MARCH 2026

Claims Inflation Update

From shock to strain: the forces driving claims inflation in 2026

Contents

5	Executive summary: the shift from shock to strain
8	The cost base and the pipeline: why 2026 remains elevated
11	What the market feels like in repairs: labour, lead times and the cost of time
17	Complexity is the multiplier: The housing task and the shift to vertical living
22	What this means for insurers: managing variance, duration and expectations
24	References

NOTE: This discussion paper is provided for general informational purposes only and should not be construed as formal advice of any nature. All data within should be considered approximate and indicative only.

Introduction

Many expected construction cost inflation to ease as supply chains normalised. It hasn't eased as much, or as evenly, as expected. The pressures keeping claims costs elevated are now structural, local, and unlikely to unwind quickly.

Claims are still costing more, not because the market is chaotic, but because capacity is tight and complexity is rising.

In the pages that follow, we combine market signals with insights from Crawford's Managed Repair Panel Survey to show how these pressures are flowing through to the outcomes insurers care about most: severity, duration, costs and variability.

Tim Butler
Head of Contractor Connection and CRD

> *"When we talk about cost drivers in insurance repairs, it's worth remembering the repair market is only a small slice of the broader construction sector. That means many of the biggest cost pressures are macro and largely outside insurers' control.*
>
> *That said, there are insurance specific drivers too: localised surge pricing flowing through to empanelled builders, rapid shifts in compliance requirements, and the growing role of cash settlements, which can change the economics and viability of servicing insurance work."*

Executive summary: the shift from shock to strain

If the past few years of claims inflation felt like a series of shocks, 2026 feels more like strain.

The market is no longer defined by universal materials shortages and sudden price spikes. Many supply chains have stabilised. Quotes are, in most cases, easier to obtain than they were at the peak of disruption.

But the system is still running hot. The Australian Bureau of Statistics reported CPI rose 3.8% in the 12 months to December 2025, with Housing the largest contributor. [1] In early February 2026, the Reserve Bank of Australia increased the cash rate target to 3.85% and revised its outlook higher, pointing to broader capacity pressures and inflation remaining above target for some time. [2][3]

Against that backdrop, construction cost escalation is rising again across major markets. Rawlinsons' October 2025 quarterly update shows an uptick in escalation forecasts across Australia's major cities, reinforcing that the baseline remains higher than pre-pandemic norms. [5] Rider Levett Bucknall's Q4 2025 construction market update also expects construction cost escalation to remain elevated through 2026 and flags a further pick-up in Brisbane and the Gold Coast as Olympic construction activity ramps up. [6]

3.85%

Cash rate target increase in February 2026

RESERVE BANK OF AUSTRALIA (RBA), MONETARY POLICY DECISION STATEMENT

3.8%

CPI rose 3.8% in the 12 months to Dec 2025; Housing was the largest contributor.

AUSTRALIAN BUREAU OF STATISTICS (ABS), CONSUMER PRICE INDEX, AUSTRALIA

938K vs. 1.2M target

Housing forecast for July 2024 to June 2029

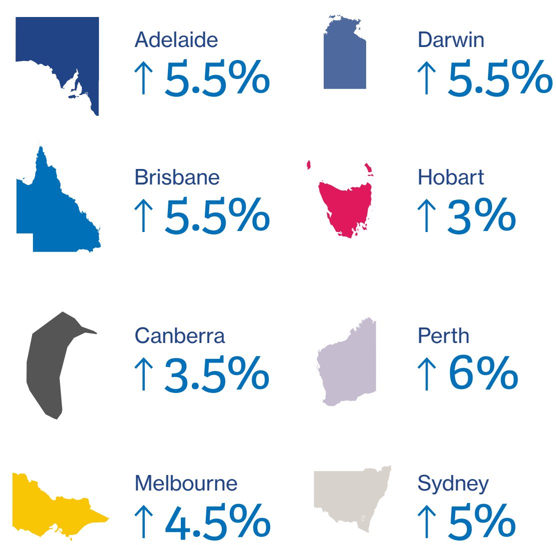
House construction prices rose 1.5% in Q4 2025 — the strongest quarterly increase since September 2022. Building construction prices are up 3.4% over the year, driven by rising labour costs and sustained demand from public infrastructure activity.

