Insurance Council of Australia

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Submitted via website: consultation@cca.gov.au

Climate Change Authority - 2026 Annual Progress Advice Consultation Paper

The Insurance Council of Australia (Insurance Council) welcomes the opportunity to provide feedback on the Climate Change Authority's *2026 Annual Progress Advice Consultation Paper*. The Insurance Council is the representative body of Australia's general insurance industry. Our members account for approximately 90 per cent of total premium written by general insurers and reinsurers. As a foundational component of the Australian economy, the general insurance industry writes 90 million policies a year, paying out $58.9 billion in claims in 2025 – an average of $226 million every working day.

The Insurance Council broadly supports the Climate Change Authority's proposed approach to assessing Australia's progress towards its emissions reduction targets and broader net zero objectives. We particularly welcome the Authority's commitment to expand its future work program to focus on adaptation and other key issues identified through its analysis and stakeholder consultation.

The Insurance Council considers that a successful climate transition requires equal attention to both emissions reduction and adaptation. While reducing emissions remains essential to limiting future climate impacts, Australia is already experiencing the consequences of climate change through more frequent and severe extreme weather events. As a result, disaster risk reduction and community adaptation must sit alongside emissions reduction as core components of Australia's climate policy framework.

Investing in meaningful risk reduction and adaptation infrastructure, such as flood mitigation works, cyclone adaptation measures and bushfire risk reduction programs, can reduce the immediate risk to communities, improve disaster preparedness and response, and strengthen long-term community adaptation. This investment is also critical to delivering on the Australian Government's climate adaptation objectives, including those identified through the National Climate Risk Assessment and National Adaptation Plan. As the independent authority on climate policy, the Climate Change Authority has an important role not only in monitoring progress towards emissions reduction targets, but also in assessing and reporting on the government's progress in reducing climate risk and strengthening adaptation outcomes, in consultation with relevant government departments such as National Emergency Management Agency (NEMA), the Department of Climate Change, Energy, the Environment and Water (DCCEEW) and Australian Climate Service (ACS).

Further detail is outlined below, focusing on the consultation questions of most relevance to the Insurance Council and its members.

Question 1 – What are your views on the proposed approach for setting reference pathways to assess progress, including strengths, limitations and any alternative approaches that should be considered?

The Insurance Council supports the Climate Change Authority's proposed use of reference pathways as a transparent mechanism for assessing Australia's progress towards its emissions reduction targets and broader net zero objectives. Reference pathways can provide a clear benchmark for tracking progress and identifying where additional policy intervention may be required. The framework can also help provide greater certainty to businesses and investors by signalling the pace of change required across the economy and highlighting areas where further action may be necessary to remain on track.

While the Insurance Council supports the focus of the reference pathway framework on emissions reduction and economic transformation, a comprehensive assessment of Australia's climate transition should also incorporate adaptation and risk reduction. From an insurance perspective, emissions reduction metrics alone do not provide a complete picture of Australia's preparedness for the physical impacts of climate change. A more balanced framework should assess both progress in reducing emissions and progress in reducing exposure and vulnerability to climate hazards.

The Insurance Council recommends that the Authority progressively expand the reference pathway framework to include adaptation and risk-reduction metrics. Potential indicators could include exposure to severe flood, bushfire, cyclone and coastal erosion risk; investment in disaster mitigation and adaptation infrastructure; and access to nationally consistent climate hazard information. Together, these measures would provide a more comprehensive assessment of Australia's progress towards a resilient and net zero future.

Question 3 – What do you see as the top priorities for climate policy reform and why?

As mentioned, the Insurance Council supports climate policy reform that delivers emissions reduction while reducing current and future climate risk. Reducing emissions is essential to limiting future climate impacts, while investment in adaptation is critical to managing the impacts that are already occurring.

Climate adaptation

The Insurance Council considers climate adaptation, often referred to by the industry as resilience, to be a critical component of effective climate policy.

While emissions reduction is essential, it will not prevent many of the climate impacts already locked into the system. Extreme rainfall, floods, bushfires, cyclones and heatwaves are already resulting in significant economic losses and increasing pressure on insurance premiums, government disaster recovery funding and household finances. The total insured cost of extreme weather events currently averages $4.5 billion annually and is expected to grow to at least $35 billion annually by 2050.[1]

As climate risks intensify, adaptation should be elevated as a core element of Australia's climate policy framework alongside emissions reduction. Stronger adaptation reduces the physical, social and economic impacts of disasters, improves community wellbeing and supports the long-term affordability and availability of insurance.

The Insurance Council considers that climate policy reform should prioritise a sustained, nationally coordinated approach to disaster risk reduction. This includes greater investment in mitigation infrastructure, adaptation measures for homes and communities, risk-informed land use planning, changes to building codes and home buyback programs.

In particular, the Insurance Council supports greater investment in public infrastructure that protects communities from the impacts of extreme weather, including the establishment of a national Flood Defence Fund. The Insurance Council has previously called for $30.15 billion in investment over ten years to deliver large-scale flood mitigation infrastructure in communities facing the highest flood risk. Complementary investment is also needed in household adaptation programs that help homeowners strengthen properties against floods, bushfires and cyclones, reducing both physical risk and recovery costs.

