



# construction industry reform

Fact Sheet No 2:

## About residential builders' registration and home warranty insurance

Changes to the *Building Act* will require all principal residential contractors working in building areas in the Northern Territory to be registered. Most residential building works will require home warranty insurance.

The changes will:

- Increase consumer protection
- Recognise residential builders as professionals and ensure professional development
- Allow residential builders to work interstate through mutual recognition of licensing

The *Building Act* will be amended in 2004 and the changes will start in 2006. The regulations, determinations and procedures will be developed throughout 2005. The changes will be monitored to ensure consumer protection and workability is achieved.

### Residential builders' registration

- There will be a new category of building practitioner called building contractor. A contractor will need to be registered to carry out prescribed residential building works.
- Sub-contractors will not need to be registered. They will be supervised by the principal residential contractor.
- Contractors doing extensions valued at less than \$12 000 and trade contractors doing renovations of any value to existing buildings, such as re-roofing and bathroom refurbishing, will not need to be registered.
- The Building Practitioners Board will be expanded with industry membership to handle the registration of building contractors and all other building practitioners.
- Existing builders who show they are competent will be registered. If their ongoing performance is satisfactory, they will qualify for re-registration. All registrations for building practitioners will be for two years. Re-registration will be subject to past performance and continuing professional development.
- New entrants will need to be competent and have the required qualifications and experience. This will also apply to anyone in the future whose registration has lapsed.
- Prior accreditation, such as Contractor Accreditation Ltd (CAL) accreditation, will be recognised.
- Owner-builders will not need to register. Instead, they will need to complete a short course and obtain an owner-builder certificate.
- Owner-builders will be restricted to building on one parcel of land in a six-year period. To inform future purchasers, the building certification will note that the works have been carried out under the owner-builder provisions.

### Home warranty insurance

- Home warranty insurance protects house buyers from financial loss if the contractor dies, disappears or becomes insolvent. It also covers owners and future owners for non-compliance with building regulations, for example structural defects, for houses and units in buildings up to three storeys for six years after completion.
- Both components of home warranty insurance will be mandatory for houses and extensions worth more than \$12 000. Renovations that do not need a registered builder will not need insurance.
- Unit developments will not need to have the non-completion component. The non-compliance component will be required for buildings up to and including three storeys. This will make the Northern Territory consistent with other jurisdictions.
- Owner-builders will need non-compliance insurance in case the property is sold within six years. Government authorities will not be required to take out non-completion or non-compliance insurance as governments will always exist to make good any defects.

Cont. overleaf.





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- The insurance policy will be part of the official record in the building file held by Government.
- The existing Home Building Certification Fund will be wound up when the new insurance scheme starts.

## Other issues

- All registrations for Building Practitioners will be for a two year term. Currently there are persons and firms registered as building certifiers, certifying plumbers and certifying engineers with no time limit. A registered building certifier can rely on certification by a registered engineer or plumber when issuing a building permit. Under the new provisions re-registration will be subject to past performance and continuing professional development.
- For residential building works that require non-completion insurance there must be a contract between the parties which includes a declaration that the builder has secured home warranty insurance, a declaration that the house-buyer has secured appropriate finance, a statement of the work stages to which the progress payments will be linked and the amount of each progress payment, the location and description of building works to be undertaken, the proposed building permit number which identifies the compulsory building permit inspection stages, a dispute management process between the parties, and the deposit limit.
- Evidence of a project-specific home warranty insurance policy and a building contract will be required before a building permit can be issued.
- Inspections will be compulsory at the stages of pre-slab, pouring of the slab, wall framing or reinforcing of block walls, roof frame and wet areas. There will be a final inspection before an occupancy permit is issued. The building certifier will be responsible for inspecting and certifying.
- Remote building areas will be exempt from compulsory home warranty insurance and compulsory inspections. Home warranty insurance may be provided by agreement between the builder and the client.
- The principal residential building contractor will need to sign a legally binding declaration on completion of the building project that the work complies with the building permit.

## At a glance

Residential Building Work	New Requirements
New houses and extensions to existing houses valued at more than \$12 000	Registered builder Home warranty insurance (non-completion and non-compliance) Contract Compulsory inspections
New units or extensions to existing units valued at more than \$12 000 in buildings of three storeys or less	Registered builder Home warranty insurance (non-compliance only) Compulsory inspections
New units or extensions to existing units valued at more than \$12 000 in buildings of more than 3 storeys	Registered builder Compulsory inspections
New house and extensions to existing house valued at more than \$12 000 that are built by the owner	Owner-builder certificate Home warranty insurance (non-compliance only) Compulsory inspections
Remote building areas such as Borroloola	Registered builder (Home warranty insurance and inspections not compulsory)
Renovations, such as re-roofing and refurbishing bathrooms, of any value and other building works below \$12 000	No requirement for builder to be registered or home warranty insurance