



**MASTER BUILDERS
AUSTRALIA**

Submission to Parliamentary Joint Committee on Corporations and Financial Services

6 March 2025



**MASTER BUILDERS
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Introduction

Master Builders Australia Ltd (Master Builders) provides the following response to the inquiry into small business insurance (the Inquiry).

Master Builders is the nation's peak building and construction industry association, which was federated on a national basis in 1890. Master Builders' Members are the Master Builder State and Territory Associations. Over 130 years, the Master Builders network has grown to more than 32,000 businesses nationwide, including the top 100 construction companies.

Master Builders is the only industry association representing all three sectors: residential, commercial, and civil construction. For noting, the membership contingent is made up predominantly of small and medium-sized enterprises.

Master Builders' vision is for a profitable and sustainable building and construction industry. Master Builders appreciates the opportunity to provide feedback on matters that are relevant to our industry for the purposes of ensuring suitability and sustainability of practices but to also hold fast to our vision for the industry.

Participants in the building and construction industry are subject to a number of insurance obligations that are imposed on them through regulation, contractual obligations or as a part of the participant's risk mitigation and/or financial protection strategies. These obligations, regardless of how they are imposed, have a pivotal role in safeguarding not only the participant, but also other stakeholders such as the client, subcontractors, suppliers and financial institutions – but do come at a cost.

These costs are both direct and indirect and have a particularly adverse impact on small business, noting that 98 percent of business in the building and construction industry are small business.

In terms of direct costs, **Table A** provides an example of the insurance costs for a residential builder with an annual turnover of \$800,000 and a comparison of the base premium and levies and taxes that apply to a generic insurance product premium.

Whilst the base premiums do not have any significant differences, the true driver of the costs of the total premium payable are largely dependent on the government levies and taxes imposed for example an emergency services levy, a terrorism levy, stamp duty and GST. Of concern is the variance between the jurisdictions – with the government charges ranging from 11 percent in the ACT through to 28.7 percent in NSW.

GST is then added on top of the base premium plus these levies which results in a tax (GST) being calculated on top of those levies and taxes. The cascading effect of the government charges, stamp duty and GST, inflates insurance premiums across all jurisdictions. These costs are borne by the business seeking coverage under the insurance product in the first instance and then passed on to the client or end user, another factor in the increasing costs of building and construction works.

Indirect costs can be broadly categorised as regulatory burden and red tape. **Table B** sets out the various mandatory insurances required of those operating in the building and construction industry. Such an expansive framework sits at odds with the need to improve housing supply in order to reach the Federal Government's ambitious Housing Accord target. To build 1.2 million homes by mid-2029 policy settings must be aimed at measures that support productivity across the sector.

However, regulations act as one of the biggest drains on productivity in the construction industry and is one of the first things mentioned by industry participants when asked about our productivity

challenges. In last year's landmark report, the Productivity Commission¹ identified the regulatory burden as one of the main culprits behind our industry's poor productivity performance.

The burden of regulatory costs can be jaw dropping: in December 2025, the Productivity Commission estimated that regulatory costs add between \$135,000 and \$320,000 to the ticket price of a newly built house. Regulation means that new apartment buyers need to come up with an extra \$40,000 to \$175,000.

Over the past decade, no industry has performed worse than construction when it comes to productivity. The effects of this have been grim: ever deteriorating housing affordability, insufficient volumes of new home building and delays in the delivery of new homes. The poor performance of construction productivity means that it costs more to create the vital infrastructure that we need. As a result, government capital and infrastructure budgets don't stretch as far. One of the most problematic aspects of weak construction productivity is the way it infects other parts of the economy and erodes the buying power of families' pay packets.

Failing productivity is also a key cause for concern.

General Feedback

There are several considerations that must be factored into this review – particularly from the building and construction industry – which may differ from other industries.

