

# Insurance exemption for built-in furniture under clause 58 of the Home Building Regulation 2014



## Exemption from insurance under the home building compensation scheme (formerly known as home warranty insurance) for built-in furniture contracts

You do not need to take out insurance under the home building compensation scheme for contracts that are **only** for built-in furniture work (and any incidental electrical wiring work involved in the installation of lighting as part of the built-in furniture).

“**Built-in furniture work**” means making and installing furniture that is made to measure and fixed to a dwelling. This includes built-in cupboards, bench tops, wardrobes, entertainment units and the like.

This includes where you are supplying built-in furniture that is made off-site and you will install it as a complete unit (it does not matter whether you are doing the off-site manufacturing yourself or if you have sourced the materials from a third party).

The exemption may apply even if you sub-contract the built-in furniture work and incidental electrical wiring (or part of it) to another licensed contractor.

You can only subcontract work that falls within the category of licence you hold (e.g. a licensed joiner cannot sub-contract residential building work that involves electrical wiring work even if intended to subcontract that work to a licensed electrician). You must hold a licence in a relevant ‘building category’ if you wish to subcontract elements of that work to other contractors (e.g. the holder of a licence for ‘kitchen, bathroom and laundry renovation’ can subcontract some work to other trades /licensed contractors).

## No exemption for contracts that also include other residential building work

The insurance exemption does not apply if the contract includes any other residential building work. For example, built-in furniture work does not include wall and floor tiling, plumbing, draining or gas-fitting work, or electrical wiring work involved in the installation of permanently connected appliances (such as an oven). Contracts that include such work are not exempt and will require insurance if the contract price exceeds \$20,000 (inclusive of GST).

You should take care in considering whether the exemption applies to a particular contract. It is an offence under the *Home Building Act 1989* to carry out work that must be insured under the Act without the required insurance. A maximum penalty of \$110,000 in the case of a corporation and \$22,000 in any other case can be applied for a breach of these provisions.

## Example scenarios

### Example 1

A licenced joiner enters into a contract with a homeowner to supply and install:

- Built-in cupboards, shelving and hanging space for a walk-in wardrobe;

- built-in robes in 2 bedrooms; and
- shelving and an entertainment unit in the living area of the home.

The total cost of the contract will be \$29,000 including GST. None of the work is sub-contracted.

The joiner does not need to take out insurance for this project because all of the work involved is 'built-in furniture work'.

### Example 2

A homeowner enters into a contract with a licenced 'kitchen, bathroom and laundry renovator' to supply and install:

- New shelving and cupboards in a kitchen and adjacent pantry/laundry;
- electrical wiring to install lighting in some of the above elements;
- a fixed 'kitchen island' with a stone benchtop; and
- new laminate flooring.

The contract for the work is \$44,900 including GST. In this example, the contractor sub-contracts:

- a licensed stonemason to supply and install the stone benchtop; and
- a licensed electrician to do the incidental electrical wiring work that is necessary for the lighting that is installed in the built-in furniture.

The renovator does not need to take out insurance for this project because:

- the shelving/cupboards and incidental wiring to install lighting is exempt from insurance under the 'built-in furniture' exemption;
- the installation of laminate flooring is not residential building work (because the Home Building Act defines "residential building work" to exclude: "any work involved in the installation of any material that forms an upper layer or wearing surface of a floor (even if installed as a fixture) and that does not involve any structural changes to the floor, but not including work involved in the installation of floor tiles"); and
- it does not matter that some of the work will be sub-contracted.

### Example 3

A homeowner enters into a contract with a licenced kitchen, bathroom and laundry renovator. The contract includes:

- installing new kitchen cupboards and benchtops;
- new wall and floor tiling, including tiled splashbacks;
- supply and installation of a new gas stove top and electric oven;
- the installation of new tapware, sink and connections for a dishwashing machine;
- installation of new ceiling-mounted light fittings.

The contract will be \$55,000 (including GST). The renovator sub-contracts a plumber & gasfitter, an electrician and a joiner (all holding relevant licences) to do some of the work.

In this example **the renovator must insure the project** as the head contractor for the work. This is because the work is not limited to built-in furniture work. It also includes residential building work involved in tiling work, plumbing & gasfitting work, and electrical wiring work that is not part of the built-in furniture. Note that the licensed sub-contractors do not need to take out their own insurance policies, because their work is already covered by the insurance policy that the renovator will take out as the head contractor.

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