

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS

REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS INSURANCE SECTOR

Allianz Australia

ALZ05QON: What regions of Australia, according to your analysis based on current projections, are going to be difficult to insure because of cost or because they may not be insurable at all?

Answer: Allianz Australia (**Allianz**) continually monitors its exposure to climate risk through regular risk exposure reporting, post-catastrophe event loss studies, and continual investment in updating all catastrophe and natural peril modelling including on earthquake, cyclone, storm, storm surge, hail, flood and bushfire risk. Allianz monitors the changing nature of these perils, for example their frequency and severity, and continues to invest in data and tools which assist in a better understanding of climate risk.

It is difficult to make projections on the impact of climate risk on insurance affordability over long time horizons. Making accurate longer term projections is challenging due to variables like whether measures will be undertaken to mitigate risks, for example, improvements to building resilience. Existing areas of Australia exposed to floods and cyclones already experience relatively high insurance premiums that reflect those risks. Appropriate mitigation and adaptation strategies, including stronger building codes, improved land-use planning and permanent mitigation measures, where relevant, can help contain and, in some circumstances, reduce the cost of insurance in areas that are now or in the future exposed to high natural peril risks.