CLIMATE ADAPTATION PROJECT

Research paper 4

Who should pay for climate insurance?

Clive Hamilton[1]

This research paper is the fourth in a series reporting the results of a new public opinion survey exploring what Australians think and how they feel about life on a warmer planet, and how to prepare for it. Carried out by Roy Morgan Research for Clive Hamilton, Professor of Public Ethics at Charles Sturt University in Canberra, the survey sampled the views of almost 2,000 adults, chosen to be representative of the Australian population. An overview of the survey method can be found at the end of this paper, with full details available in a separate technical report.

Summary

Half of Australian homeowners say that rising home insurance premiums are having a negative effect on their feelings of financial security, with those paying off a mortgage feeling more insecure. Those with high exposure to extreme weather events are substantially more likely to feel insecure than those with no exposure.

When asked whether they are considering terminating their home insurance policy due to rising premiums, one in ten said they are, with homeowners exposed to extreme weather events more likely. High premiums amplify the trauma left from living through disasters. One in seven homeowners say rising premiums are forcing them to reconsider where they can afford to live. The percentage is higher among those exposed to extreme weather and much higher among those already feeling insecure about climate change in general. We are seeing a change in the map of 'liveable Australia.'

Three quarters of Australians believe insurance companies are using extreme weather events as an excuse to raise home insurance premiums excessively. The same view is held irrespective of the party they voted for. Half of the population supports a levy on carbon

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polluting industries to fund rising home insurance premiums in disaster-prone areas. However, political differences are sharp.

Public opinion is divided fairly evenly over whether people living in disaster prone areas who can't get home insurance should just move somewhere else rather than ask for subsidies. Women and people with high exposure to extreme weather have more empathy, as do those more concerned about climate change. Greens voters have most empathy while One Nation voters take the harshest view. The survey shows how the traditional division between neoliberal individualism and social welfare solidarity is playing out in the climate risk arena, suggesting a new moral axis that might be called 'climate solidarity.'

Introduction

Insurance industry figures privately admit that they withdraw cover in disaster-prone towns rather than risk reputational damage from charging very high premiums.[2] A major insurer reports that 'the vast majority of homeowners exposed to material flood risk are non-insured or underinsured' usually because they cannot afford the premium.[3] In northern NSW, 90% of those most prone to flood risk are uninsured with many cancelling their insurance after the 2022 floods.[4]

Property values fall sharply when owners cannot obtain insurance because banks will not allow mortgages on the properties. The problem will grow and ramify throughout the financial system. The CEO of global insurance group Allianz, Günther Thallinger, warned this year that entire regions are becoming uninsurable due to climate change, posing a system risk to the entire financial sector.[5] If the Earth warms by 3ºC, wrote Thallinger ,'the financial sector as we know it ceases to function. And with it, capitalism as we know it ceases to be viable.'

In the meantime, there is pressure on governments to subsidise premiums for homeowners and businesses who cannot obtain insurance or only at very high cost. In 2021 the Morrison government announced a $10 billion reinsurance fund to, in effect, subsidise homeowners

[2] Personal communication to the author, 5 December 2023.
[3] Allianz, Inquiry into Insurers' Response to the 2022 Floods, Submission November 2023, p. 19 (https://tinyurl.com/ysbschnt).
[4] Households with insurance costs more than four weeks of gross household income, known as 'affordability-stressed' households, increased to 1.61 million in the year to March 2024, up 15% for the year. S. Paddam et al., *Home Insurance Affordability and Home Loans at Risk*, Actuaries Institute, 2024.
[5] Günther Thallinger, LinkedIn post, March 25, 2025. See https://tinyurl.com/mr4ubcuw

and small businesses for cyclone and flood-related damage in north Queensland.[6] Mayors elsewhere began clamouring for their areas to be included.[7]

The Productivity Commission warned against this approach arguing that it is likely to reduce incentives to avoid risk and encourage development in disaster-prone regions. Reinsurance companies have said that subsidising homeowners to pay for their insurance against natural disasters is the worst policy.[8] Several high-cost events in a year would break the budget, demanding higher taxes or austerity.

Premium pain

The survey shows that half of Australian homeowners (49%) say that rising home insurance premiums are having a negative effect on their feelings of financial security.[9] There is little variation in this sentiment across household income groups, except for those at the top with incomes over $250,000 per year, among whom only 32% say high premiums are making them feel less financially secure. However, those paying off mortgages are more likely to be feeling the pain than those who own their homes outright (56% versus 43%).