Source: ABS Producer Price Indexes, December Quarter 2025

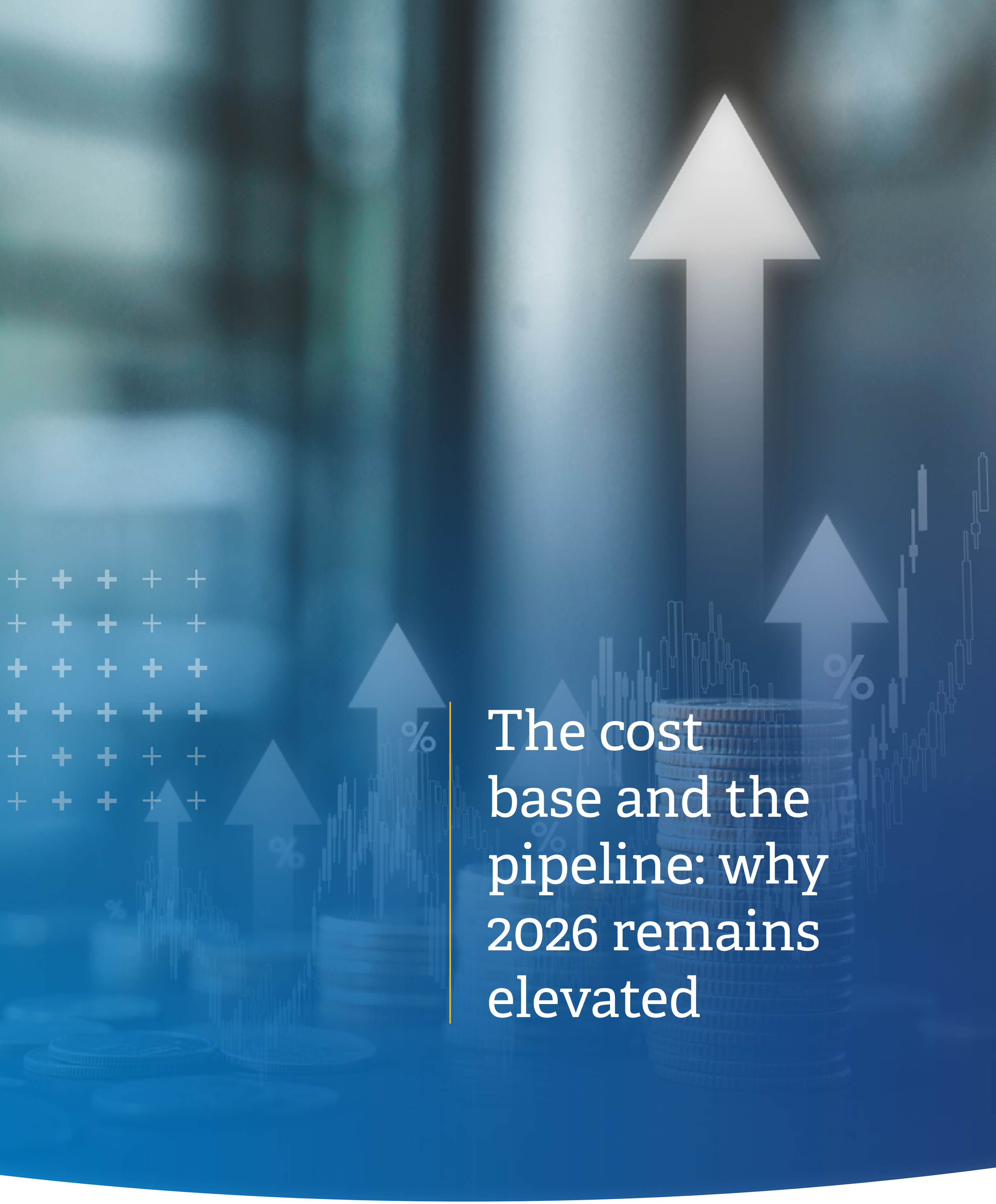
Crawford's Managed Repair Panel Survey helps explain why claims inflation is sticking. Half of the respondents reported tiler shortages, and nearly half reported bricklayer shortages. These are trades that often sit on the critical path of repairs. When they are scarce, time becomes a cost line. (Crawford Managed Repair Panel Survey, Feb 2026.)

The other part of the story is complexity. Australia's housing delivery task remains large and the shift toward higher-density living continues, which is steadily changing the exposure mix. As claims volumes tilt toward strata, more repairs involve shared services, access constraints and multi-party approvals. The work becomes less like a straightforward repair and more like coordinated delivery across stakeholders and sequencing, increasing both duration risk and quote variability.

This paper focuses on four forces shaping claims inflation in 2026: a stickier cost base (inflation and interest rates), capacity constraints in repair-critical trades, a heavy pipeline including the Brisbane Olympics 2032 overlay, and complexity and market structure (high density, compliance and consolidation).



Source: Rawlinsons Quarterly Update – October 2025



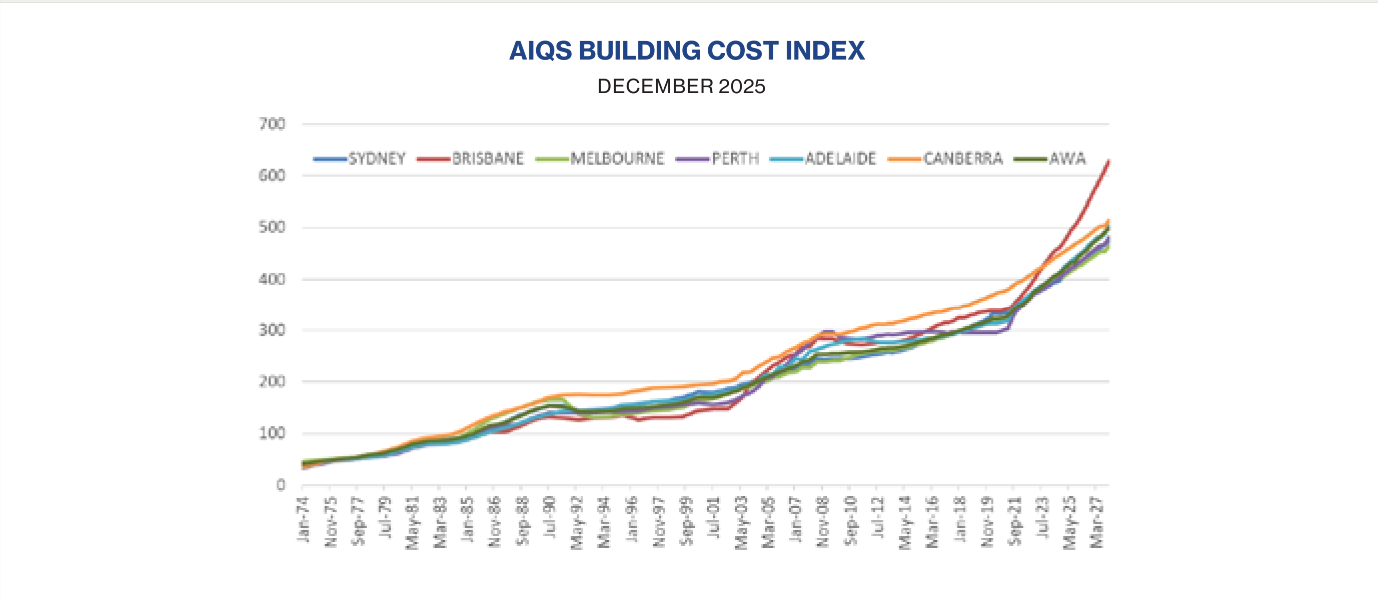
The cost base and the pipeline: why 2026 remains elevated

A cost base that's easing unevenly

The first driver of claims inflation in 2026 is not a single material category. It is the cost base underneath the work.

