SUBJECT: **REPORT ON NOTICE OF MOTION – NOM 23/08/22 – AVAILABILITY AND AFFORDABILITY OF FLOOD INSURANCE FOR RESIDENTS AND BUSINESS IN LOW LYING AREAS**

REPORT BY: **INFRASTRUCTURE AND PROPERTY**

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DIRECTOR COMMENT

Newcastle residents are currently able to access online flood mapping via the City of Newcastle (CN) website. The 'Know Your Flood Risk App' provides information on property locations and their categorisation in relation to flood affected land. On transfer of property, purchasers are also made aware of the flood classification of the property via CN's 10.7 Certificate (previously known as a 149 Certificate).

By the end of the current financial year, CN will have invested more than $42 million in stormwater upgrades during the past six years to reduce the probability of flooding in the Newcastle local government area (LGA).

This spend is $29 million more than what CN has received via the NSW Stormwater levy, which was introduced by the NSW Government to enable councils to raise funding for drainage and floodplain management programs. The levy has been fixed since 2006 when it was first introduced. Only Hunter Water, Sydney Water and Central Coast Council have stormwater levies determined by the Independent Pricing and Regulatory Tribunal. This approach to determine a more reasonable levy compared with the real costs councils incur to address flooding, has seen a levy that is between three and five times higher than what councils are permitted to charge.

The Insurance Council of Australia states that insurers determine the flood risk to a property via a database that determines the flood risk to individual properties. This database is known as the National Flood Information Database (NFID) and has been developed by the insurance industry in partnership with the Federal and state governments.

NFID is an address database containing 11.3 million property addresses, overlayed with the known flood risk according to government flood mapping. Commercial licensing arrangements between many governments and the specialist flood risk experts who prepare the flood maps means it is not a public database.

The premium charged to insure a property is based upon this data in addition to other criteria including building type, location and claims history.

In assessing risk (and associated premiums) insurance actuaries draw information from many sources to identify properties that are prone to flooding. These may include local government flood mapping, historical flood information, terrain data and insurance claims information.

Insurers assess how often a property is expected to flood, how severe the flooding may be, and how deep the flood can get.

CN has limited influence on insurance companies and their premium levels. The trend of rising insurance premiums has been well reported during the past year with significant flood events occurring on the mid and far north coast areas of NSW as well as the Richmond and Hawkesbury areas in Western Sydney. The ABC has reported that premiums for flood insurance now exceed $30,000 in some parts of NSW.

In March 2022, the NSW Government commissioned an independent expert inquiry into the preparation for, causes of response to, and recovery from the 2022 catastrophic flood event across much of NSW.

Earlier this month, the Inquiry tabled its report, making 28 recommendations across a broad range of areas, including emergency management arrangements, land management and planning, equipment and technology, capacity and capability building and research.

The NSW Government has also tabled its response, supporting 6 recommendations and supporting in principle 22 recommendations. The NSW Government has stated it will need to undertake further analysis and consultation (particularly with the Commonwealth, local councils and NSW agencies) on the best means of delivering on many of the recommendations.

A number of the Inquiry recommendations specifically relate to insurance premiums, and how they can be made more affordable, including through encouraging financial institutions and insurance companies to use pricing structures to incentivise the construction of more safely situated and resilient buildings.

Currently insurance agencies are utilising existing flood modelling data for the Newcastle LGA within the 2008 flood study.

CN is currently updating its flood studies. The flood study for the eastern half of the LGA covering Throsby, Styx and Cottage Creek Catchments commenced in mid-2021. The Draft Flood Study is scheduled to be placed on public exhibition in early 2023 before being presented to Council for adoption. This process will include community information sessions, and targeted engagement for affected residents. Once the flood study is complete, an updated Flood Risk Management Plan will be developed.

The updated Flood Study will provide insurance agencies with more accurate and best practice data that enables them to determine their risk more confidently.

The updated Flood Study will also include Mayfield North and Newcastle East catchments draining to Merewether Beach, Bar Beach and Newcastle Beach, as well as an assessment of climate change impacts which were not captured in the previous flood study.

Recommendation

That Council:

1 Acknowledges that City of Newcastle will by the end of the 2023 financial year have invested more than $42 million in infrastructure upgrades over the past six years despite only receiving $13 million via the stormwater levy over the same period.

2 Notes the release of the NSW Independent Flood Inquiry report, which made 28 recommendations across a broad range of areas, including those relating to making insurance more affordable to property owners in flood prone areas.

3 Notes that a review of City of Newcastle's flood studies are underway, with the Draft Flood Study for the eastern half of the LGA scheduled to be placed on public exhibition in early 2023.

4 Writes to the Insurance Council of Australia (ICA) to request it participate in a public information session in 2023 when the draft flood study is placed on public exhibition.