RACQ Insurance Ltd ABN 50 009 704 152
2649 Logan Road, Eight Mile Plains, Qld 4113
PO Box 4, Springwood, Qld 4127
13 1905 racq.com

4 August 2023

Independent Review of Commonwealth Disaster Funding
Mail to: disasterfunding@deloitte.com.au

Dear Deloitte support team,

RE: RACQ'S SUBMISSION ON THE INDEPENDENT REVIEW OF DISASTER FUNDING (the Review)

The Royal Automobile Club of Queensland (RACQ) is Queensland's largest member-owned mutual, and we exist solely for the benefit of our more than 1.7 million members. Throughout our 118-year history, we have actively engaged with Government in the interests of our members, sharing our expertise and recommendations on a wide range of policy areas including road safety, transport and infrastructure, e-mobility, energy, natural hazard resilience, and disaster management. Our membership makes up a significant portion of Queensland's population and we have a presence in more than 60 per cent of Queensland homes.

We are proud of our long history helping Queenslanders protect their homes and families and are pleased to share insights and experience gained through responding to numerous disasters.

Queensland (and Australia) has suffered from a chronic underinvestment in disaster mitigation and climate resilience. It is encouraging to see different levels of government start to work together on tackling the growing disaster risk, but we have a long way to go in better protecting vulnerable communities.

This submission complements perspectives that RACQ shared while participating in the Deloitte Independent Review Team's focus group discussion on 14 July 2023.

RACQ supports the Insurance Council of Australia's (ICA) submission that outlines practical recommendations to better protect communities from future natural disasters and help build resilience.

RACQ would also like to reiterate the following recommendations that have largely been conveyed in previous forums and reviews:

- Fund more community-level mitigation initiatives that reduce risks such as flood levees and better drainage.
- Fund more programs that support private mitigation that helps Queenslanders upgrade their homes, so they are more disaster resilient.
- Work with all levels of Government to develop and implement place-based disaster resilience plans in high-risk communities.
- Increase investment in 'green defences' such as fire breaks, catchment clean ups to free up our waterways and ensure smarter use of landscapes and terrain to manage record rainfall.
- Expand the Cyclone Reinsurance Pool to include other perils such as flood.
- Consider 'climate retreat' strategies in which governments consider more instances of 'buy back' of homes and businesses in key high-risk areas.
- Insurance duty should be abolished to improve the affordability and sustainability of home insurance.
- Futureproof communities through smarter land use planning so we stop putting new homes and businesses in harm's way.
- Embed the principle of resilience in the National Construction Code so homes are built to better withstand growing climate impacts.
- Better plan, design and construct safe roads and transport infrastructure that are resilient to climate and severe weather impacts.

- Streamline and simplify disaster funding arrangements, so they are clear in how they support each stage of disaster management including preparedness, response and recovery, and mitigation and resilience.
- Ensure representation from insurers on any new recovery and resilience governance structures and facilitate greater collaboration and coordination between all levels of government, particularly on delivery of mitigation and resilience building initiatives in high-risk communities.

RACQ's Role in Disasters

In relation to disaster management, RACQ is an insurer of home and motor as well as a provider of roadside assistance and traffic management support. As such we carry out the following activities across Queensland:

- We repair and re-build members' homes and repair or replace motor vehicles.
- We run community awareness activities to better prepare for weather events at critical times in the year.
- We have partnered with the Queensland Government to implement the jointly funded Resilient Homes Fund to build back better and repair homes to a standard that reduces the impact of future flooding.
- We provide important advice to government and the ICA on natural disaster responses that are underway.
- We are an active Queensland policy advocate that provides input into decisions about where to invest funds to mitigate against disasters as well as government reviews into disaster response and recovery.
- We provide roadside assistance, traffic management, and respond to incidents where roads have been cut off. For example, in the 2022 flood event, our Roadside Assistance business was a critical responder recording a 24% increase during the event equating to 5,400 extra jobs in southeast Queensland. Our Mobile Member Centre was deployed to hard hit areas in Gympie and Redcliffe to provide a safe space for members to lodge their insurance claim.
- We partnered with the Department of Transport and Main Roads, with our Traffic Response Unit supporting 28 full or partial road closures equating to 109 hours of additional labour committed to the flood response.
- As of July 2023, we have resolved 94% of home claims and 99.7% of motor claims from last year's floods.
- Finally, through the RACQ Foundation, we also help disaster affected community groups and clubs throughout Queensland where we provide grants to help recover from disasters, rebuild community assets, and provide volunteer assistance and labour to undertake recovery and resilience works. Since establishing, the RACQ Foundation has provided more than $14 million to communities through 492 community grants and 19 community assistance projects.

We are a member of the Federal Government's Hazard Insurance Partnership (HIP) that was recently established so insurers can help government make informed decisions about the mitigation/resilience spending.