CPI rose 3.8% in the 12 months to December 2025, up from 3.4% in November. [1] While materials availability has improved compared with the peak disruption period, the underlying cost base is still moving. That movement tends to show up in the places insurers feel most: labour, preliminaries, and the cost of time.

The Reserve Bank of Australia's February 2026 Statement on Monetary Policy describes a broad-based pick-up in inflation in the second half of 2025, and notes that some of the increase reflects capacity constraints greater than previously anticipated. [2] The Board's February decision lifted the cash rate to 3.85%. [3]



Source: Building Cost Index, December 2025

For claims teams, 'higher for longer' is less about what happens in finance markets and more about what happens in delivery. Contractors price risk differently when cash flow is tighter, the cost of carrying labour is higher and programs are less predictable.

A useful lens here is the shift from externally driven shocks to domestically driven capacity constraints.

'For the past two years, inflation has been framed as an imported problem: the residue of global supply shocks, energy volatility and geopolitics. That explanation no longer holds. Inflation in Australia is now largely homegrown.' The result: pricing power is returning, discounting has ended, and assumptions about lead times no longer apply.

Source: ABS Producer Price Indexes, December Quarter 2025

A pipeline that tightens the market even when some inputs stabilise

"In south-east Queensland, the Brisbane 2032 Olympics pipeline is likely to act as a capacity amplifier, tightening competition for repair-critical trades as major venue and transport works ramp up."

Delivering 2032 and Beyond Report, Queensland Government

The second driver is the pipeline.

The Australian Government's National Housing Accord target is 1.2 million new well-located homes over five years from mid-2024. [9] The National Housing Supply and Affordability Council's State of the Housing System 2025 report concludes that the target is highly unlikely to be met and forecasts 938,000 dwellings completed during the Accord period (July 2024 to June 2029). [8] It highlights that structural constraints, including an inadequate pipeline of skilled workers and low construction productivity, remain the principal barriers.

In practice, this means the market keeps repricing scarcity. It shows up as higher margins in tenders, wider quote dispersion, and longer lead times, especially when demand surges after weather events.

South-east Queensland (SEQ) has an additional demand layer. The Queensland Government's 2032 Delivery Plan sets out major venue and transport investments for the Brisbane Olympic and Paralympic Games. [7] RLB expects cost growth to pick up in Brisbane and the Gold Coast as Olympic construction activity ramps up, which reinforces that this is a capacity story as much as it is a price story. [6]

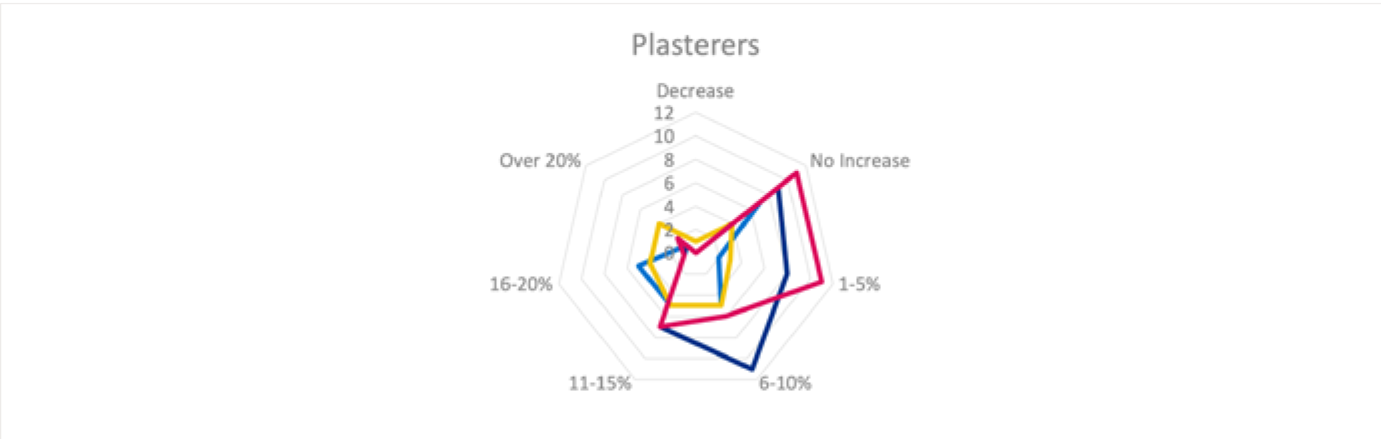
What these regional escalation forecasts mean for insurers is simple: location matters again. The same scope can price very differently across markets once labour availability, preliminaries and travel time are factored in. Reserving, sum insured reviews and cash-settlement decisions are more reliable when they reflect city-by-city escalation and regional adjustment factors, rather than a single national average.

