Insurance Council of Australia

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Climate Change and Natural Hazards State Environmental Planning
Policy Department of Planning, Housing and Infrastructure
NSW Government

Via email resilience.planning@planning.nsw.gov.au

Climate Change and Natural Hazards State Environmental Planning Policy

The Insurance Council of Australia (ICA) thanks the NSW Government for the opportunity to provide a submission on the proposed Climate Change and Natural Hazards State Environmental Planning Policy (CC&NH SEPP).

ICA is the representative body of the general insurance industry in Australia and represents approximately 85-90% of private sector general insurers. As a foundational component of the Australian economy, the general insurance industry employs approximately 46,000 people, writes 86 million policies a year, and paid out in claims $49.9 billion in claims in 2025.[i]

Improving the legislative and regulatory framework governing land use planning in NSW is critical to managing the state's escalating natural disaster burden. ICA estimates that nationwide, extreme weather events in 2025 cost almost $3.5 billion in insured losses from 264,000 claims. This included major flooding on the State's Mid North Coast and Hunter regions in mid-2025, resulting in 14,500 claims and $266 million in losses.

These costs are expected to increase in the future as the state experiences more frequent and severe extreme weather events. Against this backdrop, ICA welcomes the proposed reforms under the CC&NH SEPP to embed a series of principles in the planning system that more explicitly recognises the need to consider current and future climate risk in future planning decisions.

The introduction of an integrated and cohesive framework to guide planning future decisions is critical to minimising the impact of costly future disasters, reducing harm, and alleviating pressures on insurance premiums, particularly those living in flood prone regions. ICA notes, however, that while improved planning is essential, it will not have a short-term affordability impact, which is driven by existing stock, recent hazard experience and cost inflation.

For many years, ICA has advocated for all levels of government to address and consider risks of extreme weather for future housing developments, with a consistent call for land use planning frameworks that plan and build homes that are safe from flood zones, are more resilient to bushfires and are not built in high-risk locations along coastlines.

ICA welcomes the CC&NH SEPP legislative framework which is a significant step forward to more effectively guide future development decisions in the state. The proposed reforms should serve as a template for other jurisdictions to undertake their own reform processes to ensure climate change impacts are central to planning decisions.

The effectiveness will hinge on a consistent application and clear separation between planning outcomes, resilience objectives and insurance outcomes, and so in that regard, we are pleased to provide the comments on the following sections of the Explanation of Intended Effect (EIE)

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Tolerable Risk

ICA welcomes the reform's focus on better recognising the role of tolerable risk in the planning process, and ensuring there is greater consideration of a development proposal's costs and benefits before decisions are made. Providing decision makers with a consistent way of balancing consideration of the consequences and costs of extreme weather events and the benefits of development will support a more coordinated approach to assessing risk.

ICA supports the key considerations included in the 'Tolerable Risk Factors to Consider', including a clear definition of current and future exposure and the extent to which communities will be impacted by natural hazards. ICA cautions however that planning approval under a "tolerable risk" framework should not be conflated with insurance availability or affordability and that clear separation is important to avoid insurers becoming the default accountability point where development proceeds in high risk areas. We also note that there remains a degree of flexibility in the definition of tolerable risk, which could lead to inconsistent application across LGAs, particularly under housing supply pressures. ICA suggests the development of guardrails to assist LGAs and to also help maintain consistency. There are opportunities for the insurance industry to assist government in the development of these guardrails to test how 'tolerable risk' plays out in insurance premiums.

Finally, ICA notes the 2026 Guideline from the Department of Planning, Housing and Infrastructure *"Consideration of tolerable risk for natural hazards in land use planning guideline*" and the advice provided to decision makers to take into account 'growth and housing targets' in respect of assessing what is 'tolerable risk'.

