



Insurance Council
of Australia

2 February 2026

Hon. Dr Daniel Mulino MP
Assistant Treasurer and Minister for Financial Services
Parliament House
Capital Hill ACT 2600

Via: PreBudgetSubmissions@treasury.gov.au

Dear Minister

2026-2027 Pre-Budget Submission

The Insurance Council of Australia (Insurance Council) welcomes the opportunity to provide a pre-budget submission for the Federal Government's 2026-27 budget on behalf of our members.

The Insurance Council is the representative body of the general insurance industry in Australia. Our members represent approximately 85 percent of total premium income written by private sector general insurers.

Insurance affordability and climate risk

Australia faces an unprecedented level of extreme weather risk with communities experiencing more frequent and severe weather than ever before. Between 2019 – 2024, insured losses to extreme weather events averaged \$4.5 billion annually representing a 67 per cent increase from the previous five-year period.

Meanwhile, the cost to repair and rebuild properties has increased, while labour and skills shortages can delay the speed of recovery when disaster strikes. Between 2020 and 2024, construction costs accelerated well beyond general inflation. Building construction prices rose 31 per cent, building materials surged 38 per cent, and house construction jumped 40 per cent—compared to 19.6 per cent in the broader economy.

The escalation level of extreme weather risk combined with inflationary pressures is reflected in higher insurance premiums as repairs and rebuilds become more frequent and costly. While there is no silver bullet, the Federal Government has options available to alleviate premium pressure for the highest risk households in the short-term, while making longer-term investments in large scale infrastructure and risk mitigation projects that protect communities and prevent or reduce the damage caused by extreme weather.

Further, strengthening building codes, land use planning, and disaster recovery coordination are critical to managing Australia's escalating natural disaster burden. Mandating resilience standards in construction, preventing development in high-risk areas, and streamlining Commonwealth-state-local recovery processes reduce damage, accelerate claims resolution, and improve insurance affordability. These integrated measures address both immediate disaster impacts and long-term climate adaptation, delivering better outcomes for communities and reducing the economic toll of extreme weather events.

Tax and Regulatory Burden

The Insurance Council supports the Government's commitment to improve productivity including through cutting unnecessary red tape and improving the efficiency of the tax system.

State-based insurance taxes cost policyholders \$8.9 billion in 2024-25, representing between nine and 40 per cent of total premiums. These stamp duties are levied cumulatively with GST and have been consistently identified as inefficient and distortionary by numerous economic reports. The percentage-based nature of these taxes disproportionately burdens properties in high-risk areas, where premiums are already elevated due to extreme weather exposure. This submission recommends the Federal Government work with state governments to reform insurance-linked stamp duties and develop fairer, more efficient revenue collection mechanisms.

Meanwhile, regulation is costing Australian insurance customers up to \$3.5 billion annually and hampering industry productivity, according to a recent Insurance Council of Australia report. The industry navigates more than 30,000 regulatory obligations across 25 authorities, with two-thirds of regulations being prescriptive rather than outcome-focused. This creates unnecessary costs, stifles innovation, and diverts resources from customer service. The report identified practical reform opportunities through consolidation, alignment, and better coordination between regulators — reforms that complement federal initiatives already underway to reduce regulatory burden and boost productivity.

Supporting small business

Critical motor trades workforce shortages are constraining vehicle repair capacity and extending claims timeframes, while outdated civil liability frameworks drive unnecessary litigation and compliance costs. Reforms to skilled migration, apprenticeship support, and vocational training — particularly for electric vehicle technologies — combined with civil liability law modernisation, would improve industry productivity, reduce insurance costs, and deliver better outcomes for consumers.

We thank the Government for the opportunity to make a pre-budget submission for the 2026-27 Federal Budget and look forward to ongoing engagement. Should you have any questions in the meantime, please contact Sophie Johnston, Senior Manager Media Relations, at sjohnston@insurancecouncil.com.au.

