The Australia Institute
Research that matters.

Betting the house

Australia's uninsured and underinsured households and the climate crisis

Over 800,000 Australian homes are not fully insured, including many with mortgages. This poses serious risks to both homeowners and the broader economy. The increasing frequency and intensity of climate disasters, which are driving up the cost of insurance, are exacerbating the problem. Taxing fossil fuel companies and investing in a National Climate Disaster Fund would help keep Australians safe from physical risks and financial ruin.

Discussion paper

Jack Thrower

May 2025

The Australia Institute – Research that matters

Established in 1994, The Australia Institute is an independent public policy think tank based in Canberra that provides intellectual and policy leadership across a broad range of economic, social and environmental topics. We conduct research that drives the public debate and secures policy outcomes that make Australia better – research that matters.

The Australia Institute is funded by donations from philanthropic trusts and individuals, as well as grants and commissioned research from business, unions and non-government organisations. We do not accept donations or commissioned work from political parties. With no formal political or commercial ties, the Institute maintains its independence while advancing a vision for a fairer Australia.

Donations to our Research Fund are tax deductible, and can be made via our website or by calling the Institute:

Tel: (02) 6130 0530
Email: mail@australiainstitute.org.au
Website: www.australiainstitute.org.au

PO Box 3839
Manuka
ACT 2603

Acknowledgement of Country

The Australia Institute recognises the ancestral connections and custodianship of Traditional Owners throughout Australia. We pay respect to Aboriginal and Torres Strait Islander cultures and to Elders past and present.

Acknowledgements

This paper uses unit record data from Household, Income and Labour Dynamics in Australia Survey conducted by the Australian Government Department of Social Services (DSS). The findings and views reported in this paper, however, are those of the author and should not be attributed to the Australian Government, DSS, or any of DSS' contractors or partners. DOI: https://doi.org/10.26193/NBTNMV

Contents

Summary

Climate change is already here and getting worse, causing increasingly damaging disasters, and pushing insurance prices higher.

This report draws on data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey to analyse rates of under and uninsurance in Australia at a time when the severity and frequency of climate disasters is increasing.

It finds that, in 2023, about one in 30 Australian households did not have home building insurance, and one in 20 Australian households was underinsured. This is over 800,000 households and over 2 million people. Over 300,000 Australian households with mortgages were either uninsured or underinsured. As full building insurance is usually a contractual condition for mortgages, these households risk substantial losses if disaster hits or if the bank finds that they have breached their mortgage conditions.

The analysis in this paper suggests that banks in Australia hold over $100 billion in mortgages on inadequately insured properties, and likely much more. As mortgage lending dominates the Australian financial system, with two-thirds of banks' total domestic lending dedicated to housing loans, this poses significant risks to the broader Australian economy.

Climate disasters are impacting an increasing number of people and causing an increasing amount of damage. This is pushing insurance prices upwards. In 2022, nearly one in 20 Australians saw their home damaged or destroyed because of a weather-related disaster. In Australia, every year since 2013 has seen more insured losses than the total combined losses from 2000 to 2004. Globally, even accounting for inflation, insured losses for the first five years of the 2020s were USD$722 billion globally, almost double the losses for the entire 1990s (USD$367 billion).

Unfortunately, the Australian Government is pouring fuel on the fire. Through the huge subsidies given to fossil fuels, and by allowing the production of fossil fuels to expand, current policies are enabling further climate pollution. By instead taxing fossil fuel companies to pay for the costs of the climate crisis, the Commonwealth could create a National Climate Disaster Fund. This fund could be used to help pay for the costs of natural disaster response and recovery, and invested in mitigating the extent of climate change and preparing for its already locked-in impacts. This would help keep Australians safe and help bring down insurance prices.

Introduction

Floods, fires, and other climate disasters are becoming more frequent and more severe. When the water recedes, or the ashes cool, the difference between being able to rebuild the family home and financial ruin can come down to whether or not a homeowner has enough insurance.

Analysis by the Climate Council shows that over 650,000 Australian properties (about one in 23) are already at 'high risk' of disasters such as flooding, bushfire, coastal inundation, or tropical cyclone. By 2050, as the risk of climate disaster increases, more than 100,000 more properties will be added to the high-risk category.[1] The impacts could be devastating for homeowners, especially if they do not have adequate insurance.

This report draws on data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey to analyse rates of underinsurance and uninsurance in Australia.[2] It focuses on questions first asked in "wave 23" of the HILDA survey, which were released in December 2024. As the HILDA survey is unique in its scale, breadth, and longitudinal design, these results provide a valuable opportunity to analyse if and how households are insuring themselves in the context of rising insurance costs and increasingly damaging climate disasters. Using this data, we estimate that the total value of mortgages on inadequately insured properties is approximately $119 billion. However, it is important to note that other studies indicate that the scale of underinsurance and uninsurance in Australia is substantially higher than estimated by the HILDA survey.

Insurance is not primarily to protect homeowners against potential damage, but to ensure the financial safety of a bank's assets. Given that the $119 billion of inadequately insured mortgages accounts for about 5.4% of all mortgages, inadequate insurance could pose a threat to the stability of the overall Australian financial system.

All over the world, insurance costs are soaring because of climate change. Disasters in other parts of the world impact insurance payers in Australia. This is because Australian insurance companies take out their own insurance from the global 'reinsurance' market. In response to rising costs and risks across the world, reinsurers raise the price of reinsurance, which flows through to Australian insurance prices. By changing the policies that encourage the production and consumption of fossil fuels, the Australian Government could help lower the risk of climate disaster both to homeowners and to the Australian financial system.

