

Submission

10 September 2025

Committee Chair
Environment and Communications References Committee
Parliament House
Canberra ACT 2600
Via upload

NIBA Submission: Climate Risk Assessment

The National Insurance Brokers Association (NIBA) welcomes the opportunity to make a submission to the Senate Environment and Communications References Committee's inquiry into the Climate Risk Assessment (CRA).

NIBA is the peak representative body for the general intermediated insurance profession. NIBA serves as the collective voice of approximately 450 member firms and 15,000 individual brokers. Our membership encompasses a diverse range of entities, including large multinational insurance brokers, Australian broker networks, as well as small and medium-sized businesses located in cities and regional areas around Australia. NIBA advocates for the interests of general insurance brokers and their clients, ensuring that the general industry operates with integrity and professionalism.

NIBA's work is guided by our core pillars: community, representation, and professionalism. NIBA's mission is to enhance the professional standing of insurance brokers through robust advocacy, education, and ethical standards. By fostering a collaborative and innovative environment, NIBA aims to elevate the quality of service provided to consumers, strengthening trust and confidence in the insurance broking profession.

Insurance is fundamental to Australia's economic and social fabric. By transferring risk and providing a financial safety net, insurance enables families, businesses and communities to recover more quickly following a disaster, thereby reducing their long-term reliance on government disaster relief and ex gratia payments. The ability of insurance markets to operate effectively depends on two preconditions: manageable underlying risk and access to transparent information. Climate change threatens both of these conditions. The increasing frequency and severity of extreme weather events are driving higher insured losses and placing pressure on the affordability and availability of cover. At the same time, uncertainty about the extent of risks creates challenges for insurers and communities alike. The Climate Risk Assessment is therefore of significant importance to the insurance sector and the broking profession.

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Growing Climate Risk and Insurance Exposure

The Intergovernmental Panel on Climate Change projects that a 1.5°C increase in global temperatures above pre-industrial levels could result in a fourfold increase in the frequency of natural disasters. Australia currently experiences an average of 12 severe weather events each year. Under such a scenario, the country could face close to 50 extreme events annually, including floods, cyclones, bushfires, hailstorms, and severe storms. The insurance implications of these risks are already emerging.

The Climate Council estimates that by 2030, one in 25 Australian homes may become effectively uninsurable because of unaffordable premiums. Premium costs are not evenly spread across the country. In northern Australia, households pay on average four times more than those in capital cities, with towns such as Port Hedland in Western Australia seeing 25 per cent of households paying more than four times the national average. Certain regions disproportionately carry the national premium burden. In parts of northern Western Australia, a relatively small number of properties generate a large share of total insurance premiums due to their exposure to cyclone risk. This uneven distribution of costs creates equity concerns and undermines community resilience.

Affordability and availability are closely linked. Insurance may be unavailable either because no insurer offers cover in a given region or because the premium cost is set at a level that is unaffordable to the average household. In both cases, the effect is the same: households and businesses are left uninsured or underinsured, exposing them to severe financial hardship when disasters occur. Non-insurance rates are notably higher in high-risk areas, compounding the economic and social impact of natural disasters on these communities.

The Role of Insurance in Recovery and Resilience

Insurance functions as a critical mechanism for resilience in the face of climate-driven risks. Research from the Intergovernmental Panel on Climate Change and the United Nations Framework Convention on Climate Change highlights its role as both a risk-sharing and risk-transfer tool for addressing climate-related losses.

Australian data demonstrates the practical impact of insurance on recovery. Over the past five years, insurers have paid \$20.9 billion in claims arising from natural disasters, more than double the \$9.9 billion paid in the preceding five-year period. Studies also show that insured households and businesses are significantly more likely to rebuild and restore operations following disasters than those without coverage. Access to insurance reduces dependence on ex gratia government relief and accelerates the recovery of local economies.

Insurance delivers benefits beyond individual policyholders. By supporting rapid recovery, it mitigates fiscal pressures on government budgets, sustains community confidence, and strengthens resilience in regions exposed to increasingly frequent and severe natural disasters.