Regards



Andrew Hall
Executive Director & CEO

Key Recommendations for the 2026-27 Budget:

1. Establish a Flood Defence Fund, at a cost of \$30.15 billion over ten years, with the costs shared with the Queensland, New South Wales and Victorian Governments.
2. Extend disaster resilience funding to a ten-year rolling program that prioritises hard infrastructure projects in collaboration with insurers to improve risk mitigation and data utilisation.
3. Fund the Resilient Building Council to expand its Bushfire Resilience Rating app to include risk and resilience advice for more natural hazards including flood.
4. Incentivise state and territory governments to abolish unproductive taxes on general insurance products to provide cost of living relief and shift the tax burden toward less distortionary taxes.
5. Fund a National Hazard Data Asset that:
 - a. standardises and makes current and future hazard data publicly available
 - b. supports local government hazard mapping updates
 - c. leverages key infrastructure data assets including a national register of buildings, household resilience and a coastal defence register.
6. Establish the Commonwealth Recovery Arrangements in collaboration with states to better coordinate and prioritise disaster recovery
7. Provide \$110 million over five years to the Queensland, Northern Territory and Western Australian governments to support permanent and ongoing cyclone risk reduction programs
8. Fund a post-implementation review of the Hayne Royal Commission reform
9. Fund training and education programs to improve risk management and national standards across industry sectors experiencing a higher frequency of personal injury liability claims
10. Fund a national review of tort law and civil liability arrangements to examine the appropriateness of current laws and their impact on insurance affordability for SME and not-for-profit organisations
11. Address motor trades workforce shortages through:
 - a. streamlined skilled migration assessments via industry associations and TAFEs
 - b. reduced Skilling Australia Fund levies for critical trades
 - c. extended fee-free TAFE beyond 2026; restored Australian Apprentice Training Support Payments (\$5,000 instead of the planned \$2,500 reduction)
 - d. industry partnerships to improve apprenticeship retention and EV-focused vocational training

Uplifting Resilience Investment

Flood Defence Fund

The greatest flood risk in Australia is concentrated around 24 river catchments across Australia's east coast. Insurers are focussed on these high risk catchments with extreme flood risk to develop policy solutions proposals to address unacceptable levels of 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.

The Insurance Council proposes the establishment of a \$30.15 billion Flood Defence Fund (the Fund) to significantly strengthen the level of protection for vulnerable homes and communities against flood. The Fund is critical to protecting communities from extreme flood risk and would focus Federal Government expenditure on natural disasters on prevention and mitigation rather than post-disaster recovery. This investment would make Australia a world-leader in reducing the devastating impact of flood on lives and property.

Co-funded with the governments of Queensland, NSW and Victoria, the Fund would:

- 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)

With approximately 1.2 million properties at risk of flooding, the Fund is a necessary response to our most expensive extreme weather event. More than half of these properties fall short of flood resilience measures in modern planning and building standards, which increases the level of damage when events occur.

Poor planning decisions combined with increased climate impacts has resulted in the high risk exposure of many of the 1.2 million exposed properties. These properties are often cheaper due to their location and building material, attracting lower-income residents or tenants who will have greater difficulty affording insurance that covers such a high known risk. This creates a cycle where the most vulnerable face the highest flood risks yet can't afford to insure and are unable to sell; transferring recovery from the private market onto state and federal government balance sheets.

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 already disadvantaged residents. Insurers 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 pressure.

The Insurance Council proposes a four-pronged approach to the \$30.15 billion flood defence investment to drive down this risk and alleviate pressure on insurance premiums.

1. Deliver new critical flood infrastructure

The Fund should allocate 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.

Whilst this proposed \$15 billion investment over ten years is a significant uplift in government resilience investment, this should be considered against the 2025–26 Federal Budget which commits general government infrastructure funding of \$60.7 billion over the four years to 2028–29.

