

MEDIA RELEASE

Uniform scheme to provide viable home warranty insurance



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"The new schemes mean there will be continued protection for home buyers"

The NSW and Victorian Governments today announced uniform Home Warranty Insurance Schemes for the two states with reforms that will provide continuing viable consumer protection for homebuyers.

NSW Fair Trading Minister, John Aquilina, and Victorian Finance Minister, John Lenders said the revised schemes would provide substantial protection for homebuyers, a healthy building industry and a viable market for insurers.

"Faced with major changes flagged by several major insurers our two Governments have moved quickly to maintain support for consumers and builders," Mr Aquilina said.

"As part of a unified approach, we have developed common builders' warranty insurance rules. NSW and Victoria account for more than 70% of residential building work in Australia."

"The new schemes mean there will be continued protection for home buyers through a viable ongoing builders warranty insurance market."

Mr Lenders said the reforms addressed the problems that have impacted on the Home Warranty Insurance market in Australia arising from the global issues confronting the insurance industry.

"In a very short space of time a series of significant external events, such as the collapse of HIH and the events of September 11, have dramatically changed the insurance landscape," Mr Lenders said.

"Builders warranty insurance has not been immune from these developments with major insurers indicating their belief that the current scheme is not viable."

"We have worked with insurers, building and consumer groups to develop a product that provides a sustainable home warranty market operated through private insurers."

Key features of the new scheme are:

- the threshold for works requiring insurance will rise to \$12,000 bringing NSW and Victoria into line with South Australia and Western Australia
- insurance will cover structural defects for 6 years and non-structural works for 2 years
- high-rise multi-unit developments will not be required to carry this form of domestic dwelling insurance. Similar limitations on high-rise developments already apply in Queensland, Tasmania and the ACT
- owners of high-rise units will have access to a last resort fund
- the establishment of a catastrophe fund, funded by contributions from insurers and builders, capable of supporting claims above \$10 million arising from the death, disappearance, or insolvency of any single builder
- homeowners will be able to claim against their policy as a last resort, that is where the builder is dead, disappeared or is insolvent
- the minimum amount that an insurer can specify as the limit of its liability will double in Victoria to \$200,000. This is equivalent to NSW, but significantly greater than that in other states

For more information, please contact:

Source:

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