What the market feels like in repairs: labour, lead times and the cost of time

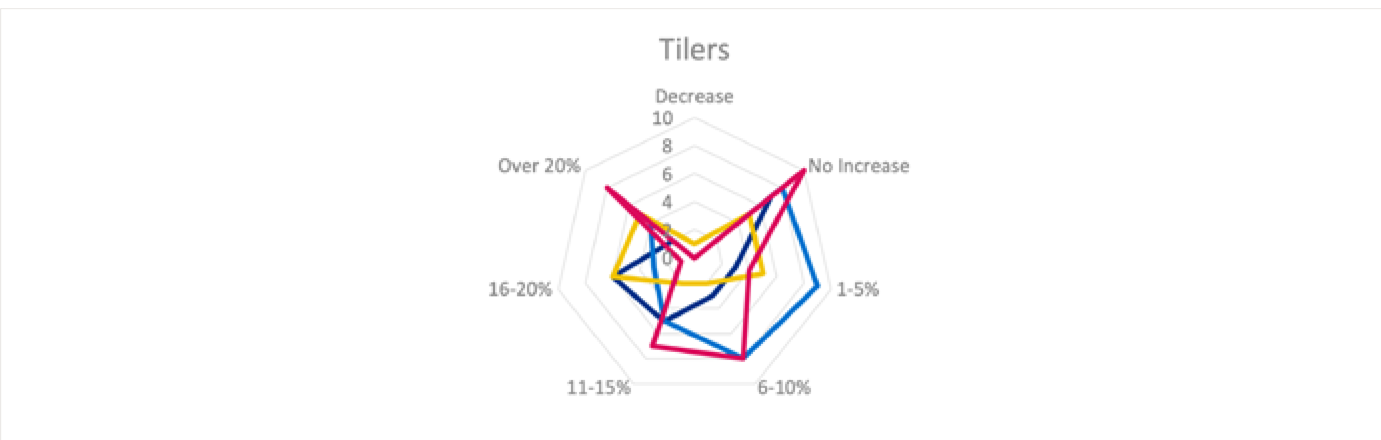
When insurers talk about claims inflation, the discussion often starts with materials. In 2026, the more consistent constraint is labour. And the two combined form the next driver for claims inflation.

Crawford's Managed Repair Panel Survey shows shortages remain concentrated in repair-critical trades. 50% of respondents reported a shortage of tilers and 47.4% reported a shortage of bricklayers. Roofers were next at 28.9%, followed by carpenters and estimators at 26.3%. (Crawford Managed Repair Panel Survey, Feb 2026.)

Legend Mar-24 May-25 Sep-25 Feb-26



Plasterers: Costs stay consistently elevated across periods; stable but not easing meaningfully by Feb 26.



Tilers: Most inflation-exposed trade – consistently elevated and persistent cost increases through Feb-26.

Those shortages are not just a resourcing issue. In repair programs, these are the trades that tend to sit on the critical path. When they are hard to secure, practical completion dates move and preliminaries grow.

The survey also captures what respondents are seeing in trade costs. Roofers stand out in this cycle, with 31.6% reporting cost increases of 16–20% or more, including 18.4% reporting increases over 20%. Tilers remain highly exposed, with 21.1% reporting increases over 20%. (Crawford Managed Repair Panel Survey, Feb 2026.)

This is where claims inflation changes shape. Even when broad escalation is moderating, the scarcity of a single critical trade can extend the program, increase supervision and introduce variability in quote outcomes.

Materials: stabilising overall, but a few categories keep delaying completion

Regional adjustment factors become most important when claims are remote, labour is scarce, or demand surges after weather events. In high-inflation periods, using outdated regional rates can materially distort budgets and settlement decisions.

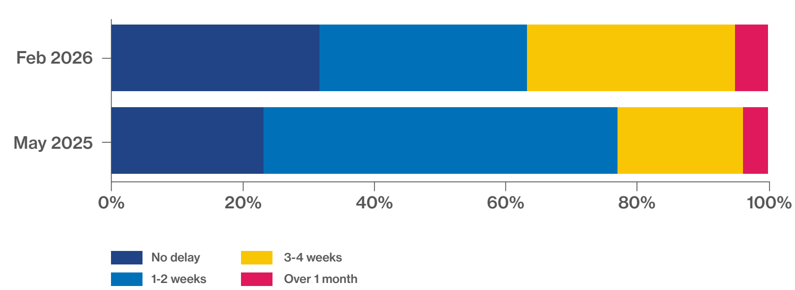
Rawlinsons Construction Cost Guide / Market Insight [5]

Materials availability is no longer the universal constraint it was during the peak disruption period. Across many categories, the Managed Repair Panel survey trend points to a more stable baseline, with “no delay” and short lead times becoming more common.

But stability in the average does not mean friction has disappeared. What the trend data shows is that delays are increasingly driven by a smaller set of repeat offenders. Flooring, kitchen supplies and glazing continue to show up as more delay-prone than most other categories across the series.

These delays tend to be particularly visible because of where they sit in the repair journey. Flooring, cabinetry and glazing often come late, when customers feel like the job is nearly complete and expectations are at their highest. When one of these inputs slips, it can hold up practical completion and extend the final stretch of the claim, even if the bulk of the work is already done.

Flooring availability: delays have worsened since May 2025

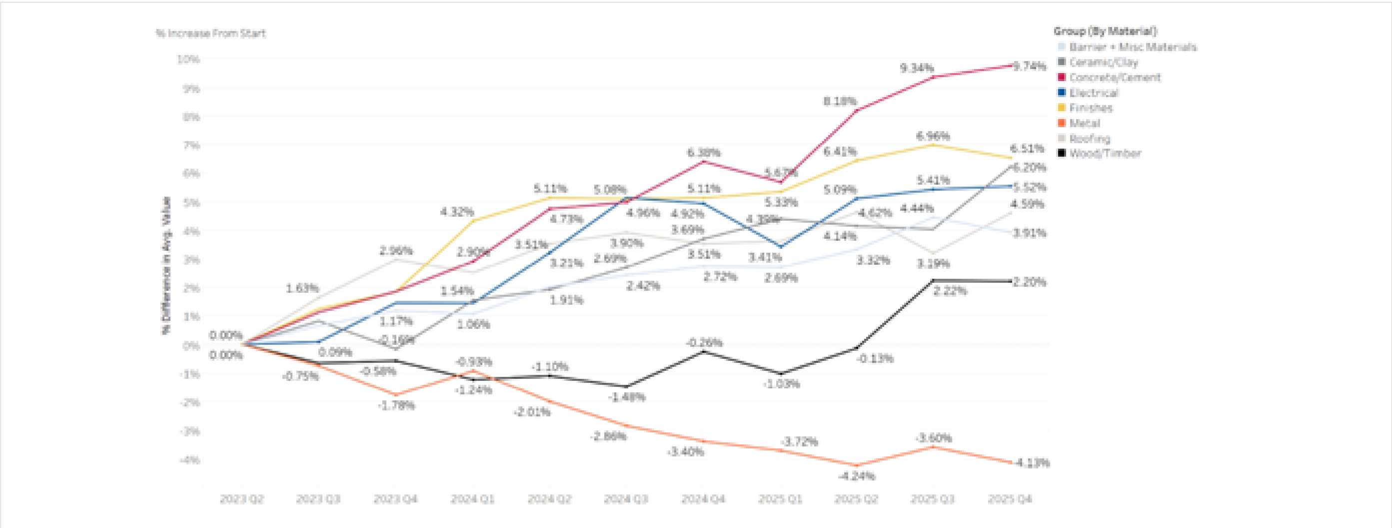


SOURCE: CRAWFORD MANAGED REPAIR PANEL SURVEY

Flooring has stabilised in parts, but it continues to show a stubborn tail of longer delays that can push out completion.

