

28 July 2021

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National Recovery and Resilience Agency
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ACT

Dear Sir

Improving the resilience of households and communities to natural perils

The Actuaries Institute understands that the newly formed National Recovery and Resilience Agency (NRRRA) is designing the "Preparing Australia Program" which will invest \$600 million toward households and communities to ensure they are better prepared for future disasters. To assist the NRRRA in understanding regions of greatest vulnerability to property damage from natural perils, the Actuaries Institute ('the Institute') is releasing a combined list of the top-10 postcodes and LGAs of residential home insurance affordability pressure.

Affordability pressure measures retail home insurance premiums relative to the average available income in that postcode as detailed in our Research Paper of November 2020¹. It offers a way for policymakers to prioritise areas most impacted by natural perils and economic factors, which impact the level of protection provided by insurance.

There are approximately 220 postcodes with low, medium or high affordability pressure, as defined in that Research Paper, to prioritise for any benefit from risk reduction to address insurance affordability pressure. This set of postcodes captures regions at greatest risk of natural perils and excludes the highest income areas. It represents postcodes with relative home insurance risk² in the top 10% and excludes postcodes with the highest 10% of available income.

Of these 220 postcodes, the top-10 are listed below, ranked by the replacement value of homes insured (excluding postcodes with low affordability pressure). The annual retail premium for an average home sum insured costs more than four weeks average available income in nine of the top-10 postcodes. Renters in these postcodes are also exposed to these high insurance costs through their contents insurance and the rental costs which should cover the landlords insurance costs.

¹ 'Affordability pressure' is measured by the number of weeks of available income to pay an average retail premium. 'Available income' is measured as the ABS Equivalised Household Disposable Income less ABS Housing Costs. 'Average retail premium' is annual average retail premium quoted at the point of sale. For more details, see [Property Insurance Affordability: Challenges and Potential Solutions](#) Research Paper published by the Actuaries Institute in November 2020.

² 'Relative insurance risk' is a function of average retail premium at the point of sale relative to the sum insured. It is a way to normalise/compare the level of risk between geographic areas.



State	Location	Postcode	Primary Peril (Suncorp)	Replacement value of homes insured (\$b)	Affordability pressure: Weeks to pay average retail premium ¹
QLD	Mackay	4740	Cyclone	14.5	4.3
QLD	Bundaberg	4670	Cyclone	13.8	7.4
QLD	Cairns	4870	Cyclone	11.6	6.5
WA	Greater Geraldton	6530	Cyclone	8.9	9.4
QLD	Livingstone	4701	Cyclone	8.2	5.0
QLD	Townsville	4814	Cyclone	8.1	4.2
QLD	Townsville	4818	Cyclone	5.8	4.4
QLD	Charters Towers	4817	Cyclone	5.2	4.8
NSW	Ballina	2478	Flood	4.5	4.9
QLD	Cairns	4879	Cyclone	4.4	6.4

Observing affordability pressure by LGA highlights that affordability pressure is often reflected across neighbouring postcodes in the region. The ten LGAs listed below represent approximately 59% of the total replacement value of homes insured in the priority list of 220 postcodes under medium and high affordability pressure, and 44% of all medium and high affordability postcodes nationally.

State	Local Government Authority	Primary Peril (Suncorp)	Replacement value of homes insured (\$b)	Affordability pressure: # postcodes
			<i>Medium/High pressure postcodes only</i>	
QLD	Cairns	Cyclone	31.2	8
QLD	Townsville	Cyclone	28.3	7
QLD	Mackay	Cyclone	17.0	6
QLD	Bundaberg	Cyclone	15.4	3
QLD	Livingstone	Cyclone	14.2	6
QLD	Charters Towers	Cyclone	9.4	3
WA	Greater Geraldton	Cyclone	8.9	2
QLD	Whitsunday	Cyclone	6.2	3
QLD	Tablelands	Cyclone	5.2	7
QLD	Rockhampton	Cyclone	4.6	3



The Institute would welcome the opportunity to collaborate with the NRRA and others to support development of public policy which improves the resilience of the built environment to natural perils and reduces insurance affordability pressure. Please contact Vanessa Beenders, Executive General Manager Public Policy and Professionalism at the Institute on vanessa.beenders@actuaries.asn.au if you wish to clarify aspects of this letter.

Yours sincerely

Elayne Grace
Chief Executive Officer