



## Actuaries Institute.

31 January 2025

Budget Policy Division  
Department of the Treasury  
Langton Crescent  
PARKES ACT 2600

Email: [prebudgetsubmissions@treasury.gov.au](mailto:prebudgetsubmissions@treasury.gov.au)

Dear Sir/Madam,

### Pre-Budget Submission (2025/26)

The Actuaries Institute ('the Institute') welcomes the opportunity to provide feedback on Budget priorities for the 2025/26 Budget.

The Institute is the peak professional body for actuaries in Australia. Our members work in a wide range of fields including insurance, superannuation and retirement incomes, banking, enterprise risk management, data science and AI, climate change impacts and government services. The Institute has a longstanding commitment to contribute to public policy discussions where our members have relevant expertise. The comments made in this submission are guided by the Institute's [Public Policy Principles](#) that any policy measures or changes should promote public wellbeing, consider potential impacts on equity, be evidenced-based and support effectively regulated systems.

In the context of the 2025/26 Budget, the Institute supports:

- Continuation of tightly-targeted cost of living relief measures, noting that safeguarding income and intergenerational equity is a significant societal issue that is likely to worsen without intentional policy as detailed in our 2023 paper [Not a level playing field – exploring issues of inequality](#).
- Increased investment to capture opportunities and build resilience against climate change and technological shifts (including AI, cyber risk and quantum computing).
- Progressing reforms in the critical social systems of healthcare funding and private health insurance, the retirement income system and the various disability and rehabilitation schemes. Specifically, we support the current review underway in private health insurance and the already extensive NDIS reform process in train. We also support consideration being given to the wider ecosystem of schemes and systems to ensure these meet community expectations, are sustainable and fit for future generations.
- Consideration of tax reform, noting the Institute's recent Discussion Paper on [Superannuation Tax Reform](#) and earlier Report on [Inequality](#).
- Further investment in education measures that support a strong STEM future workforce and improved financial literacy.

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We welcome the Government's recent first Regulatory Initiatives Grid which sets out areas of critical work already in train and which will be supported through portfolio budget allocations. Reflecting our members' expertise and commitment to strong public policy we have and will continue to engage on many of these issues, including: regulatory settings for the use of genetic test results in life insurance underwriting, Delivering Better Financial Outcomes, better targeted superannuation concessions, climate-related financial disclosures, standardising natural hazard definitions and reviewing standard cover for general insurance. We anticipate engaging with a number of the items listed for review and evaluation in the Grid, particularly on climate risk and general insurance reinsurance.

The attachment to this submission sets out further specific suggestions for consideration in the Budget in the areas of:

1. **Digital, science and technology** - Data Science and AI - Adoption of Safe and Responsible AI, cybersecurity and quantum computing
2. **The changing climate** - Improving resilience and adapting, climate change and natural disaster resilience, planning for increased impacts of natural disasters, addressing home insurance affordability, adaptation and resilience financing, and transition financing
3. **Strengthening our health and disability systems** - Disability and rehabilitation schemes, NDIS and private health insurance
4. **Other financial system issues** – Life insurance and superannuation, tax reform to simplify the superannuation system and life insurance product rationalisation
5. **Advancement for First Nations people** – Indigenous data governance and sovereignty
6. **Education** - Ensuring a strong STEM workforce and financial literacy.

If you would like to discuss any aspect of this submission, please contact the Institute via (02) 9239 6100 or [public\\_policy@actuaries.asn.au](mailto:public_policy@actuaries.asn.au).

Yours sincerely

(Signed) Elayne Grace  
CEO

## Attachment

### 1. Digital, science and technology

#### Data Science and AI - Adoption of Safe and Responsible AI

The Institute acknowledges the progress made by the Government in refining its approach to AI regulation since the 2023 Safe and Responsible AI discussion paper. Further progress is needed in the following areas:

- The current risk classification system still lacks the specificity we believe is necessary for effective regulation.
- The proposed guardrails, while more specific than interventions proposed in the 2023 consultation, may not sufficiently address the full range of AI-related risks that need to be captured.
- The application of guardrails may create excessive costs and / or externalities, if implemented in a broad manner.

We encourage the Government to consider guidance material for AI practitioners delivered by a centralised expert body to enhance regulatory clarity. This would enable the use of existing regulation and may be more cost-effective and efficient than specific AI regulation. For example, where risks from AI are identified and relevant principles-based regulation already exists, the expert body could address those situations using that regulation.

It is critical to align AI regulation across government departments and jurisdictions, to avoid confusion and/or scope for unlawful conduct for practitioners and consumers.

The Institute remains committed to working collaboratively with Government to further refine and improve the AI regulatory framework. We offer our expertise in risk assessment and management, particularly in areas such as insurance and financial services, to help develop more targeted and effective regulatory approaches.