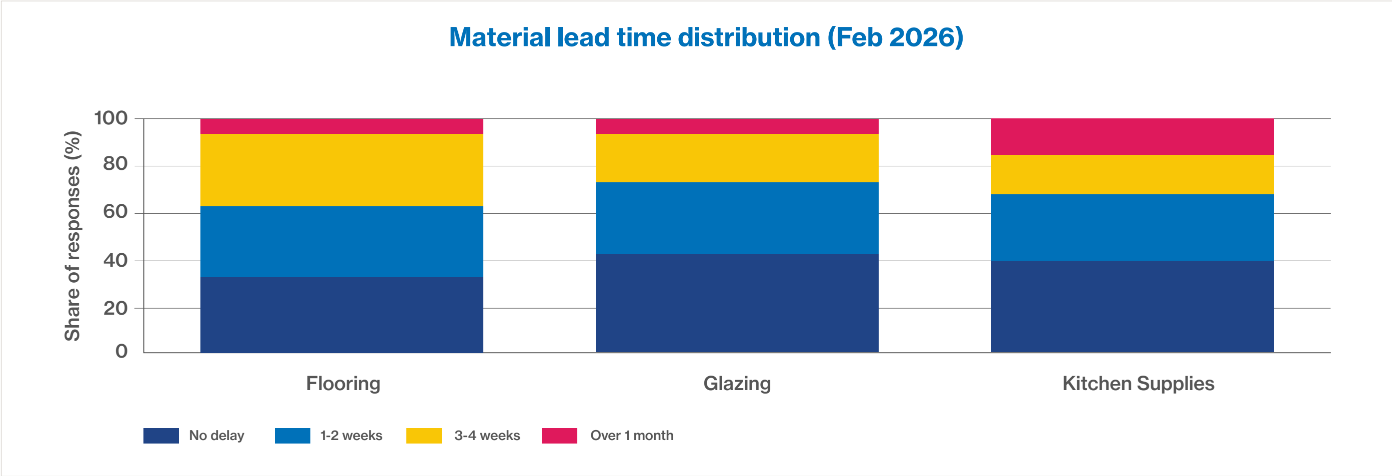
The February 2026 distribution view reinforces the shape of the problem. Most responses sit in “no delay” or short windows, but these repeat offenders still carry a long tail. In a repair program, that tail matters because even a small proportion of longer lead times can disrupt sequencing, trigger revisits, and stretch cycle time when the delayed item is on the critical path.

The broader cost environment helps explain why this can persist even as supply chains normalise. Category-level input cost movements (as shown in the ABS Producer Price Index visual) can influence ordering behaviour, substitution decisions, and supplier reliability. The result is a market that looks calmer overall, while specific categories remain harder to land cleanly in the last mile.



Even as availability improves, category-level input movements continue to shape lead times, substitution and delivery reliability.

Managed Repair Panel survey – material lead time distribution, spotlighting flooring, kitchen supplies and glazing.



Delays are now more concentrated. Most categories are stable, but the repeat offenders still carry the long tail that disrupts the final stretch

The practical takeaway for claims teams is constructive. Concentrated problems can be managed. Once the repeat offenders are known, they can be planned for, benchmarked, and communicated more clearly to customers and stakeholders

Skills and migration: why relief is slower than the headlines suggest

It's tempting to assume the skills story will "sort itself out" as economic activity cools, or that stronger skilled migration will quickly refill the pipeline. But repairs don't respond neatly to national averages.

Jobs and Skills Australia's 2025 Occupation Shortage List shows shortages have eased compared with recent years, but they remain concentrated in the groups that matter most to repairs, especially Technicians and Trades Workers. This is why insurers can still feel pressure even when broader labour market signals look more balanced. [11]

Our Managed Repair Panel survey shows that the skills story doesn't play out evenly in repairs. Shortages aren't universal, but they are concentrated in repair-critical trades that sit on the critical path, where timing and sequencing matter most. In the Feb-26 results, this also shows up in the cost distribution: the higher increase bands cluster in the same trades insurers rely on to keep repairs moving. That matters because these trades are essential to making a home safe, dry and liveable again. When even one or two are constrained, the entire job slows, regardless of easing pressure elsewhere in the workforce.

This pressure is not evenly distributed: south-east Queensland is shaping up as a multi-year hotspot, with major project demand likely to compete directly with repair labour in the same catchments.

This pressure is not evenly distributed: south east Queensland is shaping up as a multi year hotspot, with major project demand likely to compete directly with repair labour in the same catchments.

Skills shortages remain structural, not cyclical. Jobs and Skills Australia's 2025 Occupation Shortage List shows 29% of assessed occupations are in national shortage, with shortages concentrated in Technicians and Trades Workers, and a large cohort of occupations persisting on the list year after year.