[1] Climate Council (2025) *At Our Front Door: Escalating Climate Risks for Aussie Homes*, https://www.climatecouncil.org.au/resources/escalating-climate-risks-for-aussies-homes/

[2] Melbourne Institute (n.d.) *HILDA Survey*, https://melbourneinstitute.unimelb.edu.au/hilda

To this end, the Australia Institute recommends the establishment of a National Climate Disaster Fund to help pay for the costs of natural disaster response and recovery for Australian households, businesses, and taxpayers, and investment in mitigating the extent of climate change and preparing for its already locked-in impacts. This would be funded through a 'climate damage compensation levy' of $1 per tonne of carbon dioxide for all coal, gas and oil produced in Australia.

The scale of the problem

WHAT IS UNINSURANCE AND UNDERINSURANCE?

Using the HILDA survey, Australian households can be roughly divided into four 'insurance categories':

- Fully insured – owner-occupiers with building insurance that covers a complete rebuild of the home.
- Underinsured – owner-occupiers with building insurance that only partially covers a complete rebuild of the home.
- Uninsured – owner-occupiers without building insurance.
- Other – non-owner-occupiers, such as renters.

When referring to both underinsured and uninsured categories, this paper uses the term 'inadequately insured'.

It is standard practice for banks to require mortgagors to have full building insurance. For instance, the Commonwealth Bank of Australia requires that mortgagors:

> *must at all times maintain Building Insurance over all Security Property, other than vacant land, for an amount at least equal to the full replacement cost of any building and other improvements on the Security Property.*
>
> … [and]
>
> *The Building Insurance must cover fire, storm, flood, hail, cyclone and other building risks as we may reasonably specify in accordance with our usual credit standards.*[3]

If the mortgagor fails to meet this condition, they will either be in default, or the bank may adjust their interest rate.[4] Both ANZ and NAB have similar terms and conditions on their standard home loan terms and conditions.[5]

[3] Commonwealth Bank (2024) *Consumer Mortgage Lending Products Terms and Conditions*, https://www.commbank.com.au/content/dam/commbank/personal/apply-online/download-printed-forms/utc-home-loan.pdf

[4] Commonwealth Bank (2024) *Consumer Mortgage Lending Products Terms and Conditions*

[5] ANZ Bank (2024) *Consumer Lending: Terms and Conditions*, https://www.anz.com.au/content/dam/anzcomau/documents/pdf/consumer-lending-tc.pdf; National Australia Bank (n.d.) *Home Loan General Terms*, https://www.nab.com.au/content/dam/nabrwd/documents/terms-and-conditions/loans/home-loan-general-terms.pdf

HOW MANY HOUSEHOLDS ARE INADEQUATELY INSURED?

According to the latest results of the Melbourne Institute's Household, Income and Labour Dynamics in Australia (HILDA) Survey, in 2023, one in 20 Australian households (5.1%) was underinsured, and about one in 30 (3.3%) was uninsured. This is over 800,000 households and over 2 million people (Table 1).

Table 1: Australia by insurance status

Insurance Status	Number of households (est)	Number of people (est)
Fully insured	5,934,720	15,785,548
Other	3,675,086	8,239,330
Underinsured	533,229	1,337,811
Uninsured	344,523	813,735
Total	10,487,557	26,176,423

Source: Melbourne Institute. Figures rounded to the nearest whole number, meaning totals may not exactly equal the sum of components.

The cost of insurance is a leading reason for inadequate coverage. About half (46%) of underinsured households did not fully insure their building because insurance was seen as either too expensive, poor value for money, or both. Similarly, about half (51%) of uninsured households did not have building insurance because it was seen as either too expensive, poor value for money, or both.[6]

MORTGAGING WITHOUT INSURANCE

Among households with mortgages, about 237,000 are underinsured and 106,000 were uninsured.[7] Mortgages on underinsured homes were worth a total of $88.5 billion, while those on uninsured homes were worth $30.1 billion (Table 2). This amounts to nearly $119 billion in mortgages on inadequately insured properties, or nearly twice the total value of all the buildings and land owned by the Commonwealth Government ($65.6 billion).[8] Notably, this $119 billion only includes owner-occupiers; it does not include any underinsured or uninsured mortgages on investment properties.

[6] Melbourne Institute: Applied Economic & Social Research (2024) *Household, Income and Labour Dynamics in Australia Survey, General Release 23* (Wave 1-23), https://doi.org/10.26193/NBTNMV

[7] Melbourne Institute: Applied Economic & Social Research (2024) *Household, Income and Labour Dynamics in Australia Survey, General Release 23* (Wave 1-23)

[8] Australian Government (2025) *Budget 2025-26: Budget Strategy and Outlook, Budget Paper No. 1,* https://budget.gov.au/content/bp1/download/bp1_2025-26.pdf. Figure is for 2024-25.

