

HOME INDEMNITY INSURANCE, DEXTA CORPORATION LTD

**948. Mr D'ORAZIO to the Minister for Consumer and Employment Protection:**

Will the minister advise the House of any government plans to address problems in the home indemnity insurance market following the withdrawal of Dexta Corporation Ltd last month?

**Mr KOBELKE replied:**

I thank the member for some notice of this question and for his representation of small builders who have had a problem with housing and general insurance for some time. A whole range of problems followed the collapse of HIH Insurance last March. A further blow to the home construction industry occurred last month when Dexta withdrew from the market; it was one of the three insurers offering home indemnity insurance. As a result, Royal and Sun Alliance Insurers Australia, working with the HOW program and the Housing Industry Association, have sought to pick up those builders who were previously covered by Dexta. The only other insurer in this area has a very small percentage of the market. Royal and Sun Alliance required that there be a cap of \$10 million on their total liability to any one builder. Victoria and New South Wales have entered into an agreement to put in place such a cap and to look after claims which may go beyond that. The Gallop Government has decided similarly to provide for a cap on housing indemnity insurance. This will apply to three large builders in Western Australia. The Government is currently speaking with the insurers and the building industry to ensure that the details can be put together so that the scheme can run.

There will not be any increase in premiums. In fact, it is likely that premiums will be reduced, because the insurers will be required to cover only up to a maximum liability of \$10 million. The Government will pick up the liability for any sums above that. In doing so, the Government expects those companies to make a contribution by way of a small levy. The scheme will ensure that premiums will remain the same or drop and that builders are able to get the licences they require to continue to build.

Mr Birney: Are you saying that you will charge both the consumer and the builder for the insurance?

Mr KOBELKE: No, the member for Kalgoorlie should listen. Home indemnity insurance is currently required for a building licence to be granted. Complaints have been made that although the cost of that insurance is perhaps only \$200, \$300 or \$400 for some large builders, it can be \$1 500 or more for some small builders. The average is between \$600 and \$1 000 - those are rough figures because I do not have the statistics. The Government is saying that the three large builders in Western Australia who have a total liability of more than \$10 million would simply stop building if they could not get insurance. That would mean that about 6 000 homes would not be built each year. That would have a huge impact on the people who work in that industry and on people who are trying to buy homes through those large builders. Those companies simply cannot work without home indemnity insurance. Under this scheme those companies will still take out policies with Royal and Sun Alliance Insurance Australia Ltd, but those policies will not provide full cover. Therefore, they will pay a lower premium. The Government will pick up any potential liability above \$10 million. For that to occur, those builders will pay a small levy into a fund so that the Government can act as a reinsurer for liability above \$10 million. Although the State is taking on a liability, our estimation is that it is only a small liability in terms of risk. Those three builders have good reputations. It is estimated that the risk of those companies going under is extremely small. Nonetheless, because the insurers cannot get reinsurance, the Government is willing to consider taking on that liability. It would be in the taxpayers' interest to ensure that the builders who are receiving that support contribute to the cost. Therefore, those builders will pay a small levy to help meet that cost.

In putting this scheme together, the Government has requested the insurer to agree to a review committee. That would enable small builders who are not affected by this move but who often have difficulty getting the required insurance to appeal against decisions by a major insurer to either deny them insurance or give them less insurance cover than they asked. The review will be put in place. It will not have any legal binding, but will put pressure on the insurers to open up, so that the Government can see how the system is working. That will enable the Government to tailor its responses so that it can look after the smaller builders who are also caught by this.

Mr Barron-Sullivan: What you are saying is that smaller builders still cannot count on getting full insurance for the total value of projects that are under construction.

Mr KOBELKE: Many small and medium-size builders are getting full coverage and do not have any problems. Some, and it is not an insignificant number, are having difficulties. They cannot get the full insurance they request.

Mr Barron-Sullivan: You have looked after the big builders but not the little builders.

Mr KOBELKE: The member for Mitchell is trying to imply that we can somehow walk away from the three large companies that are involved in about a third of all construction in this State. Again we see an Opposition that wants to play politics and will not look after the building industry. The Opposition will not accept its responsibility to try to look after all the players in the field. As the Premier said earlier, the Opposition wants to set one group against another, so that it can skate through the middle to gain some political advantage. It will not look after the interests of the building industry in this State and the many thousands of people who work in it. This Opposition is an absolute shame.