

Building warranty insurance

March 2004



Need more information?



Call Building Advice and Conciliation Victoria (BACV) Helpline on 1300 55 75 59.

Quick tip



In most cases it is the responsibility of the builder to fix defects or finish incomplete work.



It is now more important than ever for homeowners and builders to ensure satisfaction with the quality and progress of a building project through clear and regular communication.



Builders Warranty Insurance now only covers home owners for defects and incomplete work in cases where the builder:

- has died
- is insolvent or
- has disappeared.

In all other cases it is the responsibility of the builder to fix defects or finish incomplete work.

Building Advice and Conciliation Victoria (BACV) was set up to help homeowners and builders work together to resolve building disputes.

If you have a query regarding defective or incomplete work or are un-able to resolve a dispute with a builder, call BACV on 1300 55 75 59.

Warranty insurance for domestic building contracts signed after 1 July 2002

- Builders must take out builders warranty insurance for most home building or renovating with a contract price over \$12,000. Before you sign a domestic building contract, ask to see and note the builders warranty insurance. Make sure the cover is current and appropriate for work on your site.
- Builders must be registered with the Building Practitioners Board for most work over \$5,000. Contact the Building Practitioners Board at www.buildingcommission.com.au or telephone 1300 36 03 20.



- Claims on policies issued after 30 June 2002 may only be made when the builder is dead, insolvent or has disappeared.
- Insurance in these cases now covers:
 - non-completion of building work and structural defects for up to six years
 - non-structural defects for up to two years.
- The minimum amount of cover is now \$200,000.
- Policies usually limit claims for non-completion to 20 per cent of the original contract amount.
- Residential buildings over three storeys high, containing two or more dwellings do not require builders warranty insurance. If you buy one of these homes, make sure your purchase contract has defect liability inclusions.
- When you buy a home off the plan and are not contracted to the builder, ensure your contract has defects liability clauses included.

Warranty insurance for domestic building contracts signed before July 2002

All previous builders warranty insurance arrangements still apply.

HIH Insurance Assistance

The Victorian Government put in place a rescue package for homeowners with builders warranty insurance affected by the collapse of HIH Insurance.

The rescue package:

- offers homeowners benefits equivalent to those in the HIH builders warranty policy
- covers works for which a building permit was issued before 30 April 2001 and where work has commenced before 31 May 2001
- includes run off cover for completed projects for the remainder of the warranty period
- provides for the Housing Guarantee Fund Limited to manage the scheme for the State
- provides for it to be funded from an additional levy on domestic building permits of \$32 for every \$100,000 value of works, with further funding being appropriated from the State Budget.

Building Factsheet

Date of Issue: March 2004



Claim forms can be obtained from the Housing Guarantee Fund on 9660 6111, or from their website www.hgf.com.au, should you need to make a claim in the future. Enquiries on matters other than domestic building warranty can be directed to HIH Insurance, 1800 60 04 00.

Further reading



Consumer Affairs Victoria has a range of building related factsheets:

- Choosing a domestic builder
- Owner builders
- The domestic building contract
- Useful contacts when building

More information



For further information and copies of *Building & renovating: essential tips* contact:

Consumer Affairs Victoria

Victorian Consumer & Business Centre

113 Exhibition Street
Melbourne 3000
Telephone 1300 55 75 59
Website www.consumer.vic.gov.au

Regional Offices

Consumer Affairs Victoria also has regional offices located in Ballarat, Bendigo, Geelong, Morwell, Mildura, Wangaratta and Warrnambool together with a mobile outreach service that regularly visits rural communities. To find details on the office or mobile service nearest you, ring 1300 55 81 81 or go to the Consumer Affairs Victoria website on www.consumer.vic.gov.au and click on the Contact Us link.

Because this publication avoids the use of legal language, information about the law may have been summarised or expressed in general statements. This information should not be relied upon as a substitute for professional legal advice or reference to the actual legislation.

Authorised by the Victorian Government 121 Exhibition Street Melbourne Victoria 3000.
BR-09-01