

**Submission
No 51**

**INQUIRY INTO PLANNING SYSTEM AND THE IMPACTS
OF CLIMATE CHANGE ON THE ENVIRONMENT AND
COMMUNITIES**

Organisation: Insurance Australia Group Services Pty Ltd (IAG)
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The Director
Portfolio Committee No. 7 – Planning and Environment
Parliament House
Macquarie Street
Sydney NSW 2000
By email: PortfolioCommittee7@parliament.nsw.gov.au

Dear Director,

IAG¹ welcomes the opportunity to make a submission to the Legislative Council's Portfolio Committee No. 7 – Planning and Environment inquiry into the Planning system and the impacts of climate change on the environment and communities.

Our purpose is to make your world a safer place, and we recognise that our role extends beyond transferring risk and paying claims. Our purpose drives our business to collaborate with the community, Government, industry bodies and other organisations to understand, reduce and remove risk, as well as build resilience and preparedness. This results in safer outcomes for the community and means fewer claims and lower premiums for our customers.

As a large Australian and New Zealand general insurer, we see the impacts of historic land use planning decisions in the aftermath of a natural disaster. The black summer bushfires and recent years of flooding saw 1 in 25 Australians lodge an insurance claim due to extreme weather.² Insured costs are only part of the cost of natural disasters, with further long term financial and social impacts on affected communities, such as uninsured property, essential infrastructure damage, business disruptions, psychological stress, injury and loss of life.³

We know natural hazards are a part of everyday life and will continue to happen. But we believe that *what* communities build in high-risk locations, *how* they build and the decision *to* build there is key to the ability of communities to safely withstand, and financially recover from these disasters. In today's rapidly changing environment we are seeing the cost-of-living pressures continuing to have a significant hold on communities, and property insurance is not immune to premiums increasing, making it difficult for policyholders in high-risk locations to sufficiently insure their assets.

¹ IAG is the parent company of a general insurance group with controlled operations in Australia and New Zealand. Our businesses underwrite almost \$12 billion of premium per annum, selling insurance under many leading brands including: NRMA Insurance, CGU, SGIO, SGIC and WFI (in Australia); ad NZI, State, AML, and Lumley Insurance (in New Zealand). With more than 8.5 million customers and information on the majority of domestic residences in our markets, we use our leadership position to understand and provide world-leading customer experiences, making communities safer and more resilient in the future.

² Insurance Council of Australia, <https://insurancecouncil.com.au/resource/three-year-weather-bill-reaches-12-3-billion/>

³ Australian Business Roundtable, <http://australianbusinessroundtable.com.au/assets/documents/Report%20-%20Social%20costs/Report%20-%20The%20economic%20cost%20of%20the%20social%20impact%20of%20natural%20disasters.pdf>

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Insurance is the only financial protection from natural disasters, as weather becomes more severe due to climate change, legacy land planning decisions will continue to impact on property damage and the related cost of insurance.⁴ Current and future land planning decisions will play a critical role, not only in rising insurance costs, but also across community safety. This may lead to less affordable insurance, underinsurance, and in a worst case no insurance, creating a larger reliance on Government assistance following a natural disaster. Without better informed land planning decisions, high-risk communities will continue to be vulnerable, resulting in the less likelihood of families returning to their way of life following a natural disaster.

IAG has long been a strong advocate for reducing the natural disaster risk communities face to prevent the endless cycle of disasters, recovery and rebuilding. IAG has continuously collaborated with partners such as National Center for Atmospheric Research, (NCAR) to better understand and communicate the impact of climate change on severe weather and additionally releases quarterly Wild Weather Tracker reports, identifying forward weather forecasts, claims and risks identified over the past 3-months and findings ahead of the next weather season.⁵

We commend the Committee for taking this important step to seek better outcomes on the current planning system, where outcomes can best ensure that people, the natural and the built environment are protected from the ongoing impacts of climate change and changing landscapes. We also welcome the recent NSW Government's announcement to no longer develop housing on high-risk flood plains in Western Sydney. We see this decision as an important step in the right direction of reducing the risk of disasters before they occur and ensuring our communities safety.

For future planning we offer the following suggestions for the Committee to consider.

1. An all-hazards approach to land planning

In Australia, flood and bushfire risk are treated differently, irrespective of many local government areas (LGAs) in Australia having risk exposure to more than one natural hazard. Our evidence shows that as the climate changes, it is increasingly likely that compounding hazards will affect communities concurrently.⁶ We note the recently introduced Flood Prone Land Package, providing advice to Council's on considering land-use planning. However, we suggest there is an opportunity to expand this package and create flood building standards in alignment with risk levels, similar to the way the Bushfire Attack Level (BAL) assessment works for homes in bushfire prone areas.

