Australian Banking Association

20 February 2023

Select Committee on Australia's Disaster Resilience
PO Box 6100
Parliament House
Canberra ACT 2600
By email: disasterresilience.sen@aph.gov.au

Dear Colleague

Natural disaster response and recovery inquiry

The Australian Banking Association (**ABA**) welcomes the opportunity to provide feedback on the Senate Select Committee on Australia's Disaster Resilience (**Senate**) inquiry into Australia's preparedness, response and recovery workforce models, as well as alternative models to disaster recovery (**Inquiry**).

The ABA and our members play an active role in relation to natural disasters when they arise, such as through our Natural Disaster Response Protocol, to ensure a consistent, supportive and timely response by the banking sector.

The Government should invest in the development of tools that will promote greater transparency of natural disaster risks, while continuing to prioritise initiatives that will support decarbonisation, emissions reduction, and stability of global temperatures. We recognise that all levels of Government have a role to play in supporting disaster preparedness and encourage Governments to work together to maximise impact and ensure a consistent approach to resilience and climate change across Australia.

We consider that a greater allocation of funds towards resilience building initiatives is critical to supporting disaster mitigation. While it is noted that some tools already exist, such as the Brisbane City Council Flood Awareness Map, there is opportunity to promote greater levels of consistency and coverage across Australia and incorporate a more comprehensive range of natural hazards into the same tool.

We note Australians have faced a steady increase in their insurance premiums over the past five years due to the impact of natural disasters. At the same time, communities and stakeholders are unable to access centralised or reliable information in order to make more informed decisions relating to the natural disaster risk of a property.

The Government is encouraged to develop a solution that enables access to reliable, coordinated and secure data relating to natural disaster risk, such as via an online portal. Access to such data would support prospective homeowners in making more informed decisions regarding the location of a property and investment options, and to governments in being able to proactively identify and manage natural disaster-prone land and expedite the delivery of resilience grants and subsidies to those impacted by natural disasters. It would also support the private sector, including banks, better assess and price risks associated with lending to homes in areas prone to natural disaster.

The ABA also considers that planning, building and disaster response frameworks should be updated to enhance household, infrastructure and community resilience. They should embed natural disaster considerations, including in relation to preparedness, risk and response, to provide greater certainty and transparency to all parties engaged in the process of home ownership, and reduce unnecessary red tape during the response to natural disasters.

In the Appendix, the ABA has highlighted a series of further points for the Government's consideration. If any further information is required in relation to this submission, please contact me at ellen.choulman@ausbanking.org.au or 0430 320 701.

Yours sincerely

Ellen Choulman
Director, Business Engagement and Policy

About the ABA

The ABA advocates for a strong, competitive and innovative banking industry that delivers excellent and equitable outcomes for customers. We promote and encourage policies that improve banking services for all Australians, through advocacy, research, policy expertise and thought leadership.

Appendix

We welcome the Inquiry into ways to improve and strengthen the preparedness prior to, response during and recovery after a natural disaster.

It is noted our comments are limited to paragraph (c) of the Inquiry's terms of reference, being the consideration of the practical, legislative and administrative arrangements required to support improving Australia's resilience and response to natural disasters.

In addition, we provide an overarching comment and note that for any arrangements or solutions to meaningfully tackle natural disaster preparedness, response and resilience, the Government must continue to address the underlying issue of climate change and prioritise solutions that support a reduction in emissions and decarbonisation of Australia's economy.

Member banks' support during natural disasters

The ABA plays an active role in relation to natural disasters when they arise to ensure a consistent, supportive and timely response by the banking sector.

We regularly encourage customers affected by any natural disaster to contact their bank as soon as possible for assistance and implement several steps to ensure those affected are supported by the banking sector. This support is delivered in part through the ABA's Natural Disaster Response Protocol, which sets out how the ABA and member banks work closely together following a natural disaster event to support on-the-ground efforts. This collaboration with banks ensures the ongoing provision of banking services to affected communities, early identification of any gaps in relief and communication and coordination between government, peak bodies and community groups who may be affected, as needed, to proactively address issues.

For example, during the Rochester and Echuca flooding event in Victoria, the ABA visited the affected community to identify and support resolution of issues, support on-the-ground efforts and provide information to local members of the community, as well as financial counsellors who were assisting those impacted by the flood. During the recent flooding events in South Australia, Western Australia and Queensland over Christmas and the new year, the ABA closely engaged with local First Nations community groups to support those impacted with accessing cash and other banking services.