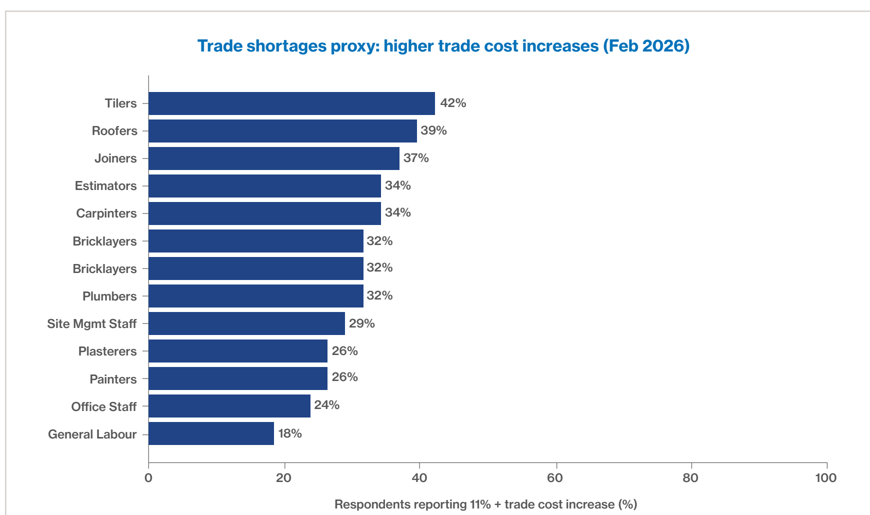
Source: Jobs and Skills Australia, Occupation Shortage List 2025 [11]

Migration helps, but it rarely lands as immediate capacity for repairs. Home Affairs data shows employer-sponsored skilled visa grants rose sharply in 2024–25, including a substantial share for Technicians and Trades Workers. However, skilled migration is not a fast solution. Visa processing timelines, recognition of overseas trade qualifications, and the need for Labour Market Testing mean the lag between identifying a shortage and filling it through migration pathways is typically 6–18 months. For businesses managing an insurance repair panel, this matters: sponsored workers require long-term commitment from employers, making them less suitable for the episodic, event-driven surges typical of catastrophe response. [12]

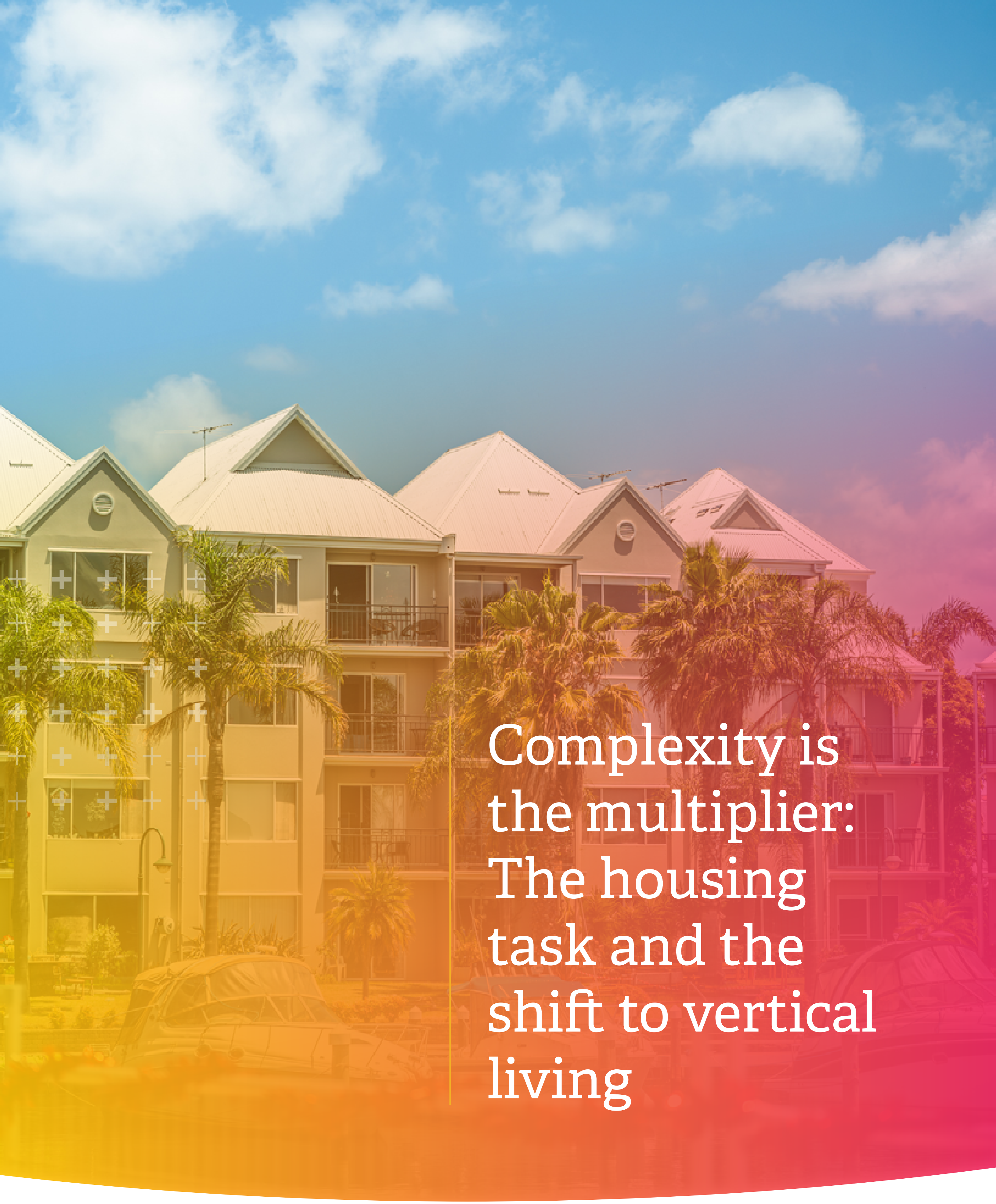
Then there's the local reality: licensing and recognition requirements still vary by state and territory, and workers generally need to apply for recognition before practising in a new jurisdiction. That friction is easy to miss in headline numbers, but it is exactly the kind of delay that shows up in repair programs, where jobs are dispersed, time-sensitive and heavily dependent on fully job-ready trades.