The pain of rising premiums does not vary much across voting preferences, except for One Nation voters, 64% of whom say they feel less financial security due to rising premiums compared, for example, to 44% of Liberal Party voters.

As we would expect, homeowners who have had high exposure to extreme weather events (and therefore have probably seen their premiums increase by most) are substantially more likely to have feelings of insecurity than those with no exposure (58% versus 37%).

To identify those in most difficulty, we asked respondents whether they are considering terminating their home insurance policy due to rising premiums. Nine per cent agree or strongly agree that they are thinking about terminating. Naturally, homeowners who have had

[6] Productivity Commission, *Barriers to Effective Climate Change Adaptation*, Inquiry report no. 59, 19 September 2012, pp. 319–21.
[7] Mark Ludlow and Tess Bennett, 'Push to extend $10b reinsurance pool into northern NSW', *Australian Financial Review*, online, 31 March 2022.
[8] Mark Ludlow and Liam Walsh, 'Insurers question premium claims for $10b reinsurance pool', *Australian Financial Review*, online, 9 February 2022.
[9] Nearly all our respondents who own their homes outright or are paying them off have home building insurance. Of the 5% who said they do not have insurance, 9% said it is because they cannot obtain insurance. The rest gave as their reasons unaffordability (23%), not good value for money (18%), and managed by an owners' corporation (36%).

high exposure to extreme weather events are more likely to be thinking about terminating their home insurance than those with no exposure (12% versus 5%).

In sum, homeowners who have already endured severe weather events are markedly more likely to feel insecure and to contemplate dropping their cover altogether. For those who have lived through disasters, rising premiums amplify the psychological harms, perhaps reinforcing the sense that the government and the insurers are failing to protect citizens. The fact that almost half of homeowners feel less financially secure due to rising premiums—and that a sizable minority are even thinking of dropping their cover—may generate mounting calls to regulate premium pricing, introduce public re-insurance schemes, or subsidise high-risk areas. We consider support for subsidies later in this paper.

Moving to avoid insurance hikes

One response to rising insurance premiums is to move. Table 1 reports that 15% of homeowners say that rising premiums are forcing them to reconsider where they can afford to live. Homeowners with a mortgage are more likely to be reconsidering than those who own their homes outright (19% versus 12%). Another decisive factor is likely to be the homeowner's exposure to extreme weather. To test this, we used our metric measuring number of exposures to extreme weather events (explained in Research Paper 1).

Table 1 (Q14) To what extent do you agree with the statement that 'rising insurance premiums are forcing me to reconsider where I can afford to live'? (Asked only of those homeowners with home building insurance, n = 1255) %

	Total	Own home		Exposure to extreme weather events			
		Outright	With mortgage	None	Low	Medium	High
Strongly disagree	19.0	19.8	18.3	19.0	21.8	16.4	17.5
Disagree	36.9	38.4	35.5	45.6	34.4	38.0	33.2
Neither	28.9	30.3	27.7	30.6	28.4	26.3	30.5
Agree	12.0	8.9	14.9	4.1	12.4	15.0	14.6
Strongly agree	3.2	2.6	3.7	0.7	3.0	4.3	4.2
Agree or Strongly Agree	*15.2*	*11.5*	*18.6*	*4.8*	*15.4*	*19.3*	*18.8*

Notes: Underlined numbers are significantly different from the mean at the 95% level.

Only 5% of homeowners with no exposure to extreme weather events are reconsidering where they live due to rising premiums, compared to 19% of those with medium or high exposure to extreme events.

Paralleling the link between exposure and moving home, those who say they feel more insecurity because of climate change are much more likely to be thinking of moving to somewhere safer due to rising home insurance premiums. While only 7% of those who *never* have such feelings are reconsidering where they can afford to live, 29% of those who *often or very often* have feelings of insecurity about climate change are thinking about moving.

In short, in regions prone to more extreme weather, high insurance premiums are forcing a substantial minority of homeowners, especially those with mortgages, to consider selling up and moving to a place where premiums are cheaper.

Who trusts insurers?

Complaints against home insurers have been increasing rapidly.[10] We asked respondents whether they agree or disagree that insurance companies are using extreme weather events as an excuse to increase home insurance premiums excessively. The results in Table 2 show that insurance companies have an image problem, with 76% of Australians believing they are gouging. The percentages of those who blame insurance companies for unreasonably hiking premiums are similar across states and regions, and across almost every demographic category.

