

# Australia's insurance industry snapshot 2025



**86m**  
general insurance  
policies



**88**  
general insurance  
companies



**46,000**  
employees

**18m**

motor-related  
policies

**\$14b**

motor-related  
claims

**12m**

home and  
homeowner policies

**\$8b**

home and  
contents claims

**\$8.6b**

paid by customers  
in state taxes

**\$5.1b**

industry profit  
for FY24

2024 data

## What's impacting premium prices?

### Extreme weather costs

- The total insured cost of extreme weather events over the past five years is \$22.5 billion, an average of \$4.5 billion a year and an increase of 67 per cent on the previous five years.
- Extreme weather losses as a percentage of GDP have tripled from 0.25 per cent in the second half of the 1990s to almost 0.75 per cent of GDP in the first half of the 2020s.
- In response to extreme weather costs, last year reinsurers pushed reinsurance costs to 20-year highs globally. Australian insurers faced increases of up to 30 per cent - some of which had to ultimately be passed onto policyholders.

### Inflation, labour and materials

- The average cost to build a new house in Australia has increased by 29 per cent since 2019, from approximately \$345,000 to around \$444,000 in 2024. In QLD this increase went from \$310,000 to \$450,000, an average annual increase of around 10 per cent.
- Building material costs are on average 30 per cent higher than they were three years ago and remain high, increasing 4.3 per cent over the 12 months to February 2025.
- The average motor claim increased by 42 per cent between 2019 and 2024 due to the higher cost of new cars, the increasing cost of parts and labour, and the prevalence and growing complexity of vehicle technology.
- In 2024, there were 28,000 trades and blue-collar vacancies, double the pre-pandemic average. This includes shortages in critical trades such as panel beaters, mechanics and vehicle painters, resulting in motor repair delays and escalating costs.

### Development in high-risk locations

- Around 1.4 million properties face some risk of flooding, including almost 300,000 properties that face a severe to extreme annual flooding risk, largely in NSW, QLD and VIC.
- The population of south-east QLD and northern NSW grew by almost 1 million from 2010 to 2025 and will grow further. South-east QLD's population is projected to grow by 2.2 million to around 6 million by 2046, while the population of the Northern Rivers region of NSW is forecast to grow 15 per cent between 2016 and 2036.
- Since 2022, insurers have received almost 500,000 extreme weather claims from this part of Australia alone.

### Taxes

- Taxes add 20 to 40 per cent to the price a customer pays for a premium. State governments are the biggest beneficiaries.
- In 2023-24 state governments collected nearly \$8.6 billion in stamp duty and other levies from insurance customers - that's \$3.5 billion more than the entire insurance industry made in profit that year.

## How does insurance work?

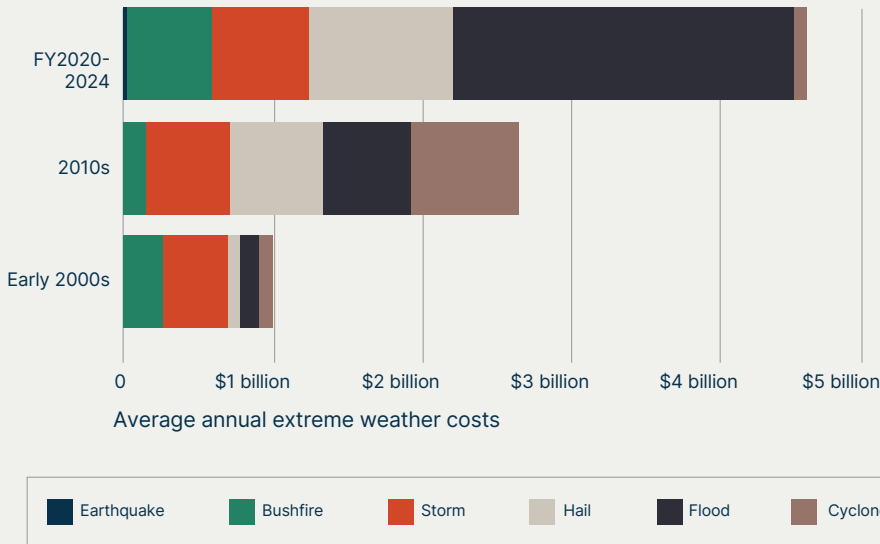
Insurance involves pooling risks from multiple policyholders to provide financial protection against potential losses.

- Risk assessment:** Insurers evaluate the likelihood and potential cost of risks to determine premiums through the process of underwriting.
- Premium collection:** Policyholders pay premiums which are pooled to create a fund that is used to pay out claims.
- Claims management:** When a policyholder experiences a loss, they file a claim. The insurer assesses the claim and responds according to the policy terms.
- Insurers' costs and other income:** Premium income also needs to cover the cost of reinsurance, underwriting expenses, and operating expenses. Insurers also generate income from low-risk, liquid investments.

