



Monday 26 August 2024

Steeper home insurance premiums have caused the number of Australian households experiencing home insurance affordability stress to rise by 30% to 1.6 million in the past year, a new report published by the Actuaries Institute today shows.

The [Home Insurance Affordability and Home Loans at Risk](#) Report found these households spend an average of 9.6 weeks of their gross income on home insurance, which is seven times more than the average household.

Overall, the proportion of “affordability stressed” households – those facing home insurance premiums that are more than one month’s gross annual income – rose to 15% in the year to March 2024 from 12% the previous year.

The report, commissioned by the Actuaries Institute and authored by Finity actuaries, said affordability pressures had worsened following a 9% rise in median insurance premiums. Properties facing the 5% of highest premiums, typically due to floods and cyclones, endured the steepest rise in premiums, up by more than 30%.

The report’s lead author Sharanjit Paddam said: “While insurance remains generally affordable for 85% of households, it’s concerning that there’s now 1.6 million households struggling to afford to insure their homes, up from 1.24 million a year ago.

“This is because increases in premiums are outpacing wages growth. Unfortunately, we expect this will continue because of the overall increasing risk of natural disasters associated with climate change, which will continue to put upward pressure on premiums.”

Southeast Queensland has the largest number of households with extreme affordability pressure, reflecting high population growth in recent decades. However, southwest Queensland and NSW’s Northern Rivers, regional Western Australia and the Northern Territory have the largest proportion of households with extreme affordability pressure. Half the population in these areas face home insurance premiums that exceed a month’s income due to their high flood and cyclone risk.

Given the rise in affordability-stressed households, the report’s authors analysed the potential flow on effects to Australia’s \$2.3 trillion home loan market. An estimated 5% of Australian households with a mortgage face home insurance affordability stress. For these households, their average home insurance premium is \$5,216 a year – more than double the \$2,124 average premium.

Mr Paddam said: “These 180,000 households with home insurance affordability stress represent about \$57 billion worth of home loans. If their home is damaged by a natural disaster and they either don’t have insurance or are underinsured they could find themselves in a stressful financial situation. So, this is potentially a problem that’s bigger than just insurance. It’s also a problem for lenders, regulators and governments. The risks for them are only going to rise as we face more climate-related natural disasters and increasing issues with insurance affordability.”

The Actuaries Institute is encouraging governments, insurers, lenders and investors to collaborate on sustainable finance measures such as resilience loans and bonds.

Actuaries Institute CEO Elayne Grace said: “We know as a country we need to manage the risk of the changing climate. Sustainable finance should be part of the solution. It creates a path forward for households, investors, insurers and lenders, and allows government to focus on households in most need and community-level measures.”

[Sharanjit Paddam is available for interview.](#)

For media inquiries, please contact:

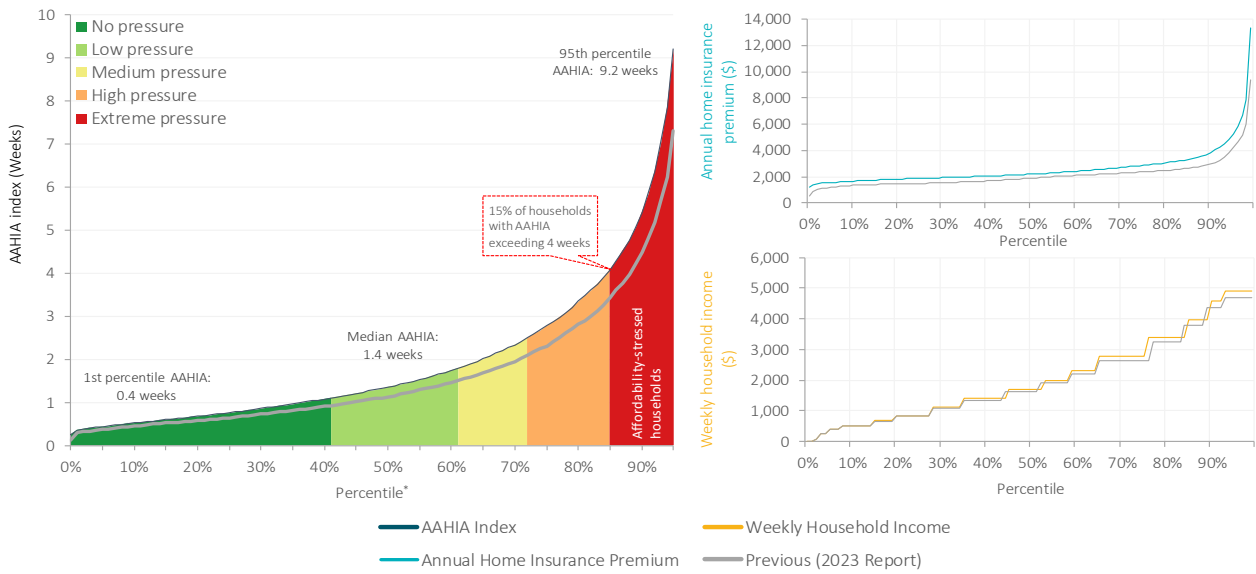
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About the Actuaries Institute and the Profession

