



Monday, 2 July 2024

To whom it may concern,

RE Inquiry into the Impact of Climate Risk on Insurance Premiums and Availability

I am writing from [The Climate Risk Group](#) - a group of companies committed to quantifying and communicating the costs of climate change. The Climate Risk Group consists of [XDI \(Cross Dependency Initiative\)](#) which provides physical climate risk analysis to governments, corporates and the finance sector around the world, and [Climate Valuation](#), which provides professional investment-grade physical climate risk analysis to individual property owners.

As part of this inquiry, we would like to submit two of our reports for your consideration.

- [1. Going Under: The imperative to act in Australia's high flood risk suburbs](#)**

Climate Valuation's latest report, published in June 2024, identifies the Australian suburbs most at risk of insurance instability from the impact of riverine flooding. Our analysis indicates which regions are most likely to suffer unaffordable insurance costs or mass insurance withdrawal by 2030 because of flood risk. Either of these outcomes we refer to as 'uninsurable'. The report found that by 2030, over **3 million Australian homes (21%)** have exposure to some level of riverine flooding, and 588,857 Australian homes are considered to be High Risk Properties: they carry a high risk of flood cover becoming prohibitively expensive or withdrawn.

- [2. Uninsurable Nation: Australia's most climate-vulnerable places](#)**

For this [report](#), Climate Valuation provided physical climate risk data to the Climate Council. The report outlines the top 20 most at-risk federal electorates to climate change-related extreme weather events along with the most at-risk electorates for each state and territory.

The report reveals that by 2030, across Australia approximately 520,940 properties, or one in every 25, will be 'high risk' and uninsurable, with 40 federal electorates across Australia set to have 4% of properties classified as uninsurable.

Our data analysis shows that a significant number of Australian properties are at risk from the increase in climate-exacerbated extreme weather events (particularly flooding) by 2030, and that home owners may face prohibitive insurance costs, or withdrawn insurance as a result. As we stated in our most recent report, we believe that the challenge is not to find fault, but to find solutions. We believe that it is not too late if we act now, however it will require a national policy response and co-operation between communities, business and government to move communities from risk to resilience. Please refer to page 16 in our recent "Going Under" report to see our specific recommendations for insurers, government and banks.

[Back in 2019](#), we flagged that the insurance industry was already on the brink of dangerous market failure, highlighting that if the industry doesn't step up, we'll all pay, both as taxpayers picking up the bill for the recovery or because of the impact on our communities and our economies.

Our data analysis leads to inferences such as when insurance becomes very expensive or unavailable, it becomes close to impossible to sell property as the next buyer can't get proper insurance for their mortgage. The effects of insurance becoming unavailable are potentially catastrophic for areas which are exposed to current or future extreme weather. In our opinion, rather than refusing cover or hiking up premiums, insurers should take an active role in helping communities mitigate against climate-related risk.

Sincerely,

Dr Karl Mallon

Founder, The Climate Risk Group (XDI, Climate Valuation)