Table 2: Total value of mortgages on inadequately insured properties

Mortgage Status	Average mortgage balance	Number of households	Total value
Underinsured	$373,774	236,649	$88,453,019,721
Uninsured	$283,424	106,160	$30,088,206,707
Total	N/A	342,808	$118,541,226,428

Source: Melbourne Institute

Risks to mortgagors

Inadequately insured mortgagors are at serious financial risk. A bank can decide to increase the payments required from households that breach their mortgage contracts by not having adequate insurance, or they can deem this as defaulting on the conditions of a loan, which can potentially result in the repossession of a home.[9] Inadequately insured homeowners risk substantial harm to their finances if their property is damaged or destroyed. Australia Institute research found that if the average 'middle Australian' household was not insured and lost their home in a flood, fire, or other natural disaster, they would lose about three-quarters (74.3%) of their overall wealth.[10]

Financial risk

Insurance is not primarily to protect homeowners against potential damage, but to ensure the financial safety of a bank's assets. Mortgage lending dominates the Australian financial system – housing loans make up two-thirds of what banks lend domestically.[11] This makes the financial safety of mortgages core to the stability of the overall Australian financial system. Impacts on the profitability and safety of mortgages can ripple through the financial system. This has the potential to affect the ability of households and businesses to borrow, which in a worst-case scenario could send the economy into recession. This risk was most dramatically realised in the United States' subprime mortgage crisis, which created the Global Financial Crisis.

In 2023, the total value of outstanding mortgages in Australia was $2.2 trillion.[12] This means that the $119 billion of inadequately insured mortgages accounts for about 5.4% of all mortgages.

[9] Commonwealth Bank (2024) *Consumer Mortgage Lending Products Terms and Conditions*

[10] The Australia Institute (2025) *Pay a fortune in premiums or risk losing everything – the brutal reality of Australia's insurance crisis*, https://australiainstitute.org.au/post/pay-a-fortune-in-premiums-or-risk-losing-everything-the-brutal-reality-of-australias-insurance-crisis/

[11] Morgan and Ryan (2024) *Recent Drivers of Housing Loan Arrears*, https://www.rba.gov.au/publications/bulletin/2024/jul/recent-drivers-of-housing-loan-arrears.html

[12] Australian Prudential Regulation Authority (2025) *Monthly Authorised Deposit-taking Institution Statistics*, https://www.apra.gov.au/monthly-authorised-deposit-taking-institution-statistics

UNDERESTIMATING THE PROBLEM

Other studies indicate that the scale of underinsurance and uninsurance in Australia is substantially higher than estimated by the HILDA survey. Australia Institute polling found that 15% of homeowners were underinsured — this is about double the rate indicated by the HILDA survey.[13] Similarly, an often-cited 2005 report from the Australian Securities and Investments Commission estimated that between 27% and 81% of consumers were underinsured for the cost of rebuilding by 10% or more.[14]

The Australian Competition and Consumer Commission estimated that, in 2016, more than one in ten (11%) homes in Australia were uninsured — this is more than three times the rate identified in HILDA (3.2%). According to that study, rates of uninsurance were as high as one in five households (20%) in northern Australia, almost half (48%) in the Northern Territory outside of Darwin and two in five (40%) in North Western Australia.[15]

Unlike the HILDA survey, these other studies did not identify what proportion of inadequately insured properties were covered by a mortgage. However, these studies suggest that the number and value of inadequately insured mortgages are likely to be higher, potentially substantially so, than the HILDA data indicates.

[13] The Australia Institute (2025) *Polling – Home & contents insurance*, https://australiainstitute.org.au/report/polling-home-contents-insurance/

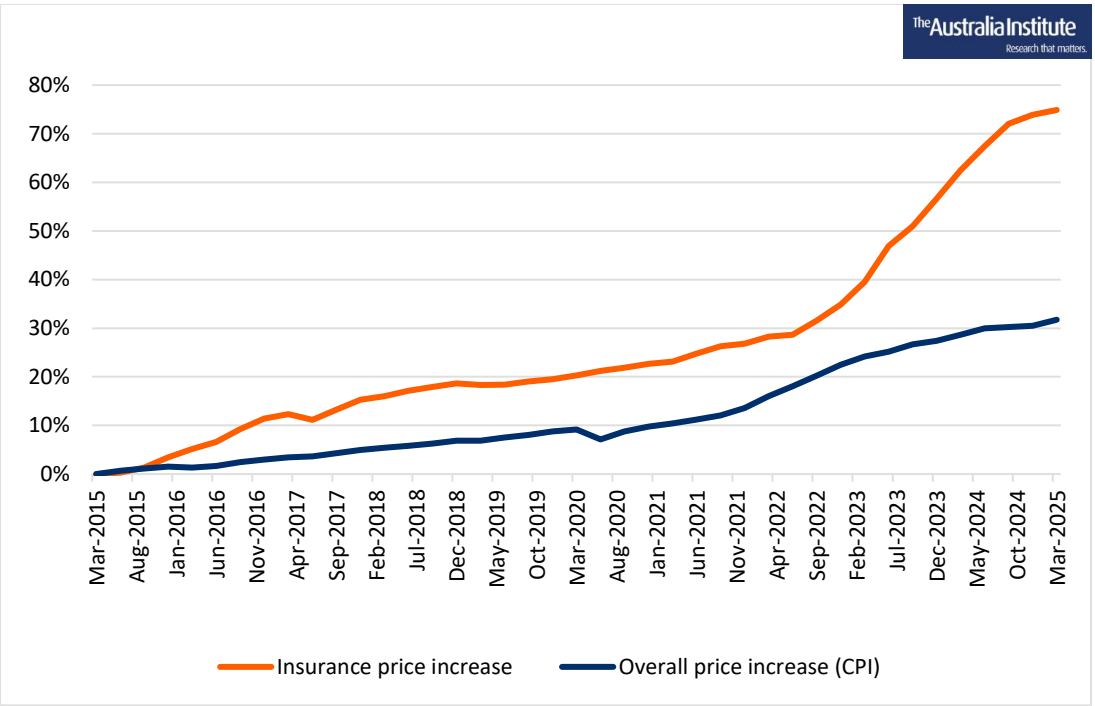
[14] Australian Securities and Investments Commission (2005) *Getting home insurance right: A report on home building underinsurance*, https://download.asic.gov.au/media/1348214/underinsurance_report.pdf

