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Presiding Commissioner
Inquiry into Natural Disaster Funding Arrangements
Productivity Commission
disaster.funding@pc.gov.au

Dear Sir/ Madam

Thank you for providing the opportunity to respond to the Draft Report of Productivity Commission's Inquiry into Natural Disaster Funding Arrangements.

Please find enclosed the Tasmanian Government response. The response advocates for the retention of the existing National Disaster Relief and Recovery Arrangements but supports the increased focus on natural disaster mitigation.

The Tasmanian Government looks forward to the Final Report of the Productivity Commission.

Yours faithfully

Will Hodgman MP
Premier

Attachment

Tasmanian Government Response

Productivity Commission Draft Report on Natural
Disaster Funding Arrangements

December 2014

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1. Introduction

The Tasmanian Government welcomes the opportunity to respond to the Draft Report of the Productivity Commission (PC) Inquiry into Natural Disaster Funding Arrangements (the Draft Report).

The current Natural Disaster Relief and Recovery Arrangements (NDRRA) benefit all parties by ensuring that all jurisdictions work under the same financial safety-net. The *NDRRA Determination* broadly describes the type of assistance that may, subject to the terms and conditions of the NDRRA being met, be eligible for reimbursement following a significant natural disaster, reducing the possibility for political considerations influencing the allocation of funding and ensuring that the resources of the national economy are available to support jurisdictions impacted by significant natural disasters.

While Tasmania acknowledges that reform is required, contrary to the view of the Draft Report we do not consider that the safety net principle of the NDRRA has been exceeded and, accordingly, do not consider that any fundamental changes to the NDRRA are necessary.

It is disappointing that the Draft Report does not explore the consequences that the proposed reform options would have from a whole-of-economy perspective and instead focuses on how the reform options would limit the fiscal risks from natural disasters to the Australian Government. For this reason, the Tasmanian Government believes that the Final Report must include a detailed assessment of the consequences of each of the proposed reform options and this must consider whether each option represents an effective, sustainable and coherent response that promotes risk management and increases the well-being of the Australian community.

2. Information Requests

The Tasmanian Government notes that the PC has made several information requests in the Draft Report. Tasmania has already provided some of the information requested as part of its response to the Issues Paper. Further information is provided in Appendix I.

3. Budget Treatment of Natural Disaster Risks

Recommendation 3.3

The Australian Government should publish estimates of the future costs of natural disasters to its budget in the Statement of Risks. It should also make provision through annual appropriation for some base level of natural disaster risks that can be reasonably foreseen. For more catastrophic, less quantifiable risks, it is likely to be more efficient to finance the related costs if and when the risks are realised.

The treatment of NDRRA in the Federal Budget is a matter for the Australian Government. However, the historical costs of the NDRRA do provide the opportunity for the consideration of risk treatment options to be considered (such as re-insuring the potential cost to the Australian Government).

4. Funding Arrangements for Recovery

Recommendation 3.1

The Australian Government should:

- *reduce its marginal cost sharing contribution rate to disaster recovery outlays to 50 per cent under the Natural Disaster Relief and Recovery Arrangements*
- *increase the triggers for Australian Government assistance (small disaster criterion and annual expenditure threshold).*

In conjunction with this reduction in funding assistance, the Australian Government should provide state and territory governments with increased autonomy to manage relief and recovery expenditure in a way that reflects the preferences and characteristics of their communities.

Draft recommendation 3.1 proposes significant reforms to current natural disaster funding arrangements. With regard to the three reform options identified, the State does not consider that they represent an improvement on the current NDRRA arrangements.

Natural disaster risk management is a shared responsibility of all levels of government. The traditional view of optimal risk management that requires risks to be owned and managed by the relevant asset owner is not readily applied to public infrastructure. Acceptance of this issue should be the basis for future discussions about how Australia can best manage the risks from natural hazards.

The reform options seek to apply principles of risk management without considering that for many assets, such as key transport infrastructure, the benefits and risks extend well beyond the asset owner to the local, state and national economy. Attributing responsibility for risk management in accordance with who benefits from an asset, that is, its owners, as proposed by the reform options is problematic, due to the important interrelationships that exist between jurisdictions in relation to the national economy and the nature of the federation.

