Insurance Council of Australia

Australia's insurance industry snapshot 2025

86M general insurance policies	**$49.9B** paid in claims
88 general insurance companies	**46,000** employees
18.2M motor-related policies	**$14.1B** motor-related claims
12.4M home and homeowner policies	**$8.6B** home and contents claims
$8.6B paid by customers in state taxes	**$5.1B** industry profit for FY24

Data sources: Australian Prudential Regulation Authority (APRA), Insurance Statistics Australia, state budget papers.

2024 data

What's impacting premium prices?

Inflation, labour and materials

- Average new home costs rose 29% since 2019, from ~$345K to $444K. In Qld this went from $310K to $450K, ~10% annual rise.
- Building materials cost 30% more than 3 years ago, with a 4.3% rise in the 12 months to Feb 2025.
- Motor claims rose 42% (2019–2024) due to pricier cars, parts, labour, and complex technology.
- 2024 saw 28K trades/blue-collar vacancies—double pre-pandemic levels—with shortages in key motor repair roles.

Development in high-risk locations

- 1.4M properties face flood risk. ~300K have severe to extreme annual risk, mostly in NSW, Qld, Vic.
- SEQ and northern NSW populations grew by nearly 1M from 2010 to 2025. SEQ to add 2.2M more people by 2046. Northern Rivers to grow 15% from 2016 to 2036.
- Since 2022, insurers received ~500k extreme weather claims from the SEQ and northern NSW regions.

Extreme weather costs

- Insured extreme weather costs hit $22.5B over 5 years (avg. $4.5B/year), up 67% from the previous 5 years.
- Weather-related losses rose from 0.25% to nearly 0.75% of GDP since the late 1990s.
- In 2023, reinsurers raised costs to 20-year highs. Australian insurers faced increases of up to 30%.

Taxes

- Taxes add 20–40% to insurance premiums, benefiting state governments most.
- In 2023–24, states collected ~$8.6B in insurance taxes—that's $3.5B more than the industry's total profit.

Data sources: Australian Bureau of Statistics, Infrastructure Australia, Insurance Statistics Australia, Queensland Government, Northern Rivers Regional Economic Development Strategy, QBE's Australia Construction Sector Outlook, state budget papers, ICA's Catastrophe Report 2023-24, ICA's Advancing Australia's Resilience Report.

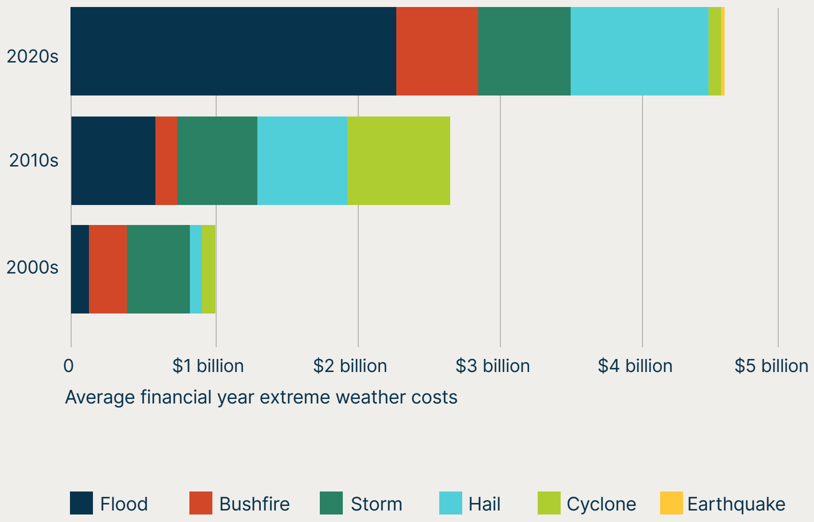
How does insurance work?

