

## GOVERNMENT'S RESPONSE TO NDIR RECOMMENDATIONS

The Natural Disaster Insurance Review presented its final report to the Government on 30 September 2011. The report makes 47 recommendations in 4 broad areas and the Government's response is set out below.

First, 27 recommendations relate to mandatory flood insurance and the flood reinsurance pool. The Government considers that adoption of these recommendations could have potentially significant implications for some homeowners and for all insurers offering home building insurance, as well as material financial implication for the Commonwealth Government.

The Government will, therefore, consult with relevant stakeholders so as to clarify these implications through a consultation process next year. The Government will consider these recommendations further in light of these consultations, and the earlier consultations on the proposal to mandate that insurers offer flood cover while allowing consumers to opt out.

Second, 6 recommendations relate to handling of claims and dispute resolution and ask the insurance industry to review the General Insurance Code of Practice. The Government has asked the insurance industry to examine these recommendations and advise the Government of its response by the end of February.

Third, 5 recommendations relate to improving consumer awareness including recommendations endorsing the standard definition of flood as set out in the 'Reforming flood insurance: Clearing the waters' consultation paper, and inclusions to the Key Facts Sheet.

Finally, the remaining 9 recommendations relate to specific, ad hoc issues.

Natural Disaster Insurance Review recommendations	Government's Response
<b>Chapter 2: The availability of flood insurance for homes</b>	
<b>Recommendation 1:</b> That all home building insurance policies include flood cover.	The Government will consider this recommendation as part of its broader consideration of the introduction of flood insurance premium discounts following a consultation process in 2012.
<b>Recommendation 2:</b> That home building and home contents insurance should not be made compulsory.	The Government does not intend to make either home building or home contents insurance compulsory.

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<p><b>Recommendation 3:</b></p> <p>That in including flood cover in home building insurance policies:</p> <ul style="list-style-type: none"> <li>a) flood-specific sub-limits not apply; and</li> <li>b) any excess that applies to flood cover be commensurate with that applicable to other insured perils.</li> </ul>	<p>Early consultation will commence on the issue of insurers being required to offer flood cover and consumers being able to choose whether or not to purchase flood cover. A Consultation Paper is available from the Treasury website, and submissions are due 30<sup>th</sup> March 2012</p> <p>This recommendation will be considered as part of this consultation.</p>
<b>Chapter 3: The affordability of flood insurance for homes</b>	
<p><b>Recommendation 4:</b></p> <p>That the following five principles underpin the design of a system of premium discounts:</p> <ul style="list-style-type: none"> <li>a) premiums should rise with the level of flood risk;</li> <li>b) those whose homes do not face a flood risk should not pay a flood premium;</li> <li>c) there should be no cross subsidisation of premiums between policyholders;</li> <li>d) there should be some limitations on discounts to high-value homes; and</li> <li>e) the discount mechanism should be simple for policyholders and automated for insurers</li> </ul>	<p>The Government notes that the Review recommends the introduction of flood insurance premium discounts for home buildings, home units and home contents, and that the Government guarantee payment of flood claims from a flood reinsurance pool that would provide the mechanism for the delivery of the discounts.</p> <p>The introduction of flood insurance premium discounts would have significant implications for the provision of home building and home contents insurance. The Government guarantee on payment of flood claims would have potentially significant budgetary implications.</p> <p>Given this, the Government will consult with relevant stakeholders and give further consideration to these recommendations following the consultations.</p>
<p><b>Recommendation 5:</b></p> <p>That flood premium discounts be provided for home building insurance for eligible homes:</p> <ul style="list-style-type: none"> <li>a) the discounts be assessed by reference to an 'affordability threshold' for flood premiums;</li> <li>b) only existing homes would be eligible for discounts; and</li> <li>c) discounts would be phased out gradually over time.</li> </ul>	<p>The Government will consider this recommendation as part of its broader consideration of the introduction of flood insurance premium discounts following a consultation process in 2012.</p>
<p><b>Recommendation 6:</b></p> <p>The levels of the discounts and the phasing out periods be reviewed from time to time.</p>	<p>The Government will consider this recommendation as part of its broader consideration of the introduction of flood insurance premium discounts following a consultation process in 2012.</p>
<p><b>Recommendation 7:</b></p> <p>That there be limitations on the size of the discount available to high-value homes.</p>	<p>The Government will consider this recommendation as part of its broader consideration of the introduction of flood insurance premium discounts following a consultation process in 2012.</p>

