



## NATURAL DISASTER COSTS TO REACH \$39 BILLION PER YEAR BY 2050

The total costs of natural disasters in Australia are forecast to more than double in real terms to \$39 billion per year by 2050, according to a new report released today by the Australian Business Roundtable for Disaster Resilience and Safer Communities (the Roundtable).

The report, *Building Resilience to Natural Disasters in our States and Territories*, prepared by Deloitte Access Economics, examines the costs of natural disasters in each state and territory over the last decade and the estimated costs to 2050.

The report found the total economic cost of natural disasters in Australia over the 10 years to 2016 averaged \$18.2 billion per year, equivalent to 1.2% of average Gross Domestic Product (GDP).

In real terms, the total economic cost of natural disasters is forecast to grow by 3.4% per year, double by 2038 and by 2050 reach \$39 billion per year in real terms.

More than nine million Australians have been impacted by a natural disaster or extreme weather event over the last 30 years.

IAG Managing Director and CEO Peter Harmer said the report also examines the role of state, territory and local governments, and how they can effectively build resilience in communities, along with other jurisdictions, businesses and not-for-profit organisations.

“We all have a role in ensuring that we are as best prepared as we can be to manage and minimise the impact of natural disasters, led by all levels of government in collaboration with communities, businesses and the not-for-profit sector,” Mr Harmer said.

“State and territory governments play a major role in how a community responds to natural disasters. As well as emergency management and disaster recovery, they influence prevention and preparedness through data collection and provision, infrastructure and land use planning, building codes and community initiatives. They are critical to developing coordinated strategies for disaster mitigation and building resilience in communities.”



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Australian Red Cross CEO Judy Slatyer said the report found that resilience investment results in a “double dividend,” that is, many additional benefits beyond the financial bottom line.

“Natural disasters have a deep social impact on individuals and communities that can last for years,” Ms Slatyer said.

“Relatively small investments now in things such as community education, emergency kits, and encouraging connected and strong communities is the best way to helping people and communities recover faster which reduces the personal and economic costs of disasters.

“If resilience projects become embedded in all relevant areas of government planning and policy, we’d see an increase in jobs and community confidence that would drive a strong economy.”

The report outlines that each state and territory faces different natural hazards which impact the total cost of natural disasters in their jurisdiction, as well as which tools will best build and foster resilience. For instance, over the past decade, Queensland has borne the brunt of natural disaster costs in Australia, with natural disaster events in the state comprising 60% of the nation’s total costs.

As such, the report makes recommendations on how states can use their existing areas of responsibility to address the current barriers to building resilience.

The Roundtable believes that collaboration is important in addressing the national challenge of the increasing costs of natural disasters, across all levels of government, as well as with the private sector, not-for-profits and communities.

As part of the Roundtable’s commitment to helping to address this challenge, it today called on all levels of government to work with it to co-design a framework to prioritise and assess the most effective resilience projects and locations.

Roundtable members are united in their commitment to work with governments to find solutions to build more resilient communities and a safer Australia.





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## REPORT RECOMMENDATIONS

To build greater resilience to natural disasters in our states and territories, the Business Roundtable recommends:

1. **Mainstream and embed resilience across all aspects of policy and decision-making.**
2. **Prioritise resilience investments by considering their broader economic and social benefits.**
3. **Improve understanding of disaster risks, costs to society and resilience-building activities to improve resilience.**
4. **Collaborate and coordinate to build resilience and address the long-term costs of natural disasters.**

To view the Report under embargo visit:

<http://australianbusinessroundtable.com.au/building-resilience-in-our-states-and-territories>

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## Further quotes attributable to Roundtable members:

### Australian Red Cross

“Disasters and their impacts on communities across Australia and internationally are increasing as our climate changes and population numbers rise. In economic terms the social impacts of disasters are at least as great as the more tangible losses to property and infrastructure. This is a compelling case for investment in resilience building. Not only is it about reducing future natural disaster costs, but contributing to better community outcomes in the process- jobs, investment, connected communities- even in the absence of a natural disaster.”

**Judy Slatyer, CEO**

### IAG

“Investment in resilience and mitigation not only helps create safer communities, it provides the added benefit of reducing the level of risk, which puts downward pressure on insurance premiums. IAG is proud to be a founding member of the Roundtable and supports its ongoing efforts to build safer and more resilient communities.”

**Peter Harmer, Managing Director and CEO**

### Investa

“As host to more than 750 businesses and 100,000 tenants every day, the resilience of our communities broadly is absolutely paramount to Investa. We remain committed to keeping the lights on and providing safety and shelter to our communities during natural hazard events. To achieve this, we need to partner with government to embed resilience into planning, design and construction of strategic infrastructure.”

**Jonathan Callaghan, CEO**

### Munich Re

“Natural catastrophe losses remain largely uninsured worldwide – even in highly developed markets such as Australia and there is a considerable gap between economic losses suffered and the amount covered by insurance. Governments and private insurers are called upon to find solutions to mitigate considerable natural catastrophe losses. Governments do this by ensuring adequate loss prevention, strengthening building regulations and implementing forward-looking municipal planning, while insurers draw up intelligent coverage concepts and develop new products.”

