

Appendix A:

Submissions and comments

We have consulted with DGS, DTF, DTP, VBA and VMIA, and we considered their views when reaching our review conclusions. As required by the *Audit Act 1994*, we gave a draft copy of this report, or relevant extracts, to those agencies and asked for their submissions and comments.

Responsibility for the accuracy, fairness and balance of those comments rests solely with the relevant agency head.

Responses received

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Victorian Managed Insurance Authority	A-8



Department of Government Services

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East Melbourne Victoria 3002
Telephone: (03) 9651 5111
dgs.vic.gov.au

Mr Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
Level 31, 35 Collins St
MELBOURNE VIC 3000

By email: [REDACTED]

Dear Auditor-General

RE: Proposed report– Domestic Building Insurance

Thank you for providing the proposed report on Domestic Building Insurance and for the opportunity to provide feedback.

I note there are no recommendations for DGS or its agencies in the report. I further note that a key finding acknowledges that agencies improved coordination on domestic building insurance matters after the Porter Davis Homes insolvency.

Should your office require further information, they may contact [REDACTED]

Thank you again for the opportunity to provide feedback.

Yours sincerely

[REDACTED]

Jo de Morton
Secretary

04/04/2025

Your details will be dealt with in accordance with the *Public Records Act 1973* and the *Privacy and Data Protection Act 2014*. Should you have any queries or wish to gain access to your personal information held by this department please contact our Privacy Officer at the above address.



OFFICIAL: Sensitive



Department of Treasury and Finance

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D25/32467

Mr Andrew Greaves
Auditor-General
Level 31
35 Collins Street
MELBOURNE VIC 3000

[REDACTED]

Dear Auditor-General

PROPOSED REPORT REVIEW AND COMMENTARY ON DOMESTIC BUILDING INSURANCE

Thank you for providing me with VAGO's proposed report relating to Domestic Building Insurance (DBI).

I appreciate that you have reviewed the matters DTF raised in response to the provisional report and am satisfied that they have been adequately acquitted.

While I support the recommendations in the proposed report, I note the intended transfer of VMIA's DBI function to the new integrated regulator in the second half of this year as part of the Government's package of building sector reforms. As such there may be instances where recommendations will be more appropriately implemented by the new integrated regulator.

I am grateful for VAGO's work throughout this engagement process and its efforts to support the improvement of outcomes for Victoria's domestic building sector for both consumers and industry.

Yours sincerely

[REDACTED]

Chris Barrett
Secretary

28 / 03 / 2025

CC: [REDACTED]



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[REDACTED]
[REDACTED]
[REDACTED]





Department of Transport and Planning

GPO Box 2392
Melbourne, Victoria 3001 Australia

Ref: BSEC-1-25-1191

Mr Andrew Greaves
Auditor-General of Victoria
Victorian Auditor-General's Office
Level 31, 35 Collins Street
MELBOURNE VIC 3000

Dear Mr Greaves

Victorian Auditor-General's Office - Domestic building insurance - Proposed report

Thank you for your letter of 24 March 2025 inviting a response to the *Domestic Building Insurance* limited assurance review proposed report (the Report) provided to the Department of Transport and Planning (the Department).

The Department has reviewed the report and acknowledges its findings, including that agencies have improved coordination of domestic building insurance matters.

The Victorian Government has introduced the *Building Legislation Amendment (Buyer Protections) Bill 2025* to Parliament – the first step towards a stronger, more effective building and plumbing regulator.

Once passed, the bill will establish the Building and Plumbing Commission (BPC), which will be a one-stop shop watchdog, responsible for overseeing the domestic building industry including domestic building insurance. By centralising key building services, the new regulator will streamline processes for both consumers and industry, ensuring domestic building insurance is managed more effectively and oversight is strengthened.

These amendments also mean consumers will get access to a 'first resort' warranty scheme allowing them to make a claim when a building issue is first identified, so they won't have to face huge out-of-pocket costs for fixing defects for domestic building contracts valued over \$20,000 in buildings three storeys and below.

The BPC will be responsible for integrating and managing regulatory functions covered in this review. The form and powers of the BPC will be constituted in legislation that's currently in development. Your recommendations will be considered in the drafting of this legislation.

Yours sincerely



Jeroen Weimar
Secretary

Date: 03 April 2025





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3 April 2025

Mr Andrew Greaves, Auditor-General
Victorian Auditor-General's Office
Lev 31, 35 Collins Street, Melbourne, VIC 3000

Dear Mr Greaves

Re: Proposed report *Domestic Building Insurance*

Thank you for your letter of 24 March 2025 regarding the proposed report *Domestic Building Insurance*, and for the opportunity to respond.

As noted in your report, in October 2024, the Government announced the establishment of the Building and Plumbing Commission (BPC). BPC will unite the VBA, Domestic Building Dispute Resolution Victoria (DBDRV) and the DBI functions of the Victorian Managed Insurance Authority (VMIA) creating a more powerful integrated regulator to oversee the lifecycle of the building process and create a better consumer experience by supporting improved standards and quality in the building industry.

The *Building Legislation Amendment (Buyer Protections) Bill 2025* (the Bill) was announced on 4 March 2025. The Bill includes four major policy reforms, including:

- The integration of the VBA, domestic building insurance business (DBI) unit of the VMIA and DBDRV into one single entity – the BPC.
- Improved financial protections for consumers through better access to insurance via the introduction of a first resort warranty product. This will transition existing DBI to a Government sole provider product.
- Introducing a developer bond set at two per cent of total works costs for all new residential buildings of four storey or higher.
- New powers for the BPC to issue a rectification order on a practitioner or developer for up to 10 years post-occupancy.

