adrc 24 Australian Disaster Resilience Conference #ADRC24

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Future Proofing Australia's Resilience

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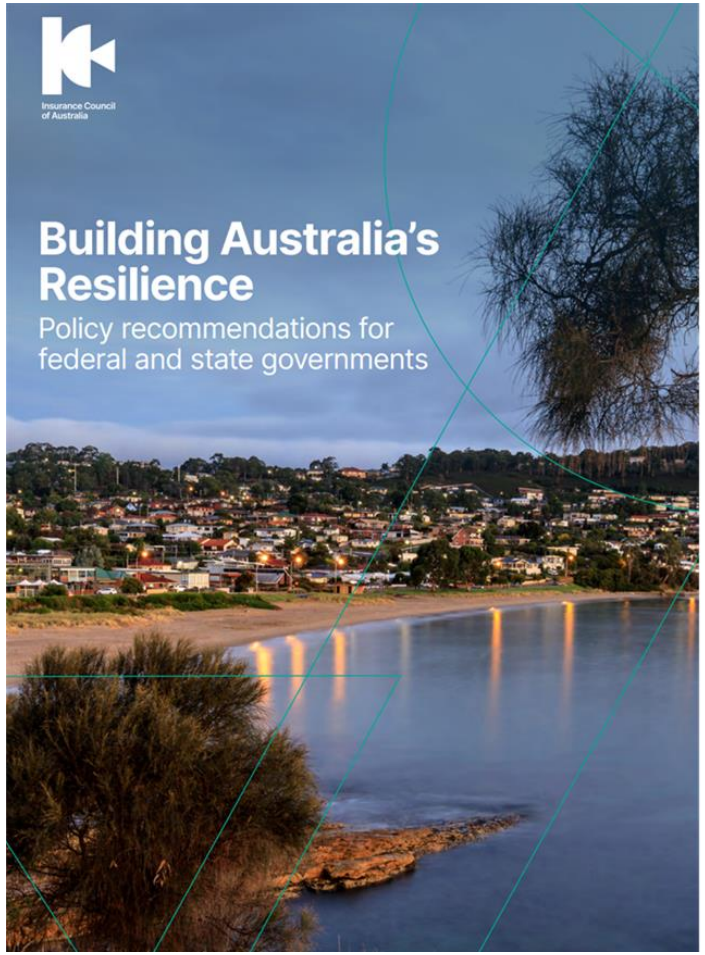
NRMA INSURANCE A Help Company