4.1 Reduction in Marginal Cost Sharing Contribution Rate

The Tasmanian Government does not support the Australian Government reducing its marginal cost sharing contribution to 50 per cent under the NDRRA. As indicated, the policy objective of the NDRRA is to act as a financial safety net for jurisdictions affected by significant natural disasters that require a coordinated multi-agency and community response. This is based on the principle of shared responsibility for the costs of natural disasters across all levels of government and that the resources of the national economy should be directed to relief and recovery of areas affected by a natural disaster.

The experience of the State is that, with the exception of the 2010-11 and 2013-14 financial years, the State has borne the full cost of natural disasters, indicating that the policy objective of the NDRRA has been achieved in the Tasmanian context.

If, as contended by the PC that the NDRRA has exceeded its intent as a financial safety net, further work is required to articulate both how this conclusion has been reached and the economic basis for the proposed new threshold. In the Draft Report it is assumed that the quantum of funding provided under the NDRRA to date is evidence itself of the intent being exceeded. While this is an important consideration, it is not indicative of the safety net principle being exceeded rather it indicates that there have been significant impacts from natural disasters on the Australian community.

4.2 Increase in Triggers for Australian Government Assistance

The Tasmanian Government acknowledges small disaster criterion of \$240 000 has been set at the same level since the introduction of the NDRRA. However, taking into account the type of expenditure that is currently eligible for reimbursement under the NDRRA, that is Categories A and C (where agreed), of which Tasmania has only made three claims for assistance in almost ten years, Tasmania does not believe that an increase is necessary.

If any of the three reforms options are implemented, this effectively means that Categories A and C are no longer eligible for reimbursement regardless of an increased threshold.

4.3 Removal of Betterment from the NDRRA

The Draft Report is accurate in its description of the issues associated with the use of the betterment provision in the NDRRA. It is concerning that once the issues have been clearly articulated the recommended solution to the issue is the removal of the betterment provisions from the NDRRA.

The opportunity exists for meaningful reform to the betterment provision. As expressed by the Tasmanian Government in its response to the Issues Paper, the issue of mitigating the impacts of natural disasters on infrastructure as a pre and post event risk management tool could be delivered through two options that seek to better an asset with funding contributions provided by the Australian Government being offset against future NDRRA entitlements.

4.4 Increase in Autonomy to Manage Relief and Recovery

The Tasmania Government supports the recommendation to provide state and territory governments with increased autonomy to manage relief and recovery expenditure. This is consistent with best practice. Jurisdictions should have autonomy to manage relief and recovery expenditure in a way that reflects the preferences and characteristics of their communities.

5. Funding Arrangements for Mitigation

Recommendation 3.2

If the Australian Government reduces the relief and recovery funding it provides to state and territory governments, it should increase annual mitigation expenditure gradually to \$200 million, distributed to the states and territories on a per capita basis. The amount of mitigation spending could be adjusted over time to reflect the imputed 'savings' from reduced relief and recovery funding.

Increased mitigation funding should be conditional on matched funding contributions from the states and territories and best-practice institutional and governance arrangements for identifying and selecting mitigation projects. These would include:

- 1. project proposals that are supported by robust and transparent evaluations (including cost-benefit analysis and assessment of non-quantifiable impacts), consistent with National Emergency Risk Assessment Guidelines risk assessments and long-term asset management plans, and subject to public consultation and public disclosure of analysis and decisions*

2. *considering all alternative or complementary mitigation options (including both structural and non-structural measures)*
3. *using private funding sources where it is feasible and efficient to do so (including charging beneficiaries)*
4. *partnering with insurers to encourage take-up of adequate private insurance and private mitigation through measures such as improved information sharing and reduced premiums.*

The Tasmanian Government broadly supports draft recommendation 3.2 that would see the Australian Government increase mitigation funding to jurisdictions. Any increased funding must seek to deliver the optimal level of investment in mitigation and this should not require matching funding in all circumstances.

It is also noted that an increase in mitigation funding will not necessarily result in a significant reduction in recovery expenditure in the short term. Significant mitigation works are often costly and take some time to complete. If recovery funding is decreased at the same time that mitigation funding is increased this will likely see an increase in the fiscal impact in the short-medium term.

