



**INSURANCE
SERVICES**



State of the **Nation**

Current risk outlook for the Australian residential construction industry.

AON

A joint venture of Aon and HIA





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Who is HIA Insurance Services?

HIA Insurance Services (HIAIS) is a joint venture between the Housing Industry Association (HIA), the largest national industry association representing the residential construction industry in Australia and Aon, a leading global professional services firm providing a broad range of risk, retirement, and health solutions. This joint venture provides HIA Insurance Services with the unique opportunity to leverage the buying power, insurance, governance, and risk capability of Aon as well as accessing the HIA and utilising their deep knowledge of the housing industry.

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Executive Summary

As of May 2025, Australia's residential construction sector is navigating a complex landscape characterised by robust demand, significant policy shifts following the federal election, and persistent challenges such as Labor shortages and rising costs. The re-election of the Albanese government has introduced initiatives aimed at bolstering housing supply and infrastructure development. However, builders must adopt proactive risk mitigation strategies and stay abreast of evolving insurance requirements to thrive in this dynamic environment.

National Overview

Australian residential builders are experiencing volatile market changes and operating conditions. We have highlighted some of the potential challenges builders may face:

- **Labor Shortages:** according to our joint venture partner, HIA, labour skill shortage, remains a lingering challenging to build homes.¹
- **Supply chain amid extreme weather events:** according to Aon's recent Client Trends 2025 report, one highlight is the increasing construction expenses, coupled with a shortage of skilled labour and supply chain disruptions, have driven up the costs of rebuilding efforts in the wake of natural disasters.²
- **Regulatory changes:** over the last 12 months, we have witnessed several eligibility changes for each states residential building requirements highlighting the need for builders to stay abreast of future changes.
- **Productivity Declines:** according to the Australian Productivity Commission Housing construction productivity report, the number of dwellings completed per hour worked by housing construction workers has declined by 53% (physical productivity)³
- **Cyber Risks and Artificial Intelligence (AI):** according to Aon's Client Trends 2025 report, developments in technology have helped organisations unleash operational efficiencies, connect workforces and foster growth. Yet, these advancements have also exposed organisations to new and evolving risks, creating winners and losers in the race for digitalisation.⁴



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Anita Wilson

Chief Executive Officer,
HIAIS

*“Residential builders face many complex and ever-changing risks. **It is essential for builders to understand** that their businesses risks are extending further beyond the work site with the continued evolution of cyber risks, global trade changes and regulator impacts.”*



New South Wales Market Update

In the last quarter of 2024, we observed an increase in residential builders' confidence, marked by a rise in new home applications. With the election now decided and interest rates beginning to drop, new residential builders anticipate that this increased confidence will translate into new sales and growth within their pipeline.

Housing affordability in NSW remains a significant challenge, with approximately \$576,000 in government-imposed taxes, fees, and regulatory charges associated with a new residential build.

Regarding Home Warranty Insurance, we are witnessing an increase in new builders and tradespeople who require access to the Home Warranty scheme in NSW. New builders are entering the market to address the gap in new residential builds, while tradespeople are experiencing the cost of materials pushing smaller contracts above the \$20,000 threshold. These new entrants into the Home Warranty market need guidance, education, and advice on the scheme and its impact on their business and clients. Meanwhile, existing participants in the scheme require advocacy to enhance business outcomes.



Luke Calderon

NSW and ACT **State
Manager**, HIAIS

"In the current environment where regulatory change, rising costs and a shortage in labour are becoming the new norm, **insurance is not just a safety net**, it is a lever for businesses to reduce and mitigate risk across their business."

Victoria Market Update

The Building Legislation Amendment (Buyer Protections) Bill received the necessary votes in both the lower and upper houses. The passing of this Bill will now allow the Victorian Government to implement:

- A new consolidated building authority
- A first resort insurance scheme to replace the current last resort Domestic Building Insurance (DBI) scheme
- Increased powers for the Victorian Building Authority (VBA) to issue rectification orders against builders and developers up to 10 years after the occupancy permit
- Developer bonds for residential apartment buildings over three storeys
- A single regulator (VBA) responsible for setting premiums and issuing DBI

The changes are expected to be implemented across two stages:

Stage 1: Integration of the insurance, regulatory, and dispute resolution functions into the VBA, to be implemented in August 2025. Once the VBA transitions into the Building and Plumbing Commission (BPC), it is expected that the new rectification order framework will be operational by December 2025.

Stage 2: Implementation of the first resort scheme and exit of private insurers, expected by July 2026.

Key reforms on DBI:

1. Builders will be required to take out DBI if the value of the building contract exceeds \$20,000 (an increase from \$16,000).
2. The exit of AssetInsure as a provider will allow the VBA to have a monopoly on issuing policies.
3. Coverage will apply regardless of whether the premium is paid, or a notice of cover is issued.
4. The VBA will be granted powers to order builders to rectify defects, take disciplinary action against them, and seek recovery from builders and other responsible parties.



