



# **From risk to resilience:**

## **Options for improving the affordability of general insurance in Tasmania**

Submission to the public consultation on establishing TasInsure.

**January 2026 | Prepared by:**

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## **Acknowledgment of Country**

We acknowledge the palawa/pakana of Lutruwita, the traditional owners of the land upon which we live and work. We pay respects to Elders past and present as the knowledge holders and sharers. We honour their strong culture and knowledges as vital to the self-determination, wellbeing and resilience of their communities. We stand for a future that profoundly respects and acknowledges Aboriginal perspectives, culture, language and history.

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## Executive summary

This submission has been prepared by the Tasmanian Policy Exchange at the University of Tasmania in response to the Tasmanian Government's *Discussion Paper* on the proposed role, design and operation of TasInsure.

Access to affordable and adequate insurance is of vital importance to the Tasmanian community and economy, yet insurance markets are complex and the factors influencing insurance costs are poorly understood.

To inform the debate about the design of TasInsure, this submission provides a brief overview of the national insurance market, the factors driving recent increases in general insurance premiums (in Tasmania and beyond), and the merits of establishing a state-owned provider.

The submission finds that although the cost of general insurance in Tasmania is lower than other Eastern states, general insurance costs have increased by 42% in nominal terms since 2020.<sup>1</sup> The rate of premium increases has declined over the past two years, but the cost of insurance continues to be a major financial burden for many Tasmanian households and businesses.

The available evidence suggests that higher insurance prices have been caused by structural factors such as increased rebuilding costs (up by 57% over the period), greater climate-related risks and higher global interest rates.<sup>2</sup> Additionally, state and federal taxes and charges continue to represent a significant component of general insurance premiums. In 2024, the Institute of Actuaries Australia estimated that tax represented 17% (\$309) of an average Tasmanian home insurance policy.<sup>3</sup>

This submission focuses on common 'general insurance' products and does not consider more specific business and events insurance, the provision of which may be more limited. We find that the general insurance market in Tasmania is competitive. Households have access to a wide range of products and providers, including the Tasmanian member-owned, not-for-profit mutual, the RACT.

Our analysis aligns with the Australian Competition and Consumer Commission's finding that efforts to improve the long-term affordability of general insurance should focus on addressing underlying cost pressures by mitigating climate risk, addressing construction costs and reviewing taxation.

### Future Priorities

Growing climate-related risks, and bushfires in particular, pose a significant risk to the Tasmanian community. Investing in long-term programs to materially reduce climate risks will not only put downward pressure on insurance costs, but will help safeguard the one third of Tasmanians who live in high fire risk areas.

Insurance effectively prices the risk of accidents, financial loss and natural disasters. The goal of policy should be to enable a competitive and transparent market for insurance products, while mitigating against systemic risks such as those posed by climate change. Subsidising insurance for high-risk assets, such as homes that are vulnerable to bushfires, may unintentionally increase community exposure to fire risk.

Finally, given the complexity of insurance markets and limited Tasmania-specific data in the public domain, the decision about whether to establish TasInsure should be informed by industry data and engagement with stakeholders and the wider community.

# 1 Background

This submission has been prepared in response to the Tasmanian Government's *Discussion Paper* on the proposed role, design and operation of TasInsure. It draws on publicly available data and analysis to assess the Tasmanian insurance market and the factors that have contributed to significant cost increases experienced in recent years. We focus specifically on the general insurance market, and particularly home and commercial property insurance given this is the largest segment of the insurance market with the greatest impact on household budgets.