5.1 Ongoing Allocation to Mitigation Activities

The Draft Report provides no rationale for the selection of the proposed transitional and ongoing mitigation contributions of \$100 million, \$150 million, and \$200 million respectively. The Tasmanian Government believes that the determination of the amount allocated to mitigation should be based on an assessment of both the current expenditure under the NDRRA and the current and forecasted future levels of risk.

The allocation of increase mitigation funding should also be available to a jurisdiction as required on a project basis and not on a financial year basis. This would provide greater discretion to jurisdictions to undertake identified mitigation activities that may have significant capital requirements and better align with the principles of effective asset management.

5.2 Formula for Funding Distribution

The Tasmanian Government does not support the proposal to distribute future mitigation funds to jurisdictions on a per capita basis. The allocation of any future mitigation funds should be on a risk basis in accordance with the current formula used for the Natural Partnership Agreement on Natural Disaster Resilience. This formula recognises that there are many other factors that affect risk other than population, such as climate, geography and the environment.

6. Transitional Requirements

The Tasmanian Government would need to carefully consider the nature and content of any proposed reforms prior to considering issues associated with transitional requirements.

7. Interaction with Federal Financial Relations

Recommendation 3.6

The Commonwealth Grants Commission should revisit its assessment of 'average state policy' and accompanying accountability requirements for natural disaster policies once the Australian Government has announced its decision regarding relief and recovery funding arrangements.

The Tasmanian Government will provide feedback on the Commonwealth Grants Commission process, findings and recommendations as required and when appropriate.

8. Government Insurance

Recommendation 3.4

State, territory and local governments should further investigate non-traditional insurance products for roads. Where they do not already do so, state, territory and local governments should compile and publish detailed registers of road asset condition and maintenance for all roads over which they have jurisdiction (and have these registers independently audited). This may help insurance markets to understand and price the risk. Consideration should be given to the Victorian model in this regard.

The State is satisfied that its current property insurance arrangements are adequate, and that it is more financially prudent to maintain its current arrangements than to purchase commercial insurance for damage caused to assets by natural disasters given the:

- limited call on the NDRRA by Tasmania in the past;
- State's proven ability to post-fund events above the current Tasmanian Risk Management Fund pre event funding cap for property risks;
- anticipated high cost of reinsurance which includes commission payments to brokers and profits to commercial insurers, all of which represent monies that could otherwise be applied directly to Government self-insurance provisions;
- mix, level and distribution of Government assets across the State; and
- present budgetary climate.

The Australian Government's review of the adequacy of the property insurance arrangements of states and territories in relation to the NDRRA concluded that Tasmania should adopt a qualitative benchmark process for its State owned non-road assets. This was to be done by the State testing the market and completing a cost-benefit analysis so that a fully informed decision on the purchase of commercial insurance for damage caused to assets by natural disasters could be made and then submitting a further independent assessment to the Australian Government for review. While the Tasmanian Government commenced this process and made an initial approach to the market during 2014, it was considered prudent that any decision regarding the long term purchase of insurance should be made in the context of the outcomes of the, then recently announced, Productivity Commission Inquiry into Natural Disaster Funding Arrangements.

As the Draft Report raises potential reforms to the NDRRA, it is appropriate that the Tasmanian Government wait for the response of the Australian Government to the Final Report and then reapproach the market and seek a refined quotation for alternative insurance arrangements for its non-road property assets. With this in mind, the State is currently preparing the detailed asset update and associated information required to support this. Once this is fully collated the State's broker will seek formal insurance quotes in early 2015. This will provide the basis for the preparation of a cost-benefit analysis to be independently prepared. When complete, this information will be reviewed by the Tasmanian Government as part of 2015-16 Budget considerations (in the first quarter of 2015). Should there be a decision to purchase additional insurance this would then be implemented as part

of the 2015-16 Budget (ie placed from 1 July 2015). This overall timeframe is required to ensure any quotes received are able to be held until placement may occur.

Upon review of the new market information and cost-benefit analysis, the Tasmanian Government will provide a further submission to the Australian Government.

