



UNINSURED, UNBUILT – how Australia’s small business insurance crisis is adding risk and costing us homes

HIA Submission to the Parliamentary Joint Committee on Corporations and Financial Services Inquiry into Small Business Insurance

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Executive Summary

The Housing Industry Association (HIA) welcomes the opportunity to make this submission to the Parliamentary Joint Committee on Corporations and Financial Services' Inquiry into the provision, regulation, and pricing of insurance products for small businesses and not-for-profit organisations operating in Australia.

HIA is Australia's only national industry association dedicated to the residential building sector. Established in 1945, HIA represents approximately 60,000 member businesses, predominantly small business home builders, trade contractors, building designers, and associated suppliers.

From sole traders to mid-tier builders, HIA members construct more than 85 per cent of Australia's new residential housing stock, contributing over \$140 billion to national GDP in the 12 months to September 2025.

HIA's message to this Committee is urgent and unambiguous: the progressive failure of the small business insurance system in Australia is not a peripheral business cost issue.

It is a direct and material constraint on the construction of new homes: it is greatly contributing to homes not being built.

Australia faces an undersupply of dwellings, with current policy settings constraining new home building and worsening affordability. The National Housing Accord commits Australia to delivering 1.2 million homes over five years to 2029. In the first full year of the Accord period, Australia delivered only 174,030 completions, 27.5 per cent below the required annual rate.

Every extra regulatory, financial, and structural burden placed on small building businesses makes it harder to deliver the homes Australia needs.

Escalating insurance premiums, deteriorating product availability, and an insurance market increasingly failing to price risk appropriately for small operators are now among the most significant cost pressures facing small builders.

HIA's 2026 Small Business Conditions Survey¹ confirms that insurance costs rank among the top operational concerns for members nationally. This is not an isolated data point, it is consistent with data collected and recommendations made by successive government-initiated reviews over the past two decades, none of which have produced adequate reform.

¹ www.hia.com.au/our-industry/advocacy/small-business-conditions-survey



HIA's submission acknowledges, that a significant portion of premium escalation is driven by genuine, legitimate market forces: a hardening global reinsurance market responding to climate-driven catastrophe losses; rising construction claims costs reflecting genuine materials and labour inflation; and increasing litigation complexity in workers' compensation.

These forces are real. The Committee's recommendations should be designed around market realities, not against them.

What HIA submits, with equal precision, is that these legitimate market dynamics are being materially amplified by Australian policy settings that government can and should correct:

- state taxes and levies that add up to 30 per cent to an already elevated premium base;
- civil liability frameworks fragmented across nine jurisdictions;
- a regulatory cost burden on the insurance industry estimated at \$3.5 billion annually;²
- procurement requirements that impose principal contractor insurance levels on small business subcontractors; and
- a chronic failure to engage with global reinsurers in ways that would allow local risk realities to be accurately reflected in pricing.

The market is responding to risk. Government policy is ensuring it does so with maximum inefficiency and maximum burden on those least able to absorb it.

The recurring theme this Committee must confront is not merely one of market dysfunction. It is one of governance failure.

Australia has had no fewer than eight major national inquiries, reviews, taskforces, and commission processes examine the structural failings of the small business insurance sector since 2002.³ Each has identified the same core problems: the same tax and levy burdens, the same reinsurance disconnects, the same civil liability fragmentation, the same procurement inequities. Each has made broadly consistent recommendations. And each time, government has failed to act with the systemic ambition the problem demands.

The most powerful parallel in recent policy history is the workplace and employment relations framework. HIA has spent years documenting how legislation designed for large, complex, industrialised workplaces (the *Fair Work Act 2009* and supporting framework, and successive '*Closing Loopholes*' reforms) has been progressively imposed on small, project-based residential builders without regard for the sector's operational realities.

² Insurance Council of Australia, *The Cost of Regulatory Burden*, November 2025:

www.insurancecouncil.com.au/wp-content/uploads/2025/11/20251107_ICA-Report-The-Cost-of-Regulatory-Burden_Final.pdf

³ **See Attachment 1:** list of recent Government-initiated reviews into the insurance market



The result has been documented in HIA's NES Inquiry Submission (February 2026)⁴ and our Closing Loopholes Review Submission (March 2026)⁵ where we have identified a productivity paradox in which conditions that should generate housing supply growth are instead generating contraction.

The insurance sector is now exhibiting precisely the same dynamic. Regulatory frameworks designed for large institutional players are being applied as a 'one-size-fits-all' approach to sole traders and micro-businesses.

Taxes and levies designed without consideration of their cumulative burden are inflating premiums beyond the capacity of small operators to absorb. And global reinsurance models, disconnected from Australian local risk profiles, are withdrawing capacity from the very high-risk, high-need sectors, including residential construction, where coverage is most critical.

HIA urges the Committee to treat this inquiry not as a narrow financial services matter but as a critical enabler of housing supply.

The Committee has the opportunity to break a cycle of review, recommendation, and inaction that has persisted for more than two decades.

HIA thereby calls on the Committee to make findings and recommendations that match the scale and urgency of that failure.

⁴ HIA Submission, *NES Inquiry*, February 2026.

<https://hia.com.au/our-industry/-/media/files/newsroom/submissions/2026/inquiry-into-the-operation-and-adequacy-of-the-nes.pdf>

⁵ HIA Submission, *Opening Loopholes Reforms*, March 2026.

<https://hia.com.au/our-industry/-/media/files/newsroom/submissions/2026/closing-loopholes-reforms.pdf>



Key Findings

- The small business insurance market is failing small residential builders and all trades and professionals engaged with the sector. Premiums are escalating, coverage is becoming more restrictive, and in some product lines, particularly public liability for high-risk construction activities, meaning coverage is becoming practically unavailable for small operators.
- Construction sector premiums increased by approximately 60 per cent in Gross Written Premium in 2023 alone (APRA data). This is not cyclical market correction: it is structural failure.
- The compounding burden of insurance cost increases, layered on top of escalating regulatory compliance obligations in workplace relations, planning, and building regulation, is causing small builders to exit the industry, reduce capacity, and decline to expand.
- HIA's 2026 Small Business Conditions Survey found that 45 per cent of residential businesses considered closing in the past 12 months, and 68 per cent had considered scaling back due to regulatory burden. Insurance costs are a primary driver of that sentiment.
- At least eight major government-initiated reviews and inquiries since 2002 have examined and made recommendations on small business insurance market failure. The fundamental problems identified: tax and levy burdens, reinsurance market disconnects, civil liability settings, procurement requirements, remain unaddressed in systemic terms.
- Escalating premiums have a devastating flow on effect on housing affordability, as the small builder's inability to absorb these costs means that they will be passed on to the homeowner adding considerably to construction costs.
- When premiums become unaffordable or coverage becomes unavailable, the regulatory consequence is a builder or contractor who cannot legally operate. The housing supply consequence follows directly.



Recommendations

To address the growing insurance crisis impacting the residential building sector, HIA makes the following recommendations for government's urgent consideration.

Failure to do so will amount to a governance failure that will continue to directly undermine Australia's capacity to build the homes needed to address the national housing shortfall.

1. The Federal Government should urgently establish a nationally coordinated, time-limited reform taskforce to implement the accumulated recommendations of a decade of small business insurance reviews, with explicit accountability mechanisms and delivery timelines.

2. To assist the Taskforce, the Federal Government should commission the Productivity Commission to undertake a comprehensive review of the current small business insurance market structure, with specific terms of reference addressing the construction sector, reinsurance market dynamics, civil liability settings, and procurement insurance requirements.

The Productivity Commission has the technical capacity, the independence, and the institutional credibility to produce findings that generate the political and intergovernmental momentum needed for structural reform. Critically, the Commission's process should have specific terms requiring it to address not just what should change, but how previous recommendations have failed to be implemented, and what mechanisms would prevent that outcome again.

3. All state and territory governments should commit to the progressive abolition of stamp duties, emergency services levies, and other taxes on commercial insurance premiums, consistent with the approach already initiated in Victoria and NSW.

Given the severity of the affordability crisis, all jurisdictions should commit to full abolition within five years, with the Federal Government using its fiscal levers and intergovernmental coordination mechanisms to accelerate this reform.

4. Civil liability legislation across all jurisdictions should be reviewed and, where necessary, reformed to reflect the risk management advances and changed operating conditions since the 2002–2004 tort reform era (producing a period of premium stabilisation) with a focus on the residential building sector.

5. Federal and state procurement frameworks should be reformed to mandate that insurance requirements for small business building subcontractors be proportionate to the actual risk of contracted activities, and that insurance obligations not be imposed prior to contract award.

6. The Federal Government engage meaningfully and persistently with global reinsurers to improve their understanding of Australia's regulatory environment, risk management standards, and local conditions; with particular emphasis on the residential construction sector in high-risk regions.

7. Residential construction sector-specific insurance products be developed through a co-designed process involving government, the Insurance Council of Australia, HIA, and small builder representatives, including exploration of parametric and mutual insurance models.

8. A national insurance literacy and risk management support program for small businesses in the residential construction sector be funded and delivered through trusted intermediaries, including HIA.



About HIA and the Residential Building Sector

The Housing Industry Association is Australia's only national industry association dedicated to the residential building sector. Established in 1945, HIA represents approximately 60,000 member businesses representing a diverse mix of residential builders, trade contractors, building designers, developers, and product manufacturers and suppliers, across every state and territory.

The residential building industry is one of Australia's most dynamic, innovative and efficient service industries and is a key driver of the Australian economy with a wide reach into the manufacturing, supply and retail sectors. The sector contributed over \$140 billion to GDP in the 12 months to September 2025, equivalent to 5.3 per cent of national output.

From sole traders to multi-nationals, HIA members construct more than 85 per cent of Australia's new residential building stock. Small and medium builders, those with fewer than 20 employees, construct approximately 64 per cent of all new dwellings.

The sector's structural characteristics – why one size does not fit all

The residential building sector is structurally distinct from the workforce assumptions embedded in many regulatory frameworks, including insurance, in ways that are not marginal or incidental: they are fundamental to how the sector operates, and they are directly relevant to why standard commercial insurance products frequently fail to serve small builders' needs.