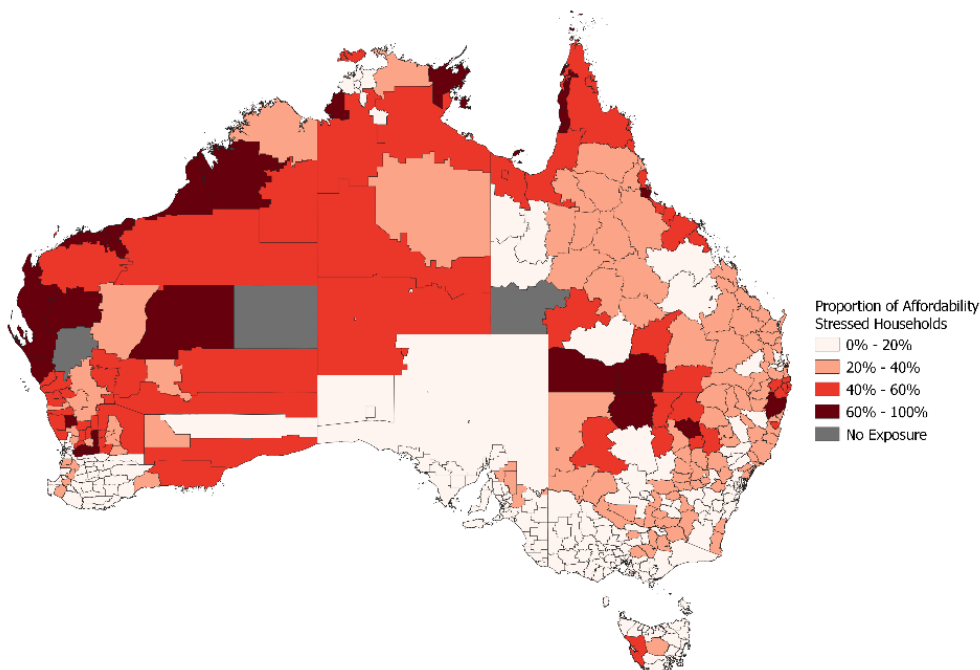
As the peak professional body in Australia, the Actuaries Institute represents the profession to government, business and the community, and serves the public interest by using data for good.

Actuaries use data for good by harnessing the evidence to navigate into the future and make a positive impact. They think deeply about the issue at hand, whether it's advising on commercial strategy, influencing policy, or designing new products. Actuaries are adept at balancing interests of stakeholders, clients, and communities. They're called upon to give insight on complex problems, they'll look at the full picture. Actuaries analyse the data and model scenarios to form robust and outcome-centred advice.

Australian Actuaries Home Insurance Affordability Index (AAHIA) by percentile



Proportion of affordability-stressed households by LGA



Households by AAHIA Pressure Band

Pressure Band	AAHIA (Weeks)	Households (m)		% of households		Home Insurance Premium 2024		Sum Insured 2024	
		2023	2024	2023	2024	Total (\$b)	Average (\$)	Total (\$t)	Average (\$000s)
No Pressure	0 to 1.1	5.1	4.3	49%	41%	9.4	2,182	2.95	688
Low Pressure	1.1 to 1.8	2.0	2.1	19%	20%	5.4	2,525	1.46	687
Medium Pressure	1.8 to 2.5	0.9	1.1	9%	11%	3.1	2,739	0.78	686
High Pressure	2.5 to 4	1.1	1.3	11%	13%	3.8	2,875	0.90	679
Extreme Pressure	4+	1.2	1.6	12%	15%	7.4	4,613	1.14	707
Total		10.3	10.5	100%	100%	29.1	2,774	7.23	689

Households with home loans by home insurance affordability band

Pressure band	Households			Loan balance			Sum Insured		Premium	
	(m)	%	Total (\$b)	%	Average (\$000s)	Total (\$t)	Average (\$000s)	Total (\$b)	Average (\$)	
No Pressure	2.37	63%	1,737	77%	733	1.29	546	4.13	1,741	
Low Pressure	0.72	19%	316	14%	439	0.41	566	1.59	2,218	
Medium Pressure	0.26	7%	93	4%	354	0.15	566	0.67	2,560	
High Pressure	0.21	6%	65	3%	303	0.12	562	0.61	2,846	
Extreme Pressure	0.18	5%	57	3%	309	0.10	570	0.96	5,216	
Total	3.75	100%	2,267	100%	605	2.07	553	7.96	2,124	

Proportion of home loans at risk