ICA recognises the need for more houses to be built to be built to meeting rising demand, and we therefore support the Government's efforts to invest in more homes under the Housing Accord. However, the need to build 1.2 million new homes by 2029 cannot be at the expense of good planning, and ensuring homes are built in the right location, away from risk. ICA encourages the NSW Government not to prioritise speed over sensible planning outcomes to avoid locking in future generations to greater risk, which means greater cost when natural disasters occur.

2.2.2 Considering appropriate climate scenarios

Do you support the proposal to introduce an overarching climate risk clause in the CC&NH SEPP?

ICA welcomes the introduction of an overarching climate risk clause within the CC&NH SEPP and strongly supports the emphasis on integrating future climate risk into land use planning and development assessment.

Insurers have consistently advocated for clearer and more consistent guidance to ensure that planning decisions appropriately reflect the current and future realities of a warming climate, particularly in areas already exposed to flood, bushfire and coastal hazards. This need is underscored by the total insured cost of extreme weather events over the past five years, which has reached $22.5 billion—an average of $4.5 billion per year and a 67 per cent increase on the previous five--year period. These costs are projected to continue rising by approximately 5 per cent annually, reaching at least $35 billion per year by 2050.[ii]

We further welcome the alignment of the overarching climate risk clause with the minimum scenario requirements and modelling timeframes set out in the Climate Scenario Guidance. This framework will provide councils and consent authorities with the necessary tools to make robust, risk informed decisions and assess climate and natural hazard risks at the outset. Collectively, these measures will

help establish a much-needed framework to reduce the long-term accumulation of risk in high exposure areas.

Furthermore, we encourage practical and consistent advice being provided to LGAs on “how to apply” to improve consistency and predictability and to guard against inconsistent application of climate scenarios

What additional guidance or supporting materials would be needed to implement the CC&NH SEPP?

To support effective implementation, the Insurance Council emphasises the critical importance of high-quality, accessible and up-to-date hazard data to underpin the application of the CC&NH SEPP and the Climate Scenario Guidelines.

While reliance on existing mapping is appropriate where it remains fit for purpose, many regions require updated or more granular hazard studies that incorporate contemporary climate science. For this reason, ICA is calling on the Australian Government to prioritise investment in a robust national hazard database that consolidates and streamlines existing national, state and territory datasets, and is accessible to all levels of government, industry and the community. Such an asset would significantly enhance land-use planning, building codes and standards, and broader understanding of both current and future hazard risk. ICA also encourages the NSW Government to ensure councils and consent authorities are adequately resourced and equipped with the technical capability needed to implement these requirements consistently and effectively.

Should projects under Division 5.1 (Part 5) also consider climate risk and how should the proposed Climate Change Scenario Guidelines be used in the preparation of a Review of Environmental Factors (REF)?

ICA considers it appropriate that projects assessed under Division 5.1 (Part 5) also take climate risk into account. Many of these projects involve essential public or community infrastructure, often with long service lives, and their performance can directly affect community safety and future exposure to natural hazards. Incorporating climate risk into their assessment would help ensure that assets are designed and located in ways that remain suitable under changing conditions and reduce the likelihood of avoidable future costs or disruptions.

The Climate Change Scenario Guidelines can play a useful role in supporting this process. Including them as part of the Review of Environmental Factors (REF) would give public authorities a consistent framework for selecting climate scenarios that reflect the scale and context of the project. Applying the guidelines early in project planning would help decisionmakers understand potential long-term risks and determine whether proposed mitigation or design measures are appropriate. This approach would strengthen the overall robustness of REF assessments while still allowing flexibility for project specific considerations.

2.3.1 Building Resilience to Urban Heat

Do you support the proposal to introduce the Urban Heat Policy to encourage greater consideration of urban heat in land use planning decisions?

ICA supports the improved integration of climate risks, including urban heat, into land use planning and development decisions to ensure communities are better prepared for future climate conditions. Incorporating urban heat considerations into planning frameworks can support more resilient communities and help manage the growing impacts of climate change on the built environment. Furthermore, policies that encourage urban cooling – such as green infrastructure and heat building

design – can also contribute to broader disaster risk reduction objectives, such as minimising the effects of urban flooding.