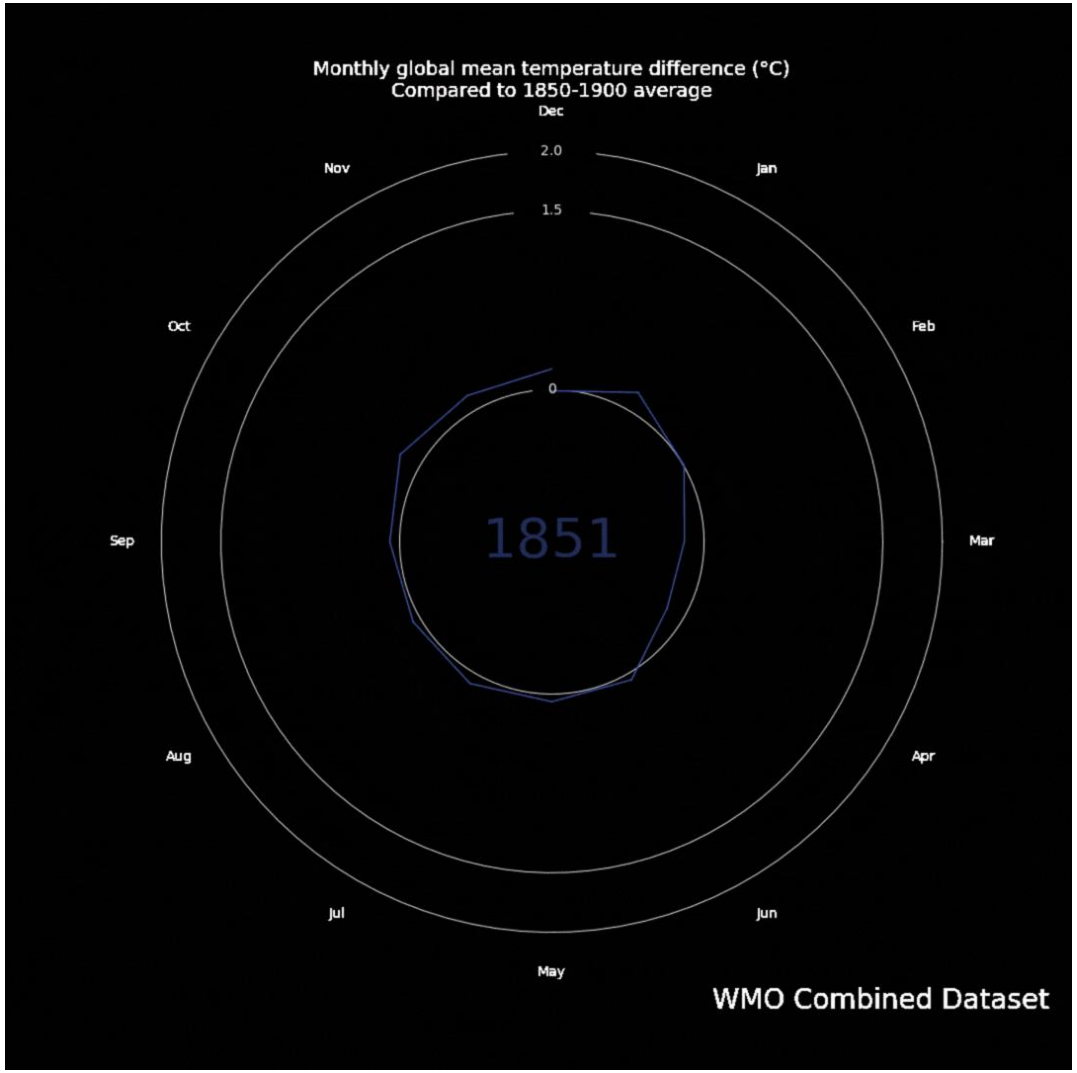
FIRE to FLOURISH Strength through community-led action

NSW GOVERNMENT

About ICA

- Peak representative body of the general insurance industry
- The voice for a resilient Australia - an Insurable Australia is a resilient Australia.
- Industry employs around 60,000 people
- Generates gross written premium of $64.5 billion per annum
- On average pays out $147 million in claims each working day ($36.5 billion paid out per year).




Monthly global mean temperature difference (°C)
Compared to 1850-1900 average
Dec
Jan
Feb
Mar
Apr
Jun
Jul
Aug
Sep
Oct
Nov
2.0
1.5
0
1851
WMO Combined Dataset


The Guardian
Global climate crisis: inevitable, unprecedented and irreversible


Los Angeles Times
Climate plan tests familiar battle lines
Heat, drought-parched brush fuel ferocious fire


THE TIMES
May tries to rein in Johnson before keynote Brexit speech
Climate change disaster can be averted, say experts


Mirror
Boris has a Cabinet clear-out
CLIMATE EMERGENCY
If we don't act now ... this is our future
Mirror investigates the global warming crisis threat to our nation's way of life

Australia's extreme weather affects us all

- Since 2019, insurers have paid out $19b in claims from 20 declared Insurance Catastrophes or Significant Events.
- Flooding is the costliest extreme weather event in Australia and its impacts are only expected to get worse because of climate change.
- 2023 was the hottest year on record.
- Insurance claims from catastrophic events have exploded by nearly 50% over the past five years.
- The cost of extreme weather events are expected to grow by 5% each year and reach a total of at least $35b annually by 2050.

Projected annual costs by 2050:

Cyclones
$4.4b

Floods
$2.3b

Bushfires
$2b

Costs are up and will continue to rise

- Extreme weather events are costing Australian homeowners around **$4b** a year.
- By 2050, the costs of rebuilding and repairing homes, replacing contents, and displaced people are expected to exceed **$8.7b** per year. This is a conservative estimate and more than double the current costs.

