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TasInsure Proposal – Insurance Affordability, Insurability and Long-Term Risk

Submission to the Tasmanian Government
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1. Introduction

The Committee for Greater Hobart welcomes the Tasmanian Government's engagement with the growing challenge of insurance affordability and insurability through the TasInsure proposal.

Insurance is increasingly a constraint on households, businesses, community organisations and events across Tasmania. The Government's willingness to explore policy responses in this space is timely, particularly in the context of climate change and global insurance and reinsurance market dynamics that are largely outside the State's direct control.

This submission offers observations and principles to help guide the development of TasInsure in a way that supports communities, strengthens economic confidence, protects the State's balance sheet, and contributes to long-term risk reduction.

2. The Context: Climate Change and Global Insurance Markets

Insurance pricing and availability in Tasmania cannot be considered in isolation. Premiums are increasingly driven by:

- Escalating structural and emerging risks including climate risk, particularly flood, bushfire, coastal and storm exposure[1]
- Global reinsurance market dynamics, where pricing, capacity and risk appetite are set internationally
- Capital volatility, as reinsurers respond to compounding losses from a range of structural and emerging risks across multiple geographies[2]

Recent global reinsurance assessments consistently show that climate-driven losses are no longer treated as rare or "tail" events. Instead, they are now embedded in baseline pricing assumptions, leading to sustained upward pressure on premiums, higher excesses, tighter terms and selective withdrawal from higher-risk markets.

Recent large-scale bushfires in Victoria and severe cyclone activity in Queensland further reinforce this trend. From a reinsurance perspective, these events are not viewed in isolation: losses in one jurisdiction influence pricing, capacity and risk appetite nationally

[1] https://www.swissre.com/institute/research/sonar/sonar2025.html
[2] https://www.swissre.com/press-release/2025-marks-sixth-year-insured-natural-catastrophe-losses-exceed-USD-100-billion-finds-Swiss-Re-Institute/f710c271-58c8-4c48-9004-05203634d1e0

and globally. As a result, insurance outcomes in Tasmania are increasingly affected by climate events occurring well beyond the State's borders.

These dynamics mean that insurance affordability pressures are structural rather than cyclical, and unlikely to resolve without deliberate, coordinated intervention and innovation across government, industry and community[3].

3. Evidence of Growing Risk to Households and Communities

National evidence confirms that climate change is already affecting insurance affordability and insurability.

The Climate Change Authority's *Home Safe* report[4] highlights rising risks and costs driven by climate impacts, estimated to grow to $8.7billion by 2050. Importantly, the report identifies underinsurance and insurance stress as a systemic risk to housing stability, financial resilience and long-term economic participation.

These findings align with global reinsurance research, which consistently concludes that without sustained investment in risk reduction and adaptation, insurance markets will continue to reprice risk in ways that disproportionately affect households, small businesses and community organisations[5].

4. Impacts Across the Tasmanian Economy and Community

The consequences of insurance stress are already evident across Tasmania:

- Households face escalating premiums that undermine housing affordability and financial security
- Small and medium businesses experience higher operating costs, reduced insurability and constrained investment
- Community organisations, cultural institutions and events struggle to obtain affordable or appropriate cover, threatening participation, vibrancy and social cohesion
- Local economies and precincts face reduced confidence where insurance availability becomes uncertain

These impacts extend beyond individual policyholders and increasingly affect economic activity, community wellbeing and place-based development outcomes.

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[3] https://www.weforum.org/stories/2026/01/an-insurance-virtuous-cycle-could-change-the-fight-against-climate-change/

[4] https://www.climatechangeauthority.gov.au/home-safe-national-leadership-adapting-changing-climate

[5] https://www.zurich.com/insights/business/strategies-for-building-resilience-in-a-more-volatile-world

5. Exposure of Critical State-Owned Infrastructure

In addition to impacts on private markets, climate-driven insurance and insurability challenges increasingly expose critical State-owned infrastructure to material risk.

Electrical networks, water and sewerage systems, transport corridors and associated assets are all vulnerable to extreme weather events including bushfire, flooding, storm surge and heat stress. Recent bushfires and cyclones nationally have highlighted how damage to essential infrastructure can result in cascading economic, social and fiscal impacts well beyond the immediate disaster footprint.

