

Media release

Climate change risk and opportunity for insurance industry

Climate change presents major risks for the insurance industry, but also opportunities, says the 2023 actuary of the year.

Sharanjit Paddam, Principal at Finity and ANZIIF insurance leader of the year in 2022, says climate change negatively affects home insurance affordability, but decarbonisation means the industry has new assets for which owners need insurance.

Mr Paddam is a speaker at the Australian Insurance Law Association's 2024 conference, *Sunny Side Up*, at the Gold Coast on 11-13 September.

He will present the findings of the 2024 third annual report on home insurance affordability, prepared by Finity for the Actuaries Institute.

Mr Paddam said the [2023 report](#) found one in eight households faced premiums of more than one month of household income, up from one in 10 in 2022. That meant insurance was likely beyond the financial reach of about 1.24 million Australian households, a rise of nearly 250,000 in just one year.

While research is still in progress for the 2024 report, which compares premiums with census data on household incomes, Mr Paddam will outline the results at the AILA conference.

"Unless we take serious action on climate change, it will continue to drive up insurance premium costs, particularly for those living in disaster-prone regions, such as flood zones, close to bushfires, or in northern Australia where they're exposed to cyclones," Mr Paddam says.

On a positive note, he says insurable assets are changing as homes and vehicles are electrified and that represents opportunities for insurers. As new industries develop, including significant investment in renewable energy, insurers must respond.

"There's rapid deployment of renewables in Australia and those new businesses need insurance," Mr Paddam says.

Resilience provides opportunities for insurers, with several offering premium discounts for properties with certified ratings from the [Resilience Building Council](#), which enables homeowners to self-assess their properties' bushfire resilience on its website. It recommends works to improve resilience and certification when work is conducted.

Government-funded resilience programs through the Disaster Ready Fund include building levees around flood-prone communities, which should impact on premiums in the longer term.

Mr Paddam says Australian insurers can price accurately for risk, unlike, for example, California, USA, where insurers are leaving the market because regulators prevent them charging higher premiums for wildfire-prone homes.

However, pricing for the risk raises affordability and social licence issues.

At the AILA conference, Mr Paddam will also explore Australia's incoming sustainability reporting standards. From June 2026, it will be mandatory for organisations like insurers to disclose climate-related financial information.

Finity Consulting is working with insurers to show how climate change will affect their businesses, developing qualitative and quantitative analysis of the impact on their financial statements and how that feeds into their disclosure requirements.

The [2024 AILA conference](#) features a wide range of speakers who will explore issues that will shape the insurance market's future and consider how the industry should respond.

The venue is the Gold Coast Convention and Exhibition Centre at Broadbeach on Queensland's Gold Coast.

Registrations are [now open](#).

AILA National President Melanie Quixley says the theme of *Sunny Side Up* will see speakers explore the opportunities for insurance to "positively influence the community, the climate and our way of living moving forward".

FOR MEDIA INQUIRIES, PLEASE CONTACT:

AILA Communications Consultant Kate Tilley
P 07 3831 7500 E ktj@ktjournalism.com

FOR AILA INQUIRIES, PLEASE CONTACT:

AILA Secretariat Victoria Saccaro
P 1300 699 140 E office@aila.com.au

Release date: 3 June 2024