The availability of adequate and affordable insurance is important for the economy and broader society in a number of ways. Insurance protects individuals, households, and businesses from significant risks and financial loss from events such as extreme weather, accidents and disasters.<sup>4</sup> By pooling the risks, individuals or specific communities share the financial burden of accidents and disasters, making recovery quicker and minimising negative impacts on the economy. Without insurance, businesses and households would be unable to borrow or invest: affordable insurance thus plays a critical role in supporting economic development and community wellbeing.<sup>5</sup>

Globally, insurance premiums have risen for a range of reasons, including higher reconstruction costs and the growing risk of climate-related disasters. Some insurers now exclude certain risks from policy coverage or are no longer providing insurance in specific high-risk areas.<sup>6</sup> Australia is not immune from these trends, sparking inquiries and reviews into the affordability and availability of insurance.<sup>7</sup>

## Uninsurance and underinsurance

The rising cost of insurance has meant that more Australians are going without enough, or any, insurance coverage.<sup>8</sup> There are an estimated 1.6 million Australian households suffering from insurance 'affordability stress' – meaning their premiums are more than four weeks of their gross household income. Research finds that some 'affordability stressed' households on fixed incomes spend almost 10 weeks of their gross income on home insurance.<sup>9</sup>

There are two ways that people may not be adequately covered by insurance:

- **Uninsurance** where households and businesses have no insurance – either due to a lack of affordability, or when insurance companies are unwilling to provide insurance.<sup>10</sup>
- **Underinsurance** where households and businesses have insurance, but not enough to cover the costs of losses or rebuilding. This can be in terms of dollar amount (i.e., rebuilding or moving would cost significantly more than they are covered for) or in terms of not having coverage for specific weather events (such as flooding).<sup>11</sup>

Nationally residential construction costs have increased by almost 57% since 2020 (Figure 1). Additionally, construction costs tend to spike after disasters given the higher levels of demand, leading to higher rebuilding costs and the need for higher levels of insurance. Declining levels of adequate insurance have negative impacts on individuals who don't have insurance, and can also undermine social cohesion given the divide between households with the resources to rebuild and those who lack the insurance to do so.<sup>12</sup> There are also concerns that insurance payouts are often insufficient to upgrade homes to be more climate-resilient for future extreme weather events.

## Residential construction prices in Australia, 2020-2025

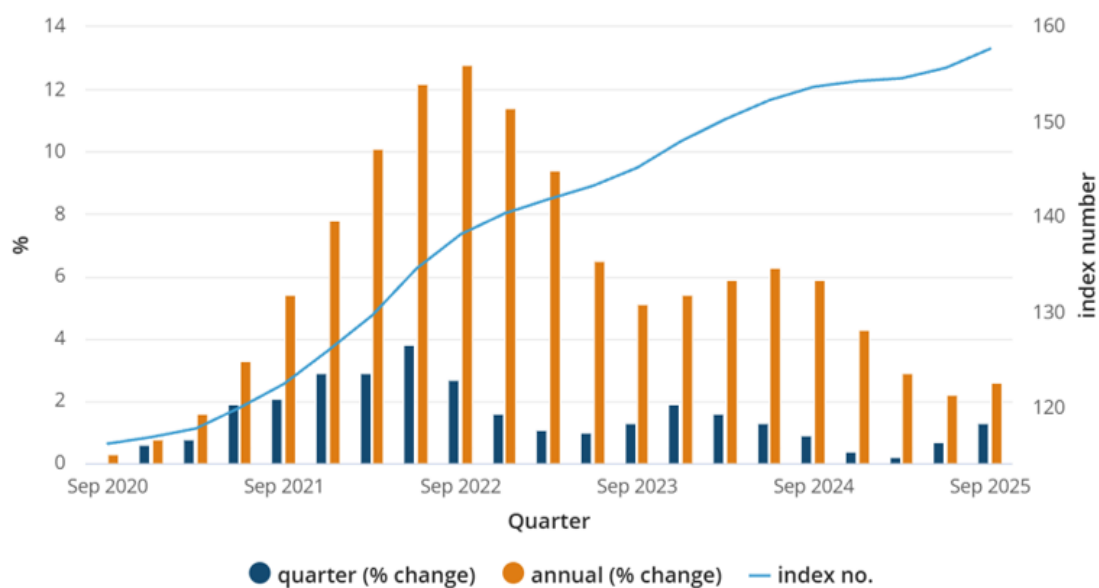


Figure 1: Final demand, quarterly and annual percentage change index for Production Price Indexes. Source: ABS.<sup>13</sup>

The inability to access adequate insurance disproportionately impacts low-income and disadvantaged households exacerbating inequality. Moreover, lower income households are often over-represented in rural areas subject to high fire and flood risk. As a result, those least able to deal with the risks are the least able to pay for insurance.<sup>14</sup>

## 2 The insurance market in Tasmania and nationally

This submission focuses on general insurance (i.e., home and contents insurance, commercial property and car insurance) as this is the largest segment of the non-health insurance industry and represents the greatest burden on household budgets.