From an insurance and risk perspective, these assets represent concentrated, high-value exposures that sit directly on the State balance sheet. The adequacy, affordability and structure of insurance arrangements for these assets is therefore a core public interest issue.

6. Principles to Guide the TasInsure Approach

The Committee supports a response that is targeted, disciplined and strategic, guided by the following principles:

a) Segment-Specific Interventions and Innovation

TasInsure should avoid a one-size-fits-all approach and instead consider tailored interventions and new innovation for distinct segments, such as:

- Vulnerable households
- Small and medium businesses
- Community organisations and event operators
- High-risk locations or asset types

Different segments face different risk profiles, market failures and policy needs.

b) Partnership with Existing Insurance Providers

Where possible, TasInsure should work with existing insurers and intermediaries rather than displacing private markets. Potential mechanisms include:

- Risk-sharing or co-insurance arrangements
- Premium support or reinsurance backstops for defined cohorts
- State-enabled products delivered through established retail channels

This approach leverages existing expertise, avoids duplication and helps limit fiscal exposure.

c) Minimising Risk to the State Balance Sheet

Any government involvement in insurance markets carries inherent financial risk. TasInsure should therefore:

- Have clearly defined exposure limits
- Be supported by strong governance and actuarial oversight
- Avoid open-ended liabilities
- Be subject to regular review as risks evolve

This discipline is essential to maintaining public confidence and long-term viability.

7. The Role of Risk Intelligence and Local Capability

Tasmania has significant strengths in climate risk intelligence that can directly support better insurance and resilience outcomes.

Advanced bushfire mapping, spatial risk analysis and research partnerships between insurers and academic institutions[6] demonstrate how high-quality, place-based data can materially improve understanding of exposure, mitigation options and long-term risk trajectories[7].

Embedding this type of risk intelligence into TasInsure. and aligning it with planning, infrastructure and asset management decisions would help ensure the initiative complements, rather than substitutes for, long-term risk reduction.

8. The Importance of Long-Term Risk Reduction

Insurance affordability cannot be sustainably addressed through pricing mechanisms alone. Both national and global evidence consistently emphasise that reducing underlying risk is the most effective long-term lever. As the *Home Safe* report emphasises, every $1 invested in reducing climate risks can save up to $11 in recovery costs.

TasInsure should therefore consider interventions and innovation that is aligned with broader State strategies relating to:

- Land-use planning and development controls
- Infrastructure investment, maintenance and resilience upgrades
- Climate adaptation and resilience planning
- Building standards and retrofit programs
- Improved hazard mapping, data transparency and risk disclosure

Strategic decisions made today, particularly around where and how Tasmania grows and invests, will materially shape future insurance costs, availability and fiscal exposure for decades.

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[6] Eg. https://firecentre.org.au/research/

[7] See also https://www.geoneon.com

9. Conclusion

Insurance affordability and insurability are no longer narrow market issues. They are emerging as structural challenges with far-reaching implications for housing security, business viability, community participation, infrastructure investment and public finances.

Climate change, global reinsurance dynamics and compounding loss events are reshaping how risk is priced and who can access protection, often in ways that sit beyond the control of individual households, businesses or jurisdictions.

For Tasmania, this raises fundamental questions about how risk is understood, reduced and shared over time. Decisions about land use, infrastructure investment, building standards, adaptation and resilience will increasingly shape future insurance outcomes.

Without a coordinated, long-term approach to managing exposure, affordability pressures are likely to intensify, with flow-on effects for economic confidence, social cohesion and the State's balance sheet.

The current discussion presents an opportunity to elevate insurance from a technical or sector-specific concern to a core consideration in long-term planning and risk governance. A mature response will require careful consideration of where public intervention may be appropriate, where market mechanisms should be supported or adapted, and how future liabilities are managed in the public interest.

The Committee for Greater Hobart supports continued, evidence-based discussion on these issues and encourages a focus on long-term risk reduction, resilience and informed decision-making to help ensure Tasmania remains a place where people can live, invest and participate with confidence.

Yours sincerely,



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