**Ralph Ronnenberg, Managing Director**



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**Optus**

“When disaster strikes, Australians rightly expect government and business to work together and use the best available tools, knowledge and experience to make smart decisions – lives depend on it. Our research is clear: beyond reducing the costs of a natural disaster, proper preparation and investment by government and business will minimise harm to people, the environment, and assets and ensure our communities bounce back quickly. It is common sense and it is good business sense.”

**Paul O’Sullivan, Chairman**

**Westpac**

“There is so much to be gained when government, business and not-for-profit organisations work together to support disaster-affected communities. Providing continuity and seamless support to Australian communities affected by natural disasters is absolutely vital in times of need. It’s important we all continue to collaborate to provide the right support for communities well into the future.”

**George Frazis, Westpac Chief Executive, Consumer Bank**





## Costs of natural disasters by state and territory:

### National

Total cost of natural disasters 2007-2016: \$18.2bn

Percentage of GDP: 1.2%

Total cost of natural disasters today (based on 50 years of data): \$13.2bn

Forecast annual total cost of natural disasters in 2050: \$39.3bn

Average annual growth in natural disaster costs, 2017 to 2050: 3.4%

### Queensland

Queensland has been the most disaster-prone state over the past decade. The total economic cost for Queensland over this period has averaged \$11 billion per year. This equates to 60% of the national cost over this period.

Flood events accounted for 66% of this cost, 25% due to cyclones and hail and storm 6% and 4% respectively.

The total economic cost of natural disasters in Queensland will reach \$18 billion a year by 2050, a growth rate of 3.3% per year.

### New South Wales

The total economic cost of natural disasters in New South Wales over the past decade averaged \$3.2 billion per year, or 17% of the national cost.

Storm accounted for 49% of this cost and 23% due to flood events.

The total economic cost of natural disasters in NSW will reach \$10.6 billion a year by 2050, a growth rate of 3.4% per year.

### Victoria

The total economic cost of natural disasters in Victoria over the past decade averaged \$2.7 billion per year, or 15% of the national cost.

Hail accounted for 36% of this cost, 27% due to storm and 26% as a result of bushfire.

The total economic cost of natural disasters in Victoria will reach \$3.2 billion a year by 2050, a growth rate of 3.6% per year.



## Western Australia

The total economic cost of natural disasters in Western Australia over the past decade averaged \$1 billion per year.

Hail accounted for 54% of this cost, 15% due to flood, 15% to cyclone, 13% to bushfire and 3% to earthquake.

The total economic cost of natural disasters in Western Australia will reach \$2.4 billion a year by 2050, a growth rate of 4% per year.

## South Australia

The total economic cost of natural disasters in South Australia over the past decade averaged \$300 million a year.

Hail accounted for 48% of this cost, 45% to bushfire and 7% to storm.

The total economic cost of natural disasters in South Australia will reach \$700 million a year by 2050, a growth rate of 3.6% per year.

## Tasmania

The total economic cost of natural disasters in Tasmania over the past decade averaged \$200 million each year.

Bushfire accounted for 52% of this cost and 48% due to storm.

The total economic cost of natural disasters in Tasmania will reach \$600 million a year by 2050, a growth rate of 3.1% per year.

## Northern Territory

The total economic cost of natural disasters in the Northern Territory over the past decade averaged \$50 million each year.

All of this cost over the period was attributed to cyclones.

The total economic cost of natural disasters in the Northern Territory will reach \$3.3 billion a year by 2050, a growth rate of 2.8% per year.



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## **Australian Capital Territory**

The total economic cost of natural disasters in the ACT today, based on 50 years of historical data, is \$50 million a year.

The total economic cost of natural disasters in the ACT will reach \$150 million a year by 2050, a growth rate of 3.1% per year.

*Note: Historical disaster costs, particularly over the short term, are not a measure of disaster risk. For example, ACT had zero recorded disasters with insured costs over the past decade. However, they are at risk of a number of disaster types. Similarly, other states may be at risk of some disaster types even though they did not incur any costs for these disasters over the past decade.*

## **About the Australian Business Roundtable for Disaster Resilience & Safer Communities**

The Australian Business Roundtable for Disaster Resilience & Safer Communities was formed in 2012 to influence public policy via evidence-based reporting on the unsustainable cost of disasters on life, property and the economy.

The Roundtable members are the Chief Executive Officers of the Australian Red Cross, IAG, Investa, Munich Re, Optus and Westpac.

Members of the Roundtable champion the need for a sustainable, coordinated national approach to make communities more resilient and people safer. They believe that national investment in disaster resilience and preventative activities is the most effective way to protect communities and reduce the impact of disasters.

**For more information please go to our website:**  
**<http://australianbusinessroundtable.com.au/>**

