



Submission to

Select Committee on the

Impact of Climate Risk on Insurance
Premiums and Availability

2 July 2024

About Bushfire Survivors for Climate Action

Bushfire Survivors for Climate Action (BSCA) is a growing group of people who have been directly impacted by bushfires in Australia. We are a non-partisan, community organisation made up of bushfire survivors, firefighters and their families, working together to call on our leaders to take action to reduce emissions.

BSCA formed shortly after the Tathra and District fire in March 2018, and its founding members were all impacted by bushfires, including the Black Summer bushfires in 2019-20, Blue Mountains in 2013, Black Saturday in 2009 and Canberra in 2003.

As authors of this submission on behalf of Bushfire Survivors for Climate Action, we have lived experience of the impacts of climate change—through the loss of our homes and loved ones, the fracturing of our communities, and the destruction of our natural environment. We firmly believe that urgent and ambitious climate action by all levels of government is essential to protect the safety and future of all Australian communities and to reduce the impacts of climate change that we have already experienced first-hand.

www.bushfiresurvivors.org

Submitted to:

climaterisk.insurance.sen@aph.gov.au;
https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Impact_of_Climate_Risk_on_Insurance

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SUBMISSION

Introductory remarks

Australia is on the frontline of climate change and is experiencing an escalation in bushfires and other disasters. Far from being a 'new normal', the science warns us that as global warming increases, so will the frequency and intensity of climate impacts such as bushfires. As people impacted by climate fueled bushfires we focus on the urgent climate action required to slow and reverse climate change, while seeking to ensure the voices of those impacted are at the decision making table.

This submission represents only a fraction of the stories from our members. **We would welcome the opportunity to provide further examples from members and would be responsive if invited to give evidence in person.**

In recent years we have witnessed a disturbing trend in insurance premiums for properties located in bushfire-prone regions. Many of our members have reported substantial increases in premiums, often accompanied by higher excesses and stricter conditions. This has placed undue financial strain on homeowners and businesses already struggling to recover from bushfire losses.

Insurance companies cite the elevated risk of bushfires due to climate change as justification for these premium hikes. While we acknowledge the validity of actuarial assessments based on risk, the current approach disproportionately burdens policyholders without adequately accounting for broader societal impacts and the systemic nature of climate risks.

In a report released in June 2024 by Domain¹ it was estimated that **nearly half of all Australian homes are at risk of bushfires** - with an estimated value of \$4.66 trillion. A smaller proportion of homes (0.3% or 32,000) are at significant risk of bushfires - with a value of \$31 billion. This represents a staggering potential for continued rise in impacts to home insurance linked to bushfire risk.

¹ Domain, *Bushfire: The risk to Australia's property market*.

https://s3.ap-southeast-2.amazonaws.com/ffx.adcentre.com.au/domain/2024/CRTV-3128/Domain_Bushfire+Report.pdf

In 2023 The Australian Institute of Actuaries reported that 12% of Australian households were defined as experiencing *home insurance affordability stress* - up from 10% the previous year² where affordability stress is defined as paying more than four weeks of household gross income towards home insurance premiums.

People who have lost their homes to bushfires experience compounding rising costs including:

- the increasing costs to build to an appropriate bushfire building code,
- frequent instances of being underinsured leading to significant cost burden of rebuilding,
- building cost inflation due to supply-chain shortages, skills shortages/demand and general inflationary costs.

All those rebuilding their homes, plus their neighbours who were luckier and did not lose homes, have all experienced insurance premiums rise by as much as 50%³. In a further blow to bushfire survivors, their insurance premiums rise not only due to the increasing risk of bushfires, but to the growing risk and costs of all climate-fueled disasters.

Case studies

Case 1.

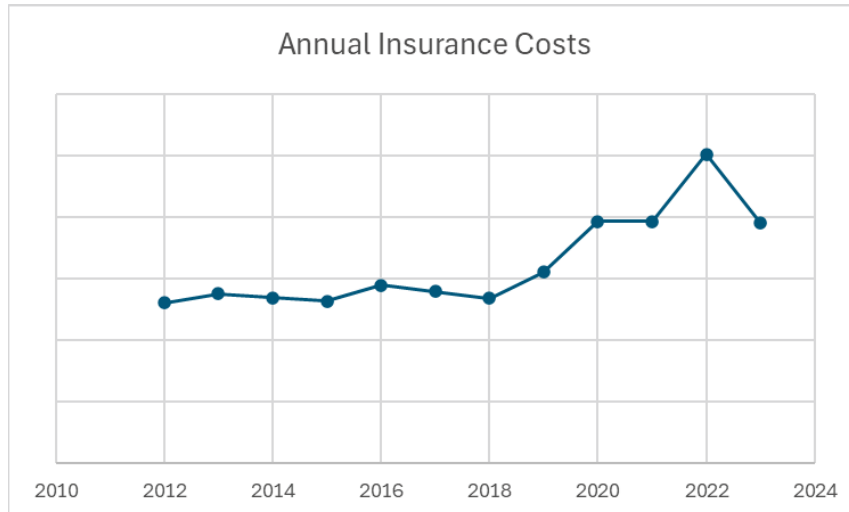
Angela Frimberger, her husband Tony and their two now-grown children have lived in their home on a “bush block” near Port Macquarie, NSW for 21 years. The home was threatened in the Black Summer Bushfires in 2019 but they were lucky that firefighters were able to protect it. They have maintained Home & Contents Insurance with the same insurer (GIO) for this entire time but their premiums have risen significantly in the last 4 years.