Furthermore, there is a significant return on government investment in disaster risk reduction measures, with figures from the National Emergency Management Agency showing that for every dollar spent on disaster risk reduction, the avoided cost is \$9.60 which can be invested in other productive government assets and services¹

To ensure funding is targeted, the flood defence infrastructure pipeline should be annually reviewed - similar to Infrastructure Australia's priority list - against key criteria such as evolving flood risk, population density in each catchment and establishment and maintenance of flood infrastructure.

Studies undertaken for the Insurance Council have identified the areas where investment in flood resilience will have the greatest benefit in reducing flood risk and consequently improving the affordability of insurance premiums in Australia's most flood-exposed communities. For example, approximately 80,000 properties are in concentrated locations that would benefit from major flood resilience infrastructure such as levees or dams.

Investment in these high priority areas 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, alleviating pressure on the most vulnerable who often have the highest flood risk
- Minimise the financial impact of post-flood recovery and rehabilitation activities on government balance sheets

2. Strengthen properties in harm's way

The Fund should allocate \$5 billion toward measures that strengthen properties in harms way such as house raising and lifting utilities above flood lines. This would play a vital role in mitigating flood risk to existing properties and has been utilised successfully by both the Queensland and New South Wales governments under the Resilient Homes Fund and Resilient Homes Program, respectively.

This flood mitigation strategy 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.

3. Managed relocation (buy backs)

The Fund should allocate \$10 billion where risks cannot be mitigated for buybacks or managed relocation, in consultation with communities. The Resilient Homes Fund and Resilient Homes Program provides a blueprint for the development of a national program to buy-back the most severely impacted homes and those at the greatest risk of future flooding.

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.

¹ [NEMA submission to the Independent Review of Commonwealth Disaster Funding](#)

4. Future-proof existing flood mitigation infrastructure

The Fund should allocate \$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.

Existing flood mitigation infrastructure is crucial for protecting vulnerable communities and essential services. Delays in identifying and repairing damage to flood infrastructure increases risks and costs as disasters compound.

Tracking infrastructure repair and maintenance is also critical to enable insurers 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.

Infrastructure barriers

In 2025, the Insurance Council identified existing flood defence infrastructure projects which are currently underway and the barriers that are preventing completion. This built on Rhelm's earlier analysis which identified the scale and categories of funding required to strengthen Australia's resilience to flood. The 2025 analysis identified more than 60 proposed flood mitigation infrastructure projects, including dams, levees and floodways, all of which are at various stages of development.

These projects, which are at either strategic, concept, design or construction ready stage, are located in 17 high risk catchments across NSW, Victoria and Queensland. They include:

- Brisbane River
- Fitzroy River
- Richmond River
- Burnett River
- Namoi River
- Sydney Coast – Georges River
- Tweed River
- Murrumbidgee River
- Goulburn River
- Pioneer River
- Hunter River
- Murray River
- Wollongong Coast
- Macquarie – Tuggerah Lakes
- Clarence River
- Yarra River
- Condamine – Culgoa River

Despite being identified as required infrastructure projects in their local communities, their successful delivery is inhibited by a range of factors, including slow approval processes, insufficient funding, and a lack of management and technical capacity at the local government level.

As part of its development of the Fund, the Insurance Council encourages the Federal Government to work in partnership with state and local governments to cut red tape for resilience projects and urgently prioritise investment in flood infrastructure capital works in high-risk locations.

The 2026-27 Budget should:

- Establish a Flood Defence Fund, at a cost of \$30.15 billion over ten years, shared with the Queensland, New South Wales and Victorian Governments.

Standalone Infrastructure Investment Program

In addition to the establishment of a Flood Defence Fund, the 2026-27 Budget should include funding to establish a significant stand-alone resilience infrastructure program which is separate to the DRF. This program, which would be funded through the Flood Defence Fund, would deliver large-scale resilience infrastructure projects, such as levees and dams, including projects that have been identified as priorities under the Flood Defence Fund proposal. Importantly, this fund should be supported by a central government agency that has existing expertise in successfully delivering major government infrastructure projects.

