Insurance Council of Australia

Advancing Australia's Resilience

Policy recommendations for the next Australian Government

Acknowledgement of country

The Insurance Council of Australia acknowledges the Traditional Owners of country throughout Australia and their continuing connection to land, culture, sea and community. We recognise the tens of thousands of years of continuous custodianship and placemaking by First Nations peoples and their proud role in our shared future. This report was produced on the lands of the Gadigal people of the Eora Nation. We pay our respects to Elders past, present and emerging.

Headline recommendations

"As an industry that prices risk, we know that the only sustainable way to reduce pressure on premiums and close the protection gap is to reduce or remove the underlying risks. This requires a coordinated approach across all levels of government, industry, and communities..."

Andrew Hall
ICA CEO and Executive Director

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	Reduce risk	Protect community	Support business	Cost relief	Support economy	Page
Protect Australians from flood	✓	✓	✓	✓	✓	6
Strengthen the Disaster Ready Fund	✓	✓	✓		✓	10
Better data and flood mapping	✓	✓			✓	12
Improve disaster response and funding arrangements		✓		✓	✓	14
Cyclone proof Northern Australian homes	✓	✓		✓	✓	15
Abolish insurance taxes		✓	✓	✓	✓	16
Right size regulation			✓	✓	✓	18
Better land use planning	✓	✓		✓	✓	20
Improve building resilience	✓	✓			✓	22
Improve outcomes for strata communities	✓	✓				24
Expand home ownership with Lenders Mortgage Insurance					✓	26
Enhance cyber security	✓	✓	✓		✓	28
Lower risk for small businesses and not-for-profits	✓		✓	✓	✓	30
Undertake civil liability reform			✓	✓	✓	31
Address motor trades skill shortages			✓	✓	✓	32
Strengthen automotive supply chains			✓	✓	✓	33

Introduction

Without a thriving private insurance market, the financial burden of damage, disaster, and recovery would fall heavily on governments, communities, and businesses – a cost every Australian would ultimately bear.

The general insurance industry provides financial protection from the impact of disaster, loss and damage while also enabling growth and prosperity, giving Australians the confidence to build their futures. Insurance supports every Australian, regardless of their age, the size of their home, whether they are employed or run their own business, the view from their backyard, or how they commute.

Last year, the Australian general insurance sector wrote 41 million policies for households and businesses and incurred more than $32 billion in claims – a critical contribution to both personal and economic security. Yet today, growing risks and cost pressures are impacting the affordability of this vital safety net.

The cost drivers are clear: worsening disasters fuelled by a changing climate are pushing up insurers' costs, compounded by development in high-risk areas, the growing value of our assets, ongoing inflationary pressures, and supply chain shortages. Together, these factors are widening the insurance protection gap, leaving more Australians vulnerable and putting increased pressure on government resources. Our current cost-of-living crisis is heightening the pressure on insurance customers – whether they're families or businesses – and making the need to confront this issue even more acute.

The question is not whether to act, but how. As an industry that prices risk, we know that the only sustainable way to reduce pressure on premiums and close the protection gap is to reduce or remove the underlying risks. This requires a coordinated approach across all levels of government, industry, and communities, which we are seeing through engagement initiatives like the Hazards Insurance Partnership.

Published in early 2022, the Insurance Council's first Federal Election Platform – *Building a More Resilient Australia* – called for the then incoming Federal Government to invest $1 billion over five years matched by the states and territories in measures to improve our resilience to extreme weather.

This policy was adopted by the incoming Labor Government as the Disaster Ready Fund, and as a result we have seen a significant uplift in resilience and mitigation spending. Since 2022 both insurers and government have worked together to better understand the problem. Insurers now know this requires much greater funding and a focus on our most significant extreme weather risk, flood.

The floods of February-March 2022 caused the loss of 23 lives, devastated communities, and saw insured losses of almost $6.4 billion. Striving to protect our communities against a repeat of this level of devastation should be the priority of every policymaker.

We have the will; we need to find the way. That's why *Advancing Australia's Resilience* includes a big idea to combat a big problem – the creation of a $30.15 billion, ten-year Flood Defence Fund to deliver new flood defence infrastructure, strengthen or remove properties in harm's way, and future-proof existing flood mitigation infrastructure.

Initiatives like the Disaster Ready Fund and the Hazards Insurance Partnership have provided the blueprint for collaboration. We must now turbo charge this approach – and the investment required to support it – to ensure a stronger, more secure future for all. Insurers stand ready to play their part in this important reform, but significant new government investment is the only way to reduce extreme weather risk and must underpin our future collaborative endeavours.

Image courtesy of iStock.
Wagga Wagga, New South Wales.

Advancing progress in a cost-of-living crisis

In a cost-of-living crisis, however, we cannot wait for mitigation and risk reduction programs to offer the critical protection and price relief needed. Immediate action is also essential – with tax and regulatory reform offering the best opportunity to ease cost pressure on insurance premiums in the near term.

Of course, rising risk and cost pressures are not isolated to insurance that protects against extreme weather risk. Pressures on public liability, cyber and strata insurance all reflect rising risk or a lack of appropriate risk mitigation.

By focusing on both long-term strategies and immediate actions in all of these areas, we can alleviate upward pressure on insurance premiums, empower Australians to manage their risks more effectively, and ensure that insurance remains a vital part of our national economic framework.

Advancing Australia's Resilience includes 16 policy reforms that reflect the strategic advocacy objectives of the insurance industry and the Insurance Council.

The upcoming Federal election presents an opportunity to prioritise these issues. We urge all political parties to recognise the importance of insurance in supporting the economy and to commit to policies that will enhance insurance affordability and availability. Collaboration across political lines is essential to build upon progress already made and to ensure that we are prepared for the challenges ahead.

Andrew Hall
Insurance Council of Australia
CEO and Executive Director

Continuous improvement is essential to strengthening the insurance safety net

Australian insurers are at the global forefront of extreme weather response, while providing sustainable, competitive and affordable products

Lessons from the 2022 Floods

The devastating 2022 floods, particularly Cat 221, tested communities and insurers alike. Insurers acknowledged that systems, processes and resourcing struggled to keep pace with demand, which impacted some customers as they progressed through their claims process.

To address these issues, insurers have taken significant steps to uplift their systems and processes.

While progress has been made, we recognise that more work lies ahead. Meeting the evolving needs of Australians and the economy is an ongoing responsibility and one without a finish line.

Engagement with recent reviews

The recent reviews and inquiries provided valuable insights to drive ongoing improvement. Insurers welcomed these opportunities to reflect and further enhance their operations, including:

- Commissioning Deloitte to undertake an independent review of insurers' performance following the 2022 floods, and a follow up review to assess progress against those recommendations.
- Engaging an independent and diverse panel to review the General Insurance Code of Practice.
- Proactively engaging with the House of Representatives Economics Committee Inquiry into insurers and the 2022 floods and other Parliamentary Inquiries.

These reviews included overlapping recommendations. To ensure the industry takes a holistic and streamlined approach to change, the ICA is working with its members to consider all recommendations concurrently.

Responding to Parliamentary Inquiry and Code Review recommendations

In late December, the ICA released the first tranche of the industry's response to these inquiry reports in December 2024, accepting 78 recommendations across both the Code Review and Parliamentary Inquiry reports.

