

Climate change, home values and underinsurance

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SUMMARY

If they did not have insurance, the middle 20% of Australian households (about 1.95 million) would lose around three quarters of their wealth (74.3%) if their house was destroyed in a natural disaster.

- If their property was destroyed, and their mortgage is larger than all their other assets, an uninsured person could end up bankrupt or in debt.
- An underinsured homeowner could find themselves hundreds of thousands of dollars out of pocket and struggling to pay for repairs or rebuilding.
- In 2024, analysis by MCG Quantity Surveyors suggested that Australian residential property is underinsured by an average of 18%.¹

Polling by The Australia Institute shows that 19% of people say their house is under or uninsured.²

- There are around 7.5 million owner-occupied dwellings in Australia.³ 19% of this would represent around 1.4 million homes.⁴

The contents of a home also represent a substantial portion of wealth. Polling by the Australia Institute shows that 29% of people say their contents is under on uninsured.⁵ The poorest 20% of households would lose around half of their wealth (51.6%) if their home

¹ Troeth (2024) 'Cost of living: underinsurance effects 200,000 Aussies', *The Daily Telegraph*, <https://www.realestate.com.au/news/cost-of-living-underinsurance-effects-200000-aussies/>

² Australia Institute (2025) *Polling – Home & contents insurance*, <https://australiainstitute.org.au/report/polling-home-contents-insurance/>

³ Australian Bureau of Statistics (Dec 2024) *Total Value of Dwellings, September Quarter 2024*, <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/total-value-dwellings/sep-quarter-2024>; Australian Institute of Health and Welfare (Jul 2024) *Home ownership and housing tenure*, <https://www.aihw.gov.au/reports/australias-welfare/home-ownership-and-housing-tenure>

⁴ Australian Bureau of Statistics (Dec 2024) *Total Value of Dwellings, September Quarter 2024*.

⁵ Australia Institute (2025) *Polling – Home & contents insurance*, <https://australiainstitute.org.au/report/polling-home-contents-insurance/>

contents were destroyed and they did not have contents insurance. Many of these individuals are likely to be renters. Previous surveys have found that two-thirds or more of renters do not have contents insurance.⁶

HOMES AS A PERCENTAGE OF NET WEALTH

For the middle 20% of Australians, the market value of their home is 74.3% of their net worth, as shown below in Table 1. This middle 20% includes 1.95 million households.

Table 1: Value of owner-occupied dwelling as percentage of household net worth

	HOUSEHOLD NET WORTH QUINTILES					All households
	Lowest	Second	Third	Fourth	Highest	
Mean value of owner-occupied dwelling (\$'000)	19.4	188.6	437.0	643.7	1,223.1	502.5
Mean net worth of household (\$'000)	35.1	252.6	588.4	1,067.2	3,267.1	1,042.0
"Mean value of owner-occupied dwelling" divided by "Mean net worth of household"	55.3%	74.7%	74.3%	60.3%	37.4%	48.2%

Source: Rows 1 and 2: Australian Bureau of Statistics (Apr 2022) *Household Income and Wealth, Australia 2019-20*, Table 7.2, <https://www.abs.gov.au/statistics/economy/finance/household-income-and-wealth-australia/2019-20>. Row 3 is author's calculation.

The ABS divides Australian households into five quintiles. There are 3.89 million households (40%) in the lowest and second quintiles, and 3.89 million households (40%) in the fourth and highest quintiles. For the middle 20% of households –about 1.95 million – the home accounts for, on average, 74.3% of their net wealth.

Household net worth

Table 1 shows that for the 1.95 million households in the middle 20% of households, the average net worth of their household was \$588,400. Net worth is the total value of the assets of a household, minus its liabilities or debts. As noted above, these figures are for 2019-20. The biggest assets of this quintile includes \$316,600 of equity in property (value of

⁶ Tooth and Barker (2007) *The Non-Insured: Who, Why and Trends*, Insurance Council of Australia, https://insurancouncil.com.au/wp-content/uploads/resources/ICA_reports/2007/200705_the_non_insured_report.pdf; Quantum Market Research (2013) *Understand Insurance Research Report*, Insurance Council of Australia, <https://www.scribd.com/document/416031000/FINAL-Understand-Insurance-Research-Report>; Rodriguez (2024) 'Alarming number of Queensland renters are uninsured', *Insurance Business*, <https://www.insurancebusinessmag.com/au/news/breaking-news/alarming-number-of-queensland-renters-are-uninsured-497828.aspx>

housing minus mortgages), \$123,100 in superannuation, and \$68,100 for the value of the contents in their dwelling.

CONTENTS AS PERCENTAGE OF NET WEALTH

For the poorest 20% of households, the contents in their home represent, on average, 51.6% of their net worth, as shown below in Table 2.

