

Wednesday October 23, 2019

Statement on climate change, insurance affordability and accessibility

Attributable to Campbell Fuller, Head of Communications and Media Relations:

Claims that parts of Australia will inevitably become uninsurable or unaffordable due to climate change fail to recognise that mitigation and adaptation can prevent some of the worst impacts of extreme weather.

Australian communities should be encouraged to lower risks and take practical action. No area of Australia should be uninsurable, provided governments invest appropriately in permanent mitigation and resilience measures to protect communities from known and projected risks, including the impact of climate change.

It is important that extreme weather projections based on climate change models are agreed upon and understood by all relevant stakeholders before they are used in a way that may unnecessarily scare householders and businesses, disrupt communities and lead to poor decisions and outcomes.

The Insurance Council of Australia (ICA) supports the need for well-coordinated and prudent action on climate change. It is working with insurers and other stakeholders to integrate its efforts. Achieving a smooth and orderly transition to a low-carbon economy can only be achieved through credible, agreed and understood methodologies. This will help property owners, communities and governments avoid costly mistakes and maladaptation.

Fee-based commercial climate change tools that aim to provide information about future risks must be based on transparent methods and data. This would allow community members to understand relevant limitations in the projections and make more informed decisions.

The insurance industry is investing in the development of transparent risk tools for climate change, based on centuries of underwriting expertise and extreme weather knowledge. These tools and the methodology upon which they are based will be available for all stakeholders to use. The outputs from the industry's work on climate change may ultimately be useful for commercial ventures.

As APRA has highlighted recently, governments must invest in permanent mitigation and resilience measures to protect communities already at risk from extreme weather, whether exposed to cyclones, storms, floods or bushfires. Governments, using credible and agreed methodologies, must also determine how best to ensure communities can be more resilient to the impacts of climate change.

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Media contact: Media adviser 02 9253 5161 0432 121 116 Twitter: @ICAUS

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Insurance is risk-rated, and remains competitive in all regions. Sending a price signal to high-risk areas is an important part of insurance. These price signals send a message to property owners, communities and governments about their risks and serve to encourage consideration of mitigation, resilience and improvements to town planning and building codes.

Managing and lowering the risks to communities through investments in mitigation, and helping them become more resilient, is essential in ensuring insurers can continue to provide risk transfer products to all Australians.

The ICA strongly encourages governments to implement the findings of the Productivity Commission, and heed the recent advice of APRA and the ACCC, when it comes to the importance of investments in permanent mitigation and resilience programs.

Last week the Senate voted to increase the amount of money available to the Commonwealth for mitigation measures by \$50 million a year. This is a positive sign governments are starting to understand the important role they play.

The Productivity Commission and other organisations and agencies have called for a reversal of government spending on natural disasters. At present only 3 per cent of natural disaster funding is spent on mitigation; 97 per cent is spent on post-disaster recovery. The PC advocates that prevention is better than cure. In 2014 it recommended the Commonwealth invest at least \$200 million a year in mitigation and resilience, to be matched by state and territory governments.

The Insurance Council would like mitigation investments to be treated as nation-building infrastructure. Governments must also determine how best to ensure communities can be more resilient to the impacts of climate change.

More information: climaterisk.insure

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