Despite the importance of insurance there is relatively limited public data on the size, composition and coverage of the insurance market in Australia and Tasmania. In the following section, we report Australian Bureau of Statistics (ABS) insurance price data from the Consumer Price Index (CPI) series but to provide insights into the Tasmanian market, more Tasmania-specific industry data is needed.

In addition to ABS sources, there is some indicative data available on general insurance:

- In 2024, Australians had 86 million general insurance policies, which is a decrease from the 88 million policies written in 2023.<sup>15</sup> This could indicate growing rates of uninsurance due to rising premiums.
- The Australian Prudential Regulation Authority's (APRA) *General Insurance Performance Statistics* show that the gross written premiums (the total dollar amount of all insurance premiums before deductions) for Australian insurers increased by 7.9% from \$3,970 million in September 2024, to \$4,282 million in September 2025.<sup>a</sup>
- Natural hazard event claims decreased for 2024, with 49,000 claims in 2024 and 143,900 in 2023. The KMPG insights highlight both the year-to-year variability of natural disasters and the importance of disaster preparedness to help combat future premium increases from increasing instances of disasters.<sup>16</sup>

### Industry Structure

Tasmanian consumers can purchase insurance from a number of Australian companies, including banks and supermarkets as well as more specialised insurance companies. According to Choice, Tasmanians have access to 89 different home and contents insurance policies available through 57 insurers. This is on par with other states and territories.<sup>17</sup>

Without further data, it is difficult to determine who the main insurance providers are in Tasmania. In late 2025 Choice identified four of the 'cheapest' policies for home and contents insurance in Tasmania:

- RACT Home and Contents,
- Westpac Home,
- QBE Home, and
- Apia Home and Contents.<sup>18</sup>

In 2021, RACT (Royal Automobile Club of Tasmania) claimed to be the provider of choice for more Tasmanians than any other operator in the market and recently highlighted that they provide \$50 billion in coverage each year.<sup>19</sup> RACT is a Tasmanian, member-owned, not-for-profit mutual organisation focused specifically on the Tasmanian market.<sup>20</sup> The RACT's significant market share effectively limits the market power of national for profit insurers in Tasmania.

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<sup>a</sup> Although note that it rose sharply in December 2024, followed by a decline in March 2025 before climbing again in June 2025.

Several other Australian states also have member-owned insurers, many of which are from the automobile or motorists associations - including Victoria's RACV (Royal Automobile Club of Victoria) and South Australia's RAA (Royal Automobile Association of South Australia).<sup>21</sup>

The Australian general insurance market is competitive (see below) with products offered by over 50 insurers. It is important to note that many operators are subsidiaries or underwritten by larger insurers. According to the latest APRA data (2023), the largest insurers in Australia by gross premiums were:

- Insurance Australia Group Limited (\$10,833m)
- Suncorp Insurance Holdings Limited (\$9,862m)
- QBE Insurance Group Limited (\$6,601m).<sup>22</sup>

## **Industry Competition**

Reflecting the wide availability of policies, online comparison tools and information websites (like moneysmart.gov.au and choice.com), consumers are able to switch insurers relatively quickly and easily – increasing competition within the market. Whilst the data for this is not readily available, anecdotally it appears that Tasmanians often shop around and change their insurance policies to get the best price.<sup>23</sup> This indicates that the insurance market in Tasmania is competitive, as consumers have choice and information available to make purchasing decisions. However, RACT in their 2024-25 annual report highlighted a 95% renewal rate across all their general insurance, which they argue is largely due to customer experience.<sup>24</sup>