The building and construction industry is a high-risk industry and is subject to a complex and cumbersome regulatory burden compared with other industries. The type of work being undertaken, through to the engagement of workers as well as the consumer protection regulatory arrangements, make the insurance framework relatively complex, not to mention expensive.

Typically, there are three consistent complaints from the building and construction industry regarding insurance:

1. Coverage / Availability;
2. Cost; and
3. Eligibility.

Further to this, insurance obligations can be prescribed in contracts or relevant legislation, whilst others are often a risk mitigation strategy self-imposed on the business by the business owner or director. These insurances have been summarised in **Table B**.

There is also a range of insurance products now available in the market to support various industries, however, access and eligibility criteria for these insurance products both at application and claim stages, can be difficult to understand and/or obtain.

It is well reported that there is also a general distrust in the requirement and use of insurances, particularly from a cost perspective. Along with innovation and creating more efficient work practices, there has been a rise in construction matters being litigated to obtain an outcome, particularly with respect to liability, and these factors must be considered and appropriate risk

¹ Productivity Commission, *Creating a more dynamic and resilient economy*, Inquiry Report 10 December 2025

strategies and insurances put in place, to protect the business as well as those who engage with the business.

The use and advancement of technology has seen the exposure to risks and the nature of those risks grow significantly in recent times, but has also led to an increase in the number of policies being taken out, such as cyber insurance.

It is reported that small and medium-sized enterprises, which covers a majority of industry participants, often underestimate the value of coverage required for various insurance products, often resulting in them being underinsured, which again raises the industry concerns about the cost of insurance premiums. Please note that this is not limited to certain insurance products but applies across all.

It is Master Builders' position that policy and regulatory settings must be balanced, sensible, and promote fair opportunity for all industry participants while driving competition and innovation.

Summary of recommendations

- ▶ Master Builders encourages the Committee to consider a review of the accessibility and eligibility of certain insurance products to ensure fair accessibility to all industry participants.
- ▶ Master Builders would support a review of the costing frameworks, including the application of levies and taxes, for insurance products to allow better access and affordability for the building and construction industry.
- ▶ Master Builders strongly recommends that costs of insurances, particularly the application of levies and taxes, is reviewed to allow better access and affordability for the building and construction industry.
- ▶ Clear and concise information must be made available to all participants – insurers, industry participants and stakeholders to ensure that there is improved knowledge in the requirement for a particular insurance if it is to be prescribed, the calculation of the costs and the process for making claims etc.

Access to insurance coverage which meets contemporary business needs

There are a number of insurance obligations imposed on a building and construction industry participant ('industry participant') – whether it be prescribed by law, imposed by a contractual term or sought as a risk-mitigation or financial security measure – that are deemed to meet current contemporary business needs. These insurances have been summarised in **Table B**.

Access to insurance coverage is dependent on a number of additional factors – whether eligibility for coverage is dependent on the risk rating of the industry or sector of the industry in which the works are being undertaken, as well the availability of an appropriate insurance product.

Where an insurance product is prescribed by legislation, (for example, home warranty insurance or workers compensation insurance), there is generally satisfactory access to the insurance product prescribed in the legislation – subject to the business meeting the eligibility requirements. In some

jurisdictions, professional indemnity insurance is mandated ²but is either unavailable or exorbitantly expensive making compliance almost impossible. Of significance, particularly for SMEs are the underwriting conditions and premiums, both of which continue to rise.

Where the insurance is not mandated, whilst an insurance product may be available, eligibility and subsequent coverage might not be achieved unless the participant can meet the eligibility criteria and afford to pay the costs of the premiums.

For example, cyber insurance is available but underwriting requirements remain detailed and premiums can also be high, relevant to the turnover of the business requiring cover. For a small business, whilst there is a need to protect the business and other stakeholders from the ever-increasing risk of cyber threats, the accessibility to this kind of cover is often restrictive and ultimately burdensome from a cost perspective.