These recommendations focused on improving customer outcomes while fostering competition and innovation. Supported recommendations included:

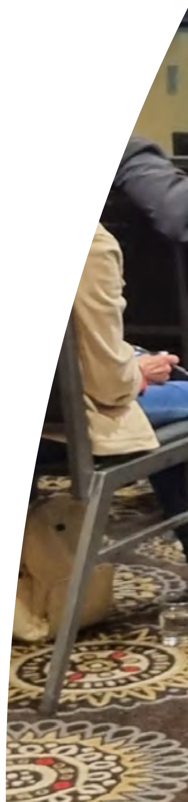
- Improving consumer awareness on responsibilities when it comes to maintenance,
- Enhancing the identification and support of vulnerable customers.
- Investing in disaster planning to ensure adequate customer support.
- Collaborating with Australian Government agencies to improve mitigation support and public information on risks.

The Deloitte Review

In early 2025, Deloitte released its follow-up report, *After the Floods – Meeting the Benchmark*, which reviewed the implementation of recommendations from its 2023 review.

While progress is evident, Deloitte noted that the scale of changes means it may take time for customers to experience the full benefits. Notably, the decrease in claims resolution times since 2022 demonstrates positive momentum, though it is only one measure of customer experience.

With the recent release of the Deloitte report, the ICA is now working on recommendations from the various inquiries and looks forward to consulting with consumer advocates and other key stakeholders on this work.



Looking ahead

As an industry at the forefront of customer experience, climate change, and rapid technological advancement, insurers' proactive engagement with these reviews and the improvements to date serve to strengthen Australia's vital insurance safety net.

The ICA and insurers remain committed to working closely with government, stakeholders, consumer representatives, and regulators to implement changes that improve outcomes for all Australians.

ICA image:
Community consultations following 2022 floods.

Protect Australians from flood

Establish a Flood Defence Fund to make Australia a world-leader in protecting vulnerable homes and communities against flood

Floods pose a critical threat to Australia. Around 1.36 million properties are at risk of flooding, and it is estimated that half of these properties fall short of the flood resilience measures of modern planning and building standards. Around 298,000 of these properties – approximately 225,000 homes and 73,000 businesses – face at least a two or five per cent chance of flooding each year.

There is a clear correlation between high flood exposure and low socioeconomic status. Analysis of the 2024 National Flood Information Database indicates that approximately 70 per cent of households exposed to the highest flood risk are in areas where the median income is below the national median ($92,000), and around 35 per cent of these households are in areas where the median income is below the poverty line ($58,000).

Of the estimated 225,000 homes in the highest flood risk locations across the country, only around 23 per cent have flood cover, compared to an estimated 60 per cent nationwide. The low levels of flood cover are almost certainly influenced by the significantly higher cost of flood insurance for high-risk properties, with the quoted flood component of annual premiums more than $7,000 and in some cases exceeding $30,000.

This new data analysis provides a much more granular view of this problem than insurers and policymakers have had to date and clearly demonstrates that flood risk is both an economic and a social problem that only governments have the resources to solve, in partnership with the insurance industry and impacted communities.

In 2023 the insurance industry and the Federal Government formed the Hazards Insurance Partnership (HIP). This enduring alliance is focused on building a shared view of the locations around Australia exposed to extreme weather risk, and the solutions required to drive down this risk and alleviate pressure on insurance premiums. The Federal Government's Disaster Ready Fund (DRF), announced in 2022, has significantly lifted investment in disaster preparedness, but as extreme weather intensifies and populations expand, a greater focus on and investment in flood defence is required.

Building on the work of the HIP and the DRF, flood specialists have identified the most impactful flood resilience and mitigation solutions and the regions where these solutions are needed, prioritising those locations with a concentration of high flood-risk exposed homes and affordability pressures.

Insurers want to improve the safety of Australians facing flood risk and to reduce the financial burden and social and economic disruption that flood continues to cause. The greatest flood risk is concentrated across the east coast of Australia and insurers are currently focusing on 24 river catchments with extreme flood risk. Leading flood risk engineering consultancy Rhelm has examined these regions and assessed the flood risk management solutions that could be prioritised in these areas.

Across the 24 priority catchments, the resilience measures that will be most effective in better protecting property and alleviating insurance affordability pressures in highly populated areas include measures such as levees or dams. In areas of lower population density, targeted household measures such as house raisings are expected to be more effective. Where the risk to life and property is particularly high and public infrastructure or household-level mitigation will not be effective, managed relocation and buy-backs will be the only solution.

This work provides a meaningful guide to where flood resilience investment can have the greatest benefit in reducing flood risk and consequently insurance premiums in Australia's most flood-exposed communities. This work quantifies the need to establish a Flood Defence Fund, at a cost of $30.15 billion over ten years, shared by the Federal Government and the state governments of Queensland, New South Wales and Victoria, which will:

- Deliver new critical flood defence infrastructure ($15 billion)
- Strengthen properties in harm's way ($5 billion)
- Managed relocation (buy-backs) ($10 billion)
- Future-proof existing flood mitigation infrastructure ($150 million)

This investment will:

- Reduce the impact of future floods, including the risk to life and property and economic and community disruption
- Moderate insurance premiums over the medium to long term in these high-risk locations, particularly benefiting the most vulnerable who often have the highest flood risk
- Minimise the financial impact of post-flood recovery and rehabilitation activities

Similarly to Infrastructure Australia's priority list, the flood defence infrastructure pipeline should be annually reviewed against key criteria including:

- Evolving flood risk
- Population density in each catchment
- Establishment and maintenance of flood infrastructure
- Establishment and maintenance of household flood resilience programs
- Benefit-cost ratios

Whilst $30.15 billion over ten years is a significant uplift in government resilience investment, this should be considered against the 2024–25 Federal Budget which commits general government infrastructure funding of $60.5 billion over the four years to 2027–28.

Investing in new flood defence infrastructure

Analysis undertaken by the Centre for International Economics for the Insurance Council has found that flood levees or upgrades can provide benefits that are often worth twice their cost, and in some cases offer returns five times the initial investment. For example, levees in Roma and St George, Queensland have benefit-cost ratios of 4.9 and 5.4 respectively, while the Grafton, NSW levee has a BCR of 2.2.

The Flood Defence Fund should invest at least $15 billion over ten years for the construction of new flood levees, dams and detention basins to enable at-risk communities to mitigate flood risks and reduce the impact of flood events. Flood resilience requires tailored solutions for each community, considering factors like potential flood depths, community size, availability of appropriate locations for levees or detention basins, and the feasibility of house raising.

	Homes facing severe and extreme flood risk	Commercial and other properties facing severe and extreme flood risk
New South Wales	130,000	41,000
Queensland	67,000	24,000
Victoria	20,000	7,000
Other States	8,000	1,000
Total	**225,000**	**73,000**

Priority catchments

Queensland

Brisbane River
Burnett River
Condamine-Culgoa Rivers
Fitzroy River
Logan-Albert Rivers
Maroochy River
Mulgrave-Russell Rivers
Pine River
Pioneer River
Ross River
South Coast

New South Wales

Clarence River
Hawkesbury River
Hunter River
Macquarie-Tuggerah Lakes
Murray Riverina
Murrumbidgee River
Namoi River
Richmond River
Sydney Coast-George River
Tweed River
Wollongong Coast

Victoria

Goulburn River
Yarra River

Insurers and experts agree that targeted flood protection measures for homes must also consider future climate risks. The investment figure for new flood defence infrastructure will need to be refined as appropriate local solutions are identified and scoped.