Despite this competition and choice, insurance can still be difficult for individuals to navigate. Understanding what level of insurance consumers may need, and what inclusions they should opt for can be particularly challenging. Many of the comparison websites highlight how individual factors (including house size, location, the level of coverage) influence insurance premiums – making it difficult to broadly compare insurance prices and products. This also has implications for rebuilding after a disaster.<sup>25</sup> While many insurers recommend insurance based on current rebuilding costs and new building standards, many consumers renew their insurance without increasing coverage to reflect higher building costs increasing the risk of under-insurance. There were several examples of this after both the 2009 Kinglake fires in Victoria, and the 2013 bushfire in Dunalley in Tasmania.<sup>26</sup> Consumers also need to consider the cost of moving to a new community if they are unable to rebuild and insure a replacement home due to climate risks.

### 3 Insurance Costs

The cost of insurance in Australia has increased significantly over the last five years. According to ABS CPI data for capital cities, general insurance premiums were 43% higher in September 2025 relative to mid-2020 (Figure 2). Tasmanian consumers have not been immune from these price pressures and experienced a slightly greater increase of 47%, suggesting national factors (i.e. climate related disasters and building costs) are driving insurance price inflation. Having peaked at approximately 15% in early 2024, annual insurance price increases have abated over the past two years and are now broadly in-line with inflation.

Insurance price and CPI change year on year, with annual insurance index, 2020-2025

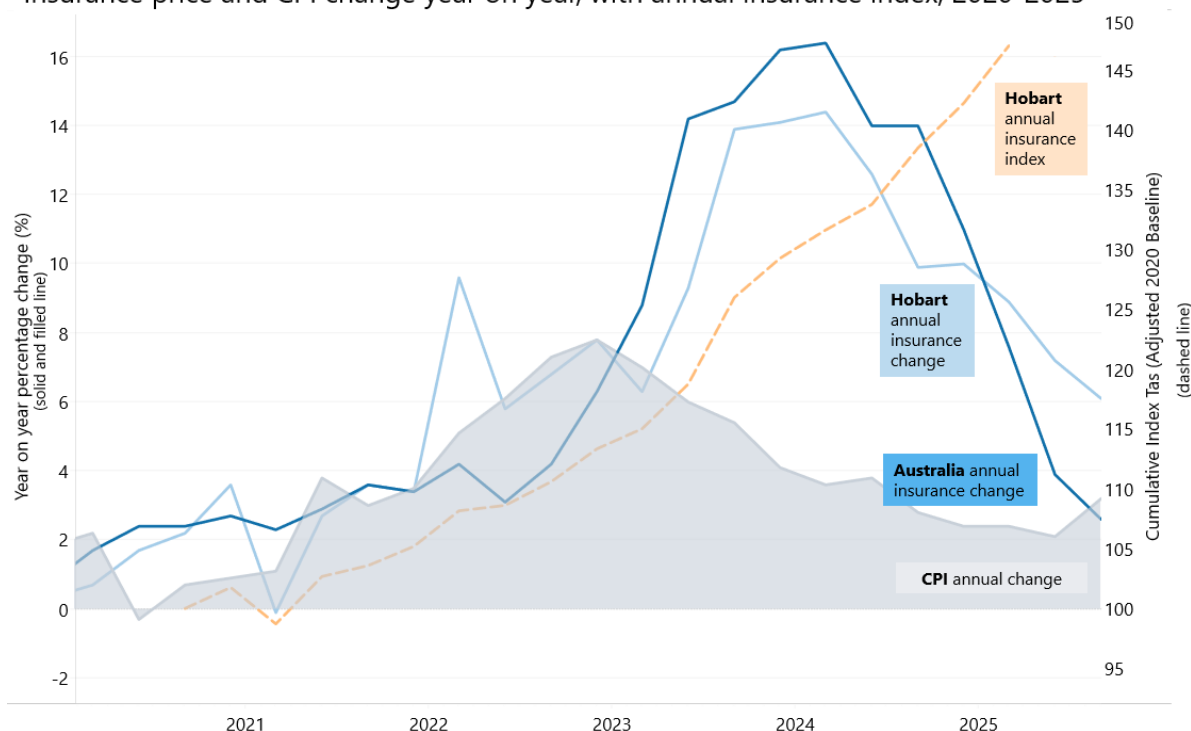


Figure 2 2: Year on year increase of CPI and Insurance<sup>b</sup> in Hobart and Australia, and insurance index (baseline 2020), 2020-2025. Source: ABS.<sup>27</sup>

#### How Tasmania Compares?

All Australian states have experienced significant increases in insurance costs since 2020 but there remain significant variations in premiums among states. Homeowners in storm and cyclone-prone Northern Australia pay significantly more for property insurance relative to Southern Australian states (Figure 3).

