

# INQUIRY INTO WESTERN AUSTRALIA'S HOME INDEMNITY INSURANCE ARRANGEMENTS

## TERMS OF REFERENCE

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I, CHARLES CHRISTIAN PORTER, Treasurer and pursuant to section 38(1)(a) of the *Economic Regulation Authority Act 2003* request that the Economic Regulation Authority (ERA) undertake an inquiry into the effectiveness of Western Australia's Home Indemnity Insurance (HII) arrangements, which are established by the *Home Building Contracts Act 1991*.

In conducting the Inquiry, the ERA is to consider and have regard to:

- how Part 3A of the Act currently operates, including measures taken by the State Government to underwrite the private provision of HII since the Act was amended in 2002;
- whether there is an ongoing need for the mandatory provision of HII;
- alternative regulatory models that could be applied in Western Australia to replace or improve current arrangements, including the establishment of a fidelity fund; and
- whether the scope of the State's HII arrangements, or whichever regulatory model is recommended, should also address the costs to homeowners of damage caused by ground subsidence due to underlying geological causes rather than builder or developer default.

In its assessment of the options, the ERA must give consideration, but need not be limited, to the:

- red tape burdens on the insurance and building industries;
- possible implications for home affordability; and
- costs and financial risks to the State Government.

The ERA will release an issues paper as soon as possible after receiving the terms of reference. The paper is to facilitate public consultation on the basis of invitations for written submissions from industry, government, consumer groups and other relevant stakeholders.

A draft report is to be made available for further public consultation on the basis of invitations for written submissions. A final report is to be completed by no later than the close of business on 30 April 2013. Note that to accommodate the timing necessary to implement new arrangements, no extension of time is possible beyond this date.



**HON C. CHRISTIAN PORTER MLA  
TREASURER; ATTORNEY GENERAL**