Flood risk explained

Extreme flood risk (1 in 20)

5%
probability each year

22.6%
over 5 years

40.1%
over 10 years

Severe flood risk (1 in 50)

2%
probability each year

9.6%
over 5 years

19.3%
over 10 years

Across the east coast of Australia very few flood-prone regions have planned flood risk management solutions and those with planned solutions do not benefit all properties at risk. The Flood Defence Fund offers an opportunity to rectify this, bringing Federal, state and local governments together to identify and deliver targeted resilience and mitigation projects that offer the greatest benefit.

Stronger properties, relocations and buybacks

Many properties are at high flood risk due to poor planning or increasing climate change impacts. These properties are often cheaper, attracting lower-income residents or tenants who can't afford insurance. This creates a cycle where the most vulnerable face the highest flood risks. The lack of community-level flood protection and property resilience measures increases the danger to life and property, while also driving up insurance costs for these already disadvantaged residents.

Ultimately, Australia's economy must bear the cost of worsening disasters, either through increasing insurance premiums or rising government disaster response costs paid for through our taxes. The Flood Defence Fund enables Australia to get ahead of these risks, reducing the extreme weather threat before it strikes and easing long-term costs for governments and taxpayers.

While land use planning is the most effective tool to mitigate future flood risk, programs that support measures such as house raising and lifting utilities above the flood line play a vital role in mitigating flood risk to existing properties.

House raising is a flood mitigation strategy that typically involves lifting an at-risk home to the point where the property remains safe from the highest recorded flood level, either by moving it to a higher location on the same parcel of land or placing the home on columns.

The cost of raising a house is highly dependent on the type and size of the house, the land it is on, and to a lesser extent the height to which it is to be raised. Both the New South Wales and Queensland Governments' resilient home programs provide funding to support this resilience measure and these programs have been consistently oversubscribed.

When risk cannot be mitigated through house raising or some other household-level mitigation, governments, in consultation with community, should buy back high flood-risk homes as part of a planned relocation program. Of the 24 high-risk catchments, it is estimated there are at least 10,000 properties across Queensland, New South Wales and Victoria where mitigation of the flood risk is not possible. These properties should be bought back by governments, enabling residents to relocate, with the land re-purposed for safe, non-residential use.

Following the February-March 2022 floods both the Queensland and New South Wales Governments established successful programs to support stronger homes and buy-backs. Both programs demonstrated the benefits of targeted measures to strengthen community resilience.

To build on this success, $5 billion of the Flood Defence Fund should be focused on strengthening properties in harm's way, supporting existing flood mitigation programs for home retrofits and house raising. When risks cannot be mitigated, approximately $10 billion should be allocated for buybacks or managed relocation, in consultation with communities.

Future-proofing existing infrastructure

Severe weather and flood events can significantly damage flood mitigation infrastructure, as was seen in the aftermath of the 2022 New South Wales and Queensland floods. These assets are crucial for protecting vulnerable communities and essential services. Delays in identifying and repairing damage to flood infrastructure increases risks and costs as disasters compound.

Investing in maintenance extends the life of critical flood infrastructure and reduces overall capital replacement costs. A UK study found that a £1 increase in maintenance spending was estimated to save almost £7 in capital expenditure.

Tracking infrastructure repair and maintenance is critical to insurers being able to link premium pricing with mitigation infrastructure. A national register of flood mitigation infrastructure, along with up-to-date assessments of performance, will enable insurers to accurately reflect flood risk management in setting flood premiums, supporting fair premium pricing.

The Flood Defence Fund should invest $150 million to support the establishment of a register and ongoing assessment of levees and dams across high-risk LGAs in New South Wales, Queensland and Victoria.

In addition, governments should support ongoing maintenance and enable a coordinated approach to monitor and repair infrastructure with a focus on high-risk catchments. A thorough assessment of levee and dam conditions is required before an estimate can be made of the cost of ongoing repairs.

Minister for Flood Defence

Implementing large scale flood mitigation has challenges, including complex shared funding arrangements across different levels of governments and the limited capacity of local governments to manage and implement large-scale infrastructure. These challenges can lead to delays or cancellations of critical works.

To address this, the Australian Government should appoint a dedicated Minister for Flood Defence, as seen in the UK and the Netherlands, working closely with state counterparts to help coordinate, streamline and fast-track project funding and delivery. This could sit as part of the Minister for Emergency Management's responsibilities, as Cyber Security sits as a separate portfolio under the Minister for Home Affairs' responsibilities, ensuring this important work gets the focus and funding it requires.

The next Australian Government should:

- **Establish a Flood Defence Fund, at a cost of $30.15 billion over ten years, shared by the Federal, Queensland, New South Wales and Victorian Governments**
  - **Deliver new critical flood defence infrastructure ($15 billion)**
  - **Strengthen properties in harm's way ($5 billion)**
  - **Fund managed relocation (buy-backs) ($10 billion)**
  - **Future-proof existing flood mitigation infrastructure ($150 million)**
- **Create a new portfolio of Minister for Flood Defence**

Strengthen the Disaster Ready Fund

Better protect Australian communities by extending the Disaster Ready Fund, moving it to a ten-year rolling program, indexing funding, and focusing on high quality infrastructure

Following three rounds of the Disaster Ready Fund (DRF), there are opportunities to further strengthen the Fund to drive down risk and work towards closing the insurance protection gap.

The ICA welcomed the January 2025 announcement by the Federal Government to strengthen the Disaster Ready Fund, including increasing the amount of funding for hard, large-scale infrastructure projects. Announced in 2022, the Disaster Ready Fund provides up to $200 million a year over five years to be invested in disaster mitigation, matched by the states and territories. The DRF was established in response to advocacy by the Insurance Council in our last Federal Election platform, *Building a More Resilient Australia*.

Ten year rolling program

Given the long-term challenges posed by worsening extreme weather in Australia, investment in disaster resilience will be required well beyond the 2028–29 end date. To enable communities and governments to plan and develop a pipeline of these investments, Commonwealth disaster mitigation funding should move to a rolling ten-year program, as occurs with funding for land transport infrastructure and defence spending. This would align with the Government's objective for the DRF to be an enduring fund that provides certainty to governments and affected stakeholders.

A ten-year program would enable the development of a high-quality pipeline of projects that targets high risk areas, delivers the best return on investment, and allow consideration of more flexible DRF guidelines that could lead to longer-term projects by removing the three-year project time limit and allowing projects to be submitted for consideration at any time. 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.

Index funding

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.

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

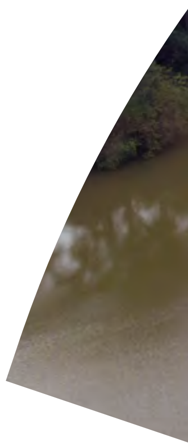
Invest in infrastructure that drives down risk

In addition to this urgently needed additional funding, the Government should continue to place a greater weighting on projects that support critical infrastructure to ensure priority is given to high-quality hard infrastructure projects that directly reduce the risk to Australian communities. Previous DRF rounds have supported small-scale projects, with a small number exceeding the $10 million investment threshold. Whilst smaller-scale projects can deliver important benefits to communities, it is these larger scale projects that are required to meaningfully drive down risk and assist in moderating insurance premiums. Better targeting mitigation funding also aligns with the recommendations of the Second National Action Plan to implement the National Disaster Risk Reduction Framework.

For example, insurers have identified that dams and levees, detention basins, house raisings and buy-backs are the most effective measures in mitigating flood risk. A greater weighting to these projects should also be supported by the establishment of the Flood Defence Fund (see pages 6–9).

