Parliamentary
Budget Office

ECR-2025-3664

Cheaper insurance in a climate crisis	
Party:	Australian Greens

Summary of proposal:

The proposal would implement the following:

- **component 1:** expand affordable insurance options, on an ongoing basis, by broadening the Cyclone Reinsurance Pool (CRP) to cover all natural disasters
- **component 2:** ensure fossil fuel companies contribute to disaster costs by legislating their contributions to the CRP and the Disaster Ready Fund (DRF)
- **component 3:** increase transparency in insurance pricing by empowering the Australian Competition and Consumer Commission (ACCC) to monitor and report on premium prices quarterly and requiring insurers to provide clear breakdowns of premium costs and adjustments with $50 million in funding
- **component 4:** commit $10 million in departmental funding in 2025-26 (non-ongoing) to provide better access to disaster risk information by establishing a public national disaster risk map and database through the Australian Climate Service (ACS) and National Emergency Management Agency (NEMA)
- **component 5:** reduce insurance costs by incentivising state governments to abolish house and car insurance stamp duty.

Components 1, 2, 3 and 4 of the proposal would take effect from 1 July 2025.

Component 5 would take effect from 1 July 2026.

Additional information (based on further advice provided):

For component 3, the funding is split evenly over 10 years.

Under component 5, the federal government would provide ongoing grants to the states and territories equal to the projected value of their revenue from stamp duty on insurance, conditional on state and territory governments abolishing stamp duty on insurance.

Insurance products covered by the proposal would include:

- houseowner or householder insurance
- domestic motor vehicle insurance
- compulsory third party (CTP) motor vehicle insurance.

Costing overview

The proposal would be expected to decrease the fiscal balance by around $14.3 billion and the underlying cash balance by around $13.9 billion over the 2025-26 Budget forward estimates period (see Table 1). In order of significance, this impact reflects:

- an increase in administered expenses from the proposed grant payments to the states and territories
- an increase in tax revenue due to reduced tax deductions relating to insurance premiums
- a small increase in departmental expenses.

The fiscal balance and underlying cash balance differ due to the timing of the grant payments to the states and territories.

The proposal would be expected to have an impact beyond the 2025-26 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2035-36 is provided at Attachment A.

Table 1: Cheaper insurance in a climate crisis – Financial implications ($m)[(a)(b)]

	2025-26	2026-27	2027-28	2028-29	**Total to 2028-29**
Fiscal balance	-15.0	-4,595.4	-4,736.4	-4,982.4	**-14,329.2**
Underlying cash balance	-15.0	-4,215.4	-4,716.4	-4,962.4	**-13,909.2**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) PDI impacts are not included in the totals.

Uncertainties

Component 1

The Parliamentary Budget Office (PBO) is unable to quantify the financial impacts of this component of the proposal due to the significant uncertainty around the severity and frequency of natural disasters. The Cyclone Reinsurance Pool (CRP) is currently included in the Budget as an unquantifiable contingent liability. This means that while the government cannot provide an accurate estimate of how much it will cost, it acknowledges that this policy may lead to an increase in payments. The reinsurance pool is intended to be cost-neutral over time, so this proposal would not be expected affect the underlying cash or fiscal balances, even though it increases the magnitude of the risk.

The PBO has not made any assessment of the relative risk of natural disasters in different areas, which would affect the premiums paid for different policies.

Component 2

The scope of the legal powers to require certain companies to contribute to a pool and the implications of these powers have not been assessed, as the power was specified but there is no available information on how that power would be exercised nor the extent of their exercise.

Due to the uncertainty around the nature of the proposed legislation and the financial contributions that would be required from fossil fuel companies to the CRP and DRF, the PBO is unable to assess the impact of these proposed financial contributions. As such, the impact of this component is unquantifiable.

Components 3 and 4

The PBO has not made any assessment as to whether the specified funding would be sufficient to meet the objectives of the proposal.

Component 5

The financial implications are sensitive to the state and territory forecasts for the collection of insurance stamp duty over the forward estimates, and whether the states and territories will maintain their current policy settings in light of this proposal.