#### Cybersecurity

We welcome the Government's increasing cyber maturity and willingness to provide guidance to Australian organisations, which is particularly important for small and medium sized enterprises (SMEs) that may not have access to the most advanced resources to effectively manage cyber risks.

We welcome opportunities for industry, insurance companies and governments to work together to ensure SMEs are protected from cyber threats, with practical, cost-efficient measures to strengthen their cyber defences and ability to respond to cyberattacks. We encourage further development of consistent, achievable and affordable cybersecurity certifications for SMEs to help them demonstrate their cyber preparedness. A detailed discussion of these issues is provided in [Cyber Protection Gap Widens for SMEs](#).

#### Quantum computing

We support the Government's commitment to the development of an Australian quantum computing industry and anticipate many industries using large datasets, complex financial modelling and AI will benefit from enhanced power. We urge the Government to consider what cybersecurity measures will be needed once quantum computing is rolled out, including for encryption, and to provide necessary support for quantum computing skills development and associated industries, including cyber professionals. Further perspectives are outlined in [these articles](#) on the Actuaries Institute Digital Platform *Actuaries Digital*.

## 2. The changing climate - Improving resilience and adapting

### Climate change and natural disaster resilience

With climate change being one of the greatest challenges and opportunities facing Australia, and recognising our vast access to renewable energy resources and exposure to natural perils, we have an opportunity to lead by example. The Institute welcomes the commitments the Government has made over the past year to decarbonise the Australian economy and manage the significant transition risks. We strongly encourage further commitments and financing to support emissions reductions, adaptation and resilience.

We particularly welcome the Climate Change Authority's Sectoral Pathways Review, which provides a critical input into decarbonisation plans for multiple sectors, and the (up to) \$22.7b investment through the Future Made in Australia initiatives in industries that can make a significant contribution to achieving net zero and where Australia has grounds to build enduring comparative advantage.

### Planning for increased impacts of natural disasters

The Institute sees a strong case for increased planning, coordination and funding for risk reduction and climate change adaptation, particularly for insurance affordability stressed communities.

The Disaster Ready Fund, National Climate Risk Assessment and National Adaptation Plans represent a good start, but the required investment to protect public and private assets is significant, given the impact, costs and risks of natural perils to which we are exposed.

For example, over the past five years, to June 2024 insured losses due to extreme weather events averaged \$4.5b per year. That is more than double the 30-year inflation-adjusted average annual loss of \$2.1b<sup>1</sup>. These figures exclude uninsured economic costs, and social and environmental costs, which are also likely to be significant.

These costs have been increasing due to increasing asset values and repair costs, development in high-risk areas and urbanisation. These factors are pushing up natural disaster costs and insurance premiums, and the expectation is that climate change impacts will exacerbate these costs over coming decades.

### Addressing home insurance affordability

As noted in Institute research on [Home insurance affordability and socioeconomic equity in a changing climate](#), overall, across Australia climate change is expected to materially increase the risk of extreme weather events, long-term insurance losses, and home insurance affordability pressures. The impacts of climate change will:

- Vary across the nation and by different types of peril; and
- Affect the population already facing insurance affordability stress to a much greater extent than the rest of the population.

There is therefore an important socio-economic dimension to addressing climate change and insurance affordability, making investments in long-term adaptation crucial.

The Institute's 2024 [Home Insurance Affordability Update and Home Loans at Risk](#) Report showed as at end March 2024 that 15% of Australian households experienced extreme affordability pressure for home insurance, driven by the exposure to natural perils. For those households, their estimated premium for a combined home buildings and contents insurance (whether they bought home insurance or not) averaged 9.6 weeks of their gross annual income, more than seven times the average for all other households. The research highlights that flood risk plays a significant role in home insurance affordability, and affordability pressure primarily driven by high flood premiums is disproportionately shouldered by the most affordability-stressed households, predominantly flood-prone regions in Southern Queensland and Northern Rivers in NSW.

We expect that home insurance premiums will continue to rise unless significant prompt action is taken to improve the resilience of existing homes, and improve building standards and land use and planning.

The Institute supports the collaboration between government and the insurance industry to lower risk, improve affordability, and better collect and share information, for example, through the Hazards Insurance Partnership and the Australian Climate Service.

### **Adaptation and resilience financing**

Disaster risk reduction initiatives have a strong return on investment — with benefit to cost ratios typically ranging from 2:1 to 10:1 or higher<sup>1</sup>. That said, there are well documented barriers to adaptation investment, including the recognition of benefits across various disperse stakeholders, challenges in quantifying these, and its site-specific nature and context.

The Institute advocates for the timely, co-ordinated and significant investment in adaptation and resilience, given that significant additional warming is inevitable, exposing Australia to increased risk, impact and costs, along with increasing insurance affordability challenges.