The ABA also publishes communications materials via online platforms and local news outlets to notify communities of the assistance member banks can offer to help customers during, and following, a natural disaster. This support, while dependent on a customer's individual circumstances, can include:

- A deferral of scheduled loan repayments, on home, personal and some business loans;
- Waiving of fees and charges, including for early access to term deposits;
- Debt consolidation to help make repayments more manageable;
- Restructuring existing loans free of the usual establishment fees;
- Offering additional finance to help cover cash flow shortages;
- Deferring upcoming credit card payments;
- Emergency credit limit increases.

Disaster preparedness and prevention measures

Globally, only $5 in every $100 of disaster-related assistance is spent on disaster prevention and preparedness.[1] In Australia, the 2014 Productivity Commission has identified that the Government should

[1] Department of Foreign Affairs and Trade, 2022, Disaster risk reduction and resilience, https://www.dfat.gov.au/development/topics/development-issues/building-resilience/drr/disaster-risk-reduction-and-resilience.

be allocating double what is currently being invested in resilience building.[2] While the ABA acknowledges that governments have uplifted support offered since 2014, the frequency of natural disasters has also grown. Since 2019, Australia has observed the Black Summer bushfires, major flooding events across eastern states and most recently Western Australia, a category 3 cyclone and several hailstorms, as well as other extreme weather events continuing to impact communities on the coast, riverine and high risk locations. Despite these recurring events, governments generally spend a significant amount on recovery measures and underspend on resilience.

The ABA supports greater allocation of funds, such as through grants and subsidies, towards resilience building initiatives that can support disaster mitigation. Further funding towards, for example, the development of levees, floodways and early detection and warning systems can help to support our preparedness for floods and protect communities from the impacts of extreme wet weather. While we acknowledge ongoing government efforts to invest in disaster management, more needs to be done to build resilience to natural disasters across Australia.

Supporting an uplift in funding towards disaster preparedness can also have flow on benefits that are complementary to protecting local communities and property. For example, under the Queensland Government's Household Resilience Program, certain homeowners who live in cyclone risk areas can apply to receive a grant of 75% of the cost to improve the resilience of their homes against cyclones. In addition to the benefits associated with improving the home and safety of those who occupy it, the Queensland Government's Household Resilience Program has enabled some homeowners to receive a discount on their home insurance premiums following these improvements, with participants in the program subsequently seeing an average saving of 7.5 per cent, with some saving as high as 25 per cent.[3] Such funding towards resilience building programs, coupled with greater access to data (below refers), can support financiers in assessing the risk profile of lending to owners whose homes may be prone to natural disaster disk but such risk can be mitigated, and customers through lower cost.

The ABA recognises that all levels of Government have a role to play in supporting disaster preparedness and mitigation. While there is more work to do, we welcome both the Disaster Recovery Funding Arrangements Review underway with States and Territories and the recently announced independent review into Australia's disaster funding arrangement, which will consider how government investment in disaster risk reduction, preparedness, response, recovery and resilience can better support a national system. As part of these reviews, the Government is encouraged to consider community-led models, where appropriate, in which preparedness and response actions move away from a top-down approach to a more collaborative approach, and communities are involved from the outset to help direct funding more efficiently to locally impacted areas that need it most.

Greater access to insurance and natural disaster related information

Australians have faced a steady increase in their insurance premiums over the past five years due to the impact of natural disasters. Insurers are modifying premiums to cover the cost of claims and factor in data they hold in relation to natural disasters. These impacts have seen premiums increase in some areas, with some premiums doubling. Meanwhile, some homeowners are no longer being offered disaster-specific insurance, such as flood cover, due to the location of their home despite there being no history of natural disasters in the suburb. These spikes in cost, which are compounded for those who have a loan over the property or are from a low-income household, have resulted in some homeowners choosing to opt out of natural disaster cover or insurance due to it being unaffordable and insufficient funds to rebuild or repair damage.

At the same time, communities and stakeholders are unable to access centralised or reliable information in order to make more informed decisions relating to the natural disaster risk of a property. During times of natural disaster, government emergency response agencies, industry participants and community members come together to activate operational plans and support the recovery efforts of those impacted. As part of this work, a significant volume of data is collected by these and other stakeholders to support the disaster response, including in relation to insurance and natural disaster impacts to community and property. However, this data is typically unable to be shared due to privacy restrictions and it being held

[2] Commonwealth Productivity Commission, 2014, Inquiry Report into Natural Disaster Funding Arrangements.
[3] Insurance Council of Australia, 2022, Building a more resilient Australia, https://insurancecouncil.com.au/wp-content/uploads/2022/02/220222-ICA-Election-Platform-Report.pdf.

by several different parties in varying forms, creating information asymmetry, and limiting the utility of the information to communities and stakeholders.

