

## NSW Home Building Compensation Fund under review

The Independent Pricing and Regulatory Tribunal (IPART) is investigating possible reforms to the NSW Home Building Compensation Fund (HBCF) designed to protect homeowners from building defects.

Introduced following the exit of private insurance providers from the home building insurance market in the 2000s, the HBCF provides a ‘last resort’ safety net that compensates homeowners up to \$340,000 for defective or incomplete building work when they are unable to seek redress from the builder. Defects on multi-dwelling buildings over three storeys are excluded from the scheme<sup>1</sup>.

“We will look at whether the current scheme design could be improved, including whether the scheme could further mitigate risks of builders becoming insolvent, and whether there are impediments to private sector participation. We are also interested in whether there are other products that would provide more value to builders and homeowners,” IPART Chair, Dr Paterson said.

“The current economic circumstances make it more important than ever to protect homeowners from losses due to builder insolvencies, without resulting in unsustainable rises in premiums,” he said.

The HBCF is just one part of the consumer protection regime for NSW homeowners – which also includes measures to prevent defects occurring in the first place, and avenues to address defects once they have occurred, such as dispute resolution mechanisms.

“Within this broader regulatory framework, we will look at how well the fund achieves its intended outcomes, and whether it is able to achieve those outcomes at a lower cost”, Dr Paterson said.

IPART is seeking feedback on these and other issues to inform recommendations to be made to the NSW Government later this year. The review will consider the effectiveness of reforms implemented in 2018 to improve the financial viability of the scheme, including introducing premiums that depend on the risk profile of a builder, and allowing private providers to offer home building insurance. At present, the Government-owned insurer, icare, remains the sole provider in NSW.

IPART’s review will take into account other Government initiatives to improve confidence in the residential building market, such as new rules to ensure building designs comply with the Building Code of Australia, and that builders construct buildings according to these plans.

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<sup>1</sup> Defects on buildings over three storeys are managed through the Strata Building Bonds and Inspections Scheme. IPART has not been asked to review that Scheme.

Submissions to IPART's HBCF Issues Paper can be made until 1 June. A draft report will be released for comment in September with final recommendations made in November 2020.