Better data to target investments

The Federal Government has an opportunity to include a robust cost-benefit analysis or multi-criteria analysis in the DRF application process to better evaluate the potential of projects. Insurers would also welcome the opportunity to provide the DRF assessment panel with insurance risk intelligence to assist in project assessments, including high-risk flood, bushfire, cyclone, and storm risk locations, as well as other relevant datasets that could strengthen project assessments.



More granular data provided by applicants will also play a role in strengthening the Fund. For example, where possible, larger-scale projects that can provide detailed engineering specifications and other relevant information will enable a more comprehensive assessment of the likely premium impacts of these projects.

Finally, implementing an annual post-implementation review, including financial reporting, to assess whether funded projects are achieving the expected outcomes will help to further strengthen the DRF and provide accountability and transparency.

Helping consumers

Household resilience can be strengthened and premium discounts materialised by providing DRF funding to support the expansion of the successful Resilient Building Council Bushfire tool so that it can include other natural hazards such as flooding. This tool has already supported more than 13,000 households to make upgrades to their homes to protect them from bushfire. More than 6,500 households are eligible to have their resilience measures recognised with premium discounting, which to date have been up to 60 per cent of the bushfire component of the premium, depending on the Resilience Rating achieved and underlying bushfire risk.

The next Australian Government should:

- **Building on the five-year disaster resilience funding announced in the 2022–23 Budget, move disaster resilience funding to a ten-year rolling program**
- **Index disaster mitigation funding from 2024–25 so it does not fall in real terms**
- **Place a higher priority on hard infrastructure projects covered under DRF Stream One**
- **In partnership with industry, identify risk mitigation projects that deliver a significant return on investment and help put downward pressure on premiums**
- **Work with insurers to utilise better data to strengthen DRF applications and the assessment process**
- **Provide funding to the Resilient Building Council to expand its Bushfire tool to include other natural hazards**

Image courtesy of iStock.
East Lismore.

Better data and flood mapping

Fund improved data standards and better flood mapping to help inform resilience mitigation and put downward pressure on premiums

A robust, national hazard database that streamlines existing national, state and territory datasets and that is accessible to all levels of government, industry and the public is crucial for improving understanding of climate risk.

The Australian Climate Service and National Emergency Management Agency's current development of a national hazard data asset with insurers will help better inform land use planning, building codes and standards, and understanding of current and future hazard risk. Federal Government funding, in partnership with states and territories, alongside prioritising collaboration with industry, will be critical to accelerating this work.

While an all-hazard approach is critical, flood remains Australia's most costly and rapidly growing extreme weather risk. Understanding the nature and extent of flood risk is important to residents, local councils, and first responders given the material risk to life and property damage. There are currently an estimated 298,000 properties located in severe or extreme flood prone areas were there is a 2%, 5% or greater chance of flooding each year.

While Queensland, Victoria, and New South Wales are the states most exposed to extreme flood risk, flood data mapping is a national issue that requires a national approach.

Insurers have been working proactively with all levels of government, as well as private entities, to access flood hazard information to inform understanding of flood risk and to ensure that flood cover is as widely available as possible.

Where information is inaccurate or unavailable, insurers may be unable to offer premiums that accurately reflect the flood-risk. To help address this, Federal Government funding is essential to support the update of local government hazard mapping, which can be made publicly available and used in the National Flood Information Database (NFID).

Insurers 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 event information and open communication helps insurers move resources to the most impacted areas faster, offering the maximum benefit to affected communities. Government investment will improve the accuracy, availability, and timeliness of catastrophic event information.

The next Australian Government should:

- **Provide ongoing funding for the National Hazard Data Asset and ensure it is made publicly available**
- **Provide funding to address critical identified hazard data gaps, improving governments' and industry's understanding of current and future flood risk**
- **Provide funding to support local government hazard mapping updates, including flood mapping, to provide more certainty for insurers, accuracy for premium pricing, and improve community awareness of risk**
- **Update, standardise and make natural hazard and climate risk data publicly available, prioritising flood, bushfire, cyclone and coastal erosion**
- **Invest in a nationally consistent register of buildings that includes important risk and resilience characteristics such construction features to assist the community, emergency services and insurers, prioritising buildings in high-risk areas**
- **Develop a Flood Mitigation and Coastal Defence Register with a database of existing assets, maintenance programs and future works**

Image courtesy of iStock.
Brisbane River.

Improve disaster response and funding arrangements

Help Australians get back on their feet faster by standardising natural disaster recovery arrangements and implementing the Colvin Review recommendations

As extreme weather events become more frequent and severe, it is crucial that government at all levels works with the insurance industry to improve and better coordinate disaster response and recovery processes.

Over the last few years, a number of approaches have been used by state governments and their agencies when undertaking disaster clean-up, however these have not been integrated across public infrastructure, insured private property and uninsured private property.

Despite advocacy on this issue by insurers and the Insurance Council, clean-up operations have in most cases not been planned, meaning program design has occurred on-the-run following a disaster – already a time of significant stress for impacted communities, local governments, government agencies, insurers, and other responders.

Different arrangements in different states means community recovery is impacted by where you live. To ensure community recovery is consistent across jurisdictions, the next Australian Government should formalise its coordination with the insurance industry to enhance recovery efforts and use the National Emergency Management Ministers Meeting to ensure all states and the Commonwealth have arrangements with the insurance industry in place.

Recovery arrangements at all levels of government should include pre-event consultation on disaster relief, recovery, and resilience funding policies to ensure [equity] and streamline delivery. Additionally, pre-event collaboration on recovery operations and program delivery can accelerate post-disaster recovery and reduce friction for policyholders and the community (whether impacted party is insured or not). Sharing data among all relevant agencies is also crucial to providing a unified operational view and improve decision-making.

The findings of the Independent Review of Commonwealth Disaster Funding (known as the Colvin Review) highlighted the need for clear objectives, accountability, and coordination in Commonwealth disaster funding arrangements. Implementing these reforms is essential for effective disaster funding and national resilience.

Leveraging the insurance industry's expertise in risk management is crucial for developing objectives and funding allocations. Appointing an industry representative to the Disaster Management Advisory Council would ensure direct input where needed. Harmonising risk appetites, objectives, and funding across all resilience-related policies is vital to ensure clarity and effective decision-making.

The next Australian Government should:

- **Collaborate with the insurance industry to establish Commonwealth Recovery Arrangements**
- **Prioritise Recovery Arrangements including the removal of debris and coordinated clean-up at the National Emergency Management Ministers Meeting for national adoption and consistency**
- **Provide access to the National Common Operating Picture for all critical disaster response stakeholders, including the insurance industry**
- **Implement priority Colvin Review recommendations, and within 100 days develop a transition plan for Disaster Relief Funding services**
- **Appoint an Industry representative to the Disaster Management Advisory Council**
- **Harmonise risk appetites, objectives, and funding across all resilience-related policies**

Cyclone proof Northern Australian homes

Provide grants to empower and promote cyclone proofing resilience improvements that better protect lives and property

Tropical cyclones cause devastating damage to property, communities, and livelihoods. Queensland, Western Australia and the Northern Territory currently bear the brunt of cyclone damage costs.

The risk of damage attributed to tropical cyclones will likely rise in Australia as cyclones become more severe and possibly track further southwards, driven by a changing climate. In addition to strengthening the National Construction Code (NCC) to mitigate future risks to building (see pages 22–23), resilience programs play an important role in strengthening existing homes against cyclone risk. Several insurers currently provide premium discounting to households who make their homes more resilient to cyclone risk.

