

Submission
No 28

INQUIRY INTO CLIMATE CHANGE (NET ZERO FUTURE) BILL 2023

Organisation: Insurance Council of Australia

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NSW Legislative Council's Portfolio Committee No.7 – Planning and Environment | Inquiry into the Climate Change (Net Zero Future) Bill 2023

To whom it may concern,

NSW Legislative Council's Portfolio Committee No.7 – Planning and Environment | Inquiry into the Climate Change (Net Zero Future) Bill 2023

The Insurance Council of Australia (**Insurance Council**) thanks the NSW Legislative Council's Portfolio Committee No.7 – Planning and Environment for the opportunity to provide feedback on the Climate Change (Net Zero Future) Bill 2023. We appreciate the collaborative approach the Committee has taken to welcome submissions from interested stakeholders.

The Insurance Council is the representative body of the general insurance industry in Australia and represents approximately 89% of private sector general insurers. As a foundational component of the Australian economy, the general insurance industry employs approximately 60,000 people, generates gross written premium of \$64.5 billion per annum and on average pays out \$147 million in claims each working day (\$36.5 billion paid out per year).¹

The Insurance Council welcomes the introduction of the Climate Change (Net Zero Future) Bill 2023 by the NSW Government to legislate emissions reduction targets, establish an independent Net Zero Commission and set an objective to enhance NSW's resilience to climate change.

Further detail is provided below.

The Insurance Council and its members welcome the legislation of emissions reduction targets in the Climate Change (Net Zero Future) Bill 2023 and encourages the NSW Government to set science-based emissions reduction targets that limit global warming to below 2°C.

Legislated targets will offer NSW businesses and industries a stable and predictable investment environment which enables businesses and investors to make long-term plans and allocate capital towards green and climate-friendly initiatives.

The NSW government should set science-based emissions reduction targets that are Paris aligned and consistent with IPCC timeframes. The Paris agreement calls for holding the increase in temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C. These targets need to be supported by a comprehensive set of policies that accelerate NSW's transition to net-zero, and the Insurance Council and its members look forward to continuing to collaborate on the NSW Government's energy and climate policies.

The Insurance Council and its members welcome the establishment of the Net Zero Commission to independently monitor NSW's progress towards its emissions reduction targets to ensure transparency and accountability and assess the effectiveness of NSW's emissions reduction efforts.

The Insurance Council and its members welcome the inclusion of the adaptation objective in the Bill to make New South Wales more resilient to a changing climate.

Australia's general insurance sector provides protection for 41 million homes, buildings and vehicles against the physical and financial impacts of extreme weather events. Insurers are at the frontline when it comes to climate change and extreme weather which is why the insurance industry is focused

¹ APRA Statistics February 2023

on improving community resilience.

Having already reached a mean temperature rise of 1.46°C², Australia is on the frontline of climate change impacts, experiencing more severe bushfires, hotter and longer heatwaves, rising sea levels that are exacerbating hazards along our coastlines, cyclones that are projected to intensify and possibly track further southwards, and an increase in rainfall intensity and associated flooding as the climate warms. More frequent and severe extreme weather events are projected to occur concurrently, with the mounting direct costs of extreme weather projected to reach \$35.24 billion per year by 2050.³

Since the 2019-20 Black Summer bushfires, insurers have paid out an unprecedented \$16.8 billion in extreme weather claims, and in 2022 alone, there were more than 302,000 disaster related claims lodged from four declared insurance events across the country, costing \$7.28 billion in insured losses. Six billion dollars of these losses were from the northern New South Wales and south-east Queensland floods in early 2022, the second costliest insured event in the world last year and the costliest insured event recorded in Australia.⁴

These enormous losses will only continue to climb if climate change expands high-hazard zones around the country and development continues unabated in high-risk areas. Insurance Council analysis has found that when extreme weather events strike large population centres in the future, the impacts and costs will be much greater. For example, the Sydney Hailstorm, which caused \$1.7 billion in insured losses back in April 1999, would have resulted in an estimated \$8.85 billion in insured losses if it happened today.

These worsening climate impacts are driving challenges with the availability and affordability of insurance in some high-risk regions in Australia and some regions may become increasingly difficult to insure as extreme weather risks grow. The enormous economic and social costs from extreme weather events reinforces the need to enhance the resilience of Australia's built environment and natural environments by investing in improving the resilience of existing buildings, business assets, and infrastructure.⁵ It also requires embedding resilience into new developments, the development of more risk infrastructure, and effectively managing the natural environment to mitigate the potential impact of severe weather events.

