

New homes drastically under-insured

By Hannah Jonkers

NEW dwellings in Canberra are substantially under-insured against building defects compared to other Australian states.

This revelation was made at a recent public forum on building legislation, organised by the Canberra division of Engineers Australia.

TEYS Lawyers' senior building and construction lawyer Chris Kerin, who spoke at the forum, said compulsory residential building insurance taken out by builders in Canberra to protect purchasers against building defects was the second lowest in Australia.

The maximum amount of insurance builders of three-story developments or less can take out is \$85,000;

compared to \$209,000 per dwelling in NSW, Victoria, Queensland and Tasmania.

Mr Kerin said he didn't know why the building insurance taken out in Canberra was so low.

He said it was odd that housing affordability in Canberra was the second highest in the country, but insurance against building defects was one of the lowest.

Two of the main building defects that can occur are structural damage and water penetration.

"Many of these unit buildings just seem to have endless water penetration problems," Mr Kerin said.

He said the modern architecture of developments, with lots of flat surfaces and gardens on buildings and car

park, was causing "all sorts of problems".

Mr Kerin said the low building insurance would mainly affect apartment owners in small developments of four buildings.

"If you have a really serious defect of \$500,000 or more, you're not going to be covered," he said.

But he said individuals living in residential houses were most affected.

"If there's a serious problem on an individual house, \$85,000 will only get you so far," Mr Kerin said.

On July 1 this year, the ACT Legislative Assembly passed a motion noting the problems raised by the Owners Corporation Network and others relating to building standards and building certification.

Later that month, Minister for Planning Andrew Barr established a Building Quality Forum, made up of various representatives from across the building sector, including owners corporations, strata management, construction industry associations including unions and the insurance industry.

The forum met on July 26, and then again in August and September, where a number of issues were discussed, including insurance coverage for building defects.

In the final report presented to the Assembly in September, entitled Building quality in the ACT, it was proposed that a new statutory form of insurance be developed that's tailored to the project, rather than to the owner.

One option was that the government

could place a new levy on the development construction industry and create a separate fund to be called upon by owners corporations to repair building defects.

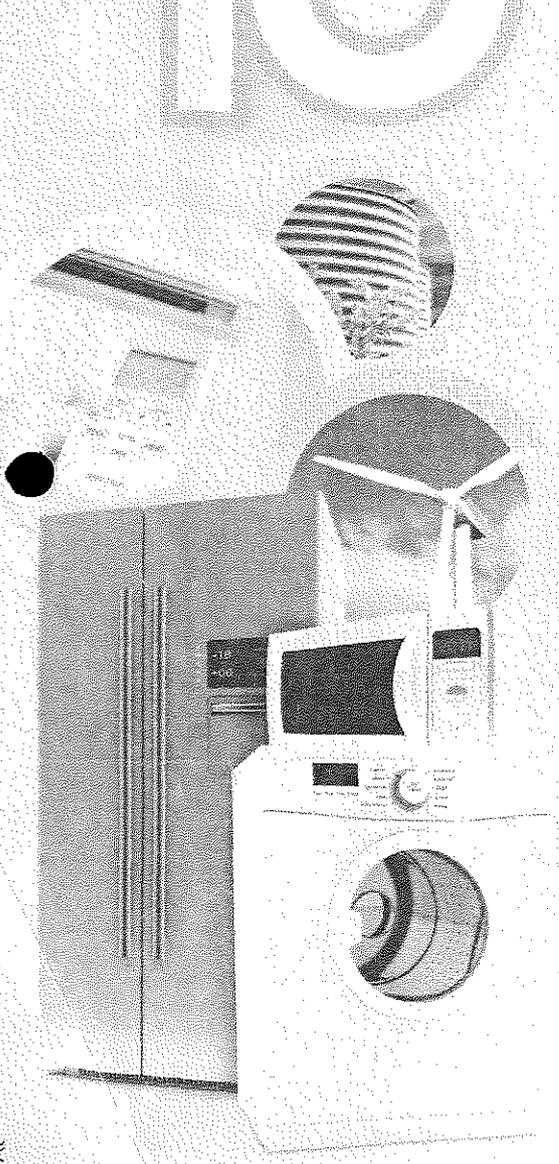
Another option was a new form of insurance which would run from the commencement of a project to a predetermined time no longer than ten years.

The developer or builder, and the subsequent body corporate, would jointly pay for the insurance policy.

Insurance would cover those areas of a building that an owners corporation could take action against defects, for predominantly common areas.

The government is in the process of considering both proposals and ACT-PLA may need to investigate further.

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