The Program's development should give consideration to the Investment Framework for the National Water Grid (NWG),² which has been established to invest in nationally significant water infrastructure projects that unlock potential, build resilience, and promote growth and sustainability. The NWG's Investment Framework serves as a potentially useful guide for government to ensure the resilience infrastructure fund is appropriately targeted towards projects with a strong economic need. The Framework is underpinned by eight guiding principles which all funding proposals must meet in order to be assessed as suitable for funding.

This includes, for example:

- Projects should be of demonstrable public benefit and have a national interest element, including building resilience to climate change, and enabling economic development.
- Ensuring there is strong state or territory government support, including funding contributions and involvement of the private sector and local government where appropriate.
- The investment should provide the highest net benefit of all options available which taking into account economic, social and environmental impacts.

Bushfire Rating App

In addition, the Insurance Council encourages ongoing financial support for the expansion of the Resilient Building Council's Bushfire Rating App to become a multi-peril tool. The RBC's Bushfire Rating app has helped over 6000 households make their homes more resilient to bushfire. A number of insurers are offering premium discounts to policy holders whose resilience measures have been recognised and certified under the App's Resilience Rating System.

² [National Water Grid Investment Framework](#)

Increased funding should support:

- Expansion of the Bushfire Resilience Rating system to incorporate other perils including cyclone and flooding. Funding should be targeted towards expanding the current system which was developed by specialist researchers, engineers and fire safety experts.
- This additional funding should be in addition to initial funding which has already been provided by the National Emergency Management Agency through the Australian Government Disaster Risk Reduction Package.

Strengthen the Disaster Ready Fund

The Disaster Ready Fund (DRF) should be expanded to a 10-year rolling program to ensure ongoing investment in community level disaster resilience and to support ongoing climate adaptation efforts.

Since its establishment in 2022, the DRF has funded a range of projects to drive down risk and make homes more resilient to flood, cyclone and bushfire. It is most effective when funding is targeted at projects that measurably and materially drive down risk through large scale infrastructure mitigation investment.

The Insurance Council welcomes the infrastructure projects announced in November 2025 under Round 3 of the DRF. The total number of projects to receive funding was 96, compared to 185 projects receiving funding in round one, and 171 projects receiving funding in round two. A number of these 96 projects appear appropriately targeted to reduce the risk of flood, by levee construction, stormwater upgrades, sea wall construction, flood protection systems and improved flood modelling. This includes, for example, \$14.1 million for the Narrandera urban stormwater upgrade; \$9.1 for the North Wagga levee construction and \$6.4 million for the Numurkah flood mitigation at Broken Creek. There are, however, a number of smaller projects receiving funding that will not measurably and materially drive down risk through infrastructure mitigation investment, including a number of disaster education programs that would be unlikely to have any impact on the levers driving up premiums.

Establishing a long-term 10 year funding pipeline that is indexed creates ongoing opportunities to strengthen community resilience. The Government should continue to partner with the insurance industry, via the Hazards Insurance Partnership, to seek feedback on the potential risk reduction and insurance benefits of funding applications.

The critical challenge for the DRF remains that the scale of funding does not match the size of the hazard risk reduction needed to protect Australian homes and business in our most disaster-exposed locations.

The 2026-27 Budget should

- Extend disaster resilience funding to a ten-year rolling program that prioritises hard infrastructure projects in collaboration with insurers to improve risk mitigation and data utilisation
- Fund the Resilient Building Council to expand its Bushfire Resilience Rating app to include risk and resilience advice for more natural hazards including flood

Regulatory and Fiscal Challenges

Incentivise state-based insurance tax reform

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 households with greater weather risk and hence higher insurance premiums are penalised with higher taxes and charges.

Multiple government reviews have identified insurance stamp duty as among Australia's most inefficient taxes. Stamp duty has been found to have a distortionary impact on consumer behaviour, disincentivising insurance coverage altogether or encouraging underinsurance. In turn, un or underinsured households struggle to financially recover from natural disasters.