However, one factor does show up some divergence. Those with greater exposure to extreme weather events are more antagonistic towards insurance companies than those with no or little exposure. Using our metric of exposure, 68% of those with no exposure agreed with the statement while 80% of those with high exposure agreed.[11] Other things being equal, we can expect that, as more people are exposed to extreme weather, antagonism towards insurance companies will increase.

[10] ASIC, 'ASIC puts insurers on notice for blind spots in complaints handling,' Media Release, 5 December 2024.

[11] Respondents were asked to nominate which of seven kinds of extreme event they had experienced and how many times. The metric was then compiled classifying respondents by their level of exposure, from no exposure to high exposure.

Table 2 (Q14) To what extent do you agree with the statement that 'insurance companies are using extreme weather events as an excuse to increase home insurance premiums excessively'? (n = 1955) %

		Exposure to extreme weather events			
	Total	None	Low	Medium	High
Strongly disagree	1.4	2.4	0.7	2.2	0.8
Disagree	6.4	10.1	6.7	4.0	5.6
Neither	16.3	19.5	17.8	14.9	13.5
Agree	43.3	45.6	44.9	40.9	41.8
Strongly agree	32.6	22.4	29.9	38.0	38.2
Agree or Strongly agree	*75.9*	*68.0*	*74.8*	*78.9*	*80.0*

The results signal a deep-seated distrust of a major financial institution that is supposed to provide Australians with security against loss. The uniformity of the responses suggests that home insurance has become framed in public discourse as a matter of fairness rather than as actuarial calculation. When a sizable portion of the public perceives a common injustice—in this case, insurers believed to be exploiting climate-related risks—it creates a collective grievance that can serve as a rallying point for organized action and fertile ground for political campaigning.

Just move?

When weather disasters strike one part of the country all Australians pay higher insurance premiums because reinsurers treat risk as a national aggregate. Costs for all insurers rise. Of course, premiums in the affected area rise by much more. Other than cancelling the policy, there are two ways avoiding rising premiums. One is to spend on making one's home more resilient (examined in Research Paper 3). The other is to move somewhere with lower risk. To test the latter, we asked our respondents whether they agree or disagree with the following statement:

> If people can't get home insurance in disaster prone areas, they should move somewhere else rather than ask for subsidies.

It is apparent from Table 3 that opinion is divided, with 32% agreeing they should move (8% strongly) and 39% disagreeing (11% strongly). Men take a harder position on the question,

with 40% saying people should move, compared to 25% of women. Compared to those with no exposure, people who have had a high level of exposure to extreme weather events have more empathy for those who cannot obtain insurance. And those who are extremely concerned about climate change seem much more understanding of how it can harm vulnerable households than those who have no concerns.

Table 3 (Q14) To what extent do you agree with the statement that 'If people can't get home insurance in disaster prone areas, they should move somewhere else rather than ask for subsidies.' (n = 1955) %

	Total	Gender		Exposure level		Concerned about climate change	
		Men	Women	None	High	Not at all	Extremely
Agree	32.1	40.3	24.7	40.6	27.7	46.2	26.1
Disagree	39.1	31.8	45.6	29.8	42.9	26.8	46.6

Note: 'Agree' includes those who agree and strongly agree and the same for 'Disagree'.

Looking at voting preference (not shown in the table), Greens voters have most empathy with only 21% agreeing that people should move and 54% disagreeing. One Nation voters are the harshest with 40% agreeing that people should move and only 26% disagreeing, although 42% of Liberal voters agree and 31% disagree. Labor voters match the national averages.

Who should pay?

We explored this question from another angle by asking responding to agree or disagree with the following statement. Bear in mind that respondents have been primed to consider this question in the context of climate disasters.

> Individuals are responsible for their own home insurance premiums and shouldn't ask for support from anyone else when the prices rise.

This question is a test of beliefs in individual responsibility (leave it to the market) as opposed to social responsibility (help those in difficulty). Some results are shown in Table 4: 38% say it's up to individuals while 33% believe it's reasonable to ask for help. The disagreement between men and women emerges again, although it is not as strong as on the question of people moving if they cannot obtain insurance (see Table 3). The divide associated with levels of exposure to extreme events is also present although it is not quite as wide. However, when measured against how worried people are about climate change, the

divergence is even stronger. Those most concerned about climate change seem to have a stronger sense of 'we're all in this together and need to support each other.'