To support adaptation and resilience financing, the Institute:

- Strongly advocates for increased budget funding for the timely expansion of the Australian Sustainable Finance Institute's taxonomy beyond the initial objective of 'Climate change mitigation' to include criteria for 'Climate change adaptation and resilience'. This will help attract much needed private sector financing and public / private partnerships to bridge the significant adaptation finance gap.
- Strongly advocates for any necessary budget funding to support the release and implementation of the National Adaptation Plan.
- Recommends 'net zero transformation' under the Future Made in Australia initiative prioritises net zero activities that also promote adaptation and resilience.

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<sup>1</sup> [https://gca.org/wp-](https://gca.org/wp-content/uploads/2019/09/GlobalCommission_Report_FINAL.pdf?_gl=1*1533og1*_ga*NzQ1NDUxNDUyLjE3MDUyODQ3O)

[content/uploads/2019/09/GlobalCommission\\_Report\\_FINAL.pdf?\\_gl=1\\*1533og1\\*\\_ga\\*NzQ1NDUxNDUyLjE3MDUyODQ3O](https://gca.org/wp-content/uploads/2019/09/GlobalCommission_Report_FINAL.pdf?_gl=1*1533og1*_ga*NzQ1NDUxNDUyLjE3MDUyODQ3O)

## Transition Financing

As noted in the Institute's [submission on the Treasury's consultation paper Sustainable Finance Strategy](#), we support the key objectives of the Sustainable Finance Strategy and believe it will be a critical foundation to supporting the Government's objective in meeting its emissions reduction target.

That said, a significant amount of private and public investment will be required for a just, orderly and positive economic transition, and sustainable finance can help to attract the required capital.

We support the Government's continued investments in the decarbonisation of the economy and note that further transition finance mechanisms (such as the Capacity Investment Scheme and Future Made in Australia) will require collaboration between government and private sectors.

The Institute strongly supports the Government continuing to consider how the *Your Future, Your Super* performance test should evolve, including removal of incentives to 'hug' the test's performance benchmarks given the consequences to trustees of failing the test. This includes addressing the test potentially discouraging funds from investing in assets that support climate transition where these investments are otherwise in the best financial interest of members.

## 3. Strengthening our health and disability systems

### Disability and rehabilitation schemes

Australia's multi-pillar system of personal risk protection and social insurance arrangements continues to evolve significantly. Australians today can access financial support for disability from a range of public and private funded safety nets. These safety nets include different types of insurance and government disability support mechanisms such as life insurance, health insurance, workers compensation, compulsory-third party schemes, the National Disability Insurance Scheme (NDIS), and social welfare schemes. However, the roles of these schemes with one another are poorly understood, as outlined in [this recent Actuaries Digital article](#). This makes them more difficult to access and administer. Many schemes are also facing significant financial pressure. This is evidenced by recent Government and regulatory interventions in, for example, individual disability income insurance, private health insurance, psychiatric hospital support and the NDIS.

As [recommended by the Productivity Commission](#), we urge Government to take the opportunity to fund a once in a generation review and reform process for Australia's personal risk protection system. The focus of this review should be on improving and simplifying how the system meets the needs of people living with disability efficiently and effectively. The provision of financial support, medical cost coverage and rehabilitation costs and opportunities should form part of this review. Specific initiatives to explore could include standardised claims forms and sharing of common information (subject to privacy and consent considerations).

### NDIS

We welcome recent legislative changes to the NDIS Scheme Amendment Bill (*Getting the NDIS Back on Track No. 1*) which are a positive first step in ensuring the sustainability of the Scheme and improving equity and fairness of access to government funded disability support.

We encourage Government to consider further challenges in future stages of reform to the Scheme including:

- **Addressing the imbalance of demand and supply in the care worker and allied health professionals market**, to address the upward pressures on the labour force and pricing. This is all the more important in the longer-term context of an ageing population which is expected to place additional pressure on these resources.
- **Implementing the new planning framework (NDIS funding model)** in 2025 which will facilitate consistent decision-making based on an assessment of individuals' needs, in line with fundamental insurance principles. The NDIS Review showed the urgent need for better data on need and consistency in decision-making; however, this needs to be done in a way that does not undermine a participant to access reasonable and necessary supports, given their needs. Further consideration is needed around developing a market for assessors, which could alleviate shortages in the allied health workforce, and a possible new professional qualification for assessors.
- **Establishing and embedding supports to enhance the sustainability of the Scheme** by ensuring that there are complementary support systems available and accessible within mainstream services such as health, education and employment, as well as fair access to the new foundational supports as they are rolled out.
- **Building the evidence base on effective intervention.** Part of the Scheme's intent is that effective early intervention can improve longer-term outcomes. This is true at all ages, but particularly relevant to childhood supports. We support NDIA and broader research on this topic, to better understand what supports can improve capacity and thereby make future scheme costs sustainable.

