

Thursday July 23, 2020

Insurers taking a positive stance on climate change

Just over a year ago the Board of the Insurance Council of Australia (ICA) agreed the general insurance industry should take public and proactive steps towards addressing the growing concerns of the impact of climate change. The result was the formation of the Climate Change Action Committee (CCAC).

The Climate Change Action Committee focuses on practical action that will assist and support Australia's transition to a resilient and low-carbon economy. The goal is to ensure that the industry can continue to offer affordable and accessible insurance products in a climate-changed future.

Over the past year the committee has made significant inroads towards meeting the challenge by working with communities, local governments and industry to create measurable change. It has already agreed to work on 33 projects, two of which are now complete with another 20 projects under way.

One notable project demonstrates the strength of industry and community alliances that create change. Under South Australia's Where we Build, What we Build resilience program the ICA worked with the Southern and Hills Local Government Association on identifying ways to improve the resilience of homes in a climate-change environment.

The project has completed its technical phase, with some councils now implementing Beyond Compliance Building Guidelines. This work can now be replicated for use by other local councils and regions.

The CCAC is also engaged in cyclone and flood vulnerability studies, rolled out technologies to enable monitoring and planning (such as the MyHazards iPhone app) and the planned addition of a climate change layer in the Insurance Council's dataglobe, along with the establishment of a general insurance climate change literacy program for all ICA members.

In the past year the CCAC has signed three key partnerships. The most recent venture is its agreement to work on the Future Homes Project as part of the CCAC's relationship with the Green Building Council of Australia (GBCA).

This year the team signed an MOU to work with The Minderoo Foundation to tackle bushfire and disaster resilience. And the CCAC has an ongoing relationship with the Queensland Fire and Emergency Services and its Extreme Wind Hazard Assessment team to provide the information required to determine the potential physical impacts of severe tropical cyclones on Queensland communities.

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After such an encouraging start the committee is keen to continue to nurture partnerships, build on current projects, share and actively use its results to help reduce risk.

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ABOUT THE CLIMATE CHANGE ACTION COMMITTEE (CCAC)

The Climate Change Action Committee (CCAC) was established by the Insurance Council of Australia (ICA) to address the risks evolving under a changing climate. The CCAC works with the general insurance industry, community and all levels of government to actively respond to climate risk.

ABOUT THE INSURANCE COUNCIL OF AUSTRALIA

The Insurance Council of Australia is the representative body of the general insurance industry in Australia. Our members represent about 95 per cent of total premium income written by private sector general insurers. Insurance Council members, both insurers and reinsurers, are a significant part of the financial services system.

Insurance Council members provide insurance products ranging from those usually purchased by individuals (such as home and contents insurance, travel insurance, motor vehicle insurance) to those purchased by small businesses and larger organisations (such as product and public liability insurance, professional indemnity insurance, commercial property, and directors and officers insurance).

March 2020 Australian Prudential Regulation Authority statistics show that the general insurance industry generates gross written premium of \$51 billion a year and has total assets of \$133.8 billion. The industry employs about 60,000 people and on average pays out about \$169.4 million in claims each working day.

Over the 12 months to March 2020 the industry's net profit after tax (NPAT) was \$1.5 billion – a 56.7 per cent decrease from the prior year's NPAT of \$3.5 billion. The industry's underwriting result was also \$1.5 billion, falling by 47 per cent from \$2.8 billion in the prior year. <http://www.insurancecouncil.com.au/about-us>