Insurances, such as public liability insurance or building works insurance, which are more often a contractual obligation, are generally quite competitive and easily accessible, however the costs of premiums will depend on factors such as the type of work being undertaken, the turnover and risk profile of the business, jurisdiction in which the insurance will apply.

Other insurances, such as contract works insurances and professional indemnity insurances exist, however, access to these products are contingent upon the business meeting the eligibility requirements and being able to afford the premium.

On this basis, it is our position that access to insurance cover which meets contemporary needs is available, there are bigger issues to consider – affordability and cost sustainability.

Recommendation:

- ▶ Master Builders encourages the Committee to consider a review of the accessibility and eligibility of certain insurance products to ensure fair accessibility to all industry participants.
- ▶ Master Builders would support a review of the costing frameworks, including the application of levies and taxes, for insurance products to allow better access and affordability for the building and construction industry.

Affordability and access to insurance cover that meeting contemporary business needs

The cost of premiums and the conditions imposed by the underwriter often restrict access to insurances, particularly for SMEs.

Cash flow, as a result of reduced profit margins now being seen across various construction projects, is one of the main factors for insurances not being taken out or if they are, being underestimated to assist in reducing these costs.

This then causes the industry participant to (a) consider whether not taking out the insurance product is more financially viable for its cash flow management, and (b) due to potentially not being able to

² For example, Professional Indemnity Insurance has been mandated for builders and design practitioners under the *Design and Building Practitioners Act 2020* (NSW), however, an exemption has been put in place to defer this requirement until 30 June 2026. It is noted that the commencement of these provisions have been pushed back multiple times, ultimately undermining the requirement prescribed under the Act.

satisfy some or all of the eligibility criteria or where there might be a reduced level of cover available, the industry participant might elect to run the risk of not having the insurance cover, where it is not mandated by law or under the contract.

Consideration must also be given to accessibility to insurance products and coverage after a claim is made. Making a claim under an insurance policy – say for a workers compensation claim – has some impact on the risk profile of the business in renewal cycles after the claim is made, causing a likely increase in premiums payable.

The costs of premiums and underwriter conditions are two key factors that impact on the industry.

SMEs do not receive any exemptions and are often subject to underwriting conditions being detailed and restrictive. Underwriting conditions, which include broader exclusions for certain conditions, such as for elements of the building works such as cladding or waterproofing or where a business or person is carrying out particular works, such as working on a roof.

Further to this, is the underwriter might require mandatory minimum controls being put in place, such as under a cyber insurance policy, that require multi-factor authentication and end-point protections before terms of coverage are even offered. The implementation of higher underwriting standards, whilst to ultimately protect the underwriter, ultimately restrict access to coverage.

Costs of premiums often make insurance unaffordable and increase the cost burden to businesses, particularly SMEs.

It is estimated that Government charges, such as various levies, GST and stamp duty often equate between 11 per cent to 28.7 per cent of the total premium costs, depending on where the insurance is being acquired, for a residential builder with an annual turnover of \$800,000. The remaining amount relates to the cost of the insurance premium charged by the insurer. **Table A** shows an example of a breakdown of the insurance costs across all Australian jurisdictions.

Master Builders emphasises that the levies and taxes that apply to these insurances have a cumulative effect on the base premium and final premium payable, which ultimately increases the cost of mandatory risk protection.

As a result of underwriting standards and conditions being tightened, the material shift in pricing and excess levels, collectively increases the cost burden on SMEs, which should be subject to further consideration as part of this Inquiry.

Premium growth in the building and construction industry is reported to have consistently exceeded CPI over recent renewal periods. Annual increases of 15 to 30 per cent are not uncommon and are not discriminatory even though a business might have a stable claims history and/or no material change in operations. On this basis, premiums remain materially higher than pre-increase levels.

The rating that is applied to a business requiring coverage will be determined by turnover, wages or contract value. Generally, the higher the value of the coverage required, will result in a higher premium. On this basis, as a cost mitigation strategy, key insurances are either not being taken out or are taken out for a lower value which ultimately reduce the cost for the end user. Again, this might not be a product of a change to the business' risk profile, but simply to reduce the cost burden. This ultimately defeats the purpose of taking out the appropriate level of cover.

