Changes to HOWI coming on 1 December 2026 | HBCF will no longer apply to new apartment buildings with more than 2 units

From 1 December 2026, Home Owners Warranty Insurance (HOWI), now provided through the Home Building Compensation Fund (HBCF), will no longer be required for the construction of qualifying new Class 2 buildings containing more than two residential units.

This is a huge departure for consumer protection for a large portion of owners of three or less storey apartments as it substitutes the broader benefits under HOWI for the more limited 2% bond scheme. The bond is proposed to increase to 3% in July 2028.

What the new insurance exemption means

From 1 December 2026, the Home Building Amendment (Insurance Cover) Regulation 2026 will introduce an exemption from the Home Building Act 1989's insurance requirements for residential building work involving the construction of a Class 2 building containing more than two sole-occupancy residential units. Developers selling land on which that work has been, or is to be, carried out will also be exempt from the corresponding section 96A insurance requirements.

The Regulation also includes transitional provisions pre-1 December 2026 contracts as well as requirements for developers in specified circumstances to provide purchasers with written notice by 31 December 2026. Existing exemptions will be preserved while the new exemption will not apply where qualifying work is already covered by an insurance contract in force before 1 December 2026.

Expanded exemption for low-rise apartments

The Regulation extends the exemption from compulsory home building compensation insurance to the construction of Class 2 buildings containing three or more residential units, where building work starts on or after 1 December 2026. This brings qualifying low-rise apartment construction within the exemption. Earlier exemptions and insurance already in force will receive transitional protection.

BANNERMANS LAWYERS

T: (02) 9929 0226 ABN: 61 649 876 437
E: dbannerman@bannermans.com.au W: www.bannermans.com.au
P: PO Box 514 NORTH SYDNEY NSW 2059 AUSTRALIA

Liability limited by a scheme approved under Professional Standards Legislation

© Copyright Bannermans Lawyers 2026.

In addition, the new clause 56A affects qualifying sale contracts entered into before 1 December 2026, where:

- construction has not started;
- clause 61 has been complied with; and
- no payment for the building work was demanded or received before that date.

For affected contracts, specified insurance-related contractual provisions will cease to operate from 1 December 2026, and developers will be required to provide purchasers with written notice by 31 December 2026.

These transitional arrangements should be considered carefully for developments spanning the commencement date. Bannermans Lawyers can assist in understanding the new requirements and addressing any practical issues arising from the changes.

One wonders if remedial or renovation works will continue to attract overpriced home warranty insurance for remedial and renovation works in strata schemes in the future: Fair Play for Home Warranty Insurance Pricing for Strata Remedial Works.

It also looks like an abandonment of the Decennial Insurance program has occurred as well, at least for the short-term future: Building Defects: Who Pays?.

Key takeaways

- From 1 December 2026, HOWI will no longer be required for new Class 2 buildings with more than two residential units.
- Developers will be exempt from insurance requirements for certain residential building works under the new regulation.
- Transitional provisions will apply to contracts made before 1 December 2026, affecting insurance-related contractual provisions.

****The information contained in this article is general information only and not legal advice. The currency, accuracy and completeness of this article (and its contents) should be checked by obtaining independent legal advice before you take any action or otherwise rely upon its contents in any way.*

BANNERMANS LAWYERS
T: (02) 9929 0226 ABN: 61 649 876 437
E: dbannerman@bannermans.com.au W: www.bannermans.com.au
P: PO Box 514 NORTH SYDNEY NSW 2059 AUSTRALIA

Liability limited by a scheme approved under Professional Standards Legislation

© Copyright Bannermans Lawyers 2026.

Prepared by Bannermans Lawyers

Updated 12 November 2026

Related Articles

- Builder gone bust? Making the most of the Home Warranty Insurance?
- Pending repeal of the Design & Building Practitioners Act 2020 | Get advice on maintaining your duty of care rights
- Submission on the Home Building Act Issue Paper
- When the Home Warranty Insurers come knocking
- Building Defects: Which Government was responsible for the defects crisis?
- Cannot get Home Warranty Insurance – What can you do?
- Building Defects: Who pays?
- Home Warranty Insurance – Why is it such a mess?

BANNERMANS LAWYERS

T: (02) 9929 0226 ABN: 61 649 876 437
E: dbannerman@bannermans.com.au W: www.bannermans.com.au
P: PO Box 514 NORTH SYDNEY NSW 2059 AUSTRALIA

Liability limited by a scheme approved under Professional Standards Legislation

© Copyright Bannermans Lawyers 2026.