9. Managing Shared Risks

Recommendation 3.5

The Australian Government should:

- 1. cease reimbursement to state and territory governments under the Natural Disaster Relief and Recovery Arrangements for relief payments for emergency food, clothing or temporary accommodation and assistance to businesses and primary producers (including concessional loans, subsidies, grants and clean-up and recovery grants)*
- 2. reduce the amount provided under the Australian Government Disaster Recovery Payment (AGDRP). The Australian Government Crisis Payment may provide a reasonable benchmark in this regard legislate the eligibility criteria for the AGDRP and the Disaster Recovery Allowance and make these not subject to Ministerial discretion.*

The Tasmanian Government does not support the proposal to cease reimbursement under the NDRRA for this type of assistance nor do we agree that the Australian Government is better placed than jurisdictions to provide emergency assistance to individuals in an efficient and timely way.

The Tasmanian Government appreciates that the recommendation does not prevent a jurisdiction from providing such assistance. However, the State considers that this recommendation would result in an increase of political considerations driving the provision of assistance.

9.1 Ceasing Reimbursement of Category A under the NDRRA

The Draft Report proposes to remove a wider range of items of current NDRRA eligible expenditure under reforms Options 1 and 2 than those stated in Draft Recommendation 3.5. With respect to Category A measures, items removed include expenditure related to the repair or replacement of essential items of furniture and personal effects, demolition or rebuilding to restore housing to a habitable condition and the removal of debris from residential properties to make them safe and habitable. The Final Report should clarify the intent and full extent of this recommendation.

The PC should recognise that the individual measures within the NDRRA are designed to deliver outcomes in accordance with social welfare policies or other government policies and are not entitlement programs. In the Tasmanian context, the *Personal Hardship and Distress Assistance Policy* demonstrates this intent. Assistance is means tested with a focus on meeting the needs of a person (whether through financial assistance or other government programs) and the maximum amount that a household that has had its entire assets destroyed can receive is under \$30 000. In Tasmania, the circumstances where such assistance has been provided are rare with only two occasions in the last five years. This limited assistance is designed to assist those members of the community who are unable to provide for their own recovery following a natural disaster and reduce the need for other government services.

9.2 Role of the Australian Government in Providing Emergency Assistance

The Tasmanian Government is not convinced that the Australian Government is better placed than jurisdictions to provide emergency assistance and care to individuals impacted by a natural disaster in an efficiently and timely way. The provision of such assistance is more complex than providing a small, one off payment as proposed in the Draft Report and involves consideration of a range of financial, material, and social assistance services.

9.3 Grants to Primary Producers and Small Business

In the Tasmanian Government's initial submission to the Inquiry's Issues Paper, the Government advised that it considers the grants provided to primary producers and small businesses are warranted. In Tasmania, grants to primary producers are targeted at uninsurable losses. For example, it is the experience of the Tasmanian Government that assistance to primary producers has typically been used to clean up and partially reinstate damaged and/or destroyed fencing, and obtain feed to replace destroyed pasture.

9.4 Australian Government Disaster Relief Payment

Findings relating to the AGDRP are a matter for the Australian Government.

10. Information

Recommendation 4.1

When collecting new natural hazard data or undertaking modelling, all levels of governments should:

- 1. make information publicly available where it is used for their own risk management and/or there are significant public benefits from doing so*
- 2. use private sector providers where cost effective, and use licencing arrangements that allow for public dissemination. Where there are costs involved in obtaining intellectual property rights for existing data, governments should weigh up these costs against the public benefits of making the data freely accessible*
- 3. apply cost recovery where governments are best placed to collect or analyse specialist data for which the benefits accrue mostly to private sector users.*

The Tasmanian Government already makes hazard data freely available to the public. This will continue and will include new natural hazard data as it is developed. It is reasonable, however, for those that commercially benefit from the production of such data, such as insurers, to contribute to the cost of its development.

Recommendation 4.2

State and territory governments, local governments and insurers should explore opportunities for collaboration and partnerships. Partnerships, for example, could be formed through the Insurance Council of Australia and state-based local government associations (or regional organisations of councils). Consideration could be given to the Trusted Information Sharing Network model, and involve:

- 1. governments sharing natural hazard data that they already hold and undertaking land use planning and mitigation to reduce risk exposure and vulnerability*

2. *insurers sharing expertise and information (for example, claims data) to inform land use planning and mitigation.*

10.1 Sharing Natural Hazard Data

The Tasmanian Government already makes hazard data freely available to the public. This will continue and will include new natural hazard data as it is developed.