Are there any other opportunities to build resilience to urban heat in the planning system?

ICA supports embedding resilience as a core objective in the National Construction Code (NCC) to ensure future homes are designed to better withstand increasing climate risks such as extreme weather. Strengthening the NCC is a key mechanism to improve the resilience of the built environment and reduce the long-term economic and social costs of climate impacts. ICA acknowledges urban heat is strongly influenced by factors such as street layout, density, vegetation, and open space provision. However, embedding resilience in the NCC is a complementary reform and the objectives of the NSW Government's climate change and natural hazards reform process would be advanced by the State Government supporting necessary reforms at the national level (noting however the decision by Building Ministers to pause further residential changes to the NCC, except for essential quality and safety measures, until at least mid-2029).

With the NSW Sustainable Buildings SEPP stating that buildings should be "sustainable and resilience for the future climate" ICA encourages the NSW Government to explore the development of 'voluntary standards' as well examining opportunities to strengthen resilience standards at the state / local level.

2.4.5 Cultural Burning

What matters need to be included in the new clause regarding bush fire risk assessment?

ICA notes the CC&NH SEPP proposes inserting provisions that establish a streamlined approval pathway for landowners who seek to undertake cultural fire management as a form of land management and bush fire risk mitigation. ICA notes Indigenous communities continue to be disproportionately affected by extreme weather events, and the application of cultural knowledge within hazard reduction activities is widely acknowledged as a practical resilience measure.

ICA continues to engage with key stakeholders and continues to work with members to support evidence-based risk reduction initiatives. Cultural burning represents one potential measure that can contribute to improved landscape resilience and reduced impacts from future bushfire events.

2.5.1.1 Coastal Vulnerability Area mapping

ICA welcomes the intent of the CC&NH SEPP to streamline and improve consistency of planning and development decisions in coastal areas.

A report by ICA into challenges and opportunities around addressing actions of the sea[iii] recommended a series of actions to improve Australia's resilience against coastal hazards in the context of rising sea levels.

The report confirms that whilst many local councils have completed coastal hazard studies and coastal management plans, the data is not collated at a state or federal level, available for other stakeholders and is often inconsistent between jurisdictions. Limited available and accessible hazard data and vulnerability data makes quantifying risk from an insurance perspective extremely difficult and limits assessment of improved coverage for some hazards.

ICA encourages the NSW Government, as part of this reform process, to give consideration to how it can work with other jurisdictions to paint a national picture of the level of risk to coastal hazards. This includes:

- Collating available local government coastal hazard information into databases and make it publicly available including to the community and financial services industry. This should include an understanding of exposure to coastal hazards to a worst-case scenario (beyond the 1% AEP) and sea level rise beyond 2100.
- Establishing and maintaining a National Exposure Dataset that captures property attributes relevant to coastal vulnerability such as height above ground level, nature of substrate, construction type, building location, foundation type.
- Establish a database of coastal defence works including the standard of protection offered to different hazards, age, maintenance regime and cost.

2.6.3 Flood prone land mapping

Do you support the proposal to give effect to council prepared flood prone land maps though the CC&NH SEPP?

ICA supports the proposal to give effect to council prepared flood prone land maps through the CC&NH SEPP, however, notes differences in data quality, currency and assumption. This underscores the need for more consistent standards and funding for up to date hazard mapping.

One source of data used by insurers is the National Flood Information Database (NFID), which collates the flood mapping provided by councils. The detailed flood studies shared with the NFID are critical to fill knowledge gaps about the most appropriate mitigation measures to address at-risk communities.

Insurers employ the most up-to-date, comprehensive flood risk data that is available to ensure that the premiums they calculate reflect the nature of the risks they cover. This risk assessment usually includes claims history.