1. **Project-based work:** Every home build is a discrete project with a defined start and end. Risk profiles, labour requirements, liability exposure, and physical site conditions change with every project and every stage of construction. Insurance frameworks calibrated for ongoing, stable commercial operations do not map effectively onto this reality.
2. **Multi-trade composition:** A typical new home requires 25 or more specialist trade contractors. Each engages a distinct risk profile. The builder-as-principal holds integrated liability exposure across all those trades, creating a complex insurance challenge that generic commercial products frequently fail to address adequately.
3. **Independent contracting as the primary workforce model:** Approximately 80 per cent of residential building work is performed by independent contractors. This creates coverage gaps, overlapping obligations, and compliance complexity across public liability, professional indemnity, and workers' compensation lines.
4. **Weather dependency and geographic dispersion:** Residential construction occurs across every suburb, town, and region in Australia, including in high natural hazard exposure areas. This creates premium pressure that disproportionately affects small operators in regional and disaster-prone areas who have no capacity to absorb risk surcharges calibrated for large institutional operators.



The housing supply emergency: the context the Committee cannot ignore

Any assessment of the small business insurance crisis that does not engage with the housing supply emergency is incomplete.

This is not just HIA advocating for its members' commercial interests. It is a factual statement about the downstream consequences of a failing insurance market on Australia's most critical domestic policy priority.

- In order to restore housing affordability (where the average income earner spends no more than 30 per cent of their income), HIA calculates that Australia needs to build an additional 2 million homes.⁶ Even if population growth halted today, current build rates would require over a decade to clear the existing backlog.
- The National Housing Accord commits Australia to delivering 1.2 million homes over five years to mid-2029. In the first full year of the Accord period, Australia achieved 174,030 completions, 27.5 per cent below the annual rate (240,000 homes) required to remain on track.
- Small and medium builders, who are HIA's primary membership constituency, construct approximately 64 per cent of Australia's new homes. Any regulatory, financial, or structural impediment to their capacity to operate is, by mathematical implication, a constraint on national housing supply.
- 67 per cent of HIA members report difficulties recruiting or retaining skilled staff and trades. 45 per cent considered closing in the past 12 months. 68 per cent have considered scaling back due to regulatory burden. Insurance costs are a specific and growing driver of these pressures.

When 56 per cent of small builders are diverting staff from building work to compliance administration, that is not a productivity statistic. It is homes not being built. When a small builder cannot obtain affordable public liability insurance, they cannot operate. That is housing supply is lost.

The connection between a failing insurance market and Australia's housing crisis is direct, not theoretical.

The Federal Government has publicly committed to the 1.2 million home target. It has funded planning reforms, housing infrastructure programs, and workforce initiatives to achieve it.

⁶ <https://hia.com.au/our-industry/economics/data-forecasts/resource/state-and-national-outlook?srsId=AfmBOoqfxn2as1SLw6KPc5L11cQCiiwjkuShvVnrELBDtLwELQDyYeb6>



Against this backdrop, the ongoing failure to address structural insurance market dysfunction, despite a decade of reviews and recommendations, is not merely a regulatory gap. It is a direct and ongoing policy contradiction.

The state of small building businesses: 2026 evidence

HIA's 2026 Small Business Conditions Survey Report⁷ provides the most current and sector-specific evidence base for this inquiry. The Survey was conducted among HIA small business members nationally and provides granular data on the operational pressures facing small residential builders in 2025-26.

Key Survey Findings Relevant to Insurance

Insurance costs rank among the top five operational cost concerns for small building businesses in 2026, alongside wages, materials costs, energy, and regulatory compliance.

- **45 per cent** of residential businesses considered closing their business in the past 12 months, with regulatory and cost burdens - including insurance - among the primary cited factors.
- **68 per cent** of respondents have considered scaling back or closing their business due to red tape and compliance burdens.
- **59 per cent** of members do not expect to increase profits compared to the last financial year.
- **67 per cent** report difficulties recruiting or retaining skilled staff and trades.
- **56 per cent** of small builders are diverting staff from building work to compliance administration.
- Members report premium increases in public liability, professional indemnity, and construction-specific insurance lines of between **20 and 60 per cent** over the past three years.
- Members in regional, bushfire-prone, and cyclone-affected areas report either inability to obtain coverage or premiums that render continued operation economically unviable.

These findings are supported by the broader ACCI 2025 Small Business Conditions Survey.⁸ The survey report found that statutory insurance premiums are among the top five expenses identified by small businesses nationally, and that 22 per cent of small business respondents have reduced insurance excesses as a direct cost-management response, thereby increasing their exposure to financial catastrophe in the process, with 28 per cent considering closing or leaving their business in the previous 12 months.

⁷ See **Attachment 2**: 2026 HIA Small Business Conditions Survey Report

⁸ [www.acci.com.au/Common/Uploaded%20files/Smart%20Suite/Smart%20Library/438ed93b-de8a-4fe2-896e-9d5ba2dc7655/Small%20Business%20Conditions%20Survey%20\(9\).pdf](http://www.acci.com.au/Common/Uploaded%20files/Smart%20Suite/Smart%20Library/438ed93b-de8a-4fe2-896e-9d5ba2dc7655/Small%20Business%20Conditions%20Survey%20(9).pdf)



HIA submits that improving housing outcomes requires greater stability, coordination and predictability in Australian government policy settings that directly affect housing supply - as opposed to politicised, ad hoc, short-sighted and reactive legislative reforms.

The insurance framework must therefore support, not undermine, the capacity of the home building sector, and the many small businesses it encapsulates, to employ Australians and rectify the housing shortage constraints.

The productivity paradox

The most damning evidence of the insurance market's failure in this sector is what economists call the productivity paradox: conditions that should generate growth are instead generating contraction.

Australia has acute housing demand. It has a government-mandated housing target that requires industry expansion. It has a construction sector workforce that wants to build. And yet small builders are not hiring, not expanding, and in many cases are actively reducing capacity or exiting the industry altogether.

Some of the forces driving this paradox are genuinely beyond any government's immediate control: global reinsurance market hardening, materials cost inflation from international supply chains, and the underlying skills shortage that constrains construction capacity. HIA does not suggest otherwise.

However, none of those forces explain why Australia's insurance tax burden is the highest of any comparable jurisdiction, why civil liability frameworks remain fragmented across nine separate legislative schemes, or why procurement contracts still routinely require small subcontractors to carry principal contractor insurance levels before work is awarded.

These are successive government policy choices; and they are compounding legitimate market pressures in ways that fall with maximum severity on the smallest operators.

This is **not** simply a market responding to risk.

It is a market responding to risk through a policy architecture that amplifies that response inefficiently and inequitably. It is a policy architecture that governments have had repeated, detailed, expert recommendations to reform, and have consistently failed to act upon.



The Insurance Market: Specific Failures Affecting Small Builder Businesses

HIA addresses the Committee's specific terms of reference regarding the provision, regulation, and pricing of insurance products, through the lens of the residential building sector.

Affordability

Construction sector premiums increased by approximately 60 per cent in 2023, representing the largest proportionate increase of any major industry category in APRA's data.⁹ This is more than three times the increase experienced in the broader commercial insurance market. For public liability insurance in the residential building sector specifically, which is effectively mandatory for all licensed builders in Australia, average annual premiums grew by a staggering 205 per cent, over the five years to 2021. This is simply not sustainable.

APRA's National Claims and Policies Database analysis reveals the structural dimension of this affordability problem. Micro businesses pay approximately \$8,700 in professional indemnity premiums per \$1 million in income, compared with only \$500 per \$1 million for large businesses. Between 2015 and 2021, professional indemnity premiums for micro businesses increased by approximately 85 per cent even after accounting for business size. This premium structure imposes an extreme and disproportionate burden on the smallest operators.

The cumulative effect, compounded by state taxes and levies that add between 9 and 30 per cent to base premiums across different jurisdictions, is an insurance cost burden that has become a genuine existential threat to many small building businesses.

Availability

The availability problem is, in some respects, more concerning than the affordability problem.

In regional, remote, and disaster-prone areas, of which includes large parts of the geographic footprint where residential construction occurs, some commercial insurance lines are becoming practically unavailable for small builders, and participants within the construction supply chain more broadly. Public liability insurance for high-risk construction activities in some regions cannot be obtained at any price from the domestic market.

This is largely driven primarily by the behaviour of global reinsurers, who apply blunt, risk-averse pricing models calibrated to international catastrophe experience rather than to Australia's regulatory standards, local risk management practices, or the actual loss

⁹ APRA, *National Claims and Policies Database analysis report*, May 2023: <https://www.apra.gov.au/national-claims-and-policies-database-analysis-report>



experience of individual small businesses. Despite repeated government engagement with reinsurers, including through Austrade and ministerial channels, these structural disconnects appear to have not materially improved and if anything, have been embedded.

The Insurance Council of Australia has acknowledged that the general insurance regulatory framework comprises more than 30,000 discrete obligations across 300-plus instruments. The compliance cost associated with that framework, estimated at up to \$3.5 billion annually, reduces insurer participation, raises minimum viable premiums, and reduces the market's capacity to serve small, complex, or high-risk customers.

Accessibility and Product Design

Even where insurance is technically available and nominally affordable, it is frequently inaccessible in practice for small building businesses due to product design failures, exclusion clauses, coverage gaps specific to construction workflows, and the absence of specialist broker networks in regional areas.

Key accessibility failures specific to the construction sector include:

- coverage gaps in transition periods between construction phases;
- exclusions for defective workmanship that are inconsistently applied across policies;
- inadequate coverage for subcontractor liability chains; and
- the interaction between mandatory home warranty insurance obligations and broader public liability cover, which creates duplicate cost and compliance burden.

Government procurement requirements compound this accessibility problem. Contracts across both government and corporate supply chains increasingly impose insurance minimums that are disproportionate to the actual risk of contracted activities.

Small businesses subcontracting within larger government construction programs are routinely required to hold coverage levels designed for the principal contractor, often millions of dollars in professional indemnity coverage, before a contract is awarded. This creates a pre-contract insurance burden that effectively excludes small operators from government procurement entirely.

Regulatory Framework Fitness

The existing regulatory framework for general insurance, as administered by APRA, ASIC, and the ACCC with varying mandates, and overlaid by state and territory civil liability, workers' compensation, and licensing regimes, is not fit for purpose in its application to small business insurance.

It is a framework designed for institutional stability and consumer protection in a mass market. It does not address the structural dynamics of a market in which small businesses are



simultaneously the most numerous buyers, the most economically exposed, and the most poorly served.

Australia has 11 separate workers' compensation schemes (8 state-based and 3 Commonwealth schemes), each with its own legislation, benefit structures, premium-setting methods, and coverage rules. These overlapping regulatory frameworks create compliance complexity and duplicate cost that has no proportionate justification in risk management terms.

Public Liability Insurance

Public liability insurance is, for practical purposes, mandatory for all licensed builders in Australia. Builder registration and licensing requirements in every state and territory either mandate or create de facto requirements for public liability coverage as a condition of operating lawfully.

