



**Actuaries
Institute.**

23 May 2025

The Hon. Dr Daniel Mulino MP
Assistant Treasurer and Minister for Financial Services
PO Box 6022
Parliament House
CANBERRA ACT 2600

Email: [REDACTED]

Dear Assistant Treasurer and Minister for Financial Services,

Policy considerations for the Government

The Actuaries Institute (Institute) congratulates you on your appointment to this portfolio and wishes you and the Government continued success as you guide Australia through a period of significant change while enhancing the financial security of all Australians.

With a membership spanning a wide range of fields – including insurance, banking, superannuation and investments, enterprise risk management, data science and AI, climate change impacts and government services – we bring a broad perspective to public policy discussions. As you are aware, we have a longstanding commitment to contribute where our members' expertise can benefit Australia's long-term prosperity and wellbeing.

As the Government continues to implement its economic and financial services reforms, the Institute encourages consideration of several key areas and extends our offer of ongoing assistance to you, your Ministerial colleagues and The Treasury.

Improving access to Help, Guidance and Advice

We fully support the Government's steps to address Australia's financial advice gap through the Delivering Better Financial Outcomes reforms. We believe these reforms represent positive developments which should increase access to and affordability of financial advice and guidance, particularly for the millions of Australians moving to and through retirement. We broadly support the recently proposed changes regarding when, how and what advice superannuation funds can provide, and the introduction of targeted superannuation prompts as a form of guidance.

More broadly, there is an imperative for more Australians to have access to financial support that is fit for their needs and contributes to enhanced financial wellbeing. Many consumers do not want or need full ongoing comprehensive advice with its associated cost. Instead, a broad range of supports spanning Help, Guidance and Advice – from simple to complex – all have distinct roles to play.

Sustainable finance and supporting climate change resilience and adaptation

Recognising that climate change represents one of the greatest challenges and opportunities facing Australia, the Institute supports the Government's commitments to decarbonise the economy, the Sustainable Finance Strategy and management of the significant transition risks. We strongly

Actuaries Institute
Level 2, 50 Carrington Street, Sydney NSW 2000 P
+61 (0) 2 9239 6100 | actuaries.asn.au
ABN 69 000 423 656

encourage further commitments and financing to support emissions reductions, adaptation and resilience.

As you are aware from your chairing of the House of Representatives committee inquiry into insurers' responses to the 2022 major floods claims, annual Australian insured losses from extreme weather events now average about \$4.5 billion (more than double the 30-year inflation-adjusted average) and Commonwealth Disaster Recovery Funding Arrangement expenditure is about \$1.6 billion. There are significant further uninsured economic, social and environmental costs borne by many stakeholders.

Our research on [Home Insurance Affordability and Home Loans at Risk](#) estimated that as at March 2024, 15% of Australian households faced home insurance premiums exceeding 4 weeks of gross household income (extreme affordability pressure), with premiums on average costing 9.6 weeks of their gross annual income. This provides an indication of likely under or uninsured households, where risk is being borne by consumers, the community and government.

Further, we estimated that \$57 billion of home loans outstanding (3% of home loan assets) were secured by properties with extreme affordability pressure, with some regions of Australia having up to 16% of home loans at risk. For these loans, if a disaster impacts the property, the loan is at greater risk of becoming impaired. Insurance affordability therefore also has implications for loan availability for consumers, with wider implications for communities and the banking system.

Specific initiatives the Institute advocates include:

- Timely, coordinated and significant investment in adaptation and resilience, given that additional warming is inevitable and there is strong evidence of high benefit to cost ratios of these investments, although these are difficult to realise. Some of this investment must be at a community level, such as the hardening of infrastructure (e.g. roads, bridges, levees) and other investment must be at individual property level. The balance of funding needs to shift from being very predominantly post event disaster recovery to being more risk mitigation and adaptation. Further reform of building codes and land use planning are critical elements, along with measures that support building back better/building forward. Continued support for agencies such as the Clean Energy Finance Corporation as a foundational investor and the Climate Change Authority as foundational independent expert adviser are also critical.
- Expansion of the Australian Sustainable Finance Initiative's taxonomy to include criteria for climate change adaptation and resilience, which will address some of the barriers and support greater institutional level investment and investment by banks to better support home resilience lending for eligible customers. Furthermore, the current exclusion of adaptation and resilience increases the risk of maladaptation, and this policy initiative can enhance longer-term productivity. On a related issue, continued development of the Government's green bonds program will provide further foundational support to lift investment.
- Continued progress with the National Climate Risk Assessment and implementation of the National Adaptation Plan with appropriate funding support. These will help inform effective investment.
- The work underway in the Australian Bureau of Statistics, as part of the Australian Climate Service, to gain further insights into insurance affordability and availability. This is an initiative of the National Emergency Management Agency and the Hazards Insurance Partnership, and can help inform all stakeholders of pressures and potential solutions.

Restoring a strong fiscal position and creating space for tax reform

The Institute recognises the complex challenges in balancing cost-of-living relief with sustainable fiscal management and the calls by various commentators for tax reform.

The Institute has published specific suggestions for tax reform in superannuation and insurance.

Our recent Discussion Paper [Superannuation Tax Reform — Sensible Changes for a Fairer System](#) sets out a vision to simplify the system while improving equity and sustainability by:

- applying a uniform tax on earnings across accumulation and retirement phases;
- reforming the tax payable on benefits; and
- simplifying the treatment of superannuation contributions.

While the proposals are confined to superannuation, with specific constraints including overall revenue neutrality, they could be implemented as part of a broader tax reform package. The paper was commissioned to stimulate and facilitate debate, which we see as essential for developing the case for, and path to, meaningful tax reform.

The Institute also supports initiatives to reduce or remove State-based insurance taxes, such as emergency services levies and stamp duty on home insurance, and replacement with more equitable sources of revenue collection. These taxes are inefficient and exacerbate insurance affordability problems, and may be impacting underinsurance, and thereby reduce community resilience. Our most recent statement on this topic is provided in [this submission](#).

Strengthening the mental health financial safety net

Supporting mental wellbeing is an important public policy objective where actuaries can contribute through independent expert advice, particularly regarding insurance. The Institute is currently undertaking research to explore ways to strengthen the financial safety net for mental health, examining:

- the evolving understanding and societal expectations around mental health;
- consumer access to mental health services and financial supports;
- how financial supports fit within the broader ecosystem of mental health services; and
- identifying gaps, overlaps and other issues with the various financial supports for mental health across different types of insurance and government disability support mechanisms.

To highlight an example, recent changes to some workers compensation schemes and their benefit designs to reduce mental health cover may help restore sustainability to one part of the safety net but shifts reliance to other parts because the community need for mental health care remains very real.

We anticipate releasing these findings in the second half of 2025 and would welcome the opportunity to discuss them with you.

We look forward to continuing to work with you

The Institute values its strong relationship with all levels of government and looks forward to continuing discussions on these and other policy matters.

We would be delighted to meet with you to discuss these important policy considerations in greater detail. I can be contacted via executive@actuaries.asn.au, and the Public Policy Team can be contacted via public_policy@actuaries.asn.au, or (02) 9239 6100.

Yours faithfully,

Elayne Grace
CEO

Copy: The Hon. Dr Jim Chalmers MP, Treasurer

Dr Steven Kennedy PSM, Secretary to the Australian Treasury