

Monday, 29 March, 2010

GOVERNMENT TO TAKEOVER DOMESTIC BUILDING INSURANCE

The Victorian Government will takeover domestic building insurance to ensure builders and consumers have access to adequate and affordable insurance

The Government's intervention follows a number of private insurers no longer providing this vital insurance cover for builders, leaving only two private insurers remaining.

The new scheme will be funded by builder premiums and operated by the Victorian Managed Insurance Authority (VMIA).

Mr Holding said the scheme would ensure that the level of protection for consumers continues.

"The Brumby Labor Government is committed to a strong regulatory framework for the construction and renovations of homes in Victoria," Mr Holding said.

"After consultation with industry groups and stakeholders it is the Government's view that the continuation of the current private system would not provide enough certainty for the building industry and consumers.

"By implementing a Government run domestic building insurance scheme we are removing the uncertainty arising for consumers and builders from the current market.

QBE Insurance and Calliden were the only two remaining companies. Vero, which is the largest provider of domestic building insurance, recently announced their withdrawal from the Victorian market from 1 July 2010. This followed the withdrawal of CGU and Lumley in 2009.

The VMIA will be available to provide insurance on a commercial basis from 31 March 2010 and will determine the underwriting terms and conditions.

Streamlined arrangements will apply for builders who can demonstrate that they have held insurance with a private insurer in the past 15 months (effectively from the start of 2009).

These builders will be automatically eligible for cover from the VMIA for a period of at least 12 months with underwriting terms and conditions initially on comparable terms as their previous provider.

"These arrangements will minimise disruption caused by delays in securing new insurance policies and will allow the VMIA time to develop the necessary systems to properly assess builders' risk," Mr Holding said.

"The VMIA will also continue to use current brokers to further minimise disruption to the building industry.

"We will also be discussing potential product enhancements with the VMIA, subject to the impact on premiums, to improve the level of protection offered to consumers."

The Essential Services Commission will monitor the pricing of the VMIA and monitor the private insurers' claims management during the run-off period for the previously provided insurance policies.

The Government will work with private insurers to ensure their orderly exit from the market during the transition period and monitor the new system.

Builders seeking further information should contact their insurance broker or relevant industry association. In addition, the Builders Practitioners Board on 1300 815 127 is also able to assist builders should they have any queries.