Dax Moses

**VIC and TAS State
Manager, HIAIS**

*““The Victorian residential building market has experience dramatic changes, with the regulatory changes pending, **this will have significant impact for builders.** It is essential for builders to learn and understand how these changes will impact their businesses”*



Queensland Market Update

The residential construction insurance market in Queensland is expanding, with insurers adapting to challenges such as natural disasters and economic shifts. As the market continues to evolve, understanding these trends is crucial for navigating the market and partnering with established insurers.

One of the biggest challenges we face is the accumulation and density of land held by developers. Once this land becomes available, we must consider the accumulation of risk.

We are observing an increase in inquiries regarding Professional Indemnity Insurance for Design and Construct (D&C) projects. Residential builders may require professionals involved in D&C projects to carry Professional Indemnity Insurance (PI) to protect against potential claims of negligence, errors, or omissions. Although not yet legally mandated in Queensland, having PI is considered best practice for professionals in the construction and design industry to safeguard against financial loss and legal risks.



Audrey Bailey

QLD **State Manager**, HIAIS

*"In the ever-evolving landscape of residential construction insurance, **adaptability is not just a strategy, but a necessity**. As insurers in Queensland navigate the complexities of natural disasters and economic shifts, understanding market trends becomes crucial for resilient partnerships and ensuring sustainable growth."*

South Australia and Northern Territory Market Update

South Australia is experiencing a surge in housing development, driven by the South Australian (SA) Government's Housing Roadmap⁵. The latest HIA Housing Scorecard has ranked South Australia as the top state, largely due to the removal of stamp duty for first-time home buyers who are building or purchasing new homes. We are also observing a growing interest in Professional Indemnity Design & Construct, Cyber Insurance, and Management Liability. These policies are becoming more relevant due to emerging cyber and digital risks, changing legislation, work health safety requirements, and employee shortages.

Recently, the SA Government introduced the Rent to Buy scheme, part of the Affordable Housing Initiative. This scheme will initially construct 100 homes, allowing South Australians not currently in the property market to rent a newly built home at 75% of the market rent for two years, with an option to purchase at a fixed price. The government aims to expand this initiative to help more South Australians own homes sooner.⁶

These initiatives have led to an increase in applications for multi-unit Builders Indemnity Certificates, as many construction projects involve building four or more units simultaneously. This affects builders' indemnity facilities, their limits, and the information required to assess multi-unit applications compared to single dwellings.

Further north, Northern Territory (NT) has seen a boost from the Federal Government for 400 new homes to be built across the state. \$25million has been earmarked for two projects as part of the Housing Support Program. This is in addition to the \$7million already provided to provide infrastructure support more than 700 homes and parklands in Katherine East, NT.



Jaclyn Fitzgerald

SA and NT **State Manager**,
HIAIS

*"In today's fast-paced and ever-evolving construction industry, **having a specialist risk advisor is crucial**. The team at HIA Insurance Services excels in navigating complex regulations and industry changes. It's vital that your insurance professional comprehends both Builders Indemnity Insurance and General Insurance for Construction businesses to safeguard your assets and ensure your business thrives for the long haul."*

Western Australia Market Update

The Western Australia (WA) residential construction sector continues to face significant workforce shortages. This is made worse by competition from other states and industries. The WA State Government is trying to address these shortages by introducing the 'Build a Life in WA' incentive which offers \$10,000 towards relocating to Western Australia for qualified tradespeople and professionals.⁸ With current completion rates falling short of the National Accord's target of 25,000 new dwellings, the skills shortage is absolutely contributing to this shortfall, so this incentive is welcomed by both the construction and the insurance industry.⁸

The WA Government has also allocated \$21.6 million to expand apprenticeship opportunities through the Group Training Organisation Wage Subsidy Program⁸. Again, a move welcomed by the industry to support entry into the sector.

These labour shortages are significantly impacting insurance risks, leading to increased premiums (higher wages and Workers Compensation premiums), coverage gaps (liability issues with extended build timeframes) and financial instability for businesses (insolvency risk). Emerging risks, such as Cyber, are now becoming much more important as builders take their business and data online and are at risk for huge personal fines in the event of a data breach.

Despite these challenges, the construction industry in WA is positioned for growth. There has been significant investment into infrastructure projects and along with the above incentives we are hoping to see a stronger industry into the future. Partnering with a specialised construction insurance expert will ensure that your business's risks are appropriately managed and protected as you navigate the changing future in our industry.

*“Now, more than ever it is so important to enhance risk management processes and to ensure you work with a specialised **construction insurance expert to ensure financial stability for your business and for your staff.** At HIA Insurance Services, we are here to help you navigate an ever-changing insurance landscape offering expertise and the backing of a solid industry partner.”*



Michelle Martion

WA State Manager, HIAIS



Australian Capital Territory Market Update

Firstly, the ACT Government has significantly increased the minimum home warranty insurance coverage from \$85,000 to \$200,000, effective January 1, 2025. Additionally, the timeframe for lodging claims has been extended from 90 to 180 days. While these reforms enhance consumer protection, they are likely to lead to higher premium costs. It is crucial for builders and developers to review their current policies to ensure compliance with these updated requirements.