Table 4 (Q14) To what extent do you agree with the statement that 'Individuals are responsible for their own home insurance premiums and shouldn't ask for support from anyone else when the prices rise.' (n = 1955) %

	Total	Gender		Exposure level		Concerned about climate change	
		Men	Women	None	High	Not at all	Extremely
Agree	38.3	43.3	34.3	42.0	35.1	58.6	24.7
Disagree	32.9	28.0	36.9	25.9	38.1	18.5	47.8

Note: 'Agree' includes those who agree and strongly agree and the same for 'Disagree'.

As for voting preferences (not shown in the table), our intuition that those on the left will be more inclined to see high premiums as a matter of social concern is borne out. Labor voters are close to the average with 35% agreeing it should be left to individuals and 34% disagreeing. Liberal voters are much more inclined to let the market do its work, with 56% saying it's a matter of individual responsibility and 20% in favour of some kind of support. This is mirrored by One Nation voters (58% versus 18%). Greens voters emphasise social solidarity, with only 21% saying it's up to individuals and 51% in favour of providing some kind of support.

To further explore who should pay for rising premiums due to climate disasters we asked our respondents to agree or disagree with the following statement:

> The cost of rising home insurance premiums in disaster-prone areas should be spread across all policy holders.

This proposal was met with weaker support: only 23% agreed while 47% disagreed (14% strongly). There is little difference between men and women on this question. Perhaps surprisingly, there is little disagreement on this question between those with no exposure to extreme weather events and those with high exposure.

Those not worried about climate change—mostly those who don't believe it exists—are much less willing to support those harmed by it. Of course, those unconcerned about climate change overlap with conservatives more inclined to believe individuals should take responsibility for their own circumstances. So turning to voting intentions, on the question of

spreading the load across all policy holders the differences between progressive and conservative voters are much less stark. Among conservatives, One Nation voters take a slightly harder stance with 65% rejecting the idea of spreading the cost compared to 58% of Liberals. Labor voters are average, with 48% rejecting the idea. Greens seem conflicted with 41% opting to neither agree nor disagree, with the rest equally split.

In sum, when asked whether individuals in disaster zones should be responsible for their own home-insurance premiums, respondents split roughly down the middle. The survey maps the classic sociological tension between neoliberal individualism and social welfare solidarity, showing that climate risk is now a fresh arena where that tension plays out. The strongest predictor of a pro-solidarity stance is the degree of worry about climate change. In other words, belief in the reality and urgency of climate change reshapes normative expectations about mutual aid. Overall, political identity (more than personal experience or gender) serves as a cultural lens that filters how individuals interpret climate risk. Perhaps we are seeing a nascent stratification of citizens into 'climate-risk solidarists' and 'climate-risk individualists.'

Should polluters pay?

There is a very strong divide on one proposal between progressive and conservative voters. We asked our respondents whether they agree or disagree with the following statement:

> Subsidies for rising home insurance premiums in disaster-prone areas should be funded through levies on carbon emitting industries.

Previous national surveys have shown that around three-quarters support taxing businesses according to how much they pollute. Almost half believe fossil fuel producers should pay the costs of responding to climate change, with stronger support from progressive voters.[12]

The first thing to notice in Table 5 is that half of the population believes levies should be imposed on carbon polluting industries to fund rising home insurance premiums in disaster-prone areas. (Although not shown, women are a little more likely to agree with the idea than men.)[13] However, the political differences are sharp, with progressive voters much more in

