



Department of Agriculture, Water and the Environment
National Climate Resilience and Adaptation Strategy Taskforce

Submitted online via National Climate Resilience and Adaptation Strategy survey
<https://haveyoursay.awe.gov.au/ncras>

Insurance Australia Group (IAG)¹ welcomes the opportunity to share our views on the roles and responsibilities in the National Climate Resilience and Adaptation Strategy.

Our purpose is to make your world a safer place and we recognise that our role extends beyond transferring risk and paying claims. Our purpose drives our business to work collaboratively with the community, Government, industry bodies and other organisations to understand, reduce and avoid risk, and to build resilience and preparedness. This results in better outcomes for the community and means fewer claims and lower premiums for our customers.

IAG has long advocated that the main way to reduce the impacts of natural perils and improve community resilience is to invest in mitigation. We believe a coordinated national framework for disaster resilience, response and recovery funding is required to enable strategic, long term investment in community resilience which is why we are supportive of the creation of the National Recovery and Resilience Agency (NRRA) and Australian Climate Service (ACS). Australia's climate resilience and adaptation are inextricably linked to its resilience and recovery from disasters.

We see the Federal Government's role is to provide national consistency. National consistency in risk data should be in the form of a sophisticated application of current and projected risk data, that is specific to the climate and natural hazard impacts for all regions across Australia and can adapt to and tolerate inherent uncertainties in global warming trajectories.

The current settings have created challenges for industry in understanding which agency to engage, on which issue and how they all align to create a coherent strategy. IAG's main recommendation is to integrate the National Climate Resilience and Adaptation Strategy Taskforce, the NRRA and ACS, to facilitate that

¹ IAG is the parent company of a general insurance group with controlled operations in Australia and New Zealand. Our businesses underwrite almost \$12 billion of premium per annum, selling insurance under many leading brands, including: NRMA Insurance, CGU, SGIO, SGIC and WFI (in Australia). and NZI, State, AML, and Lumley Insurance (in New Zealand). With more than 8.5 million customers and information on the majority of domestic residences in our markets, we use our leadership position to understand and provide world-leading customer experiences, making communities safer and more resilient for the future

coordinated national framework. Equally, as emissions and global warming trajectories inform future climate risk scenarios, Australia's emissions reduction research, and policies should be integrated into the single Agency.

Alternatively, we suggest that Government provide guidance on how the National Strategy for Disaster Resilience, National Disaster Risk Reduction Framework and national emissions reductions plans, and targets all interact to form one coherent suite of risk reduction and mitigation strategies.

We also think it is critical that government agencies at all levels whose role is to plan for the resilience and adaptation of the built environment engage regularly with the insurance industry, through the Insurance Council of Australia. The role of insurance is to measure and price for the expected cost of damage from disasters impacting our built environment. It is crucial that this financial assessment of risk is factored into Australia's built environment to keep Australia insurable in the face of a changing climate. Financial risk data illustrates how natural perils impact the built environment and the insurance industry is uniquely positioned to contribute this.

The establishment of the Cyclone Reinsurance Pool to be run by the Australian Reinsurance Pool Corporation highlights how climate risk is affecting insurance affordability. While the Cyclone Reinsurance Pool seeks to address insurance premium increases, it does not address the underlying risk that led to the need for establishment of the Pool.

For funding at all levels of government to remain sustainable in the long term, significantly increased spending on disaster mitigation and resilience measures as against recovery and reconstruction after an event. Australian Business Roundtable² research reports detail the costs of natural hazards (without factoring in impacts of climate change) and recommended that funding of \$250 million a year on resilience each year to 2050 could generate budget saving of more than \$12 billion.

Governments need to work with business and the not-for-profit sector to improve community engagement; enhance resilience in the built and natural environment; ensure better disaster risk awareness and mitigation; and improve capabilities for disaster resilience. IAG believes a nationally coordinated and well-resourced disaster resilience program that reduces the impact of extreme weather events should be introduced in two parallel programs

- **Program 1** Encouraging property owners to undertake private mitigation works
- **Program 2** Improving processes to facilitate investment in public mitigation works.

