

15 June 2026

Housing Supply Regulation Inquiry
Productivity Commission
GPO Box 1428
Canberra City ACT 2601, Australia

Dear Commissioners,

The Insurance Council of Australia (ICA) thanks the Productivity Commission for the opportunity to provide a submission to its review on Housing Supply Regulation.

The Insurance Council is the peak industry body for the insurance industry in Australia, representing approximately 90 per cent of general insurance gross written premium. As a foundational component of the Australian economy, the general insurance industry employs approximately 46,000 people, writes 86 million policies a year, and paid out \$49.9 billion in claims in 2025.¹

Executive Summary

- Policies aimed at improving construction sector productivity can help reduce systemic insurance cost pressures, with growing construction costs in recent years impacting on the price of rebuilding and in turn, the price of premiums.
- Whilst ICA is supportive of policies that reduce the cost of building a home, this should not undermine the resilience of the property to current and future extreme weather events or compliance with evidence-based, minimum construction standards. The most expensive house is the one you have to build twice, and so compliance with the National Construction Code (NCC) is critical to maintaining acceptable construction standards.
- Ensuring planning frameworks adopt a risk-based approach to locating future developments is fundamental to improving the efficiency of property construction by minimising unnecessary rebuilding or repair costs. ICA recognises the need for more houses to meet rising demand and is therefore supportive of the Government's efforts to invest in more homes under the Housing Accord. However, the need to boost Australia's housing stock under the National Housing Accord cannot be at the expense of good land use planning. Any legislative and regulatory reforms considered by the Commission must avoid locking in future generations to greater risk and future cost by building new properties in areas exposed to severe flood, fire or cyclone risk.
- Housing growth must also be supported by appropriate risk mitigation infrastructure, such as dams and levees, if these homes are being built in areas of higher hazard risk. It should also be informed by long-term risk assessments and aligned with resilient land-use planning principles. In areas exposed to future climate and disaster risks, this should include improvements to building design and construction standards to ensure homes remain safe, durable and insurable over their intended design life.

¹ [insurancecouncil.com.au/wp-content/uploads/2025/06/INCA015-Fact-Pack-2025_v3.6.pdf](https://www.insurancecouncil.com.au/wp-content/uploads/2025/06/INCA015-Fact-Pack-2025_v3.6.pdf)

- Capacity building at the local government level can enable councils to make appropriate assessments of acceptable risk with regard to new developments.
- Improving worker mobility, and national consistency in building regulation, its administration and application of the NCC is critical to improving building productivity and to reducing avoidable costs.

High Construction Costs

ABS-linked industry data indicates new home construction costs have risen by around 40% during and since COVID², exacerbated by other inflationary pressures such as geopolitical events disrupting supply chains. Noting the focus of this PC inquiry relates to regulatory reforms, particularly land use planning and building systems, it is important not to lose sight that these and other inflationary factors are putting significant strain on industry costs. These strains are exacerbated by the growing impact of extreme weather events, which is putting further pressure on supply chains and across labour and availability. The need to repair or rebuild damaged and lost homes (often on multiple occasions) further limits the building industry's capacity to build new homes. For example, since the 2022 flooding in Northern New South Wales and Queensland, insurers have repaired or rebuilt almost 400,000 properties.

Reforms that improve construction productivity, increase supply chain efficiency and reduce unnecessary building costs can help moderate claims inflation and therefore support improved insurance affordability over time, provided these reforms do not come at the expense of necessary measures that ensure minimum and proportionate levels of building safety, quality and resilience. Reforms that diminish adherence to necessary and appropriate levels of construction can erode efforts to improve the quality and compliance of buildings, resulting in the potential for increased building failures, building defects requiring expensive litigation and rectification, and therefore increased insurance premiums.

Risk Based Approach to Planning

For many years, the ICA has advocated for homes to be built to withstand the extreme weather events of today, and the future. This is underscored by modelling undertaken by the Centre for International Economics modelling for ICA, which found strengthening the NCC to require that new homes are made more resilient to extreme weather could save an estimated \$4 billion a year³. The insurance industry has also long advocated for all levels of government to address and consider risks of extreme weather for future housing developments, with a consistent call for land use planning frameworks that plan and build homes that are safe from flood zones, are more resilient to bushfires and extreme wind, and are not built in high-risk locations along coastlines. Failure to have regard to the issue of extreme weather hazards that can reasonably be anticipated through climate projections will result in other costs being borne by building owners and occupants, including the availability and affordability of insurance; costs of rebuilding on society; and costs to public safety.

The Insurance Council estimates there are approximately 1.2 million properties at risk of flooding, with more than half of these properties falling short of flood resilience measures in modern building standards, increasing the level of damage when events occur. ICA data shows that nationwide, extreme weather events in 2025 cost almost \$3.5 billion in insured losses from 264,000 claims. As

² [Insights into Output of Building construction prices | Australian Bureau of Statistics](#)

³ [CIE Final Report ICA Macroeconomic Analysis - 09102023](#)

mentioned previously, since 2022, insurers have repaired or rebuilt almost 400,000 properties. This is straining domestic supply chains across labour and material availability, which further limits Australia's ability to build new homes.