- **Annual contract:** Insurance is an agreement to compensate a policyholder in the event of damage or loss according to the terms and conditions outlined in their annual insurance policy.
- **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

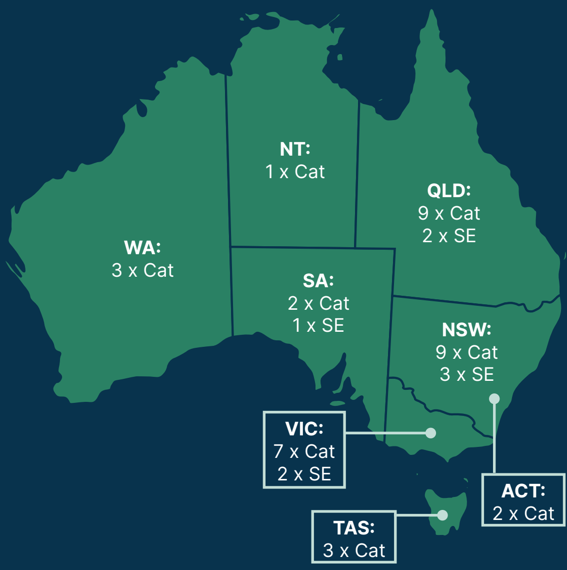
Reinsurance, or insurance for insurers, is purchased on a global market. It protects insurers so that when higher than expected claims occur insurance companies have the funds to pay the claims. This helps insurers manage risk and maintain financial stability. This is particularly important in Australia, 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?



Data source: ICA's Catastrophe Report 2023-24, normalised to 2024 dollars.

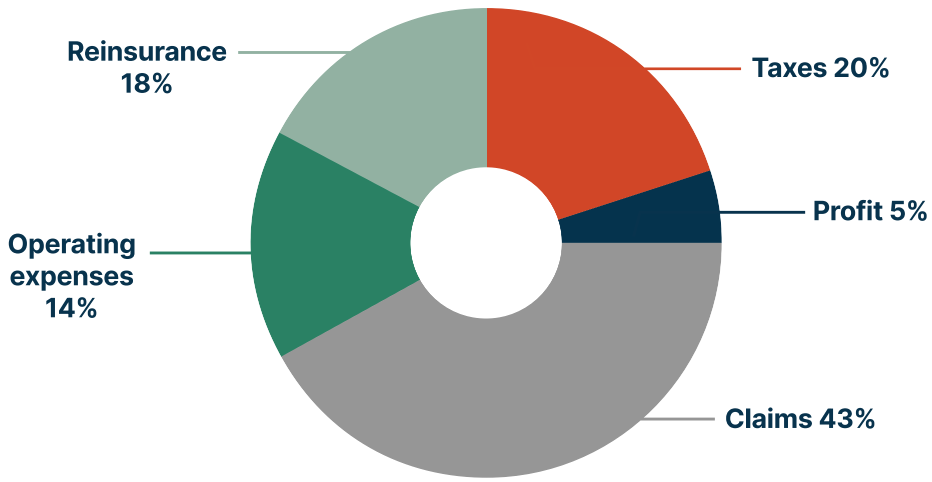
Since 2020, there have been 14 declared catastrophes (Cat) and 8 significant events (SE):



Catastrophe and significant event declarations can extend across multiple states.

Where does a typical home premium go?