In Victoria, for example, licensed plumbers are required to hold specific insurance combining public liability (a general minimum \$5 million for personal injury or property damage) and consumer protection cover as a condition of their registration. Similar requirements operate for builders, electricians, and other licensed trades across all jurisdictions, with even higher requirements for commercial or larger projects (\$10 million to \$20 million range).

The premium trajectory for construction sector public liability insurance is therefore not simply a business cost issue; it is a licensing and market access issue. When premiums become unaffordable or coverage becomes unavailable, the regulatory consequence is a builder or contractor who cannot legally operate. The housing supply consequence follows directly.

Home Warranty Insurance: A State-Based Complexity

Home Warranty Insurance (also known as Builders' Warranty or Domestic Building Insurance in different jurisdictions) is mandatory for residential building work above specified contract value thresholds in most states. It operates as last-resort insurance protecting homeowners against builder insolvency, death, or disappearance, and in some jurisdictions against defective or incomplete work.

The home warranty insurance regime is a state-by-state construction with differing thresholds, coverage terms, and underwriting arrangements. In several jurisdictions, the state government operates as the insurer of last resort. The cost of home warranty insurance premiums has escalated significantly in recent years, adding material cost to every residential building project. Small builders operating across state borders face duplicated compliance obligations and premium burdens.

HIA has consistently advocated for national harmonisation of home warranty insurance arrangements. The absence of reform in this area is a further illustration of the broader pattern: insurance market dysfunction in the construction sector has been identified, documented, and recommended upon and government has not acted.



Cyber Insurance: An Emerging Vulnerability

The digitalisation of residential construction, through developments in project management software, Building Information Modelling (BIM), electronic payment systems, and customer data management, is creating cyber risk exposure for small builders that was not present a decade ago. The average self-reported cost of a cybercrime on a small business reached \$49,600 in 2023–24 (Australian Cyber Security Centre), an 8 per cent increase on the previous year.¹⁰

71 per cent of sole traders lack cyber insurance coverage. For small building businesses, which frequently hold client financial data, subcontractor details, and project-specific intellectual property, this represents a serious and growing uninsured risk exposure.

Underinsurance and the compounding effect of tightening conditions

As conditions tighten, insurance is often one of the first overheads small business owners reduce, defer, or cancel typically at the point cover becomes most important. This creates a growing underinsurance problem that shifts risk back onto small operators, their clients, and the broader supply chain.

Cyber risk illustrates the issue clearly. Small businesses are often more exposed because they rarely have in-house IT support and are a more accessible target. Yet take-up of cyber cover remains low, driven by limited awareness, affordability pressures, and the belief that an incident is unlikely. The Cyber Wardens 2025 Small Business Cyber Security Pulse Check found that 82% of small businesses had been exposed to or experienced a cyber incident, while only 41% felt confident they were protected against emerging threats such as AI-driven attacks and ransomware.

It is also important to recognise that for many building businesses, risk is rarely addressed through “one policy”. Builders and trade contractors often require multiple forms of cover to operate responsibly across different activities, worksites, and contractual arrangements. By way of illustration, an indicative insurance suite may include:

- Cyber Insurance
- Management Liability Insurance
- Design and Construct Insurance
- Contract Works Insurance
- Public Liability
- Professional Indemnity

¹⁰ ACSC, *Annual Cyber Threat Report 2023-24*: <https://www.cyber.gov.au/about-us/view-all-content/reports-and-statistics/annual-cyber-threat-report-2023-2024>



- Tools of Trade Insurance
- Office and Workshop Insurance
- Legal Expenses Insurance
- Home Warranty Insurance (dependant on which state they work in)

This is separate to personal insurance arrangements (for example home and contents, health, and income protection).

For trade contractors in particular, the loss of essential equipment can halt work immediately. Tool theft has been recognised by industry and law enforcement as a recurring and high-impact issue; for example, Victoria Police have publicly noted the frequency and operational harm of tool theft incidents, including the disruption to upcoming jobs.



Acknowledging the Legitimate Drivers of Premium Escalation

Australia's small business insurance crisis is being driven by two interacting forces: legitimate global and domestic risk trends, and policy-driven amplifiers that unnecessarily worsen premium impacts on small builders.

Global Reinsurance Market Dynamics: reinsurance operates in a global market that has hardened significantly since 2017, driven by a combination of factors including:

- major international catastrophe losses (primarily in response to catastrophic loss events in United States, Europe, and Asia);
- the recognition of climate-driven changes to the frequency and severity of natural hazards; and
- the recalibration of long-term risk models by reinsurers following COVID-19 business interruption claim disputes.

These global conditions raise insurers' reinsurance costs, which flow directly into Australian premiums. HIA acknowledges these dynamics are real and outside government control.

However, HIA submits that successive governments have failed to engage effectively with global reinsurers to ensure Australia's regulatory environment and localised risk profile are properly understood. As a result, small operators are priced through blunt catastrophe-driven models rather than accurate domestic data.

Climate Risk and Natural Hazard Exposure: The increased frequency and severity of extreme weather events is generating real and legitimate increases in the insured cost of doing business in Australia. The Insurance Council of Australia reports¹¹ that over the past 5 years:

- extreme weather events have generated over \$22.5 billion in insurance claims nationwide, with an average of \$4.5 billion per annum; and
- a 67% increase in the five-year average insured cost of extreme weather events.

Insurers therefore legitimately price higher risk in cyclone, flood and bushfire-prone areas.

The Cyclone Reinsurance Pool has shown government intervention can help, producing an 8 per cent fall in average WA small business premiums, but the scale of need far exceeds current measures.

Even so, HIA argues this risk-based pricing becomes distorted when combined with market failures: weak competition, fragmented civil liability laws, and a \$3.5 billion annual regulatory cost burden on insurers. Without the ability to price for business-level mitigation, small builders often pay overstated premiums despite exhibiting strong compliance and safety practices.

¹¹ Australian Insurance Industry Snapshot, 2025: https://insurancecouncil.com.au/wp-content/uploads/2025/03/INCA015-Fact-Pack-2025_v2.8-1.pdf



Rising Claims Costs: Labour, Materials, and Litigation

The underlying cost of insurance claims in the construction sector is genuinely increasing, largely due to:

- higher material costs following global supply chain disruptions,
- increased construction labour costs, and
- escalating workers' compensation claims: particularly the recent coverage of psychological injuries, which generally take far longer to resolve and increase insurer liabilities.

These factors lift the underlying cost of insurance across construction, independent of any policy failures. However the policy question is whether Australia's current insurance market structure is responding to these legitimate cost drivers with proportionate, efficient, and equitable pricing; or whether structural market failures are causing the response to overshoot in ways that fall disproportionately on small business operators who are not in a position to negotiate, exit to self-insurance, or absorb the cost.

HIA strongly suggests the latter, and advocates for removing these policy-driven amplifiers to restoring proportionate, equitable pricing and maintaining construction sector capacity.



Conclusion

The failing small business insurance market in Australia is not a peripheral commercial inconvenience. It is a structural constraint on economic resilience, business formation, and in the residential building sector on Australia's capacity to build the homes its population urgently needs.

HIA has participated in this system's dysfunction as a witness and an advocate for over two decades. We have submitted to the ASBFEO's 2020 Insurance Inquiry. We have documented the cumulative burden of insurance costs in our annual Small Business Conditions Surveys. We have watched as member businesses reduce coverage, exit the market, or operate underinsured because the alternative paying premiums calibrated for institutional operators is financially impossible.

The residential building sector is Australia's most essential industry for the housing supply emergency. Small builders, the 60,000 HIA members who build most of Australia's homes are not large corporations with risk departments and institutional insurance arrangements. They are small businesses with thin margins, large project liabilities, and a regulatory environment that is currently making it commercially rational to do less, not more.

The Committee has before it the most recent iteration of a policy problem that has resisted resolution for over two decades. HIA urges it to make findings and recommendations that:

- acknowledge explicitly the pattern of review, recommendation, and inaction that has characterised government's engagement with this issue since 2002.
- recommend structural reforms, not further reviews, with clear accountability mechanisms, delivery timelines, and defined consequences for non-implementation.
- engage directly with the connection between insurance market failure and housing supply failure, and articulate that connection clearly in the Committee's findings.
- treat the residential construction sector as a specific and urgent case requiring sector-specific responses, not generic small business insurance reform.

Insurance is meant to be a foundation for risk-taking, business formation, and economic activity. When it becomes a barrier to those things, it is not just the insurance market that has failed. It is government.

This Committee has the opportunity, and the responsibility, to make a recommendation that breaks a two-decade cycle of inaction.

HIA is ready to work constructively with the Committee, the Federal Government, and the insurance industry to make that happen.

HIA welcomes the opportunity to provide further evidence to the Committee, including through public hearings or supplementary submissions.



ATTACHMENT 1

Government-Initiated Reviews, Inquiries and Taskforces: Small Business Insurance Market Failure (2002–2026)

- *Review of the Law of Negligence (Ipp Review)*, Commonwealth Government, 2002: examined the public liability insurance crisis; recommended tort reform including proportionate liability, caps on damages, and evidentiary thresholds for personal injury claims.
- *HIH Royal Commission*, Commissioner Neville Owen, Commonwealth Government, 2003: examined the failure of HIH Insurance; made 61 recommendations addressing prudential regulation, market conduct, and consumer protection in the general insurance industry.
- *ACCC Public Liability and Professional Indemnity Insurance Monitoring* (annual reports), Australian Competition and Consumer Commission, 2003 (ongoing): established following the Ipp Review tort reforms to monitor whether premium savings were passed through to consumers; continues under the Competition and Consumer (Price Monitoring - General Insurance Policies) Direction 2022, with reports required annually through June 2026.
- *Productivity Commission Inquiry into Natural Disaster Funding Arrangements*, Productivity Commission, Final Report 2014: examined the relationship between insurance affordability, underinsurance, natural hazard risk, and Commonwealth/state fiscal exposure; recommended investment in risk mitigation infrastructure and reform of insurance tax and levy settings.
- *Financial Services Royal Commission (Hayne Royal Commission)*, Commissioner Kenneth Hayne, Final Report February 2019: while primarily addressing consumer finance and superannuation, made findings directly relevant to insurance product design, claims handling, and insurer conduct obligations that have added regulatory cost and complexity to the general insurance sector.
- *ASBFEO Insurance Inquiry Report*, Australian Small Business and Family Enterprise Ombudsman, December 2020: as the most directly relevant prior process, the report found systemic failures in small business insurance affordability, availability, and accessibility; made nine substantive recommendations including abolition of state insurance duties, a Productivity Commission review, reinsurer engagement, and procurement insurance reform.