One example is in 2020, the Shoalhaven region was impacted by two natural disasters, fire and flood. The need to plan for and rebuild for both bushfire and flood resilience in this community is clear. IAG brand NRMA Insurance partnered with the Resilient Building Council and Shoalhaven City Council to develop the FORTIS home that provided improved resilience to bushfires and flooding. The purpose of the FORTIS home was to provide a set of design principles and standards, and to promote better building practices, protect people, homes communities and the environment.⁷ This design is publicly available and can be found online here <https://fortishouse.org/main-home/>. To prevent the compounding impact of multiple different hazards it is increasingly important for all levels of government to consider all hazards in planning standards. It is of particular concern, as we are seeing an increase in the frequency of communities recovering from one hazard, and to be impacted by another hazard within a small period of time.

⁴ Severe weather in a Changing Climate – 2nd Edition (2020) Available at <https://www.iag.com.au/about-us/research>

⁵ NRMA, Wild Weather Tracker <https://www.nrma.com.au/wild-weather-tracker>

⁶ Available at <https://www.iag.com.au/severe-weather-changing-climate>

⁷ Fortis House available at: <https://fortishouse.org/>

2. Data

It is imperative that local councils, state governments and planners use the most up to date data available, to make informed land use planning decisions. We have an opportunity to align hazard risk data across all levels of government and industry to create one source of truth on hazard risk. This could then be used in land planning decisions to reduce risk and by industry to improve the way insurers price risk. We believe it is also important to improve the collection, co-ordination, and centralised access to all hazard map data from all Council's in NSW. This data should go beyond planning controls to include mapping, and modelling data held by all levels of government and respective agencies.

IAG and the industry are active participants in the Hazards Insurance Partnership (HIP), with the aim of better preparing and protecting communities from future disasters.⁸ The Hazards Insurance Partnership (HIP) is developing a project to identify relevant data, where it resides, how to collect it, what gaps exist and how to analyse this data. We are actively working as part of the Hazard Insurance Partnership on this at the time of this submission.

IAG would like to see the discussion on risk tolerance continue and be an active participant in designing how communities and governments can work together to create community resilience or community adaptation plans to manage the risk in their community.

Similarly, we believe governments and the insurance industry need to work together to make risk information available to the public.⁹ This would allow everyone in the community to understand the natural hazard risk they face. Public information on natural hazard risk tends to also be limited to land planning controls, rather than the actual underlying natural hazard data. This can lead to the under estimation of risk, with the risk outside of these controls becoming significant. The recent flooding in Lismore is a key example of how risk information can be underestimated. The Lismore floods far exceeded the 1% AEP planning control, and we believe information about hazard risk needs to include a range of possible flooding including probably maximal flood (PMF) so that communities are aware and understand how large the risk could be where they live and work.

3. Systems thinking approach to land planning reform

Land planning impacts many essential systems in a community from housing, business and economic opportunities, to transport, health and wellbeing. In order to incorporate natural disaster risk into land planning, we must take a 'systems thinking' based approach. This means considering and calculating the impact of natural disasters and severe weather across the system in each proposed or approved development. We believe applying a system thinking approach will support decision makers to reject development in high-risk areas as they will be able to demonstrate the cost impacts of such a development does not make sense long term.

Taking a 'systems thinking' based approach would take into consideration other variables that may impact the vulnerability and the feasibility of proposed and approved developments in high-risk locations such as the Shoalhaven, Hawkesbury-Nepean, Northern Rivers and the Mid-North Coast. We believe the way forward calls for collective action, recognising that addressing disaster resilience in land planning is a systematic challenge and requires a diverse set of stakeholder consultation to fix.

⁸ The Hazards Insurance Partnership (HIP) is a single touchpoint between the Australian Government and the insurance industry to engage on issues of disaster risk reduction and hazard insurance. The HIP will be used to progress the five streams of insurance work agreed in the October 2022-23 budget., <https://nema.gov.au/programs/hazards-insurance-partnership>

⁹ National Emergency Management Agency, <https://nema.gov.au/programs/hazards-insurance-partnership>

4. Risk tolerance

What, who and how acceptable risk is defined is key to keeping communities safer from future natural hazards. The term 'acceptable risk' or 'risk tolerance' will continue to evolve for communities as the impacts for climate change related impacts continue to develop. The insurance industry can play a role in working with governments to define what level of risk is tolerable for a community as insurance risk modelling and pricing are key indicators of the financial risks associated with natural hazards in the community. IAG would like to see the discussion on risk tolerance continue and be an active participant in designing how communities and governments can come together to create a **community resilience or community adaptation plans** to manage the risk in their community.