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<b>Chapter 4: Flood insurance for other dwellings</b>	
<p><b>Recommendation 8:</b></p> <p>That all home unit insurance policies include flood cover, in the same manner as for homes.</p>	<p>The Government will consider this recommendation as part of its broader consideration of the introduction of flood insurance premium discounts following a consultation process in 2012.</p>
<p><b>Recommendation 9:</b></p> <p>That flood premium discounts be provided, in the same manner as for homes, to the bodies corporate of eligible properties, and on the same basis as for detached homes.</p>	<p>The Government will consider this recommendation as part of its broader consideration of the introduction of flood insurance premium discounts following a consultation process in 2012.</p>
<p><b>Recommendation 10:</b></p> <p>That the definition of a home for the purposes of flood cover and flood premium discounts be any building for which a homeowner purchases a home insurance policy.</p> <p>This definition ensures that the Review Panel's recommendations would apply to all 'non-standard' types of homes such as manufactured homes and mobile homes insured under a home buildings insurance policy.</p>	<p>The Government will consider this recommendation as part of its broader consideration of the introduction of flood insurance premium discounts following a consultation process in 2012.</p>
<b>Chapter 5: Flood insurance for home contents</b>	
<p><b>Recommendation 11:</b></p> <p>That all home contents insurance policies include flood cover.</p>	<p>The Government will consider this recommendation as part of its broader consideration of the introduction of flood insurance premium discounts following a consultation process in 2012.</p>
<p><b>Recommendation 12:</b></p> <p>That discounts be provided, in the same manner as for homes, to home contents insurance policies for eligible properties.</p>	<p>The Government will consider this recommendation as part of its broader consideration of the introduction of flood insurance premium discounts following a consultation process in 2012.</p>
<b>Chapter 6: Flood insurance for small business</b>	
<p><b>Recommendation 13:</b></p> <p>That all insurers offering small business insurance be obliged to include flood cover on an opt-out basis, instead of an opt-in/opt-out basis as at present, in all of their small business package policies.</p>	<p>The Government will consider this recommendation as part of its broader consideration of the introduction of flood insurance premium discounts following a consultation process in 2012.</p>
<p><b>Recommendation 14:</b></p> <p>That flood premium discounts not be provided to small businesses and that the reinsurance facility not offer reinsurance for small businesses.</p>	<p>The Government will consider this recommendation as part of its broader consideration of the introduction of flood insurance premium discounts following a consultation process in 2012.</p>