RACQ firmly believes that protecting vulnerable communities and safeguarding them against the growing threat of climate change should be a key role of government. A key role for an insurer is to financially incentivise the changing profile of risk that results from resilience activity. A price signal should inform where and how to prioritise resilience because if you lower the risk, you lower the cost of insurance.

In addition to getting more sophisticated, and advanced on insurance pricing, the industry should be one of the primary advisers when it comes to resilience spending, and it is pleasing to see the HIP commence with this purpose.

The Queensland Experience – Planning, Funding Improvements & Governance

Planning

RACQ is concerned that Queensland remains the most vulnerable state in Australia when it comes to growing disaster risk and climate impacts.

With every natural disaster that occurs in Queensland, RACQ sees concerning evidence of improper planning and development. Even the largest and quickest climate adaptation programs will not fix these problems in the short term. But we must start by futureproofing communities through smarter land use planning, so we stop putting new homes and communities in harm's way.

We also believe in the idea of 'climate retreat' in the right places, where homes and businesses are supported to relocate such as in the case of Grantham in the Lockyer Valley after the 2011 floods. Avoided flood losses have meant the cost of Grantham's relocation has largely paid for itself already after only a decade.

Disaster Funding Improvements

A notable finding from our post-flood member survey last year was a call for greater effort in flood mitigation and an overwhelming majority of our members (72%) felt steps are inadequate.

The successful Resilient Homes Fund in Queensland is a good example of coordinated resilience building in private homes with government and insurers working together. RACQ would like to see greater government investment in resilience building in homes located in high-risk areas. Retrofitting elements of this program should evolve into pre-disaster initiatives like the popular Household Resilience Program that assists with cyclone upgrades in north Queensland.

RACQ has been a supporter of a reinsurance pool in north Queensland however we have raised our concerns about how it has been designed and legislated. We believe that the unchecked and growing risk that has spread throughout the country means the Federal Government must step in with an expanded and effective pool before uninsurable communities become commonplace. The pool is currently limited to cyclone losses but there is a case to have the pool cover flood as well.

RACQ would also like to emphasise the need to address the resilience of road and transport infrastructure. With a booming population and increasing freight transportation, combined with an increase in intensity and frequency of severe weather events, greater emphasis is needed on improving the resilience of critical road infrastructure including road bridges and culverts. Current stressors to constructing high quality resilient pavements in regional Queensland include inferior soil conditions, difficulties in sourcing quality road building materials and increases in material costs and delivery within available budgets.

Disaster Recovery Funding Arrangements (DRFA) and previous NDRRA funding has traditionally focussed on reinstatement of road and transport infrastructure after a natural disaster, rather than betterment initiatives which can prevent or minimise future damage. A focus should be on better planning, design and construction of roads and transport infrastructure that is resilient to climate and severe weather impacts.

In relation to the wider funding pool for disaster management, there were funding announcements of over $507 million in the Federal 2023-24 Budget with eight identified programs. The Federal Government should consider streamlining and simplifying funding arrangements, so they are clear in how they support each stage of disaster management including preparedness, response and recovery, and mitigation and resilience. There is also a need for State Governments to streamline funding to avoid it being misdirected.

Governance – Building in Recovery and Resilience into Disaster Management Arrangements

The Queensland Government has recognised a gap in disaster management arrangements that focus on recovery and resilience. The Queensland Disaster Management Committee (QDMC) will include two groups: the re-instatement of the State Disaster Management Group (SDMG), and the formation of the new State Recovery and Resilience Group (SRRG).

The SDMG will manage the business of disaster management for the state on behalf of the QDMC. When the QDMC deactivates, the SDMG will reform. The SRRG will operationalise strategic direction, provide advice on outcomes and any emerging strategic issues as they relate to resilience, prevention, preparedness, and recovery.

There needs to be representation from insurers on the new recovery and resilience structures and greater collaboration and coordination between all levels of government, particularly on delivery of mitigation and resilience building initiatives in high-risk communities.

Concluding comments on the Review

RACQ also continues to call on governments to consider abolishing duty on insurance. In Queensland, it means 19.9% of a home insurance premium consists of taxes (10% GST plus 9% stamp duty).

Finally, we note that there has been numerous government, parliamentary and regulatory reviews into natural disasters, and the insurance industry over the past decade. RACQ and ICA have made many submissions. In addition to this Review, are concurrent reviews of disaster-related frameworks, governance, and funding arrangements being undertaken by the Federal Government including:

- The Disaster Recovery Funding Arrangements (DRFA) Review, and
- The Independent Review of National Natural Disaster Governance Arrangements.

It would be pertinent for Deloitte to review all the submissions and recommendations made across government as well as the work being undertaken by the Hazard Insurance Partnership (HIP).

RACQ welcomes any further discussion on our submission.

Yours sincerely,

[redacted]

Trent Sayers
Chief Executive Insurance