As of March 2026, no recommendation has been fully implemented.

- *Hazards Insurance Partnership (HIP)*, established in the 2022–23 Federal Budget: brought together federal government agencies, Treasury, and the insurance industry to identify insurance challenges in high-risk areas and develop policy solutions to reduce risk and cost; scope limited to natural hazard risk.
- *ACCC Cyclone Reinsurance Pool Monitoring* (annual reports), Australian Competition and Consumer Commission, 2022–2026: required under the Competition and Consumer (Price Monitoring - General Insurance Policies) Direction 2022; monitors the effect of the Cyclone Reinsurance Pool on premiums, availability, and market participation in cyclone-affected regions.



- *Insurance Affordability and Natural Hazards Risk Reduction Taskforce*, Federal Government, established May 2024: focused on cross-government strategies to mitigate disaster impacts and address rising insurance costs caused by extreme weather events; mandate does not specifically address broader small business insurance market structural failures.
- *ACT Legislative Assembly Standing Committee on Economics, Industry and Recreation - Inquiry into Insurance Costs in the ACT*, 2024: state/territory level inquiry examining premium escalation for small businesses and community organisations in the ACT; acknowledged the gap between ACT insurance costs and other jurisdictions.
- *Joint Select Committee on Northern Australia - Final Report, March 2025* - examined insurance affordability and availability challenges in northern Australia, including the performance of the Cyclone Reinsurance Pool; recommended the legislated review of the Pool proceed alongside broader structural reforms.



ATTACHMENT 2

2026 HIA Small Business Conditions Survey Report



HIA 2026 Small Business Conditions **survey**

February 2026



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Foreword

Small businesses sit at the core of Australia's home building industry. Together, they construct the majority of new homes, employ a significant share of the workforce, and train many of the apprentices and skilled tradespeople our industry depends on.

The *HIA 2026 Small Business Conditions* survey shows that while small builders remain resilient, they are facing significant challenges heading into 2026.

Demand for new housing is strong, but rising costs, skills shortages, complex regulations, and planning delays are making it increasingly difficult for builders to keep up. Fixing planning systems, cutting red tape, and strengthening training pathways will be essential to supporting small builders and improving housing supply.

Small businesses deliver around two-thirds of the nation's new homes each year. Australia's ability to meet its housing targets relies heavily on their capacity to grow and operate efficiently.

The latest HIA Housing 100 report shows the nation's largest 100 builders delivered 64,407 homes in 2024/25, representing 36% of all dwelling starts. This highlights just how critical small and medium-sized builders are in meeting national housing targets.

The Federal Government has committed to delivering 1.2 million homes over five years to 2029. However, in the first full year — the twelve months to 30 June 2025 — Australia was already sitting around 60,000 homes behind schedule.

Despite strong demand and the industry's potential capacity to build more homes, the survey reveals high levels of concern among small and medium builders across the country. Increasing taxes and regulation, persistent skills shortages, policy uncertainty, and escalating business costs continue to weigh heavily on the sector.

These pressures force builders and tradespeople to spend more time on paperwork and less time on-site — ultimately reducing industry productivity and making housing less affordable and less accessible for Australians.

About the survey

The *HIA 2026 Small Business Conditions* survey was conducted nationally of HIA small business members in November & December 2025. The largest share of respondents, 54% stated that they employed 0–5 employees, followed by 21% with 5–10 employees and 14% stating 10–20 employees. The remaining 11% employed over 20 staff.

Respondents recorded that their primary place of operation was in New South Wales (30%), Victoria (24%), Queensland (14%), Western Australia (13%), South Australia (10%), Tasmania (7%) and ACT (3%).

Key takeaways

1. Business Conditions for 2026

Population growth will continue to fuel strong demand for new housing, but day-to-day operating pressures are weighing heavily on small builders. Labour, insurance, finance, and compliance costs remain elevated. At the same time, planning delays and uncertainty around approvals are disrupting schedules, slowing revenue flow, and increasing holding costs — leaving many builders reluctant to expand.

2. Employment Intentions

Hiring intentions remain cautious. Builders are only bringing on new staff when workloads and project approvals are stable and predictable. Ongoing uncertainty around input costs, workforce availability, and regulatory changes is reinforcing a conservative approach to growth.

3. Skills and Workforce Capacity

Skills shortages continue to be a major constraint. Around two-thirds of builders report difficulties recruiting or retaining skilled workers, particularly experienced tradespeople and site supervisors. While apprenticeships remain essential to building future capacity, rising costs and increased supervision requirements are limiting the ability of many businesses to take on new apprentices.

4. Regulation, Planning, and Productivity

Complex regulatory requirements and slow planning approvals are undermining industry productivity. Builders are spending more time on paperwork and compliance activities, leaving less time available for on-site work. These inefficiencies add directly to project costs and reduce overall industry output.

5. Impact on Housing Supply

Australia's housing supply challenge is increasingly tied to capacity constraints. High operating costs, workforce shortages, and productivity losses mean fewer homes are being completed. Without reforms that increase certainty, streamline approvals, and support efficient project delivery, national housing targets will be difficult to achieve.

6. Outlook for 2026

Builders remain resilient but cautious. Confidence would strengthen with faster planning decisions, reduced administrative burdens, and better-supported training pathways. With the right policy settings, small builders can expand their workforce, improve productivity, and play a leading role in meeting Australia's housing needs.

The survey shows builders are active but cautious:



73%

do not expect to hire more staff in 2026; only 27% plan to increase employment.



67%

report difficulty finding or keeping skilled workers.



88%

say planning approvals take more than 8 weeks, and 33% report delays over 6 months.



32%

spend more than 10 hours a week dealing with red tape



Recommendations

Based on the information provided by small business members in the survey, existing HIA policy and other industry research, following are recommendations for all tiers of government to action to support the small business viability and housing delivery.

1. Removing red and green tape burden hampering productivity

- Require all government agencies to include a 'small business test' for all newly proposed regulation.
- Require impact assessment processes to apply a small business criterion to ensure right sizing of laws as opposed to current one size fits all approach imposed on business.
- Streamline planning, zoning, and permit approvals to reduce downtime and paperwork.
- Move the National Construction Code (NCC) to a five-year amendment cycle for stability and greater certainty in decision making for builders, designers and clients.
- Fund free entry-level access to Australian Standards for builders and tradies to reduce business operation costs.

2. Boost small business workforce

- Double the current \$5,000 Priority Hiring Incentive for small business employers to take on apprentices.
- Make a long-term commitment to support greater apprentice retention through the Key Apprenticeship Program (KAP).
- Fund a national pre-apprenticeship program for school leavers to help develop more job ready staff.
- Pilot small business trade-specific visa class to reflect the nature of independent contracting in residential construction.
- Establish skills recognition programs for migrants to improve efficiency and effectiveness of their transition into construction industry careers.

3. Support for small business operations

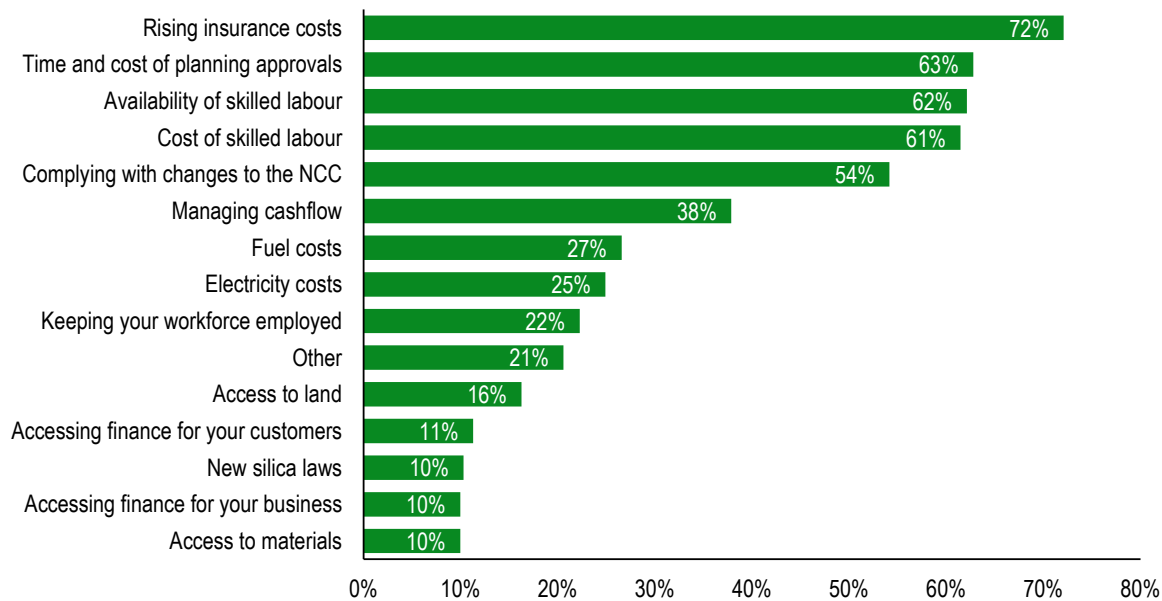
- The 2026–2027 Federal Budget to provide a \$1,000 (p.a.) per ABN holder training and upskilling grant to undertake short courses and industry upskilling programs.
- Exclude small business reporting from government imposed green and white tape reporting requirements.
- Simplify and streamline accreditation requirements for builders undertaking Housing Australia Future Fund work.
- Promote investment in new technology through making the instant asset write-off permanent and raise threshold to \$50,000.

4. Small business innovation

- Support the adoption of technology and digital tools by smaller firms, which can enhance efficiency and reduce costs.
- Engage Productivity Commission to undertake a national review of insurance cost increases over the past 5 years.
- Reform codes, planning, and finance systems for modern methods of construction (MMC) to give industry clarity, certainty and increase uptake.
- Create a dedicated small building business hub to provide a one stop shop for regulation, innovation and business support.

What are the current pressures currently facing your small business?

Respondents were able to choose from multiple options with the majority stating the rising insurance costs as the current pressure on they are facing within their business. This was followed by time and cost of planning approvals, 63% and availability of skilled labour, 62%.