IAG research

Our purpose drives us to collaborate to understand, reduce and remove risk, as well as to build resilience and preparedness in our communities. One part of this advocacy work is our research papers. The aim of each paper is to provide information, analysis and policy recommendations that will further public discussion and reduce risk for our customers. The following research is directly related to land use planning.

AECOM Report - Resilience in Land Use Planning: A Summary for Policy Makers – November 2023

This research explores enablers and barriers to including natural disaster considerations in land planning from a developer, insurer, local, state and federal government perspective. The report outlines six key challenges for land use planning to incorporate natural disaster resilience, with ten recommendations for change mapped to these challenges.

The long-term aim of these recommendations is to ensuring disaster resilience is a key consideration in the land planning system and that we are no longer building communities in harm's way. This has a flow on impact to ensuring future communities have access to affordable and available insurance products.

Overall, the research found that incorporating natural hazard risk into land use planning to mitigate future disaster losses is critically important to Australia's future.

In addition, that integrating climate and disaster resilience into land use planning is complex and so an adaptable approach is required that reshapes planning and development practices to accommodate rapid social, economic, environmental, and cultural changes. The barriers preventing planning regulatory frameworks to align with contemporary disaster resilience goals are interdependent and require confronting trade-offs, accounting for uncertainty and considering the flow on effects.

The report found 6 key challenges for incorporating natural disaster risk into land use planning:

1. Land use planning lacks consistent integration of natural hazard information and disclosure of climate change scenarios.
2. Fractured cross-government coordination and limited directive frameworks to address disaster resilience.
3. Challenges in managing the risk exposure of established communities, infrastructure and heritage in areas of high-risk.
4. Limited capacity and capability for local governments to consider climate risk and resilience in land use planning.
5. Building codes are not designed to ensure assets and infrastructure withstand current and future natural hazard risk.
6. Investment decision-making at multiple scales does not adequately account for the projected future costs and there is a shortfall in funding.

The report recommends 10 key recommendations for change. The report is being finalised and IAG will provide a copy of this report and the 10 recommendations when it is released in the coming weeks.

Other research includes:

Committee for Sydney – Defending Sydney, Adaptive planning for today’s flood and tomorrow’s climate risks

IAG was a partner with AECOM and Resilient Sydney on this Committee for Sydney thought leadership paper. The report released in October found that the \$6 billion of insured losses from the 2022 East Coast Floods were dwarfed by the uninsured impacts, estimated to have surpassed \$15 billion. It is project that by 2060, natural disaster costs broadly will surpass \$70 billion nationally.

It identified that NSW is currently facing both a housing crisis, and a climate crisis in parallel and without clear processes and planning to manage the risk of homeowners being placed in areas exposed to floods, fires and the compounding impacts of climate change.

Key challenges identified were:

1. Sydney’s population and temperatures are rising concurrently, raising climate-related risk.
2. More frequent flooding is raising insurance premiums and recovery costs.
3. Land use planning is disconnected from rapidly changing natural hazard and climate risk data.
4. Assets and infrastructure are not designed or funded to withstand future hazard risk.
5. Current risk transparency and governance arrangements are unfit for a changing climate.

The report made three key recommendations:

1. Place based adaptive pathways

Enable policymakers and communities to understand risk tolerance across the community, infrastructure providers, and with business (including insurers and banks).

2. Climate responsive land use planning

The report recommended following examples from cities around the world where climate risk zones have been implemented, such as New York, Norfolk and Virginia. The approach worked to tell the community that risks are increasing and enable communities to adapt in place or relocate as risk becomes too much.

3. Collaborative decision making

This is essential to ensure business and community continuity in the face of natural disaster. The Resilient Sydney program identified disjointed governance as one of the metropolitan Sydney’s major challenges, working over the past 8 years to build connections across local and state government, to increase equity and build capacity and knowledge for communities responding to changing risks.

Additional recommendations relevant to this submission

- Make climate and natural hazard risk transparent in both strategic land use planning and engaging communities and households to ensure that we are planning and building in areas that are not prone to climate and natural hazard risk.
- Engage the financial services sector (particularly insurers and banks) in planning for climate and natural hazard risk.
- Develop place-based adaptation pathways that build on the risk tolerance of the community and perspectives of lifeline infrastructure providers.
- Leverage disaster adaptation plans to identify climate risk zones, and priority investments in lifeline infrastructure, that respond to changing risk.