The challenge facing local councils to undertake up to date flood maps is highlighted by the Australian Local Government Association's (ALGA) *Adapting Together* report, which found councils have limited capacity to 'build back better' after disasters, and their lack of financial capacity for effective maintenance and betterment means local infrastructure is vulnerable to repeated impacts as the frequency and severity of extreme climate events intensifies[iv]. This also extends to flood mapping.

There is a large disparity in the resource capabilities amongst local governments as well access to available data, which on many occasions, is incomplete, potentially inaccurate, and out of date.

This constraint identified by ALGA is reinforced by the findings of the Independent Review of Commonwealth Disaster Funding (Colvin Review) which found that most local governments have a strong desire to play a leading role in disaster management; however, they often have inadequate capacity and capability to play this role. This is especially the case in rural and regional communities, which have more dispersed populations and often greater exposure to climate-related disasters[v]

While ICA supports the proposal, we also recommend greater funding from the NSW Government to enable fiscally challenged councils to fulfill this role, noting that in many cases, LGAs do not have the resources to make this necessary investment, and in many cases are not equipped to even undertake the studies required.

2.7 Rebuilding after natural disasters

Are there specific circumstances where build back better should not be pursued?

The threshold of acceptable risk needs to be central to planning decisions, and the consequence of extreme weather, not just the probability, needs to be taken into consideration. ICA encourages governments to prioritise development in areas of negligible-risk and low-risk to extreme weather for

new dwellings, noting the probability of a hazard occurring and the potential impact of that hazard on property and life as part of the development of regional plans. Housing development in areas prone to extreme weather events, including high flood risk, should not be permitted.

In that context, rebuilding—even to a higher standard—should not occur in places where the underlying hazard risk is too high. Instead, communities may need to relocate or undertake buybacks. When buybacks have been identified as the most appropriate option, it is imperative that governments work closely and sensitively with affected communities given the process is not just a technical land-use or risk-reduction exercise—it is a deeply personal, disruptive and sometimes traumatic experience for the households involved. That is why buy-back funding should be ongoing, to allow communities to make decisions locally and within timeframes that allow local housing markets to adjust.

After disasters occur, governments and communities should ask "whether it's safe to rebuild" at all before considering how to rebuild. While insurers are supportive of 'building back better', it is important to note that insurers should not be expected to incur costs associated with resilience upgrades occurring as part of a rebuild. It will be important for clear boundaries to exist between mandatory requirements, encouraged measures and insurance cover.

If rebuilding in high-risk zones has the potential to expose communities to the potential to repeated disaster losses, government should pursue an adequately funded re-location program, guided by robust and long-term disaster adaptation plans.

Are there additional ways the planning framework could address rebuilding post disaster?

A strengthened planning framework that improves outcomes for residents in affected areas should be complemented by enhanced mitigation infrastructure in high-risk areas. ICA has proposed a $30.15 billion Flood Defence Fund for priority mitigation infrastructure, including levees and floodways, upgrades to existing flood infrastructure, strengthening or raising vulnerable homes and relocation where protection is not feasible.

Conclusion

ICA thanks the NSW Government for its invitation to provide input on the CC&NH SEPP.

Further information on ICA's resilience priorities with respect to planning can be found in our recent submission to the New South Wales Parliamentary Inquiry into the Planning System and the Impacts of Climate Change on the Environment and Communities.

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Yours sincerely

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[i] INCA015-Fact-Pack-2025_v3.6.pdf

[ii] [1] The Cost of Extreme Weather, The McKell Institute, The Cost of Extreme Weather - The McKell Institute, 2022.
[iii] Climate Change Impact Series: Actions of the Sea and Future Risks
[iv] https://alga.com.au/adapting-together-local-government-leadership-in-a-changing-climate-report/
[v] https://www.nema.gov.au/about-us/governance-and-reporting/reviews/independent-review-of-commonwealth-disaster-funding