Insurance Council of Australia

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Streamlining and Modernising the National Construction Code
The Treasury
Via email: NCCmodernisation@treasury.gov.au

Introduction

The Insurance Council thanks the Treasury for the opportunity to provide a submission on the *Streamlining and Modernising the National Construction Code* Discussion Paper

The Insurance Council is the peak industry body for the insurance industry in Australia, representing approximately 89% of private sector general insurers. We support effective building and construction regulation through the National Construction Code (NCC) and recognise the integral role the Australian Building Codes Board (ABCB) plays to administer the Code to enhance the design, construction and performance of buildings.

The Insurance Council (ICA) therefore welcomes the Federal Government's approach, through this review process, to identify areas where the NCC can be streamlined and modernised.

ICA's interest in the NCC is primarily focused on two, inter-related areas:

- When customers require a full or partial re-build, builders engaged by insurers must ensure their rectification works or rebuilds are compliant with all NCC requirements.

- ICA's policy ask for resilience to be embedded in the NCC as a key objective alongside health, safety, amenity and sustainability, noting the long-term cost savings this can provide all Australians in the wake of worsening disasters, as well as improving the safety of building occupants and community resilience. A report by the Centre for International Economics (CIE) commissioned by the ICA, found that strengthening the NCC's requirements to improve the resilience of new homes to extreme weather events like cyclones, floods, and bushfires, could save approximately $4 billion annually in building-related costs[1]. The report also found that these costs are expected to double by 2050 as events become more severe or more frequent because of climate change.

Background

ICA acknowledges the Productivity Commission's February 2025 research report, '*Housing construction productivity: Can we fix it?'*, which found dwelling construction productivity has been in decline for a number of years.

Furthermore, we note the outcomes of the Economic Reform Roundtable which led to the Federal Government's announcement to pause further changes to the NCC until mid-2029, which were subsequently agreed to by Building Ministers in October 2025.

While recognising the need to ensure a sustainable supply of housing to meet growing demand, the Insurance Council remains concerned that delaying reforms to the NCC will result in the construction of houses which are unable to withstand future extreme weather events.

[1] CIE Final Report_ICA_Macroeconomic Analysis - 09102023

Insurance Council of Australia

Critical areas such as building electrification, embodied-carbon standards, sustainable materials, and energy-efficiency measures are also evolving rapidly. Pausing residential updates to the NCC until 2029 risks delaying these updates which could add to long-term costs for homeowners, communities, and insurers.

Following the Building Ministers meeting last year, ICA has been exploring peril specific approaches to improve of the resilience of future homes, including better cyclone proofing homes in northern Australia, the development of 'voluntary standards' as well examining opportunities to strengthen resilience standards at the state / local level.

Despite this, ICA continues to hold the view that there is a strong need for a more balanced approach at the national level between increasing housing supply, and ensuring Australia's future housing stock is constructed to more stringent performance requirements and not built in areas of high hazard risk. The ICA acknowledges that the latter is outside of the NCC's scope, but this policy challenge must be considered in parallel to building code reform.

Embedding Resilience in the National Construction Code

ICA has repeatedly stated that the NCC should include resilience as a key objective alongside health, safety, amenity and sustainability, because many modern homes are not resilient to the extreme weather events of today, let alone those expected over the coming decades.

The 2020 Royal Commission into National Natural Disaster Arrangements supports this view[2], with the report recommending an assessment of building standards (including *AS 3959:2018*), to embed resilience into the NCC—specifically making disaster resistance a core objective.

It is important to point out that this issue has been under active consideration for a significant amount of time.

In April 2014, the Australian Building Codes Board sought comment on whether changes to the National Construction Code were necessary to deliver buildings with better resilience. This was in response to increased numbers of extreme weather events and shifting weather patterns. In the 12 years since this discussion paper was released, the impact and frequency of extreme weather events have continued to increase and are projected to worsen in the lifetime of buildings being constructed today. ABCB has also commenced work on establishing the resilience baseline of existing referenced standards in the NCC against future climate projections to determine if they are fit for purpose.

Cost of inaction

Homes, assets, and infrastructure not being built to disaster resilient standards not only affects lives but also incurs a substantial cost. For instance, between 2005-2022, the Federal Government spent $24 billion on disaster recovery and relief through funding mechanisms including the DRFA. Comparatively, $510 million was spent on pre-disaster resilience initiatives[3]

ICA has previously supported a definition of building resilience for the purposes of evaluating the adequacy of the existing NCC provisions and relevant referenced standards, which the ABCB was involved in developing with its international counterparts. Without a clear definition, there effectively is no standard way to measure whether a building effectively performs in extreme weather or disaster

[2] Royal Commission into National Natural Disaster Arrangements Report
[3] Addressing Resilience in Land Use Planning

conditions. The building resilience definition assists in the development, assessment and enforcement of resilience-focused requirements.

ICA has also provided the ABCB with extensive economic analysis contained in the CIE report, referred to above, that at a macro-level, quantifies the potential benefits of reforms. This report provides credible and evidence-based information to support future work by key industry and government bodies, including the ABCB, to undertake potential future changes to the NCC, and would also support and assist in the development of Regulatory Impact Statements.

Building Ministers Meeting

The announcement therefore by Building Minsters in June 2024 to include climate resilience as a specific objective of the ABCB from 2025 was an important step towards improving building resilience in the face of a changing climate.

This announcement was long overdue, as it signalled the intention of governments to undertake the necessary work to consider the impacts of extreme weather events on the durability and resilience of buildings.

This reform – which would involve a review and development of relevant technical amendments to the NCC – is critical to improving insurance affordability and availability, lowering premium pressure and lessening long-term societal costs.