- Develop a statewide policy for managed retreat – take what we know from here and overseas and build the capacity and process to reduce existing risk to communities.

Additional IAG research

a) Rhelm report – Planned Relocation: Protecting our Communities – March 2023

In response to the National Cabinet considering the issue of land planning and building codes, IAG commissioned Rhelm to conduct additional research focusing on planned relocation or managed retreat.

The report explored the enablers and barriers to planned relocation, the role the community plays in decision making, the economic case for planned relocation and to provide recommendations to guide decision makers when creating and delivering a planned relocation scheme.

There are seven key components of the report:

- Develop National Guidance on planned relocation.
- Prioritise and fund integration support for relocated residents.
- Planned relocation should be coordinated by State and Territory government agencies, with close consultation with local governments.
- Responsible agencies should proactively identify high-risk locations and develop community adaptation plans before natural hazard event occurs.
- Federal and state governments should formalise funding arrangements.
- Establish legislative frameworks for accelerated approvals for planned relocation.
- Review the outcomes of large-scale implementations of planned relocation (e.g. NSW and Queensland Resilient Homes Funds) to inform development and refinement of National Guidance and frameworks.

The report can be found at <https://www.iag.com.au/about-us/research>.

b) Rhelm report – National Flood Hazard Mitigation Priorities – completed April 2022

To assist with decision making in where and how mitigation funding is best spent, IAG commissioned Rhelm to develop a set of National Flood Hazard Mitigation Priorities. The method for setting priorities involved identifying areas with high flood risk where there are potential flood mitigation measures that could be implemented to reduce the level of risk and then ranking the practicality and cost benefit of each area.

We have attached the report to this submission. We welcome the opportunity to provide a further brief on this report and its findings to the Standing Committee. This report is a technical report that accompanies a series of flood summaries or “snapshots” that have been prepared for each of the short-listed areas identified to be affected by high flood risk.

There are two key components of the attached report:

- The identification of potential structural flood mitigation measures (also known as flood modification measures in some jurisdictions) in short-listed floodplains across the country, and an economic assessment of these measures.
- A review of potential property level mitigation measures.

c) The Menzies Research Centre Report – Strengthening Resilience: Managing Natural Disasters – Completed April 2020

IAG commissioned the report to be part of our submission to the 2020 Royal Commission into National Natural Disaster Arrangements. We commissioned this paper to synthesise the existing information on how Australia can prevent and respond to bushfires and other natural perils. It summarises what has been learnt and what can be changed in the future. IAG supports the recommendations of this paper. The five key recommendations are:

1. Government funding should further prioritise risk reduction which will reduce the need to spend on disaster recovery.
2. Introduction of a National Bushfire Risk Rating (NBRR) system for all bushfireprone communities, properties, and structures.
3. Introduction of a national approach to land use and building codes.
4. Creation of an open access information platform comprising all data required for natural hazard management.
5. Tax reform to improve the affordability and increase uptake of insurance.

d) SGS Economics & Planning report – At what cost? Mapping where natural perils impact economic growth and communities. November 2016

IAG commissioned the report to examine the impacts that floods, storms, tropical cyclones, bushfires, and earthquakes, have on economic activity. The report also highlights the link between the risk of natural disasters and the ability of communities to have the resources to recover and rebuild from devastating events.

This work has identified areas of key economic importance which are at risk:

- Local Government Areas (LGA) with high, very high and extreme risk of bushfire generated \$175 billion (10.8%) worth of GDP and were home to 2.2 million people.
- \$326.6 billion worth of GDP (20.3 per cent of the economy) and 3.9 million people (17.3 per cent of the population) were in areas with a high to extreme risk of cyclone.
- Recent cyclones have already significantly impacted on mineral and agricultural production. 28.4 per cent of GDP and 24.9 per cent of the population live in LGAs at high to extreme risk of flood.
- Flood events in Queensland in 2011 were highly disruptive to economic activity and highlighted how a community's economic capacity impacts its ability to respond and rebuild following natural disasters.

Further information and the full report available here: <https://www.iag.com.au/what-cost>.

IAG welcomes the opportunity to discuss the issues raised in this submission in more detail. Please contact Clare Cordingley, Government Relations Manager at

Sincerely,

George Karagiannakis
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