

# Inquiry launched as home builders' shortage looms

Linda Morris

Warnings of a resurgence in illegal building work and a likely shortage of home builders have triggered an inquiry into the state's crisis-ridden building insurance scheme.

The second inquiry into the home warranty insurance market in less than 12 months will consider ways to make it easier for builders to obtain compul-

sory cover protecting consumers against shoddy workmanship or bankruptcy. Home builders have struggled to get insurance since the collapse of HIH which accounted for over half the home warranty insurance market in most states.

The crisis worsened when an insurance provider, Dexta, quit the market in December, effectively leaving Royal & Sun Alliance as a virtual monopoly

insurer. As a result of more onerous insurance requirements, the Master Builders Association claims builders are walking out of the industry while others are trying to subcontract work to avoid insurance requirements.

Fewer than 42 per cent of licensed builders in NSW are eligible for insurance, compared with 75 per cent two years ago, the MBA says. The Royal Australian Institute of Architects

complained to the Minister for Commerce, John Della Bosca, two weeks ago, saying it was increasingly difficult for its members to find insured builders.

The president of the institute's NSW chapter, Caroline Pidcock, said insurance policies invariably barred cover if an architect or designer was involved in the tendering process and the builder had less than 20 years experience. "It's critical to have

architects involved from the beginning to the end in medium- and high-density projects and default builders will increasingly find it difficult to get insurance for those projects," she said.

At the home renovation level, Ms Pidcock said 30 per cent of construction certificates in NSW were registered with owner builders, compared with 3 per cent in Queensland. "That means people are finding they

can't get builders with insurance. We are finding very good builders with flawless reputations who can't get it."

The State Government inquiry is to be chaired by insurance and accounting expert Richard Grellman. He is to investigate the adequacy of the existing scheme, as well as other industry-based models, including the option of the Government re-entering the market as an insurer or

reinsurer. The inquiry is expected to produce an interim report by June 30 and a final report by September 30.

The MBA's executive director, Brian Seidler, said his group would have preferred the Government to have acted immediately to establish a self-funded industry scheme.

Last year the MBA proposed a non-profit company be set up to guarantee the performance of

builders and provide a facility by which builders could obtain home warranty cover backed by a private insurance underwriter.

Announcing the inquiry yesterday, Mr Della Bosca said while there had been support for existing reforms, "there remains no clear consensus between interested parties on how we can make it easier for builders and consumers to access home warranty insurance".