Insurance Council of Australia

15 September 2025

Productivity Commission

By upload

Dear Ms Wood,

Interim Report - Investing in cheaper, cleaner energy and the net zero transformation

The Insurance Council of Australia (ICA) welcomes the opportunity to provide feedback on the Productivity Commission's Interim Report - Investing in cheaper, cleaner energy and the net zero transformation.

The ICA is the national body of the general insurance industry in Australia, representing around 90% percent of private sector general insurers. Australia's general insurance sector provides protection for 41 million homes, buildings and vehicles against unexpected events.

The Insurance Council supports strong action on climate change, including working with the Australian insurance industry and the wider global insurance industry to achieve net zero emissions no later than 2050. To reach this long-term goal, the Insurance Council acknowledges that emissions must rapidly decrease this decade in line with a global target of approximately 50 per cent emissions reduction by 2030.

Our submission responds to the draft recommendations in section 3 of the interim report that aim to strengthen the resilience of Australia's housing stock. Insurers have long been calling for increased resilience investment and systemic reforms to strengthen homes against the impacts of extreme weather events. Since 2010, natural disasters have generated over $34 billion in insurance claims, with recent years showing a sharp escalation - $22.5 billion in the past five years alone, up 67 per cent on the previous period. Research by the McKell Institute for the ICA estimates these costs will rise by around 5 per cent annually, reaching at least $35 billion a year by 2050. Without decisive action to address underlying risk, these trends will continue to drive up costs for households, communities, and governments.

The Insurance Council is working with Government through the Hazards Insurance Partnership to advance a range of measures to identify ways to lower risk and better collect and share information. These measures include those identified in the Productivity Commission's draft report, including more accessible risk data.

The Insurance Council also encourages governments to ensure their taxation policy settings align with resilience objectives. For example, in the current cost-of-living environment, state governments are collecting more in insurance taxes ($7.6 billion in 2023) than insurers collectively make in profit ($4.6 billion). These taxes increase the cost of insurance, reduce coverage levels, and discourage investment in risk mitigation. Reforming insurance taxation is an immediate step governments can take to support affordability and uptake of resilience measures.

While these are all state taxes, the Federal Government is ultimately responsible for the health of the tax and transfer system and is able to influence the states through incentives and penalties.

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Draft recommendation 3.1: Set up a climate risk information database covering all climate hazards

The ICA strongly supports the creation of a central, publicly accessible climate risk information database covering all major hazards. Access to accurate, granular, and trusted data - integrating both current and projected risks for hazards such as flood, bushfire, cyclone, extreme heat, and coastal inundation - is essential for informed decision-making by households, builders, developers, insurers, and governments.

At present, risk information is fragmented and inconsistent across jurisdictions. A nationally coordinated, property-specific database, underpinned through work undertaken by the Hazards Insurance Partnership, which is updated regularly and based on best-available data, would provide a consistent evidence base for land use planning, building code reforms and targeted mitigation investment. This database would ensure hazard data gaps are filled and information is presented in such a way that is accessible and easily understood by the public, while retaining technical depth for professional users.

To maximise its impact, the database should support a formal national standard that integrates disaster and climate risk into land use planning and building regulations. Linking the database to this standard would ensure that consistent, evidence-based risk assessments directly inform development decisions, building code updates, and infrastructure investment. We consider a national standard, would correct the inconsistent application of risk-based approaches across jurisdictions, and better support communities vulnerable to repeated damage and economic disruption from extreme weather events. This would provide a consistent governance framework for state and local governments, ensuring new development avoids high-risk areas and aligns with long-term resilience goals. It is the role of Government to ensure there is sufficient funding for this piece of work to progress, including sufficient funding for local government to undertake all necessary flood mapping.

Draft recommendation 3.2: Develop a nationally consistent climate resilience rating system for housing

The ICA strongly supports the development of a nationally consistent climate resilience rating system for housing, led by the Australian Government, and informed by existing and emerging academic and industry research. A well-designed rating system has the potential to provide households, builders, insurers, and policymakers with clear, trusted, and location-specific information on the resilience of individual properties, and to identify practical, cost-effective upgrades that would reduce risk from climate hazards.

For the system to be effective, it must be based on accurate, property-level data that considers both hazard exposure and the physical characteristics of the home. We support a self-assessment model as a practical first step for households, providing accessible guidance while capturing meaningful information, and would welcome exploring existing platforms as a potential solution – such as potentially expanding the existing Resilient Building Council's Bushfire Resilience Rating app into a multi-peril resilience rating tool, which is currently under development

Some insurers already offer discounted premiums to policyholders who use the Resilient Building Council's current app and achieve a certified three-star rating or higher. An all-hazards model could similarly draw on hazard exposure data, building design and materials, maintenance standards, and mitigation measures. Insurer involvement in the system's design from the outset will be critical to ensure the data collected is relevant, reliable, and compatible with underwriting needs.

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This expanded rating could combine low-cost self-assessment for initial guidance with accredited third-party verification where ratings are intended for regulatory, financial, or insurance purposes. Such an approach would balance accessibility for households with the accuracy and reliability required for insurers, banks, and governments to integrate ratings into decision-making - including insurance pricing and targeted resilience funding.

However, accurate ratings as an isolated measure will not be enough to unilaterally reduce premiums. Systemic reforms and major investment in mitigation — such as community-level flood defences, updates to building codes, and stronger land-use planning — will also be essential.

