



29 November 2019

Climate Change Consultation
Department of Water and Environmental Regulation

Submitted online: consult.dwer.wa.gov.au/climatechange/issues-paper/consultation

Insurance Australia Group (IAG)¹ welcomes the opportunity to make a submission to the Climate Change Consultation by the Department of Water and Environmental Regulation.

Our purpose is to make your world a safer place. We recognise that our role extends beyond transferring risk and paying claims. Our purpose drives our business to work collaboratively with the community 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 costs for our business.

We work collaboratively with government, industry bodies and Australian and international organisations on a range of topics and issues that relate to our customers, our people and the community. These include climate change, disaster response and resilience, and diversity, inclusion and belonging. IAG's in-house natural perils team enables us to consider climate risk and extreme weather events which are core to our business.

Safe and healthy communities

What are the main risks?

IAG has partnered with the US National Center for Atmospheric Research (NCAR) and released a report this month – ‘Severe Weather in a Changing Climate’.

This report reviews and interprets the latest climate science to understand how climate change is

¹ IAG is the parent company of a general insurance group with controlled operations in Australia and New Zealand. Our businesses underwrite over \$11 billion of premium per annum, selling insurance under many leading brands, including: NRMA Insurance, CGU, SGIO, SGIC, Swann Insurance and VVFI (in Australia); and NZI, State, AML and Lumley Insurance (in New Zealand).

impacting the severity and frequency of weather events like tropical cyclones, hailstorms and rainfall, and what is likely to happen in the future. The report also examines the changing physical risks from severe weather patterns, considering past, present and future climates.

In Western Australia, it is predicted there will be a southward shift and increased frequency of tropical cyclones, increased extreme precipitation, large hail and bushfire risks. Sea level rise is expected to accelerate around the Australian coastline.

The Report is attached to this submission for consideration by the Department.

The Department may also wish to consider the recorded presentations from the November launch of the Severe Weather in a Changing Climate report; www.iag.com.au/severe-weather-changing-climate.

From the launch, we specifically draw attention to the presentation of Andrew Dyer, Specialist, Natural Perils, IAG, which gives a detailed analysis of localised impacts of climate change under 2- and 3-degree warming scenarios, and what this means for land planning guidelines for flood risk.

What can be done to manage these risks?

Invest in mitigation - We urge all levels of government to increase funding for mitigation works to make communities safer and more resilient for the long-term. We strongly support the development of a formula to allocate mitigation spending to where it is likely to achieve the greatest net benefits.

For every dollar spent on mitigation against the impact of extreme weather events, more than ten dollars in payments and repairs following could be saved².

The impact of an extreme weather event depends on several factors, including the scale of the event and the use of potential mitigating factors such as land use planning and building codes; where properties are located; building standards; and protective infrastructure, such as levees. All these factors must be considered when seeking to manage the risks of climate change.

In its 2013 report, 'Building our Nation's Resilience to Natural Disasters', the Australian Business Roundtable for Disaster Resilience & Safer Communities (the ABR) demonstrated that carefully targeted resilience investments of \$5.3 billion over the period 2013-2050 could generate budget savings of \$12.2 billion for all levels of government.

The 2017 ABR report considered the total economic cost of natural disasters in each state and territory and the key facts for Western Australia are available here: <http://australianbusinessroundtable.com.au/2017-facts/wa>.

With natural disasters forecast to cost governments around \$2.3 billion a year in real terms over the period 2013 – 2050, investments in mitigation would reduce natural disaster costs for all of Australia by more than 50 per cent over this time. However, all these figures are conservative as they do not factor in the impacts of climate change.

The ABR's report proposes developing a program of mitigation activity, based on cost-benefit analysis that demonstrates a clear positive outcome from investing in pre-disaster resilience measures, including a program of community education.