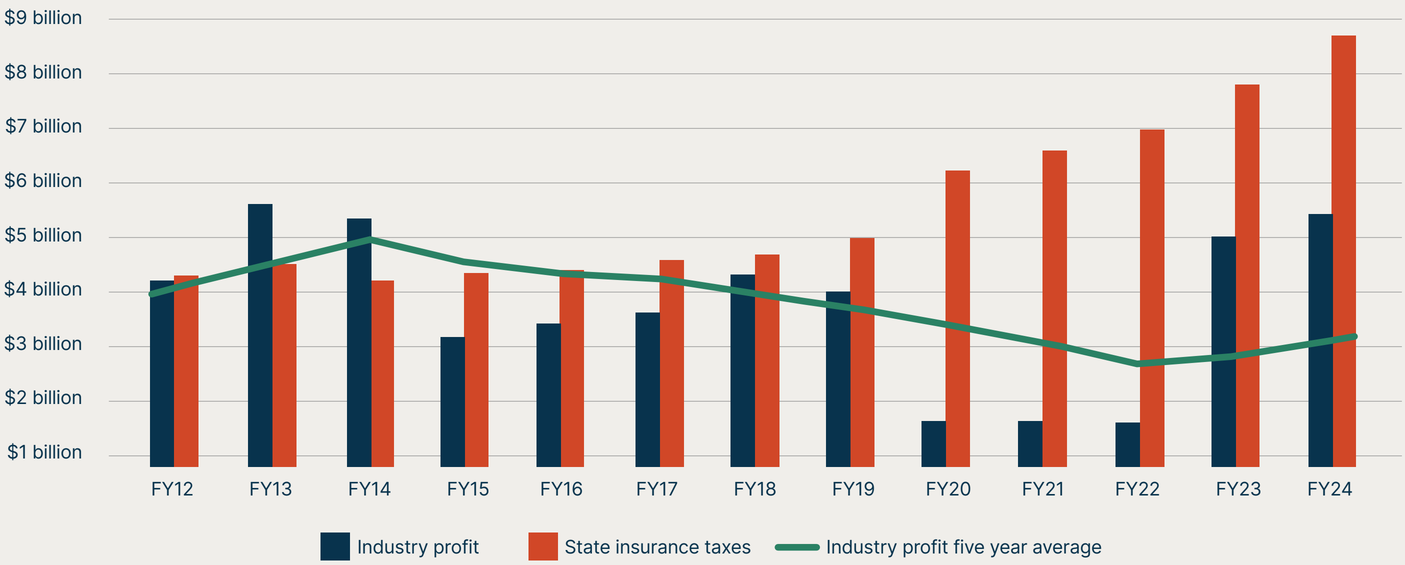
The largest portion of funds received from home insurance customers goes back to customers in claims. Insurers have to cover operating expenses, purchase reinsurance and pass on around 20% to governments in tax. The remainder is profit, which is returned to investors so the industry can continue to access the capital it needs to support customers.



Data source: Australian Prudential Regulation Authority (APRA).

How do insurer profits compare to state taxes?

Insurer profits go up and down, state taxes just go up.



Data sources: Australian Prudential Regulation Authority (APRA) and state budget papers.

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% to 43%, while their share of the motor insurance market increased from 37% to 43%.

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.

Data sources: RFI Global and ICA Catastrophe data.

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 250k 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

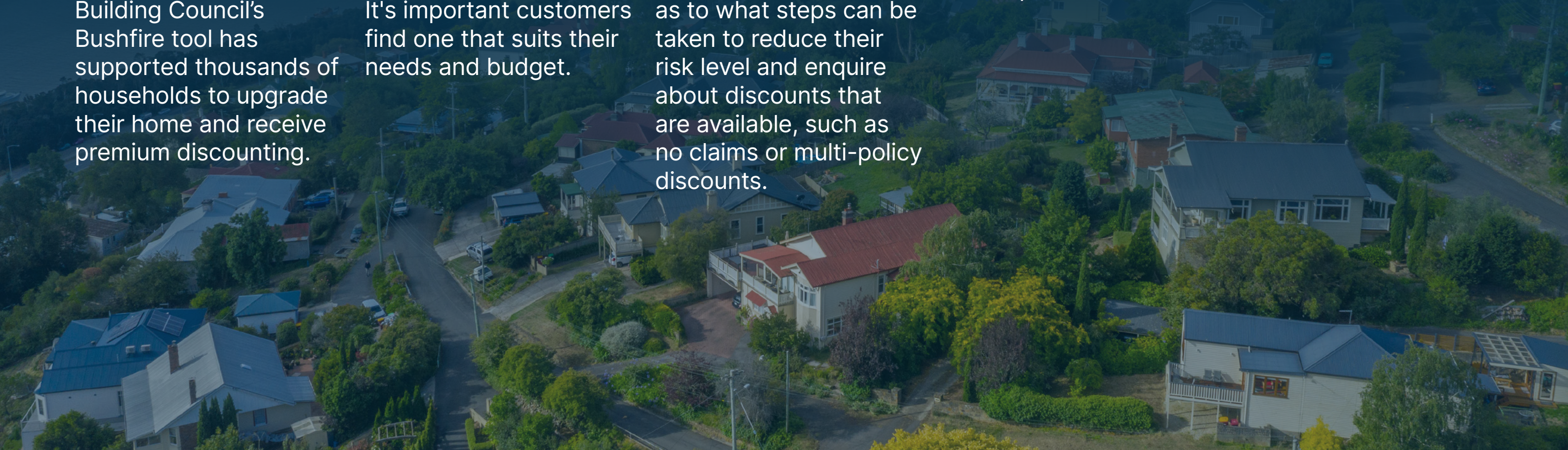
Providing additional information to your insurer about specific risks may also allow for a premium to be reviewed. Ask questions as to what steps can be taken to reduce their risk level and enquire about discounts that are available, such as no claims or multi-policy discounts.

