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Ensuring we are better insured: How AI can improve outcomes for Australians

Report reveals how AI can predict risks and enable a more resilient insurance system.

CSIRO, Australia's national science agency, and the Insurance Council of Australia (ICA) have released a report outlining how artificial intelligence (AI) can help address some of the most pressing issues facing the insurance sector and its customers.

The '*AI for Better Insurance: Enhancing Customer Outcomes amid Industry Challenges*' report explores how AI can help insurers manage rising operational costs, natural disaster risks, and changing customer needs and expectations.

Today, around one in three Australian properties – 5.6 million homes – face some level of bushfire risk, while one in 12 properties – 1.36 million homes – are exposed to flood risk.

These risks, combined with inflation, labour shortages and higher reinsurance costs, have contributed to significant increases in insurance premiums and claims.

Insurance claims related to catastrophic events have increased by nearly 50 per cent in the past five years and are expected to grow by 5 per cent annually until 2050. These pressures are felt across the community, particularly by households in high-risk areas and those managing cost of living challenges.

CSIRO project lead Dr Alexandra Bratanova emphasised the critical timing of this research for Australia's insurance industry as the sector seeks new ways to deliver better value and protection for Australians.

"The insurance sector is facing significant pressures from climate change, rising costs, and shifting customer demands," Dr Bratanova said.

"Our research identified seven key areas to guide the responsible adoption of AI in Australia's insurance sector, with the potential to improve affordability and customer service, and strengthen industry resilience.

Dr Bratanova highlighted that AI can help streamline operations and deliver more personalised customer experiences, potentially making insurance more affordable, responsive, and accessible for Australians.

“However, this transformation needs to be managed responsibly, with appropriate governance frameworks and guardrails to protect consumer privacy and ensure equitable outcomes.”

The report highlights five priority AI use cases for Australian insurers: automated claims processing, fraud detection, enhanced underwriting, natural disaster impact prediction, and operational compliance.

ICA CEO Andrew Hall said this research was vital for the industry, as it embarks on a journey to embrace AI capabilities to better serve customers.

“This report provides a practical roadmap for insurers to harness AI responsibly while keeping customer outcomes front and centre,” Mr Hall said.

“By implementing AI solutions effectively, we can improve affordability and enhance our natural disaster response and recovery – ultimately helping more Australians access the financial protection they need.

“The industry is committed to prioritising safe adoption by addressing privacy and safety concerns, and AI system biases so that these technologies serve all Australians fairly.”

The report outlines seven key areas for advancing AI adoption in insurance:

- Delivering better insurance for all through AI-driven solutions
- Strengthening governance for responsible AI adoption
- Fostering collaboration and resilience across the industry
- Adopting AI strategically and proactively
- Building AI skills for a future-ready workforce
- Becoming a trusted partner through transparent AI
- Innovating insurance products to address emerging challenges

The research was conducted in collaboration with the ICA AI Working Group and draws on insights from international frameworks and emerging best practices for responsible AI adoption.

Read the report: [*AI for Better Insurance: Enhancing Customer Outcomes amid Industry Challenges*](#).

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