



NEWS

GST Costs Force BSA Insurance Premium Rise

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Despite several attempts by the Queensland Building Services Authority to have the GST cost on the Home Warranty Insurance claims accepted as a GST offset the Federal Government has refused.

The rise in claims costs since the introduction of GST has necessitated an increase in premiums.

Minister for Public Works, Housing and Racing, Robert Swarten, said in order to meet the GST costs and increase in claims costs the Queensland Building Services Board had no choice but to raise the home warranty insurance premiums by 10 per cent.

The increase will take effect from 1 August 2004.

For the last four years, the statutory insurance scheme has been absorbing GST related costs, he said.

Clearly this is an unsustainable position for the future of the fund. In fact the insurance scheme's independent Actuary said it was no longer viable for this to continue and recommended the increase.

By doing this, the Scheme will remain viable and will comply with the Australian Prudential Regulating Authority requirements of general insurance companies.

Mr Swarten said the statutory scheme remains the best and most comprehensive home warranty insurance scheme in the country.

The scheme will continue to protect consumers if a builder goes bankrupt, goes into liquidation, fails to complete the contracted works for reasons that are not the consumers fault or when subsidence occurs.

Mr Swarten said BSA's insurance cover would still be significantly cheaper and provide greater coverage than those offered throughout the rest of the country.

The 10 percent increase would change the premium rate from \$6.40 per \$1,000 contract value to \$7.05 per \$1,000 contract value in 2004/2005.

The new premiums equate to \$174 per year over the six and a half year term of cover for an average house construction cost of \$160,000.

This is a small price to pay to protect such a major consumer asset.

The table below demonstrates the increase in premiums and also includes interstate comparisons.

Contract Value	Current Premium Over 6.5 years	2004/05 premium Over 6.5 years	Interstate premium range (2003/04 figures)
\$160,000*	\$1,024	\$1,128	\$1,363-\$6,433
\$250,000	\$1,280	\$1,410	\$1,715-\$8,429
\$500,000	\$1,280	\$1,410	\$2,262-\$11,037

*Average house value in Queensland.

Mr Schwarten said Queensland maintained the only effective home warranty insurance system in Australia.

In other states this type of insurance has been privatised while Queensland's statutory scheme has remained the envy of interstate regulators, building contractors and consumers, he said.

In fact other states are now looking to the Queensland model to improve their home warranty insurances systems.

Mr Schwarten said the private schemes in other states have failed to provide market competition, cheaper premiums and benefits for contractors and consumers as originally claimed by the private sector.

This increase places the insurance scheme in a strong position for the future protection of Queensland consumers, he said.