In this context, a risk-based approach to land use planning is fundamental to protecting lives and properties against the backdrop of a changing climate.

ICA proposes jurisdictions' planning frameworks should be based on a three-tiered approach to improve outcomes.

1. Avoid risk where possible – Ensure homes are built in the right location away from high-risk flood, bushfire or cyclone areas. To do this, jurisdictions must use forward looking climate and hazard modelling in their planning decisions.
2. Manage and adapt existing communities – Improve resilience where people already live through stronger building standards, mitigation infrastructure and adaptation measures.
3. Retreat where risk cannot be reduced – In the highest risk locations, governments should consider planned retreat, relocation, or moving whole communities where mitigation is not viable.

The development of a national standard for considering disaster and climate risk, is critical to support this process.

ICA understands jurisdictions are developing national principles for considering disaster and climate risk as part of land use planning and building reforms, and that the NSW Government has engaged with jurisdictions to prepare a report and timeline for implementation into land use planning by all local governments. Insurers support the timely finalisation of this work, and its potential to act as a model for other jurisdictions and encourages its implementation as a matter of urgency.

These principles can be informed by the recent release of the NSW Government's Climate Change and Natural Hazards State Environmental Planning Policy which ICA welcomes. The proposed reforms should serve as a template for other jurisdictions to undertake their own reform processes to ensure climate change impacts are central to planning decisions. They embed a series of principles in the planning system that more explicitly recognise the need to consider current and future climate risk in future planning decisions and are a significant step forward to more effectively guide future development decisions in the state.

Planning Regulation

Planning regulation would benefit from greater standardisation across jurisdictions, supported by stronger state-level coordination of local planning frameworks and administrative arrangements. More consistent planning controls, approval pathways and assessment processes would reduce complexity, improve certainty for industry and help accelerate housing delivery.

At the same time, investment in digital planning and approvals systems has significant potential to streamline decision-making, reduce duplication and improve transparency across the development process. The inquiry should also encourage a more flexible and open approach to diverse housing typologies, while still recognising legitimate local considerations relating to environmental values, heritage, culture and neighbourhood character.

However, efforts to increase housing supply and create more development-ready land must not occur at the expense of long-term liveability, resilience and community outcomes. The release of new

housing areas without adequate infrastructure risks embedding future economic and social problems, including congestion, reduced access to services and weakened community resilience.

Building Local Capacity

ICA appreciates that in many jurisdictions, approval processes can be complicated, slow and contain significant uncertainty for developers. This underscores the importance of the Commonwealth working more closely with jurisdictions, particularly local government, to increase their capacity and capability to undertake thorough and efficient planning processes.

Fundamentally, local governments need to have sufficient capacity to enable them to make appropriate assessments of acceptable risk and the probability and consequences of extreme weather on property and life. There is an opportunity for the Commonwealth, through this inquiry, to provide greater administrative and funding support to local councils to assist them to undertake these functions, underpinned by improved national mapping of future climate hazards.

Building Regulation

Housing supply is not just about the number of dwellings commenced, it is also about whether completed dwellings are safe, durable and fit for purpose. Buildings which are deemed defective consume scarce resources that could otherwise be utilised to deliver new homes. Poor workmanship and quality assurance processes also impact the affordability and availability of insurance, as insurance prices building risk. ICA therefore encourages quality assurance requirements to be strengthened to minimise the costs of remediation.

The Productivity Commission's inquiry into housing supply regulation should be informed by the findings of the Building Confidence Report⁴, which demonstrated that weak compliance and enforcement systems contribute directly to defective buildings, reduced consumer confidence and inefficiency across the housing sector.

A 2021 report by the Centre for International Economics⁵ for the Australian Building Codes Board pointed to an alarming number of new buildings not complying with the requirements of the NCC, estimating that the cost to consumers from building defects relating to regulatory non-compliance was approximately \$2.5b annually with \$1.3b of that attributed to multi-storey apartments.

The Insurance Council notes that the Productivity Commission's remit extends to identifying examples of regulations that most affect construction productivity. In this regard, we encourage:

- Improving national consistency in building regulation, its administration and application of the NCC to improve building productivity and to reduce avoidable costs.
- Greater focus on the capacity and capability of regulators – who are often under-resourced and may lack necessary mandates – to adequately monitor and evaluate red flag issues.
- Greater national mobility of key construction trades, including carpenters, plumbers and electricians, to improve cross border mobility, particularly in the aftermath of extreme weather events.

⁴ [Building confidence: Building Ministers' Forum expert assessment | Treasury.gov.au](#)

⁵ [Building Confidence Report - A Case for intervention](#)



ICA thanks the Productivity Commission for the opportunity to provide input on the Housing Supply Regulation Inquiry. Please forward any enquiries to Duncan Sheppard, Senior Advisor, Resilience,

Yours sincerely

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