

BACKGROUND

The QBCC is the regulator of the building industry in Queensland, issuing licences to contractors, providing a free dispute resolution service and administering a home warranty scheme to provide insurance cover for residential construction work in Queensland.

Under the home warranty scheme, licensed contractors must pay a premium on behalf of the consumer for residential construction work they carry out.

The scheme provides home owners with cover for loss where the licensed contractor does not complete the contracted works or fails to rectify defective work.

CHANGES TO THE LAW

As a result of an inquiry by a Parliamentary Committee into the former Building Services Authority, various recommendations were made in relation to the home warranty scheme.

A brief summary of some of these changes is as follows:

Expansion of cover

The Scheme has been expanded to include the following work (providing it is carried out by a licensed contractor (or by an individual where fraud or certain representations are made) and is for a value over \$3,300):

- The erection, construction or installation of a residential swimming pool.
- In relation to a residence or related roofed building (eg: shed):
 - All building work performed within the building envelope (internal or external parts of the building), for example, painting, tiling, plastering, roof restoration and repair work, rendering of walls, floor restoration, and glazing work.
 - Anything attached to the building if it requires building approval or plumbing approval.
 - Any structure attached to the external part of the building where there is no other supporting structure (eg: awning or handrail)
 - Stairs or an access ramp which are permanently attached to the building.

- In relation to plumbing and drainage for a residence or related roofed building:
 - Building work for the primary water supply (eg: install water tank for primary water supply)
 - Building work for sewerage or drainage (eg: work on a sanitary drain connecting a residence to the sewerage main).
 - Stormwater drainage (eg: repair of downpipe or gutter)
- The installation of a manufactured home fixed to land in a residential park.

Premium payment

Previously the QBCC premium had to be paid as soon as practicable after the contract with the consumer was signed.

Now the premium must be paid within 10 business days after the date the contract was entered or before the work starts (whichever is earlier). Note for construction managers the premium must be paid before 10 business days elapse from the day the manager is engaged under the contract or the work starts (whichever is earlier).

Calculation of premium

Previously the QBCC premium was calculated based on the contract price, or the value of the work.

Now the premium is based on the insurable value of the work.

The term “insurable value” is the amount which represents the reasonable cost of having the work carried out by a licensed contractor on the basis that all materials are to be supplied by the contractor – whether or not the work is carried out on this basis.

Examples of work that may be included in calculating the insurable value are: relocating, transporting and resiting a residence to another site, scaffolding, transporting labour and materials to the building site and the construction of a residence offsite.

Optional additional cover

The standard insurance cover is a maximum of \$200,000. However, a consumer may increase this cover to \$300,000 by paying an additional premium to QBCC.

Also, coverage for accommodation, removal and storage costs is \$5,000 increasing to \$10,000 if optional additional cover is obtained.

In order to be eligible for this additional cover, the standard premium for the work must first be paid by a licensed contractor, and the consumer must then pay the additional premium within 30 days of entering the contract, or prior to the work starting (whichever is earlier).

Insurance policy conditions

Currently, under the home warranty scheme, the QBCC will issue a certificate of insurance, and provide a copy of the terms and conditions approved by the QBC Board to the home owner.

These terms and conditions set out the requirements that must be satisfied for a claim to be approved under the scheme.

The legislative changes will incorporate the terms and conditions into a schedule in the Queensland Building and Construction Commission Regulation 2003.

GST issues

Under the amended legislation, a licensed contractor will be required to collect the appropriate insurance premium from the consumer, and pay it to the QBCC. Effectively, the contractor who pays the QBCC insurance premium does so on behalf of the consumer.

If you have any queries in relation to these changes, please contact QBCC on 139 333 or visit our website at www.qbcc.qld.gov.au

Need more information?

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