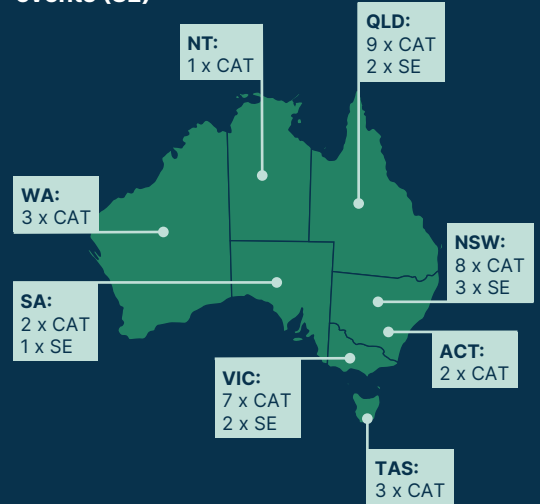
## Reinsurance

Reinsurance is insurance the insurers buy on a global market that allows them to transfer parts of their risk to other entities (reinsurers). This helps insurers manage risk and maintain financial stability. This is particularly important in Australia, where at any time many thousands of claims could be made as a result of large-scale extreme weather events.

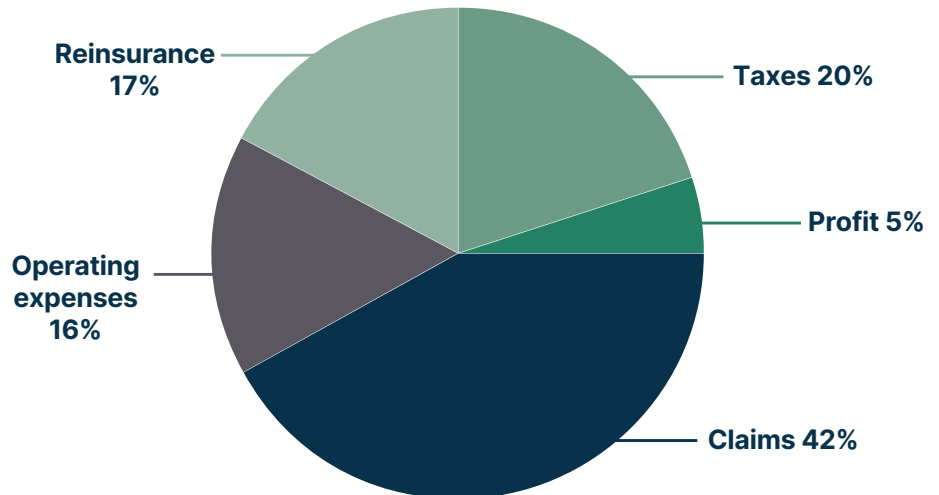
# What is extreme weather costing?



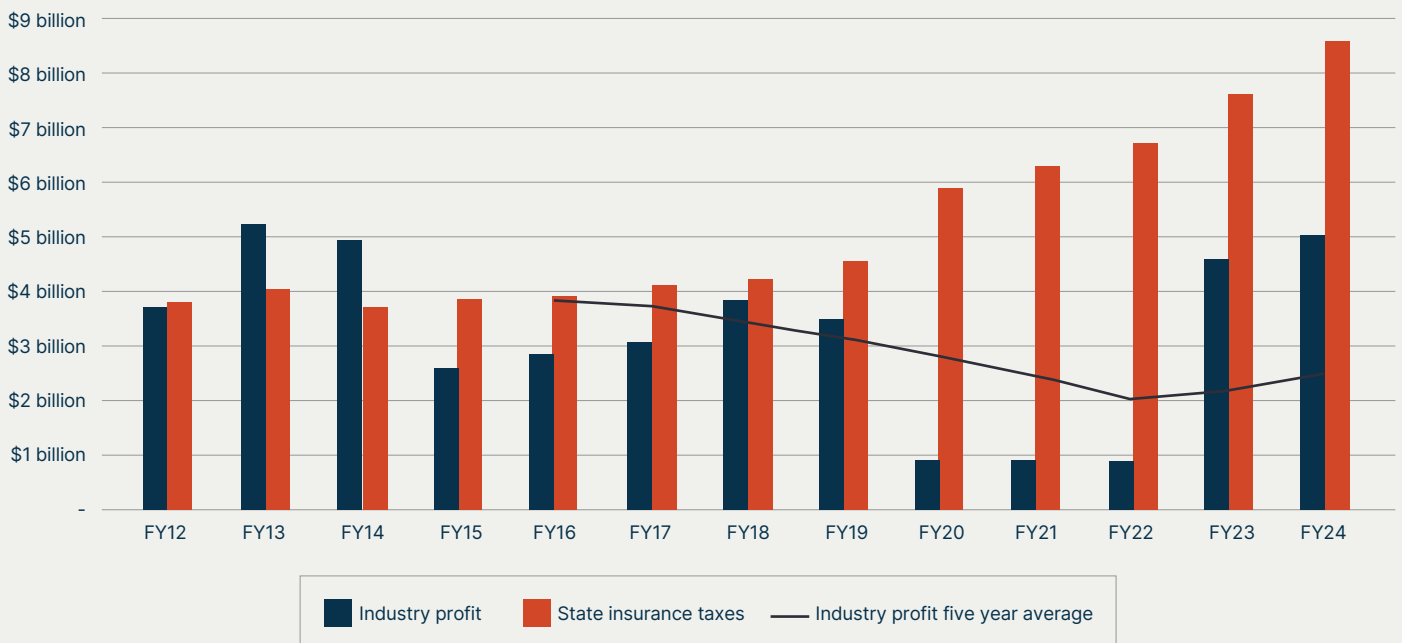
Since 2020, there have been 14 declared catastrophes (CAT) and 8 significant events (SE):