Nationally, there is a link between high-risk areas and low socioeconomic status because higher risk properties tend to be situated in areas where house prices are more affordable. An unfortunate consequence is that these homes are attractive due to their lower purchase price, however, over time these high-risk areas subject to bushfires, floods, and storms face substantially higher insurance premiums and proportionally higher stamp duty payments.

These state taxes and charges, such as stamp duty and levies to fund emergency services, pose a key barrier to insurance affordability, making up between nine and 40 per cent of an insurance premiums depending on the state. In 2024-25, the states and territories raised more than \$8.9 billion from levies and duties on insurance premiums. This is \$1.6 billion more than the entire general insurance industry collected in profits over the same financial year. The most effective and immediate way to reduce insurance premiums is the abolition of these duties, levies and charges on insurance products.

The NSW Government's Review of Federal Financial Relations in 2020 found insurance taxes are inefficient – they drive up premiums and discourage consumers from adequately insuring. While the NSW Government is undertaking a process to remove the Emergency Services Levy from relevant insurance products in NSW, which is to be commended, all states and territories other than the ACT add a cumulative stamp duty of around ten percent to insurance premiums on top of GST. While these are 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. Further, improving insurance affordability is in the interest of all levels of government and will help alleviate the cost burden borne by the government by transferring the risk back onto the private market through higher insurance uptake where disaster strikes.

The 2026-27 Budget should:

- Incentivise state and territory governments to abolish unproductive taxes on general insurance products to provide cost of living relief and shift the tax burden toward less distortionary taxes

Cutting Unnecessary Red Tape

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.

Regulation is costing insurance customers between \$2.5 billion and \$3.5 billion annually and significantly impacting productivity, according to report commissioned by the Insurance Council.

The insurance industry faces more than 30,000 regulatory obligations enforced by 25 different authorities under 300 regulatory instruments, with major costs stemming from data reporting, privacy and cyber requirements, claims handling, sales and distribution, and breach reporting.

The report found that 66 per cent of insurance regulations are prescriptive rather than outcome-focused, which can stifle innovation and disproportionately impact smaller insurers. It identifies practical reform steps including consolidating duplicative provisions, aligning definitions across legislation, and improving coordination between regulators—reforms that align with federal regulators ASIC and APRA's identification of more than 400 initiatives to reduce regulatory burden.

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 also hampers insurers' ability to plan effectively and allocate resources.

The Insurance Council proposes a range of measures to support a more coordinated and simplified regulatory framework that will help to improve industry clarity and allow insurers to better plan for future.

This will ultimately benefit consumers by targeting policy and regulatory resources towards clearly defined areas of consumer and economic benefit.

The 2026-2027 Budget should include funding to support:

- 25 per cent reduction in regulatory costs by 2035
- Review insurance regulation to streamline and simplify, starting with changes made since 2021
- Respond to the Australian Law Reform Commission's Report 141 on regulatory complexity
- Require regulators to use the Regulatory Initiatives Grid and update it monthly to include data requests and prospective review processes

Lenders Mortgage Insurance (LMI)

LMI facilitates access to credit and home ownership and supports the economic stability of the financial system and competition in the lending market. Accessing LMI is becoming increasingly important as growing housing prices mean reaching a 20 per cent deposit is becoming ever more challenging for millions of Australians. The Insurance Council seeks to expand home ownership by better utilising LMI through a number of targeted reforms and regulatory changes.

The recent expansion of the Australian Government's 5% Deposit Scheme (formerly the Home Guarantee Scheme) has, as anticipated by Lateral Economic analysis (LINK), contributed to significant rises in house prices. These price rises have made housing more expensive for first home buyers. At the same time, the 5% Deposit Scheme, has displaced a large segment of the well-functioning LMI market.