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<p><b>Recommendation 15:</b></p> <p>That the questions of flood cover as standard in small business policies and access to discounted premiums for small business policyholders should be revisited once the recommended arrangements for homes, home units and home contents are in place.</p>	<p>The Government will consider this recommendation as part of its consideration of the manner in which flood cover should be offered to small business and the provision of flood insurance premium discounts more broadly.</p>
<p><b>Chapter 7: A flood premium discount and reinsurance system</b></p>	
<p><b>Recommendation 16:</b></p> <p>That flood premium discounts be delivered through a model that requires insurers to retain and price a portion of the risk with the remainder to be ceded to the reinsurance facility at a discounted reinsurance premium.</p>	<p>The Government will consider this recommendation as part of its broader consideration of the introduction of flood insurance premium discounts following a consultation process in 2012.</p>
<p><b>Recommendation 17:</b></p> <p>That for home building insurance policies receiving full discounts, policyholders pay for that portion of the risk retained by the insurer and pay nothing for the remainder of the risk up to \$500,000. For properties with a value greater than \$500,000 policyholders then pay the full cost of the portion of risk exceeding \$500,000.</p>	<p>The Government will consider this recommendation as part of its broader consideration of the introduction of flood insurance premium discounts following a consultation process in 2012.</p>
<p><b>Recommendation 18:</b></p> <p>That for body corporate insurance policies receiving full discounts, policyholders pay for that portion of the risk retained by the insurer and pay nothing for the remainder of the risk up to \$500,000 times the number of units. For properties with a value greater than \$500,000 times the number of units policyholders then pay the full cost of the portion of risk exceeding \$500,000 times the number of units.</p>	<p>The Government will consider this recommendation as part of its broader consideration of the introduction of flood insurance premium discounts following a consultation process in 2012.</p>
<p><b>Recommendation 19:</b></p> <p>That for home contents insurance policies, policyholders pay for that portion of the risk retained by the insurer and pay nothing for the remainder of the risk up to \$100,000. For contents with a value greater than \$100,000 policyholders then pay the full cost of the portion of risk exceeding \$100,000.</p>	<p>The Government will consider this recommendation as part of its broader consideration of the introduction of flood insurance premium discounts following a consultation process in 2012.</p>
<p><b>Recommendation 20:</b></p> <p>That homes at high and extreme risk of flood be provided with discounts initially and that they be assessed regularly for mitigation work already undertaken and the potential for further mitigation.</p>	<p>The Government will consider this recommendation as part of its broader consideration of the introduction of flood insurance premium discounts following a consultation process in 2012.</p>

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<p><b>Recommendation 21:</b></p> <p>That a flood risk reinsurance facility, or reinsurance pool, be established which would have two primary functions:</p> <ul style="list-style-type: none"> <li>• to deliver discounts to home, contents and home unit insurance policies for eligible properties; and</li> <li>• to provide flood reinsurance capacity to the insurance market;</li> </ul> <p>and two key design features:</p> <ul style="list-style-type: none"> <li>• an excess of loss arrangement whereby insurers retain and price a 'first loss' portion of each policy on a commercial basis; and</li> <li>• a 'facultative/obligatory' reinsurance treaty that would allow insurers to cede individual properties to the pool if they wish (facultative offer) but the pool would be obliged to accept them (obligatory acceptance).</li> </ul>	<p>The Government notes the recommendation and that it represents one possible approach to the delivery of flood insurance premium discounts and to facilitating the provision of flood cover by insurers.</p> <p>This recommendation will be considered as part of the broader consideration of the introduction of flood insurance premium discounts following a consultation process in 2012.</p>
<p><b>Recommendation 22:</b></p> <p>That the Commonwealth Government guarantee payment of claims from the reinsurance pool by ensuring that, whenever a funding shortfall occurs in the pool through claims exceeding the funds held in the pool, the Commonwealth would meet the shortfall.</p>	<p>The Government notes that while guaranteeing payments of claims would ensure the financial viability of any flood reinsurance pool, it would also have potentially significant budgetary implications.</p> <p>The Government will consider possible funding sources as part of its broader consideration of the introduction of flood insurance premium discounts following a consultation process in 2012.</p>
<p><b>Recommendation 23:</b></p> <p>That the Commonwealth seek reimbursement of some portion of the shortfall from the State or Territory government in whose jurisdiction the flood occurred.</p>	<p>The Government will consider possible funding sources as part of its broader consideration of the introduction of flood insurance premium discounts, and this will include consultation with State and Territory Governments.</p>
<b>Chapter 8: Improving flood risk management</b>	
<p><b>Recommendation 24:</b></p> <p>That to facilitate flood risk information being made publicly available, Commonwealth, State and Territory governments grant indemnities to the providers of flood risk information if the information is obtained and provided in good faith and in the absence of any gross negligence.</p>	<p>The Government will consider this matter and consult with relevant parties, including State and Territory governments.</p>

