



16 August 2017

The Committee Secretary  
Senate Standing Committees on Environment and Communications  
Parliament House  
Canberra ACT 2600

### **Inquiry on current and future impacts of climate change on housing, buildings and infrastructure**

The National Insurance Brokers Association of Australia (NIBA) would like to provide the following brief submission to the inquiry on the impact of climate change in Australia.

NIBA is the industry association for insurance brokers across Australia. The association has around 350 member firms, employing around 4,000 insurance brokers in all States and Territories, in the cities, towns and regions of Australia.

#### **About Insurance Brokers**

Insurance brokers work with their clients to assist them –

- understand and manage their risks, including the risk of loss of or damage to property as a result of adverse weather or other climate related events;
- obtain appropriate insurance cover for their risks and their property; and
- pursue claims under their policies when an insured event occurs, in which case the insurance broker becomes the advocate for the client during the assessment and resolution of the claim.

Insurance brokers act primarily for and on behalf of their client, and they owe legal duties to their clients for the nature and quality of the work they perform on their behalf. When acting for and on behalf of the client, insurance brokers do not SELL insurance policies – they PURCHASE insurance policies on behalf of their clients from the markets available to them.

## **Climate Change and Insurance**

In 2014 the Productivity Commission undertook a major inquiry into the funding of natural disasters in Australia. A number of significant recommendations were made following that inquiry.

The second volume of the Commission's Report contains extensive information on natural disaster types and trends in Australia. In particular, the report provides reliable information on the nature and cost of insurance losses arising from natural disasters during the period 1970 to 2013 – see Figure 1.2 on page 280 of the Productivity Commission Report.

This information shows a very significant increase in the nature and cost of insurance payments over the past 10 years. Expert opinion is cited in the Report regarding Australia's future prospects for significant losses from natural disasters and related climate events.

The recent experience of Cyclone Debbie, which caused significant damage from the Whitsunday area of Queensland through to South East Queensland and northern New South Wales, was a reminder of the cost to the community of major weather events. The insurance losses from Cyclone Debbie are now estimated to be greater than \$1.6 billion. The affected communities no doubt sustained losses in excess of this amount for property that was not insured through traditional channels.

## **Where Australians Live**

Australia is a country where the population by and large lives on or near the coast line. Each year, more areas are developed, and more buildings are built near the coast, or near areas that are susceptible to flooding.

At the same time, many Australians live in rural or bushland areas where there is a high risk of bushfire.

## **Affordability of Premiums**

If the experience of insurance losses over the past 10 years continues, property insurance in Australia will start to become unaffordable. For many property owners in northern Queensland, that is already the situation they face.

NIBA has argued very strongly for the need for governments at all levels to have a clear and consistent strategy to mitigate the nature and extent of losses that can and do arise from major weather events that regularly occur across Australia. Property insurance will not remain affordable for the majority of property owners if recent trends in claims costs continue into the future.

## Conclusion

Weather related losses are a very significant contributor to the cost of property insurance in Australia. The value of insurance losses, which need to be funded by the community through their insurance premiums, has been very substantial in recent years.

NIBA does not have expertise in the area of climate change. What we do know is that the only way property insurance can remain affordable is for the Commonwealth, State/Territory and local governments, through the Council of Australian Governments, to have a coordinated strategy for land use planning, building standards and controls, and disaster mitigation that will minimise the cost of future weather related events, while allowing Australian to live where they wish to live, and undertake the lifestyle they enjoy.

We would be pleased to discuss these matters further with the Committee.

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