



**Special Minister of State  
Minister for Commerce  
Minister for Industrial Relations  
Assistant Treasurer  
Minister for the Central Coast**

**5 May 2003**

## **Home Warranty Insurance Scheme**

NSW Minister for Commerce, John Della Bosca, today announced an inquiry into the Home Warranty Insurance Scheme.

Following talks with the Master Builders Association and the Housing Industry Association, the inquiry will be chaired by Mr Richard Grellman.

“This will be a short and sharp inquiry conducted by an eminent expert on insurance matters,” Mr Della Bosca said.

“I have asked Mr Grellman to deliver an interim report by the end of June and a final report, with reform options, by the end of September.”

Mr Della Bosca said following the tragic events of September 11 and the collapse of HIH, insurance markets have been in turmoil.

“Last year, the State Government introduced a number of reforms in a bid to make access to home building warranty insurance easier.

“While there has been support for these reforms, there remains no clear consensus between interested parties on how we can make it easier for builders and consumers to access home warranty insurance.

“The situation is made more complex with only one insurer providing virtually all insurance policies,” Mr Della Bosca said.

The inquiry has also been charged with investigating whether present legislative arrangements (including recent changes) are effective for consumers and industry.

The Terms of Reference of the inquiry into the NSW Home Warranty Insurance Scheme are attached.

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# INQUIRY INTO THE NSW HOME WARRANTY INSURANCE SCHEME

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## TERMS OF REFERENCE

1. Consider whether the legislative framework governing home warranty insurance (including changes made to the existing scheme in 2002) is currently effective for consumers and industry.
2. Assess the potential for the entry of one or more additional insurers to the home warranty insurance market and identify any legislative or administrative changes that would encourage the entry of additional insurers into the market.
3. Consider and report on the need for, and viability and effectiveness of, options other than the existing scheme for the delivery of home warranty insurance including, but not limited to:
  - 3.1 industry based schemes operating in Australia and elsewhere; and
  - 3.2 schemes incorporating government as insurer or re-insurer.
4. Having regard to the existing scheme and possible options, identify a preferred home warranty insurance model for consideration. The model should be accompanied by full financial and actuarial modelling to ensure it is robust and sustainable.
5. Identify the likely impact of a preferred model on the home warranty insurance market.
6. Identify appropriate conditions of approval for any new model including requirements for prudential regulation.
7. Identify and assess any other issues requiring consideration in relation to the introduction of any new model for the home warranty insurance market.
8. The inquiry is to have regard to, amongst other things:
  - 8.1 The June 2002 Report of the National Review of Home Builders Warranty Insurance and Consumer Protection by Professor Percy Allan.
  - 8.2 The July 2002 Report of the NSW Parliament's Joint Select Committee on the Quality of Building ("the Campbell Inquiry") and the Government's response to that Report.

- 8.3 The September 2002 Report of the Legislative Council Standing Committee on Law and Justice on the Home Building Amendment (Insurance Act) 2002.
9. In undertaking the inquiry consult with both stakeholders and service providers.
10. Provide the following reports to the Minister for Commerce:
  - 10.1 An interim report by 30 June 2003.
  - 10.2 A final report by 30 September 2003.