

A Homeowner's Guide to HBCF in NSW

As a homeowner in New South Wales (NSW), it is important to understand the Home Building Compensation Fund (HBCF) and how it protects your investment. This mandatory insurance scheme provides financial protection against incomplete or defective building work, covering the cost of rectifying defects if the builder is unable to do so. This article aims to provide a clear understanding of the HBCF and its benefits, helping homeowners avoid financial loss in the event of incomplete or defective building work. By the end of this article, you'll have a good understanding of how the HBCF can protect your investment in your home.

What is the Home Building Compensation Fund?

The Home Building Compensation Fund (HBCF) is a mandatory insurance scheme in New South Wales (NSW) that was introduced in 2010 to protect homeowners against incomplete or defective building work. The HBCF is administered by NSW Fair Trading, which is responsible for regulating the building and construction industry in NSW.

The purpose of the HBCF is to provide financial protection to homeowners in the event that their builder is unable to complete the building work or rectify any defects. It also ensures that the builder meets their legal obligations under the [Home Building Act 1989 \(NSW\)](#).

To be eligible for the HBCF, the builder must be an 'eligible contractor', which means that they have a current 'certificate of eligibility' issued by NSW Fair Trading. The certificate of eligibility confirms that the builder has met the required financial and technical standards to undertake residential building work in NSW.

When a builder or contractor enters into a construction contract to perform residential building work with a homeowner and the contract price is \$20,000.00 or more then the builder must provide a HBCF 'certificate of insurance' issued by an approved insurer. This will allow the world to satisfy the insurance requirements under the NSW Home Building laws. This certificate provides homeowners with evidence that their building work is covered by the HBCF, and outlines the level of protection they can expect if the builder fails to complete the work or rectify any defects.

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What does Home Building Compensation Cover?

The Home Building Compensation Fund (HBCF) in NSW covers a range of losses for homeowners that result from incomplete or defective building work. The coverage varies depending on the type of loss incurred and the stage of the building project. The types of losses covered by the HBCF include:

- Loss of deposit or progress payment due to the builder's insolvency or failure to commence work
- Additional costs incurred by the homeowner to complete the work
- The cost of rectifying any defects or non-compliance issues in the work
- Compensation for loss or damage caused by the builder's failure to complete the work
- The HBCF provides coverage for both major and non-major defects in the work. Major defects are defined as defects that could pose a risk to the safety, health or structural soundness of the building. Some examples of major defects include:
 - Structural defects, such as a failure in the foundation, load-bearing walls, or roof trusses
 - Defective waterproofing that leads to water damage
 - Defective fire safety system
 - Non-compliant plumbing or electrical work that poses a risk to the occupants

If a major defect occurs, the HBCF will cover the cost of rectifying the defect, up to the policy limit. The policy limit varies depending on the type of building work being carried out.

- Non-major defects, on the other hand, are defects that do not pose a risk to the safety, health or structural soundness of the building. Some examples of non-major defects include:
 - Cracks in plasterboard or tiling
 - Minor leaks in plumbing or roofing
 - Doors or windows that do not open or close properly

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For non-major defects, the HBCF will only provide coverage for the cost of rectifying the defect if the builder is insolvent or has died, disappeared or become bankrupt. In this case, the homeowner must provide evidence that the builder was unable to rectify the defect before the HBCF will provide coverage.

It is important to note that the coverage provided by the HBCF is subject to exclusions and limitations. For example, the HBCF does not cover defects that arise from wear and tear or damage caused by the homeowner's own negligence. It also does not cover losses resulting from changes made to the building work by the homeowner without the builder's consent. There is also financial limits to the insurance coverage. For example a maximum insurable loss of \$340,000.00 in total or 20% of the contract price for incomplete works. However, each insured should check their policy for their specific insurance terms.

Who Pays for HBCF Cover?

The cost of the Home Building Compensation Fund (HBCF) policy is the responsibility of the builder, not the homeowner. When a builder enters into a residential building contract with a homeowner, they are required to take out HBCF insurance for the work. The cost of the policy is included in the contract price of the work and is paid for by the builder.

The cost of the HBCF policy can vary depending on the type and size of the building work being carried out. For example, the cost of the policy for a new home is higher than the cost for renovation work. The cost of the policy is also affected by the risk profile of the builder, such as their financial and technical capacity.

It is important to note that the responsibility for HBCF insurance differs for owner-builder work and work performed by licensed contractors. In NSW, an owner-builder is a homeowner who carries out building work on their own property. Owner-builders are not required to take out HBCF insurance, but they assume all of the risks and responsibilities associated with the building work. This means that if something goes wrong, the owner-builder is personally liable for any losses.

Licensed contractors, on the other hand, are required to take out HBCF insurance for the work they undertake. The HBCF provides homeowners with a level of financial protection in the event that something goes wrong with the building work. This gives homeowners peace of mind that they will not be left out of pocket if the builder is unable to complete the work or rectify any defects.

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What is a HBCF Certificate?

A Home Building Compensation Fund (HBCF) certificate is a legal document that provides evidence that the HBCF insurance policy has been taken out for the building work. The certificate is issued by the approved insurer and confirms that the HBCF insurance policy covers the building work.

When a builder enters into a residential building contract with a homeowner, they must provide a HBCF certificate to the homeowner before the work commences. The certificate confirms that the HBCF policy has been taken out for the work and provides evidence of the level of protection the homeowner can expect if something goes wrong.

It is important for homeowners to obtain a HBCF certificate for individual projects because it provides them with evidence that the building work is covered by the HBCF policy. This gives homeowners peace of mind that they will be protected in the event that the builder is unable to complete the work or rectify any defects.

Obtaining a HBCF certificate is a legal requirement for all residential building work in NSW. Homeowners should ensure that they have received a HBCF certificate from their builder before any work commences. If a builder is unable to provide a HBCF certificate, homeowners should not proceed with the building work as it may not be covered by the HBCF insurance policy.

How We Can Help

Understanding the Home Building Compensation Fund (HBCF) is crucial for NSW homeowners to ensure they have financial protection for their investment. Obtaining a HBCF certificate for individual projects is essential, and seeking legal advice from [Contracts Specialist](#) is recommended to understand their rights and obligations. By doing so, homeowners can have peace of mind and avoid financial loss from incomplete or defective building work.

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