The Bill is currently in Parliament and (if passed) is expected to be implemented in stages over 2025 and 2026. The establishment of the BPC will be part of stage one.

Recognising these significant transformation activities, the VBA accepts in principle the report's single recommendation to strengthen controls around DBI compliance, however remediation action will only be taken once the BPC is established and legislative reforms are in place to support a revised insurance product offer to provide greater protection for consumers. This position ensures that when determining the most effective and efficient controls for DBI compliance, appropriate consideration can be given to the entire process lifecycle, and that resources are committed to supporting long-term robust solutions.

Yours sincerely



Anna Cronin
Commissioner and Chief Executive Officer

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Victorian Building Authority
Action plan to address recommendations from *Domestic Building Insurance*

No.	VAGO recommendation	Acceptance	Agreed management actions	Target completion date
4	<p>Make sure that builders and surveyors comply with domestic building insurance requirements by:</p> <ul style="list-style-type: none">• strengthening controls to validate domestic building insurance is in place before issuing a building permit number to surveyors• establishing ways to monitor and increase builders' and surveyors' awareness of their domestic building insurance requirements.	<p>Acceptance</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input checked="" type="checkbox"/> In principle</p>	<p>Once the Building and Plumbing Commission (BPC) is established and legislative reforms are in place to support a revised insurance product, the BPC will review the DBI compliance control environment and implement changes (as appropriate) to strengthen consumer protections where possible. This may take the form of process changes, education and awareness and/or system enhancements.</p>	<p>Target completion date</p> <p>Subject to legislative reforms. Estimated 2026.</p>

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4 April 2025

Ref: 34885 25

Andrew Greaves
Auditor General
Victorian Auditor-General's Office
Level 31, 35 Collins Street
Melbourne Victoria 3000

By email: [REDACTED]

Dear Mr Greaves

Proposed Report Domestic Building Insurance

Thank you for the opportunity to review and comment on the proposed report, *Domestic Building Insurance*.

VMIA supports the report's recommendations on improving information to homeowners, the implementation of a performance monitoring framework and the implementation of a quality assurance program for claims handling.

Work is already underway on actions that will address the recommendations with some elements of improving information to homeowners already in place. The attached plan sets out those actions VMIA will undertake to support the recommendations.

As you know, the Government has indicated an intention to transfer VMIA's domestic building insurance function to a new integrated building regulator. As such, it is likely some of these measures will ultimately be implemented by that entity (subject to the passage and commencement of relevant legislation).

If you require any further information regarding these comments or the attached action plan, please contact VMIA's chief executive officer, Mr Andrew Davies, [REDACTED].

Yours sincerely

[REDACTED]

Elana Rubin
Chair

Cc: Andrew Davies, Chief Executive Officer, VMIA
[REDACTED]

Attached: Domestic Building Insurance Provisional Report: VMIA feedback

VMIA is the Victorian
Government's insurer
and risk adviser

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Insurance Authority



Victorian Managed Insurance Authority (VMIA) acknowledges the Traditional Custodians of the land on which we do business and we pay our respects to Elders past and present. We acknowledge the important contribution that Aboriginal and Torres Strait Islander peoples make in creating a thriving Victoria.

D25/57713

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Victorian Managed Insurance Authority
Action plan to address recommendations from *Domestic Building Insurance*

No.	VAGO recommendation	Acceptance	Agreed management actions	Target completion date
1	<p>Provide homeowners with improved information about:</p> <ul style="list-style-type: none">indicative timelines for key steps in the claims processthe basis for its quantum decisionsoptions for VMA review of case decisions.	<p><input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input checked="" type="checkbox"/> In principle</p>	<p>Throughout each claim process, VMIA already provides advice to homeowners about the time required to action information provided by them.</p> <p>VMIA accepts the recommendation in principle and will introduce more explicit advice to homeowners that sets out indicative timeframes for the completion of all steps once the required information has been provided or obtained.</p> <p>VMIA will also improve how it communicates with homeowners about the progress of their claim and actions they can take to advance the claim process.</p> <p>VMIA is piloting a guide for homeowners with more information about the steps in the claims process, including indicative timeframes. Following a successful pilot, this guidance will be added to the communication homeowners receive after lodging a claim.</p> <p>VMIA will review the information it provides to homeowners to accompany its quantum decisions to ensure that they have the required information to fully understand the basis, calculation and options for review.</p> <p>VMIA will include in its decision letters that, in addition to the existing entitlement to a review at VCAT, a homeowner may seek internal review by VMIA where additional information relevant to the decision can be provided.</p>	By 30 June 2025

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No.	VAGO recommendation	Acceptance	Agreed management actions	Target completion date
2	Implement a performance monitoring framework, including a measure of homeowner satisfaction, to assess claims handling performance and inform improvements to processes.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input type="checkbox"/> In principle	VMIA is taking steps to prepare for the implementation of a compliant framework for the 2025/26 reporting year by identifying performance metrics that can be used to set practical measures and targets for the DBI claims function. In anticipation that the Government's proposed reforms to transfer VMIA's DBI function to an integrated building regulator proceed, VMIA will include the work undertaken in transitional planning to ensure it is available to the new provider of DBI.	By 30 June 2025
3	Implement a quality assurance program to make sure officers are following claims handling procedures.	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> In part <input type="checkbox"/> In principle	VMIA proposes to design and implement a quality assurance sampling and review process for claims handling performance, modelled on the existing quality assurance program for its DBI underwriting process.	By 30 June 2025

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