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 annually if the insurer charges less for annual 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.

Around 1.4M properties face some risk of flooding, including almost 300k properties that face a severe to extreme annual flooding risk, largely in NSW, Qld and Vic.

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

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.

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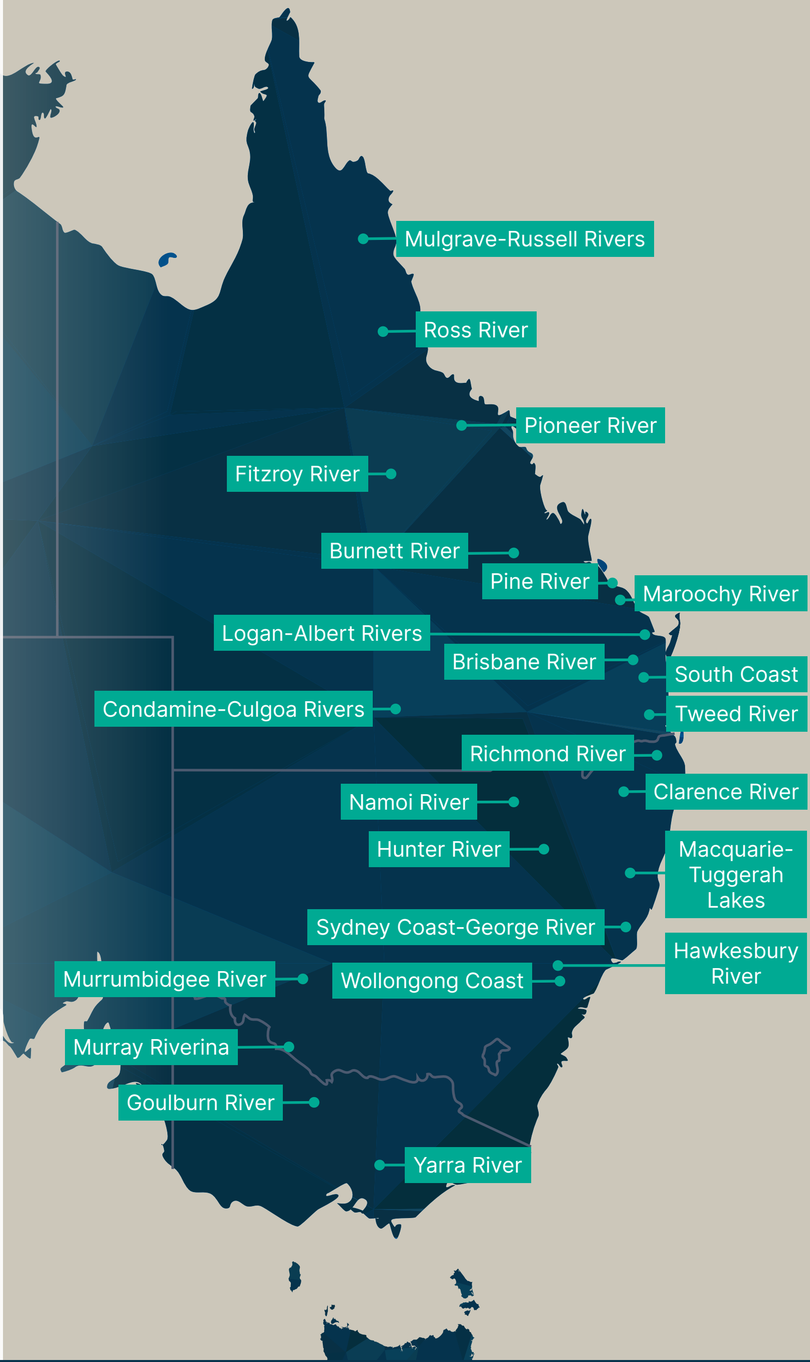

Looking ahead - what's needed to better deliver for Australia

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

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

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.