The rise of these impacts, coupled with a lack of centralised and reliable information, has made it more challenging for consumers, businesses and banks to proactively monitor and address natural disaster risk in their decision making. In response to these issues, the ABA encourages the Government to develop a solution that enables access to reliable and secure information relating to natural disaster risk, such as via an online portal, and by prioritising existing initiatives currently underway that support greater disclosure of information. Such data would support prospective homeowners in making more informed decisions regarding the location of a property and investment options, and to governments in being able to proactively identify and manage natural disaster-prone land and expedite the delivery of resilience grants and subsidies to those impacted by natural disasters. Access to reliable data would also support timely insurance payouts to insurance holders affected by extreme weather events and support the private sector, including banks, better assess and price risks associated with lending.

Improving planning and building standards and regulations

In addition to uplifting resilience and access to reliable data, planning and building regulations should be updated to include resilience as a key factor in the zoning of land and development of new housing across Australia. While the ABA recognises that a proportion of requirements relating to these areas are within the remit of State Governments, there are changes the Federal Government can also pursue to facilitate better outcomes for homeowners, such as via the National Construction Code. Embedding resilience considerations into the National Construction Code, in a similar way that health and safety considerations are at the centre of the Code, can support an uplift in the design and construction practices of practitioners during the construction of new homes or the addition to, or repair of, existing homes.

On a State Government level, changes to requirements and legislation affecting the design, construction or location of property should be considered through a resilience lens to embed behavioural change across all segments of the market. For example, the NSW Government recently announced its Rezoning Pathways Program, which will support housing supply by unlocking 70,000 new homes via land rezonings. While the ABA supports the intent of the program, we consider that any such program that facilitates greater housing supply should be designed to factor in resilience, climatic and biodiversity impacts at the outset, which will impact property values over time.

Likewise, government is encouraged to consider regulatory change through a similar lens. For example, the Queensland Government recently consulted on a draft of the Property Law Bill 2022 and *Property Law Regulation 2023,* which proposed to make amendments to the contents of a seller's disclosure statement. In response to this consultation, the ABA advocated for the inclusion of flood history data in light of the repeated flooding events across Australia.

While the legislation proposes to include an alert to the buyer in the disclosure statement that they should enquire with the relevant local government whether a property is affected by flooding, it also refers the buyer to the FloodCheck Queensland and Australian Flood Risk Information portals. These kinds of portals can be useful tools that may support the public with a greater level of awareness regarding flood information. However, there are risks associated with relying on multiple sources of unvalidated data, particularly when the tools are not designed for the purposes of verifying whether a property has been affected by a natural disaster before settlement occurs. As noted above, access to reliable data is not an issue limited to any one jurisdiction, with gaps in data and transparency for prospective property owners and the private sector an ongoing issue.

The ABA considers that minor changes to new and existing legislative frameworks, such as the inclusion of a property's natural disaster history in the disclosure statement, will enable homeowners to make informed decisions about property and support a shift in consumer attitudes over time in favour of the resilience of a home. We encourage the Government to work closely with State Governments to embed natural disaster and resilience considerations into new and existing legislative frameworks to support better outcomes for homeowners, and greater certainty for financiers and insurers who work with these customers, into the future.

Streamlining natural disaster response protocols

The ABA recognises that all levels of government work hard to support impacted communities following a natural disaster. However, business-as-usual processes can sometimes be an impediment to communities and industry coming together to facilitate quick solutions to pressing issues. Council-specific processes, which tend to differ from council to council, can also slow down progress during the recovery phase of natural disaster response.

For example, during the NSW flooding event in Lismore, access to cash was restricted due to the impacts of the floods on bank branches and local ATMs. In response, banks moved quickly to arrange the deployment of mobile ATMs and Bank in a Box to ensure the community could access cash for essential needs, such as food and medicine. However, banks were faced with complex and slow council approval processes for the deployment of these machines, with delays further exacerbated due to differences in process in each Local Government Area. These processes delayed the community's ability to access cash during a highly challenging and stressful moment in time.

Government is encouraged to develop a set of streamlined response protocols relating to essential services, such as access to cash via a temporary ATM, to ensure critical services can be deployed to affected communities in a timely manner. These streamlined protocols should ideally be adopted by both State and Local Governments to reduce red tape and make it easier for community groups and industry to support natural disaster response.