



NEWS RELEASE

Premier of New South Wales

NSW GOVERNMENT PROTECTS JOBS AND HOMEOWNERS

November 8, 2009

Premier Nathan Rees today announced that the NSW Government will step in to protect building industry jobs and homeowners across NSW at risk following a significant reduction in the insurance market.

Mr Rees said that the NSW Government will provide safeguards for workers and homeowners through a new arrangement for the provision of home warranty insurance.

“We are acting decisively to protect jobs and give peace of mind to families,” Mr Rees said.

“There are around 35,000 builders who need certainty and that is what we are delivering.

“There is also a flow on effect to thousands of homebuyers, apprentices, sub-contractors and suppliers.”

Mr Rees said the new home warranty insurance (HWI) scheme would be Government-underwritten and capitalised and funded by premiums.

“I will not allow a situation where NSW builders cannot get cover, potentially jeopardising a \$20 billion industry which employs 250,000 people,” Mr Rees said.

Home warranty insurance is mandatory in NSW for all home building work valued at more than \$12,000.

Mr Rees said that home warranty insurance provides an important safety net for consumers, providing people building or renovating their home with up to \$300,000 in cover.

“Advice to the Government from the HWI Scheme Board indicates that the market has substantially contracted following the global financial crisis, leading to the withdrawal of insurers Lumley and CGU,” Mr Rees said.

“The Board has advised that current market conditions are likely to lead to more insurers exiting the market in the near future.

“We are taking action now because there is already evidence that an increasing number of builders in NSW are unable to obtain cover.”

The new scheme will be:

- underwritten and capitalised by the NSW Government and funded by premiums;
- managed by Treasury through the Self Insurance Corporation; and

operated by private sector providers, selected by competitive tender, which will provide services in relation to the issue of project certificates, collection of premium and claims handling.

Fair Trading Minister Virginia Judge said that the Government is working with insurers to ensure a smooth transition to the new arrangements and will consult with other jurisdictions to determine the feasibility of national harmonisation of arrangements.

“Existing consumer benefits will be maintained and there will be scope to address problems more effectively and quickly under the new arrangements,” Ms Judge said.

“Any cover that has already been issued by insurers will remain in force for the duration of the policy with the new scheme coming into effect from 1 July 2010.”