

Finance Risk and Audit Committee Workshop, 24 February 2026

Information considered in the workshop.

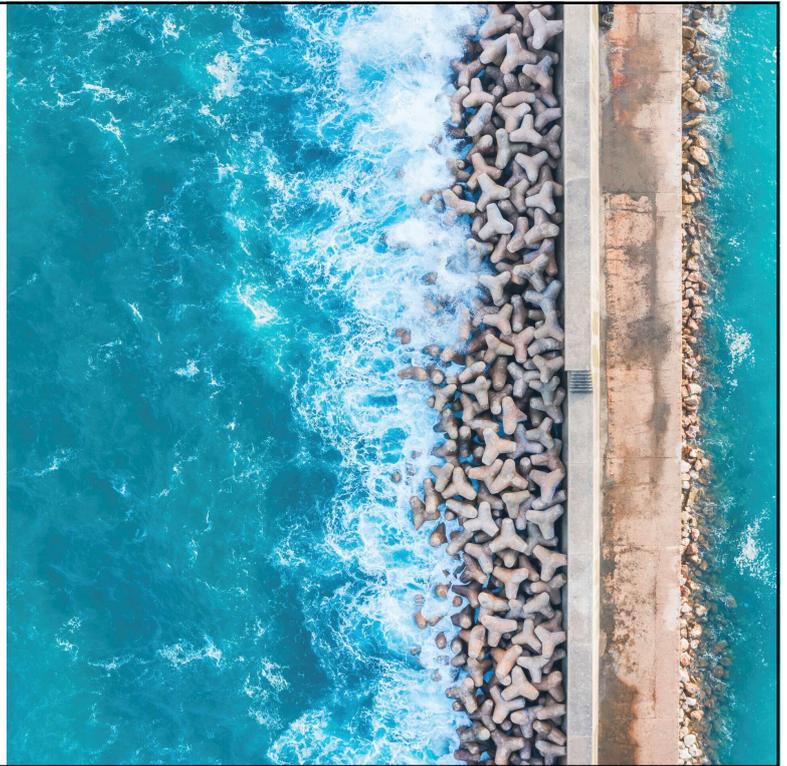


Climate change and the insurance implications

Briefing to Greater Wellington Regional Council Audit Risk & Finance Committee

Feb 2026

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Aon
Today's team

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GM - Aon Corporate



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Ngā kaupapa o te rā – today's discussion

1. Climate change – as it relates to insurance
2. Global context – the scale of loss
3. What's driving insurer concern
4. What does this mean for insurance markets
5. Zooming into Aotearoa New Zealand
6. Local scene scan
7. The 'total cost of risk', insurance affordability and underinsurance
8. Looking ahead for Greater Wellington

Climate change competing for attention in an increasingly risky world

Rank	Top 10 Future Risks*	Compared to 2023
1	Cyber Attack or Data Breach	—
2	Economic Slowdown or Slow Recovery	—
3	Increasing Competition	↑ 4
4	Commodity Price Risk or Scarcity of Materials	↓ 1
5	Geopolitical Volatility	↑ 9
6	Regulatory or Legislative Changes	↓ 1
7	Business Interruption	↓ 1
8	Artificial Intelligence (AI)	↑ 9
9	Climate Change	↑ 3
10	Cash Flow or Liquidity Risk	—

Based on responses from nearly 3,000 risk and business leaders in 63 countries. *Risks that respondents predict will be their critical concerns by 2028. Source: Aon's Global Risk Management Survey

1. 'Climate change' in terms of insurance and our kōrero today



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The Global Context: the scale of loss



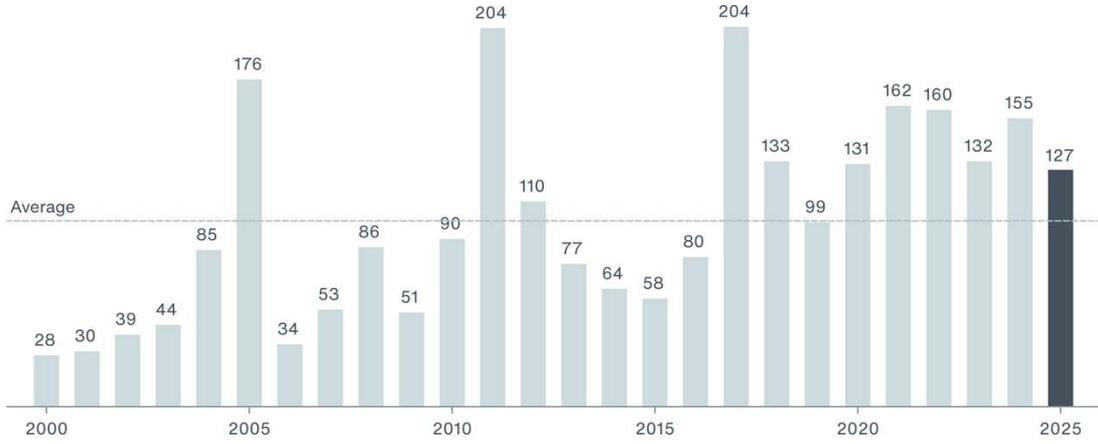
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Global Insured Losses From Natural Disasters (2025 \$B)



