

Senate condolence speech

Senator EGGLESTON (Western Australia)

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This has certainly been a summer of catastrophic flooding in Australia. There have been floods in Queensland, Victoria, Tasmania and in WA. Great rivers, such as the Gascoyne, have flooded and there has been flooding in the Pilbara and the Kimberley from recent cyclones. According to the Insurance Council of Australia, the current insurance claim for these floods—not including WA—is \$2.757 billion. That is a lot of money. This will inevitably continue to rise. The total number of claims is over 104,000, which shows that many people across this country have been the victims of the flooding that has occurred over this last summer. The Insurance Council of Australia, while giving these statistics about the total number of claims and the total value of these claims, admits that the total cost of restoration, including of infrastructure and uninsured properties, is not known.

Tonight we are debating the Income Tax Rates Amendment (Temporary Flood and Cyclone Reconstruction Levy) Bill 2011 and the Tax Laws Amendment (Temporary Flood and Cyclone Reconstruction Levy) Bill 2011, which impose a levy to pay for flood damage. But, given that flooding is so common in Australia, I think we have to ask ourselves whether imposing a levy is really good public policy or whether we should be looking at other things.

Should the money come from other sources, such as government, or should it come, for example, from insurance? I find it curious that this levy is being imposed before, apparently, a full evaluation of the total cost of the damage caused by the recent flooding in Queensland has been made. I think it is rather curious that the government has decided to impose a levy to raise \$1.8 billion to be used to restore damage in Queensland before the total cost of that damage has been assessed.

A little while ago prominent economist Saul Eslake, speaking to a House of Representatives inquiry into this same matter, said there were three pathways available to government to meet the unanticipated costs of natural disasters. These were the imposition of new taxes, which is what this government is doing; borrowing the necessary funds and repaying the debt over time; and reducing spending. I think that, given this government's track record, reduction of government spending is by far the most preferable pathway that should be followed to provide the money necessary for the restoration of infrastructure, buildings and facilities in Queensland that were damaged by the floods which are the responsibility of the government and which are not otherwise covered by insurance.

It is this matter of flood insurance that I would like to make a few remarks about. I think it is high time we expanded the coverage of flood insurance in Australia, because flooding is very much an annual part of the Australian calendar. In fact, according to the Insurance Council of Australia, flood is a persistent risk in the Australian community and it accounts for nearly one third of natural hazard damage in this country. That is quite a remarkable statistic, I think. The floods in Australia are predominantly caused, according to the Insurance Council of Australia, by heavy rainfall associated with La Nina years, in which more floods, on average, occur than in El Nino years, and rainfall causes both riverine and flash floods.

Insurance for floods does exist in Australia, but unfortunately not a lot of people take it out. Appropriate insurance is also available for government requirements, at admittedly high premiums. But surely taking out such insurance would be a prudent action by a government whose jurisdictions are subject to frequent natural disasters, including flooding. I understand that in 2008 the Insurance Council of Australia sought to have the Australian Competition and Consumer Commission develop a standard definition of flooding, but the ACCC decided not to authorise the proposal put forward by the Insurance Council of Australia. For that reason, according to the representative of a very large insurance company in Australia who came to see me last week in my office in Perth, Australians are underinsured for flood damage. I think this is a matter that should be addressed both at government level and by the community. The chief manager of the Commonwealth Bank has supported the extension of flood insurance in this country.

The Insurance Council of Australia has said that Australia does not so much need a specific definition of floods—it certainly does not need a flood tax—as it needs a universal definition of flood so that insurance companies can offer appropriate cover to interested consumers. In March 2008 the Insurance Council of Australia lodged an application with the ACCC seeking authorisation of an agreement between its members to adopt, on a voluntary basis, a common definition of inland flood.

The ICA's proposed definition, which was put to the ACCC, went as follows: Inland Flood is the covering of land that is not normally underwater by: water that overflows or escapes from a naturally occurring or man made inland water course (such as a river, creek, canal or storm water channel) or a water pool (such as a lake, pond or dam), whether it is in its original state or it has been modified; or water released from a dam whether it be accidentally released or intentionally released to control, mitigate, regulate, or otherwise respond to excess water, or water that cannot drain or run off as a result of water that is overflowing or escaping from an inland watercourse or water pool preventing the escape of water.

That was the definition that the Insurance Council of Australia put to the ACCC for their consideration. But in July 2008 the ACCC issued a finding in which they declined to authorise that definition. They did this because, they said, they had consulted widely on the definition of inland flood put forward by the ICA and they found that significant concerns about the proposed definition of flood had been raised by a number of consumer bodies, including the Consumer Law Action Centre, the Consumers Federation of Australia, the Insurance Law Service, the Legal Aid Commission of New South Wales and Legal Aid Queensland. Obviously a lot of significant bodies had serious reservations about the definition put forward by the Insurance Council of Australia. These concerns related to the terminology chosen by the Insurance Council of Australia.

It was argued that the ICA's definition would in fact increase consumer confusion about the meaning and nature of flood cover rather than improve consumer understanding. The ACCC's statement went on to say: The ACCC is particularly concerned that the ICA definition of flood introduced a range of new concepts the legal implications of which are not clearly understood.

The ACCC said that they recognised that this was a complex issue and encouraged the Insurance Council of Australia to work with consumer groups and other interested stakeholders to develop a common definition of flood which would make it easier for consumers to understand what the term 'flood' means and the extent to which an individual's insurance policy covers them for flood damage.

I understand that because of the recent floods in Queensland there is now a very definite movement to put forward another application to the Australian Competition and Consumer Commission to come up with a suitable definition of flood in order that larger numbers of members of the public, state governments and institutions can be covered for flooding. If the cost of flood damage were to be transferred to insurance companies, it would certainly take a great deal of pressure off governments and there would be no need for what appear to be little political stunts like levies to raise \$1.8 billion for the Queensland flood situation before there has been any real assessment of the total cost of the damage in Queensland.

It is very important that a legal definition of flooding is developed and put in place to give comfort to private policyholders, institutions and governments to cover the problem of flooding in this country. As I said, flooding occurs on quite a large scale in this country, accounting for one-third of the cost of natural disasters each year. It is perhaps surprising to hear that flooding is a real problem in Australia, because it is largely a dry continent.

I think taking this kind of approach is far preferable to the government seeking to impose a levy. A levy would not address the basic issue, which is that people who expose themselves to the risk of flood need to be able to cover their costs should flooding occur. With that, I conclude this presentation, asking simply that the government and the community in general support the endeavours of the Insurance Council of Australia to develop an appropriate standard definition of flooding that is acceptable to the ACCC so that an authorisation for insurance for flooding purposes can be issued.