

NEW ZEALAND / POLITICS

# Treasury data shows insurers honing in on flood-risk properties

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Photo: RNZ

A quarter of houses in high flood-risk areas are attracting extra insurance premiums of hundreds or even thousands of dollars, new Treasury data shows.

And across New Zealand, insurance premiums have increased by nearly 30 percent in just 18 months, with more insurers now pricing down to address level as their risk modelling becomes more sophisticated.

Experts have **previously warned** that insurance will become prohibitively expensive or impossible to get at all for some properties as the risk from climate change-driven weather events continues to rise.

Actuarial consultancy Finity has monitored insurance premiums on behalf of Treasury since late 2022, for a dataset of properties chosen to match New Zealand's natural hazards profile.

The addresses are real but other information, such as property age, sum insured and construction materials, has been randomised so that the 'houses' in the dataset are not real people's homes.

Since October 2023, the monitoring has expanded to include 1710 properties in suburbs around the country that are known to be flood-affected, either by river or surface flooding.

The most recent report, based on April 2024 data but released this week, showed that insurance remained widely available.

For homes in the seismic dataset, 93 percent could get an online quote from at least two of the four underwriters included in the Finity monitoring (IAG, Tower, AA Insurance and Vero).

The exception was Canterbury, where nearly half of properties could not get more than a single quote.

For high flood risk properties, 92 percent could also get online quotes from at least two underwriters - but 25 percent of those were quoted an additional flood premium of at least \$250.

In the most extreme cases, the flood premium was up to \$4500, although the vast majority of elevated flood premiums were less than \$1000.

Despite broad availability, properties in some flood-affected suburbs did struggle to get multiple online quotes.

In the Christchurch suburbs of Avondale and Woolston, no high-risk properties in the dataset were able to get more than one online quote. Even low-risk properties struggled, with just 10 percent of Woolston properties and no Avondale properties able to secure a second quote.

"We can see by the difference in availability between high/low risk properties and no risk properties that at least some insurers are likely using flood risk as a driver for underwriting criteria," the report authors said.

A previous monitoring report from November 2023, also released this week, noted that three out of seven insurance companies included in the monitoring appeared to be pricing to flood at an address level. "The other four do not appear to be varying prices materially to reflect localised flood risk."

Suburbs that had high seismic risk as well as high flooding risk had the lowest availability, the report said.

Overall premiums have also increased by sometimes thousands of dollars since monitoring first began in September 2022, prior to Cyclone Gabrielle.

Nationally, the average cheapest online quote for the properties in April was \$1839, an annual increase of 15 percent, and up 29 percent since monitoring began.

Canterbury (28.5 percent), Tasman (23 percent) and the West Coast (22.5 percent) experienced the biggest annual increases.

Insurance Council chief executive Kris Faafoi said premiums "tend to trend upwards after large scale natural events such as last year's Auckland Anniversary Weekend flooding and Cyclone Gabrielle".

"We are still seeing the effects of that reflected in Finity's data. Some of those pressures are now easing with construction inflation and reinsurance rates stabilising which are flowing through into premium levels."

Climate change researchers have warned that insurers could start to withdraw from some communities at high risk from extreme weather events by the end of the next decade.

Research published in 2020 by the Climate Sigma group, looking at just the main centres, projected that 10,000 coastal homes would face full insurance retreat - where insurance is either not available at all or becomes prohibitively expensive - by 2050.

Faafoi said a shift towards risk-based pricing meant insurers could continue to offer coverage "while appropriately pricing the risk on lives and property".

The Insurance Council, major insurers, and councils have all urged successive governments to come up with a national climate adaptation plan that will spell out how to protect or even move at-risk communities out of harm's way.

Parliament's finance and expenditure committee is currently hearing submissions as part of a **cross-party inquiry** into climate adaptation.

Faafoi said the insurance sector supported nationwide efforts to improve resilience,

"It will require many sectors, councils and the government to step up and meet the challenges facing Kiwis, communities and regions dealing with the prospect of more frequent and severe natural disasters," he said.

"A NZ Inc approach with all parties working together provides the best chance of successfully investing in mitigation and adaptation measures and sends the right signals to reinsurers that New Zealand is reducing risk and help ensure insurance is affordable and accessible."

The cross-party inquiry will report back in September and its recommendations will be used to help develop legislation to be introduced in early 2025.