Measures of 'average' home and contents prices vary according to method used, but both the Institute of Actuaries Australia and Choice find that Tasmania has either the lowest or second lowest cost of home and contents insurance in Australia (Figure 2 and Table 1). According to Choice survey data an average Tasmanian home and content policy is 37% cheaper than a typical policy in Southern Queensland. This difference is largely attributed to

<sup>b</sup> The insurance expenditure class here covers comprehensive insurance for dwellings (including contents), motor vehicles, and compulsory third party (CTP) insurance for households. See the ABS *Introduction of the 17<sup>th</sup> Series Australian Consumer Price Index* for more information <https://www.abs.gov.au/statistics/research/introduction-17th-series-australian-consumer-price-index>

greater cyclone and flooding risk which led to the ACCC Northern Australia Insurance Inquiry.

### Average annual home and contents insurance premiums in each state, 2025



Figure 33: Average annual premiums for combined home and contents policies in each state. Source: Choice.<sup>28</sup>

The variation in general insurance across Australian states highlights:

- Climate and natural disaster risk is a significant driver of regional variation in insurance premiums, especially in Northern Australia
- There is limited cross-subsidisation of climate and other risks across jurisdictions
- There is significant variation in insurance costs depending on the specific risk facing a particular property and community

#### The ACCC's Northern Australian Insurance Inquiry<sup>29</sup>

Insurance prices in northern Australia are, on average, significantly higher than the rest of the nation. The ACCC's three-year inquiry from 2017 to 2020 highlighted several reasons for these higher premiums – including increasing risks from extreme weather events, as well as high costs to serve the region. The Inquiry resulted in the creation of the Northern Australian Reinsurance Pool which has reduced average insurance costs by 11% for medium to high cyclone risk areas, but slightly increased average premiums for those with low or no cyclone risk by 4% and 7% respectively. The Inquiry also recommended investment in mitigation and risk reduction (such as reforms to building standards and land use planning) as a long-term strategy for reducing costs as well as education to enable consumers to compare insurance products.

## Cost of Components of General Insurance

The Institute of Actuaries Australia have published more detailed data on specific cost components of home insurance premiums by state which highlights variation in natural disaster and climate risks.

Table 1: Estimated home insurance premiums by state (\$) as at March 2024. Source: Institute of Actuaries Australia.<sup>30</sup>

|                                                  | Estimated mean by state |              |              |              |              |              |              |              | Australia    |              |
|--------------------------------------------------|-------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                                  | NSW                     | VIC          | QLD          | SA           | ACT          | NT           | TAS          | WA           | Mean         | Median       |
| <b>Storm</b>                                     | 441                     | 171          | 389          | 84           | 283          | 284          | 161          | 319          | 311          | 279          |
| <b>Riverine flood (non-cyclonic)</b>             | 186                     | 77           | 204          | 98           | 28           | 101          | 74           | 58           | 136          | 0            |
| <b>Cyclone</b>                                   | 14                      | 0            | 297          | 0            | 0            | 509          | 0            | 204          | 89           | 0            |
| <b>Earthquake</b>                                | 46                      | 56           | 17           | 56           | 83           | 54           | 22           | 53           | 44           | 46           |
| <b>Bushfire</b>                                  | 63                      | 23           | 43           | 18           | 11           | 23           | 81           | 47           | 43           | 0            |
| <b>Non-peril losses</b>                          | 800                     | 622          | 983          | 758          | 800          | 781          | 622          | 983          | 803          | 800          |
| <b>Other insurer cost components<sup>i</sup></b> | 541                     | 766          | 1,249        | 499          | 462          | 1,708        | 512          | 737          | 765          | 616          |
| <b>Stamp duty, levies and GST<sup>ii</sup></b>   | 855                     | 360          | 633          | 334          | 167          | 727          | 309          | 504          | 582          | 470          |
| <b>Total premium</b>                             | <b>2,946</b>            | <b>2,075</b> | <b>3,815</b> | <b>1,848</b> | <b>1,833</b> | <b>4,186</b> | <b>1,781</b> | <b>2,905</b> | <b>2,774</b> | <b>2,199</b> |
| <i>Stamp duty</i>                                | 9%                      | 10%          | 9%           | 11%          | 0%           | 10%          | 10%          | 10%          |              |              |
| <i>Emergency Services Levy</i>                   | 17.5%                   | 0.0%         | 0.0%         | 0.0%         | 0.0%         | 0.0%         | 0.0%         | 0.0%         |              |              |

