



Hon. Wilson Tucker MLC
Member for Mining and Pastoral Region
Daylight Saving Party

12 July 2022

Hon Peter Foster MLC
Chair
Standing Committee on Environment and Public Affairs
Legislative Council Committee Office
18-32 Parliament Place
West Perth WA 6005

Dear Chair,

Re: Petition No. 053 – Home Indemnity Insurance

Thank for your correspondence dated the 15th of June and for your invitation to make a submission for the Committee's preliminary investigation of petition No. 053. Petitioners, constituents and members of the public have brought to my attention a number of concerns over how Home Indemnity Insurance (HII) operates in Western Australia.

In the event of a builder's death, disappearance or insolvency, a HII policy is intended to cover the completion of the residential building work at no additional cost to the owner. However, the *Home Building Contracts Act 1991* (the Act) provides for a maximum payout of \$100,000. This payout is one of the lowest in Australia and is not pegged to changes in construction costs or inflation. In the current construction market, the maximum payout may only represent a fraction of the cost of the total contract. This is particularly concerning due to the collapse of at least 15 Australian builders in just the past 12 months.

The Economic Regulatory Authority (ERA) conducted an inquiry in the HII, tabling it's final report in 2013. The ERA found that some builders facing insolvency will bring forward payments by taking shortcuts in order to increase cashflows.¹ This exposes owners to increased risk, not only as they are paying for work that has not yet commenced, but the payments may exceed the \$100,000 capped coverage for insolvency.

¹ Economic Regulatory Authority Western Australia, *Inquiry into Western Australia's Home Indemnity Insurance Arrangements* (Final Report, June 2013), 42.

Anecdotes I have collected suggest a lack of transparency and awareness about HII, particularly the maximum payout amount for coverage in the event of builder insolvency. The principal petitioner, Mrs Tiarna Nouwland, indicated that her Certificate of Currency makes no mention of the \$100,000 maximum payout for insolvency and that she was unaware of the maximum payout until after she began making a claim.

Building your own home represents a significant investment. Indeed, it is likely the largest single investment a person will make in their lifetime. If the intention of the HII scheme and the Act is to protect owners from the risk of builder insolvency, then it begs the question – is it operating as intended?

The petitioners have called on the Legislative Council, and the Government, to urgently review the HII scheme and the Act. Given the apparent shortcomings of the HII scheme and the Act, and the currently volatile construction market, I hope the Committee will consider the petition with the care this matter requires.

Kind regards,

A handwritten signature in black ink, appearing to be 'Wilson Tucker', written in a cursive style.

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