10.2 Insurers Sharing Expertise and Information to Inform Land Use Planning and Mitigation

The Tasmanian Government would welcome increased involvement from the insurance industry in managing the risks from natural hazards in Tasmania. Due to their information requirements, some insurers invest in their own hazard mapping to meet their information requirements. It would be useful if those insurers who have undertaken their own studies or mapping made this information freely available to governments.

Recommendation 4.3

State and territory governments should hasten implementation of the Enhancing Disaster Resilience in the Built Environment Roadmap, including reviewing the regulatory components of vendor disclosure statements. Furthermore, the Land Use Planning and Building Codes Taskforce should consider possibilities for regular, low-cost dissemination of hazard information to households by governments and insurers (for example, the work of the Insurance Council of Australia to develop natural hazard ratings at a household level).

The Tasmanian Government supports the staged implementation of the Enhancing Disaster Resilience in the Built Environment Road Map. A staged approach would recognise jurisdictional differences that exist in relation to current activities and capabilities.

11. Regulating the Built Environment

Recommendation 4.4

State governments should:

1. *clearly articulate the statewide natural hazard risk appetite in land use planning policy frameworks*
2. *provide local governments with guidance on how to prioritise competing objectives within land use planning*
3. *provide local government with guidance on how to integrate land use planning and building standards. Consideration should be given to Victoria's Integrated Planning and Building Framework for Bushfire in this regard.*
4. *Furthermore, local governments should publish the reasoning behind development assessment decisions.*

The Tasmanian Government has recently endorsed a policy document *Principles for the Mitigation of Natural Hazards through Land Use Planning and Building Control*. The principles reflect that mitigating risks from natural hazards is not about avoiding or eliminating the risk. Natural hazards are a feature of our environment and, in many instances, the potential impacts of natural hazards can be managed.

The broad principles endorsed by the Tasmanian Government as part of the guidance on risk management for natural hazards provide that:

1. private risks associated with natural hazards are the responsibility of individuals and business;
2. governments should encourage public and private risks to be factored into investment decisions;
3. governments can support individuals and business to understand and manage private risks through the collection of evidence, provision of information, and facilitation of collective action;
4. governments should ensure that private investment minimises unacceptable public risk;
5. governments should minimise investment, regulation, or policy that give rise to unacceptable public or private risks; and
6. governments should have regard to, and support individuals and business to consider, how natural hazards may change in the future, including through climate change.

The Tasmanian Government is also currently engaged in a project to better define the concept of 'public risk'.

Recommendation 4.5

The onus is on state governments to ensure that local governments in their jurisdiction are sufficiently resourced to effectively implement their land use planning responsibilities. State governments should review the adequacy of local governments' resources and capabilities, and provide further resources and support where they are not adequate.

The Tasmanian Government already provides significant guidance to local government.

Recommendation 4.6

State governments should provide additional support and guidance to local governments that addresses the extent of local governments' legal liability when releasing natural hazard information and making changes to land use planning regulations.

The Tasmanian Government notes that there are varying views regarding the responsibilities and liabilities associated with the promotion of hazard information where there is not a clear view regarding the adequacy and accuracy of the data that was used to produce it. Furthermore, specific questions relating to legal matters are an issue for individual councils.

Recommendation 4.7

The provisions in the Queensland Sustainable Planning Act 2009 for injurious affection should be repealed

This is a matter for the consideration of the Queensland Government.

Recommendation 4.10

All governments should put in place best-practice institutional and governance arrangements for the provision of public infrastructure, including road infrastructure. These should include:

1. *stronger processes for project selection that incorporate requirements for cost–benefit analyses that are independently scrutinised and publicly released*
2. *consideration of natural disaster risk in project selection a clearer link between road-user preferences and maintenance and investment decisions*

The Tasmanian Government has arrangements in place that represent best practice for the provision of public infrastructure.

12. Insurance

Recommendation 4.8

State and territory taxes and levies on general insurance should be phased out and replaced with less distortionary taxes.