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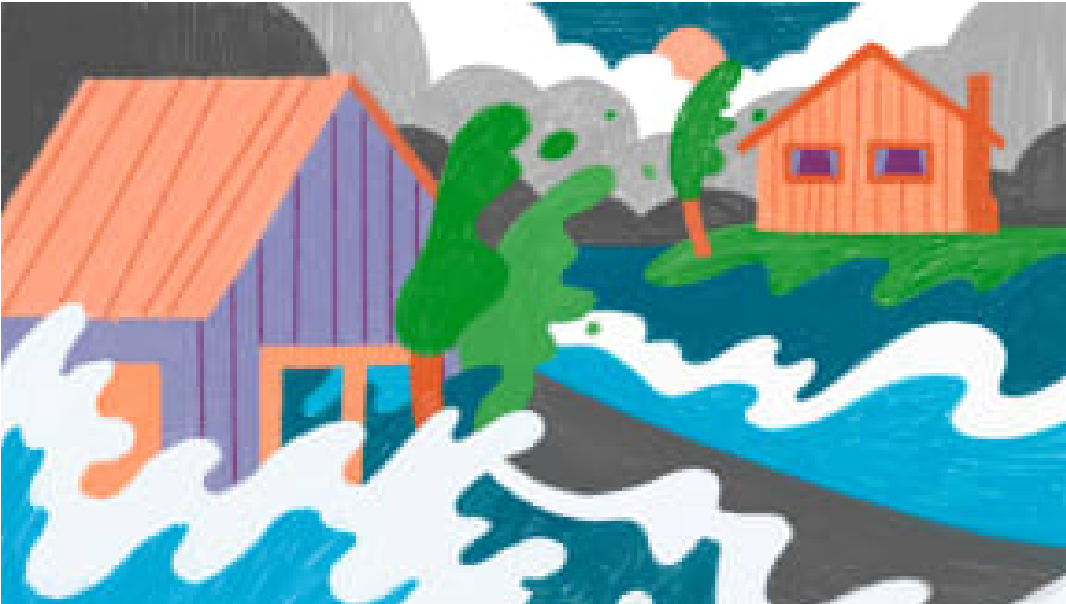
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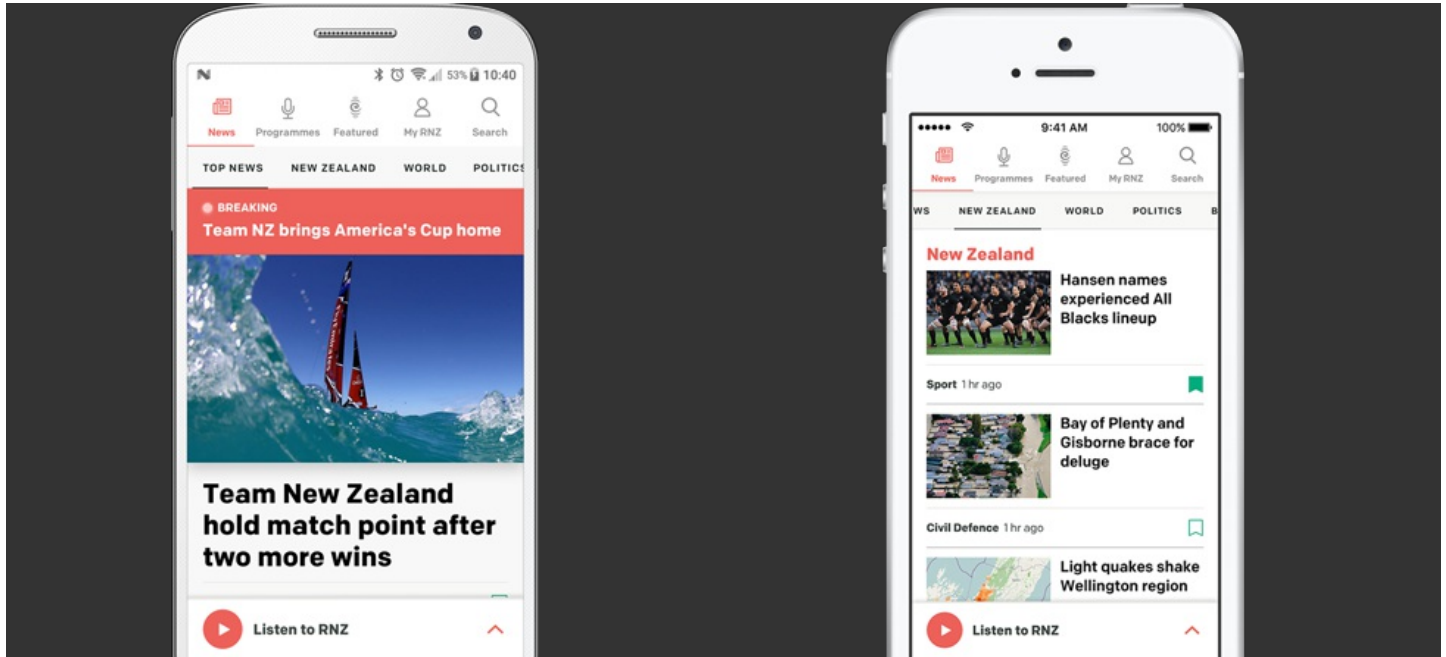


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