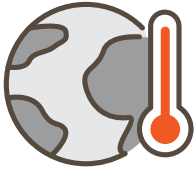


Insurance and Climate Change



Climate change is here

Communities across the world will be impacted by the effects of climate change. One such effect is sea level rise. It is predicted that New Zealand will experience around 30cm of sea level rise by 2050, 50cm of rise by 2075 and 1m of rise by 2115¹. Even if greenhouse gas emissions are reduced, it is virtually certain that global mean sea level will continue to rise through 2100, and there is high confidence that longer term impacts will be seen for centuries to millennia to come².

Some other effects of climate change include more frequent and intense weather events, and increasing global temperatures.



Why act now?

The cost of climate change is significant and growing.

New Zealand has a long coastline with a high proportion of urban development in coastal areas. The replacement value of buildings currently within 1m of today's spring high tide mark is \$38 billion, and there are 675,500 New Zealanders who currently live in areas already prone to flooding, with more than 72,000 potentially impacted due to future sea level rise.

With 30cm of sea level rise, today's '1 in 100 year storm event' will occur on an annual basis in Christchurch³. This means communities across Christchurch will be increasingly impacted by intense storm and rainfall events leading to more frequent flooding and ponding, coastal erosion, and rising groundwater.

Early action can avoid a situation where climate change-related risks become too great to be transferred to insurers, and become the financial responsibility of the property owner.

Investing before disaster strikes is substantially more cost-effective than responding afterwards. It's estimated that every \$1 invested in pre-event prevention saves \$5 in post-event costs, while also avoiding the wider social and economic disruption of disaster recovery.

While there is uncertainty about the full impacts and timeframes of climate change, we know that extreme events are already occurring and we need to grapple with the issues now. Ongoing potential impacts will stretch across generations and will become significantly more costly to address.

¹Bell, R., Lawrence, J., Allan, S., Blackett, P., & Stephens, S. (2017). Coastal Hazards and Climate Change: Guidance for local government. Ministry for the Environment; Wellington. (Note: This statistic uses a baseline period of 1986-2005. We have experienced around 10cm of sea level rise since this baseline period and therefore expect to see around 20cm of additional sea level rise over the next 30 years, by 2050).

²Intergovernmental Panel on Climate Change. (2021). Summary for Policymakers. In Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. Cambridge University Press.

³Parliamentary Commissioner for the Environment. (2015). Preparing New Zealand for rising seas: Certainty and Uncertainty. Wellington.



What does insurance do?

Insurance is a product you can buy to protect against risk. When you purchase insurance, you transfer this risk to your insurer. You pay your insurer a premium, and in return they promise to repair or reimburse for your loss when something goes wrong.

Because insurance typically provides cover for sudden and unforeseen events, it is possible that some insurers will reduce or withdraw cover for damage from storm, flood and other climate change related events on a property if these become more frequent and extreme over time.

Will insurance companies adjust premiums?

The role of insurers is to price risk. If updated hazard data shows a change in risk, insurers could use this information to inform their assessment of risk and how they price it.

There is no guarantee that insurance premiums will decrease in response to adaptation or mitigation actions that the Christchurch City Council may take, because insurance policies cover all risks. Even if the Council chooses to adapt to some hazards, others, such as the risk of fires and earthquakes will still be factored into premiums. However, Council mitigation and/or adaptation actions could be a factor in insurers deciding to retain cover in areas affected by hazards.

Your responsibilities as an individual

Improving New Zealand's resilience involves adapting to shocks, gradual stressors and cumulative change. You should make yourself aware of the risks of an area before choosing to buy property there. To enable you to do this, hazard information should be easily accessible, and made available on Land Information Memorandums (LIMs).

The property market is governed by demand and this has an impact on property prices. While not always the case, properties in higher risk areas may be considered less desirable and this may increasingly impact on their market value.

The content in this information sheet is provided by the Christchurch City Council and the Insurance Council of New Zealand, September 2021. It is intended as general guidance-only and readers are encouraged to talk with their insurer for more specific information about their property.