Governments should also reform planning frameworks to prevent new development in high-risk locations, particularly areas exposed to flooding, and strengthen the National Construction Code to ensure future buildings are more resilient to a changing climate. In addition, building on the success of flood buyback programs in Queensland and New South Wales, the federal and state governments should establish a coordinated buyback program for homes facing unacceptable levels of flood risk

[1] The McKell Institute, The Cost of Extreme Weather, [The Cost of Extreme Weather - The McKell Institute](), 2022

that can't be mitigated via other measures. Together, these measures would reduce disaster losses, improve community adaptation and support the long-term affordability and availability of insurance.

Evidence from across Australia demonstrates that mitigation investment works. Investments in flood mitigation infrastructure have delivered measurable reductions in disaster risk, insurance premiums and recovery costs. For example, the construction of levees in Roma, Queensland, has reduced insurance premiums by up to 60 per cent for many properties and by as much as 90 per cent for some households.[2] Similarly, a $58 million levee investment in Launceston, Tasmania, is estimated to avoid approximately $216 million in future recovery costs.[3]

These examples highlight the strong economic and community benefits of investing in adaptation before disasters occur. Modelling consistently shows that every dollar invested in mitigation can generate around $9 to $10 in avoided disaster recovery costs over the long term by reducing damage, rebuilding expenses and large-scale clean-up efforts.[4] Investing upfront to reduce risk is also one of the most effective ways to improve the affordability and availability of insurance, reduce pressure on premiums and help close Australia's growing protection gap.

Effective adaptation requires collaboration across all levels of government, industry and communities. Insurers can play an important role by providing risk assessment, catastrophe modelling and pricing insights that help identify where adaptation investments will achieve the greatest reduction in climate risk. Climate policy frameworks should create opportunities for better use of this information to support adaptation planning and investment decisions.

National climate hazard information

Improved access to climate hazard information should form another core element of climate policy reform. Effective adaptation planning requires households, businesses, governments and insurers to have access to reliable, accessible and nationally consistent information about climate risks.

The Insurance Council welcomes efforts by governments to provide accessible, multi-hazard information and practical guidance to help households, communities and industry better understand climate risks affecting homes and buildings. However, a nationally consistent approach is needed. Developing a robust, integrated national hazard baseline that streamlines existing Commonwealth, state and territory datasets and makes them publicly accessible would significantly improve the consistency, accuracy and accessibility of climate risk information across Australia.

From an insurance perspective, better hazard data improves risk assessment and supports more informed decision-making by property owners, governments and investors. Importantly, it would support more risk-informed land-use planning by helping governments identify areas exposed to current and future climate risks and avoid inappropriate development in high-risk locations. It would also further support stronger building standards and resilience measures by ensuring homes, businesses and infrastructure are designed and built to withstand the hazards they are most likely to face.

Economy-wide emissions reduction

Insurance Council members provide cover for over 12 million homes and over 18 million cars, whose emissions profiles are influenced by energy sources and technology choices.[5] The emissions associated with these assets are affected by factors such as the carbon intensity of grid electricity, reliance on gas appliances and equipment, and fossil fuel consumption. As a result, insurers have limited direct means of influencing these policyholders to reduce their emissions. Insurance products are designed primarily to transfer and manage risk rather than dictate energy, technology or

[2] Insurance Council of Australia, A Stronger Queensland Policy recommendations for the next Queensland Government, 2025
[3] Maqsood T, Wehner M, Mohanty I, Corby N, Edwards, M. Launceston flood risk mitigation - June 2016 floods, Bushfire and Natural Hazards CRC, 2017
[4] Insurance Council of Australia, Insurance Catastrophe Resilience Report 2024–25, 2024
[5] Insurance Council of Australia, Australia's insurance industry snapshot, 2025

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operational choices. While insurers can support awareness, adaptation measures and risk-reduction incentives, they cannot independently drive emissions reductions across the millions of households and businesses they insure.

For this reason, the Insurance Council and its members support policies that accelerate economy-wide electrification. This approach is consistent with the Insurance Council's industry-wide Climate Change Roadmap, which recognises economy-wide decarbonisation and electrification as critical enablers of Australia's transition to net zero and the long-term management of climate-related risks. Economy-wide decarbonisation policies provide one of the most effective pathways for insurers to support emissions reduction objectives.

These measures should reduce emissions across all sectors of the economy, including those associated with insured assets and activities. As household and business energy use shifts towards increasingly low-emissions electricity in line with Federal and state government policy, the emissions profile of the assets insured by Insurance Council members will decline. Economy-wide decarbonisation policies therefore provide one of the most effective pathways for insurers to support emissions reduction objectives while maintaining affordable and accessible insurance products.

Conclusion

The Climate Change Authority's 2026 Annual Progress Advice provides a strong foundation for assessing Australia's progress towards a low-emissions and resilient future. However, maintaining momentum towards Australia's climate objectives will require a balanced focus on both emissions reduction and adaptation. Alongside accelerating the low emission policy reforms mentioned in the paper, greater emphasis should be placed on disaster risk reduction, adaptation investment, climate hazard information and reducing community exposure to increasing climate risks. Close collaboration between governments, industry and communities will be essential to achieving these outcomes.

If you would like to discuss the issues outlined in this submission, please contact Ange Nichols, Senior Adviser Climate Change at ange.nichols@insurancecouncil.com.au.

Yours sincerely

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