**Threefold jump in new home insurance premiums**

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**The Age-Ben Butler**

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BUYERS of new homes are being charged up to three times more for insurance premiums after the state government handed a monopoly on compulsory builders warranty insurance to QBE.

A rate sheet obtained by BusinessDay shows that a $200,000 new home which would have attracted an average premium of $468 in 2008 would now cost up to $1822 to insure through QBE.

Builders warranty insurance, also known as domestic building insurance, is supposed to protect homeowners if their builder dies, goes broke or disappears.

It is under investigation by a Victorian upper house committee, due to report to Parliament this week. There are concerns that the scheme seldom pays out to consumers and lacks flexibility for builders.

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The Victorian private market for the product collapsed this year when the industry's biggest player pulled out, leading to the appointment of QBE to market insurance on behalf of the government.

Vero, which had an estimated share of up to 80 per cent, quit in late May, while smaller rival Calliden is not taking new customers and will close down its Victorian operation next March.

Under a July deal between QBE and the government - which was not put out to tender - the insurer sells builders' warranty insurance but bears none of the risk of paying out when claims are made.

''The underwriting arrangement was not subject to an open market tender because there were only two private insurers intending to remain in the DBI market,'' said Victorian Managed Insurance Authority chief executive Peter Ryan. ''Both insurers were directly offered the opportunity to negotiate commercial terms through the VMIA to facilitate domestic building insurance.''

He declined to say how much QBE was reaping in fees for marketing the insurance because the deal was ''commercial and in confidence''. QBE declined to comment or make anyone available for interview.

But a QBE rate sheet reveals it is charging far more for builders' warranty insurance than 2008, when the market was open to competition.

The rate sheet, effective from May 31 when Vero quit the Victorian market, is for ''Category E'' builders - those without an existing contract with QBE.

For a small structural job worth $50,000, QBE quotes $1205.

By comparison, an Essential Services Commission survey shows that in June 2008 a job of the same size would have cost $304 to insure.

However, QBE is charging less for some non-structural jobs such as kitchen and bathroom renovations.

Mr Ryan defended the new arrangements, saying it now covered more than 13,000 builders and ''stakeholder feedback continues to be overwhelmingly positive''.

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