Key assumptions

Component 2

As Australian Government departments are resourced to draft legislation in the course of their usual activities, no additional departmental resourcing would be required to fulfill this part of the proposal.

Components 3 and 4

All funding is considered to be departmental in nature.

Component 5

- The Commonwealth and States and Territory governments would be able to reach the necessary agreements and pass the relevant legislative changes before the proposed policy start date to support the implementation of the proposal and the removal of stamp duty on insurance premiums.
- The grant payments to states and territories would occur monthly via a claims process.
  - Due to the monthly payment process, there would be a timing difference between the financial impact of these payments on the fiscal balance and the underlying cash balance.
- The states and territories will make changes to the way they receive data from insurers to calculate the notional insurance stamp duty on premiums, to then inform the federal Department of the Treasury (Treasury).
- In the absence of the proposal, state and territory revenue from stamp duty on insurance would grow in line with current budget forecasts over the forward estimates period. Over the medium term, stamp duty revenue would grow in line with the total average growth over the forward estimates period.
  - Grants paid would be 5% higher than current state and territory forecasts for revenue from insurance stamp duty, accounting for possible stamp duty changes that might be implemented before an agreement is reached.
- Insurance providers would pass the savings from the reduction in stamp duty on to their customers through reduced premiums.
- Premiums on insurance products relating to running a business would be 100% tax deductible.

- Premiums relating to individuals would be tax deductible where they relate to owning a rental property or work-related car expenses (claimed via the logbook method).
- Treasury would need a small amount of additional departmental resourcing to administer the grants.
- The proportion of stamp duty revenue raised from each type of insurance would be proportional to distribution of premiums paid across insurance types.

Methodology

All Components

Financial implications were rounded consistent with the PBO's rounding rules.[1]

Component 1

Component 1 was deemed unquantifiable due to the significant uncertainty around the severity and frequency of natural disasters.

Component 2

Component 2 was deemed unquantifiable due to the uncertainty around the nature of the proposed legislation and the financial contributions that would be required from fossil fuel companies to the CRP and DRF.

Components 3 and 4

Funding was capped at a fixed amount, distributed as specified in the proposal from the commencement date onwards.

Component 5

The expense component of the proposal was estimated by taking the states' and territories' forecasts for insurance stamp duty and applying the assumed 5% uplift. Data used for states' insurance stamp duty was at an aggregated level. As such, data from Australian Prudential Regulation Authority (APRA) Quarterly general insurance performance statistics database was used to estimate an apportionment of stamp duty for homeowners and householder, domestic motor vehicle, and CTP motor vehicle insurance policies.

The reduction in personal and company income tax deductions for insurance premiums was calculated by multiplying the relevant average tax rate by the total projected volume of deductible premiums. Yearly gross written insurance premiums by product were allocated between individual and business taxpayers. Adjustments were then made to account for only those insurance premiums which would relate to income producing activities. These deductions would have an impact when tax returns are lodged at the end of the tax year.

Departmental costs were calculated using the PBO's departmental costs calculator.

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[1] https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules

Data sources

ABS (Australian Bureau of Statistics) (2022), *Estimated dwelling stock*, ABS website, Australian Government, accessed 20 May 2025.

ACT Government (2024) *Budget 2024-25*, ACT Government website, accessed 20 May 2025.

APRA (Australian Prudential Regulation Authority) (2023) *Quarterly general insurance performance statistics database From September 2023 to September 2024*, APRA website, Australian Government, accessed 19 May 2025.

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Commonwealth Grants Commission (2020), Report on GST Revenue Sharing Relativities - 2020 Review, Australian Government, Chapter 9.

Commonwealth of Australia (2025) *Pre-election Economic and Fiscal Outlook 2025,* Commonwealth of Australia.

Department of Infrastructure, Transport, Regional Development, Communications and the Arts (2023), Bureau of Infrastructure and Transport Research Economics Road Vehicles report, Australian Government.

