



Insurance Council
of Australia

28 April 2026

Committee Secretary

Select Committee on Intergenerational housing Inequity

Dear Chair

Intergenerational Housing Inequity

The Insurance Council of Australia (Insurance Council) welcomes the opportunity to provide a submission on behalf of our members who write Lenders' Mortgage Insurance (LMI) on this important topic.

The Insurance Council is the representative body of Australia's general insurance industry. Our members account for approximately 90 per cent of total premium written by general insurers and reinsurers. As a foundational component of the Australian economy, the general insurance industry writes 90 million policies a year, paying out \$58.9 billion in claims in 2025 – an average of \$226 million every working day.

Home ownership is an important part of Australian economic and social life, and the Insurance Council supports policies that will meaningfully improve home ownership rates. For this reason, the Insurance Council and our members who provide LMI oppose the effective uncapping of the Australian Government 5% Deposit Scheme (the Scheme, formerly the Home Guarantee Scheme). We do, however, support the Government's intent to improve housing market accessibility and acknowledge that increasing housing supply is a longer-term solution.

Australian Government 5% Deposit Scheme

The expansion of the Scheme, undertaken in 2025, removed income caps for scheme participants, removed the annual cap on scheme places and significantly increased property price caps. Uncapping the Scheme diverted its focus from helping first home buyers with lower incomes entering the housing market, to allowing all first home buyers access the Scheme regardless of income. Data released by Cotality has shown that since the Scheme's expansion, the value of properties below the Scheme's price caps have increased more quickly than for properties above the caps.¹ Economic analysis by Lateral Economics, commissioned by Insurance Council, suggests that this price growth is likely to be pricing out some lower income households who would have accessed the Scheme prior its expansion.²

Simultaneously, the expanded Scheme has likely encouraged some first home buying households (who were newly able to access the Scheme) to take out larger loans. Larger mortgages must be considered against the current, broader economic context that includes persistent, elevated inflation and a tightening monetary cycle. Any poor outcomes the Scheme has brought for younger households (both those priced out and those with significant mortgages) are likely to have delivered an overall

¹ Cotality. 2026. [First home buyer scheme fuels surge in lower-priced homes.](#)

² Lateral Economics. 2025. [Home Guarantee Scheme Expansion: Implications for First Home Buyers and Lenders Mortgage Insurance.](#)

benefit to older, possibly wealthier households who have sold property into this market. This would appear antithetical to a scheme purporting to assist younger Australians into the housing market.

Again, we recognise the Government's intention to improving housing market accessibility but are concerned about the unintended consequences of Scheme expansion. We recommend the Australian Government consider how HGS eligibility criteria could be tightened to ensure its benefits are flowing to those households with the greatest need of assistance in accessing housing a minimising further market distortion. Tightened eligibility criteria may, alongside other housing policies changes, support slowing house price growth. Slower house price growth would assist more first home buyers enter the market sooner.

Lenders' mortgage insurance

LMI is an insurance product that protects a lender against the risk of not recovering the outstanding loan balance if a borrower is unable to meet their loan payments and the property is sold for less than the outstanding loan balance. LMI is typically used for loans with a higher loan-to-value ratio (LVR), generally above 80%. LMI is a critical component of Australia's housing market, allowing borrowers earlier access to the property market while helping lending institutions to manage their credit risk and capital.

We acknowledge that the Scheme and LMI are similar products, although there is one critical difference which is relevant for the Committee. LMI has an associated cost, where the 5% Scheme is provided free of charge. The cost of LMI, which prices the risk of the loan, encourages prudent borrower behaviours through better consideration of the default risk associated with their purchase. While individual households may welcome free products, it is important that policymakers consider the economic value of user charging. In a deteriorating global economic environment that threatens elevated inflation and interest rates, risk pricing is more important than ever, assisting households to better consider their financial resilience.

Additionally, LMI's support of high LVR lending, including to first home buyers, transfers the risk of default elsewhere in financial markets, rather than onto the Government balance sheet as the Scheme does. During economic downturns, risk carried by markets ensures government capital can be put to work supporting all Australians, rather than socialising housing price losses for a small cohort of Australians.

Inequity

In political discourse around mortgagee stress, including for first home buyers, the focus is generally on rising interest rates as the cause, and tough household spending decisions as the outcome.³ This discourse generally ignores underlying house prices and those policies that encourage housing inflation as causal and does not consider longer-term, higher consequence risks and realities.

More broadly, these tough spending decisions for households mean reduced disposable income and purchasing power. Under scenarios where young households are forgoing disposable income to meet mortgage repayments, encouraged by policies such as the Scheme, Australia loses the economic activity of household consumption to mortgage repayments. Reduced purchasing power and lower consumption does not just mean fewer clothes or groceries. Reduced purchasing power can mean younger households are pushed to more affordable locations which may include purchasing properties

³ Jim Chalmers. 2026. Press release. [Reserve Bank decision](#).

in locations with greater climate risk.⁴ Reduced consumption can materialise as underinsurance of the family home or other assets. Greater climate risk and underinsurance leave households financially vulnerable. Reduced purchasing power also reduces the capacity for households to invest elsewhere in the economy, which is a key driver of productivity, income and wealth generation. The inequity of these outcomes goes beyond housing, depriving young Australians of the rising living standard previous generations have enjoyed.

As lower deposit products such as LMI already exist, Government policy would be better targeted at making housing genuinely more affordable. Any demand side policies for first home buyers should be targeted at those who need it to limit inflationary impacts and locking out lower income earners from purchasing a home. For example, government guarantees would be better deployed to the supply side, such as the New South Wales Government has done under the Pre-sale Finance Guarantee. The Pre-sale Finance Guarantee helps first home buyers by bringing greater supply into the market rather than providing finance and fuelling price growth.

We thank the Committee for the opportunity to comment and would be happy to engage further throughout this inquiry. Should you have any questions in the meantime, please contact Eamon Sloane, Senior Adviser Strategic Policy, at esloane@insurancecouncil.com.au.

Regards



Andrew Hall
Executive Director and CEO

⁴ Cheap land is often high-risk land, and too often it's vulnerable Australians who are living in areas where climate risk is high, as are insurance premiums. Analysis by the ICA on flood finds that approximately 35% of households exposed to the highest flood risk are in areas where the median income is below the poverty line.