<sup>i</sup> Insurer expenses, net cost of reinsurance, profit margin

<sup>ii</sup> The Emergency Services Levy in NSW is passed onto the policyholder at the discretion of each insurer and we have assumed a 17.5% loading on NSW home insurance policies. We note that the NSW Government has proposed to replace this levy in the future.

Key insights that can be drawn from these data include:

- In 2024, on average, Tasmanian consumers could access the cheapest home insurance in Australia. This is a similar finding to that reported by Choice (Figure 3 above) which found that home insurance in Tasmania was the second cheapest in Australia behind South Australia.
- Storm, cyclone and flooding risks represented the greatest climate-related risk to Australian homes and exerted the largest cost pressure on home insurance premiums. These risks are concentrated in Northern Australia.
- While not completely immune from flooding and storm risk, Tasmania's risk (and cost) profile for these categories was the second lowest in Australia behind South Australia.
- While not as significant as storm and flooding risks, Tasmania faces the highest bushfire-related risk (and cost) in Australia reflecting Tasmania's higher and growing bushfire risk.

- Taxation and duties constitute a significant component of home and general insurance premiums. According to a 2024 Institute of Actuaries Australia study, taxes accounted for \$309 (17.3%) of an average Tasmanian home insurance policy.

The above data refer to average policies, but it should be noted that the risks for specific properties and cost of insurance vary significantly. Increasingly risks are assessed using sophisticated models that can estimate flood and fire risk at the level of specific properties, resulting in significant variations in pricing between homes and across neighbourhoods. This limits the extent of cross-subsidisation but also means homeowners and communities can benefit from effective risk mitigation strategies.

The estimated cost of fire risk on an average Tasmanian home and contents policy in 2024 was \$81 but this figure may be in excess of \$1000 per policy for homes in high fire risk areas. It is important to note that in the absence of effective fire risk management strategies these risks will increase significantly over time, posing a long-term challenge for insurance affordability and threat to communities. Analysis conducted by the Climate Council predicts that by 2030, 2% (over 5,000) of Tasmanian homes may effectively be uninsurable due to climate risks with significant implications for their value and the financial position of their owners.<sup>31</sup>

Given the complex modelling and risk analysis that determines insurance prices, it will be important to work with researchers, insurers and reinsurers to establish which properties and communities are at greatest fire risk, and to develop evidence-based mitigation strategies to reduce future cost pressures.

#### The role of reinsurance

Reinsurance can be described as insurance for insurers. It enables insurance companies to spread the risk of damage and claims to a bigger, more diverse pool (often globally).<sup>32</sup>

Reinsurance reduces the capital that insurance companies need to have on hand, enabling higher levels of coverage in an area. The Institute of Actuaries Australia estimates that without reinsurance, between \$23 and \$70 billion worth of capital would be needed by Australian insurance companies.<sup>33</sup>

The cost of reinsurance is rising due to the increasing frequency and severity of extreme weather events. The introduction of the Australian Cyclone Reinsurance Pool has helped to reduce premiums in northern Australia, however due to other factors (and weather events) the price of insurance premiums continues to increase for Australian consumers.<sup>34</sup>

This, like much of the detail behind insurance, is based on complicated calculations and modelling of claims and natural disasters. It also differs depending on reinsurer (although there are common elements), meaning without further detail and data it is difficult to determine the specific impact on Tasmanian insurance premiums.