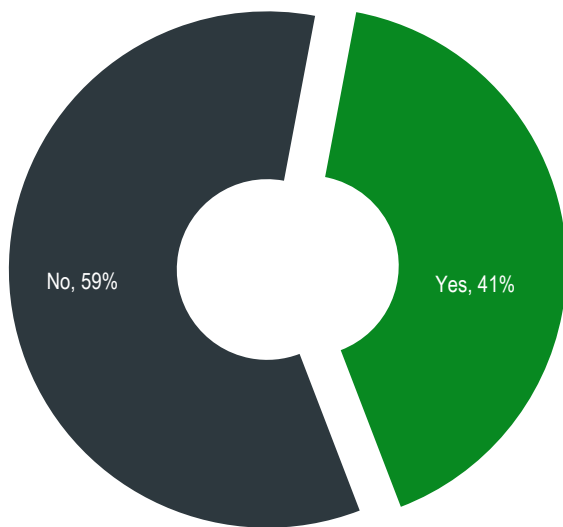


On a state by state basis:

	New South Wales	Victoria	Queensland	South Australia	Western Australia	Tasmania	Australian Capital Territory
Access to land	23%	7%	15%	13%	15%	23%	25%
Access to materials	8%	6%	12%	20%	13%	9%	13%
Accessing finance for your business	18%	11%	0%	7%	5%	5%	13%
Accessing finance for your customers	14%	15%	7%	3%	0%	14%	38%
Availability of skilled labour	64%	48%	78%	77%	67%	55%	25%
Complying with changes to the NCC	54%	41%	59%	53%	64%	64%	75%
Cost of skilled labour	64%	55%	68%	70%	67%	45%	38%
Electricity costs	24%	21%	37%	37%	18%	14%	25%
Fuel costs	32%	27%	24%	37%	21%	9%	13%
Keeping your workforce employed	32%	23%	15%	13%	13%	14%	50%
Managing cashflow	42%	44%	34%	30%	33%	27%	38%
New silica laws	11%	3%	5%	13%	21%	9%	38%
Other	16%	27%	15%	10%	28%	9%	88%
Rising insurance costs	79%	86%	51%	63%	64%	68%	63%
Time and cost of planning approvals	70%	63%	56%	43%	62%	64%	88%

Do you anticipate that your business will make a greater profit in 2025/26 than in the 2024/25 period?

The majority of respondents, 59% stated they did not anticipate making a greater profit in 2025/26 than they did this financial year.

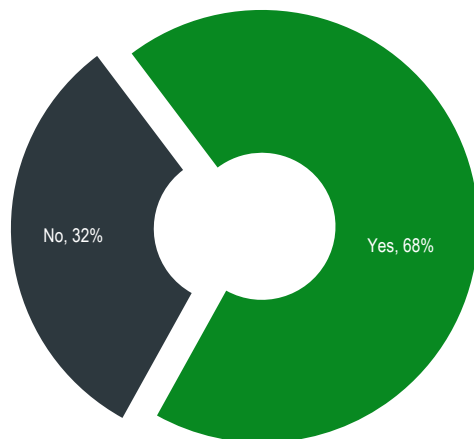


On a state by state basis:



Have you considered scaling back or closing your business as a result of red tape and compliances burdens?

The majority of respondents stated they have considered scaling back or closing their business as a result of red tape and compliance burdens, 68%.

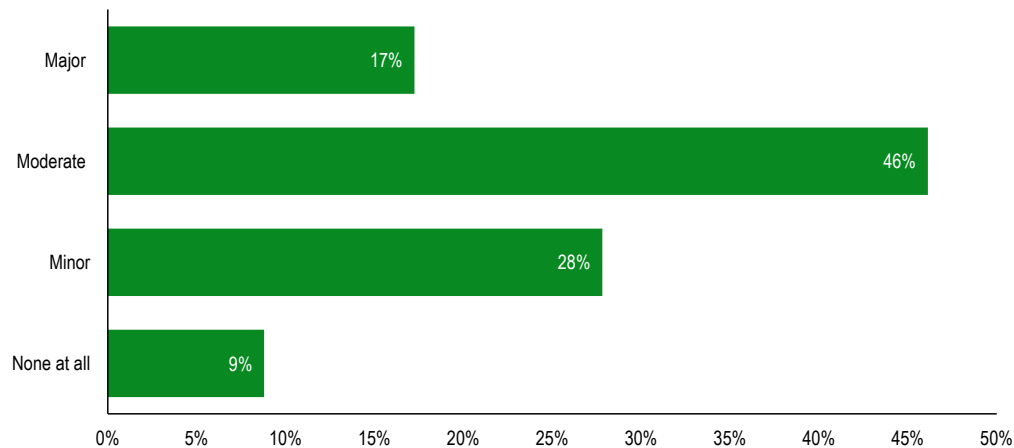


On a state by state basis:

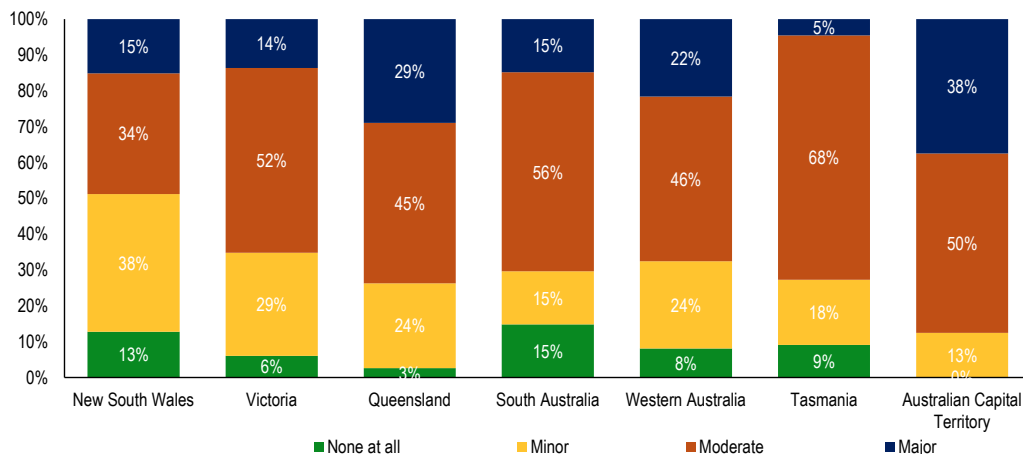


What impacts has recent changes to the National Construction Code had on your business?

63% of respondents stated the recent changes to NCC has had a moderate to major impact on their business with 28% stating only a minor impact and 9% stating no impact.



On a state by state basis:



Member comments:

"Increase in construction costs by 33%, which has to be passed onto clients. Many clients are not proceeding with the build due to the rising costs and complexity."

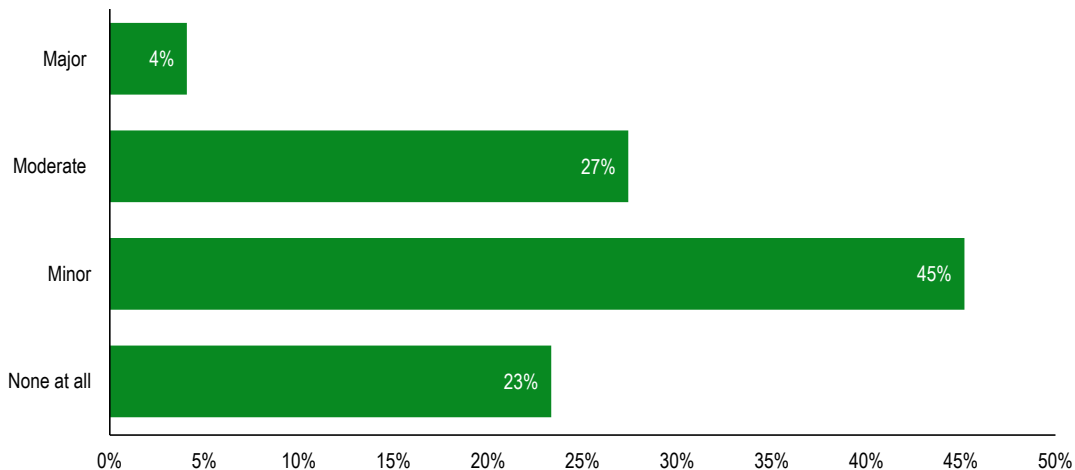
"NCC 2022 has made a couple of potential projects unviable and has in several instances added tens of thousands of additional costs complying with 7 star energy rating. Clients also object to having to comply with disability access when they see absolutely no need for it but still have to pay."

"Just paying staff to get up to date and change all our standard plans and drafting templates and other paperwork. The cost and delay on getting permits in the early stages while it's new to the builder and the surveyor adds up. It hurts cashflow. Also we are the ones that have to educate the client why their house is x amount more expensive."

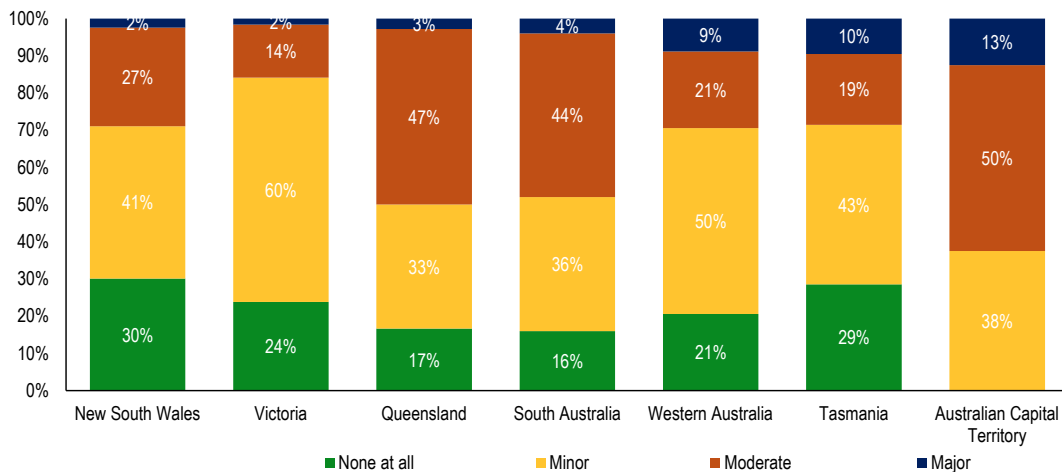


What impacts has recent changes to Work Health and Safety laws with respect to silica had on your business?

The impact of Work Health and Safety law with respects to silica has had a lower impact on their businesses with 31% stating moderate to major impact, 45% stating minor impact and 23% stating no impact at all on their business.

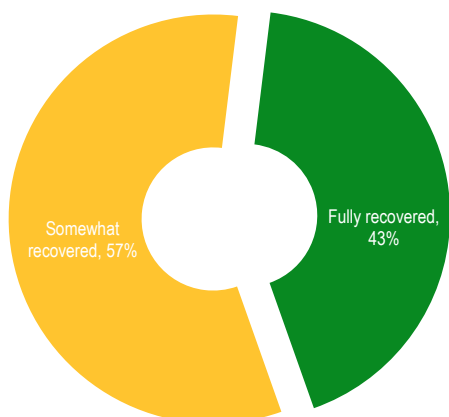


On a state by state basis:



Has your business fully recovered from the impacts of the pandemic?