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<b>Chapter 9: A national disaster risk and insurance agency</b>	
<p><b>Recommendation 25:</b></p> <p>That a national agency sponsored by the Commonwealth Government be established to undertake national coordination of flood risk management and to operate the system of premium discounts and the flood risk reinsurance facility.</p> <p>The Agency would:</p> <ul style="list-style-type: none"> <li>a) coordinate flood mapping across the country (while leaving responsibility for undertaking flood mapping in the hands of State and Territory governments and local authorities);</li> <li>b) introduce national guidelines for flood risk mapping and classifications, prepared in consultation with producers and users of flood risk information;</li> <li>c) act as a national repository of flood risk information, primarily through collating and analysing information collected by others;</li> <li>d) continue development of the Insurance Council of Australia's National Flood Information Database or an equivalent developed by the Agency;</li> <li>e) monitor the effectiveness of flood risk mitigation initiatives across the country and advise on priorities for flood risk mitigation;</li> <li>f) publish and disseminate flood risk information in forms appropriate to various groups of users; and</li> <li>g) oversee the quality of flood risk information.</li> </ul>	<p>The Government supports the need for better coordination of flood risk information and the improved public availability of this information. The Government will provide for a central national access point (or 'shopfront') for all existing flood risk information.</p> <p>The Government will consult with relevant stakeholders on other elements of this recommendation, including the need for national coordination of flood risk management. This will include consultation on appropriate mechanisms for such coordination, were it to be considered appropriate.</p>
<p><b>Recommendation 26:</b></p> <p>That the Agency charge insurers a small administrative fee for each policy ceded to the reinsurance facility.</p>	<p>The Government will consider this recommendation as part of its broader consideration of the appropriateness of establishing a flood reinsurance pool following a consultation process in 2012.</p>

Natural Disaster Insurance Review recommendations	Government's Response
<b>Chapter 10: Other natural disasters</b>	
<p><b>Recommendation 27:</b></p> <p>That:</p> <p>a) the Agency offer cover to insurers for cyclone risk, on the same basis as for flood risk, but with no affordability discounts (in the expectation that, when the Agency does its own pricing, it will offer a fair price to home and home unit owners. This price may be lower but is not guaranteed to be lower than the prices of commercial insurers); and</p> <p>b) an investigation be undertaken to ascertain whether there is a basis for granting affordability discounts for cyclone risk, along the lines of the recommended flood insurance discounts, for homes and home units in northern Australia.</p>	<p>The Government is aware of home building and strata title insurance premium increases in Northern Queensland following cyclone Yasi.</p> <p>The Government will consult with the insurance industry on the causes of premium increases and options available.</p> <p>The Government will consider this recommendation as part of its broader consideration of the appropriateness of establishing a flood reinsurance pool following a consultation process in 2012.</p>
<p><b>Recommendation 28:</b></p> <p>That all home, contents and home unit insurance policies cover the policyholder for storm surge, tsunami and landslide, where the storm surge, tsunami or landslide is the result of another event that is covered under the policy and regardless of whether the insured property directly suffers damage from the underlying insured event.</p> <p>This includes storm surge associated with a cyclone that does not cross the coastline.</p>	<p>The Government has announced a Productivity Commission review examining barriers to effective climate change adaptation.</p> <p>The review's Terms of Reference include that the Commission is to assess the role of markets (including insurance markets) in facilitating adaptation.</p> <p>The Government will be guided by the findings of the Productivity Commission review when considering this recommendation.</p>
<b>Chapter 11: Addressing non-insurance</b>	
<p><b>Recommendation 29:</b></p> <p>That the Commonwealth engage with the insurance industry and the States and Territories in planning for the future coordination of charitable and government payments to individuals to assist with recovery after future natural disasters.</p>	<p>The Government acknowledges the importance of insurance and charitable and government payments in assisting communities to recover from natural disasters.</p> <p>The Government will consult with State and Territory governments in the first instance to review and identify better practice coordination and governance mechanisms for charitable and government payments.</p>