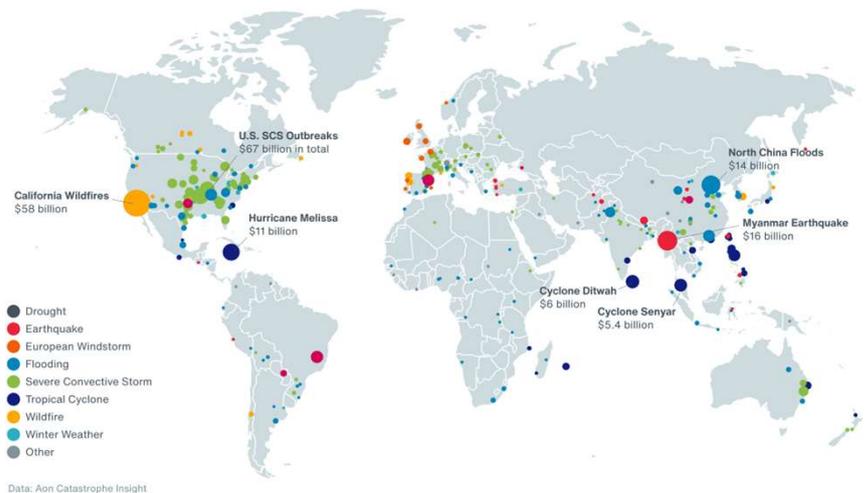
Data: Aon Catastrophe Insight



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Notable 2025 Economic Loss Events



Data: Aon Catastrophe Insight

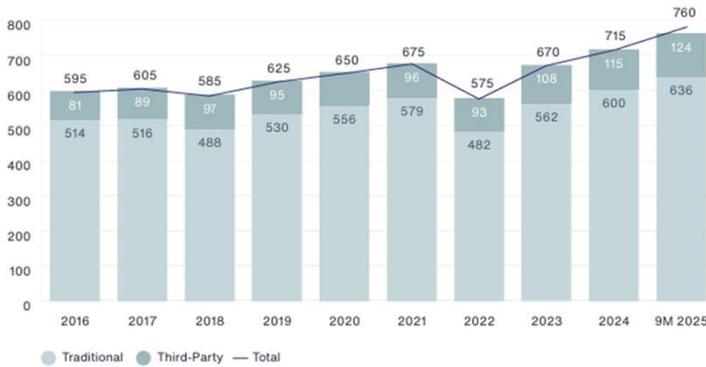


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Reinsurer Capital (USD \$ billions)

Exhibit 1: Global Reinsurer Capital (\$ billions)



3. What's driving insurer concern

At it's core:

- Insurance depends on risk being unexpected and unforeseen
- The unforeseen is now visible and the unexpected is now expected.
- 1% probability events are becoming 10% events.
- This fundamentally challenges the concept of insurance and creates growing concern for insurers.

The rise of “Secondary perils”

Table 1: Swiss Re Institute classification of primary and secondary perils

	Primary perils	Secondary perils
Event type	<ul style="list-style-type: none"> Natural catastrophes that tend to happen less frequently, but which have high loss potential. Include secondary effects. 	<ul style="list-style-type: none"> Natural catastrophes that can happen relatively frequently, and typically generate low- to medium-sized losses Refer to independent secondary perils only.
Re/insurance industry status	<ul style="list-style-type: none"> Traditionally well-monitored and managed risks in developed re/insurance markets. Secondary effects are not always explicitly modelled alongside the originating primary peril, less rigorous monitoring. 	<ul style="list-style-type: none"> Less rigour in the industry monitoring and modelling than for primary perils. Weaker exposure data capture and claims tracking.
Examples	<ul style="list-style-type: none"> Tropical cyclones (including tropical cyclone-induced inland flooding and storm surge); earthquakes (including tsunamis, liquefaction and fires following earthquakes); European winter storms 	<ul style="list-style-type: none"> Severe convective storms (including thunderstorms, hail and tornadoes); floods, droughts, wildfires, landslides, snow, freeze.

