CALI Council of Australian Life Insurers

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Mr Matthew Maloney
Assistant Secretary
Climate and Energy Policy Branch
Treasury
Langton Crescent
PARKES ACT 2600

By email: climatereportingconsultation@treasury.gov.au

Dear Mr Maloney

Improving the efficiency of climate-related financial disclosures

CALI welcomes the Government's consultation on changes to improve the efficiency of climate-related financial disclosures (**climate disclosures**).

CALI supports the rationale for climate disclosures to provide users with information about climate risks and opportunities so they can appropriately price those risks and opportunities, value assets and allocate capital efficiently.

However, we consider the benefits of climate disclosures in the life insurance context to be limited given the life industry's low direct exposure to climate risks, and the nature of our ownership structures meaning equivalent information about an Australian subsidiary already being captured within the parent group reporting and assurances. We do not believe they justify the costs of obtaining reasonable assurances for such disclosures due to limited commensurate increase in the reliability of the information.

We are pleased that Government is seeking evidence regarding the costs and benefits of the current assurance settings. We make the following recommendations in response to the consultation paper:

Recommendations

- CALI supports option 1a to maintain the limited assurance requirement.
- The Government should consider an exemption for life insurance companies from climate disclosures, consistent with similar models in comparable jurisdictions such as New Zealand.

Our submission attached below sets out the reasons for our recommendations.

Please contact Li Chang (Associate Director, Policy) at li.chang@cali.org.au if you require further information about any matters raised in this submission.

This submission is made on a non-confidential basis.

Yours sincerely



Luke Hyde
General Manager, Policy
Council of Australian Life Insurers

About the Council of Australian Life Insurers (CALI)

CALI is the leading voice of life insurance in Australia. We support Australians to make informed choices about their future and help them live in a healthy, confident and secure way over their lifetime.

Our members' products and services give people peace of mind when making important decisions and provide a financial safety net during life's biggest challenges.

We advocate for national policy settings that expand Australians' access to the life insurance protection that suits them when they need it most.

CALI represents all life insurers and reinsurers in Australia. The Australian life insurance industry is today a $26.4 billion industry, employing thousands of Australians and paying billions of dollars of benefits each year.

For more information, visit www.cali.org.au

7 October 2026

CALI Response to Treasury Consultation on "Improving the efficiency of climate-related disclosures"

Recommendations

Life insurers support adjusting the assurance settings

1. Life insurers support option 1a to maintain the limited assurance requirement.

Climate related disclosure for life companies

2. Life companies in Australia should be exempt from the requirement for climate disclosures.

Detailed response

Adjusting the assurance settings

Recommendation One

CALI supports option 1a to maintain the limited assurance requirement.

Government had committed to significantly reducing emissions and achieving net zero emissions by 2050. Mandatory climate disclosures were introduced to provide investors with information to ensure the financial effects of climate change are routinely considered in business and investment decisions.

Our submission explores the reasons why maintaining limited assurance for life insurers is the appropriate option given the limited exposure to climate risks and opportunities in the life insurance context and owing to the ownership structures of life insurance businesses in Australia.

We believe complying with the new mandatory disclosure regime is costly. We note Treasury's Policy Impact Analysis in 2023 had set out that converting to new accounting standards has been approximated to cost between $784,648 and

$1,569,296 per company. Additionally, Treasury's policy analysis refers to a study that notes the adoption of IFRS standards increased the mean level of audit costs by 23 per cent and that audit complexity leads to increases in compliance costs during transition to new accounting standards[1]. One of our members has estimated that the administrative cost to producing their mandatory climate report is about $550,000 with an additional cost of $80,000 to provide limited assurance to the report.

Life insurers expect the costs of obtaining a reasonable assurance for the climate disclosures of life companies to be much more. While quotes for reasonable assurances have not yet been obtained, we expect assurance costs to increase materially as the industry transitions to full report assurance in future years.

Australian life insurers are unlisted subsidiaries of foreign owners

Currently, most Australian life insurers are unlisted subsidiaries of foreign shareholders and belong to Group 1 entities, and many are already subject to group reporting obligations of comparable foreign jurisdictions. Australia's sustainability reporting framework is based on the IFRS S1 and IFRS S2 standards issued by the International Sustainability Standards Board (ISSB).

In most cases, parent entities of life companies based in Australia operate in foreign jurisdictions that are already compliant with climate disclosures reporting frameworks for the relevant group entities. The Australian subsidiary's material climate-related risks and opportunities, and the relevant underlying information, may already be captured within the parent group's sustainability reporting and subject to group-level assurance.

Where equivalent information about the Australian subsidiary is already captured within the parent group's sustainability reporting and subject to appropriate assurance, requiring a separate Australian-level assurance engagement may result in significant additional cost and duplication without a commensurate increase in the reliability of the information available to users.

Low climate risk exposure of underwriting claims for life insurers

Relevant life insurance products include death cover, total permanent disability, income protection and trauma covers. For example:

- Death cover pays a lump sum to beneficiaries upon death or upon receipt of a terminal illness diagnosis.
- Total and permanent disability pays a lump sum if an illness or injury permanently stops the insured from working.

[1] The Treasury. Policy Impact Analysis, "Climate-related financial disclosures", September 2023, p.20.

- Income protection replaces regular income if temporary illness or injury stops the insured from working.
- Trauma cover pays a lump sum if diagnosed with a major medical condition like cancer, stroke or heart attack.