The responsibility to make these changes falls to governments, both state and federally. While there have already been welcome announcements such as the Federal Government's \$1 billion Disaster Ready Fund and state-funded resilience programs being rolled out across high-risk regions in Queensland and New South Wales, more needs to be done.

The Insurance Council and its members have developed a set of policy recommendations, outlined in its report, "Building Australia's Resilience"⁶, which chart a path for how we can build on these existing initiatives to create a more resilient Australia, lessening the impact when disaster strikes and ensuring we don't continue to put communities in harm's way.

Taken together, this suite of policy proposals will support all Australians, wherever they live, to be better prepared before disaster strikes and to recover more quickly from unexpected events. The ICA and its members strongly recommend the adoption of these recommendations by state, territory and federal governments. The recommendations include:

- **Resilience Investment:** The Insurance Council welcomes the NSW Government's commitment to invest in a range of resilience measures following the catastrophic flooding events to hit the state in recent years. These measures to support flood affected communities include the \$700 million Resilient Homes Program, co-funded by the Australian and NSW Governments, and the \$100 million Resilient Lands Program fully funded by the NSW Government. We also acknowledge the NSW Government's 2023/2024 budget allocation of \$150 million to establish the Community Restoration Flood Fund to support disaster impacted communities in the Northern Rivers and Central West. While these investments are necessary and welcome, the NSW Government should provide more funding for these and other resilience programs to cover a greater number of high-risk areas. The Insurance Council also recommends ongoing investment in community-level flood mitigation and resilience measures, such as improved early warning systems, flood levees that

² CSIRO, Australia's Changing Climate, [Australia's changing climate - CSIRO](#)

³ Insurance Council of Australia, Climate Change Roadmap, 2022, [Climate change action - Insurance Council of Australia](#)

⁴ Insurance Council of Australia, CAT Report 2022-2023, [20897 ICA Cat-Report Print-2023 RGB Final Spreads.pdf \(insurancecouncil.com.au\)](#)

⁵ Insurance Council of Australia, CAT Report 2022-2023, [20897 ICA Cat-Report Print-2023 RGB Final Spreads.pdf \(insurancecouncil.com.au\)](#)

⁶ Insurance Council of Australia, [Building Australia's Resilience: Policy Recommendations \(insurancecouncil.com.au\)](#), 2023

reduce risk and buybacks, as well as home retrofit and pre-emptive buyback programs, to better protect homes and communities particularly those living in high-risk environments.

- **Land Use Planning:** As the Committee would be aware, the NSW Planning and Environment Committee is currently undertaking an inquiry into the Planning System and the Impacts of Climate Change on the Environment and Communities. The Insurance Council's submission to the inquiry highlights the need for action across a number of areas aimed at making homes, businesses and communities more resilient to extreme weather. Chief among these is ensuring development no longer occurs on floodplains, as agreed by national cabinet. Land use planning reform needs to occur to ensure planning legislation requires a mandatory requirement for strategic and statutory planning arrangements to consider property and community resilience to extreme weather events. Below is a summary of recommendations provided by the Insurance Council to the NSW Planning and Environment Committee:
 - Review land use planning arrangements based on water catchments.
 - Adopt a risk-based approach to future residential development which prioritises areas of zero risk.
 - Undertake further flood studies where required to better understand risk.
 - Commit to mitigation infrastructure before housing targets are given to councils.
 - Refine government messaging around risk to drive greater understanding of the likelihood and impact of extreme weather events.

Should your Committee require further information on these measures, we invite you to refer to our submission to the NSW Planning and Environment Committee.

- **National Construction Code and Standards:** State and Territory Governments must work together to incorporate resilience standards in the National Construction Code (NCC) to improve the resilience of all future building stock and strengthen existing building stock over time through refurbishment. The New South Wales Government, via its representation at the Building Ministers' Meeting and on the ABCB, should continue to support amendments to the NCC and relevant Australian Standards that prioritise building resilience and considers current and future climate projections.
- **Improving competence and compliance:** While there have been commendable efforts to change industry practice in recent times, failure to comply with the technical requirements of the NCC remains a major challenge in all jurisdictions, including in New South Wales. To address this, the Insurance Council encourages the NSW Government to continue to action the recommendations of the *Building Confidence Report* including nationally consistent requirements for the registration of building practitioners, their enhanced education and training, greater rigour in the certification of design and construction, and improved enforcement.

We trust that our initial observations are of assistance. If you have any questions or comments in relation to our submission please contact Ange Nichols, Adviser, Climate Action & Resilience,

Yours sincerely,

Andrew Hall
Executive Director and CEO