

Home Indemnity Insurance (HII) protects owners against financial loss if a builder cannot complete residential building work or meet a valid claim for faulty or unsatisfactory building work. HII claims can be made on the death, disappearance or insolvency of a builder. In most instances, the insurance policy must cover the residential building work during the construction period and for six years from the date of 'practical completion'.

When is Home Indemnity Insurance required?

All residential building work is required to be covered by HII, however it is not required in the following circumstances:

- Building work under \$20,000
- Associated work performed alone under separate contracts such as installation of a swimming pool, fence, pergola or landscaping.
- Multi-storey multi-unit developments, as defined by the regulations
- Retirement villages that are intended to be leased.

Who is responsible for obtaining Home Indemnity Insurance?

A builder carrying out residential building work on behalf of an owner is responsible for taking out HII and for giving the owner a copy of the certificate of insurance before:

- Starting any residential building work.
- Asking the home owner to pay a deposit.
- Asking the home owner to pay any other money under a residential building contract.

The insurance premium is paid by the builder however the policy will be in the name of the owner so that if the owner sells the residence within the six year insurance period, the benefit of the policy will pass to a subsequent owner.

Owner builder requirements:

A person who has owner-builder approval from the Building Commission and is granted a building permit, is not required to take out HII cover. However, if the residence is sold or otherwise disposed of within seven years of the date the building permit is granted, HII cover must be in place. The policy must be from an approved insurer and cover the new home owners for the remainder of the seven year period.

The prospective purchaser should be provided with a valid certificate of insurance before the sale contract is finalised. Failure to do so can lead to prosecution and a \$10,000 fine. If HII cannot be obtained, the property cannot be sold within seven years of obtaining the building permit.

Please see the Department of Commerce for more information:
<https://www.commerce.wa.gov.au/publications/home-indemnity-insurance>

Contact Us

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