Government of South Australia (2024) *2024-25 State Budget Paper 3 – Budget Statement*, SA Government website, accessed 20 May 2025.

Government of Western Australia (2024) *2024-25 Budget Paper No. 3 – Economic and Fiscal Outlook*, Government of Western Australia website, accessed 20 May 2025.

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Northern Territory Government (2024) *2024-25 Budget Paper No. 2 – Budget Strategy and Outlook*, Northern Territory Government website, accessed 20 May 2025.

Queensland Government (2024) *2024-25 Budget Paper No. 2 – Budget Strategy and Outlook*, Queensland Government website, accessed 20 May 2025.

Tasmanian Government (2024) *2024-25 Budget Paper No. 1*, Tasmanian Government website, accessed 20 May 2025.

Victoria State Government (2024) *2024-25 Victorian Budget Paper No. 5 – Statement of Finances*, Victoria State Government website, accessed 20 May 2025.

Attachment A – Cheaper insurance in a climate crisis – Financial implications

Table A1: Cheaper insurance in a climate crisis – Fiscal balance ($m)[(a)(b)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	**Total to 2028-29**	**Total to 2035-36**
Revenue													
Administered tax													
Component 2 - Legislate fossil fuel company contributions to CRP and the DRF	*	*	*	*	*	*	*	*	*	*	*	*	*
Component 5 - Reduction in income tax deductions from affected insurance premiums	-	-	89.0	93.0	97.0	101.0	105.0	109.0	114.0	119.0	124.0	***182.0***	***951.0***
Total – revenue	*	*	**89.0**	**93.0**	**97.0**	**101.0**	**105.0**	**109.0**	**114.0**	**119.0**	**124.0**	**182.0**	**951.0**
Expenses													
Administered													
Component 1 - Expand the coverage of the CRP	*	*	*	*	*	*	*	*	*	*	*	*	*
Component 5 - Stamp duty reimbursement to states and territories	-	-4,590.0	-4,820.0	-5,070.0	-5,330.0	-5,600.0	-5,890.0	-6,180.0	-6,500.0	-6,820.0	-7,170.0	***-14,480.0***	***-57,970.0***
Total – administered	***0.0***	***-4,590.0***	***-4,820.0***	***-5,070.0***	***-5,330.0***	***-5,600.0***	***-5,890.0***	***-6,180.0***	***-6,500.0***	***-6,820.0***	***-7,170.0***	***-14,480.0***	***-57,970.0***
Departmental													
Component 3 - ACCC	-5.0	-5.0	-5.0	-5.0	-5.0	-5.0	-5.0	-5.0	-5.0	-5.0	-	***-20.0***	***-50.0***
Component 4 - ACS and NEMA	-10.0	-	-	-	-	-	-	-	-	-	-	***-10.0***	***-10.0***
Component 5 - Treasury	-	-0.4	-0.4	-0.4	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	***-1.2***	***-4.7***
Total – departmental	***-15.0***	***-5.4***	***-5.4***	***-5.4***	***-5.5***	***-5.5***	***-5.5***	***-5.5***	***-5.5***	***-5.5***	***-0.5***	***-31.2***	***-64.7***
Total – expenses	**-15.0**	**-4,595.4**	**-4,825.4**	**-5,075.4**	**-5,335.5**	**-5,605.5**	**-5,895.5**	**-6,185.5**	**-6,505.5**	**-6,825.5**	**-7,170.5**	**-14,511.2**	**-58,034.7**
Total (excluding PDI)	**-15.0**	**-4,595.4**	**-4,736.4**	**-4,982.4**	**-5,238.5**	**-5,504.5**	**-5,790.5**	**-6,076.5**	**-6,391.5**	**-6,706.5**	**-7,046.5**	**-14,329.2**	**-57,083.7**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) This costing includes an unquantifiable aspect.

* Unquantifiable – not included in totals.

\- Indicates nil.

