



INFORMATION

Inquiry into Western Australia's Home Indemnity Insurance Arrangements

FINAL REPORT

The Treasurer tabled the Economic Regulation Authority's **(ERA's)** Final Report on its *Inquiry into Western Australia's Home Indemnity Insurance Arrangements* (Inquiry) in Parliament on 10 September 2013.

On 5 June 2012, the Treasurer of Western Australia gave written notice to the ERA to undertake an inquiry into the effectiveness of Western Australia's home indemnity insurance arrangements. The ERA was asked to determine whether there is an ongoing need for the mandatory provision of home indemnity insurance and to recommend, if appropriate, alternative regulatory models of home indemnity insurance that could be applied in Western Australia.

The ERA was also asked to consider whether damage to homes caused by no fault ground subsidence should be addressed through the State's home indemnity insurance arrangements.

The ERA recommends replacing the existing home indemnity insurance model with a model that separates the insurance into construction period coverage from the warranty period coverage. Under this model, the ERA recommends that:

- private sector insurers provide insurance (with government reinsurance) to cover non-completion risks and that this portion of the insurance be mandatory such that builders are required to hold the appropriate insurance before commencing work; and
- the building industry (through building industry associations) becomes the provider of voluntary warranty period insurance, and that the building industry be free to determine the terms under which this insurance is provided.

The ERA identifies this model as being superior to eight other models that were assessed using criteria such as: stability; consumer choice; consumer protection; affordability; compliance costs and the extent of Government involvement (as a proxy for the costs and risks to Government). The ERA considers that the implementation of the model would deliver net benefits to the community.

'Ground subsidence' refers to the sinking of landforms as a result of underlying geological issues. The ERA does not consider that the types of risks associated with no fault ground subsidence are comparable with those addressed by the provision of home indemnity insurance. In this Report, the ERA has discussed alternative ways to address no fault ground subsidence. However, the recommendation of a specific approach is beyond the scope of the Terms of Reference.

Further detail and additional recommendations can be found in the [Final Report](#).

In preparing the Final Report, the ERA conducted two rounds of public consultation in which it received 45 submissions from stakeholders. The ERA also met with individuals, groups, organisations and Government Departments during the undertaking of the Inquiry. The ERA would like to thank all those who have been involved in the Inquiry.

The Final Report is available on the ERA's [website](#).

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