

INFORMATION SHEET

NSW - The Home Building Compensation Fund (HBCF)

Introduction

A builder is obliged by law to obtain a Certificate of Insurance under the HBCF scheme before commencing the work and before taking any money under the contract towards residential construction, addition, or alteration project with a contractual value over \$20,000.

The *Home Building Act 1989* contains provisions requiring HBCF insurance cover to be obtained for most residential building work undertaken by building contractors with some construction types exempted E.g. Construction of a new high-rise building. The Act also requires that builders and developers provide homeowners with a Certificate of Insurance as evidence that a contract of insurance (i.e. policy) is in place for the work.

A Certificate of Insurance Certificate of Insurance is separate to a Certificate of Eligibility. A Certificate of Insurance is a cover issued specifically for a residential building project, however, 'eligibility' merely means that the builder has been assessed by an approved insurance agent and has been granted the entitlement to apply for job-specific Certificate of Insurance. Homeowners should ensure that the Certificate of Insurance they receive is a job/project-specific Certificate.

What does the Certificate of Insurance cover you for?

This insurance gives protection to the homeowner, including subsequent purchasers, for losses arising from defective and incomplete work where the builder or developer: becomes insolvent, dies, disappears, or has their building licence suspended due to non-compliance with a money Order made by the Tribunal or a Court. The period of cover lasts for six years from the date of job completion.

The certificate of insurance should be an original issued by the insurer and should have the name of the contractor, homeowner, property address and total value of the contract. The builder's name shown on the insurance certificate should be exactly the same as that on the building contract and the builder's licence issued by NSW Fair Trading.

Certificates of Insurance are project-specific

Each Certificate of Insurance issued under the HBCF scheme is specific to a building project, and has the name of the building contractor, the homeowner, the building site address, a description of the job, and the total value of the contract. The building contractor's name on the Certificate of Insurance should be the same as the name on the building contract and on the builder's licence issued by NSW Fair Trading.

Before making any payment under a sale or building contract, it is strongly recommended that homeowners check the validity of the Certificate of Insurance at the Certificates Register link on this website.

Please note that a Certificate of Insurance is different from a Certificate of Eligibility. A Certificate of Eligibility means that the builder has been assessed and granted the right to apply for a job-specific Certificate of Insurance.

A Certificate of Insurance issued under the HBCF scheme is specific to a building project, and has the name of the building contractor, the homeowner, the building site address, a description of the job, and the total value of the contract etc. The building contractor's name on the Certificate of Insurance should be identical to the name on the building contract and on the building licence issued by NSW Fair Trading.

Before making any payment under a sale or building contract, it is strongly recommended that potential purchasers check the validity of the Certificate of Insurance at the [Certificates Register](#) on this website.

Please note that a Certificate of Insurance is different from a Certificate of Eligibility. A Certificate of Eligibility means that the builder has been assessed and granted the right to apply for a job-specific Certificate of Insurance.

Premiums

HBCF has developed a Pricing Calculator to assist homeowners and builders to estimate the insurance premium payable for their residential building work.

Progress payments and deposits

An insurance policy issued under the HBCF scheme limits the amount of compensation for incomplete work to 20% of the original contract price (including variations). Accordingly, it is essential that homeowners do not agree to arrangements for progress payments that do not match the work performed up to the date of the payment.

Consumer Building Guide

NSW Fair Trading publishes a [Consumer Building Guide](#) which contains essential information for homeowners intending to enter into a building contract or undertake a building project.

Legislative Requirements

The *Home Building Act 1989* requires that builders and developers provide homeowners with a Certificate of Insurance (CERTIFICATE OF INSURANCE) as evidence that a HBCF insurance policy is in place for the work. It is also a standard condition of Council planning approval for a residential building project that insurance cover is in place.

Where insurance under HBCF is not obtained, the Council or Principal Certifying Authority (PCA) may not be able to issue an Occupancy Certificate for the completed building work. This may impact on the ability to legally occupy the completed building work and may also adversely impact on the future saleability of the property and its market price.

More information is available at: www.hbcf.nsw.gov.au