

# National Review of Home Builders Warranty Insurance and Consumer Protection

Report prepared for the  
Ministerial Council on Consumer Affairs

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## ACRONYMS

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ABCB	Australian Building Codes Board
ABS	Australian Bureau of Statistics
ACA	Australian Consumers Association
ACC	Australian Competition and Consumer Commission
ACDA	Air Conditioning Dealer Association
ACT	Australian Capital Territory
AHW	Australian Home Warranty
AIBS	Australian Institute of Building Surveyors
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investments Commission
BACC	Building and Construction Council (NSW)
BARG	Building Action Reform Group
BCC	Building Control Commission (Vic)
BDT	Building Disputes Tribunal (WA)
BFAIR	Builders for Active Insurance Reform
BISS	BIS Shrapnel
BLA	Builders Licensing Australia
BRB	Builders Registration Board (WA)
BSA	Building Services Authority (Qld)
BSAPAB	Building Surveyors and Allied Professionals Accreditation Board
BSB	Building Services Board (Qld)
BSC	Building Services Corporation (NSW)
BT	Building Tribunal (Qld)
CABA (NT)	Department of Consumer and Business Affairs (NT)
CABA (Vic)	Department of Consumer and Business Affairs (Vic)
CAFA	Consumer Affairs and Fair Trading (Tas)
COAG	Council of Australian Governments
Cth	Commonwealth
CATDBL	Civil and Administrative Tribunal – Domestic Building List (Vic)
CTTT	Consumer Trader and Tenancy Tribunal (NSW)
DCEP	Department of Consumer and Employment Protection (WA)
Dept	Department
DEXTA	Dexta Corporation
DFT	Department of Fair Trading (NSW)
DPWS	Department of Public Works and Services (NSW)
DTRFT	Department of Tourism, Racing and Fair Trading (Qld)

## Abbreviations (continued)

<b>FIAA</b>	<b>Furnishing Industry Association of Australia</b>
<b>GEICS</b>	<b>General Enquiries and Insurance Complaints Scheme</b>
<b>Govt.</b>	<b>Government</b>
<b>GST</b>	<b>Goods and Services Tax</b>
<b>HBWI</b>	<b>Home Builders Warranty Insurance</b>
<b>HIA</b>	<b>Housing Industry Association</b>
<b>HGF</b>	<b>Housing Guarantee Fund (Vic)</b>
<b>HOW</b>	<b>Home Owners Warranty</b>
<b>ICA</b>	<b>Insurance Council of Australia</b>
<b>ICWA</b>	<b>Insurance Commission of Western Australia</b>
<b>IEA</b>	<b>Institute of Engineers, Australia</b>
<b>IEC</b>	<b>Insurance Enquiries and Complaints Ltd</b>
<b>MBA</b>	<b>Master Builders Association</b>
<b>NIBA</b>	<b>National Insurance Brokers Association</b>
<b>NMCCA</b>	<b>National Ministerial Council on Consumer Affairs</b>
<b>NSW</b>	<b>New South Wales</b>
<b>NT</b>	<b>Northern Territory</b>
<b>OCABA</b>	<b>Office of Consumer and Business Affairs (SA)</b>
<b>Qld</b>	<b>Queensland</b>
<b>PALM</b>	<b>Planning and Land Management (ACT)</b>
<b>PCA</b>	<b>Principal Certifying Authority</b>
<b>RAPI</b>	<b>Royal Australian Planning Institute</b>
<b>RI</b>	<b>Reward Insurance</b>
<b>RSA</b>	<b>Royal &amp; SunAlliance Insurance Australia</b>
<b>SA</b>	<b>South Australia</b>
<b>SAS</b>	<b>Standards Australia (Standards)</b>
<b>SCOCA</b>	<b>Standing Committee of Officials on Consumer Affairs</b>
<b>TAFE</b>	<b>Technical and Further Education</b>
<b>Tas</b>	<b>Tasmania</b>
<b>TIO</b>	<b>Territory Insurance Office (NT)</b>
<b>TT</b>	<b>The Treasury (Cth.)</b>
<b>VCAT</b>	<b>Victorian Civil and Administrative Tribunal</b>
<b>Vic</b>	<b>Victoria</b>
<b>WA</b>	<b>Western Australia</b>

## EXECUTIVE SUMMARY

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Home builder warranty insurance is in a crisis.

Many builders complain they cannot get insurance or if they do it is insufficient to support their business turnover. Private insurers are skittish and recently threatened to withdraw from the market if governments did not scale back mandatory insurance requirements. Consumers are realising insurance either does not exist (for example, high rise apartments) or is cold comfort since claims are only recognised if their builder has died or gone out of business. Meanwhile the regulatory framework for the home building process does not provide sufficient protection for honest consumers, builders and insurers or offer quick and inexpensive remedies if things go wrong.

The good news is that consumers, builders and insurers, though divided over who and what to blame, recognise each other's plight and want a jointly negotiated outcome. Essentially, governments will need to put less emphasis on insurance and give more attention to strengthening the regulatory framework for home building if consumer, builder and insurer concerns are to be addressed. Making the building process more reliable and less acrimonious offers the only lasting solution.

Stakeholders agree that the objectives of any reform program should be:

- Consumer justice;
- Accessible insurance; and
- Sustainable insurance.

Homebuyers are mainly concerned with the first, builders with the second and insurers with the third. Yet each of these objectives is inextricably linked. Unless each is met, problems will persist for all groups.

This report canvasses many options raised in 85 submissions and 75 interviews to address these goals. It presents a core set of 'high' and 'very high' priority measures that should be undertaken to restore confidence in home building warranty insurance and the home building process more generally. Options assigned a 'medium' score should also be given serious consideration.

Hopefully the report provides a basis for governments to engage stakeholders in a meaningful discussion about what to do next. For home builders warranty is a community problem, not just an insurance crisis.