NCC resilience-related standards generally focus on life safety (e.g., keeping people alive during an event) rather than ensuring a building remains useable after the event itself. For example, flood standards focus on structural and life safety outcomes, such as building living areas above certain flood levels, but do not necessarily provide specific technical design or construction provisions to minimise structural damage.

The ICA acknowledges that improving the resilience of new buildings is only one part of the solution and that reforms are also needed to land-use planning to limit the development of new homes in high-risk areas, and increased government investment to bolster the resilience of existing homes.

Notwithstanding this, the decision by Building Ministers to pause further residential changes to the NCC, except for essential quality and safety measures, until at least mid-2029, risks delaying reforms to the NCC that will help deliver more resilient buildings. Whilst this needs to be balanced against the need to boost housing supply, this delay has the potential to bake more risk into Australia's economy and exposure for individual home owners.

This need for reform was recognised in 2024 by Building Ministers, when they provided the ABCB with a clear mandate to develop future NCC requirements that reduce the impact of natural disasters on housing and other critical community facilities.

The pause could impose longer-term costs, as it will inevitably lead to delays to the amount of time people can quickly re-establish after an extreme weather event. In particular, climbing costs in vulnerable areas will continue to drive up risk and therefore the cost of insurance premiums, making insurance policies effectively unavailable for some communities.

National consistency

In the long term, a nationally consistent framework is required, as a patchwork approach by states and territories means resilience outcomes vary widely between locations, which leaves some regions less prepared.

Insurance Council of Australia

When each jurisdiction interprets and enforces the NCC differently — especially for technical issues like flood design or wind resistance — builders and designers have to tailor solutions locally, increasing complexity and costs.

The decision to pause changes to the NCC until 2029 risks continuing to expose individuals and communities to the effects of bushfires, damaging wind and extreme rainfall, and may disproportionately harm people living in high-risk zones, many of whom already face insurance affordability stress.

ICA recommends the Federal Government prioritises work to develop and evaluate appropriate measures with industry to ensure we build homes better suited for extreme weather events, whilst also balancing the need to boost affordable housing supply.

Australian Building Codes Board / Standards Australia

ICA acknowledges the ABCB's transition from the Department of Industry, Science and Resources to the Treasury portfolio will support the government's implementation of its housing agenda.

We also recognise there are clear benefits from co-locating all Commonwealth housing policy functions within the one portfolio and streamlining reporting to a single Cabinet minister, noting however, the ABCB and NCC are a national collaborative arrangement, with building regulation administered by the states and territories.

The ABCB's transition needs to be supported by an appropriate funding model that ensures necessary work can continue to support future updates to the NCC. New objectives, such as evaluating the adequacy of the existing NCC provisions and relevant referenced standards previously outlined, require sufficient funding to support proper analysis and better guidance to industry.

There is also a need to ensure Standards Australia is supported in its review of relevant NCC referenced standards, which should include the transfer and future revision of the ABCB flood standard to Standards Australia. This would enable the future development of the three key extreme weather standards (excluding extreme heat) by a single standards development organisation using a consistent methodology. ICA is supportive of proposals to task Standards Australia with reviewing the current hazards standards (bushfire, cyclone and flooding) against future climate projections and assessing whether they are fit for purpose to achieve appropriate resilience outcomes for future referencing in the NCC. These could be used by jurisdictions on a voluntary basis in the interim and updated for formal incorporation in the NCC at a later date.

ICA recommends that during the pause to NCC amendments out to 2029, sufficient resourcing is provided to the ABCB and Standards Australia for the development of standards and NCC technical provisions relating to design for building resilience. These can be available in either a voluntary capacity or through a concurrent amendment to the NCC.

NCC Usability and Accessibility

Feedback from ICA members confirm a number find it challenging to read and apply the NCC in its current form. They advise its usability and accessibility would be enhanced if it were possible to input into a digital form of the NCC an address and/or postcode and relevant building criteria, and a digitalised system could generate the necessary building requirements. This would assist in removing doubt and provide more accurate risk information, including for elements such as Bushfire Attack Level (BAL), cyclone and flood.

Insurance Council of Australia

Innovation

There is an opportunity through this review process of the NCC to use digital innovation to lift sustainability outcomes. For example, the reference to AI supported tools does not encompass any sustainability, climate or carbon related capabilities, such as embodied carbon modelling, location specific climate risk assessment or sustainable material selection. This opportunity could be addressed as part of this review.

On the issue of prefabricated and modular housing, ICA also recognises the potential opportunities of these products to support more efficient and potentially less costly home construction, noting it is still a relatively niche market with potential to grow.

Potential risks for the insurance industry from modern methods of construction include poor oversight across the various stages of the build (as they are being built in different locations), as well as risks associated with transporting buildings to construction sites.

A broader risk is ensuring this form of construction complies with the minimum requirements of the NCC.

We understand the ABCB is developing a new national voluntary certification scheme for modular and prefabricated homes. ICA supports this approach, as it will help simplify the process by which prefabricated and modular housing manufacturers will be able to demonstrate compliance with the NCC. This would be further strengthened if the scheme were mandated for volumetric structures, which would also help promote a national consistent approach.

A number of insurers encourage building contractors to conduct a thorough review with their insurance broker to understand the additional risks associated with modular construction and identify any areas where exposure could be reduced.

Conclusion

ICA thanks for the Federal Government for the opportunity to provide input on the National Construction Code discussion paper. Please forward any enquiries to Duncan Sheppard, Senior Advisor, Resilience, dsheppard@insurancecouncil.com.au

Yours sincerely

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