[15] Australian Competition and Consumer Commission (2020) *Northern Australia insurance inquiry - final report*, https://www.accc.gov.au/about-us/publications/northern-australia-insurance-inquiry-final-report

Climate change aggravates this crisis

Climate change is driving up insurance prices. Between 2022 and 2023, the average home insurance premium rose by 14% — this was the biggest increase in a decade.[16] Insurance prices have surged ahead of general inflation for some time, and, among the post-2022 inflationary surge, insurance prices grew twice as much as overall prices (Figure 1).

Figure 1: Price increases since March 2015, insurance and overall prices



Source: ABS (2025) Consumer Price Index, Australia, March Quarter 2025

The price of insurance essentially derives from:

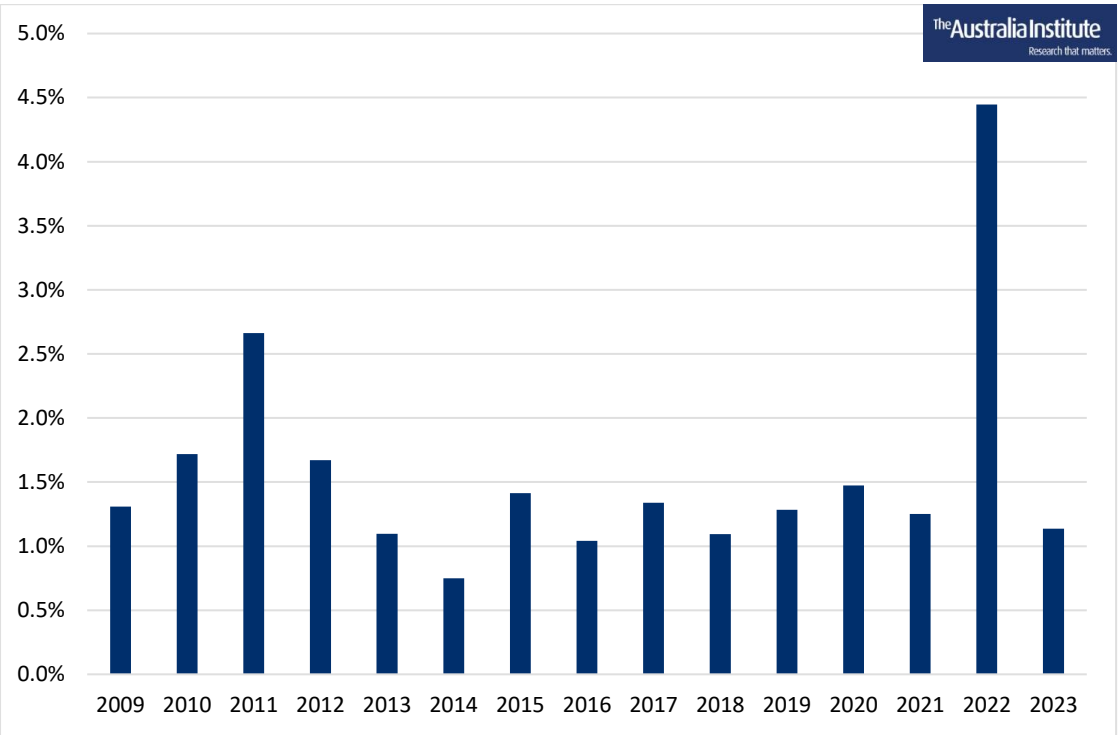
- the likelihood of damage – higher risks mean higher prices;
- the cost of rebuilding – more extensive damage or more expensive rebuilding processes mean higher prices;
- administrative costs; and
- profits made by the insurance company.

Climate change is exposing more people to weather-related disasters such as floods, bushfires, and cyclones. According to the HILDA survey, 2022 saw nearly one in 20 (4.4%) Australians — the highest proportion on record — experience the destruction of or damage

[16] Australian Prudential Regulation Authority (2023) *Quarterly general insurance performance statistics, August 2023*, https://www.apra.gov.au/quarterly-general-insurance-statistics

to their home due to weather-related disasters (Figure 2). This is the same year that floods swept Queensland, New South Wales, Victoria, Tasmania, and South Australia. The previous record, about one in 37 people (2.7%), was set in 2011, which saw flooding in Brisbane, Cyclone Yasi hit north Queensland, and severe storms (including the Christmas Day Hailstorm) in Melbourne.

