

Domestic building insurance premiums continue to fall

Average insurance premiums covering homeowners for problems when a builder dies, disappears or goes out of business are at their lowest level since 2012.

A new report from the Essential Services Commission found claims for domestic building insurance are low.

The commission's director of pricing, Marcus Crudden says average premiums fell by more than 15 per cent in two years.

"Average premiums peaked in 2016 at \$1,089 before falling to a seven-year low of \$835 in 2018", he said.

This fall coincided with the establishment of a new sales platform by the Victorian Managed Insurance Authority and new providers coming in to offer this type of insurance.

The report also shows:

- 49 per cent of claims made to date relate to structural defects with the average cost of finalised claims around \$36,823 per dwelling.
- the number of claims has stayed low with less than 1.5 per cent of certificates to date resulting in a claim
- insolvency is the most common reason for claims
- the number of certificates issued for registered builders has increased steadily since the scheme started but the number of policies issued for owner builders has fallen
- sixty-six per cent of certificates issued in 2018 were for new dwellings (52,681 certificates out of a total of 80,366)
- the total value of insured projects exceeded \$20 billion in 2018.

View the commission's report at www.esc.vic.gov.au/dbi-performance-reports

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Domestic building insurance scheme performance

Total and average premiums for registered builders, January 2005 to June 2019

Calendar year	Total project certificates	Premiums (\$m)	Ave. certificate premium	Total certificate value (\$m)	Ave. project value (\$000)	Ave. premium per \$1000 project value
2005	42,556	27.4	\$644	6,839	161	\$4.01
2006	47,337	28.3	\$598	8,035	170	\$3.52
2007	50,574	27.3	\$540	8,779	174	\$3.11
2008	49,946	25.2	\$504	8,954	179	\$2.81
2009	58,525	32.0	\$546	10,718	183	\$2.98
2010	62,414	39.7	\$636	12,195	195	\$3.25
2011	59,256	42.3	\$714	12,059	204	\$3.51
2012	55,918	44.9	\$804	10,917	195	\$4.12
2013	59,055	52.9	\$896	11,609	197	\$4.56
2014	64,917	65.9	\$1,015	13,828	213	\$4.76
2015	69,247	73.9	\$1,067	15,750	227	\$4.69
2016	72,959	79.5	\$1,089	17,657	242	\$4.50
2017	78,391	73.8	\$941	19,731	252	\$3.74
2018	80,366	67.1	\$835	20,616	257	\$3.26
2019 Jan-Jun	35,677	30.2	\$848	9,312	261	\$3.25

* Domestic building insurance claims data is not considered final for at least seven years as claims can be made for up to six years after building is completed. Therefore the number of claims from 2012 to now may still increase.