



News release

Insurance Council
of Australia

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APRA report confirms extreme weather mitigation can't wait

A landmark report released today by the Australian Prudential Regulatory Authority (APRA) confirms that urgent and ambitious action and investment is required to protect communities from the escalating impact of extreme weather.

While the Insurance Climate Vulnerability Assessment (ICVA) is a stress test not a forecast, the risks it models are already materialising and its findings support the insurance industry's calls for urgent action to reduce extreme weather risk.

Worsening extreme weather, combined with inflationary pressures, rising asset values and insurance taxes, is widening the gap between those who can and cannot access insurance in areas of highest risk.

While the number of properties currently impacted by severe and extreme risk is low relative to the number of properties overall, the cost of repairing and rebuilding these properties is significant.

For example, analysis undertaken by Aon shows that 25 per cent of the cost of repairing or rebuilding properties damaged by flood is driven by just 11 per cent of the most at-risk properties.

Without intervention, Australia will continue to spend billions rebuilding the same homes in the same flood-prone locations, tying up resources that could otherwise be deployed to deliver new housing.

The insurance industry has called on governments to increase investment in extreme weather mitigation including the establishment of a Flood Defence Fund to build the infrastructure needed to prevent the \$6 billion annual economic impact of flooding, and the creation of a national hazard database that is available to governments, homeowners and businesses around the country.

The findings of the ICVA underscore the need to scale resilience investment in our highest-risk locations, reform unfair taxes on insurance premiums, reform land use planning, and strengthen insurer-government partnerships.

Quotes attributable to ICA CEO Andrew Hall:

APRA's analysis is not a forecast, it's a worst-case scenario if extreme weather continues to worsen and further risk is baked into our system.

The policy choices around investment in mitigation for homes which governments make now can help to prevent rising risk.

This is not a challenge unique to Australia – governments and markets around the world are grappling with the same pressures.

But if we act now we can lead the world in resilience, protecting our communities and making insurance more available and affordable around the country.