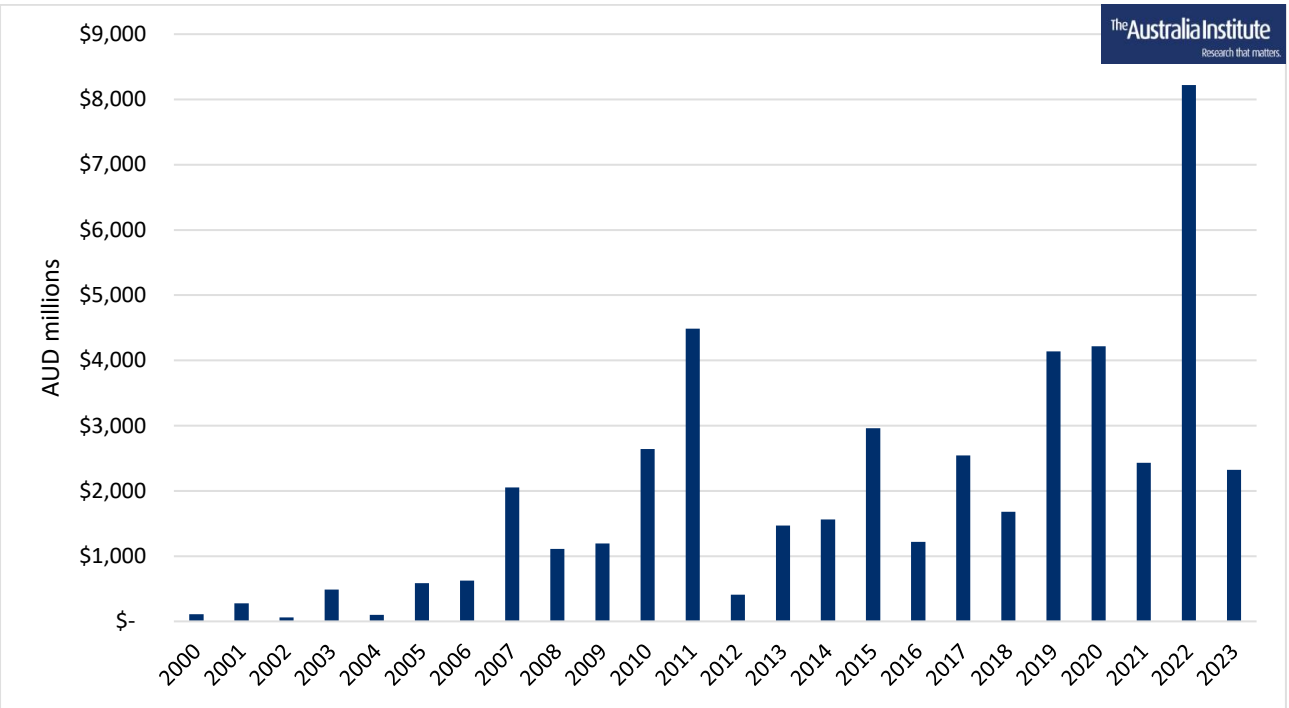
Figure 2: Proportion of homes that experienced disaster



Source: Melbourne Institute

As the risk of disaster has risen, so too have the costs of recovery. Figure 3 below shows that industry-wide insurance payouts reached a record $8 billion in 2022, primarily due to the floods in northern NSW and southern Queensland.

Figure 3: Estimated insurance payouts from catastrophes



Source: Insurance Council of Australia (2024) ICA Historical Catastrophe List

Since 2013, every year has seen more insured losses than the total combined losses from 2000 to 2004. The most recent five years for which data is available (2019-2023) saw over $20 billion of insurance payouts, or about $2,000 per household.[17] The largest single contributor to these payouts was the 2022 floods in northern NSW and southern Queensland, but this period also saw other significant and costly climate disasters such as the 2019 Far North Queensland Monsoonal Flood, the 2019-20 bushfires that affected large parts of Australia, and major hailstorms across the country.

Despite increasing premiums, the profitability of general insurance has declined in recent years. Data from the Australian Prudential Regulation Authority (APRA) shows that the profitability of housing insurance underwriting has been negative since 2019-20.[18] This is the result of a combination of higher building replacement costs, climate-change-driven catastrophes, and higher reinsurance costs. This means that consumers are likely to face ever-growing premiums as insurers look to improve their profitability in the face of worsening climate disasters.

[17] Australian Bureau of Statistics (2022) *Australian National Accounts: Distribution of Household Income, Consumption and Wealth*, https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-distribution-household-income-consumption-and-wealth/2021-22-financial-year