The Role of Government in Adaptation and Mitigation

The escalating impact of climate-driven disasters highlights the critical role of government in managing risk and supporting insurance market sustainability. Strategic investment in mitigation and adaptation measures reduces the likelihood and severity of disasters, directly lowering insurance costs while protecting households, businesses, and communities.

Currently, disaster spending in Australia remains heavily weighted towards recovery, with approximately 97 per cent of funding directed to post-event response and only 3 per cent to mitigation and resilience-building projects. Evidence demonstrates that every dollar invested in mitigation can save around \$13 in recovery costs, underlining the economic and social value of proactive approaches.

Governments at the federal, state, and local levels have taken steps to strengthen resilience, including the establishment of the Disaster Ready Fund and improvements to building resilience standards under the National Construction Code. These initiatives provide a foundation for reducing exposure to natural hazards, but consistent, long-term investment is necessary to ensure these measures deliver meaningful reductions in risk.

Targeted and coordinated government action is critical to addressing the structural pressures on insurance markets and improving community resilience. Large-scale mitigation projects, such as levee systems, bushfire hazard reduction programs, and coastal protection works, reduce exposure for entire communities. Supporting households and small businesses to undertake property-level resilience measures further strengthens community preparedness and reduces the likelihood of claims that drive premium increases.

Land use planning also plays a vital role. By guiding development away from high-risk areas and ensuring new developments are designed to withstand projected climate conditions, governments can prevent the concentration of risk that inflates insurance costs and limits market availability.

Transparency and Access to Climate Risk Information

Effective risk management and resilience planning depend on transparent, accessible, and high-quality climate risk information. Accurate data allows insurers to price risk appropriately, enables brokers to advise clients effectively, and helps households, businesses, and communities make informed decisions about mitigation and preparedness. It also supports government planning and investment in adaptation measures, ensuring resources are targeted where they are most needed.

The Climate Risk Assessment represents a critical resource in this regard. Its release would provide clear insights into the geographic distribution and magnitude of climate-driven risks, including extreme weather events, flood-prone areas, and cyclone-exposed regions. Access to this information would improve the ability of insurers to develop sustainable products, reduce the likelihood of coverage withdrawal, and address affordability challenges in high-risk areas.

Transparent climate risk information also strengthens community confidence. Communities that understand their exposure can make better choices regarding property-level resilience measures, insurance coverage, and local planning decisions. Similarly, governments benefit from shared access to the assessment, as it enables more effective coordination across jurisdictions, better prioritisation of mitigation investments, and alignment with broader climate and sustainability objectives.

NIBA encourages that the Climate Risk Assessment be made publicly available in a format that is accessible to insurers, brokers, businesses, and communities alike. This would ensure that risk information is used proactively to reduce exposure, support market stability, and improve the resilience of Australian households and businesses in the face of increasingly frequent and severe climate-driven disasters.

Conclusion

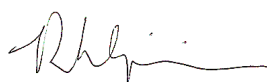
Insurance brokers see firsthand the challenges faced by households and businesses in disaster-prone regions. Rising climate risks are driving higher premiums, reducing affordability, and in some cases limiting availability. Without action, communities risk being left without adequate financial protection, which will increase their reliance on government relief and slow their recovery.

Redirecting disaster funding towards mitigation, supporting resilience at both the household and community level, and ensuring transparent access to climate risk data are essential steps in ensuring insurance remains accessible and effective.

NIBA urges the Committee to view investment in mitigation and transparency as both a fiscal responsibility and a social imperative. Insurance can only function as a cornerstone of resilience if risks are managed proactively and openly.

NIBA would welcome the opportunity to discuss these issues further. Should you have any queries in relation to this submission or wish to discuss any of the matters raised, please do not hesitate to contact Allyssa Hextell, Head of Policy and Advocacy, at ahextell@niba.com.au.

Yours sincerely,



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