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<p><b>Recommendation 30:</b></p> <p>That access to insurance be enhanced through the development of alternative payment options, in particular:</p> <ul style="list-style-type: none"> <li>a) by the Commonwealth Government arranging for Centrelink customers to be able to pay insurance premiums fortnightly through Centrepay; and</li> <li>b) by State, Territory and/or local governments and community housing organisations arranging insurance premiums for contents to be able to be incorporated into rent for social and community housing tenants.</li> </ul>	<p>Centrepay was specifically designed for deductions to be made from a customer's fortnightly payment.</p> <p>Centrelink commenced offering the payment of home and contents and motor vehicle insurance premiums through its Centrepay payment facilities earlier this year. Insurance companies wanting to offer Centrepay as a payment option can contact Centrelink to request the required Business Application and Contract documents.</p> <p>However, the insurance industry has identified a number of obstacles which limit insurance companies from accepting fortnightly payments through Centrepay. Additionally, there are a number of other issues which arise from fortnightly Centrepay insurance premium payments. Consequently, Centrelink and the Insurance Council of Australia have agreed to work together to consider these issues and provide a report to the Government with recommendations by 28 February 2012.</p> <p>Rent setting for social housing is the responsibility of State and Territory housing authorities and similarly for community housing providers. Therefore, it would be up to the individual community housing provider or State and Territory housing authority to enable insurance premiums to be incorporated as part of rental payments. The Commonwealth Government will alert State and Territory Governments to this recommendation.</p>
<p><b>Recommendation 31:</b></p> <p>That lending institutions remind mortgagors annually of their obligations to hold home insurance and of the risks of under-insurance in order to minimise non-insurance and under-insurance of homes.</p>	<p>The Government has asked the lending industry to examine this recommendation and advise the Government of its response by the end of February.</p>
<b>Chapter 12: Reducing under-insurance of homes</b>	
<p><b>Recommendation 32:</b></p> <p>That all home building insurance policies providing sum insured cover be modified by the end of 2014 so as to include replacement value cover in the event of total loss of the home.</p> <p>That during the transition period insurers consider how the design features of home building replacement value policies should respond following a natural disaster, including the conditions under which cash settlements are to be offered and finalised.</p>	<p>The Government has asked the insurance industry to examine this recommendation and advise the Government of its response by the end of February.</p>



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<b>Chapter 13: Consumer Awareness</b>	
<p><b>Recommendation 33:</b></p> <p>That subsection 35(2) of the <i>Insurance Contracts Act 1984</i> be amended so that policyholders are not deemed to be clearly informed of a deviation from 'standard cover' by simply being provided a copy of the insurance policy or product disclosure statement.</p>	<p>Disclosure of insurance policy terms is a key element of the current disclosure regime. The Government is further strengthening that regime through the introduction of a Key Facts Sheet and a standard definition of flood.</p> <p>The Key Facts Sheet, which insurers will be required to provide to consumers in addition to existing disclosure documents, will set out key information relating to home building and home contents insurance policies. This will significantly improve consumers' access to the key information relating to these types of policies.</p> <p>The Government is also introducing a standard definition of flood that all insurers will be required if the word flood is used in their home build, home contents, small business and strata title insurance policies. This will reduce confusion as what the word flood means in these types of policies.</p> <p>These initiatives will further enhance transparency and disclosure.</p>
<p><b>Recommendation 34:</b></p> <p>That, in endorsing the Government proposal for a Key Facts Statement, the Key Facts Statement list replacement cover and all natural disaster events, identified as 'standard cover' in the Insurance Contracts Regulations 1985.</p> <p>That insurers issue a Key Facts Statement to policy holders with all new policies written and all policy renewals on an annual basis.</p>	<p>The Government considers that the introduction of a Key Facts Sheet for home building and home contents insurance policies in accordance with its proposal will improve access to key information for consumers when making insurance decisions.</p> <p>The format and content of the Key Facts Sheet will be finalised after consultation with all relevant stakeholders, to ensure the proposal achieves its policy outcomes.</p>
<p><b>Recommendation 35:</b></p> <p>That a 'health warning' be provided by insurers to the purchasers of home and contents policies that do not include full flood cover or full replacement cover. The health warning should be provided:</p> <ol style="list-style-type: none"> <li>a) in the Key Facts Statement;</li> <li>b) verbally at the time of telephone purchase; and</li> <li>c) in writing on internet quotation software for all online purchases.</li> </ol>	<p>The Government considers that the introduction of the Key Facts Sheet for home building and home contents insurance policies in accordance with its proposal will improve access to key information for consumers when making insurance decisions.</p> <p>The format and content of the Key Facts Sheet will be finalised after consultation with all relevant stakeholders, to ensure the proposal achieves its policy outcomes.</p> <p>The Government will consult with relevant stakeholders on the need for and feasibility of providing a health warning in these circumstances.</p>