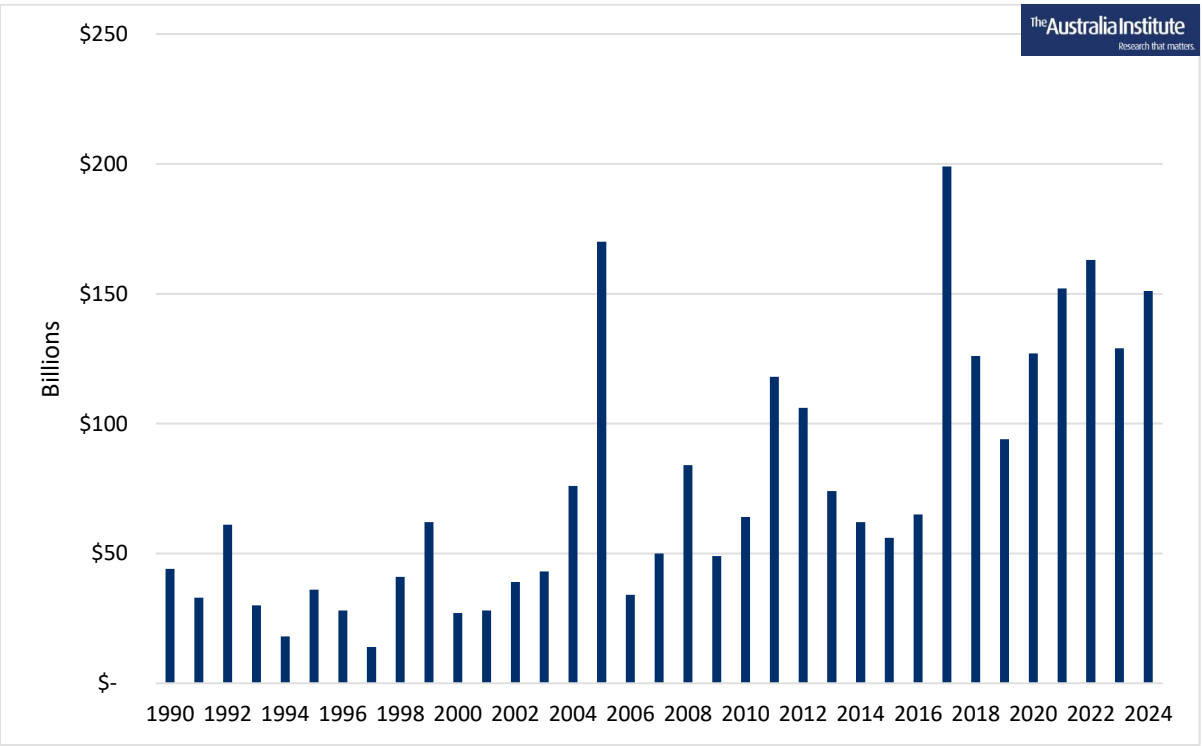
[18] Richardson, Long and Campbell (2024) *Premium price: The impact of climate change on insurance costs*

RISING INSURANCE COSTS ARE A GLOBAL ISSUE

These issues are not confined to Australia. All over the world, insurance costs are soaring because of climate change. Since 2019, extreme weather events and a heightened perception of the risks of climate change have sent the price of property insurance up worldwide.[19]

Insurance losses caused by climate disasters are rising globally (Figure 4). Even accounting for inflation, insured losses for the first five years of the 2020s were USD$722 billion globally, almost double the losses for the entire 1990s (USD$367 billion). 2017 saw the highest insured losses on record (USD$199 billion), driven by North American hurricanes (Maria, Irma and Harvey). This exceeded the previous high, which was set in 2005 (the year of Hurricanes Katrina and Wilma).

Figure 4: Global insured losses from weather/climate events, 2024 USD



Source: Gallagher Re (2025). Excludes non-atmospheric-driven natural catastrophes, such as earthquakes.

International reinsurance company Gallagher Re recognises this is partly due to climate change, noting:

[19] Morningstar Research (2022) *Escalating costs of climate change contributing to higher insurance premiums*, https://dbrs.morningstar.com/research/402678/escalating-costs-of-climate-change-contributing-to-higher-insurance-premiums

> *despite significant improvements in construction practices and quality of building material … the rate of loss increase must be at least partially linked to a change in hazard behavior that is overriding some of these built environment improvements.*[20]

2024 saw USD$151 billion worth of insured losses from weather-related disasters, including hurricanes in the USA (Helene, Milton, and Beryl) and floods in Spain and the Middle East.[21] Meanwhile, four months after the 2025 Los Angeles fires, insured losses have already topped USD$40 billion.[22]

Disasters in other parts of the world impact insurance payers in Australia. This is because Australian insurance companies take out their own insurance from the global 'reinsurance' market. In response to rising costs and risks across the world, reinsurers raise the price of reinsurance, which flows through to Australian insurance prices.[23]

CLIMATE PRESSURES WILL CONTINUE TO INTENSIFY

Analysis by the Climate Council shows that over 650,000 Australian properties (about one in 23) are already at 'high risk' of one or more hazards such as flooding, bushfires, coastal inundation, and tropical cyclones.[24] A further 1.55 million properties (or 1 in 10) are at moderate risk.[25] The most at-risk federal electorates are identified as:

1. Nicholls (Vic)
2. Richmond (NSW)
3. Maranoa (QLD)
4. Moncrieff (QLD)
5. Wright (QLD)
6. Brisbane (QLD)
7. Griffith (QLD)
8. Indi (Vic)
9. Page (NSW)
10. Hindmarsh (SA)[26]

[20] Gallagher Re (2025) *Natural Catastrophe and Climate Report: 2024*, https://www.ajg.com/gallagherre/-/media/files/gallagher/gallagherre/news-and-insights/2025/natural-catastrophe-and-climate-report-2025.pdf

[21] Gallagher Re (2025) *Natural Catastrophe and Climate Report: 2024*

[22] Gallagher Re (2025) *Natural Catastrophe and Climate Report: 2024*

[23] Huang (2024) *This is why your insurance premiums keep going up*, https://www.unsw.edu.au/newsroom/news/2024/09/this-is-why-your-insurance-premiums-keep-going-up;

[24] Climate Council (2025) *At Our Front Door: Escalating Climate Risks for Aussie Homes*

[25] Climate Council (2025) *At Our Front Door: Escalating Climate Risks for Aussie Homes*

[26] Climate Council (2025) *At Our Front Door: Escalating Climate Risks for Aussie Homes*

High-risk properties are at risk of becoming uninsurable, as insurance companies may be unwilling to provide cover, or only provide cover at prohibitively high prices.[27]