The lasting effects of the pandemic still impacts 57% of respondents stating they have somewhat recovered and 43% stating they have fully recovered.



On a state by state basis:



“ Member comments:

“Cashflow and financial buffer has been severely eroded by inflationary effects on fixed price contracts from that period which meant significant losses incurred.”

“No business has fully recovered as construction costs increased around 40% and even to today valuation and affordability issues are providing major hurdles in signing up new projects.”

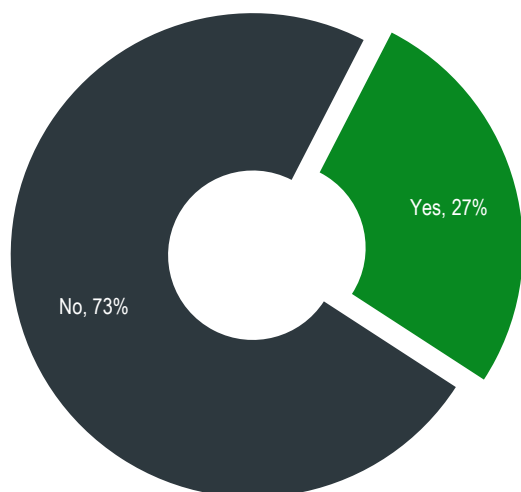
“People’s attitudes have changed since the pandemic, in particular government departments that allow employees to work from home – everything has got a lot slower.”

“The stress of the pandemic took its toll on our physical and mental health and the inability to take an extended break due to financial constraints has meant personal recovery has been slow.”

”

Do you expect that your business will employ more staff in 2025/26 than in the 2024/25 period?

The majority of respondents, 73% stated they did not expect to employ more staff in the next financial year than the past, 27% stated they would.

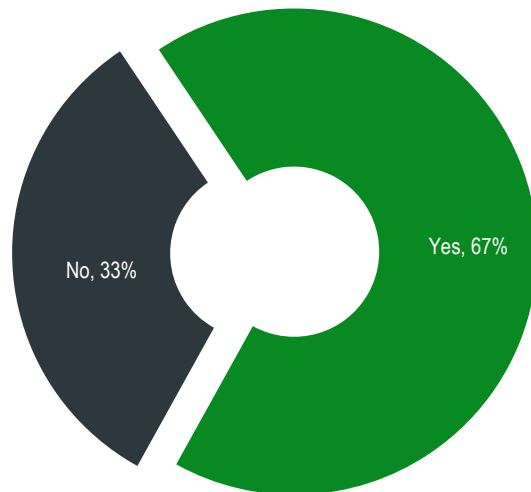


On a state by state basis:



Are you currently facing challenges in recruiting or retaining the skilled staff or trades required for your business?

The challenges of recruiting or retaining the skilled staff or trades was stated as a problem with 67% of respondents.



“ Member comments:

“Very hard to find qualified staff and we seem to be competing with the government for these employees with the government entitlements more appealing than the private sector entitlements.”

“Trying to get new staff into the industry is a struggle. To get a skilled tradesmen you have to pay over the average wage price for them and it’s not viable.”

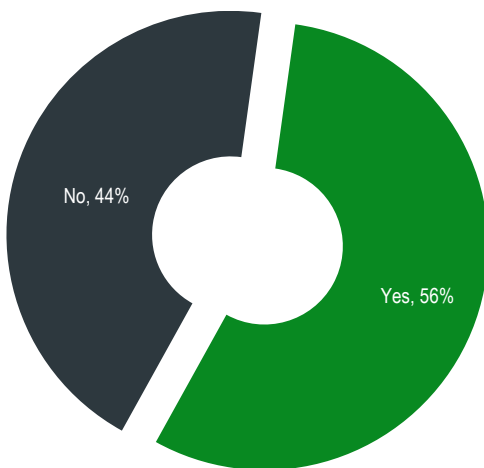
On a state by state basis:



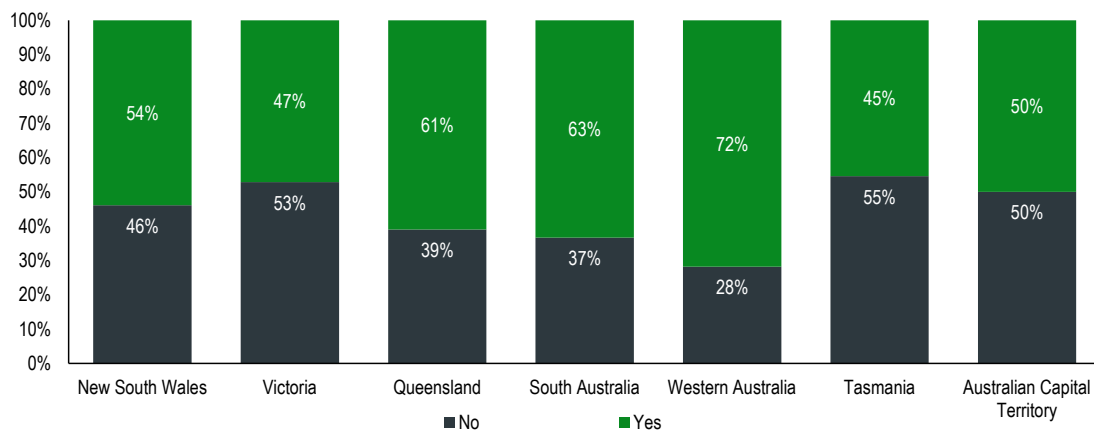
“Government competing for talent. The major infrastructure projects are paying unreasonably high wages for low skilled jobs.”

Have you had to take on additional staff, or asked existing staff to dedicate additional hours to administrative or regulatory task over the past 12 months?

56% of respondents stated they have had to take on additional staff or added to existing staff dedicated hours for administrative/regulatory tasks over the past 12 months.

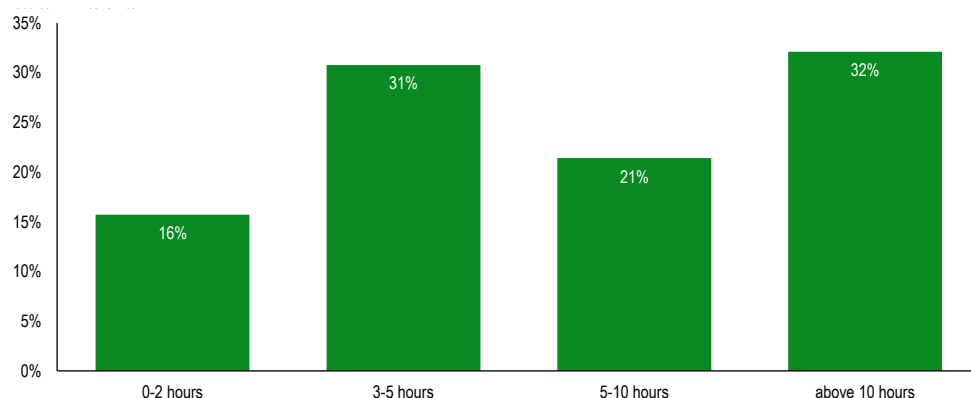


On a state by state basis:

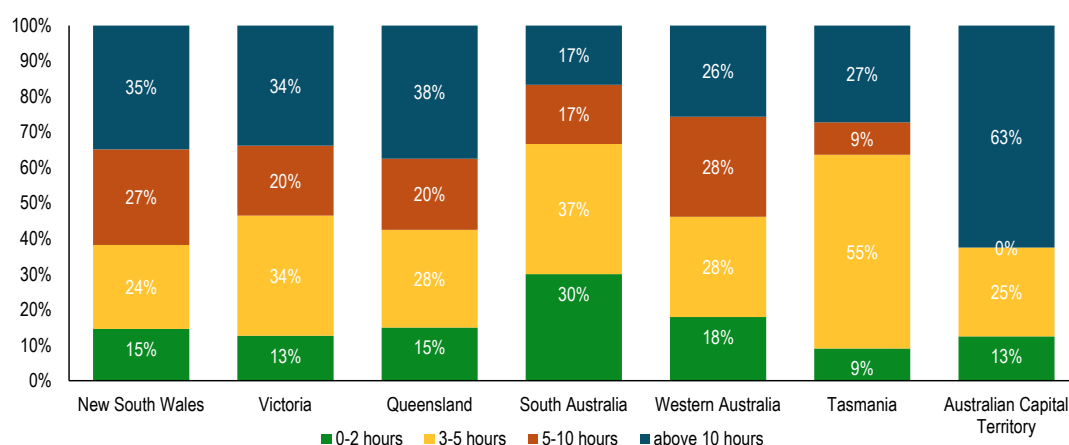


How long do you spend each week complying with red tape or regulatory burdens?

Just over half of respondents, 53%, stated they spend 5 hours or more on complying with red tape and regulatory burdens, of those 32% stated above 10 hours. 47% less than 5 hours per week.