Western Australia, in partnership with the Commonwealth Government, provides resilience grants to reimburse private homeowners between $20,000 and $50,000 for building works that improve cyclone resilience. This temporary program should be made permanent and not tied to a specific cyclonic event/s, rather, provided as an ongoing measure to improve the resilience of the State's building stock.

The Queensland Household Resilience Program helps low-income homeowners in pre-1984 homes within 50 kilometres of the coast from Bundaberg to the Queensland-Northern Territory border by funding building works to make homes more resilient to extreme weather, especially cyclones. Over three phases, the Program has helped more than 4,400 households, with insurance premiums dropping by an average of nine per cent, and up to 25 per cent in some cases.

Analysis undertaken in 2022 as part of the Insurance Council's last Federal Election platform, *Building a More Resilient Australia*, found that $221 million in extra funding and extending the Program across Queensland, the Northern Territory, and Western Australia could yield nearly $2 billion in benefits, a ninefold return on investment.

The Federal Government should provide half of the funding as outlined in 2022 and support state and territory governments to make programs such as those already in place permanent and ongoing. This should include programs that specifically target strata buildings, such as the Queensland Government's Strata Resilience Program. Funding support should also be provided to facilitate necessary updates to relevant Australian Standards that deal with wind conditions to take into account more severe weather events driven by climate change in all parts of the nation.

As outlined on pages 6 to 9, the Federal Government should establish permanent programs for buybacks to move people out of harm's way before disasters occur, thereby reducing recovery costs for governments and affected communities. Any ongoing program to support voluntary buybacks should consider cyclone-related flood risk.

The next Australian Government should:

- **Provide $110 million over five years to the Queensland, Northern Territory and Western Australian governments to support permanent and ongoing cyclone risk reduction programs**
- **Provide $3 million over three years to fund the research required to make necessary climate change updates to relevant Australian Standards that deal with wind and wind-driven rain conditions**

Image of aftermath of Cyclone Seroja, Western Australia.

Abolish insurance taxes

Reduce the cost of insurance by leading the abolition of state duties, levies and charges on insurance products

The tax system should encourage not hinder insurance coverage, but state taxes on insurance products are artificially inflating the cost of insurance at a time when it is needed most.

After peril risk, the second biggest component of the cost of insurance premiums is taxation. Insurance taxes are levied in proportion to the cost of the premium, so they penalise those who face greater extreme weather risk because of the higher insurance premiums they pay. The most effective and immediate way to reduce insurance premiums is the abolition of duties, levies and charges on insurance products.

Depending on the state or territory, government taxes and charges such as stamp duty, GST and emergency services levies can add 20 to 40 per cent on top of the cost of the premium, which leads to underinsurance or non-insurance.

Commendably, the New South Wales Government is currently undertaking a process to remove its Emergency Services Levy from insurance, however all states and territories other than the Australian Capital Territory add stamp duty of around ten percent to insurance premiums. In 2022–23, states collected $7.6 billion in taxes from insurance customers, which was $3 billion more than insurers made in profit that year.

"Insurance taxes are inefficient: they drive up premiums and discourage consumers from adequately insuring."

Review of Federal Financial Relations, New South Wales Government, 2020

The abolition of insurance-based taxes has been advocated by many reviews and inquiries, including:

- Australian Competition and Consumer Commission's Northern Australia Insurance Inquiry 2020
- Various Productivity Commission reports
- Standing Committee on Economics report into the 2022 major floods, released 2024
- Senate Select Committee report on the Impact of Climate Risk on Insurance Premiums and Availability, released 2024.

While these are all state taxes, the Federal Government is ultimately responsible for the health of the tax and transfer system and is able to influence the states through incentives and penalties.

The removal of these unfair and inefficient taxes on insurance would reduce the cost of insurance, strengthen community resilience, reduce reliance on government relief in the aftermath of disaster, and ensure Australians are better protected in the face of increasing risks.

The next Australian Government should:

- **Pursue the abolition of taxes on general insurance products, to provide cost of living relief and shift the tax burden toward less distortionary taxes, by incentivising states and territories to undertake reform**

Image courtesy of iStock. Australia.

Right size regulation

Establish policy settings and regulation that support competition and innovation for the benefit of all Australians

Insurers support effective regulation to protect consumers and enhance trust in the insurance sector, adopting best practice and focusing on consumer outcomes. However, the rapid pace of regulatory reforms over the past decade has strained industry resources and added to cost pressures that are ultimately borne by customers.

Recent changes have included an increasing number of new laws and regulations, such as recommendations of the Hayne Royal Commission. The Australian Law Reform Commission has found that the current legislative framework for corporations and financial services regulation is overly complex and has made nearly 60 recommendations to streamline financial services regulation.

Current challenges in the regulatory policy process in Australia include a tendency towards reactive policy development, which often overlooks longer-term considerations of consumer needs and market development. Significant reforms frequently lack robust consumer testing, cost benefit analyses, and post-implementation reviews, resulting in measures that may not achieve their intended goals.

Additionally, there is often insufficient industry consultation, leading to regulations that do not effectively address practical challenges faced by insurers. Smaller institutions are disproportionately impacted by complex regulations, which can reduce market competitiveness.

A lack of visibility on upcoming changes hampers insurers' ability to plan effectively and allocate resources.

A coordinated and simplified regulatory framework will help to improve industry clarity and allow insurers to better plan for future changes. This ultimately benefits consumers by targeting policy and regulatory resources towards clearly defined areas of consumer and economic benefit. The insurance industry looks forward to engaging with the Government on any future policy changes to simplify the regulatory framework.

Regulatory principles should foster competition in financial services, recognising that competitive markets and well-informed consumers offer the best prospect for meeting community needs without government intervention.

The insurance industry welcomes progress on the Regulatory Initiatives Grid announced in December 2024 and looks forward to this initiative helping regulators to coordinate change to ensure regulation is carried out in a more coordinated way.

The next Australian Government should:

- **Conduct a broad post-implementation review of the Hayne Royal Commission regulatory reforms' impact starting October 2025**
- **Respond to the Australian Law Reform Commission's Report 141 from January 2024 on regulatory complexity, including a plan to streamline regulation and ensure it is 'right sized' for different businesses**
- **Develop clear principles for financial services regulation with input from the financial sector and the Council of Financial Regulators**
- **Create clear data strategies for regulators and policymakers, aligned with the Government's framework and ensuring application of a 'collect once' principle across government**
- **Add the Australian Competition and Consumer Commission to the Council of Financial Regulators to focus on ensuring the settings are right to encourage competition**
- **Review the Regulatory Initiatives Grid regularly to ensure it effectively coordinates regulatory changes and is adhered to by relevant departments**
- **Implement a minimum 90 day consultation period for non-urgent financial services legislation consultations**
- **Ensure the Australian Financial Complaints Authority consults meaningfully with the industry during its 2026 review**

Image courtesy of Unsplash.
Sydney CBD, New South Wales.

Better land use planning

Prevent the development of new homes in high-risk areas by revising land use planning based on current and future risk

Too many homes are in the direct line of flood, bushfire, cyclone, 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 bushfire, flood or cyclone risk when determining where new homes can be built, unnecessarily worsening the impact of these events.

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.

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.

Insurers support the development of a national standard that considers disaster and climate risk as part of land use planning and building reform processes. Alongside this, governments should 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.

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 LGA potentially impacting another.

In some cases, planning decisions by local councils are overridden by independent planning panels and courts, 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 (see pages 6–9).