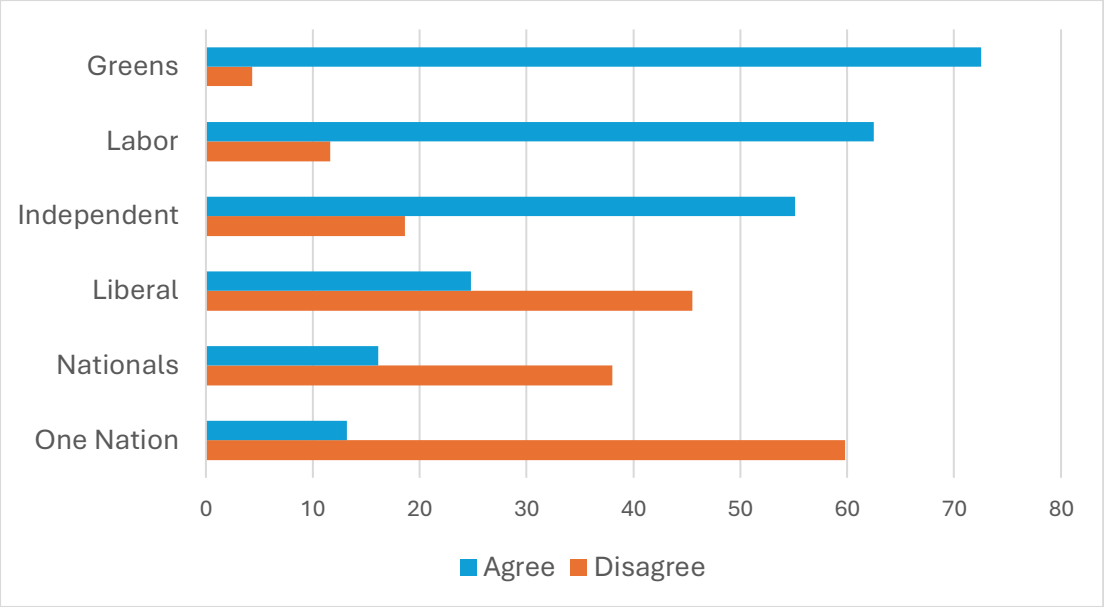
[12] Elizabeth Morison, *Climate of the Nation 2023*, The Australia Institute, Canberra, 2023.
[13] Although men are more strongly opposed; 28% of men disagree compared to 15% of women.

favour of levies on carbon polluters. This is clear from Chart 1 where, once again, One Nation voters are substantially more conservative than Liberal and National Party voters.

Table 5 (Q14)To what extent do you agree with the statement that 'Subsidies for rising home insurance premiums in disaster-prone areas should be funded through levies on carbon emitting industries? (n = 1955) %

		First preference vote in 2025					
	Total	ALP	Liberal	Nationals	Greens	Indep	One Nation
Strongly disagree	10.4	2.6	25.2	17.0	2.0	10.5	41.2
Disagree	10.9	9.0	20.3	21.0	2.3	8.1	18.6
Neither	28.6	25.9	29.6	46.0	23.2	26.2	27.0
Agree	31.2	43.7	20.7	14.7	30.8	32.2	7.9
Strongly agree	18.9	18.8	4.1	1.4	41.7	22.9	5.3
Agree or strongly agree	*50.1*	*62.5*	*24.8*	*16.1*	*72.5*	*55.1*	*13.2*

Chart 1 'Subsidies for rising home insurance premiums in disaster-prone areas should be funded through levies on carbon emitting industries.' %



Implications

The pattern of views identified in the survey have broader and longer-term implications. Opinions on who should pay—individuals, all policy-holders, or carbon polluters—cluster

around a new moral axis that might be called ‘climate solidarity.’ People who feel most anxious about climate change or who have suffered its impacts are far more likely to endorse collective financing mechanisms, while the unconcerned and those who deny the existence of climate change favour individual responsibility. This division may herald the birth of a distinct ‘climate-risk citizen’ identity that lines up political orientation, personal experience, and moral outlook.

As they are based on the best information, home insurance premiums send strong signals about where it is unsafe to live. As premiums climb and insurance becomes harder to obtain in disaster-prone areas, we can expect planners to abandon some established zones and direct new housing growth toward safer zones. Wealthier households are in a better position to occupy less-risky areas. Over the next two or three decades we can expect to see substantial shifts in the map of ‘liveable Australia’. The new map may produce revised urban-regional hierarchies that increasingly mirror climate-risk gradients.

Survey method summary

The survey, carried out by Roy Morgan Research, had an overall target of 2,000 completes, aiming for a mix of 1,700 completes broadly representative of the Australian population by age, gender, and region, and 300 additional completes from Australians living in areas affected by one or more extreme weather events since 2019 (see below). Non-interlocked quotas were set for the sample based on the distribution of the adult Australian population for each of age, gender and region.

Participants were invited to participate in the survey online via e-mail and SMS with a personalised link. A total of 2,099 respondents completed the survey, reduced to 1,955 after cleaning the data set to exclude poor-quality responses. The survey was carried out between 22 May and 22 June 2025.

To better assess the effects of direct exposure to extreme weather events, additional respondents were sought from Australians living in postcodes that had been affected by extreme weather events since 2019 (before the Black Summer Bushfires). The National Emergency Management Agency database, which lists severe events (floods and bushfires only), was used to define the areas so affected.

The average interview length for the survey was just under 10 minutes. Participants were given an incentive to complete the survey through a combination of ‘panel points’ redeemable in gift-vouchers and entry to a quarterly prize draw.

Full details of the survey methodology and the questionnaire can be found in the technical report posted on this website.

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