

# Scheme safe as houses

**George Lekakis**

THE Victorian Government will expand its insurance operations after agreeing to underwrite all home owner warranty policies across the state from tomorrow.

The recent withdrawal of insurers Vero, Lumleys and CGU from providing building liability cover may have left home builders and consumers fully exposed to the risks of not completing construction projects.

While big insurers are exiting the home warranty market because it is no longer profitable, concern has been growing that new housing projects would hit a roadblock without a resolution of the insurance problem.

Victorian laws require builders to take out warranty policies which protect consumers against a builder dying or becoming insolvent.

Finance Minister Tim Holding said the new scheme would be funded by builder premiums and operated by the Victorian Managed Insurance Authority.

The scheme, which takes effect tomorrow morning, was welcomed by building industry groups.

"Builders across Victoria have been somewhat uneasy about the future of the home warranty scheme and possible roadblocks constraining building activity since (Suncorp-owned) Vero's announcement," Housing Industry Association executive director Gil King said.

"With Victorian population growth leading the country, the next 12 to 18 months will be a critical time for residential building."

The NSW and Queensland governments have moved to guarantee building warranties since the three insurers signalled plans to withdraw from the sector in the past six months.

General insurers QBE and Calliden continue to underwrite home warranty policies.