



# News release

Insurance Council  
of Australia

Tuesday, 26 May 2026

## A sustainable CSLR needs structural reform, says Insurance Council

The Insurance Council of Australia has called for targeted structural reform of the Compensation Scheme of Last Resort (CSLR), warning that funding fixes alone will not deliver the sustainable scheme that consumers and industry need.

In its submission to Treasury's options paper on CSLR sustainability, the Insurance Council says that reforms must tackle those root cost drivers and put the scheme on a genuinely sustainable footing, rather than simply finding new ways to fund it.

The CSLR operator has projected 2026-27 costs of more than \$137 million, with around \$127 million falling on financial advice alone. With that amount well beyond the annual cap on what any single sector can be charged, the options paper proposes widening levies across the broader financial services industry.

The Insurance Council's submission recommends that general insurance remain excluded from the CSLR given general insurers are not connected to issues driving complaints. Moreover, consumers cannot access the scheme for general insurance complaints, yet policyholders would bear the cost of any special levy on the industry.

It also called for CSLR-eligible compensation to be limited to actual capital loss. Removing hypothetical scenarios from loss calculations which would reduce disputes and support the scheme's sustainability.

The Insurance Council submission sets out four core principles to guide reform:

1. Reinforcing the CSLR as a genuine scheme of last resort
2. Aligning funding responsibility with causation
3. Avoiding cross-subsidisation across unconnected sub-sectors
4. Prioritising structural reforms that reduce the scale of claims

The ICA welcomes the government's focus on reforms to sustain the CSLR. We look forward to continuing to work with Treasury on changes that protect consumers and keep the CSLR sustainable for the long term.

The submission is available on the Insurance Council's [website](#).

Quotes attributable to Insurance Council of Australia Deputy CEO Kylie Macfarlane:

The CSLR plays an important role in protecting consumers harmed by financial misconduct and keeping it sustainable means addressing the conduct that drives claims rather than relying on repeated levies.

The fairest approach is for the sub-sector responsible for the misconduct to fund the compensation, supported by reforms that ensure firms can meet their obligations in the first place.

General insurance customers cannot access the CSLR, so general insurers should not be asked to subsidise losses from other parts of the sector.

We welcome Treasury's focus on this issue and look forward to working together on reforms that protect consumers and keep the scheme sustainable.