

**Submission
No 51**

REVIEW OF THE NSW RECONSTRUCTION AUTHORITY ACT 2022

Organisation: Insurance Council of Australia

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Joint Select Committee on the New South Wales Reconstruction Authority

Submitted via email: nswreconstructionauthority@parliament.nsw.gov.au

Dear Committee,

The Insurance Council of Australia (ICA) welcomes the opportunity to provide a submission to the Review of the *NSW Reconstruction Authority Act 2022*.

About Us

The ICA is the representative body of the general insurance industry in Australia. Our members represent approximately 89 percent of total premium income written by private sector general insurers. Insurance Council members, both insurers and reinsurers, are a significant part of the financial services system. As at December 2022, the Australian Prudential Regulation Authority statistics show that the general insurance industry generates gross written premium of \$64.2 billion per annum. The industry employs over 60,000 people and on average pays out approximately \$147 million in claims each working day.

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

Importantly in the context of this review, the ICA is the coordinating body for the general insurance industry's collective response to extreme weather events and determines the classification of events as Declared Insurance Catastrophes or Significant Events.

Regards

Andrew Hall
Chief Executive Officer

Review

The ICA commends the New South Wales Government in its establishment of the New South Wales Reconstruction Authority (NSWRA). We support:

1. The NSWRA being established as a permanent entity to provide ongoing disaster management, risk reduction, and resilience building, including its scope extending to working with various stakeholders to integrate resilience into urban planning, infrastructure development, and community preparedness.
2. Powers including:
 - a. Designating reconstruction areas and developing comprehensive reconstruction plans.
 - b. Implementing resilience and mitigation projects aimed at reducing the risk of future disasters.
 - c. Streamlining planning and approval processes to expedite recovery and resilience projects.
 - d. Coordinating with all levels of government, private sector, and communities to enhance disaster preparedness.
 - e. Facilitating the rapid reconstruction of critical infrastructure and housing through streamlined legislative processes.
3. The adaptability of NSWRA's legislative framework, allowing it to address a wide range of disaster scenarios. The focus on risk reduction and resilience means that the NSWRA can implement measures that mitigate the impact of potential future disasters, thus reducing the need for extensive recovery efforts.

The ICA recognises the legislative framework of the NSWRA covering the full lifecycle of disaster risk management as nation leading, and reflective of contemporary thinking regarding disaster risk management.

The ICA also acknowledges the significant accomplishment of the development and release of New South Wales and Australia's first State Disaster Mitigation Plan.

In summary, the ICA is comfortable that the current policy objectives and settings are appropriate. We urge the New South Wales government to apply these to prioritise the focus areas and opportunities set out following.

Focus Areas and Opportunities

ICA consistently advocates for collaborative solutions to treat risk and build resilience in our communities. ICA urges the NSWRA to utilise its considerable scope to capture the following opportunities:

Coordination and Collaboration

ICA sees an opportunity for coordination and collaboration with the insurance industry to be more formalised and effective. We have been advocating for all states and territories to form 'Recovery Arrangements' with the insurance industry which may include:

1. Policy Consultation

Consultation on disaster relief, recovery and resilience funding policy prior to events can ensure equity and streamlined delivery when needed most.

Key opportunities we have identified include reviewing policy holder eligibility and evidentiary requirements to ensure equity and to avoid unnecessary delay in the payment of grants.

2. Operations and Delivery

Collaboration on recovery operations and program delivery before disasters occur speeds up recovery after a disaster strikes, and coordination in recovery provides for less friction for policy holders and the community.

Key opportunities we have identified include pre-planning for state coordinated clean ups and resilience programs to ensure focus is on delivery rather than design during recovery.

3. Data Sharing

All agencies and collaborators sharing data to create a unified operational and community picture can improve decision making for the community's benefit.

Key opportunities we have identified include sharing claims and rapid damage assessment data to build a more comprehensive picture of impacts to inform triage and focus in recovery.

We would welcome the opportunity to further discuss Recovery Arrangements with the New South Wales Government.

Risk Reduction

The NSWRA has access to diversified funding sources, including state and federal funds, as well as grants and investments aimed at resilience and risk reduction. This ensures a more stable and continuous flow of resources, enabling the NSWRA to undertake long-term projects and initiatives. The Insurance Council advocates the NSWRA use its scope to focus on:

1. Land Use and Managed Retreat

The planning system must play a crucial role in limiting exposure of development to natural hazards, including by adopting an evidenced based, risk management approach to land use planning. Effective land use planning in areas that are subject to natural hazard risk can significantly reduce the increase in disaster risk and enhance the resilience of existing and future communities.

The policy objectives of land use planning must focus on mitigation and the impacts of a disaster at the time of planning approval. Future financial losses to homeowners, businesses and government can be avoided with better planning and investment.

ICA acknowledges the difficult challenge posed by existing property approved under legacy land use and planning schemes. This challenge must be faced and ICA supports managed retreat as the most effective treatment for the risks posed to the most highly hazard exposed communities.

To help facilitate improved decision making in NSW to ensure extreme weather is properly assessed and addressed in planning decisions, the Insurance Council looks forward to the finalisation of a framework and guidance on nationally agreed principles for natural disaster and climate risk considerations in land use planning decisions. This framework and guidance, which are being led by the NSW Government, are an important part of jurisdictions' response to National Cabinet's declaration in December 2022 that "the days of developing on flood plains needs to end." As the largest state NSW should lead on this to ensure development in high-risk areas like parts of Western Sydney does not occur.

2. Construction Codes

The National Construction Code (NCC) is based on three mandatory core objectives established under the Intergovernmental Agreement for the operation of the Australian Building Codes Board

(ABCB), which are to efficiently achieve health and safety, amenity and accessibility and sustainability. Significantly, these objectives do not include any consideration of property durability or resilience.

Regrettably, the revised National Construction Code currently out for public comment does not include the concept of resilience. As a result, there is no prospect in the short term for there to be a requirement in the Code for buildings to be constructed to a level that delivers enhanced resilience. Unless the Code is broadened to include a definition of resilience that allows consideration for preservation of the building (and not just the preservation of life) then the rest of the Standards underpinning the Code will remain relatively narrow in focus.

National Building codes must be amended to reflect resilience and future risk standards to mitigate against the effects of increasing frequency and severity of extreme natural disasters.

The NSWRA must consider how it can effect change to reflect resilience and future risk standards in planning and development policies and assess the effectiveness of compliance regimes to assure consistent completion of construction and development to those standards.

3. Resilient Recovery

ICA welcomed the announcement of the respective Queensland and New South Wales Resilient Recovery programs following the devastating flood events of 2022.

ICA supports the ongoing delivery and development of Resilient Recovery programs and is committed to collaborating to make their delivery as efficient and effective as possible.

The ICA especially supports making such programs permanent to build resilience and mitigate against loss of life and financial losses before disasters occur.

Conclusion

If you have any questions or comments in relation to our submission please contact [REDACTED], on telephone: [REDACTED] or email [REDACTED]