



**Deputy Premier
Minister for State Development, Jobs and Trade;
Tourism; Commerce; Science**

Our Ref: 60-53200

Hon Peter Foster MLC
Standing Committee on Environment and Public Affairs
Legislative Council Committee Office
Parliament House
4 Harvest Terrace
WEST PERTH WA 6005

Email: env@parliament.wa.gov.au

Dear Mr Foster

A handwritten signature in blue ink that reads "Peter".

I thank the Committee for its enquiry about the home indemnity insurance (HII) provisions of the *Home Building Contracts Act 1991* (HBC Act).

The HBC Act was amended in 1996 to introduce a requirement for builders, performing home building work, to take out insurance to protect their homeowner clients against the risk of losses stemming from the builders' disappearance, death or insolvency (a HII policy). Among other things, under the current provisions, the HII policy covers a homeowner for losses up to \$100,000. This is inclusive of cover for loss of deposits up to the value \$20,000.

It is acknowledged that, in the years since HII provisions were introduced, the required levels of cover have not kept pace with inflation. This relative devaluation in cover has been particularly stark over the past two years as increases in building costs have accelerated amidst material and labour shortages, compounded by impacts of COVID-19 on the economy and supply chains.

Over several years, the Government has been investigating ways to address this problem and has recently resolved to increase the levels of HII cover required by the HBC Act. This will be achieved through amendments to the Home Building Contracts Regulations 1992 which are currently being drafted by the Parliamentary Counsel's Office.

The regulation changes will give effect to the McGowan Government's decision to double the cover afforded under the scheme, resulting in eligible homeowners being entitled to up to \$40,000 for loss of deposits and up to \$200,000 for incomplete or defective works in the event their builder dies, disappears or becomes insolvent.

The changes will take effect as soon as possible and apply to residential building work being undertaken from the date of gazettal.

The McGowan Government wants to ensure that if a builder becomes insolvent, families are better protected when building a home. The changes to the HII Scheme reflect current market conditions and challenges.

I trust that this response satisfactorily addresses the Committee's enquiry.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Roger Cook', with a large, stylized initial 'R' at the start.

HON ROGER COOK MLA
DEPUTY PREMIER;
MINISTER FOR COMMERCE

18 OCT 2022