Climate change has already driven more properties into the high-risk category and, by 2050, more than 100,000 properties will be added to the high-risk category as climate risks intensify.[28] The rate at which this happens will depend on how quickly the planet manages to decarbonise.[29]

[27] Climate Council (2025) *At Our Front Door: Escalating Climate Risks for Aussie Homes*
[28] Climate Council (2025) *At Our Front Door: Escalating Climate Risks for Aussie Homes*
[29] Climate Council (2025) *At Our Front Door: Escalating Climate Risks for Aussie Homes*

Australia is pouring fuel on the fire

In the face of escalating climate risks, Australia continues to make the problem worse. Australia is the world's second-largest fossil fuel exporter in terms of CO_2 emissions. In 2023, Australia's fossil fuel exports were responsible for 1.15 billion tonnes of CO_2 emissions.[30] No matter where in the world Australian fossil fuels are burned, they contribute to the climate crisis. At home, Australian governments spend billions on fossil fuel subsidies each year – in 2024 these subsides were worth $14.9 billion.[31] Despite unequivocal messages from climate and energy experts that Australia needs to halt new and expanded fossil fuel projects to mitigate climate change, Australia is currently committed to 20 new or expanded fossil fuel extraction projects, valued at over $41 billion.[32]

Despite a recent boom in the gas industry, taxes and royalties from the industry have not kept up. Australian governments charge no royalties on 56% of the gas that is exported from Australia, including all the gas exported from the Northern Territory.[33] Meanwhile, the Petroleum Resource Rent Tax (PRRT), a special levy designed to make sure Australians benefit from the extraction of Australian gas and oil resources, continues to raise little revenue. Every year, Australia raises significantly more from student debt repayments than the PRRT, in 2023-24 it raised 4 times as much.[34]

CHOOSING A DIFFERENT PATH

By reducing emissions and adapting to already locked-in climate impacts, Australia has the opportunity to lower climate risks and make insurance cheaper. Halting the approval and expansion of fossil fuel projects, and eliminating fossil fuel subsidies, would be a start. The

[30] Grant and Hare (2024) *Australia's global fossil fuel carbon footprint*, https://ca1-clm.edcdn.com/publications/Aust_fossilcarbon_footprint.pdf

[31] Grudnoff and Campbell (2025) *Fossil fuel subsidies in Australia 2025*, https://australiainstitute.org.au/report/fossil-fuel-subsidies-in-australia-2025/

[32] Harvey (2021) *No new oil, gas or coal development if world is to reach net zero by 2050, says world energy body*, https://www.theguardian.com/environment/2021/may/18/no-new-investment-in-fossil-fuels-demands-top-energy-economist; Department of Industry, Science and Resources (2024) *Resources and energy major projects: 2024*, https://www.industry.gov.au/publications/resources-and-energy-major-projects-2024; Jericho (2024) *Plibersek's coalmine decision is double trouble for climate and housing*, https://www.theguardian.com/business/grogonomics/2024/oct/03/tanya-plibersek-coalmine-decision-climate-housing-emissions

[33] Ogge, Campbell and Verstegan (2024) *Australia's great gas giveaway*, https://australiainstitute.org.au/report/australias-great-gas-giveaway/

[34] Thrower (2025) *In 2023-24 Australians paid more than 4 times on HECS/HELP than gas companies did on PRRT*, https://australiainstitute.org.au/post/in-2023-24-australians-paid-more-than-4-times-on-hecs-help-than-gas-companies-did-on-prrt/

government could also move to raise money from the fossil fuel industry, which is responsible for the climate crisis, by increasing royalties or the PRRT, or even implementing new taxes or levies. The Australia Institute has long argued for a National Climate Disaster Fund, which would help pay for the costs of natural disaster response and recovery for Australian households, businesses, and taxpayers. This would be funded through a 'climate damage compensation levy' of $1 per tonne of carbon dioxide for all coal, gas and oil produced in Australia.[35] Alternatively, Professors Rod Sims and Ross Garnaut of the Superpower Institute have proposed a 'carbon solutions levy' on Australian fossil fuel extraction sites and imports, which could raise up to $100 billion in its first year.[36] Other options could include a polluter-pays tax, windfall profits taxes on oil and gas companies or levies on fossil fuel exports.[37] Many of these measures would serve the dual purposes of raising funds while also discouraging the production of the fossil fuels that exacerbate the climate crisis.

Funds raised by these taxes and levies could then be invested in mitigation and adaptation strategies that will be vital to limiting and managing climate risks. Significant investments, including in the industrial, residential, transportation and agricultural sectors, are needed for Australia to bring down emissions and to transition off fossil fuels. Meanwhile, climate adaptation strategies will be vital to managing the risks and impacts of the climate change that is already locked in. This will necessitate measures such as investments in strengthening public infrastructure, social services, and public health. In worst-case scenarios, it may become necessary to pay for whole communities to relocate.

