**Climate threat to state assets**

Date

January 7, 2013

**Tom Arup**

The report estimates the state insurer's extra costs from climatic events could run into millions of dollars. *Photo: Michele Mossop*

VITAL public infrastructure in Victoria including hospitals, schools and police stations is under increased threat of damage as climate change intensifies.

A consultancy report has warned that billions of dollars worth of infrastructure covered by the Victorian Managed Insurance Authority is exposed to the impacts of natural disasters such as bushfires and floods.

The intensity and frequency of such disasters are forecast to increase as the planet warms. The report says this will threaten infrastructure insured by the authority, potentially exposing the agency - and ultimately taxpayers - to higher recovery and insurance costs.

The report estimates the state insurer's extra costs from climatic events could run into millions of dollars. The analysis does not include impacts on rail and road assets, which would mean even higher losses.

The **insurance** authority is a public financial corporation that insures $126 billion in assets, mainly owned by the state government. These assets include those belonging to government departments, national parks, hospitals, universities and galleries.

Between 2002 and 2010 more than 70 per cent of the authority's losses were due to climatic events, with two-thirds resulting from the 2009 Black Saturday bushfires.

The report was obtained by Environment Victoria under freedom of information. It was prepared in late 2010 by consultancy firm AON and updated in 2011, based on climate modelling by the CSIRO.

A spokesman for the insurance authority said the report had been commissioned to help the agency consider reinsurance options - insurance for insurance firms to cover losses. Subsequent reports had not been commissioned because the information remained current.

''The VMIA conducts a comprehensive annual review of its reinsurance strategies to protect the state's assets from the impact of insurable events, including weather-related events,'' the spokesman said.

Environment Victoria chief executive Kelly O'Shanassy said: ''Because of climate change, Victorians are exposed to more frequent and dangerous weather events such as bushfires and floods, which pose a grave risk to life and property.

''This report shows that state assets will also be affected, increasing insurance costs that will ultimately be borne by the taxpayer.''

Ms O'Shanassy accused the Baillieu government of neglecting efforts to reduce Victoria's greenhouse gas emissions - such as by dumping the state's emissions reduction target.

''It defies logic that our government could understand the risks climate change poses to Victorians and then knowingly make the problem worse.''

A government spokesman said a statewide climate change adaptation plan would be released in March. This would ''provide information on action being taken to manage risks to public assets, essential infrastructure and service delivery''.

The spokesman said the plan would provide guidance on roles and responsibilities for managing climate risk. The government would also develop a strategy for making critical infrastructure more resilient.

The report says an increase in bushfires has the greatest potential to cause escalating costs for the insurance authority. There was also major exposure to increased river floods, with billions of dollars in insured assets located in threatened areas. It also warns that climate change could increase the insurer's exposure to public liability lawsuits.

Read more: <http://www.theage.com.au/environment/climate-change/climate-threat-to-state-assets-20130106-2cbfm.html#ixzz2HFw4RNSd>