We believe insurers have a role to play in the discussion on mitigation funding and would be willing to partner and share information with Federal, State and Local governments to help land-use

² australianbusinessroundtable.com.au/assets/Natural%20Disaster%20Roundtable%20Paper%20Web%20version%20January%202014.pdf; page 4.

planning decisions and the prioritisation of mitigation expenditure.

For example, coastal planning policies in Western Australia that specify new buildings and infrastructure be built at a minimum distance from the coastline. However, these planning frameworks primarily relate to sea-level rise rather than natural disaster threats³.

Government subsidised risk reduction.

We strongly support government subsidised risk reduction schemes such as the Queensland Government Housing Resilience scheme⁴. This scheme targeted vulnerable people and homes, providing co-contributions for retrofitting to pre-1984 built homes, utilising sound information from the Townsville Cyclone Testing station (CTS). The scheme was supported by insurers through aligned insurance incentives.

Important for the success of these schemes is a central database recording which housing resilience measures have been undertaken at each property so that subsequent property owners, insurers and banks can all utilise this information in their decisions on the risks relevant to the property. Equally as important are the understanding and reliability of risk mitigation measures and the impact they have on reducing risk.

Resilient infrastructure and businesses

What are the best ways to enhance the resilience of public and private infrastructure?

- **Review infrastructure, planning and zoning requirements** – Current land use planning requirements do not reflect the level of risk communities will face in the future. A thorough review needs to be undertaken to ensure they are changed to reflect the range of scenarios and forecasts in risk exposure that will occur with climate change.
- Current land planning and zoning requirements are misaligned with insurance risk and this dynamic creates an affordability challenge for insurance which will only worsen as the risk increases with climate change.
- Additionally, there are no requirements in infrastructure, planning or zoning for the consideration of building with resilience. Research completed by the ABR in 2016 found that;
 - A major share of the costs associated with natural disasters arises from damage to critical infrastructure including roads, bridges, railways and hospitals.
 - More than \$450 million per financial year was spent by Australian governments on restoring essential public infrastructure assets following extreme weather events between 2002-03 and 2010-11 which equates to about 1.6% of total public infrastructure spending.
- With no requirement to build back better or to consider the future risks of an area when planning or zoning, individuals, communities, businesses and governments are left more vulnerable to widespread disruption and higher costs post disaster⁵.
- **Building codes** - Current buildings codes may not be adequate to meet the risks of future extreme weather events. While the objectives of the building code are centred on life safety,

³ australianbusinessroundtable.com.au/assets/documents/ABR_building-resilience-in-our-states-and-territories.pdf; page 52.

⁴ www.qld.gov.au/housing/buying-owning-home/financial-help-concessions/household-resilience-program

⁵ <http://australianbusinessroundtable.com.au/assets/documents/Factsheets/Factsheet%20-%20Building%20resilient%20infrastructure.pdf>

which is unquestionably vital, they do not focus on reducing the associated costs of damage from major disasters. This is an important aspect in ensuring that communities are more resilient in the future.