Source: Swiss Re Institute



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2025 Global Insured Losses by Region and Peril

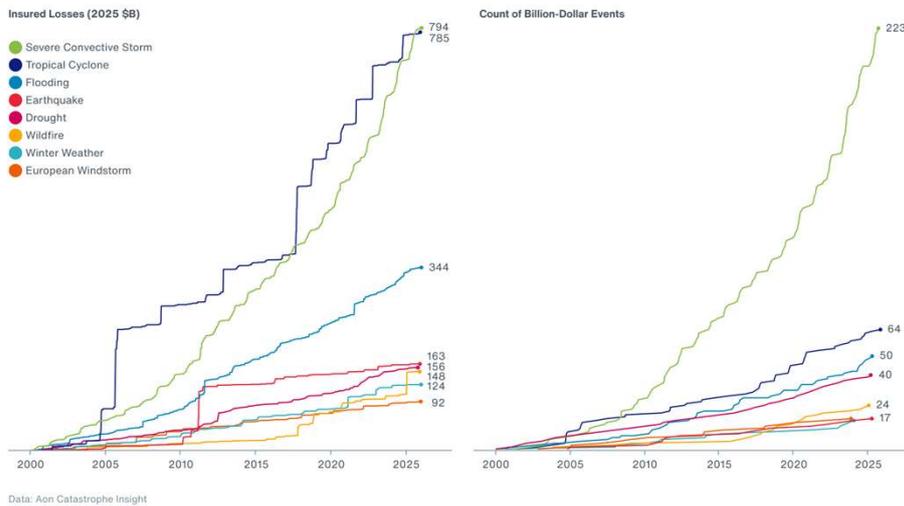


Data: Aon Catastrophe Insight



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Cumulative Global Insured Losses by Peril



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4. What does this mean for insurance markets

- **Structural change, not a market cycle**
- **Tighter terms, higher deductibles – greater sharing of ‘secondary perils’ between insured and insurer**
- **Reduced insurer capacity in ‘high-risk’ areas**
- **Repricing, higher pricing**

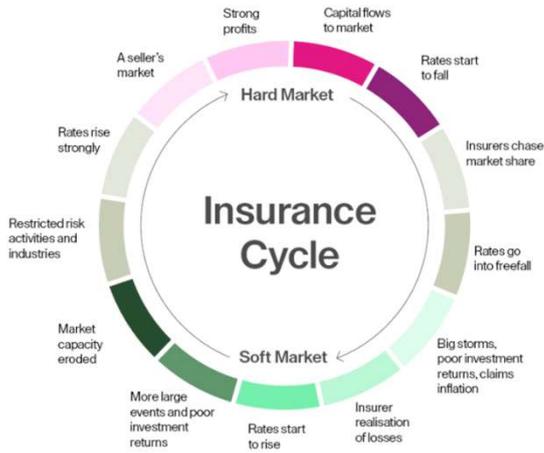
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Insurance market cycles



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Zooming into Aotearoa



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The NZ insurance market is the global insurance market

NZ owned insurers



Outside of NZ owned insurers

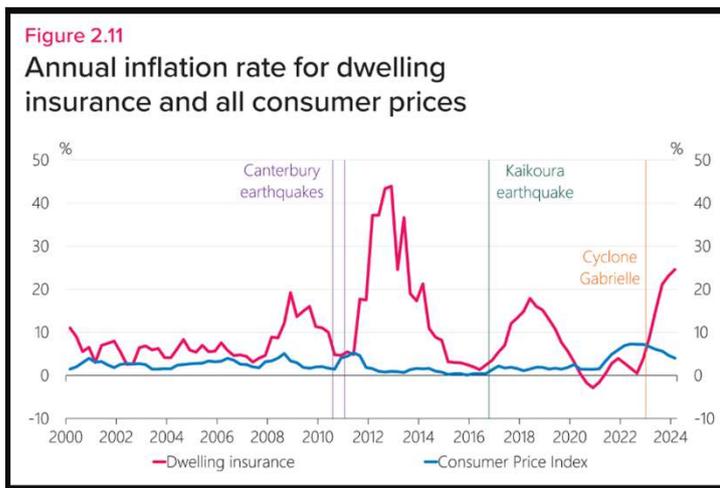


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NZ insurance premium volatility



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6. Local scene scan

Climate change tops agenda of New Zealand insurance companies

11:58 am on 9 November 2022

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Celia Walton, reporter
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New Zealand insurers push for united political front to tackle escalating climate risks

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INSURANCE / NEWS

Tower Insurance warns New Zealand needs to clarify climate adaptation funding to avoid California-style insurance crisis amid rising natural disaster risks

Auckland faces 'worst case' climate risk, insurer warns

The Insurance Council of New Zealand | Te Kāhui Inihui o Aotearoa (ICNZ) is urging the Government to provide stronger national direction to better manage natural hazards risks like flooding and landslips and avoid developments in high-risk areas.

IAG said climate adaptation should focus on ceasing to create new property risks, so that over the coming decades, the proportion of homes exposed to flooding would fall because the country was making better land-use decisions.