From a risk management perspective, any state-owned insurer would have to diversify risk through reinsurance.

## Policy Options and Conclusions

Analysis of ABS data conducted for this submission confirms that general insurance prices in Hobart have increased by 47% since 2020, posing significant affordability challenges for Tasmanian households and businesses. The rate of premium increases may have abated since 2024, but growing climate-related risks continue to put upward pressure on prices, particularly in communities facing significant bushfire risk.

Given the importance of affordable and adequate insurance for the Tasmanian community and economy, the challenge of improving the availability and affordability of insurance warrants a considered policy response.

There are three broad policy options for improving insurance affordability:

- 1) Establish a state-owned insurer to provide subsidised policies or provide products to households or business who can't otherwise access insurance
- 2) Subsidise premiums directly through consumer rebates; or
- 3) Address the underlying causes of insurance risk and cost pressures including climate risk, construction costs and the taxation of insurance products.

### 1. Establishing a State-owned Insurer

There are a number of precedents for establishing state-owned insurance agencies (see box below), especially in cases where insurance is compulsory and there is an effective monopoly on provision – as in the case of the Motor Accident Insurance Board (MAIB). However, in the case of general insurance, strong market competition including from the Tasmanian-focused not-for-profit mutual, the RACT, suggests that the provision of lower cost premiums would require implicit subsidies.

Risks include adverse selection in that a state-owned provider of last resort would have to write a greater percentage of high-risk policies and possible challenges under National Competition Law. If a state-owned business insured a significant proportion of Tasmania's \$180 billion residential property assets reinsurance would be required to diversify risk.

### 2. Subsidising Premiums

A second policy option would be to offer a direct consumer subsidy or rebate to low-income consumers or eligible businesses to offset the increasing cost of insurance premiums. This approach would be similar to electricity subsidies such as the Energy Bill Relief Fund. This approach wouldn't distort the existing insurance market, subsidies could be effectively targeted, and the value of taxpayer subsidy would be more transparent.

The risk of a subsidy scheme is the clear cost to the budget, political challenges of ending subsidies, and that the approach wouldn't address the underlying causes of insurance risk or costs. In the case of climate risks, subsidies can create a perverse incentive for residents to remain in a home exposed to significant and growing climate risk to the detriment of personal and community safety.

### Government-owned insurance companies

There are a variety of reasons why some services, like insurance, are best provided by the Government rather than left to the private market – including where there is undersupply, a natural monopoly or where there is limited competition or other forms of market distortion.

There are two main examples within Tasmania of government-owned insurance companies:

- The **MAIB** is an example (as well as the other similar schemes across Australia) that demonstrates the potential role of government-owned insurance companies, especially when insurance is compulsory. In the case of MAIB regulated premiums are included in registration costs, which spreads the risk of road-related injuries across all Tasmanian vehicle owners (rather than a portion of consumers).
- The **Tasmanian Government Insurance Office (TGIO)** is a historical example of a Government-owned general insurance company. It was established through legislation in 1919, but was sold in 1993 for \$53.5 million in line with the National Competition Policy agenda.<sup>35</sup>

### 3. Addressing the Underlying Causes of Insurance Risks

There is a growing consensus in the risk and insurance literature that public investment and policy interventions should focus on addressing the underlying causes of insurance risks and associated price increases. For example, the ACCC's Inquiry into the cost of insurance in Northern Australia highlighted the need to address underlying risks facing households and business rather than providing subsidies.

There have been a wider range of cost pressures driving up insurance prices over the last five years, all of which warrant detailed analysis in the Tasmanian context. While building costs, reinsurance products and taxation all should be considered, evidence suggests that increasing our commitment to addressing climate risk should be a priority.

Growing climate-related risks, particularly of bushfires, pose a significant risk to the Tasmanian community. Investing in long-term programs to materially reduce climate risks will not only put downward pressure on insurance costs but will help safeguard the one third of Tasmanians who live in high fire risk areas.

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