2019–20 Black Summer

During the 2019–2020 Black Summit fire season, 99 per cent of buildings destroyed were within 500 meters of bushland, and 74 per cent of buildings lost were constructed prior to the introduction of the bushfire building standard. This highlights the extent of legacy risk within Australia's built environment brought about by too little consideration being given to the risks posed by the construction of property in areas facing a high bushfire risk.

The next Australian Government should:

- **Provide any necessary resources required for the Government, working through National Cabinet, to urgently finalise the development of a national standard for considering disaster and climate risk in land use planning**
- **Provide ongoing funding for the national hazard data asset and ensure this asset is made publicly available**

Image courtesy of iStock.
Cairns, Australia.

Improve building resilience

Strengthen homes to withstand extreme weather events by embedding resilience in the National Construction Code

Minimum building standards in Australia are currently designed to preserve life in a catastrophic event but they are not designed with the goal of also preserving the property itself.

Research commissioned by the Insurance Council in 2022 showed that over the previous 10 years, the average annual household cost of extreme weather has been $888, but that this figure is expected to jump to more than $2,500 a year by 2050.

The National Construction Code (NCC) should be amended to require that new homes are made more resilient to the impacts of bushfires, cyclones and floods. Embedding resilience in the next edition of the NCC – due in 2028 – will ensure homes are built to better construction requirements. Reforming the NCC will over the long-term help address the insurance protection gap, given insurance prices reflect the level of risk. Homes more resilient to extreme weather will result in lower repair costs and will lead to more accurate risk-based pricing as well as improved premium stability over the long term.

In June 2024 in response to insurer advocacy and a recommendation from the Royal Commission into National Natural Disaster Arrangements, federal, state and territory building ministers agreed to include climate resilience as a specific objective of the Australian Building Codes Board (ABCB) from 2025.

This will give the ABCB a clear mandate to develop future NCC requirements that reduce the impact of natural disasters on housing and other critical community facilities.

There are clear economic benefits in making homes more resilient to bushfires, cyclones, and floods. A study by the Centre for International Economics commissioned by the Insurance Council found that strengthening the NCC to require that new homes are made more resilient to extreme weather could save an estimated $4 billion a year (see table).

There is growing recognition of the need to strengthen the nation's building codes. The House of Representatives Standing Committee on Economics inquiry into insurers' responses to 2022 flood claims recommended that building codes and planning rules be strengthened and future-proofed to improve the resilience of communities and households. The Committee also noted that this should consider not just current flood risks, but also projected increases in risks based on climate modelling.

	Bushfire ($m)	Cyclone ($m)	Flood ($m)	Total ($m)
Insured losses	247.58	584.04	794.56	1,626.17
Uninsured losses	61.90	146.01	198.64	406.54
Under-insured losses	60.11	431.29	190.03	681.42
Mental health impacts	80.47	577.12	200.31	857.91
Loss of housing	23.07	165.47	57.43	245.98
Employment impacts	13.71	98.31	34.12	143.13
Total	**486.84**	**2,002.24**	**1,475.09**	**3,964.16**

Source: Centre for International Economics, 2023 (2022 dollars).

The next Australian Government should:

- **Continue to support the inclusion of climate resilience as a specific objective of the Australian Building Codes Board (ABCB) from 2025, a precursor to inclusion of resilience in the National Construction Code (NCC)**
- **Commit to three-yearly reviews of the NCC**
- **Provide $2 million over three years to fund research to support amendments to the NCC and referenced technical standards to ensure buildings can better withstand current and future extreme weather events**

Image courtesy of iStock.
Melbourne suburbs.

Improve outcomes for strata communities

Improve transparency of strata fees and education for strata stakeholders and owners corporation members with an aim to reduce risk and improve maintenance of strata properties

Strata living is on the rise with Australia's increasing population driving a significant shift toward high-density living. Well-managed strata schemes, and the role of strata insurance, are more important than ever.

Australia is facing a housing shortfall, with many benefiting from the convenience and reduced cost of living in a strata complex.

Owners corporations are accountable for appropriate management and maintenance of the strata complex and financial liabilities, including administration costs, service fees, insurance and maintenance and repairs. Owners corporations can consist of people with no relevant expertise or previous experience with strata, insurance brokers, underwriting agencies, building maintenance or insurance. This lack of knowledge or experience risks poor outcomes for lot owners.

Factors creating cost pressures for strata owners include poor land use planning, which can increase exposure to cyclone and flood damage, and poor-quality of construction in new buildings, leading to defects, litigation costs and costly repairs. Insufficient risk management by strata owners can result in frequent damages and accidents, while lack of deferred maintenance of ageing buildings leads to long-term wear and tear damages that increases repair costs. State taxes, fees, and commissions can add to the overall insurance cost.

Strata insurance protects the shared areas of a strata complex, known as common property, such as shared hallways, gardens, gymnasium, car park, external walls and roofing, from damage or loss caused by insured events. In Australia, it is mandatory for the owners corporation to insure the building for 100 per cent of its replacement value, such that a strata scheme can be reinstated following a loss.

Typically, coverage includes damage to common areas shared by lot owners, costs for alternative or temporary accommodation, and a minimum level of liability cover if people are injured on common property. However, it does not cover damage caused by inherent defects or poor building maintenance.

Inflationary pressures on construction costs, poor land use planning, the effects of ageing housing stock, poor-quality design and construction, inadequate maintenance and rising lithium-ion battery fire risks have all significantly increased the risk of insuring strata complexes, impacting insurance premiums.

Image courtesy of iStock.
Potts Point, New South Wales.

The strata community must be empowered to make effective decisions to ensure strata properties remain safe to inhabit, insurable and financially sustainable. This includes providing owners with full transparency of fees and commissions paid through the purchase of insurance and the flexibility for owners corporation to determine the number of insurance quotations to source.

Improvements to building compliance and consumer protections can reduce the severity and frequency of building defects and damages in the long run for consumers in strata complexes, which will improve the insurability of strata properties across Australia.

In partnership with local, state and territory governments, the next Australian Government should:

- **Uplift education requirements for strata managers and educational opportunities for owners corporation members**
- **Implement controls to ensure transparency of fees and service supplier relationships and prevent consumer detriment caused by hidden fees and conflicts of interest between strata managers or the strata committee and service suppliers**
- **Ensure appropriate land-use planning and release at local government level so that buildings are built out of harm's way**
- **Improve design and construction compliance in each state and territory**
- **Enforce appropriate maintenance regimes, which are agreed upon and delivered by the owners corporation and coordinated by strata managers**

Expand home ownership with Lenders Mortgage Insurance

Help more Australians realise the dream of home ownership by better utilising lenders' mortgage insurance

Lenders' mortgage insurance (LMI) is a critical component in Australia's housing market and has supported millions of Australians realise the dream of home ownership since it was introduced in 1965.

LMI facilitates access to credit and home ownership and supports the economic stability of the financial system and competition in the lending market.

By accessing LMI, Australians purchasing residential property without a 20 per cent deposit – particularly first home buyers – can enter the housing market earlier and build equity faster. This is becoming even more important as growing housing prices mean reaching a 20 per cent deposit is becoming ever more challenging for millions of Australians.

LMI enables faster entry to the housing market while transferring the higher risk associated high loan-to-value ratio lending outside the banking system.

LMI is available to a wider range of borrowers than parental guarantees which require familial wealth, or the Australian Government's Home Guarantee Scheme (HGS), which carries eligibility criteria.

