

1. WHAT ARE THE MAJOR CHANGES?

- the scheme has been expanded to cover additional work
- a consumer will be able to increase the amount of cover by payment of a separate premium
- there are changes to the way GST is dealt with in regard to QBCC insurance.

2. WHAT "ADDITIONAL WORK" IS NOW COVERED BY THE SCHEME?

Broadly, the following additional items are now covered under the scheme:

- Standalone construction of a residential swimming pool (i.e. not also part of a contract for construction of a residence).
- Any building work within the building envelope (e.g. painting, tiling, plastering).
- Anything attached to a residence if it requires building approval or plumbing approval.
- Awnings or handrails attached to a residence.
- Stairs or an access ramp which are permanently attached to a residence.
- Installation of a manufactured home in a residential park.

3. HOW CAN A HOME OWNER GET EXTRA COVER UNDER THE SCHEME?

As long as a licensed contractor first pays the standard premium for the work, a consumer can apply for extra cover by paying the relevant optional premium.

Note: the premium for the extra cover must be paid within 30 days of entering the contract or prior to the work starting (whichever is earlier).

4. IF I PAY THE PREMIUM FOR EXTRA COVER, WHAT BENEFIT DO I GET?

Your cover under the Queensland Home Warranty Scheme will be increased as follows:

- Total cover prior to practical completion will increase from \$200,000 to \$300,000.
- Total cover after practical completion will increase from \$200,000 to \$300,000.
- Total cover for fire, storm and tempest will increase from \$200,000 to \$300,000.
- The allowance for accommodation will increase from \$5,000 to \$10,000 (**Note:** this amount is included in the total cover).

Note – the above cover assumes a standard house. Unit buildings and duplexes are treated differently.

5. WHY ARE THESE AMENDMENTS BEING IMPLEMENTED?

As a result of an inquiry by a Parliamentary Committee into the former BSA, various recommendations were made in relation to the home warranty scheme, including expanding the scheme's cover. These amendments follow on from the Committee's recommendations.

6. WHEN DO THESE AMENDMENTS COMMENCE?

28 October 2016.

The amendments under this new legislation will apply to the work having regard to the following events:

- contract entered into
- premium paid
- works commenced.

If any of the above events takes place prior to 28 October, then the previous legislation will apply.

7. WHO MUST COLLECT THE PREMIUM?

The amendments will require a licensed contractor to collect the appropriate insurance premium from the consumer and pay it to the QBCC. The end result is that the contractor who pays the QBCC insurance premium, does so on behalf of the consumer.

8. WHY EXPAND HOME WARRANTY COVER?

Recommendations from the Parliamentary Committee were to expand cover under the scheme to include swimming pools, manufactured homes and other matters not currently covered under the scheme (e.g. painting).

This will ensure that consumers who are not currently able to access cover under the scheme will be able to do so.

The amendments also provide more certainty about what is covered under the Queensland Home Warranty Scheme.

9. HAVE PREMIUMS INCREASED TO PAY FOR EXPANSION OF COVER?

The premiums have changed quite a bit. Under the present premiums, cross-subsidisation occurs. Many premiums will go down under the changes because cross-subsidisation has been reduced and premiums reflect the risk more accurately.

Alteration work:

- The vast majority of alterations policies will be within \$70 of current premiums.
- Generally, the new premium will be lower if contracting in the low value range (less than \$10,000) or medium range (\$33,000 - \$300,000).

New buildings:

- Over 95% of new buildings policies will get a material reduction in premiums, whilst a small proportion will get a large increase.
- New constructions with contract values less than approximately \$600,000 will have lower premiums.
- The policies getting material increases in premiums relate to those with very large contract values (above \$600,000).

Under the new system there will be three premium tables to cover alterations, new building work, and optional additional cover. The premium for each of these will increase incrementally and will not be capped at \$600,000 as is currently the case. Hence, the higher the contract price, the greater the premium to be paid. This will ensure that the premium payable better reflects the insurance risk involved.

The QBCC Act requires the QBCC to manage the home warranty scheme in accordance with actuarially sustainable principles. The premium amounts are in accordance with actuarial advice.

10. HAVE THE TIME FRAMES CHANGED WITH REGARD TO PAYING QBCC INSURANCE?

Prior to 28 October, the QBCC Act required that the appropriate premium should be paid "as soon as practicable after the contract is entered into with the consumer."

The amendments to the QBCC Act now require that the premium must be paid before the earlier of the following:

- 10 business days after the contract date
- commencement of the work.

11. WHAT ABOUT WORK CONTRACTED PRIOR TO THE COMMENCEMENT OF THESE AMENDMENTS?

It all depends on which of the following dates is earliest:

- date of contract
- date of payment of insurance premium
- date when works commenced.

If the earliest of these dates is prior to 28 October 2016, then the pre 28 October 2016 legislative provisions, insurance policy conditions and premium amount will apply.

If the earliest of these dates is on or after 28 October 2016, then the new legislative provisions, the new terms of cover and new premium amount will apply.

Please note:

- A person will continue to be liable for any contravention of a provision relating to the statutory insurance scheme that happened before 28 October 2016.
- If, prior to 28 October 2016, a licensed contractor was liable to pay an insurance premium under the statutory insurance scheme, then the contractor continues to be liable to pay this premium after 28 October 2016.