The Productivity Commission has made a similar observation in a different context: migration works best when it improves matching and when barriers that slow workforce participation are reduced, including those created by occupational licensing settings. [13]

For insurers, that translates to a simple, practical takeaway: higher visa volumes are positive, but repair capacity only improves when those workers can be deployed quickly and safely into local, licensed work, and when the insurance market can compete with other sectors for their time.



Managed Repair Panel survey – trade shortages by trade.



Complexity is the multiplier: The housing task and the shift to vertical living

Australia has seen the addition of more than 240,000 new strata lots in the past two years alone. The collective insured value of strata properties has surpassed $1.4 trillion. In Sydney, it is estimated that 50% of the city's population will live in strata by 2040, double the current figure

Source: Australasian Strata Insights Report 2024; City Futures Research Centre, UNSW

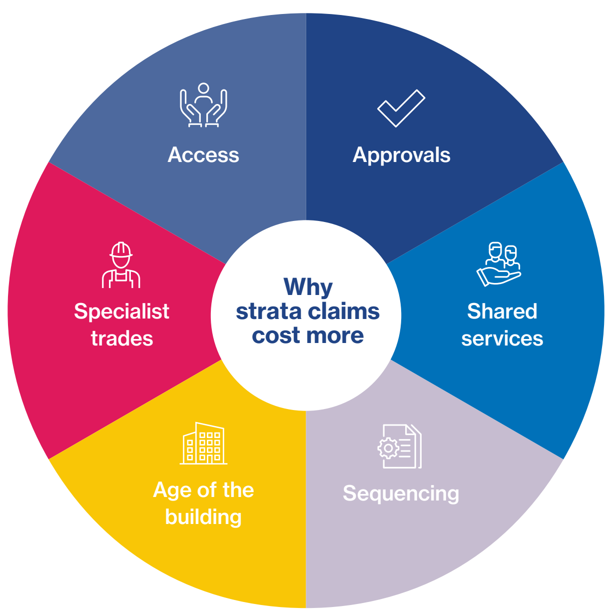
The next driver of claims inflation in 2026 is complexity and market structure.

Australia's housing delivery challenge is large, and it is reshaping the claims environment in two reinforcing ways: through the demand it places on labour and materials, and through the kind of buildings it is producing.

As Australia builds up, a larger share of claims involve shared services, restricted access and multiple stakeholders. The work becomes less like a straightforward repair and more like a coordinated delivery.

The National Housing Accord targets 1.2 million new homes by 2029, and the gap between ambition and delivery is already visible. Current data suggests that pace is not being sustained. Even where materials supply has stabilised, the demand backdrop keeps repricing scarcity, particularly in markets like South-east Queensland (SEQ), Perth and Adelaide where public infrastructure pipelines are running hot alongside residential construction.

What matters for claims is not just the volume of activity, but its character. Australia is increasingly building up rather than out. High-density approvals now dominate new residential development in Sydney and Melbourne, with multi-unit dwellings consistently comprising the majority of new approvals in both cities according to ABS Building Approvals data. [4]



This matters for claims because vertical density changes the repair task fundamentally. A water ingress claim in a detached house involves one owner, one set of decisions, and straightforward access. The same event in a strata building involves a body corporate, multiple affected lots, shared services, access coordination across occupied floors, and a repair scope that must be validated against common property boundaries before work can begin. What might take two weeks in a detached dwelling can take two months in a strata setting – not because the damage is worse, but because the operating environment is structurally more complex.

For insurers, the practical point is simple: strata claims are often schedule-driven and stakeholder-driven. Delays compound faster, scope validation can be more complex and access constraints can turn small issues into longer programs.

Ryan Neville

Head of Strata, Crawford & Company (Australia)

> Strata claims are becoming more complex because repairs are rarely self-contained. Property boundaries and common services mean scopes need to be validated, access has to be coordinated across occupied lots, and multiple stakeholders often need to sign off before works can start. In older buildings, maintenance and make-safe activities can also be required before insured repairs commence, adding time and cost.
>
> At the same time, a shift toward greener, more energy-efficient standards is beginning to influence what "like-for-like" looks like in practice. Energy-efficiency upgrades can drive changes to building envelopes, insulation and services systems, and global pressure on some inputs in services trades can flow through to costs and lead times. Over time, these sustainability and compliance requirements are likely to feature more prominently in strata restoration, increasing planning complexity and extending timelines. The result is a higher-risk delivery environment for strata owners and managers and, for insurers, more variability in both duration and claim cost outcomes.

Sustainability and compliance: small line items that add up

81.6%

Respondents reported deploying sustainable recycling of bulding materials

CRAWFORD MANAGED REPAIR PANEL SURVEY, FEB 2026

The survey data highlights a quieter cost layer: disposal, recycling, matching and substitution.

In the February 2026 survey, 81.6% of respondents reported deploying sustainable recycling of building materials and all respondents reported environmentally friendly disposal practices. Many also reported additional client costs associated with these practices.

The survey also points to matching challenges, with a majority reporting issues and a meaningful share reporting additional costs. In claims, these costs can be hard to benchmark using broad indices because they often show up as smaller, defensible line items. Over time, they contribute to a higher baseline.

Market Consolidation: scale helps, but contestability still matters

Consolidation across insurance building and restoration is another part of the 2026 environment. Scale can improve governance, coverage and catastrophe response capacity. But it can also reduce contestability for complex work in tight markets.

The consolidation of the insurance repair market raises legitimate questions for insurers about the long-term dynamics of panel management, cost benchmarking, and service quality. When a small number of large- aggregated providers control the majority of insurer repair work – and simultaneously manage strata buildings for the same property owners – the ability to use competitive tension to manage claims costs is structurally reduced.