# How is a typical home premium apportioned?



# How do insurer profits compare to state taxes?



# The insurance industry is...

## Competitive



**Around 30 different insurers offer home and contents and motor insurance.** This means customers have choice and can shop around for a product that suits their needs and budget.

**Competition has been increasing.** From 2019 to 2024, smaller insurers' share of the home insurance market increased from 38 per cent to 43 per cent, while their share of the motor insurance market increased from 37 per cent to 43 per cent.

**Insurance remains available even in the most risk-exposed regions of the country.** In the Townsville region, for example, 11 insurers continue to offer cover despite four extreme weather events in four years.

## Regulated



**The insurance industry is regulated by more than 100 pieces of regulation and a robust Code of Practice.** This includes 21 pieces of regulation specifically protecting customers when they are buying insurance, dealing with their insurer, or making a claim.

**Regulation protects customers and ensures insurers continue to operate sustainably.**

Australian insurers are subject to minimum capital requirements, strong governance standards, and prudent risk management practices.

**Australian insurance customers have significant rights and protections under Australian law.** ASIC, APRA, the ACCC regulate the industry, while AFCA provides an impartial dispute resolution service for customers.

## Improving



**The insurance industry is committed to ongoing improvement.** We commissioned our own independent report into how insurers responded to the record-breaking 2022 floods, which set out a roadmap for action.

**We're taking on board the lessons of recent inquiries.**

Our Industry Action Plan outlines the industry's position on recommendations of the Parliamentary Flood Inquiry and Code of Practice Review, with only 3 of 150 recommendations not supported.

**Insurers are investing significantly in improved systems and human resources.** Prior to TC Alfred making landfall, insurers contacted more than 250,000 at-risk customers, added hundreds of additional claims staff, pre-reserved temporary accommodation, and secured local builders and suppliers.

# What can consumers do?

Consumers can help to reduce the cost of their insurance by:

1

### Lowering risk

Insurers may offer a cheaper premium if customers take steps to lower their risk. For example, initiatives such as the Resilience Building Council's Bushfire tool has supported thousands of households to upgrade their home and receive premium discounting.

2

### Shopping around

The products offered by each insurer will differ, with variations in the coverage, the terms and conditions, exclusions and costs. It's important customers find one that suits their needs and budget.

3

### Talking to insurers

Providing additional information to your insurer about specific risks may also allow for a premium to be reviewed. Ask questions as to what steps can be taken to reduce their risk level and enquire about discounts that are available, such as no claims or multi-policy discounts.

4

### Increasing insurance excess

Consider taking on a certain proportion of the risk as a higher excess can mean a lower premium.

5

### Paying premiums annually

Consider paying premium in an annual payment if the insurer charges more for instalment payments.

# What is industry calling for?

The ICA is calling for a coordinated approach across all levels of government, industry and communities to reduce or remove the underlying risks that Australians face. This is the only sustainable way to reduce pressure on premiums and better protect communities from extreme weather.

The insurance industry is calling for the creation of a 10-year, \$30 billion **Flood Defence Fund** to protect Australians from our costliest catastrophe, focusing on 24 priority catchments (see map).

Around 1.4 million properties face some risk of flooding, including almost 300,000 properties that face a severe to extreme annual flooding risk, largely in NSW, QLD and VIC.

With the cost shared between these three states and the Commonwealth, the Flood Defence Fund would deliver critical new flood defence infrastructure, strengthen or remove properties in harm's way, and future-proof existing flood mitigation structure.

This investment is not just good for those who face the most risk, but for all Australians who bear the cost of flood either through their taxes or higher premiums. Previous analysis has found that for every \$1 invested, the return is tenfold.

If we don't do anything, insurance customers, governments and taxpayers will continue to pick up the much higher costs of rebuilding every time there is a natural disaster, and insurance will become unavailable and unaffordable for those who need protection the most.



## Looking ahead - what's needed to better deliver for Australia

**Reduce the cost of insurance** – Remove state taxes to immediately drop the price of insurance by 10 to 30 per cent and streamline regulations to remove costs.

**Defend critical infrastructure** – Establish a Flood Defence Fund at a cost of \$30 billion over 10 years to substantially increase flood resilience in our country's most at-risk communities.

**Future proof the nation** – Stop allowing development on flood plains and ensure that new homes can withstand extreme weather risk in a changing climate.

**Support those most in need** – Collaborate to ensure industry and government programs are targeted at those most in need, including vulnerable customers and those facing significant extreme weather risk.