The 2026-2027 Budget should include funding to support:

- Better targeting the Australian Government 5% Deposit Scheme through its design, ensuring it can operate effectively alongside the LMI industry as was originally intended.
- APRA's removal of 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.

Planning for a Climate Resilient Future

Better hazard modelling for today and the future

Funding is required to develop improved data standards and to support better flood mapping to help inform resilience mitigation.

Across markets globally, establishing an authoritative national baseline of current and future hazard risk, linked to public policy settings, has served as a gamechanger for tackling future risk. The Australian Government should prioritise funding for 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. This asset will help to better inform land use planning, building codes and standards, and understanding of current and future hazard risk. It could be advanced through the previous work of the Federal Government via the National Disaster Risk Profile. Importantly, insurers having access to information on resilience infrastructure investment enables insurers to assess risk, reward resilience investments, and maintain insurance availability.

Australia's continued investment in future hazard modelling will be critical to informing our nation's cyclone, storm, bushfire and flood modelling to help decision makers understand where is safe to build future homes and businesses and to what standard. This future modelling should prioritise focusing on Australia's highest hazard zones, starting with flood to ensure resilient investment keeps pace with the size of the risk.

Increased federal funding is also sought to support the update of local government hazard mapping, which can be made publicly available. This can facilitate common understanding and preparation for better outcomes for communities in the longer term. In addition, the Insurance Council encourages the Government to greater government investment to improve the accuracy, availability, and timeliness of catastrophic event information

The 2026-27 Budget should:

- Fund a National Hazard Data Asset that:
 - standardises and makes current and future hazard data publicly available
 - supports local government hazard mapping updates
 - leverages key infrastructure data assets including a national register of buildings, household resilience and a coastal defence register.

Disaster response and funding

Providing sufficient funding to standardise natural disaster recovery arrangements is needed to ensure community recovery is consistent across all jurisdictions. Greater coordination is also required to minimise stress for impacted communities as well as governments, government agencies, insurers, and other responders.

In addition, the Insurance Council seeks appropriate funding to implement the findings of the Independent Review of Commonwealth Disaster Funding (known as the Colvin Review). The Review highlighted opportunities to enhance accountability and coordination of Commonwealth disaster funding arrangements and the implementation of these reforms is essential for effective disaster funding and national resilience.

The 2026-2027 Budget should:

- Establish the Commonwealth Recovery Arrangements in collaboration with states to better coordinate and prioritise disaster recovery

Strengthen cyclone resilience of Northern Australian homes

Climate change is increasing the severity and geographic distribution of tropical cyclones. Recent events, like Tropical Cyclone Alfred, serve as a reminder that in a warmer climate, cyclones may become more intense and increasingly track southwards. As a result, risks to the built environment from stronger winds, increased rainfall and storm surges are increasing in south-east Queensland, Northern NSW and Northern Western Australia and where people's homes are built for weaker cyclonic winds, compared to properties further north in cyclonic wind zones which have higher construction standards. These risks underscore the importance of incentivising home-owners and developers to build new homes to more resilient standards, and supporting the retrofitting of existing high-risk properties via state and federal government investment that is recognised with premium and mortgage discounting where appropriate.

Resilience programs, like Queensland's Household Resilience Program, are a critical part in the effort to strengthen existing homes against cyclone risk through grants for cyclone-proofing improvements.

In June 2023, the Australian Government provided an additional \$20 million in funding for Phase 4 of the Household Resilience Program. The current phase of the program is now in operation, and the Insurance Council encourages the Federal Government to increase its funding commitment to the program beyond the current phase to make the program permanent and ongoing to ensure eligible homeowners in coastal parts of Central and Northern Queensland can improve the resilience of their homes against cyclones. The Insurance Council also encourages Federal Government support for Western Australia's Resilience Grants which reimburses homeowners for building works that improve the resilience of their residential property against future cyclones, and for the Northern Territory's cyclone-specific recovery and resilience support programs and services.