Insurers relying heavily on a single large provider for repair work in SEQ or Victoria face a particular risk as the Olympic construction pipeline absorbs tradesperson capacity. If the dominant repair provider is competing for the same labour pool as major infrastructure projects, response times and repair quality can be affected, a dynamic that is already appearing in customer experience data. Reviews of major panel providers reflect both outstanding performance and significant delays, communication failures, and subcontractor quality issues, often dependent on local capacity at any given point in time.

For insurers, the strategic response is to audit panel composition for geographic and provider concentration, particularly in SEQ where competition for trades will intensify through 2027–28, and to resist the efficiency temptation of consolidating repair work entirely behind a single national aggregator. For claims managers, the practical day-to-day response involves maintaining relationships with both national and regional builders, commissioning independent quantity surveyors to benchmark costs on complex losses, and ensuring that service level agreements explicitly address response time and subcontractor quality standards rather than relying on brand reputation alone.

What this means for insurers: managing variance, duration and expectations

The most useful way to think about claims inflation in 2026 is not as a single number but as a widening gap between average outcomes and difficult outcomes.

Severity remains under upward pressure because the cost base is sticky and the market continues to price in risk. Duration is increasingly important because time is becoming a larger cost line, especially in claims that depend on scarce trades or delay-prone materials.

This is also where customer expectations matter. In a market where completion times are more variable, proactive communication and clear decision points can reduce friction. The goal is not to promise speed. It is to keep customers informed and reduce surprises.

Operational watch list for 2026

Quote dispersion

Panel vs non-panel and the spread between lowest and highest quotes.

Cycle time by repair package

especially wet areas and roofing.

Material lead times

for flooring, kitchens and glazing.

Scope changes

driven by substitution and matching.

Regional capacity signals

in south-east Queensland as the pipeline ramps up.

Used well, these metrics can help insurers distinguish between market noise and structural pressure.

References

[1] Australian Bureau of Statistics (ABS), Consumer Price Index, Australia, December 2025: https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/dec-2025

[2] Reserve Bank of Australia (RBA), Statement on Monetary Policy, February 2026 (PDF): https://www.rba.gov.au/publications/smp/2026/feb/pdf/statement-on-monetary-policy-2026-02.pdf

[3] Reserve Bank of Australia (RBA), Monetary policy decision statement, 3 February 2026: https://www.rba.gov.au/media-releases/2026/mr-26-03.html

[4] Australian Bureau of Statistics (ABS), Building Approvals, Australia, December 2025 (latest release): https://www.abs.gov.au/statistics/industry/building-and-construction/building-approvals-australia/latest-release

[5] Rawlinsons, Market Insight – October 2025 (PDF): https://cdn.prod.website-files.com/6187e83da043f1b74dbad924/68e5bf-58c6574acb087c7f7a_Rawlinsons%20Market%20Insight%20-%20October%202025.pdf

[6] Rider Levett Bucknall (RLB), Australia Construction Market Update, Q4 2025 (PDF): https://www.rlb.com/wp-content/uploads/sites/1/2025/12/RLB-Australia-Market-Intelligence-Update_Q4-2025.pdf

[7] Queensland Government, 2032 Delivery Plan (PDF): https://www.delivering2032.com.au/__data/assets/pdf_file/0013/105061/Queensland_Government-2032_Delivery_Plan.pdf

[8] National Housing Supply and Affordability Council (NHSAC), State of the Housing System 2025 (PDF): https://nhsac.gov.au/sites/nhsac.gov.au/files/2025-05/ar-state-housing-system-2025.pdf

[9] Australian Government Treasury, Delivering the National Housing Accord: https://treasury.gov.au/policy-topics/housing/accord

[10] UNSW City Futures Research Centre, 2024 Australasian Strata Insights (project page): https://www.unsw.edu.au/research/city-futures/our-research/projects/2024-australasian-strata-insights

[11] Jobs and Skills Australia, 2025 Occupation Shortage List: Key Findings Report (PDF): https://www.jobsandskills.gov.au/sites/default/files/2025-10/2025%20OSL%20Key%20Findings%20Report.pdf

[12] Department of Home Affairs, Temporary resident (skilled) report summary – 30 June 2025 (PDF): https://www.homeaffairs.gov.au/research-and-stats/files/temp-res-skilled-report-summary-30-jun-2025.pdf

[13] Productivity Commission, 5-year Productivity Inquiry: A more productive labour market (Vol. 7) (PDF): https://oia.pmc.gov.au/sites/default/files/posts/2023/09/5%20Productivity%20Commission%20-5%20Year%20Productivity%20Inquiry%20report%20Volume%207%20A%20more%20productive%20labour%20market%-20%28PDF%29.pdf

[14] Australian Institute of Quantity Surveyors (AIQS), Building Cost Index (BCI) resources page: https://www.aiqs.com.au/resources

[15] Australian Bureau of Statistics (ABS), Producer Price Indexes, Australia, December 2025 (Dec quarter 2025) (released 30 Jan 2026): ABS latest release page [abs.gov.au]

[16] Altus Group, Australian construction price outlook – Q4 2025 (published 19 Feb 2026): Altus insight page

Crawford Managed Repair Panel Survey, February 2026. Material availability trend series includes earlier survey waves (Aug 2023, Mar 2024, Sep 2024, May 2025 and Feb 2026) as compiled in the survey workbook provided.

At Crawford, we are committed to restoring lives, businesses and communities impacted by losses around the world.

Given the range of inflationary pressures our clients are experiencing, that commitment extends to working with you to help manage claims costs more effectively via a range of expertise, technologies, platforms and networks across our organisation.

Contact:

Tim Butler
Head of Contractor Connection & CRD
T: +0427 624 607
E: tim.butler@crawco.com.au

James Merchant
Chief Client Officer
T: 0429 605 027
E: james.merchant@crawco.com.au

About Crawford & Company®

For over 80 years, Crawford has led the industry through a relentless focus on people and the innovative tools that empower them.

10K employees | **50K** field resources | **70** countries | **$18B** claims managed annually

Crawford®

Learn more at
www.crawco.com.au

CRAW-CLAIMS INFLATION UPDATE-0326