

HOME INDEMNITY INSURANCE

**929. Hon LJILJANNA RAVLICH to the Minister for Commerce:**

I refer to the home indemnity insurance under the Home Building Contracts Act 1991.

- (1) Why does the indemnity system require a consumer to take legal action to bankrupt a builder before an insurance claim can be made?
- (2) How does this system protect consumers?
- (3) How did a builder from New South Wales, Mr Wayne Howle, on a restricted New South Wales building licence, get a full licence in Western Australia?

**Hon SIMON O'BRIEN replied:**

I thank the honourable member for some notice of this question.

- (1) The current home indemnity insurance system in Western Australia was introduced in 2002 and is similar in all the mainland states, except Queensland. It is a “last resort” system of insurance that applies only when a builder dies, disappears or becomes bankrupt. In most cases, builders become bankrupt without intervention by a consumer, and the insurance received allows the house to be completed or defects to be remedied. In some cases a consumer in dispute with a builder may attempt to force the builder into bankruptcy to get access to the insurance funds. It should be noted that the disputes process that has just been introduced under the Building Services (Complaint Resolution and Administration) Act 2011 will be less protracted than the process through the Building Disputes Tribunal and will have more teeth to compel compliance with orders.
- (2) The home indemnity insurance system protects consumers by ensuring that houses can be completed or defects can be remedied if the builder dies, disappears or becomes insolvent. When a builder is still in existence, there are other mechanisms for consumers to make claims and enforce judgements. The new complaints system introduced this year under the Building Services (Complaint Resolution and Administration) Act will give consumers a streamlined way to deal with building disputes. Ultimately, the courts are available to enforce debts.
- (3) Mr Howle applied for builder registration in Western Australia under the provisions of the Mutual Recognition Act. This entitled him to be registered in Western Australia on the basis of his New South Wales registration. The restrictions in his New South Wales registration were carried over and applied to his Western Australian registration.