Cross-border complexities between NSW and the ACT continue to present challenges, especially in the realm of workers' compensation. Proposed reforms in NSW aim to tighten psychological injury claim thresholds, which may result in premium increases and introduce new administrative requirements for businesses employing staff across both jurisdictions.

Moreover, persistent delays in the ACT's building approvals process remain a significant concern. Declining approval volumes and prolonged timeframes are impacting project delivery and development pipelines. These delays could increase financial exposure due to extended holding costs and resource constraints.



Luke Calderon

NSW and ACT **State**
Manager, HIAIS

*"Builders face increasing regulation and changes in the ACT region. **It is crucial for builders to understand** how these may impact their **business.**"*



Risk Mitigation Strategies

Insurance is one part of the solution; it is important your business considers how it mitigates risks broadly. A specialist residential construction broker, like HIAIS, can assist with reviewing your business's potential risks. We offer several products and risk mitigation solutions, below are some of the tools available.

HIAIS Insurance Solutions

Contract (Construction) Works Insurance: A type of insurance policy designed to cover construction projects. It typically provides protection against physical loss or damage to the works being constructed, including materials, equipment, and structures, and during the construction period. This insurance can cover risks such as fire, theft, vandalism, and certain natural disasters. It is often taken out by builders, contractors, or project owners to safeguard against unforeseen events that could impact the completion of a construction project.

Cyber Insurance: Designed to help businesses and individuals from the financial consequences of cyber-related incidents. These incidents can include data breaches, hacking, ransomware attacks, and other forms of cybercrime. Cyber insurance policies can cover costs associated with data recovery, legal fees, notification of affected parties, and business interruption. The coverage can also extend to liability for damages caused to third parties due to a cyber incident. This insurance is increasingly important as the frequency and sophistication of cyber threats continue to grow.

Professional Indemnity Insurance: Is a type of insurance coverage designed to protect professionals against claims of negligence, errors, or omissions in the services they provide. It covers legal costs, and any compensation awarded to the claimant, helping to safeguard the professional's financial stability and reputation. This insurance is particularly important for professions that offer advice or services, such as architects, consultants, accountants, and engineers, where mistakes could lead to significant financial loss for clients.



Michelle Kenny

Chief Client Officer, HIAIS

*“Residential builders often believe because they are a small business that they have nothing of value or are not exposed to risks. However, we are **continuing to see the industry become more complex** and therefore harder for builders to manage their businesses without support. We always recommend builders to consult a residential construction risk specialist to learn more about risk mitigation strategies.”*

Contact Us



To speak with a specialist call us on **1800 762 878**

Or click or scan the link to submit an online enquiry or
request a call back.

¹ 7th May 2025 *"Low volume of home building but labour shortages linger"*

https://hia.com.au/our-industry/newsroom/economic-research-and-forecasting/2025/05/low-volume-of-home-building-but-labour-shortages-linger?utm_campaign=supplier/&srsitid=AfmBOopTDDz5vpALRAKHir0dWtT-KRI-m6Aa0gbz0pCN3TCj38IPxBir

² 30th April 2025, *"Steering Trade and Supply Chains Amid Weather Challenges"*

<https://www.aon.com/en/insights/client-trends/weather-trade?collection=c9c875df-cc88-40ca-9a86-547c82a0d6d4&parentUrl=/en/insights/client-trends#aon-collection-detail-item-{3F6CDC9B-984E-4DB7-BCDC-E43482D370C4}>

³ February 2025, *Housing and Construction Productivity: Can we fix it, Research Paper,*

<https://www.pc.gov.au/research/completed/housing-construction/housing-construction.pdf>

⁴ 12th May 2025, *"Technology is Driving Firms to Harness Opportunities and Defend Against Threats"*

<https://www.aon.com/en/insights/client-trends/technology?collection=c9c875df-cc88-40ca-9a86-547c82a0d6d4&parentUrl=/en/insights/client-trends#aon-collection-detail-item-{A9791BBE-BAA0-4A9E-A586-38178E116DF5}>

⁵ 21st May 2025, *"South Australia tops Housing Scorecard"*

https://hia.com.au/our-industry/newsroom/economic-research-and-forecasting/2025/05/south-australia-tops-housing-scorecard?ref=constructor.net.au&srsitid=AfmBOopIDva1Zq5ceJFSrV7LsBhEerxq0BDzl6PiASMFFmFK4fa03_on

⁶ May 2025 *"SA housing Trust: Rent to buy"*

<https://www.housing.sa.gov.au/affordable-housing/rent-to-buy>

⁷ 22nd January 2025, *"Major boost for WA's building and construction workforce"*

<https://www.wa.gov.au/government/announcements/major-boost-was-building-and-construction-workforce>

⁸ 16th April 2025 *"Home builds in WA reach highest level in more than seven years"*

<https://www.wa.gov.au/government/media-statements/Cook%20Labor%20Government/Home-builds-in-WA-reach-highest-level-in-more-than-seven-years-20250416#:~:text=Annual%20completions%20have%20now%20increased,24%2C000%20homes%20this%20financial%20year>

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