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<p><b>Recommendation 36:</b></p> <p>That the Commonwealth Government introduce a standard definition of flood in the form proposed in the 'Reforming flood insurance: Clearing the waters' consultation paper.</p>	<p>The Government considers that the introduction of a standard flood for home building and home contents, small business and strata title insurance policies in accordance with its standard definition of flood proposal will reduce consumer confusion regarding what is and is not included in flood coverage.</p> <p>Draft regulations for a standard definition of a flood will be released for consultation as soon as possible to ensure it achieves its policy outcomes. These regulations will contain wording for the standard definition of flood for riverine flooding (category B) consistent with the form proposed in the 'Reforming flood insurance: Clearing the waters' consultation paper.</p>
<p><b>Recommendation 37:</b></p> <p>That, in order to give general insurance policyholders the same legal remedies as other consumers, unfair contract terms laws be applied to general insurance.</p>	<p>The Government is preparing a consultation Regulation Impact Statement on this matter which will be publicly released in due course.</p>
<p><b>Chapter 14: Claims handling and dispute resolution</b></p>	
<p><b>Recommendation 38:</b></p> <p>That every APRA-authorized general insurer adopt and comply with the General Insurance Code of Practice.</p>	<p>The Government will consult with the insurance industry on compliance with the Code of Practice.</p>
<p><b>Recommendation 39:</b></p> <p>That the Insurance Council of Australia amend the Code of Practice to impose a four month time limit (subject to exceptional circumstances) to make a determination as to liability and the nature of the loss or damage with respect to a claim.</p> <p>That, should a claimant not receive a determination within the four month period, the claim be automatically escalated to an internal dispute resolution complaint and the insurer notify the Code Compliance Committee of the breach of the Code.</p>	<p>The Government has asked the insurance industry to examine this recommendation and advise the Government of its response by the end of February.</p>
<p><b>Recommendation 40:</b></p> <p>That the Insurance Council of Australia repeal clauses 4.3 and 4.4 of the General Insurance Code of Practice, so that claims arising from natural disasters are subject to the same minimum standards as other claims — including the four month time limit for a determination on liability and the nature of the loss/damage with respect to the claim.</p>	<p>The Government has asked the insurance industry to examine this recommendation and advise the Government of its response by the end of February.</p>

