

INVESTIGATION SUMMARY

***‘We just want to finish our home’:* Management of Domestic Building Insurance claims by VMIA**

A parliamentary complaint referred by the
Legislative Council

December 2025

Summary



[I]f this process was designed to make people give up, it's perfectly designed ...

Homeowner



He said COB today but we don't have COB

DBI team member

What we investigated

In Victoria, if a builder has died, disappeared or become insolvent, homeowners are protected by Domestic Building Insurance ('DBI'). They can claim for incomplete or defective work so they can complete their home.

In March 2023, Porter Davis Homes Group ('Porter Davis') collapsed. This was the biggest builder insolvency in Victoria's history. In the six weeks following the collapse, the Victorian Managed Insurance Authority ('VMIA') received more DBI claims than it had in the entire previous financial year.

The Legislative Council required the Ombudsman to investigate VMIA's management of DBI claims. We considered VMIA's actions both before and after the Porter Davis collapse, with a focus on its:

- preparedness for a major builder insolvency
- claims process
- timeliness in processing claims
- communication with homeowners
- handling of disputes and complaints.

We also considered how DBI claims handling could be improved.

Why it matters

For most people, building or renovating a home is one of the biggest projects they will ever undertake. When a builder becomes insolvent, the impact is immediate and significant, putting housing dreams in jeopardy and throwing lives into turmoil.

This uncertainty can create acute stress for affected homeowners, straining finances, relationships and mental health. Often, people must pay to stay somewhere else until a new builder is lined up and work is completed, or live alongside defects until they're fixed.

DBI is intended to support and protect homeowners through this upheaval, noting it is an insurance product, not a compensation or hardship fund. And it seems for many homeowners, making a DBI claim through VMIA was straightforward.

However, we also heard from some deeply frustrated and distressed homeowners. Their experiences – even if only a small proportion of total claims – offer important insights for improving the future administration of DBI in Victoria. This will ensure the scheme remains both fair and financially viable

What we found

- **VMIA had taken some steps to prepare for large builder insolvencies, but these were only partly effective.** While the scale of the Porter Davis collapse was unprecedented and VMIA had limited time to prepare, it should have started planning for it sooner.
- **VMIA's process and the changes it made to deal with the Porter Davis collapse were reasonable and legal, however, some individual actions led to unfair outcomes, especially in complex claims.** VMIA's engagement of volume builders worked well for many homeowners, but its lack of transparency was a source of frustration and stress. The use of law firms to help process more claims quickly was seen by some people as too adversarial. VMIA failed to effectively communicate its decisions and intentions to homeowners, creating a justifiable perception of unfairness.

- **On average, there was no unreasonable delay in claims processing for Porter Davis homeowners, but where significant delays occurred, the process caused unreasonable personal and financial hardship for people.**
Average claims processing times reduced but as there was little transparency around timelines, homeowners' expectations were often far from the reality.
- **VMIA's communication with homeowners was inadequate and lacked transparency.**
Homeowners received little information about how claims were managed and how long the process would take. VMIA's external call centre could not answer substantive questions about claims. Homeowners were frustrated with VMIA's delay or failure to respond to online messages via a dedicated portal. VMIA's communications after the Porter Davis collapse fell short of its obligations as a public sector body to be fair and transparent.
- **VMIA's dispute handling processes and practices met VMIA's legislative obligations, but were not always fair and reasonable.**
VMIA did not always advise homeowners that they could ask for a decision to be revisited and there was no documented review procedure at the time of the Porter Davis collapse. The only formal pathway for disputing decisions was through VCAT, a costly and time consuming option.

Overall, VMIA achieved a reasonable outcome for most homeowners with DBI claims, both before and after the Porter Davis collapse. However, for some, especially those living in a home with ongoing defects, the DBI scheme did not live up to its purpose. As a government body VMIA should have exercised more discretion within the bounds of the DBI policy to achieve fair and timely outcomes.

The need for DBI system reform has been recognised by recent legislative changes. However, more needs to be done to improve DBI management processes, communication with homeowners and overall system transparency.

How VMIA responded

VMIA views its performance in managing DBI differently to the Ombudsman. It does not accept that some homeowners received unfair outcomes, and maintains that all claims were determined in line with DBI policy terms.