Table A2: Cheaper insurance in a climate crisis – Underlying cash balance ($m)[(a)(b)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Revenue													
Administered tax													
Component 2 - Legislate fossil fuel company contributions to CRP and the DRF	*	*	*	*	*	*	*	*	*	*	*	*	*
Component 5 - Reduction in income tax deductions from affected insurance premiums	-	-	*89.0*	*93.0*	*97.0*	*101.0*	*105.0*	*109.0*	*114.0*	*119.0*	*124.0*	***182.0***	***951.0***
Total – revenue	*	*	**89.0**	**93.0**	**97.0**	**101.0**	**105.0**	**109.0**	**114.0**	**119.0**	**124.0**	**182.0**	**951.0**
Expenses													
Administered													
Component 1 - Expand the coverage of the CRP	*	*	*	*	*	*	*	*	*	*	*	*	*
Component 5 - Stamp duty reimbursement to states and territories	-	*-4,210.0*	*-4,800.0*	*-5,050.0*	*-5,310.0*	*-5,580.0*	*-5,870.0*	*-6,160.0*	*-6,470.0*	*-6,790.0*	*-7,140.0*	***-14,060.0***	***-57,380.0***
Total – administered	*	***-4,210.0***	***-4,800.0***	***-5,050.0***	***-5,310.0***	***-5,580.0***	***-5,870.0***	***-6,160.0***	***-6,470.0***	***-6,790.0***	***-7,140.0***	***-14,060.0***	***-57,380.0***
Departmental													
Component 3 - ACCC	*-5.0*	*-5.0*	*-5.0*	*-5.0*	*-5.0*	*-5.0*	*-5.0*	*-5.0*	*-5.0*	*-5.0*	-	***-20.0***	***-50.0***
Component 4 - ACS and NEMA	*-10.0*	-	-	-	-	-	-	-	-	-	-	***-10.0***	***-10.0***
Component 5 - Treasury	-	*-0.4*	*-0.4*	*-0.4*	*-0.5*	*-0.5*	*-0.5*	*-0.5*	*-0.5*	*-0.5*	*-0.5*	***-1.2***	***-4.7***
Total – departmental	***-15.0***	***-5.4***	***-5.4***	***-5.4***	***-5.5***	***-5.5***	***-5.5***	***-5.5***	***-5.5***	***-5.5***	***-0.5***	***-31.2***	***-64.7***
Total – payments	**-15.0**	**-4,215.4**	**-4,805.4**	**-5,055.4**	**-5,315.5**	**-5,585.5**	**-5,875.5**	**-6,165.5**	**-6,475.5**	**-6,795.5**	**-7,140.5**	**-14,091.2**	**-57,444.7**
Total (excluding PDI)	**-15.0**	**-4,215.4**	**-4,716.4**	**-4,962.4**	**-5,218.5**	**-5,484.5**	**-5,770.5**	**-6,056.5**	**-6,361.5**	**-6,676.5**	**-7,016.5**	**-13,909.2**	**-56,493.7**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) This costing includes an unquantifiable aspect.

* Unquantifiable – not included in totals.

\- Indicates nil.

Table A3: Cheaper insurance in a climate crisis – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances ($m)[(a)(b)(c)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	**Total to 2028-29**	**Total to 2035-36**
Fiscal balance	..	*-90.0*	*-300.0*	*-520.0*	*-770.0*	*-1,050.0*	*-1,340.0*	*-1,670.0*	*-2,030.0*	*-2,420.0*	*-2,840.0*	***-910.0***	***-13,030.0***
Underlying cash balance	..	*-70.0*	*-250.0*	*-470.0*	*-710.0*	*-980.0*	*-1,270.0*	*-1,590.0*	*-1,940.0*	*-2,320.0*	*-2,730.0*	***-790.0***	***-12,330.0***

(a) As this table is presented as a memorandum item, these figures are not reflected in the totals above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary.[2]

(b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(c) This costing includes an unquantifiable aspect.

.. Not zero but rounded to zero.

[2] Online budget glossary – Parliamentary Budget Office (pbo.gov.au)