

Home Owners Warranty insurance? HOW odd!

Confusion reigns over HOW insurance on residential repairs among owners, contractors and insurance companies alike.

Indeed, demands by HOW underwriters for detailed submissions on the nature of the work can significantly delay project start-ups.

(But note that most ACRA members are already fully approved and these delays can be minimised.)

HOW is currently based on the cost of the work *per dwelling* (x) calculated thus:

$$x = X \div n$$

where X = total project cost and n = number of units.

The HOW cost per dwelling is currently about 5% for projects up to \$25k and 0.5% for projects up to \$500k.

Legislation requires that **HOW must be taken out for projects over \$12k per dwelling.** How much is payable?

- If $x < \$12k$ then *one* policy will cover all dwellings for total amount of the contract.
- If $x > \$12k$ then *separate* policies will have to be taken out for *each* dwelling.

While the cost is not so much under question, the inequity is. This is clear from the following examples:

\$100 a unit to...

Take a block of 25 units and a repair bill of \$250k. That's a per-dwelling repair bill of \$10k. This requires *one* policy taken out at a cost of approximately \$2500 or \$100 each unit.

\$1000 a unit

Take a block of ten units and a repair bill of \$250k. That's a per-dwelling repair bill of \$25k. *Ten* separate policies will have to be taken out at a cost of approximately \$1,000 each.

So for the same project cost of \$250k, the smaller building pays *four* times as much HOW and *ten* times as much per unit.



The final straw is that HOW is now considered an insurance of "last resort". Only if the builder goes bankrupt, dies or vanishes will the insurance actually be accessible!

In many cases, ACRA members are brought in to fix up defective work done by others; but the builder or developer might well still be in business!

The money recovered from the builders through litigation and from the Department of Fair Trading rarely covers the cost to do the repairs. The HOW will not be payable unless litigation renders the builder bankrupt and therefore the owners are left with the shortfall.

So what are we all paying for?

Play ACRA safe

On another issue, and a warning: Workcover is cracking down in particular on working at height. The moral here is that if you want someone looking after your job who factors in safety and OHS regulations up front (and not after someone gets hurt), then choose an ACRA member.

New aids soon

ACRA/ACA's concrete repair course is ready and the first will be run soon.

The aim is to educate those involved in concrete repair (management, workers, professionals **and asset owners**) about the technical aspects of concrete repair.

Also, the long-awaited *Standard Method and Measurement* is almost done.

Watch this space or ACRA's website for more details. ■