- It is important that research is conducted into the drivers of damage to buildings and improved understanding of the potential changes to extreme weather events so that building codes are effective in managing future community risk.
- **Continued creation of open data sets on current risks and weather patterns** - Information is fundamental to natural hazards management. The goal is to ensure that communities, planners, emergency services, individuals, property owners and insurers understand the natural peril risks that they face, and that effective risk mitigation measures can be undertaken. Without access to critical data inputs and research findings, communities, business and government cannot make informed decisions on how to target these investments to achieve the greatest impact.
- Accurate information should be available to the public which allows individuals to easily understand their level of risk. This level of transparency is essential to reduce confusion and encourage people to take steps to manage their risk (such as understanding the flood risk of a property they are buying and purchasing appropriate insurance cover).
- Yet often councils and other authorities suggest that they are reluctant to provide specific information about risks such as flood or fire, to property owners or prospective purchasers. This reluctance arises from a fear of possible litigation if that information has adverse consequences, such as reducing the market value of the affected property.
- IAG acknowledges and commends the work governments have done so far creating open data sets on natural peril risks. An example of the success in this space is local councils that have released flood risk data that is shared and used by a variety of stakeholders to understand flood risk including individual community members.
- Natural hazard and weather information is used by IAG to get a clearer understanding of the impact of a major event such as a cyclone, bushfire or flood, before, during and after they strike. This allows IAG to scale its major event response rapidly to help affected customers recover from the event quickly, and notify our business partners, such as reinsurers, and the share market of the impact.
- Insurers require raw data that can be analysed and uploaded into underwriting systems to facilitate risk assessment on an automatic and broad scale basis when residents seek a quote.
- **Encourage and reward community efforts to adapt and improve resilience** – As extreme weather events generally increase in frequency and severity with climate change, communities need to adapt to new normal weather patterns to lessen impacts. Resilient communities are strong communities that have better outcomes following an event⁶. Governments should look to encourage and reward those communities and local government areas that review their risk and look to build strategies to protect themselves in an extreme event.
- **Climate change policy** - We also believe the Government's approach to climate change and its greenhouse gas policies are critical to shaping the impacts that our customers, communities and the insurance industry will face in the future. Ideally, we believe climate

⁶ <https://www.emv.vic.gov.au/CommunityResilienceFramework>

change policies should focus on;

- **Limiting further global warming** - We support the primary objective in the Paris Agreement to limit global warming to 1.5° Celsius above pre-industrial levels. To achieve this, the UN confirms immediate action must be taken to cut global emissions by 7.6% every year for the next decade to meet the Paris target⁷.
- **Creating clear and consistent policy** - Clear, consistent, bipartisan policy is required to minimise risks of transition to a low carbon economy. For as long as uncertainty remains around how emissions will be reduced, it is difficult for business to plan for the risks and take up the opportunities.
- **Prioritise the preservation of natural coastal defence** – Natural coastal systems such as sand dunes, mangroves, coral reefs and kelp beds are comprised of living infrastructure that act as natural defence systems and buffer areas.

The health and functionality of these systems are challenged due to climate change and other impacts. For example, coral bleaching associated with climate change will weaken the coral reef defence systems in tropical areas making the coastal zones more vulnerable to storm surge, coastal erosion and wave action.

Weakening of natural defences will worsen the impact on infrastructure and buildings and opportunities to maintain and protect the health of these systems should be a key consideration for Government policy.

- **Invest in climate change research and partnerships** – To better understand changes to climate extremes and their impacts, there needs to be a significant boost to research funding. Climate change is an area of great interest throughout the community and a topic where government should explore opportunities to improve industry, government and academic institution research partnerships.

Future Mobility

What can be done to facilitate the uptake of electric and other low-emission vehicles in Western Australia?

- Incentives should exist for sale/purchase of these vehicles and/or reduced registration costs should be offered to vehicle owners; and
- Electric vehicle charging infrastructure should be easily and readily accessible, reliable and fast.

How can we further encourage use of public transport and active transport, such as walking and cycling?

IAG is exploring this through a Mobility-as-a-Service research trial in partnership with iMOVE CRC, the Institute for Transport and Logistics Studies (ITLS) at the University of Sydney's Business School and a start-up, Skedgo. We would be pleased to share insights from the trial once they become available in the next 12 -18 months.

More details on the trial are available here <https://imoveaustralia.com/project/maas-trial-sydney/>.

IAG welcomes the opportunity to discuss any aspect of this submission in further detail, please contact Louise Kerkham, Public Policy and Industry Affairs at louise.kerkham@iag.com.au or 02 9292 1206.

⁷ <https://www.unenvironment.org/news-and-stories/press-release/cut-global-emissions-76-percent-every-year-next-decade-meet-15degc>

Sincerely

A handwritten signature in black ink on a light gray background. The signature reads "Mark Leplastrier" in a cursive, slightly slanted script.

Mark Leplastrier
Executive Manager, Natural Perils