The introduction of the HGS has seen a significant reduction in first home buyers using LMI, suggesting the HGS is assisting not only those in the greatest need, but also those who are able to access LMI.

The HGS does not protect the banking system to the same extent as LMI and risks distorting the housing market because the risk protection the HGS offers is not effectively priced. Parental guarantees also carry systemic risks. In the event of a significant economic downturn, banks calling on these guarantees could create ripple effects across the financial system and wider economy.

Despite these differences, LMI-backed loans are given a worse capital rating by the Australian Prudential Regulation Authority (APRA), which can mean higher costs for borrowers who use LMI compared with borrowers who have access to the HGS or parental guarantees.

The next Australian Government should:

- **Undertake and publicly publish regular reviews of Housing Australia's activities to assist first home buyers in accordance with s57A of the *Housing Australia Act 2018***
- **Better target the HGS through its design, including reducing the number of guarantees and targeting them to those in greatest need of assistance, ensuring the HGS can operate effectively alongside the LMI industry as it was originally intended**
- **Work with APRA to remove the disparity in regulatory capital requirements for lenders between home loans guaranteed by government through the HGS, loans supported by parental guarantees, and those supported by LMI**

Image courtesy of iStock. Australia.

Enhance cyber security

Protect businesses and mitigate the growing cyber risk associated with the continued digitisation of the Australian economy by building awareness and understanding of risk

The rapid pace of technological advancements means that the cyber threat landscape is continually shifting. Cyber incidents pose a significant cost to the Australian economy while data breaches involving sensitive personal information can have a significant impact on peoples' lives.

From January to June 2024, the Office of the Australian Information Commissioner received 527 data breach notifications.

The 2023–2030 Australian Cyber Security Strategy and recently passed cyber security legislative package are important steps to improving Australia's cyber posture and have been welcomed by the insurance industry.

The insurance industry recognises its important role in contributing to a more cyber-safe Australia.

Cyber is an area of interest for insurers for two major reasons. Firstly, insurers are targets for cybercriminals. General insurers are sophisticated and critical economic institutions who hold significant amounts of personal and sensitive information. The industry plays a crucial economic and social role in helping individuals, businesses and communities to recover from disaster. These functions mean insurers and businesses in their supply chains are perennial targets for cyber threat actors, including traditional cyber criminals seeking financial rewards as well as those that are state-sponsored and wish to do Australia harm.

The Australian Government recognises this and as a result insurance companies have responsibilities as critical infrastructure under the *Security of Critical Infrastructure Act 2018*.

Secondly, as insurers of cyber risk. Insuring cyber risk requires sophisticated knowledge of the risk landscape and the correct pricing of risk, in turn signalling risk to the wider business community through price. Cyber insurance also involves helping customers to improve their cyber hygiene and to respond to and recover from cyber incidents when they occur.

According to the Australian Cyber Security Centre's *Annual Cyber Threat Report* 2023–2024, the self-reported average cost of cybercrime was:

- $49,000 for small businesses
- $62,800 for medium businesses
- $63,600 for large businesses.

Cyber insurance can reduce the cost of cyber incident for businesses and help those businesses respond to cyber incidents in real time.

Importantly, cyber insurance is only one step in improving the cyber maturity of Australian businesses and other initiatives are required to further improve Australia's cyber hygiene and improve the accessibility of cyber insurance for Australian businesses.

The next Australian Government should:

- **Expand access to the Small Business Cyber Resilience Service**
- **Improve data sharing with the insurance industry to improve our shared understanding of the cyber threat environment and improve underwriting abilities**

Image courtesy of iStock. Australia.

Lower risk for small businesses and not-for-profits

Fund programs to educate SMEs and not-for-profits on risk management to relieve pressure on insurance premiums

Risk mitigation standards can help businesses and organisations reduce risk, better protecting people and property and moderating pressure on insurance premiums.

Insurance affordability and availability is impacted by risk management processes and risk mitigation activity. The implementation of appropriate national risk mitigation standards can help businesses and organisations, such as caravan parks or live-music venues, adopt necessary risk reduction measures. These measures not only reduce the risk of injury but also help put downward pressure on the cost of insurance for businesses.

While public liability insurance premiums are beginning to stabilise after several years of significant increases, small business sectors with high and unique underwriting risk or frequent claims may continue to struggle to obtain public liability insurance. In this environment, it is essential these businesses implement effective risk management to improve their access to insurance.

Smaller businesses and organisations, including community based and not-for-profit organisations, often need more guidance, education, and support to manage risks, particularly in relation to risk mitigation procedures. Many small businesses also have limited resources available to allocate to risk mitigation and training.

The provision of targeted funding for risk management training and education programs for higher-risk industries can play a key role in helping to ensure ongoing access to insurance and better protections for those industries and their stakeholders and customers.

The next Australian Government should:

- **Fund training and education programs to improve risk management and national standards across industry sectors experiencing a higher frequency of personal injury liability claims**

Image courtesy of iStock. Australia.

Undertake civil liability reform

Review and reform civil liability settings to moderate claims and premiums costs and improve public liability constraints for SMEs and not-for-profits

Rising claims costs continue to increase the cost of public liability insurance premiums, particularly for small businesses and not-for-profit organisations, threatening their ongoing financial viability.

APRA National Claims and Policies Database statistics have identified social inflation (higher plaintiff demands for compensation) and increasing prevalence of claims seeking compensation for psychological injury, as a significant cause of increasing claims costs.

Insurers have had to significantly increase insurance premiums and reduce the amount of insurance they offer in the market to address these increasing claims costs which have led to multiple years of unsustainable losses. Consequently, many small businesses and not-for-profit organisations operating in the amusement, tourism, leisure, live music, and hospitality sectors have experienced two- to four-fold increases in the cost of their public liability insurance. As a result, some operators in these sectors continue to struggle to obtain cover which is threatening their ongoing viability.

The inability to source public liability insurance has contributed to the pressures on some tourism operators and live music venues. It is forecast that these sectors will continue to experience further premium increases and limited coverage appetite from insurers, adding to pressures on these businesses and sectors.

Tort reform remains a powerful policy tool available to government that can directly impact insurance underwriting risk and the availability of public liability insurance. Tort reform was previously undertaken in 2001–02 and was immediately successful in addressing the insurance availability problems at that time.

To address the current public liability insurance constraints, a review of and, where necessary, reform to current civil liability settings is required to ensure they remain fit-for-purpose and support a sustainable public liability insurance market in Australia.

There are several areas of potential reforms that should be considered that would help increase insurance capacity in the market. These could include use of statutory defined benefit frameworks for personal injury claims (similar to those used in CTP and workers compensation schemes) and the use of thresholds in relation to compensation for non-economic loss and gratuitous (informal) care.

Reforms in these areas would 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 next Australian Government should:

- **Lead a national review of tort law and civil liability arrangements to examine the impact current legislation is having on SME and not-for-profit organisations' ability to access appropriate insurance**

Address motor trades skill shortages

Keep Australia moving by uplifting the number of workers in motor repair industries to improve motor vehicle repair timeframes

Australia's motor insurance industry faces critical skill shortages in key trades, risking repair delays, cost increases, and broader economic impacts without immediate action.

This shortage includes panel beaters, vehicle painters, and motor mechanics. For example, according to the 2024 Deloitte report *Skills shortages in the Australian automotive industry* just 26 per cent of panel beater vacancies are currently being filled. ABS data shows that the panel beater workforce has shrunk by 55 per cent over the last decade, despite a 15 per cent rise in passenger vehicles.