Master Builders emphasises that there does not need to be legislated change to set minimum insurance thresholds etc. but a review of the affordability and cost sustainability of insurances that apply to the building and construction industry.

It is also acknowledged that there are higher global reinsurance cost and catastrophe modelling adjustments that are flowing through to local premium pricing. These increases are usually applied across a portfolio and are generally not reflective of the business' risk profile and/or any significant changes to business operations.

The most unfortunate comment that can be made is that despite being one of the most heavily regulated industries, the building and construction industry is still deemed to be a high-risk industry by insurers on the basis of sector-wide losses and the rates of insolvencies. This cannot be looked at in a vacuum but must be looked at holistically. There have been significant material and labour cost increases and where there are increased costs to deal with the regulatory red tape burdens, such as mandatory insurances, this ultimately has an impact overall.

SMEs are typically operating on narrow margins and there is a reduced margin absorption capacity compared to bigger players within the industry who can spread risk and overheads across a broader revenue base. This ultimately has an impact on liquidity of these businesses given that there are increased operating costs generally leading to the creation of additional concentrated payment obligations.

There is significant work to be done on this space to consider what must be done to reduce premium and excess levels so as to ensure SMEs receive the levels of cover required at an appropriate cost.

On this basis, the best thing that the Government can do would be to improve access and affordability to insurance through the review of existing frameworks. In addition to the increase in premiums and excesses, there is generally an increase in documentation required at renewals, greater scrutiny of financial position and risk management practices of a building and construction industry business, particularly for a SME, and a reduce appetite to provide coverage by some underwriters for particular sectors within the industry or certain construction types.

These risk management strategies of the insurance providers ultimately tighten the reins on who can access coverage but ultimately have reduced flexibility in policy design and have ultimately restricted the coverage for small businesses.

It is noted that a majority of the cost of insurance products – regardless of type – relates to the various government taxes that are included in the costs of the premium. For example, various government taxes include, but are not limited to, stamp duty, various levies (e.g. terror, emergency services) as well as GST. These excessive and compounding taxes represent a significant cost which is passed on to the Insured. Unfortunately for small businesses, these costs on top of the costs of running their business are also continuing to increase, at least annually, for no immediate benefit or return to the Insured.

There is also an information and education piece that needs to be further developed and rolled out across all relevant stakeholders, particularly where there are changes to be imposed. It is of significant importance to ensure that businesses are provided with appropriate information in relation to their rights and obligations under insurance policies but also there is some transparency in the cost modelling of premiums as well as how claims must be made, how they are assessed and the means of seeking a review of the outcome of a claim. It is critical that appropriate information is available that is clear, concise and suitable for SMEs to assist with understanding the rights, obligations and processes relating to insurance. The Government must consider ways to improve communication to build a resilient framework to aid in the use of insurances as intended.

Recommendations

- ▶ Master Builders strongly recommends that costs of insurances, particularly the application of levies and taxes, is reviewed to allow better access and affordability for the building and construction industry.
- ▶ Clear and concise information must be made available to all participants – insurers, industry participants and stakeholders to ensure that there is improved knowledge in the requirement for a particular insurance if it is to be prescribed, the calculation of the costs and the process for making claims etc.

Table A: Example of breakdown of insurance costs across jurisdictions

Policy Type: Construction Works and Public & Product Liability
 Business Type: Residential Builder
 Location: State capital city
 Business size: Turnover of \$800,000

Note: Application of the various Government charges varies by state, postcode, policy type/policy section.