[35] The Australia Institute (n.d.) *The National Climate Disaster Fund*, https://australiainstitute.org.au/initiative/the-national-climate-disaster-fund/

[36] Sims and Garnaut (2024) *Restoring Prosperity by Building the Superpower*, https://cdn.sanity.io/files/1pv5uha8/production/acd64198bc1248006ac829e4852c0c72b9e120e6.pdf

[37] Morison (2023) *Climate of the Nation 2023*, https://australiainstitute.org.au/report/climate-of-the-nation-2023/

Conclusion

The Melbourne Institute's HILDA survey indicates that hundreds of thousands of Australian households are already forced to choose between unaffordable home insurance and the risk of being ruined by a natural disaster. As banks in Australia hold over $100 billion in mortgages on inadequately insured properties, this uninsurance and underinsurance crisis poses a risk to the Australian economy. Other available evidence suggests that underinsurance and uninsurance are even more pervasive, which means the estimates in this paper are conservative.

This problem is only likely to get worse. As natural disasters increase in frequency and intensity because of climate change, insurance costs will continue to rise. As insurance becomes more expensive, more Australians will become underinsured and uninsured, and this puts the entire economy at risk. Unfortunately, Australian governments are only exacerbating these problems. By subsidising fossil fuels and facilitating their expanded extraction and export, current policies are accelerating the impacts of climate change. An alternative path is open to governments brave enough to take it: taxing the fossil fuel industry that is responsible for climate change. This would both discourage the extraction and burning of fossil fuels and raise revenue for a National Climate Disaster Fund to help pay for the costs of natural disaster response and recovery, and invest in mitigating the extent of climate change and preparing for its already locked-in impacts.

Appendix: Detailed HILDA results

Self-identified underinsured and uninsured households represent a relatively small proportion of the overall HILDA survey sample. This means that analyses of this subgroup are based on a small sample size and subject to large margins of error. The Australia Institute does not believe that this affects the general conclusions of the paper.

For transparency, more detailed results for all HILDA figures included in this report are provided below. All figures are rounded to one decimal point.

Table 3: Australia by insurance status

Insurance Status	Weighted Households	Households (95% Confidence Interval)	Weighted People	People (95% Confidence Interval)	Unweighted Sample Size
Fully insured	5,393,030.2	5,205,308.8, 5,580,751.7	14,410,205.8	13,718,652.7, 15,101,758.9	4,575
Other	3,339,643.5	3,179,388, 3,499,899	7,521,465.0	7,086,625, 7,956,305	2,887
Underinsured	484,558.9	426,659.7, 542,458.1	1,221,252.5	1,053,903.4, 1,388,600.7	420
Uninsured	313,076.4	253,098.4, 373,054.4	742,836.8	483,593, 1,002,080.6	251
No insurance status	957,248.2	864,613.8, 1,049,882.5	2,280,663.7	1,990,549.6, 2,570,777.9	795

Source: Melbourne Institute. Not all households were able to be assigned an insurance category, for instance, because they did not complete the questionnaire. To address this issue in the report, total household and population estimates were calculated using the full sample. These totals were then apportioned based on proportions observed in the subsample of households with an insurance category.

Table 4: Households identifying a cost-related reason for inadequate insurance

Insurance Status	Proportion with Cost Reason	95% Confidence Interval	Weighted Population (Households)	Unweighted Sample Size
Underinsured	46.0%	40%, 52%	222,920.1	420
Uninsured	51.4%	41.8%, 60.9%	160,771.3	251

Source: Melbourne Institute. Underinsured households are defined as having a cost reason if the household selected 'Full cover is too expensive' and/or 'Full cover is poor value for money' as a 'Reason building insurance will not cover complete rebuild of home'. Uninsured households are defined as having a cost reason if the household selected 'Too expensive: Cannot afford it' and/or 'Poor value for money' as a 'Reason home not covered by building insurance'.

Table 5: Proportion of underinsured and uninsured properties with mortgages

Insurance Status	Mortgage Status	Proportion in mortgage status category	95% Confidence Interval	Weighted Population (Households)	Unweighted Sample Size
Underinsured	No mortgage or missing	51.2%	45.1%, 57.3%	247,910.2	219
Underinsured	With mortgage	48.8%	42.7%, 54.9%	236,648.7	201
Uninsured	No mortgage or missing	66.1%	55.3%, 76.9%	206,916.7	179
Uninsured	With mortgage	33.9%	23.1%, 44.7%	106,159.7	72

Source: Melbourne Institute

Table 6: Total value of mortgages on inadequately insured properties

Insurance Status	Average (mean) Mortgage	95% Confidence Interval	Weighted Population (Households)	Unweighted Sample Size
Underinsured	$373,773.5	$326,260.7, $421,286.3	236,648.7	201
Uninsured	$283,423.9	$208,557.3, $358,290.6	106,159.7	72

Source: Melbourne Institute

Table 7: Proportion of homes that experienced disaster

Year	Proportion Experienced Disaster	95% Confidence Interval	Unweighted Sample Size
2009	1.30%	1%, 1.6%	15,894
2010	1.70%	1.4%, 2%	16,381
2011	2.70%	2.4%, 3%	21,169
2012	1.70%	1.4%, 2%	21,096
2013	1.10%	0.9%, 1.3%	21,159
2014	0.70%	0.4%, 1%	21,198
2015	1.40%	1.2%, 1.6%	21,213
2016	1.00%	0.8%, 1.2%	22,067
2017	1.30%	1.1%, 1.5%	22,012
2018	1.10%	0.9%, 1.3%	21,720
2019	1.30%	1.1%, 1.5%	21,883
2020	1.50%	1.1%, 1.9%	21,560
2021	1.30%	1.1%, 1.5%	21,198
2022	4.40%	4%, 4.8%	20,608
2023	1.10%	0.9%, 1.3%	20,749

Source: Melbourne Institute