Skilled migration temporarily bridges the gap, filling nearly half of all motor trade vacancies through business-sponsored visas. However, bottlenecks in migration processes and inadequate local workforce pipelines exacerbate the problem.

Repair delays caused by workforce shortages directly impact consumers through higher costs and longer wait times for motor insurance claims. Left unaddressed, these shortages will further strain the industry and its customers, particularly as newer, more technologically sophisticated vehicles require more complex repairs.

Addressing this issue requires immediate as well as sustained long-term action. Streamlining skilled migration processes can alleviate immediate pressures, while collaborative initiatives between industry and government is crucial for building long-term capacity. Increasing apprenticeship completion rates, which according to the Australian Mining and Automotive Skills Alliance are currently at 58 per cent, through targeted training, mentoring and incentives, can help develop a sustainable local workforce.

The next Australian Government should:

- **Streamline skills assessments by authorising motor trades associations and TAFEs to conduct assessments**
- **Reduce or waive Skilling Australians Fund (SAF) levies for critical motor trades on the Skills in Demand List**
- **Lift geographic restrictions for 482 visa holders to direct resources where needed**
- **Partner with industry to improve apprenticeship retention and completion rates**
- **Provide greater investment in vocational training to equip workers with the skills needed for emerging motor trades roles, particularly for EVs**

Strengthen automotive supply chains

Enhance domestic automotive supply chain capabilities to reduce repair costs and motor insurance premiums

Australia's reliance on global automotive supply chains increases repair costs and motor insurance premiums, underscoring the need to strengthen local manufacturing.

The decline of domestic automotive manufacturing has increased Australia's reliance on international supply chains, which are vulnerable to disruption. COVID-19 demonstrated how supply chain vulnerabilities can escalate repair costs and further strain motor insurance affordability.

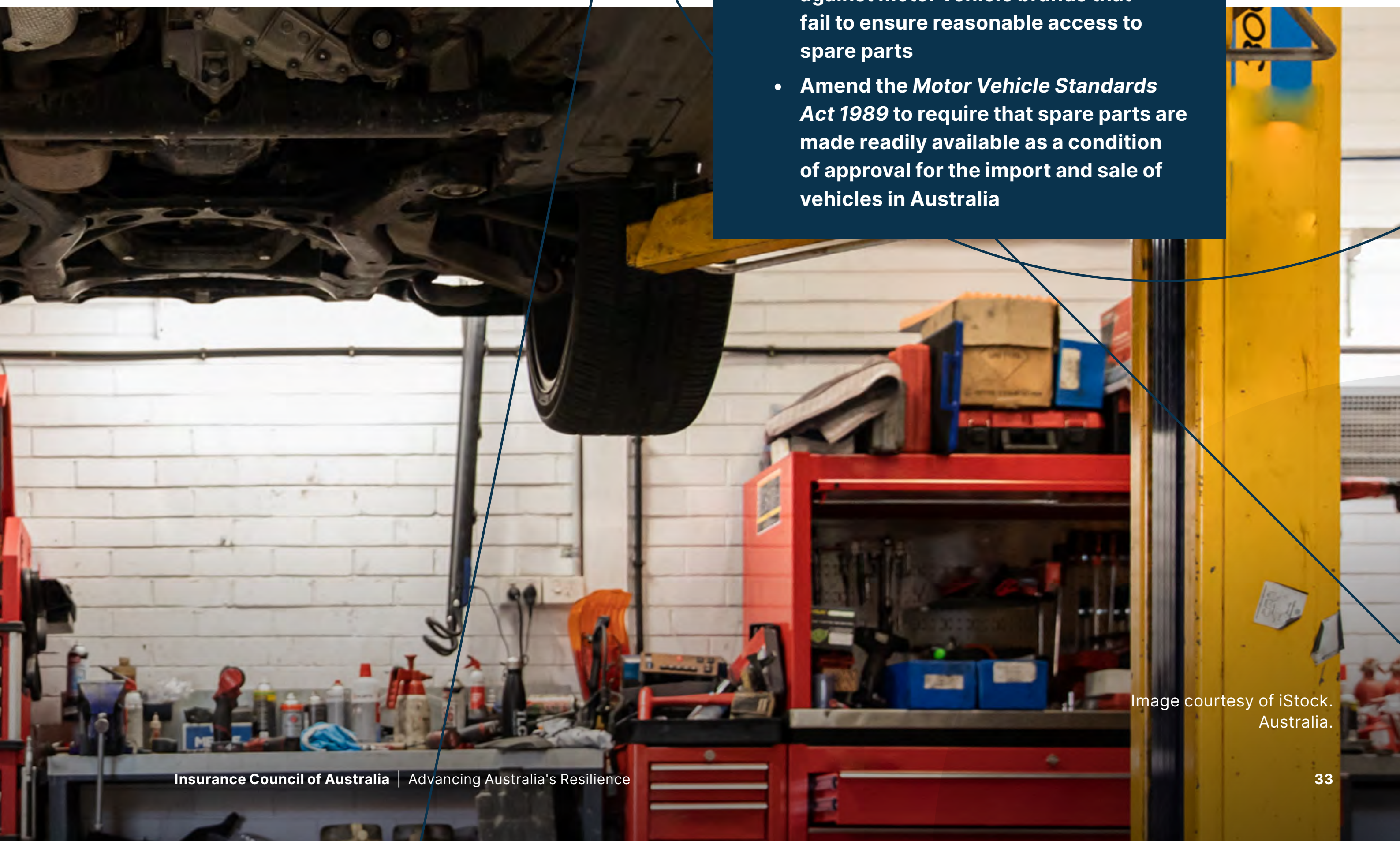
Since 2019, the cost of motor spare parts and accessories have increased by 26 per cent. Additionally, some manufacturers restrict independent access to repair parts, limiting competition and further driving up repair costs. Adding to these challenges is the growing number of new car brands entering the Australian market. While these brands are expanding their market share creating greater competition and consumer choice, many have failed to ensure an adequate supply of spare parts, leading to delays of several months for repairs.

Without local manufacturing and competitive access to parts, repair costs will continue to rise, reducing affordability for consumers and increasing pressure on insurance premiums.

Prioritising automotive manufacturing in industry resilience initiatives can create more domestic suppliers, while expanding the Motor Vehicle Information Scheme (MVIS) to require fair access to parts as well as repair information can reduce costs and promote competition.

The next Australian Government should:

- **Include automotive manufacturing in supply chain resilience initiatives like the Supply Chain Resilience Initiative and the Future Made in Australia Framework or similar industry initiatives**
- **Expand the MVIS to mandate independent repairers' access to critical vehicle parts**
  - **Strengthen Australian consumer law to enable regulators to take action against motor vehicle brands that fail to ensure reasonable access to spare parts**
  - **Amend the *Motor Vehicle Standards Act 1989* to require that spare parts are made readily available as a condition of approval for the import and sale of vehicles in Australia**



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Insurance Council of Australia

The Insurance Council of Australia is the representative body for the general insurance industry of Australia. Our members represent approximately 90 per cent of total premium income written by private sector general insurers, spanning both insurers and reinsurers.

General insurance has a critical role in the economy, insulating individuals and businesses from the financial impact of loss or damage to their insured assets.

Our work with our members, consumer groups and all levels of government serves to support consumers and communities when they need it most.

We believe an insurable Australia is a resilient Australia – and it's our purpose to be the voice for a resilient Australia.

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Manly, New South Wales.