

Additional information to inform the Standing Committee's inquiry into insurers' responses to 2022 major floods claims

Costs and benefits of investing in disaster risk mitigation:

- [Research](#) from the [Insurance Task Force](#) of the [Sustainable Markets Initiative](#) shows that every US\$1 spent in risk reduction saves US\$4.50 in post-disaster recovery

Extent to which insurance losses related to natural catastrophes have risen in the last decade:

- [Evidence](#) from the [Swiss Re Institute](#) highlights the growth in global natural catastrophe insurance losses, showing that between 1992 and 2022 there was an average annual growth trend of natural catastrophe losses between 5-7%.
- The same data highlights that, from 2017 onwards, average annual insured losses from natural catastrophes have been over US\$110bn, more than double the average of \$US52bn over the previous five-year period.

Role that Australia plays in global insurance markets:

- Australia is the fourth largest market for insurers at Lloyd's. Lloyd's internal data shows that in 2023 Lloyd's underwriters wrote AUS \$4,730m in gross signed premium (GSP) from Australia, out of a total Lloyd's market GSP of AUS \$90, 813m.¹
- As a comparison, Lloyd's internal data shows that in 2023 Lloyd's underwriters also wrote AUS \$45,010m of GSP in the US, AUS \$9,695m in the UK, and AUS \$4,730m in Canada.²
- OECD data shows that, compared to most OECD countries, Australian property owners are well protected against floods. Between 1990 and 2019, approximately 57% of flood losses were insured in Australia, according to a [2021 OECD report](#) on *Enhancing Financial Protection Against Catastrophe Risks*.
- The same [OECD report](#) shows that a higher proportion of people in Australia were protected against flood risks than in the US (52%), Canada (42%), or Japan (31%). A similar proportion of people in New Zealand were protected against flood risks as in Australia (57%). More people in the UK (72%), Switzerland (75%) and Belgium (84%) were protected against flood risks than in Australia.

Total shareholder return:

- Lloyd's is not a listed company and so we do not report total shareholder return. However, we do report the return on capital in the Lloyd's market. The historic data on our return on capital can be found in our annual reports, which can be accessed through this [link](#).

¹ These figures were originally reported in US\$ and converted into AU\$. Lloyd's underwriters wrote US \$3,129m in GSP from Australia, out of a total GSP of US \$60,073m.

² Again, these figures were originally reported in US\$. Lloyd's underwriters wrote US \$29,774m GSP in the US, US \$6,413m in the UK, and US \$3,129m in Canada.

Climate stress testing

- The Bank of England (Bank) has conducted stress tests on UK insurers, including Lloyd's, to understand the resilience of firms and the financial system to the physical and transition risks associated with different climate pathways.
- The stress tests help businesses understand the potential risks posed to their business models by climate change over time.
- The Bank's guide to its climate stress test can be found [here](#). In it, the Bank details the parameters of the stress test. The Bank published the results of the stress tests [here](#).
- For insurers, the Bank's stress test focussed on changes that might take place to insurers' assets and liabilities if there were to be a major climate related shock.