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Inquiry into Western Australia's Home Indemnity Insurance Arrangements
Economic Regulation Authority
PO Box 8469
Perth Business Centre
Perth
WA 6849

Dear Sirs,

Inquiry into Western Australia's Home Indemnity Insurance Arrangements

Please find attached our submission regarding the above inquiry. Should you require any other comment or wish to discuss our submission with us then please contact the writer.

Yours sincerely,


Albert Walmsley
Managing Director

10 April 2013



WESTRAL'S EXCLUSIVE WARRANTY

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10 April 2013

**Submission for the Western Australia's Home Indemnity Insurance
Arrangements**

Provided by Noilly Pty Limited trading as Westral Home Improvements

We respectfully request that the following comments regarding the Home Indemnity Insurance, listed below, be considered when reviewing the Draft Report.

- A \$22,000 home extension attracts an insurance policy costing \$334.18 which equates to 1.5% of the contract price. Insurance companies will not provide cover unless the builder can show that they are solvent to the point of not in reality requiring cover. Therefore, this is an unnecessary expense to the consumer in almost all instances and we believe that there is a strong case for exemption from insurance where a builder can provide proof that there is absolutely no possibility that the builder will "disappear, become insolvent or incur losses due to death." With Westral, we had to provide our insurers full financials for the last three years. These financials showed that our organisation had assets of such magnitude and with no debt it was impossible for QBE to ever have to pay out on the policy. Thus a total waste of money paid by the consumer.

If a way could be devised for companies such as ours to have an exemption then there would be savings for clients and less administration. That companies such as ours have such exemption and could provide accreditation to that extent then this would provide the clients with more security when making a considered decision as to whom they should proceed with.

- As a registered builder we believe that there is certainly is a need for the consumer to have protection when contracting a "builder" to provide a home extension. This protection should be in the form of all providers, no matter what the size of the works be carried out, being audited and accredited to ensure that they are solvent and have the infrastructure, assets, etc to ensure that they will be able to meet their obligations. We are finding that there are many companies who simply operate from a mobile telephone, have no premises, few assets and after obtaining a contract they simply buy on a cash basis whatever is required from a company who supplies in kit form. They make no mention to the consumer of the requirement for Home Indemnity Insurance and thus the consumer is unaware unless that consumer has also obtained quotations from reputable companies who would obviously mention it.

By having the requirement for all providers of structures to be accredited this should also reduce the instances of companies who are not of standing and who do not bother to submit plans for approval to the local shires, another problem in our industry.

- We have anecdotal evidence that there are many instances whereby a builder or supplier will split a quotation when the cost of a structure is more than

\$20,000, thus negating or getting around the need for insurance, (obviously not legally correct to do so however, it is being done). That is, they will write up one part of a job at say \$11,000 and the balance of the job at \$12,000. Thus two contracts which together equate to \$23,000 but independently are under the \$20,000 threshold. A consumer can be blinded by the supplier stating that by so doing the consumer is saving in excess of \$300 and wants to believe that the supplier will, "do the right thing". Or the supplier may not even mention why they are splitting a quotation. "We will put the patio roof on this quotation and the enclosure on this quotation in case you only go ahead with one area." This makes a mockery of the legislation and companies who are providing a service in line with Western Australian legislation are finding it more difficult to compete when such practices are being carried out.

Therefore, if it is deemed necessary that insurance policies are to continue then the \$20,000 starting point should be lowered considerably. This will not necessarily stop companies continuing with these practices but it should make it more difficult for them. In tandem with these measures, penalties for non compliance should be significantly increased.

We thank you in advance for considering the above.