

What does builder's warranty insurance cover?



Builder's Warranty Insurance, also known as Home Indemnity Insurance, provides compensation to home owners for losses if their builder goes bankrupt, dies, disappears or faulty workmanship.

It's essential in all states and territories, except Tasmania, and is paid for by the builder prior to commencing construction, and prior to receiving a deposit from the homeowner. Before work starts, you should ask your builder for a copy of the policy and certificate of insurance, because you need this copy to make a claim. Builder's Warranty requirements and coverage can vary from state to state therefore make sure you are familiar with your local state requirements.

When do you need Builder's Warranty Insurance?

Builder's Warranty insurance is required if relevant works are to exceed a certain limit. These limits vary from State to State. The insurance also covers for a certain amount of years and again this will vary per which state you are in.

For example, if you are only renovating your kitchen in QLD, and these renovations cost more than \$3,300 and you hire a builder for the work, this will exceed the limit in QLD and you should therefore obtain a copy of your builders warranty certificate.

What does Builder's Warranty Insurance cover?

Generally the cover is for loss of deposit, failure to start or finish a job and defective work on a completed job on building works/renovations for non-structural defects in the first two years following completion of the build and usually six years for structural defects (however this can vary across Australia as noted above).

What happens if you don't have Builder's Warranty Insurance?

If a builder commences work without Builder's Warranty Insurance, they risk fines of up to \$10,000 and for a new build home, buyers can legally withdraw from the contract of sale anytime up to the completion of the contract. If the homeowner doesn't confirm that this insurance has been obtained, before work commences for either a new build or a renovation, they will have no recourse for faulty work or an incomplete build. So if the builder disappears, dies or declares bankruptcy, the homeowners will be unable to make a claim for an incomplete built, or structural or non-structural faults.

So the take home message is that under a variety of circumstances, homeowners need Builder's Warranty Insurance. So always check with your local building department whether you do need it and if so, check that your builder has obtained it prior to commencing work. Talk to an insurance specialist and ensure you are covered today.

General Advice Warning

The information provided is to be regarded as general advice. Whilst we may have collected risk information, your personal objectives, needs or financial situations were not taken into account when preparing this information. We recommend that you consider the suitability of this general advice, in respect of your objectives, financial situation and needs before acting on it. You should obtain and consider the relevant product disclosure statement before making any decision to purchase this financial product