

23 May 2025

The Hon. Dr Jim Chalmers MP
Treasurer
PO Box 6022
Parliament House
CANBERRA ACT 2600

Email: [REDACTED]

Dear Treasurer,

Policy considerations for the Government

The Actuaries Institute (Institute) wishes you and the Government continued success as you lead Australia through a period of significant structural change while addressing cost-of-living pressures faced by Australians.

The Institute, as the peak professional body for actuaries in Australia, has members who work in 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 have a longstanding commitment to contribute to public policy debates where our members' expertise can benefit Australia's long-term prosperity and wellbeing.

Drawing on this unique perspective, we share our insights on three inter-related key areas for this Parliamentary term, and each of which will also help lift productivity:

- sustainable finance and climate change resilience and adaptation;
- restoring a strong fiscal position and creating space for tax reform; and
- continued consideration of inter- and intra-generational equity, including housing.

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

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. Related, 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](#).

Continued consideration of inter- and intra-generational equity, including housing

The Institute acknowledges the continuing work in the *Measuring What Matters* wellbeing framework and your stated intention at the time of the last Intergenerational Report (IGR) to increase the frequency of that publication.

Various research published by the Institute, including [Not a level playing field – Exploring issues of inequality](#), finds that inequality is significantly higher now than in the 1980s and there is strong evidence of upward pressures that will lead to greater future inequality unless policy is taken. Our Report notes that while some inequality is intrinsic to almost any society and there is no optimal level of inequality, there is strong support for avoiding further increases in inequality.

While we include an extensive outline of potential policy implications spanning the tax and transfer systems in that report, we highlight here the importance the Institute ascribes to continued investment in improved data collection, linkage and modelling, as well as evaluation and measurement of policies and programs. This has great potential to improve outcomes and productivity.

Our separate reports on [First Nations people](#) and [people with disability](#) provide practical discussions on the especially complex challenges these people can experience, and the importance of understanding and valuing cultural context and data sovereignty to improve outcomes for these individuals and communities.

The Institute will soon publish a paper on *Housing in Australia: Financial Journeys Through Affordability, Retirement and Climate Challenges*, which I will present at the upcoming Joint ABS and RBA Conference on 23-24 June. Drawing on various Institute analyses, the paper examines Australia's dual housing challenges - rising unaffordability in metropolitan areas and the risk of climate-driven value decline in vulnerable regions. These challenges impact financial journeys from young adulthood through retirement and intersect with another societal megatrend of the ageing population and funding of retirement years. The paper outlines how financial services providers will need to adapt their products, services and risk frameworks to support Australians navigating increasingly complex housing pathways due to these challenges and trends.

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 economic policy matters where our expertise can assist.

Our full suite of Thought Leadership spans the wide range of areas in which actuaries work is available [here](#), including on the National Disability Insurance Scheme, the health and disability systems, and on embracing the significant AI opportunities ahead (including the intersection with quantum computing).

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 Daniel Mulino MP, Assistant Treasurer and Minister for Financial Services
Dr Steven Kennedy PSM, Secretary of the Australian Treasury