Breakdown of insurance costs Residential Builder with \$800K annual turnover								
	QLD	NSW	VIC	ACT	SA	WA	TAS	NT
Insurer's Base Premium (incl. Broker commission)	\$5,100.37	\$5,100.37	\$5,100.37	\$4,321.59	\$5,100.37	\$5,100.37	\$4,321.59	\$4,321.59
Terrorism Levy	\$328.73	\$328.73	\$328.73	\$93.30	\$328.73	\$328.73	\$93.30	\$93.30
Fire Service/Emergency Services	\$0	\$534.18	\$0.00	\$0.00	\$0.00	\$0.00	\$492.90	\$0.00
GST	\$542.91	\$596.33	\$542.91	\$441.49	\$542.91	\$542.91	\$490.78	\$441.49
Stamp Duty	\$537.48	\$590.36	\$477.76	\$0.00	\$656.92	\$597.20	\$247.86	\$485.64
Total Amount Payable	\$6,509.49	\$7,149.97	\$6,449.77	\$4,856.38	\$6,628.93	\$6,569.21	\$5,646.43	\$5,342.02
Gov charges (%)	21.6%	28.7%	20.9%	11.0%	23.1%	22.4%	23.5%	19.1%
Insurer premium (%)	78.4%	71.3%	79.1%	89.0%	76.9%	77.6%	76.5%	80.9%

TABLE B – List of mandatory insurance for B&C – jurisdiction specific

	HWI (or similar)	Public liability	Contract works	Workers compensation	Plant & Equipment	Directors Liability	Cyber	Trade Contract	Other – provide detail
ACT	Residential building work insurance for residential projects >\$12k (QBE or Master Builders Fidelity Fund)	Contractual (not mandatory)	Contractual (not mandatory)	Mandatory under legislation	Optional (risk mitigation)	Optional (risk mitigation)	Optional (risk mitigation)	Optional (risk mitigation)	
NSW	HBCF for residential building work >\$20k (iCare)	Contractual (not mandatory)	Contractual (not mandatory)	Mandatory under legislation	Optional (risk mitigation)	Optional (risk mitigation)	Optional (risk mitigation)	Optional (risk mitigation)	<i>Design and Building Practitioners Act 2020 – Professional indemnity Insurance for building practitioners (design or engineer) performing regulated works</i>
Qld	HWI for residential work >\$3300 (QBCC)	Contractual (not mandatory)	Contractual (not mandatory)	Mandatory under legislation	Optional (risk mitigation)	Optional (risk mitigation)	Optional (risk mitigation)	Optional (risk mitigation)	
Vic	Domestic Building Insurance (DBI) for residential projects >16K (private insurers regulated by VBA)	Contractual (not mandatory)	Contractual (not mandatory)	Mandatory under legislation	Optional (risk mitigation)	Optional (risk mitigation)	Optional (risk mitigation)	Optional (risk mitigation)	
Tas	HWI for residential projects >\$20k (APRA regulated insurer – govt backed scheme currently under development)	Contractual (not mandatory)	Contractual (not mandatory)	Mandatory under legislation	Optional (risk mitigation)	Optional (risk mitigation)	Optional (risk mitigation)	Optional (risk mitigation)	
SA	Building Indemnity Insurance for residential building works from \$20k (SAFA/QBE/ Assetinsure, AB Phillips)	Contractual (not mandatory)	Contractual (not mandatory)	Mandatory under legislation	Optional (risk mitigation)	Optional (risk mitigation)	Optional (risk mitigation)	Optional (risk mitigation)	
NT	Residential Building Insurance for resi projects >\$12k (Fidelity Fund NT)	Contractual (not mandatory)	Contractual (not mandatory)	Mandatory under legislation	Optional (risk mitigation)	Optional (risk mitigation)	Optional (risk mitigation)	Optional (risk mitigation)	
WA	Home indemnity insurance for residential building works >\$20k (QBE)	Contractual (not mandatory)	Contractual (not mandatory)	Mandatory under legislation	Optional (risk mitigation)	Optional (risk mitigation)	Optional (risk mitigation)	Optional (risk mitigation)	
Cth	N/A								