Tasmania has no plans to change taxes and levies on general insurance at this time.

The Australian Government has committed to completing a White Paper on both taxation reform and Federalism by the end of 2015.

Recommendation 4.9

Insurers should provide additional information to households regarding their insurance policies, the natural hazards they face and possible costs of rebuilding after a natural disaster. This work could be led by the Insurance Council of Australia to ensure consistency in the provision of information across insurers.

The Tasmanian Government supports draft recommendation 4.9. It represents a relatively low cost solution to addressing issues associated with information asymmetry that exist in the property market. This information should avoid complex technical language and be understandable as this is likely to result in the greatest behavioural change.

Appendix I Information Requests

Do state, territory and local governments maintain up-to-date asset registers?

How is asset management planning integrated into state, territory and local government budgets?

How do state, territory and local governments' asset management plans incorporate natural disaster risk management?

The Tasmanian Department of State Growth maintains up-to-date asset registers for state owned roads and bridges. Processes are currently being developed to extend this to several other asset classes, namely property assets (and improvements), traffic management assets (traffic lights, weighbridges, intel traffic systems) and information assets. The Department of State Growth also undertakes risk management as part of its road transport asset management practices. Mitigation is generally by ensuring preparedness for emergency events and by planning for and executing rigorous inspection regimes. Budgeting is by way of an annual contingency allowance and an annual contribution to the Tasmanian Risk Management Fund.

During 2012 and 2013 the Local Government Association of Tasmania (LGAT), in partnership with the State Government, delivered the Australian funded Financial and Asset Reform Project. The aim of the Project was to work with councils on the integration of strategic asset management and long term financial plans. This requirement is now captured in the *Local Government Act 1993* (the Act). LGAT has also commissioned the development of range of practice notes to support compliance with legislative and best practice requirements.

The Act has also recently been amended to require a council to develop and implement several documents that underpin the councils financial and asset management framework. The documents now required under the Act are:

- A long-term financial management plan (10 years);
- Strategic asset management plans (10 years), for each of the council's major asset classes;
- A financial management strategy;
- An asset management strategy; and
- An asset management policy.

The Act also requires a council s to review their long-term financial management and strategic asset management plans, financial management and asset management strategies and asset management policy, at least every four years. Council general managers are also required to notify the Director of Local Government (as soon as practicable) when their respective plans, strategies and policies have been adopted by the council. The Act also requires a council to:

- report financial and asset management sustainability indicators in their financial statements;
- develop their strategic plan every 10 years, as opposed to at least every five years; and
- establish and maintain an audit panel.

A key aspect about all the amendments is that they provide the power for the Minister responsible for local government to make orders in relation to the plans, strategies and policies, audit panels and sustainability indicators.

The Local Government (Content of Plans and Strategies) Order 2014 (S.R. 2014, No. 35) outlines the minimum requirements of a council's respective financial and asset management plans, strategies

and policies, including the classes of assets for which council asset management plans and strategies must apply. Of particular interest is that the asset management policies must include:

- agreed service levels;
- information on those assets;
- resourcing for those assets;
- compliance with all applicable legislation;
- continual improvement of the management of those assets;
- the promotion of sustainability and community resilience;
- planning for climate change adaption and mitigation; and
- the adoption of whole of life costing.

The Commission seeks feedback on approaches for the Australian Government to provision for some base level of natural disaster risk in the budget each year.

What would be the advantages and disadvantages of using historical averages?

Are there more sophisticated models available to estimate potential future liabilities?

How should 'imputed savings' from changes to the Natural Disaster Relief and Recovery Arrangements be estimated?

The treatment of NDRRA in the Federal Budget is a matter for the Australian Government. Regarding NDRRA as a contingent liability is appropriate from an accounting perspective. However, the historical costs of the NDRRA may provide the opportunity for the consideration of risk treatment options, such as re-insuring the potential cost to the Australian Government, to be considered.

The Commission seeks information from state and territory governments regarding natural disaster costs by event to inform its analysis of the small disaster criterion. In particular, the Commission requests a list of Natural Disaster Relief and Recovery Arrangements eligible events with total expenditure for each event for the past five financial years.

Tasmania provided information in its response to the Issues Paper that addresses this request.