Development of the rating system should also be underpinned by a nationally consistent, publicly accessible hazard risk database (in line with recommendation 3.1). To that end, ratings would be informed by current and projected climate risks - including flooding, bushfires, and extreme heat - and ensure the information is trusted by consumers, industry, and government alike. We also consider that the system should also be supported by complementary policy levers such as targeted grants or subsidies for resilience upgrades. These upgrades include, for example, projects undertaken through state-based schemes, such as the NSW Government's Resilient Homes Program and the Resilient Homes Fund in Queensland.

The ICA recommends that a nationally recognised body, such as the Australian Building Codes Board or a dedicated resilience standards body, take the lead in developing resilience upgrade guidance. This entity should work in partnership with insurers, state and local governments, builders, and consumer organisations to ensure materials are technically sound, practical, and accessible to the public.

Finally, the ICA emphasises that the rating system should complement broader systemic reforms, including embedding resilience as a core objective of the National Construction Code and implementing the proposed $30.15 billion, ten-year Flood Defence Fund to address large-scale flood risk in priority catchments. A rating system is a powerful enabler, but must sit within a coordinated, well-funded national resilience strategy to deliver long-term reductions in climate risk and insurance pressures.

Draft recommendation 3.3: Governments should agree on a series of actions to improve housing resilience over time

The ICA strongly supports a nationally coordinated approach to improving the resilience of Australia's housing stock, led by the Australian Government in partnership with states, territories, and local governments. The scale and urgency of climate-related risks, particularly flooding, demand systemic reforms and long-term investment to protect households and communities.

Flood risk is a critical priority. Around 1.36 million Australian properties face some level of flood exposure, with approximately 298,000 - comprising 225,000 homes and 73,000 businesses - facing a two or five per cent annual probability of flooding. Piecemeal or reactive approaches are insufficient to address risks of this scale. The ICA has called for the establishment of a $30.15 billion, ten-year Flood Defence Fund, jointly funded by the Federal Government and the governments of Queensland, New South Wales, and Victoria. This fund would deliver targeted solutions in 24 priority flood catchments, including:

- $15 billion for new flood defence infrastructure
- $5 billion to strengthen at-risk properties
- $10 billion for voluntary buybacks of the most exposed homes

- $150 million to upgrade existing defences

Beyond physical works, policy reform is essential. ICA acknowledges the interim report states governments should prioritise improving the resilience of older housing stock over the coming decades.

The Insurance Council also notes the Federal Government's recent announcement to temporarily freeze regular reviews of the National Construction Code. This temporary freeze will impact on the ability of the Australian Building Codes Board to progress work which was agreed to in 2024 by building ministers to include building resilience as a specific objective of the Australian Building Codes Board (ABCB) from 2025.

The Insurance Council believes new buildings must be constructed to keep pace with worsening extreme weather. Buildings being constructed today will potentially experience more intense and frequent events, as well as in different locations to where provisions might apply today.

The Insurance Council therefore encourages all governments to engage with industry groups, including the insurance industry, to examine practical measures to enhance the resilience of Australia's future housing stock, including considering the role of future codes and standards.

Analysis undertaken by the Centre for International Economics (CIE) for the Insurance Council[i] has found that strengthening the National Construction Code to require that new homes are made more resilient to extreme weather could save an estimated $4 billion a year, comprising an estimated $2 billion per year for cyclones, $1.475 billion per year for floods, and $486 million per year for bushfires. The costs which CIE examined included costs associated with rebuilding or repairing damaged buildings; costs associated with replacing and repairing home contents and disruption related costs including temporary accommodation, stress and mental health issues.

As outlined above, we also support a publicly accessible, nationally consistent hazard risk database is a foundational enabler of resilience. By providing accurate, property-level data on current and projected risks, households, builders, developers, insurers, and governments can make informed decisions about location, design, and retrofit priorities.

Draft recommendation 3.4: Give the Climate Change Authority responsibility for monitoring, evaluation and learning regarding adaptation policy

The ICA supports the Climate Change Authority having a legislated role in monitoring, evaluating and learning from Australia's adaptation policies. Independent, transparent assessments of progress are essential to hold governments accountable, identify policy gaps, and ensure investment is directed towards measures that deliver the greatest resilience benefits. Regular, national-level reporting will also help track whether adaptation efforts are reducing disaster risk and building resilience in line with national objectives.

In addition to the proposed monitoring and evaluation framework, the ICA recommends that the Australian Government include a standing item in the annual Federal Budget outlining both the actual costs of natural disasters over the preceding year and the estimated losses avoided through investment in resilience measures. This would provide a consistent, evidence-based mechanism for demonstrating the value of mitigation spending, help identify cost-effective adaptation measures, and strengthen the economic case for resilience investment. By tracking avoided losses alongside actual costs, governments and the public can see in tangible terms how adaptation policies are reducing risk and delivering returns on public investment.

We trust that our initial observations are of assistance. If you have any questions or comments in relation to our submission please contact Ange Nichols, Senior Adviser, Climate Action, ange.nichols@insurancecouncil.com.au.

Yours sincerely,

Kylie Macfarlane
Chief Operating Officer & Deputy CEO

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[i] Resilience, durability and the National Construction Code — The CIE — Boutique Economic Consultancy | The Centre for International Economics