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Submission to the Consumer Policy Framework Inquiry Productivity Commission

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Home Warranty Insurance is compulsory in NSW for building projects and is financed by the owner of the building.

In 2004 we contracted a local builder on a project to build a home in Lawson on vacant land. The building was 90% complete when the builder became insolvent. The building work was (and remains) of excellent quality. We do not have any issues with the builder.

Our claim to **Vero Insurance Limited**, to whom we paid a premium of several thousand dollars for the insurance, was accepted by them on 29th October 2004 with a subsequent inspection of the building.

We had not received a decision from Vero regarding our claim 45 days following receipt of the acceptance letter. We were informed by staff at the Department for Fair Trading that this is deemed as a refusal, therefore we made application to the Consumer Trader & Tenancy Tribunal.

Communication throughout the 45 days we were waiting for a response from Vero was minimal and on all but one occasion was instigated by us. At no time did they request further information.

Vero were blatant in their refusal to assist following our claim on the policy. Vero asserted that we did not suffer a loss despite their policy which states

“...we will pay you if you suffer: (a) loss or damage resulting from non-completion of the work because of the insolvency, death or disappearance of the builder;” *Vero NSW Residential Construction Warranty Insurance*

The Consumer Trader & Tenancy Tribunal hearing was on 14th January 2005 at Penrith and the main points emerging were:

- Vero's claim that we had not suffered a loss – even though we argued that we had suffered a consequential loss.
- Vero required more financial information from us regarding the claim.
- Dates were set for us to present further financial information and for Vero Warranty to respond.

Meanwhile we approached another financial institution who financed the completion of the building works. Our original lender would not advance the final payment until the building was finished. On settling this new arrangement we withdrew our application from the Consumer Trader & Tenancy Tribunal.

In the meantime, Vero failed to attend the second hearing of the Tribunal, sending a message by facsimile several minutes before it was due to commence.

Problems with the site such as excess water runoff and silt build up were encountered due to the stopping of the building works. We were left to manage the project with great difficulties due to our lack of building and site management experience.

Another builder was then engaged. Extra cost was incurred as a result of the new arrangements and for ongoing management of the site.

We raised this matter with the Hon Diane Beamer MP, Minister for Fair Trading and, apart from her reply to Bob Debus MP, have not had any satisfactory answers to our questions from the Minister about home warranty insurance which are:

- What exactly does Home Warranty Insurance cover?
- How can people ensure their building continues if their building contractor becomes insolvent?
- Is there any insurance policy which covers the owner if a building contractor becomes insolvent?
- What is the jurisdiction held by the Consumer Trader & Tenancy Tribunal in regulating home warranty insurers?

Copies of correspondence to and from Minister Beamer, Bob Debus, Insurance Ombudsman Service, and Australian Consumers Association are available.

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