Program 1 incentivises property owners and communities to take mitigation action at a household level. Program 2 will help to reduce the impact of disasters at a community or regional level. Both programs must first create the settings for increased understanding of risks to ensure private and public mitigation is effective in reducing that risk.

A detailed explanation of these programs is in IAG's submission to the ACCC's Northern Australia Insurance Inquiry³.

IAG is leading the way with climate science research and analysis. By using our data and experience to understand and mitigate risk, IAG enables customers and communities to better prepare for, and respond to, disasters and climate change. IAG recognises a need for targeted incentives and investment in resilience

² <http://australianbusinessroundtable.com.au/our-research>

³ <https://www.iag.com.au/sites/default/files/Documents/News%20and%20events/IAG-submission-ACCC-Northern-Australia-Insurance-Inquiry-Second-Update-Report-Focus-Area-1.pdf>

that reduces disaster risk and builds resilience to natural hazards, which are key to building the physical and social resilience a community requires to face ongoing and fresh challenges.

IAG's in-house Natural Perils team, made up of meteorologists, atmospheric scientists, hydrologists, engineers, and mathematicians, has unique expertise in measuring disaster risk and understanding options to address high hazard characteristics of buildings and property. Our recent research publications have quantified the impacts of climate change on risk to property and include *Severe Weather in a Changing Climate*⁴ (in partnership with the US National Center for Atmospheric Research) and *Regional Sensitivity of Australian Flood Risk to Climate Drivers*⁵.

IAG is a leading contributor to the Insurance Council of Australia (ICA) Climate Change Action Committee⁶ with projects to understand physical climate risks and how to mitigate against these, ensuring an insurable Australia. The ICA is working alongside the community, governments, and other stakeholders to help ensure insurance remains affordable and accessible through physical adaptation measures and increased community resilience.

IAG also works with all levels of government to assist in understanding risk vulnerability and examine cost-effective mitigation measures. IAG believes accurate hazard information should be readily accessible by householders and businesses, helping them understand the natural hazard risk in their location. It also has significant economic value, as it reduces risk, will benefit planning authorities, banks, financiers and developers, and allows insurers to underwrite the risks with maximum certainty.

It is only by integrating insurance into decision making that we can most effectively work to reduce uncertainty, assist in disaster mitigation, and build knowledge in communities. IAG considers there is a need for key private and not for profit organisations to provide advice and support to the Federal Government to ensure there is an integrated approach to reducing natural disaster risks in Australia.

Supported by a range of robust and progressive national climate policy and regulatory settings, and nationally harmonised risk data, general insurers and the broader financial services sector have a key role to play in enabling governments by:

- Assisting in communicating, managing, and mitigating evolving risks that individuals and communities face, using expertise in risk management developed over hundreds of years of operation.
- Developing new and innovative products to transfer, manage and mitigate the long-term risks posed by a changing climate and transition to a net zero carbon emissions economy by 2050.
- Sharing industry expertise and collaborating widely to advocate for community and policy adaptations that drive towards a net zero carbon emissions economy by 2050 and increase the resilience of communities exposed to natural hazards.
- Actively reducing carbon emissions and working with governments to move to net zero carbon emissions by 2050.

⁴ Available at www.iag.com.au/severe-weather-changing-climate

⁵ Available at www.floods.org.au/client_images/2128563.pdf

⁶ <https://insurancecouncil.com.au/climate-change-action/>

By providing credible data on current exposures and vulnerabilities and working with governments, insurers can also help to understand the economic consequences of climate change through physical, transition and liability risks, and the impacts of greenhouse gas emissions mitigation and drawdown schemes.

We welcome the opportunity to discuss any aspect of this submission in further detail. Please contact Louise Kerkham, Principal Public Policy and Industry Affairs on 0439 131 761.

Sincerely,



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