## Health

The Government broadening its attention on the wider private health system with increased focus on private hospitals represents a welcome shift in formally recognising that the sustainability of the system relies on balancing multiple stakeholder interests. The Institute also supports efforts to help consumers understand costs associated with medical care through the *Medical Costs Finder*. Less visible, but equally important is to continue work on private health insurance (PHI) reforms to improve the sustainability and resilience of the sector. Affordability of PHI remains a critical challenge that directly impacts Australians' ability to access and maintain private health coverage. Rising premiums, coupled with cost-of-living pressures and increasing out-of-pocket costs, continue to challenge households resulting in more Australians needing to consider either downgrading their coverage or dropping their PHI entirely. This would pose significant risks to individuals health outcomes and the sustainability of Australia's mixed public-private healthcare system.

Continued detailed examination of PHI affordability and accessibility, and the broader private health system by the Government is essential, given that private healthcare forms a crucial component of Australia's health ecosystem. The private system's continued viability is necessary for maintaining the overall effectiveness and efficiency of Australian healthcare delivery.

Key areas of focus in the Government's reform agenda should continue to include:

- Addressing premium affordability through systematic review of cost drivers
- Improving transparency in pricing and out-of-pocket costs
- Strengthening value propositions for younger members to ensure sustainable risk pools
- Examining the relationship between private hospitals, health insurers, and healthcare providers to identify efficiency opportunities.

The Institute would welcome the opportunity to collaborate with the Department of Health to examine crucial aspects of private health insurance access and sustainability.

#### **4. Other financial system issues – life insurance and superannuation**

##### **Tax reform to simplify the superannuation system**

Acknowledging broad budgetary pressures, the Institute supports there being a constructive and wide debate about potential reform of the tax arrangements in the superannuation and retirement income system. Wider debate is an essential part of developing the case for, and path to, meaningful tax reform being achieved.

The Institute published a Discussion Paper in December 2024, [Superannuation Tax Reform – Sensible Changes for a Fairer System](#), which set out a vision of potential reform from a multi-generational author team of wide experience. The Institute acknowledges there are many alternative views on superannuation tax reform, including within the actuarial profession, and would support a Government review that takes a long-term, whole of system view.

We expect to publish in 1H25 a revised position statement on public policy settings for the retirement income system which will include further areas of reform outside of tax.

##### **Life insurance product rationalisation**

The Institute urges the Government to recommit to the development of an improved life insurance product rationalisation framework. This initiative was announced in the 2021/22 Federal Budget with funding allocated to Treasury to consult on a proposed mechanism, however public consultation has yet to occur. The Institute strongly supports this work continuing as consumers in legacy products, subject to a collective consumer best interest test, would benefit from being transferred to more contemporary life insurance products without the need to be medically underwritten. Benefits would also arise from greater appetite by insurers in product innovation, including in retirement products, as there will be better mechanisms in place to retire products that do not achieve viability.

#### **5. Advancement for First Nations people**

First Nations people continue to face persistent inequalities despite numerous reform attempts. Self-determination and Indigenous data sovereignty are key tools for communities to identify and address these challenges directly. The Institute strongly supports the various government initiatives and the work of the Productivity Commission in this area. As noted in the Institute's recent Report on [Getting to Grips with Indigenous Data](#), given the growing role of Aboriginal Community-Controlled Organisations and other Aboriginal businesses in the delivery of services, they could play a greater role in the collection and use of Indigenous data, which could be used to demonstrate the value of their activities.



We also encourage continued work on monitoring and evaluation of progress and actions under the Priority Reform areas of the Closing the Gap Agreement. We recognise the National Indigenous Australians Agency's (NIAA) efforts on topics such as the Commonwealth partnership stocktake, as an indicator for Priority Reform One (Formal Partnerships and Shared Decision Making), and support continued work so that progress can be tracked regularly across all areas.

## **6. Education**

### **Ensuring a strong STEM workforce**

To keep pace with technological advancement, particularly in the areas of the digital economy and AI, Australia must invest in STEM education, developing strong mathematics skills through qualified mathematics teachers at all levels and encouraging more students to undertake advance mathematics subjects at school. In March 2023, the Institute endorsed a [study calling for upskilling of out-of-field mathematics teachers](#) to improve mathematics outcomes for Australian students.

### **Financial literacy**

We strongly advocate for increased funding to enhance financial literacy across Australia. Improved financial capability leads to better retirement outcomes and reduced financial stress across all demographics. This investment would contribute to greater economic resilience and help Australians navigate the growing complexity of financial products in our digital economy.