Table 2: Value of contents in dwelling as percentage of household net worth

	HOUSEHOLD NET WORTH QUINTILES					All households
	Lowest	Second	Third	Fourth	Highest	
Mean value of contents of dwelling (\$'000)	18.1	46.6	68.1	100.5	143.6	75.2
Mean net worth of household (\$'000)	35.1	252.6	588.4	1,067.2	3,267.1	1,042.0
“Mean value of contents of dwelling” divided by “Mean net worth of household”	51.6%	18.4%	11.6%	9.4%	4.4%	7.2%

Source: Rows 1 and 2: Australian Bureau of Statistics (Apr 2022) *Household Income and Wealth, Australia 2019-20*, Table 7.2, <https://www.abs.gov.au/statistics/economy/finance/household-income-and-wealth-australia/2019-20>. Row 3 is author’s calculation.

UNINSURANCE, UNDERINSURANCE, AND HOME INSURANCE AFFORDABILITY STRESS

Uninsurance

Earlier studies have found the following rates of uninsurance in Australia:

- According to an analysis of 2003-04 Australian Bureau of Statistics (ABS) data, 4% of homeowners did not have house (building) insurance, and 12% of homeowners did not have contents insurance.⁷ 67% of renters did not have contents insurance.
- A 2013 survey found that 4% of homeowners did not have house insurance, and 7% of homeowners did not have contents insurance.⁸ 63% of renters did not have contents insurance.

These results show that homeowners are far more likely to have contents insurance than renters. The Insurance Council of Australia’s 2007 commissioned report *The Non-Insured*:

⁷ Tooth and Barker (2007) *The Non-Insured: Who, Why and Trends*, Insurance Council of Australia.

⁸ Quantum Market Research (2013) *Understand Insurance Research Report*, Insurance Council of Australia.

Who, Why and Trends points to two reasons why renters are less likely to have contents insurance:

Firstly home tenure is highly correlated with other demographic and psychographic factors including incomes and wealth, attitudes to risk, living arrangements and age. Renters tend to be younger people with lower incomes. Owners are more likely to be older, wealthier and arguably more risk averse.

The second reason relates to the transaction costs of purchasing insurance. It is argued that when home owners purchase building insurance they are more likely to also purchase contents insurance at the same time.⁹

A 2015 survey found that 79.1% of respondents had both house and contents insurance, 4.8% had house insurance only, 5.6% had contents insurance only, 7.0% had neither house nor contents insurance, and 3.5% were unsure.¹⁰ These results were not broken down by owner/renter. This 2015 survey found that older Australians, particularly those aged 50 or over, are more likely to be insured than younger Australians, with people under 30 least likely to have house and contents insurance.

Research conducted by RACQ Insurance in 2024 suggested that 78% of Queensland renters did not have contents insurance, and 21% were unaware of its existence.¹¹ Younger renters were the most unaware of contents insurance, with 59% of those aged 18-34 unaware of its existence.

A January 2024 survey of 1,005 Australians by Compare the Market found that 26.5% of those surveyed had no home and/or contents insurance for where they reside.¹² These figures provide less insight given they do not separate home uninsurance from contents uninsurance. The results varied greatly by age – Gen Zers were the most likely to have no home and/or contents insurance (58.5%), which is much higher than Millennials (28.5%) and Baby Boomers (14.9%).

⁹ Tooth and Barker (2007) *The Non-Insured: Who, Why and Trends*, Insurance Council of Australia.

¹⁰ Booth and Tranter (2018) 'When disaster strikes: Under-insurance in Australian households', *Urban Studies*, <https://journals.sagepub.com/doi/epub/10.1177/0042098017736257>

¹¹ Rodriguez (2024) 'Alarming number of Queensland renters are uninsured', *Insurance Business*.

¹² Portman (2024) 'More than a quarter of Aussies ditching insurance for their home as nation grapples with extreme weather events', *Compare the Market*, <https://www.comparethemarket.com.au/news/more-than-a-quarter-of-aussies-ditching-insurance-for-their-home-as-nation-grapples-with-extreme-weather-events/>

Underinsurance

In 2024, the Insurance Council of Australia stated that “For the insurance industry, there are real concerns about the protection gap – the difference between the cost of repair or replacement and the insurance in place to cover those events.”¹³

Many homeowners may not have updated their home insurance policy to reflect recent increases in construction costs. A 2024 analysis of over 2,000 reports by MCG Quantity Surveyors suggested that Australian residential property is underinsured by an average of 18%.¹⁴ This report stated that a combination of fast-rising construction costs, unreliable automated insurance calculators, Covid-related supply chain manufacturing issues, and a lack of available labour was contributing to an “underinsurance crisis”.