²Paddam, S., Liu, C., Philip, S. (2023). Home Insurance Affordability Update. Actuaries Institute. Sydney. <https://actuaries.asn.au/Library/Opinion/Generalinsurance/2023/240229HIAUV2.pdf>

³David Taylor, ABC News, Households are choosing food over insurance cover despite financial planners warning of big risks <https://www.abc.net.au/news/2024-04-26/home-insurance-luxury-cost-of-living/103773818>

“Our insurance costs were fairly steady in 2012 - 2018, but since then they’ve gone up 40%.”

It can be seen on this chart of their insurance premiums that the costs began to increase strongly at the time of the Black Summer fires:



“This means that a much larger proportion of our monthly income goes toward protecting our home from future extreme weather events and potential bushfires, and we have less left over for other expenses.”

Case 2.

Jan Harris lost her home in Tathra in the March 2018 Reedy Swamp Fire.

“I feel increasingly nervous about the rising cost of insurance, our premium has nearly doubled and I doubt we could afford to rebuild and replace the contents we have. The contents we have now are of a lesser standard than what we lost, we could not afford to rebuild to the required standard and have what we lost replaced. It is depressing knowing that what we own now is so much less likely to be destroyed in a fire as it’s built to BAL 40 but that if premiums keep going up as retirees we may not be financially able to insure.”

Case 3.

and live in the Bega Valley and have had to evacuate multiple times from encroaching fires.

“Two years in a row our premium went up ~\$1k pa. This is astounding given our house is built to BAL (Bushfire Attack Level) requirements plus we have roof sprinklers. We are retired and have a finite amount of money.

“We purchased a motor home with the primary purpose of having some accommodation with our dogs if the house burns down until we have rebuilt it, if we can afford it. Every decision in our lives is governed by fire risk. The Canberra fires showed that even suburbia is not safe. I experience ongoing asthma caused by the smoke of the 2019-202 fires and am hyper anxious on every hot, windy day.

Case 4

Peter Jansson and his wife Christine lost their home in Bombay near Braidwood in NSW during the 2019-2020 fires.

“When we get to build our house we won’t be able to afford the value replacement insurance on the home itself. If we are lucky we may cover contents at realistic replacement values.”

Additional comments

We offer the following recommendations for the consideration of the committee:

1. **Enhanced Transparency and Accountability:** We urge the Committee to recommend measures that enhance transparency in how insurers assess and price risks associated with bushfires. This includes regular audits of risk assessment methodologies to ensure they reflect the latest scientific understanding of climate impacts.
2. **Government Intervention:** Consideration should be given to mechanisms that promote fair and affordable insurance coverage for all Australians, such as the establishment of a national insurance pool for high-risk properties or subsidies for mitigation measures that reduce bushfire risk.
3. **Community Engagement:** Require greater community involvement in decision-making processes (beyond token consultation) related to insurance practices, ensuring that the voices of those most affected by bushfires are heard and respected.

4. **Support for Climate-Ready Adaptation:** Increased investment in bushfire and all disaster prevention and mitigation strategies, including incentives for homeowners to adopt resilient building practices and land management.
5. **Long-term Resilience Planning:** Integrate climate resilience into urban planning and development policies to reduce future risk exposure and promote sustainable healthy communities.
6. **Urgently speed up emissions reduction and the clean energy transition:** Ultimately the risk of climate change itself must be controlled for the safety and future of all Australian homes and communities. We hope that the committee will note the urgent need to speed up emissions reduction (phasing out fossil fuels as well as the clean energy transition) and that the rising cost of home insurance is merely the tip of the proverbial iceberg when it comes to the future costs of unnatural disasters caused by climate change.

Conclusion

In conclusion, Bushfire Survivors for Climate Action appreciates the opportunity to contribute to the Committee's inquiry on this critical issue. We believe that proactive measures are essential to safeguarding the financial well-being of vulnerable communities and fostering resilient communities in the face of escalating climate risks.

Thank you for considering our submission. We would welcome the opportunity to discuss our recommendations further at your convenience.

Yours sincerely,

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