THE HON STEPHEN JONES MP

ASSISTANT TREASURER AND MINISTER FOR FINANCIAL SERVICES

Ref: MC24-015515

Mayor Matt Burnett
President
Australian Local Government Association
8 Geils Court
DEAKIN ACT 2600

Dear Mr Burnett
Matt

Congratulations on your election to the role of President of the Australian Local Government Association (ALGA).

I am responding to correspondence from your predecessor, Councillor Linda Scott, referred to myself and the Minister for Emergency Management, concerning the resolutions from the 2024 National General Assembly (NGA) of Local Government. I apologise for the delay in responding to you. Please see responses below to the NGA resolutions identified in your letter.

Insurance affordability and hazard risk minimisation

The Albanese Government is committed to making insurance more affordable and accessible for Australian households and businesses.

The Government is concerned about the affordability and availability of insurance, and has established the Insurance Affordability and Natural Hazard Risk Reduction Taskforce – within the Department of Prime Minister and Cabinet – to advise on measures that may assist Australians to gain better access to affordable insurance coverage. The Taskforce will develop an integrated, cross government approach to minimising the impacts of disasters on the community and help address insurance costs driven by more frequent and intense weather events, including coordinating different government agencies to take action on various issues, such as:

- Risk reduction at community level
- Household-level hazard risk reduction
- Economic effects of underinsurance
- Uniform natural hazard definitions
- Other short-term solutions for affordability.

There are many factors that influence property insurance premium prices, and generally these prices respond to:

- Increases in rebuilding and repair costs
- Increases in risk of natural hazard events
- The cost of re-insurance, that is, the insurance that insurers take out to help cover the cost of claims.

The Government is looking at each of these drivers to see what interventions may be available to assist households. We also continue to monitor premiums, claims costs and insurer profits through market regulators. We are prepared to take action if we find evidence of price gouging in the insurance sector.

The most impactful changes to address insurance affordability and accessibility lie in risk mitigation – including better infrastructure, fit-for-purpose building standards, and smarter approaches to urban planning to avoid risks of building in flood zones. The Government has established the Disaster Ready Fund (DRF) – a disaster resilience and risk reduction initiative – to support projects that address the physical and social impacts of disasters on communities. The DRF will deliver $1 billion over 5 years from 1 July 2023 on projects to support communities to reduce risks and better prepare for natural hazards, to ensure that Australia is better prepared and more resilient in the face of more intense and more frequent weather events. Some Disaster Ready Fund projects are helping put downward pressure on insurance premiums by reducing the risk of damage to homes and businesses. A full list of funded DRF projects is available on the National Emergency Management Agency website.

The Government has also established the Hazards Insurance Partnership (HIP), a partnership between the insurance industry and Government to create a shared understanding of hazard risk and appropriate risk reduction measures across Australia and develop an agreed agenda on what collectively can be done to address insurance issues driven by natural hazards. The HIP will establish a work-plan to ensure that the Government and insurance industry are collectively working to ensure Australians have access to affordable and appropriate insurance. By partnering with insurers to share information on disaster risk, the Government will be able to better target mitigation initiatives.

Inquiry into insurers' responses to 2022 major floods claims
The final report of the House of Representatives Standing Committee on Economics' Inquiry into insurers' responses to 2022 major floods claims was released on 18 October 2024.

The Australian Government is currently considering the recommendations of the Inquiry, and will respond in due course. The inquiry recommendations will also inform the Government's broader program of work to address insurance access and affordability, for example, through the HIP.

Regional banking and access to cash
To ALGA's concerns about face-to-face banking services in regional communities, the Albanese Government is concerned about the impact of branch closures on communities who need ongoing access to face-to-face banking services, small businesses that need to access and deposit cash, and the workforce within these branches.

As you know, there has been a long-running trend of consumers shifting to online banking, mobile banking apps and telephone banking as part of the digital transition, and this has been accompanied by a decline in over-the-counter transactions. Additionally, over the last decade, the use of cash has fallen significantly with the share of retail payments made in cash falling from 27 per cent in 2019 to 13 per cent in 2022. These trends have placed pressure on banks to reduce branch networks in response to changing consumer preferences, and the Government understands that branch closures are disruptive for customers, especially in regional areas.

On 11 February 2025, the Government announced that there will be new and extended moratoria on regional branch closures. In addition to ANZ and Suncorp's existing moratoriums, NAB has committed to a new moratorium, with CBA and Westpac extending their existing moratoriums. This means that, for the four major banks, there will be no regional branch closures before 31 July 2027. The Government has also asked the banking sector to increase its commitment to and investment in regional banking through renewed contracts with Australia Post. CBA, Westpac and NAB have come to in-principle agreement on new Bank@Post contracts. ANZ has agreed key terms upon which it will participate in Bank@Post, and Macquarie and HSBC have agreed to commence negotiations with Australia Post on Bank@Post services.

While these two steps go some way to addressing the immediate challenges, there is more work to do and the Albanese Government will be continuing to develop a long-term solution to ensure all Australians have access to essential banking services.

Further, on 8 February 2023 the issue of regional bank branch closures was referred to the Senate Rural and Regional Affairs and Transport References Committee. The report was released on 24 May 2024 and the Government continues to consider its response to the Committee's eight recommendations.

In terms of use of cash more broadly, the Government understands the important role cash still plays in our payments system and supports Australians having continued access to cash. The use of cash as a method of payment has been declining for many years due to changing consumer preferences and advances in technology. This long-run trend has been reinforced by changes in payment behaviour arising from the COVID-19 pandemic.

Nonetheless, cash is an important payment method for certain groups and plays a vital role in their inclusion in the wider economy. Cash is still widely accepted as a means of payment by merchants, used as a store of value, and provides resilience to the payments system during outages where digital forms of money cannot be used.

On 18 November 2024, the Government announced it will mandate that business must accept cash when selling essential items, with appropriate exemptions for small businesses. The Government will shortly commence consultation on which businesses supplying essential goods and services should be covered by the mandate.

This builds on the release of the Government's Strategic Plan for Australia's Payments System (the Plan), which details the policy priorities and objectives of the Government in relation to payments. The Plan is available on the Treasury website at: www.treasury.gov.au/sites/default/files/2023-06/p2023-404960.pdf.

One of the initiatives in the Plan is 'Maintaining adequate access to cash'. As part of this, the Government will work with relevant agencies across the public sector and with industry to ensure that Australia has a sustainable cash distribution network that maintains adequate access to cash.

Sustainable finance
The Albanese Government is committed to ensuring that investors have access to transparent and more comparable information about climate-related financial risk and opportunities.

That is why the Government recently passed legislation that will require companies and financial institutions to prepare 'sustainability reports' that will outline their climate strategies, governance processes and related metrics, including greenhouse gas emissions. These new requirements will came into effect for Australia's largest businesses from 1 January 2025, and will align Australia with international climate reporting standards.

The Government has also committed to creating a labelling regime for investment products marketed as 'sustainable' or similar. The proposed labelling regime will seek to introduce labels for the primary purpose of informing retail investors of the sustainability characteristics of different investment products, however all investors will benefit from improved transparency in the market.

I have copied this letter to the Hon Jenny McAllister, Minister for Emergency Management.

Thank you again for your letter.

Yours sincerely

The Hon Stephen Jones MP
CC: Minister for Emergency Management