Underinsurance was already a problem before the recent rise in construction costs. In a 2005 report, the Australian Securities and Investments Commission (ASIC) noted that between 27% and 81% of consumers were underinsured for the cost of rebuilding by 10% or more.¹⁵

A 2024 Compare the Market survey found that 32.8% of home and contents insurance policyholders were at risk of underinsurance because they had guessed the value of their insured items, rather than determining their actual worth.¹⁶ A 2025 survey, also by Compare the Market, found that 72.1% of Australian households had not updated their contents insurance since purchasing a major household item, and that younger Australians tended to update their insurance policies less frequently than older Australians.¹⁷

Home insurance affordability stress

The current number of Australians experiencing home insurance affordability stress gives insight into how the problem of uninsurance and underinsurance may worsen into the future.

¹³ Troeth (2024) ‘Cost of living: underinsurance effects 200,000 Aussies’, *The Daily Telegraph*.

¹⁴ Troeth (2024) ‘Cost of living: underinsurance effects 200,000 Aussies’, *The Daily Telegraph*.

¹⁵ Australian Securities and Investments Commission (2005) *Getting home insurance right: A report on home building underinsurance*, https://download.asic.gov.au/media/1348214/underinsurance_report.pdf

¹⁶ Libatique (2024) ‘Australian homeowners at risk of underinsurance – report’, *Insurance Business*, <https://www.insurancebusinessmag.com/au/news/property/australian-homeowners-at-risk-of-underinsurance--report-504425.aspx>

¹⁷ Moore (2025) ‘Majority of Australians’ contents insurance not up to date’, *Compare the Market*, <https://www.comparethemarket.com.au/news/majority-of-australians-contents-insurance-not-up-to-date/>

A 2024 report from the Actuaries Institute found that 1.61 million Australian households (15%) were experiencing “extreme” home insurance affordability pressure.¹⁸ This included more than half of households in some areas of southwest and north Queensland, the New South Wales’s Northern Rivers region, regional Western Australia, and the Northern Territory that are at a high risk of flood or cyclone damage. This 1.61 million was a 30% increase from 1.24 million households (12%) in March 2023, and up from 1.0 million households (10%) in March 2022.¹⁹

The Actuaries Institute has warned that home insurance affordability stress will worsen because of natural disasters associated with climate change, and the biggest premium increases will be experienced by those already facing high or extreme affordability pressures.²⁰ It forecast that the number of local government areas (LGAs) with more than half of households experiencing extreme home insurance affordability pressure will increase from around one in 45 LGAs in 2022, to around one in 25 LGAs by 2050.²¹

The increasing severity and frequency of natural disasters due to climate change are causing home insurance premiums to become more expensive.²² This, together with other cost-of-living pressures, may lead to higher levels of uninsurance and underinsurance. The Australian Council of Social Service (ACOSS) has stated that home and contents insurance is the first essential item that people stopped paying for “when things got tough”.²³ As climate change-induced natural disasters cause greater damage to a larger number of properties, premiums are increasing. For people who are under and uninsured, losses can be ruinous.

¹⁸ Actuaries Institute (2024) *Home Insurance Affordability and Home Loans at Risk*, <https://actuaries.asn.au/docs/thought-leadership-reports/home-insurance-affordability-and-home-loans-at-risk.pdf>

¹⁹ Actuaries Institute (2023) *Home Insurance Affordability Update*, <https://actuaries.asn.au/docs/thought-leadership-reports/home-insurance-affordability-update.pdf.pdf>; Actuaries Institute (2022) *Home Insurance Affordability and Socioeconomic Equity in a Changing Climate*, <https://www.actuaries.asn.au/Library/Opinion/Generalinsurance/2022/HIAGreenPaper.pdf>

²⁰ Actuaries Institute (2022) *Home Insurance Affordability and Socioeconomic Equity in a Changing Climate*.

²¹ Actuaries Institute (2022) *Home Insurance Affordability and Socioeconomic Equity in a Changing Climate*.

²² The Actuaries Institute’s *Home Insurance Affordability and Home Loans at Risk* report in 2024 estimated that the median increase in home insurance premiums over the year to March 2024 was 9%, and the mean increase was 13%. The increases were greater for the highest risk properties, with premiums increasing by more than 30% for the 5% of households paying the highest premiums, with these households in areas prone to floods and cyclones.

²³ Shepherd (2025) ‘People with insufficient home insurance more likely to risk their lives in bushfires, experts say’, *The Guardian*, <https://www.theguardian.com/australia-news/2025/feb/02/people-with-insufficient-home-insurance-more-likely-to-risk-their-lives-in-bushfires-experts-say>