

Recognising investment in resilience

Guiding Principles

The Hazards Insurance Partnership (HIP) brings together representatives from the insurance industry and Australian Government to address the most pressing challenges facing the insurance market in Australia.

Available and affordable insurance is an important element of resilient communities. Climate change is accelerating the frequency and intensity of extreme weather events. This, coupled with increasing demand for new dwellings, rising asset values, inflationary pressure and supply chain challenges, is widening the gap between those who can afford insurance and those who can't in high-risk parts of Australia. Australians are facing increasingly unaffordable insurance premiums and declining accessibility, and the insurance protection gap can lead to adverse recovery outcomes.

The HIP acknowledges that these drivers for insurance pricing are complex but also recognises that investment in risk reduction activities is one of the most effective ways to build more resilient communities, put downward pressure on insurance premiums and close the protection gap, in addition to broader financial and societal benefits.

These Guiding Principles for resilience investment have been developed and agreed to by HIP members to provide a foundation to support prioritisation of investment in community and household infrastructure, which can reduce risk and be recognised by insurers in the peril component of premiums. They may also inform the design of future resilience funding program mechanisms.

The Guiding Principles for resilience investment also reflect a HIP commitment to focus government investment in infrastructure that reduces hazard risk and improvements to household resilience.

Guiding Principles

While recognising that the Australian Government, insurers and reinsurers all have different roles to play in ensuring a sustainable insurance market in Australia, HIP members have agreed the following set of Guiding Principles:

- i. Target and prioritise mitigation investments that are going to have the most material impact on reducing risk by working with all levels of government, industry and the community.
- ii. Focus on both household level mitigation investment and investment in community-level mitigation, recognising that different approaches may be needed.
- iii. Recognise fit-for-purpose household risk reduction activities funded by governments and households in the pricing and availability of insurance, for example recognising state based resilient homes programs or the Resilient Building Council (RBC) scheme, or through measures such as house raising for flood, or various window and door protections for cyclone.
- iv. Recognise effective government funded community level risk reduction activities in the pricing and availability of insurance such as the construction of levees, detention basins and dams for flood.
- v. Consider the administrative burden and costs for governments, customers and insurers.
- vi. Ensure decisions are made on the best data available and balance the need for supporting data/information, the need for action and greater levels of transparency.
- vii. Recognise specific decisions on insurance products and pricing are a matter for individual insurance companies and are important in supporting competitive markets. Insurers are not committing to providing a specified percentage or numerical discount for mitigation activities.
- viii. Ensure that participation in this work is conducted in compliance with competition laws including the *Competition and Consumer Act 2010 (Cth)* and HIP Competition Principles. ¹

¹ As specified in the HIP Terms of Reference and Deed of Confidentiality.

Signatories:



Australian Government



Insurance Council
of Australia



Hollard.



SUNCORP



Munich RE



Swiss Re