VMIA recognised the toll that the Porter Davis collapse had on its staff, and commended their performance in difficult circumstances.

While defending its performance, VMIA acknowledged that its communications were inadequate in some respects and said it had made improvements in this area. It also conceded that a relatively small number of homeowners had a poor experience:

To those homeowners who had a difficult experience making a claim with us, we have listened, learned, and changed ... For those few where we did not do well enough, we are sorry.

You can read VMIA's response letter in Appendix 2 in the full report.

What needs to change

Responsibility for DBI recently transferred to the Building and Plumbing Commission. We have made nine recommendations to the Commission intended to:

- clarify and improve DBI policies
- allow the Commission to more effectively scale up its workforce when there is a large insolvency
- improve communication
- enhance transparency.

We also endorsed three recommendations made by the Victorian Auditor-General's Office.

Recommendations

It is recommended that the Building and Plumbing Commission:

Recommendation 1

Ensure its Domestic Building Insurance policy includes a plain language definition of 'defects' that clearly distinguishes it from 'incomplete works'.

Commission response

Accepted in principle

Recommendation 2

Ensure that:

- a. its claims handling guidelines include plain language definitions for different claim types (simple, standard, and complex)
- b. its claims handling guidelines and large loss response guidelines include appropriate actions for simple, standard, and complex claims
- c. it regularly reviews (at least every two years) the procedures guiding its approach to large loss events. In the event that there is a large loss event, the procedures must be reviewed in the six months following the event.

Commission response

Accepted in principle

Recommendation 3

Establish internal policies and processes to facilitate a rapid surge response to large loss events, including streamlined training, redeployment of internal resources and external recruitment.

Commission response

Accepted in principle

Recommendation 4

Ensure that homeowners with complex claims are provided with a single point of contact to ensure better communication, continuity and timeliness.

Commission response

Accepted in principle

Recommendation 5

Establish clear standards for how frequently homeowners are updated during the claims process and track performance against these standards, including responsiveness to queries.

Commission response

Accepted in principle

Recommendation 6

Be transparent by:

- a. recording the rationale for liability and quantum decisions on all claim files
- b. clearly communicating the rationale for decisions to homeowners in language they can understand; and
- c. providing homeowners with relevant documentation supporting the reason for claim decisions, including inspection and technical reports.

Commission response

Accepted in principle

Recommendation 7

Re-examine any long-standing claims that could benefit from conciliation, with a view to quickly resolving them.

Commission response

Accepted in principle

BPC agreed in principle with all our recommendations, but noted that ‘these are recommendations to government and will be subject to the Government’s consideration’. BPC said it ‘agrees with the report’s description of the events surrounding the collapse of Porter Davis as “unprecedented”, and notes that the VMIA and now the BPC have already moved to address many of the issues raised’.

It is recommended that the Government:

Recommendation 8

Amend legislation to require the Building and Plumbing Commission to regularly update information on its website and include in its annual report, performance against its service standards, and other information including:

- a. how many claims were processed
- b. how long claims took to process
- c. how satisfied homeowners were with the process.

Department of Transport and Planning response

Accepted in principle

Recommendation 9

Undertake legislative change to require a formal internal review and conciliation process before a VCAT appeal can be lodged, and clarify that time does not start running on VCAT appeals until this has happened.

While awaiting legislative change, it is recommended that the Building and Plumbing Commission establish an interim internal review process that is clearly communicated to homeowners.

Department of Transport and Planning response

Accepted in principle

In addition, we endorse the recommendations made by the Victorian Auditor-General’s Office to the Victorian Managed Insurance Authority, noting these responsibilities now sit with the Building and Plumbing Commission:

1. Provide homeowners with improved information about:
 - indicative timelines for key steps in the claims process
 - the basis for its quantum decisions
 - options for a Victorian Managed Insurance Authority review of case decisions.
2. Implement a performance monitoring framework, including a measure of homeowner satisfaction, to assess claims handling performance and inform improvements to processes.
3. Implement a quality assurance program to make sure officers are following claims handling procedures.



To download a copy of the full report go to
ombudsman.vic.gov.au