

FACT SHEET

HOUSING INDEMNITY AMENDMENT BILL 2008

The housing Indemnity Act 1992 commenced on 1 July 1993 and established a compulsory first resort housing indemnity insurance scheme. However, following the collapse of HIH, the Act was amended in 2003 to change the scheme to a last resort scheme. This means that the current insurance applies only where the builder becomes insolvent, dies or disappears.

The current scheme has received significant criticism from industry. The current scheme does not provide value for money for consumers. Further, consumers are confused about the scheme and often do not realize its limitations until a claim is made.

In late 2007, the Government agreed to remove the existing requirement for housing indemnity insurance. It was initially envisaged that this would be undertaken in two stages:

- Stage one – removal of mandatory housing indemnity insurance for owner builders; and the provision of a consumer guide before commencement of building work.
- Stage 2 removal of mandatory insurance to all remaining building work. This stage was to follow the implementation of a process of dispute resolution and prudential supervision.

However the Government has now decided to remove the scheme completely.

The Office of Consumer Affairs and Fair Trading already has in place a functioning system for resolving consumer disputes, including building disputes. This is currently being enhanced by an improved statutory framework. Work has also commenced on the development of a 'light-touch' system of prudential guidance for builders that will result in a reduced risk to consumers from builder insolvency.

When the mandatory requirements for all building work have been removed the consumer guide, the statutory warranties and the minimum deposit requirements of the current Act will be retained.

The Housing Indemnity Amendment Bill 2008 implements mandatory provision of a consumer guide and allows for the removal of housing indemnity insurance.