Why are insurance premiums going up?

Wherever you live in Australia - whether you're exposed to extreme weather or not - premiums are rising because of the escalating cost of extreme weather, the growing value of our assets, inflation in the building and motor repair sectors, and insurers' increasing cost of doing business.

Worsening extreme weather

- Natural disasters have caused more than $34b in insurance claims since 2010, split between flooding (38%), storms and hail (34%), cyclones (18%) and bushfires (10%). The actual damage bill is much higher.

More people in harm's way

- In Australia, around 1 in 12 properties (1.2m) have some level of flood risk. Of these, at least 230,000 are at risk of flooding every 20 years.
- 5.6m Australian homes are at risk of a bushfire.
- Australia's population continues to grow in places with greater exposure to storms, floods, bushfires and cyclones.

Rising costs and cost of doing business

- The cost of repairing or rebuilding a home is now 27% higher than it was at the start of the COVID-19 pandemic.
- Because of Australia's worsening extreme weather, global reinsurance premiums have increased by up to 30% - that is, the insurance that insurance companies buy which enables them to share Australia's risk offshore.

We're not alone

- These pressures are being felt across the globe. Global annual insured losses from natural catastrophes totalled more than **US$100b** for 6 out of the last 7 years.
- In 2023, the US property and casualty insurance sector lost **US$21.2b** despite a 10% growth in premiums.

We're taking action

Insurance is a risk calculation. To reduce the costs we need to reduce the risks.

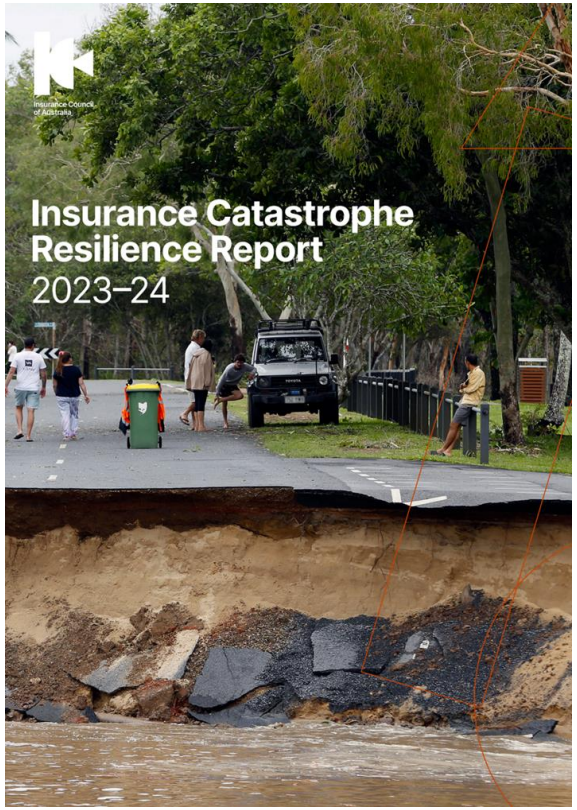
ICA CAT Report 2023-2024

The impact of extreme weather on the Australian economy has more than tripled over the last three decades.

Insured losses from declared insurance catastrophes have grown from 0.2 of GDP from 1995 to 2000 to 0.7 per cent for the last five years, meaning extreme weather losses are consuming more and more of our economic resources.

Over the last 30 years insurers paid an average of $2.1 billion per year to customers impacted by extreme weather events

Over the last five years the average annual cost of extreme weather claims has more than doubled to $4.5 billion, driven largely by the growing cost of flood.



What more should we be doing?

Insurance Council of Australia

Insurers support the Federal Government's significant increase to resilience funding, a commitment of $1b over five years matched by the states and territories.

But more can be done.

- Make greater investment in public infrastructure that protects communities from the impacts of extreme weather.
- Invest significantly in programs that assist householders to strengthen homes against the impacts of extreme weather events.
- Change planning laws to stop home construction in high-risk locations, particularly areas at risk of flood.
- Change the construction code to make future buildings more resilient.
- Based on the successful Queensland and NSW programs, establish an ongoing program of buybacks for homes most at risk of flood.
- Remove state taxes and charges on insurance to improve insurance affordability and enable more Australians to take out adequate cover.

