achieved with the same approach in other sectors.

Insurers have struggled to maintain profitability of public liability insurance in recent years, often experiencing combined loss ratios of over 100 per cent (meaning payouts were higher than premiums received). The hard insurance market, characterised by scarce capital, difficult to obtain reinsurance, high regulatory activity, claims inflation and rising cost of litigation and settlements means that insurers are increasing premiums or unwilling to insure sectors because of the inherent nature of the activity, poor risk management, or both.

Insurance premiums are affected by risk mitigation and management. The implementation of appropriate risk mitigation standards play an important role in helping businesses and organisations implement necessary risk reduction measures that will reduce risk of injury to people and put downward pressure on premiums. The Government should fund a program of up to $5 million per year to provide support to industry groups in high-risk sectors to improve risk management practices.

The program should be delivered through an independent organisation working extensively with small businesses and their industry associations, such as the Australian Small Business and Family Enterprise Ombudsman (ASBFEO), state Small Business Commissioners, and/or other independent body. The program would include a commitment from insurers to work with the delivering organisation to identify the highest risks affecting affordability of insurance in the relevant sector, before an assessment could be undertaken as to whether the sector is in a position to address these risks. The delivering organisation would then work with the sector to uplift education, training, and record keeping/monitoring in the sector to reduce the identified risks, establish an evidence base for the reduced risk for the insurance sector, and work with insurers through the Insurance Council to secure insurance for the sector.

The 2024-25 Budget should:

- Establish a program with funding of $5 million per year, delivered through an independent organisation working exclusively with small businesses, to support to industry groups to improve risk management and national standards across sectors experiencing higher frequency of personal injury liability claims.

Tort law reform

Tort reform has not been undertaken since 2001-02. Given the development of case law, the emergence of new industries and the current difficulties some businesses face in obtaining public liability insurance, a further examination of civil liability settings and whether they remain fit-for-purpose and support availability and affordability of insurance should be undertaken.

The use of statutory defined benefit frameworks for personal injury claims (similar to those used in CTP and workers compensation schemes) should be considered. This could provide greater underwriting certainty, reduce claims costs and durations, improve health outcomes for injured people and increase the affordability and availability of public liability insurance for businesses.

The 2024-25 Budget should:

- Include funding for a national review of tort law and civil liability arrangements to examine the impact legislation is having on SMEs, in particular their ability to access appropriate insurance.

Lenders Mortgage Insurance

Lenders Mortgage Insurance (LMI) is an important component of Australia’s housing market. By reducing credit risks to lenders, LMI enables more Australians to achieve the dream of home ownership earlier.

Programs that support buyers to enter the market with smaller deposits, such as the Commonwealth's Home Guarantee and Help to Buy Schemes and other state-based schemes, put pressure on the viability of the LMI market by displacing a proportion of potential customers who could have entered the market using LMI. Participants in these programs are likely to be those with lower default risks, increasing the average risk of the remaining potential pool of LMI customers.

The Government should closely evaluate the effect of existing and future housing policies on the LMI market to ensure that the market remains competitive, and homebuyers are able to access the insurance they need to enter the housing market.

The 2024-25 Budget should:

- Continue to evaluate the effect of both existing and planned housing policies on the LMI market to ensure homebuyers remain able to access LMI in a well-functioning and competitive market.