Should there be a more explicit definition of counter disaster operations under the Natural Disaster Relief and Recovery Arrangements (or any future arrangements)?

To what extent are extraordinary counter disaster operations costs subject to separate Australian Government cost-sharing arrangements?

To what extent are activities that are the normal responsibilities of state and territory governments being included as eligible expenditure under this clause?

To what extent do councils utilise day labour and own equipment for community recovery activities, such as counter disaster operations?

Tasmania is satisfied with the current definition of counter disaster operations. It represents the extraordinary costs of delivering NDRRA eligible assistance to communities impacted by a natural disaster.

What sort of trigger is most appropriate for an upfront grants model (under the Commission's reform option 3)? Is a threshold of 0.2 per cent of state or territory government revenue an appropriate measure of fiscal capacity where an event-based trigger is used?

Tasmania does not support any significant changes to the NDRRA as proposed by the PC.

To what extent would currently available estimation methods, such as the National Impact Assessment Model, inform the estimation of benchmark costs? Would additional assessment tools need to be developed? Who should be responsible for developing these tools?

Could this be overseen by the Australian Government Reconstruction Inspectorate?

What timeframe would be required for the development of benchmark cost estimates to be applied across all jurisdictions?

As Tasmania understands it, the National Impact Assessment Model (NIAM) seeks consistency in the type of impact information collected within a specified timeframe post the impact of a natural disaster. While this includes an estimate of costs, this information is unlikely to provide useful 'benchmark cost' information as estimates vary according to a range of factors. This includes availability of a suitable qualified workforce and the location of damaged infrastructure.

What governance and institutional arrangements would be required to implement the Commission's 'top-up' insurance option? Could premiums be estimated by the Department of Finance, the Australian Government Actuary, Comcover or another body?

How could reinsurers be involved in this process?

What timeframe would be required before such a model could be operational?

In addition to allowing cover for a lower small disaster criterion, smaller annual expenditure threshold and higher rate of cost sharing from the Australian Government, would there be merit in the 'top-up' insurance option also providing cover for broader eligible expenditure?

Tasmania does not support any significant changes to the NDRRA as proposed by the PC.

What transitional arrangements are required for state and territory governments to meet the proposed accountability requirements put forward by the Commission to apply to both mitigation and recovery assistance?

Tasmania is satisfied that its accountability requirements for both mitigation and recovery assistance are appropriate.

The Commission seeks information on recent advances in tailored parametric or index-based insurance and catastrophe bonds, or other relevant instruments through capital markets, for use by governments to provision for natural disaster risk on an ex-ante basis.

Tasmania has no comment on this request.

If guidelines for the collection and dissemination of hazard mapping and modelling are developed:

- *who would be best placed to develop these guidelines?*
- *what hazards could be covered?*
- *how could guidelines for hazard types be prioritised for development?*

The Tasmanian Government makes hazard mapping it undertakes publicly available. The development of national emergency management guidelines is most appropriately undertaken through existing mechanisms such as the Australia-New Zealand Emergency Management Committee.

What is the prevalence of sum insured versus total replacement cost cover in household building and contents insurance policies? Has this changed in recent years? Are there any impediments to insurers disclosing an indicative estimate of the difference between the sum insured and the replacement value of the property?

This is a matter for the insurance industry to consider. However, it is broadly consistent with the previous suggestion put forward by Tasmania in its initial submission that the insurance industry could

be more active in assisting households in making an assessment of the adequacy of their insurance arrangements. Insurers have opportunities and access to information that could be used to prompt individuals to reassess their insurance arrangements. Upon renewal, an insurer could provide information about recent policies taken out and a range of potential scenarios so an individual can make a relative assessment of their own arrangements. It is acknowledged that some, but not all insurers, upon offering to renew an insurance contract, identify the additional premium that would be incurred if a person elected to increase their insurance coverage.

Are there barriers to insurers recognising property-level mitigation through reduced premiums? Where commercial insurers adopt more risk-reflective pricing are reinsurers adjusting their prices accordingly?

This is a matter for the insurance industry to consider. However, it is noted that some insurers have premium pricing arrangements that include assessment of loss mitigation actions undertaken by an owner (for example, monitored alarm system and the use of dead locks).