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<p><b>Recommendation 41:</b></p> <p>That the Insurance Council of Australia amend clause 4.5 of the General Insurance Code of Practice to extend the time within which claimants in natural disasters have the right to make further claims or lodge reviews after the finalisation of an initial claim to seven months from the date of the relevant natural disaster, regardless of when the initial claim was finalised.</p>	<p>The Government has asked the insurance industry to examine this recommendation and advise the Government of its response by the end of February.</p>
<p><b>Recommendation 42:</b></p> <p>That the Insurance Council of Australia amend the General Insurance Code of Practice to require that:</p> <ul style="list-style-type: none"> <li>a) internal dispute resolution processes be independent of the claims handling department and the internal dispute resolution officers have the authority to overturn the original decisions and to accept claims;</li> <li>b) internal dispute resolution complaints be finalised within an aggregate of 45 days and if this time limit is not met, the insurer to advise the claimant of his or her right to lodge an external dispute resolution complaint with the Financial Ombudsman Service (if applicable) and to seek independent legal advice;</li> <li>c) time limits on internal dispute resolution complaints commence immediately after a policyholder notifies the insurer of a complaint, whether verbally or in writing; and</li> <li>d) a general fairness test be applied to claims and complaints handling.</li> </ul>	<p>The Government has asked the insurance industry to examine this recommendation and advise the Government of its response by the end of February.</p>

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<p><b>Recommendation 43:</b></p> <p>That the Insurance Council of Australia amend the General Insurance Code of Practice such that the General Insurance Code Compliance Committee:</p> <ul style="list-style-type: none"> <li>a) be appointed in the same manner as FOS Panels, with the independent chair and the consumer and industry representatives to be appointed in the same manner as the ombudsman and panel members are appointed under the FOS rules;</li> <li>b) have the authority and resources to record all breaches of the Code reported to it, to investigate breaches of the Code where appropriate and to conduct regular audits of insurance companies for compliance with the Code;</li> <li>c) report serious or systemic breaches of the Code directly to ASIC; and</li> <li>d) publicly release annual reports as to Code compliance and breaches, with insurers to be identified in the reports.</li> </ul>	<p>The Government has asked the insurance industry to examine this recommendation and advise the Government of its response by the end of February.</p> <p>On 43 (c), when consulting on this matter the Government will take into consideration the existing role of the Financial Ombudsman Service in reporting breaches of the Code of Practice.</p>
<p><b>Recommendation 44:</b></p> <p>That ASIC conduct a review of the General Insurance Code of Practice three years after the amendments recommended to the Code in this Review are implemented, in order to assess the effectiveness of the Code with a view to determining whether an ASIC Regulatory Guide for claims handling should then be introduced.</p>	<p>In the event that amendments are made to the Code of Practice in response to the recommendations of the Review, the Government will consider the need to undertake an assessment of the effectiveness of the revised Code.</p>
<p><b>Recommendation 45:</b></p> <p>That the Commonwealth and State governments provide funding for legal advice and assistance with insurance disputes following natural disasters.</p>	<p>The Australian Government recognises the importance of coordination in ensuring an efficient and effective response.</p> <p>It will work with States and Territories to ensure that appropriate legal assistance service are available following natural disasters.</p>
<b>Chapter 15: Funding the rebuilding of public infrastructure</b>	
<p><b>Recommendation 46:</b></p> <p>That the current formula for the cost of rebuilding of State and Territory assets under the Natural Disaster Relief and Recovery Arrangements be changed to expenditure before any insurance recoveries by the State or Territory rather than net of any insurance recoveries.</p>	<p>The Government notes that the recommendation is consistent with a key principle of the current arrangements under the Natural Disaster Relief and Recovery Arrangements (NDRRA) Determination. That is, that they should not be seen as a disincentive to plan, mitigate or allocate resources for natural disasters nor discourage governments, individuals or businesses taking out insurance to protect their assets.</p> <p>However, there is a need to further consider the broader implications of changing the formula.</p>

**Chapter 16: Implementation and transition**

**Recommendation 47:**

That the Government give priority to introducing legislation necessary to ensure that all home, contents and home unit insurance policies include flood cover and to establish a new national agency for flood risk management and flood reinsurance purposes.

In the event that the Government adopts recommendations that require legislation, priority will be given to introducing that legislation.