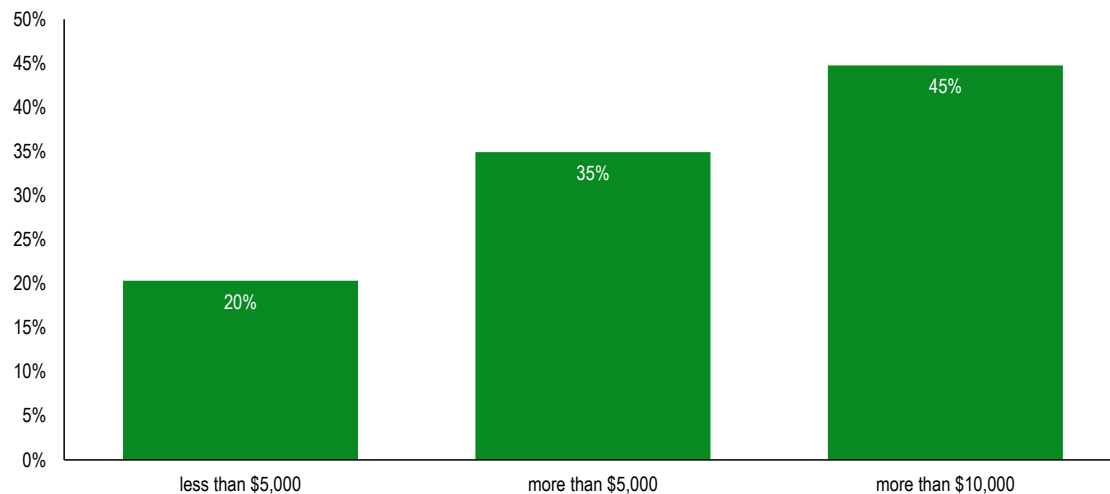


On a state by state basis:

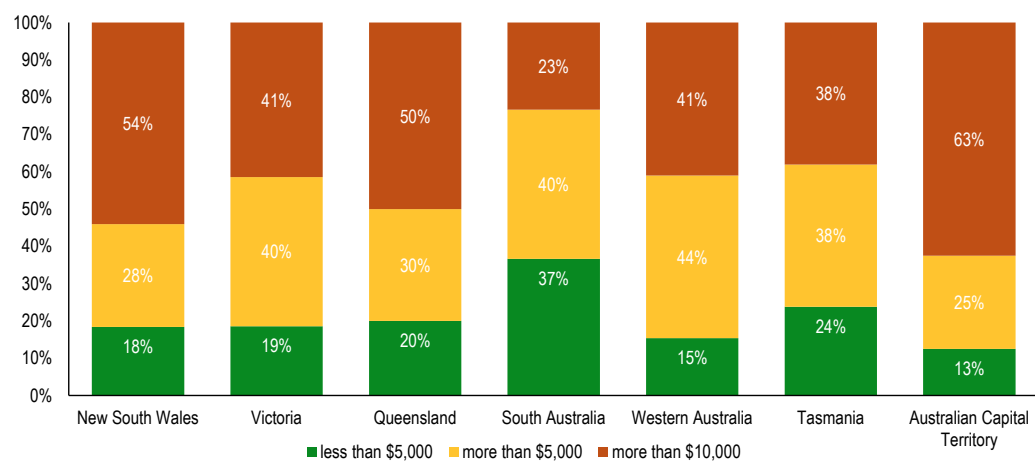


How much do you spend on compliance each year?

Compliance costs was stated as more than \$10,000 a year by 45% of respondents, followed by 35% more than \$5,000 a year. 20% of respondents stated less than \$5,000 a year.

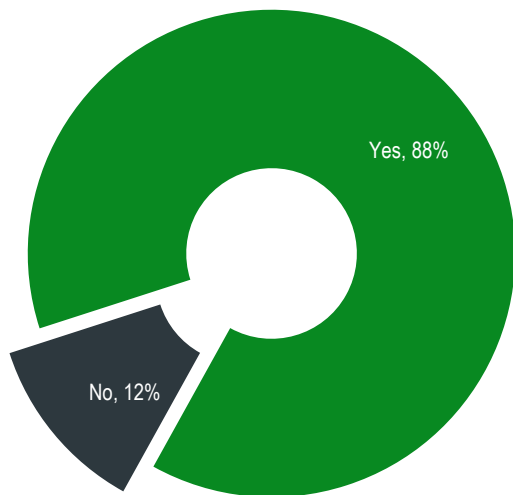


On a state by state basis:

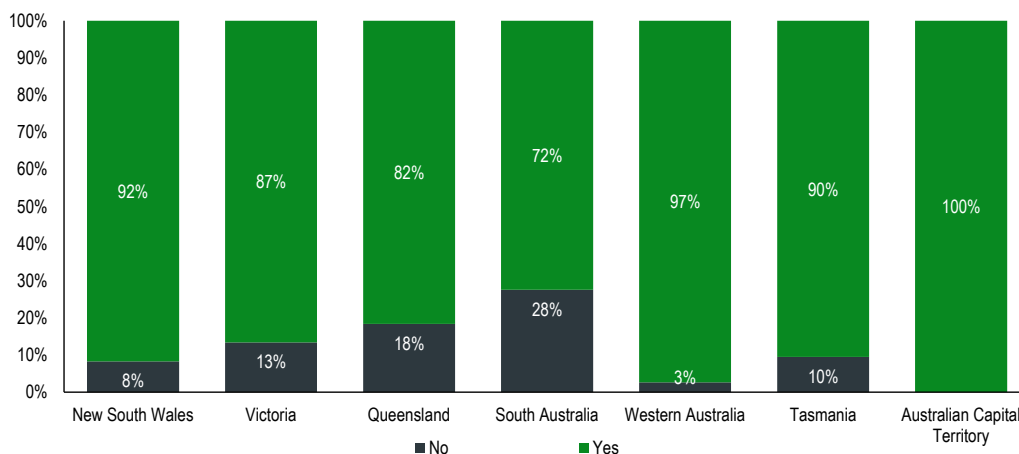


Have you experienced an increase in personal stress as a result of increasing red tape and compliance burden?

88% of respondents stated they have experienced an increase in personal stress as a result of red tape and compliance.



On a state by state basis:



Would you estimate you will spend more time on compliance than on research and development or improving your business next year:

“ Member comments:

“Yes, compliance takes up a significant amount of office time and therefore on top of actually providing goods and services there isn't much time left for R&D.”

“Yes, finding time for innovation is hard when keeping up to date with changing regulations, building codes.”

“Almost no time is spent on growing or developing the business. I have come close to closing the doors because of red and green tape.”

“Yes. Most of my nighttime office work is on red, green and white tape and avoiding fines and penalties. Not much time is dedicated to growing the business.”

“Yes, The cost of constantly training and retraining skilled staff and labour about compliance related changes in the industry leaves very little time, or money left to undertake any research and development related activities within our business.”

“Needless requests for further information cost our business in time and labour as schedules are pushed back again and again - for information that has already been presented. Town Planners have actually requested information on plans to be removed, then reinstated. Each week we are pushed back from a start date costs our business thousands of dollars and there is no accountability for this on Council's part.”

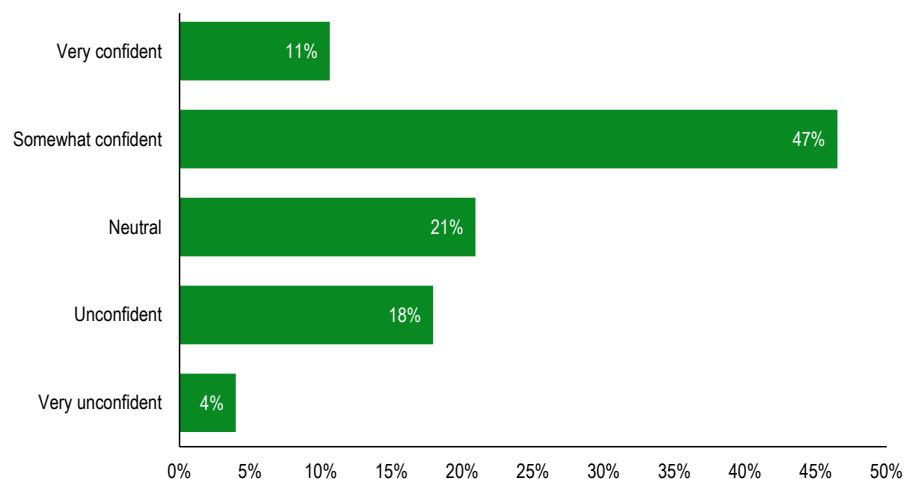
“Absolutely, not having free access to Australian Standards is detrimental to being able to comply to new National Construction Code.”

“Sadly we employ the same amount of staff to deal with compliance as we do on site.”

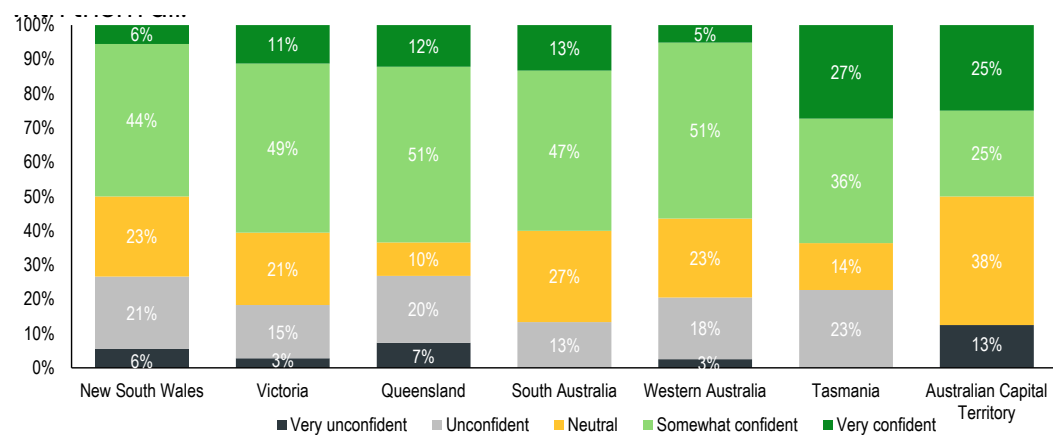
”

How confident are you that you are aware of all the regulatory requirements applicable to your business and that you comply with them all:

More than half, 58% of respondents stated they feel confident they are aware of all the regulatory requirements applicable to their business with 22% of respondents stating they are not confident.

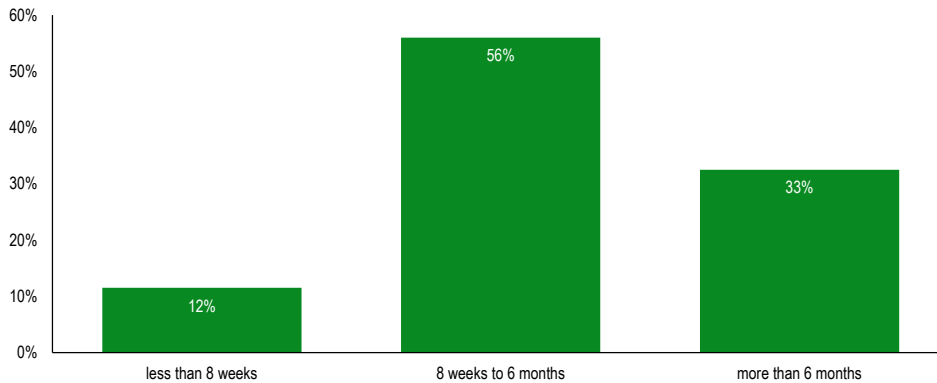


On a state by state basis:



How long are you currently taking to obtain planning approvals on average?

Majority of respondents, 88% stated it takes longer than 8 weeks to obtain planning approvals on average with 33% of those stating it was more than 6 months. 12% stated it was less than 8 weeks.