While climate change may have some limited indirect effects on mortality, morbidity and disability outcomes, the relationship between climate-related risks and life insurance claims is generally less direct than the relationship between physical climate events and claims under general insurance products. The nature, timing and magnitude of impacts is difficult to isolate from other demographics, medical and socioeconomic factors affecting life insurance claims experience.

Life insurers also have relatively low direct operational emissions compared with other industries, as the distribution of life insurance products do not generally involve emissions-intensive physical processes or logistics. This does not mean climate-related risks are irrelevant to life insurers, but it does distinguish the sector from industries with substantial direct exposure to physical climate risks and/or operational emissions.

Against this background, we consider the need for climate-related financial risk disclosures for life insurers should be assessed proportionately against the nature and materiality of the risks involved. As such, the need for the higher cost of reasonable assurance would be inefficient and costly, and a limited assurance could therefore suffice, particularly where equivalent information is already captured within the parent group's sustainability reporting.

New Zealand has gone further and decided that life insurers should not be subject to mandatory climate reporting at all.

Recommendation Two

Australian Government could also adopt the measures of New Zealand and exempt life companies from climate disclosure altogether. Australian Government should also encourage ASIC to exercise its discretion to exempt life companies pending legislative changes from climate disclosures for similar reasons.

The Financial Markets Authority regulates New Zealand's financial markets had in June 2026 issued a no action on climate reporting obligations for health and life insurers[2].

Health and life insurers will no longer be expected to lodge climate statements ahead of legislation changes, following the announcement by the New Zealand Government

[2] 18 June 2026, Media Release, Financial Markets Authority, "No action on climate reporting obligations for health and life insurers"

that they will be removed from the climate related disclosures (**CRD**) regime and will no longer be required to produce annual climate statements.

The New Zealand Government's recent decision to remove life and health insurers from its mandatory climate-related disclosure regime provides a directly relevant precedent for reconsidering the application of Australia's climate disclosures regime applying to life insurers. In announcing the change in June 2026, the New Zealand Government expressly distinguished life and health insurers from general insurers based on their underlying climate-risk exposure being different.

The Government observed that, unlike general insurers, life and health insurers are not directly exposed to climate risks such as extreme weather events and concluded that there is limited value in requiring them to prepare mandatory climate disclosures where doing so imposed additional costs ultimately borne by customers. The reform will remove nine life and health insurers from the New Zealand regime. Pending the necessary legislative amendments, the New Zealand Financial Markets Authority has adopted a no-action position so that affected insurers are not required to prepare or lodge climate statements for the relevant reporting periods.

We consider that the circumstances affecting Australian life insurers is directly analogous to life insurers in the New Zealand context. The benefits of separate climate-related financial disclosures for life insurers in Australia should be considered in light of the sector's comparatively less direct climate-related risk exposure, as outlined above, and the fact that a number of Australian life insurers are subsidiaries of international groups that may already report climate-related information at group level.

We submit that the Australian Government should therefore consider a similar exclusion for life insurers. At a minimum, the New Zealand approach demonstrates that there is a credible regulatory precedent for adopting a more proportionate approach to climate reporting for life insurers where the costs are not commensurate with the materiality of the climate-related risks and information involved.

APRA prudential regulation of climate-related risks

It is notable that life companies are subject to APRA's prudential practice guide to manage material climate-related risks.

An exemption from mandatory public climate-related financial disclosures would not remove the obligation on life insurers to identify and manage material climate-related financial risks. Life insurers are already subject to CPS 220, which requires APRA-regulated institutions to maintain a risk management framework covering all material risks. CPG 229 specifically provides APRA's expectations concerning the management of climate-related financial risks by life insurers, including governance, risk management and scenario analysis.

Given the low utility of climate disclosures in the life insurance context, we consider APRA's proportionate risk-based approach to the management of climate risks for life insurers sufficient to address prudential risk management objectives without requiring a separate public disclosure regime.

Summary and conclusion

For the reasons outlined above, we consider that the application of climate disclosures for Australian life insurers should be reconsidered on proportionality grounds.

Most Australian life insurers are subsidiaries of international insurance groups that are already subject to comparable climate-related reporting and assurance requirements in their respective home jurisdictions. Where equivalent information about the Australian subsidiary is already captured within the parent group's sustainability reporting, requiring a separate Australian disclosure and reasonable assurance engagement will result in significant additional cost and duplication without commensurate increase in the reliability or usefulness of the information available to users.

Life insurance businesses do not have the same direct and impactful exposure to climate risks and opportunities as general insurance, given the product features and distribution models used. For the reasons above, the cost of reasonable assurance for climate disclosures do not justify the benefits, and limited assurances should suffice.

Finally, we submit that New Zealand has exempted life insurers from mandatory climate disclosures. We consider the rationale underpinning the New Zealand approach is highly relevant to the Australian life insurance sector and warrants consideration in the Australian regulatory context to similarly exempt Australian life companies from mandatory climate disclosures.

It is moreover notable that Australian life companies are already subject to APRA's Prudential Practice Guide to manage material climate related risks. We believe APRA's risk-based approach should suffice to address prudential concerns and ensure life insurers can meet their liabilities.

Accordingly, we recommend that:

- Life insurers support option 1a to maintain the limited assurance requirement if climate-related reporting remains mandatory.
- Life companies in Australia should be exempt from mandatory climate-related financial reporting, consistent with the approach announced by New Zealand. Pending legislative change, ASIC should consider available relief, and equivalent parent-group reporting and assurance should be recognised where applicable.