What would that mitigation do?

Save money. Research commissioned by the ICA from Finity showed that a five-year program of resilience measures costing approximately $2b would be expected to reduce household and government costs by more than $19b by 2050, delivering a return on investment of almost 10x nationally.

97% of all disaster funding by governments is spent on clean-up and recovery

with just **3%** spent on prevention and mitigation.

Existing Homes & Businesses

Resilience Investment

A five-year program of resilience measures costing approximately $2 billion would be expected to reduce costs to governments and households by more than $19 billion by 2050, delivering a return on investment of almost 10 times nationally.

Federal Government must extend the disaster resilience fund to a 10-year rolling program, matched by states and territories.

Competence & compliance:

Up to 72 per cent of residential properties in Australia have defects with an estimated cost of $2.5 billion per annum.

State and territory governments must implement the findings of the Building Confidence Report. Competent practitioners, stronger auditing and enforcement

Future Homes & Businesses

What We Build:

Strengthening the National Construction Code to require that new homes are made more resilient to extreme weather could save an estimated $4 billion a year.

The ABCB must embed resilience into the National Construction Code

Where We Build:

State and territory governments must amend planning legislation to consider property and community resilience to extreme weather events, including limiting development in high-risk areas.

$250 million annual federal fund, matched by states and territories, to generate an ongoing fund for buybacks and house raising in high-risk areas.

Pillar 1 – Resilience Investment

- Governments need to build on existing funding
- States should match federal government funding to improve resilience
- Fund buy-backs – 2024/2025 pre budget submission
- Extend household-level resilience programs such as home raising and retrofitting to make new and existing buildings more resilient
- Identify risk mitigation projects with industry through better data with industry (Hazard Insurance Partnership)
- Draw on robust, streamlined natural hazard data to inform projects

Pillar 2 – Improving Building Compliance

- Improve building standards to reduce defects
- Implementation of Building Confidence Report
- Lifting practitioner competencies, improving the transparency of inspection and certification systems and strengthening compliance and enforcement, are critical to ensuring buildings are constructed to the minimum requirements set out in the NCC.
- 72 per cent of residential properties in Australia have defects with an estimated cost of $2.5 billion per annum.

Pillar 3 – What We Build

- Insurance Council is working with governments to encourage resilience to be recognised in the National Construction Code
- Strengthening the NCC could save $4 billion a year
- Reduce average annual building related costs by an estimated $2 billion per year for cyclones, $1.475 billion per year for floods, and $486 million per year for bushfires.
- Ministers have agreed for climate resilience to be a specific objective of the Australian Building Codes Board (ABCB).

Pillar 4 - Where we Build

- Risk based approach to development - limit development in high-risk locations, including areas at high risk of flooding, bushfires, cyclones, and coastal hazards.
- Strategic planning should consider current and future extreme weather risk
- Use national projections and modelling to ensure the accuracy of extreme weather mapping to inform where development can occur at the local level
- Identify and resource areas that require further flood, cyclone, bushfire and coastal hazard studies

Land Use Planning Roundtable

- Hosted by the Insurance Council of Australia and the Planning Institute of Australia, the roundtable underscored the importance of reforming land use planning to better protect homes and communities from extreme weather.

- Highlighted the critical need for industry and government to work together to protect lives and properties from intensifying flooding, bushfires and cyclones by ensuring that low-risks areas of the country are prioritised for new development.
- Policy Roadmap released to guide reform process

Insurance Affordability

- Compounding disasters, coupled with rising inflation and growing reinsurance costs, are driving up insurers' operating and protection costs,
- Under-insurance and non-insurance rising in high-risk areas.
- 1.24 million Australian households face home insurance affordability stress (Actuaries Institute)
- Addressing insurance affordability is a critical issue for our industry.

Conclusion

- As our climate changes, extreme weather events will become more severe
- We need to build back better, and stronger
- A key lesson from recent event is that we cannot continue with business as usual and must change what we build and where we build it
- Failure to act will lead to growing challenges for homeowners living in high-risk areas obtaining adequate insurance.