But, "our ability to bend the curve is held back by a fatalistic attitude in which the impacts of natural hazards are seen as inevitable and there is an unspoken assumption that there is only so much that can be done in dealing with them.

"As a result, we continue to focus on response and recovery ahead of avoiding, reducing or building resilience to the impacts of natural hazards," it said.

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7. The Total Cost of Risk – insurance affordability and underinsurance

- As climate perils become more frequent and complex, traditional insurance models are not keeping up.
- The insurance gap is marked and growing.
- Financial responsibility for funding a climate peril loss is increasingly being shared and by increasing margins.

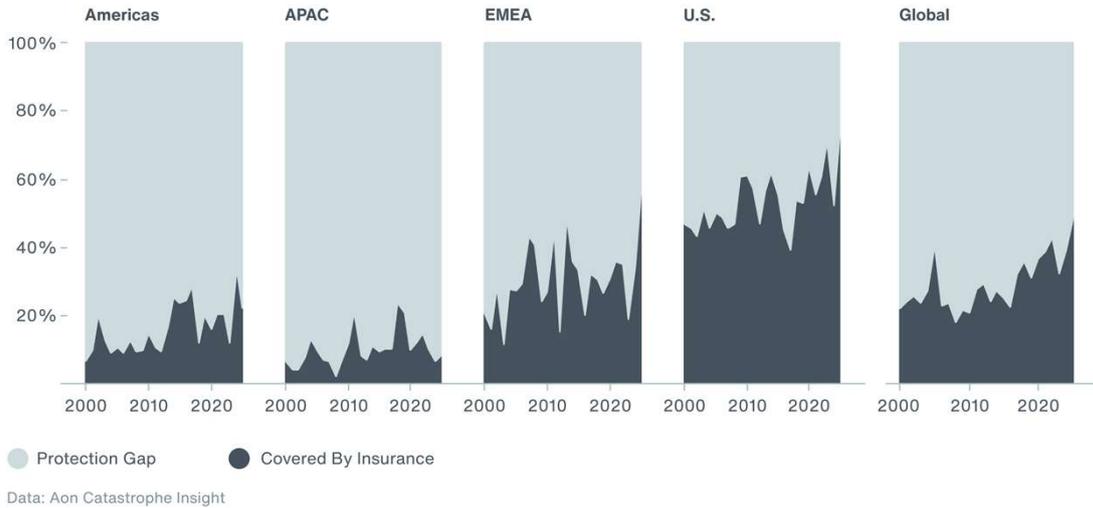
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Insurance Gap by Region



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Local scene scan

consumer.

Will you be able to get home insurance by 2035?

Our research shows home insurance is becoming unaffordable for some New Zealanders. As external costs increase, insurance could soon be unavailable.

Key findings

- **Costs have skyrocketed** – Since 2000, the cost of home insurance has increased 916% (Stats NZ).
- **More people are dropping cover due to cost** – Among those who don't currently have house insurance, around 7% dropped it because of cost in 2022. By 2025, that percentage had more than doubled to 17%.
- **Insurance now ranks in the top four financial concerns for New Zealanders** – sitting just behind housing, food and overcoming household debt.
- **Trust in insurers is low** – Consumers report dissatisfaction with the claims process, delays in settlements and a lack of transparency when it comes to pricing.
- **Risk-based pricing lacks clarity** – Consumers don't have access to the data that determines their premiums and have no way to challenge the prices.
- **It's hard to shop around** – Comparison is difficult, online quotes aren't always available and options are limited, especially for homes in high-risk areas.
- **Insurers' profits are rebounding** – Despite payouts following weather events, insurers are showing strong profit margins. Trans-Tasman insurers appear to make more money in New Zealand than Australia.

\$180 billion of homes sitting on flood-prone land, government report finds

10:44 am on 8 October 2025

The Government has launched a six-month deep dive review into soaring home insurance costs as some insurers begin withdrawing cover from high-risk areas.

A paper brought by Finance Minister Nicola Willis to Cabinet suggested insurers have higher profit margins than their Australian counterparts.

The review comes as AA Insurance temporarily **paused new home insurance offers in Westport** due to flood risk, highlighting growing concerns about insurance availability.

It took two years and grown at three times Treasury analysis.

Insurance premiums - Watch on TVNZ+

Insurance premiums - Watch on TVNZ+ we don't want to see people

Commerce and Consumer Affairs Minister Scott Simpson says the Government will 'consider necessary initiatives' as premiums continue to grow, raising concerns about insurance affordability and accessibility.



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Greater Wellington's own
insurance strategy

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9. Looking ahead

- Insurance as a cost to insurance as a signal
- Continued strong articulation of risk appetite
- Build greater risk tolerance
- Informed trade offs
- Adaptation investment linked to insurance strategy

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Open discussion.

Ngā mihi