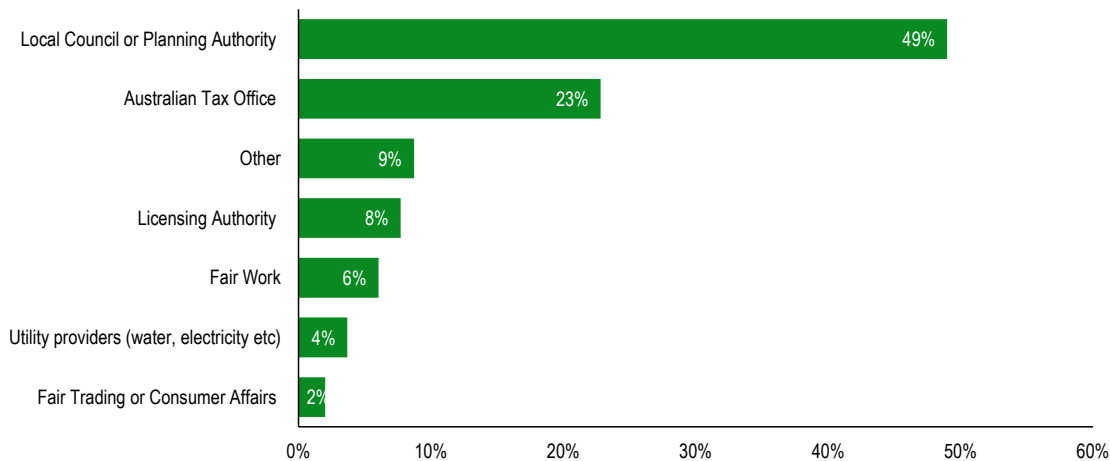


On a state by state basis:



What government agency or authority places the greatest regulatory burden on your business?

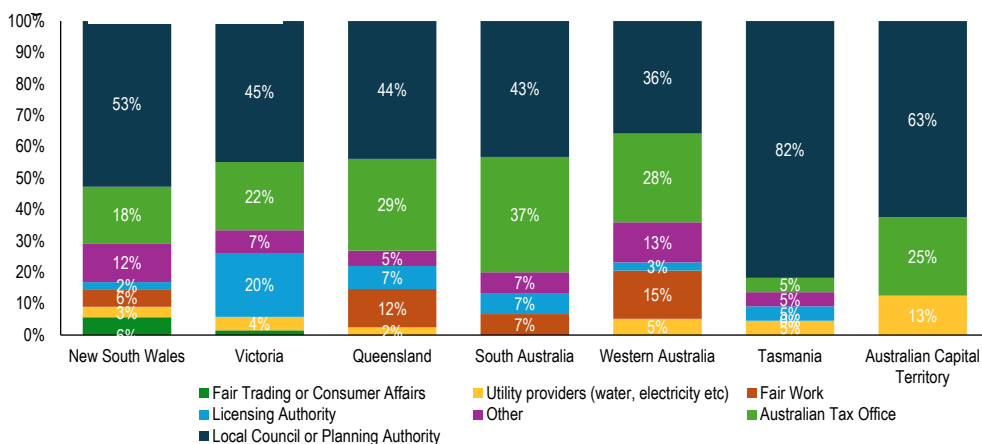
Local Council or Planning Authority placed the greatest regulatory burden on respondents businesses, this was followed by the Australian Tax Office and Other.



'Other' includes:

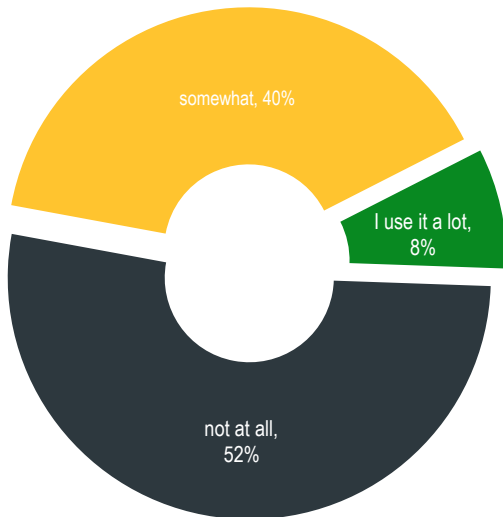
- Various state and territory home warranty insurance schemes.
- Workplace safety authorities.
- State and territory revenue offices.
- Financial institutions.
- State and territory governments.

On a state by state basis:

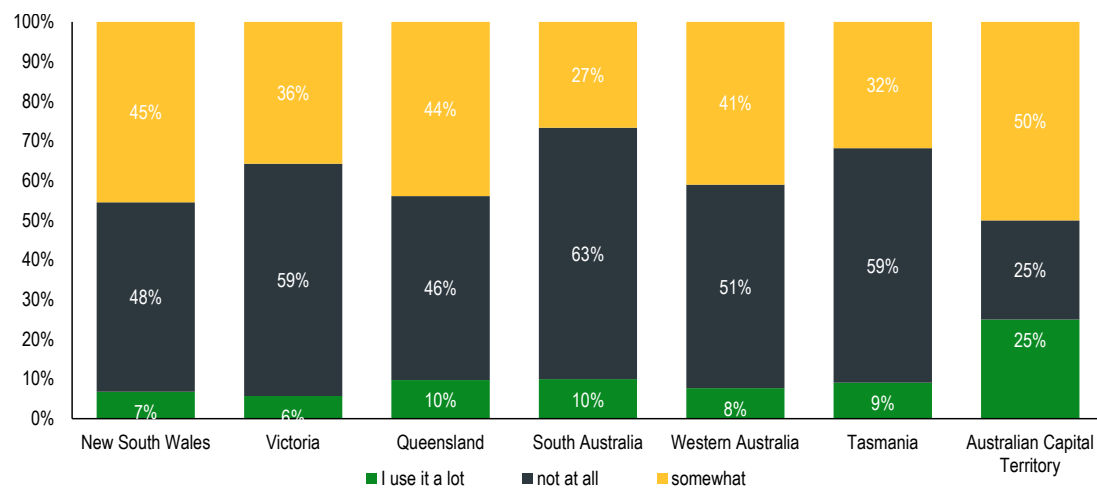


Are you using Artificial Intelligence (AI) in your business?

52% of respondents stated they currently not using artificial intelligence in their business with 40% stating they were somewhat and 8% stating they is it a lot.

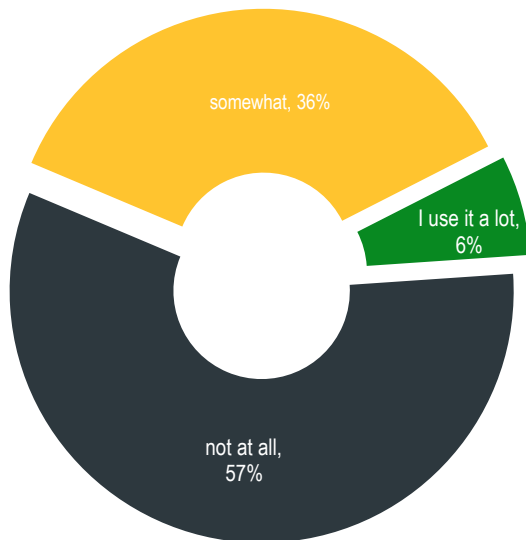


On a state by state basis:

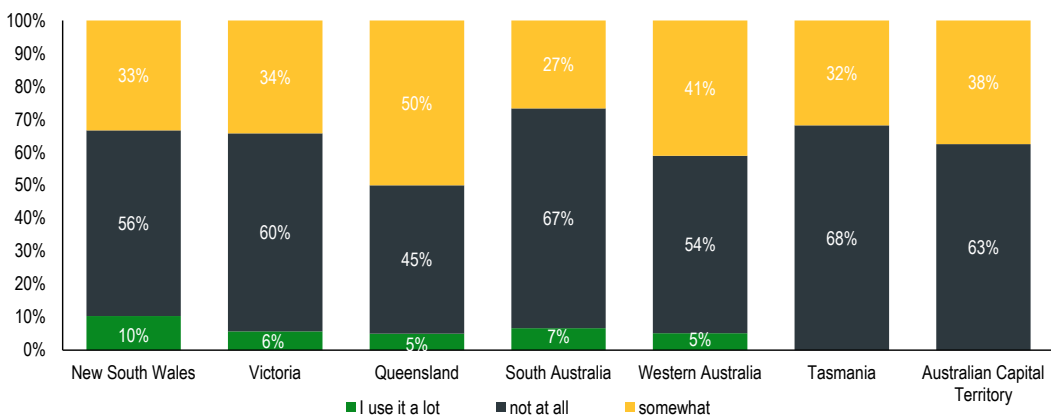


Are you utilising Modern Methods of Construction (MMC) in your business, such as offsite construction or prefabrication of buildings or components?

57% of respondents stated they were not utilising modern methods of construction (MMC) in the business with 36% stating they were somewhat and 6% stating they were using MMC a lot.



On a state by state basis:



Do you want to leave any general comments about your experience as a small business in the residential construction industry??

“ Member comments:

“As a small residential builder I find it extremely hard to keep up to date with all the administrative tasks on top of working 50 hour weeks and trying to be there for my family also. Most of the administrative work is to cover myself for red tape on projects.”

“I think most builders have been burnout and are tired of all the red tape and planning. It is much easier to just build the house.”

“I enjoy the building side of the business but the compliance and paperwork side of what we do does seem to be getting out of hand at times. My last renovation was \$80,000 and 9 months for the client in fees – preliminaries, certifications and paperwork before we could start.”

“If the regulations and paperwork are not rolled back, there will be no small builders left. All the builders I know above 55 are retiring, because the bureaucracy is too hard.”

“The stress and additional regulation of the industry has taken a lot of the enjoyment of building and just becomes a job.”

“As a small builder and property developer, it is currently not feasible to continue operating due to the rising costs of construction, insurance, red tape and land tax.”

“We may not build as many homes each year as we are used to but we are busier than ever complying with regulations. It feels as though the government is actively working against the small builder.”

“As a small custom building company that has been in the family for 45 plus years, it really is getting harder to stay afloat. The costs of materials, labour, insurances and all of the other operating expenses have increased. Add in the fact our local council have been taking 6 to 12 months for approvals, then throw in a pandemic with the added pressures of not being able to get materials, a change in Government leaders and an economy in recession with high inflation – times are tough!”

“Would like to use prefabricated modules but clients struggle with finance and it is too much of a burden on business to carry the cost prior to onsite installation and ultimately payments.”

“Its bloody hard to make a dollar.”



You're in
good hands

If you would like to know more about HIA Economics
contact us on **02 6245 1393** or visit **hia.com.au/economics**