To complement this measure, new buildings in south-east Queensland and northern NSW should be designed to a level that ensures they can withstand high internal pressure by reducing the risk of roof failures. ICA supports wider industry efforts to align building standards with the potential risks posed by tropical cyclones which can be achieved through a strengthening of the relevant wind standards.

Standards Australia should be sufficiently resourced to ensure appropriate upgrades can be made to AS/NZS 1170.2 and AS 4055 to ensure buildings in these regions are designed for high internal pressure.

The 2026-2027 Budget 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

Better land use planning

Reform of land use practices across Australia is critical to reduce extreme weather risk, and to ensure current or future fire, flood or cyclone risk is taken into account when determining where new homes can be built. Failure to do so will unnecessarily worsen the impact of these events.

ICA understands the NSW Government is developing national principles for considering disaster and climate risk as part of land use planning and building reforms, and that it has engaged with jurisdictions

to prepare a report and timeline for implementation into land use planning by all jurisdictions³.

Insurers support the timely finalisation of this work and encourages its implementation as a matter of urgency.

ICA notes First Ministers tasked Planning Ministers more than three years ago to undertake this piece of work to protect Australians from extreme weather events⁴. 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.

The 2026-2027 Budget 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 inland use planning and provide ongoing funding for the national hazard data asset and ensure this asset is made publicly available.

Improve Building Resilience

Minimum building standards in Australia are currently designed to preserve life in a catastrophic event but they are not designed with the goal of preserving the property itself. Despite this, there are clear economic benefits in making homes more resilient to bushfires, cyclones, and floods.

The Insurance Council notes the Federal Government's recent announcement of the Modernising the National Construction Code Project which will focus on four key areas:

- Governance and process
- Complexity and regulatory burden
- Useability and accessibility
- Innovation and housing diversity

ICA acknowledges the importance of tackling Australia's housing shortage and the need to ensure the construction of new homes is streamlined, but this must strike a balance to ensure that new builds aren't locking in future risk, at the expense of community resilience to worsening disasters.

A study by the Centre for International Economics commissioned by the Insurance Council finding 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 light of the Government recent announcement to implement a three-year pause to changes to the National Construction Code, we encourage the Federal Government to work with jurisdictions to explore practical measures to enhance the resilience of the future housing stock. This should involve engaging with industry groups including the insurance industry.

The 2026-27 Budget should:

- Provide necessary resources to implement findings of the 'Modernising the National Construction Code Project' which ensure future homes can better withstand current and future extreme weather events.

³ [Planning Ministers' Meeting February 2024 Communiqué | Ministers for the Department of Infrastructure](#)

⁴ [Meeting of National Cabinet | Prime Minister of Australia](#)

Improving insurance affordability for small business

Small business and Not-For-Profits

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 with high or more complex underwriting risks, such as caravan parks, hospitality and 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.

The 2026-2027 Budget 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

Civil Liability reform

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. insurance market in Australia. The Insurance Council recently released their civil liability reform report, which identifies a number of reforms to civil liability settings (tort reform) that would help improve small business and not-for-profit organisations' access to public liability insurance.

Tort reform remains a powerful policy tool available to governments to increase access to insurance. Therefore, 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.

The 2026-2027 Budget should:

- Fund a national review of tort law and civil liability arrangements to examine the appropriateness of current laws and their impact on insurance affordability for SME and not-for-profit organisations

Address motor trades skill shortages

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, automotive electricians and motor mechanics.

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 and to improve motor vehicle repair timeframes.

The 2026-2027 Budget should include funding to support:

- Address motor trades workforce shortages through:
 - streamlined skilled migration assessments via industry associations and TAFEs
 - reduced Skilling Australia Fund levies for critical trades
 - extended fee-free TAFE beyond 2026; restored Australian Apprentice Training Support Payments (\$5,000 instead of the planned \$2,500 reduction)
 - industry partnerships to improve apprenticeship retention and EV-focused vocational training