



19 October 2024

Dear Prime Minister of Australia, Hon Anthony Albanese M.P,

Prime Minister of New Zealand, Hon Christopher Luxon M.P,

Prime Minister of Canada, Hon Justin Trudeau P.C., M.P,

Prime Minister of United Kingdom, Hon Sir Keir Starmer K.C.B., K.C., M.P,

Commonwealth Insurance Markets Collaborate on Global Insurance Protection Gap

More frequent and intense disasters, coupled with ongoing development of areas at high risk of extreme weather and growing asset values, are widening the gap globally between those who can afford insurance in high-risk areas and those who can't – often leaving society's least wealthy unable to rebuild and recover when disaster strikes.

As the bodies representing personal and business insurance providers in the United Kingdom, Canada, Australia and New Zealand, we have a unique perspective on this issue and understand that both the causes and the solutions to this issue are common to our four jurisdictions and indeed nations across the Commonwealth. Collectively our associations represent approximately \$200B (USD) in Gross Written Premium (GWP) and our members play an essential role in enabling individuals, communities and businesses to recover from the unexpected and reduce risk across the economies in which they operate. As Commonwealth nations we are facing this shared challenge together, with similar regulatory, political, and financial tools at our disposal to implement solutions.

Ahead of the Commonwealth Heads of Government Meeting (CHOGM) in Samoa, our organisations held a Global Insurance Protection Gap Forum in Sydney, Australia. This event, held on 18 October 2024, brought together insurers across markets, along with Australian government representatives and regulators, to examine the common drivers of the insurance protection gap and to explore proven solutions that have a track-record of strengthening national and economic resilience.

The upcoming CHOGM provides a key opportunity to ensure the findings of this forum are shared with representatives of all 56 Commonwealth nations, and as our nation's heads of government we urge you to raise the issue of worsening extreme weather and its impact on national economic and community resilience as part of the Commonwealth Business Forum on the 23 and 24 of October 2024.

The Global Insurance Protection Gap forum made clear:

1. As extreme weather intensifies, populations expand and more homes are put in harm's way, the insurance protection gap widens. In 2023 only 38 per cent (US\$108 billion) of global economic losses were insured, leaving business and communities without a safety net, and eroding the ability of economies to recover from fires, floods, earthquakes and cyclones. Many Commonwealth insurance markets are seeing significant increases in hazard risk and resulting premiums in regions particularly vulnerable to disasters, and this challenge has compounded over the last decade.

2. Flood risk is often concentrated in particular areas of the highest risk homes, but we are concerned that the widespread nature of flood risk will only increase. Across our jurisdictions, targeted resilience solutions such as home buy-backs, house-raising, and home retrofits can often prove more effective at reducing risk and should be designed to maximise return-on-investment by focusing on the areas of highest risk. Greater investment in a range of effective measures to better protect communities from flood risk is vital. Importantly, investment in these solutions must be

developed in consultation with industry and affected communities and match the pace of intensifying extreme weather events.

3. Governments and insurers have a critical opportunity to collaborate across global markets to build a shared view of current and future hazard risk. Down-scaled data on how flood, fire and cyclones are increasing in frequency and/or intensity as a result of a changing climate is essential to informing how these risks are appropriately priced by industry and managed by policy makers. Greater collaboration between insurers, national science and data agencies will accelerate this work. Improving public access to information regarding the hazard risk associated with a property at the point-of-sale or in a residential or commercial tenancy agreement will also assist businesses and individuals to better understand these risks.

4. We can stop locking further risk into our economies. Reforming land use-planning to prevent development in vulnerable areas, and strengthening our building codes, so that homes and businesses can better withstand the extreme weather events that our nations are experiencing now and into the future will stop making a bad situation worse. The most expensive home is the one you have to build twice, our properties should be built to last a lifetime.

5. Applying excessive taxes and levies to insurance premiums can directly affect the affordability of insurance coverage. Taxes and charges widen the protection gap and disproportionately impact the most vulnerable in our communities who are often the most impacted by extreme weather risk. Additionally, overly burdensome regulation can complicate the insurance process, leading to higher administrative costs. Across our jurisdictions, reviewing these rates is one of the fastest ways to reduce premiums and narrow the protection gap.

We thank you for the opportunity to bring the findings of this important Forum to your attention and look forward to collaborating further with your respective governments following the productive discussions at CHOGM.

Yours sincerely,



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