

Premiums falling for domestic building insurance

A new report shows average premiums are falling for insurance designed to cover homeowners for defects if their builder dies, disappears or goes out of business.

The Essential Services Commission report also shows the number of claims against the scheme remains low.

The commission's head of price monitoring and regulation Marcus Crudden says average premiums fell from \$1,089 to \$825 between 2016 and 2018 after increasing steadily over several years.

"Average premiums increased by around 2 per cent each year from 2005 to 30 June 2018 in line with increasing project costs but have fallen over the past two years.

"This coincides with the [Victorian Managed Insurance Authority](#) establishing a new sales platform and new providers coming on board to offer this type of insurance," he said.

The commission report shows 53 per cent of claims made to date relate to structural defects with the average cost of finalised claims around \$33,000 per dwelling.

The report also shows:

- the number of claims has stayed low with less than 1.5 per cent of certificates to date resulting in a claim¹.
- the number of domestic building projects undertaken by registered builders has increased steadily since the scheme started but the number of owner builders has fallen
- sixty-eight per cent of certificates issued in 2017 were for new dwellings (53,598 certificates out of a total of 78,391)
- the total value of insured projects exceeded \$19 billion in 2017.

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

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¹ 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 2011 to now may still increase.

Domestic building insurance scheme performance

Total and average premiums for registered builders, January 2005 to June 2018

| Calendar year | Number of project certificates | Premiums (\$m) ^a | Average premium of a project certificate | Value of project certificates (\$m) | Average project value (\$000) | Average 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 Jan-Jun | 41,607 | 34.3 | \$825 | 10,453 | 251 | \$3.28 |