

Media Release

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Improving the home building compensation scheme

The Independent Pricing and Regulatory Tribunal released draft recommendations today which would make it easier for new entrants to compete with the NSW Government insurer icare to offer home building compensation.

“The premium for the cover adds more than \$4,000 to the cost of building an average \$350,000 home, or \$16,000 to each low-rise apartment of the same value.

“Making it easier for providers to enter the market would put downward pressure on premiums and give builders and homeowners greater choice,” said IPART Chair Dr Paul Paterson.

The compensation scheme provides homeowners up to \$340,000 of cover for houses and low-rise apartments if their builder cannot complete a project or rectify defects because they are insolvent, or have disappeared.

The cover cannot be accessed if the builder is still trading when an issue arises. Homeowners must pursue the builder through Fair Trading and the NSW Civil and Administrative Tribunal (NCAT). IPART found it can take a lot of time and money for homeowners in this situation to resolve their issue with the builder.

“Most builders produce high-quality buildings. But efficient mechanisms are needed when things go wrong. We are making draft recommendations aimed at ensuring faster dispute resolution between home owners and builders.

“If all builders know they will be held accountable, defects are less likely to occur in the first instance. In the longer run, fewer defects overall means fewer claims and lower premiums,” said Dr Paterson.

IPART found that premiums for home building compensation in NSW are significantly higher than similar schemes in other states, because average claims costs are much higher.

“We support the NSW Government’s approach to improving building quality through enhancing the compliance and enforcement regime under the Building Commissioner,” said Dr Paterson.

“We are also making a draft recommendation that icare’s HBCF cover is more tightly regulated. icare is currently the only provider in the market, and it is likely to continue to be the main provider in the medium term.”

IPART will hold a virtual public hearing on the issue on 29 September. Further details are available here.

The closing date for submissions is 16 October 2020. A full copy of the Draft Report is available here.

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