

NSW Home Building Compensation Fund

*Information on the Scheme
as at 30 September 2015*

**Better
regulation.**



State Insurance
Regulatory Authority

27 May 2016

Mr Anthony Lean
Chief Executive Officer
State Insurance Regulatory Authority
Department of Finance, Services and Innovation
Level 11, 10-14 Smith Street
PARRAMATTA NSW 2150

Dear Mr Lean

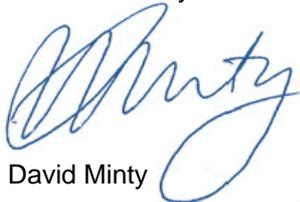
HBCF Scheme Data as at 30 September 2015

Finity Consulting Pty Limited (Finity) was engaged by NSW Department of Finance, Services and Innovation to review the publication of data for the Home Building Compensation Fund (HBCF) Scheme.

Finity has reviewed the descriptions of the data and the presentation of tables and graphs to make sure the data is presented fairly and is not likely to be misinterpreted. Note that Finity has not reviewed the accuracy of the data provided by the insurers nor the accuracy of the summary tables prepared by the State Insurance Regulatory Authority (SIRA), but, where possible, has considered them for reasonableness.

We particularly draw the attention of the reader to Section 2 of the publication – Caution in Interpreting the Information.

Yours sincerely



David Minty



Mark Hurst

Fellows of the Institute of Actuaries of Australia



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NSW Home Building Compensation Fund

Scheme Information

PREAMBLE

The *Home Building Act 1989* establishes a Home Building Compensation Fund (**HBCF**) scheme. The scheme sits at the end of a comprehensive consumer protection regime for homeowners and provides a safety net for consumers where builders fail to complete residential building work or rectify defects. The scheme was renamed from the Home Warranty Insurance Fund (HWIF) to the Home Building Compensation Fund from 15 January 2015 following major changes to home building laws.

Following structural changes on 1 September 2015 to the NSW insurance and care schemes, State Insurance Regulatory Authority (**SIRA**), which is part of the Department of Finance, Services and Innovation, has assumed the regulatory functions previously undertaken by NSW Fair Trading relating to Home Building Compensation. The NSW Self Insurance Corporation (**SiCorp**) has become part of icare (Insurance & Care NSW) and changed its branding to **icare hbcf**.

In New South Wales, insurance under the HBCF may only be offered by licensed insurers approved by the Minister under the Act. icare hbcf became the sole provider of insurance under the HBCF on 1 July 2010, replacing the former private insurers from that date. The Scheme is underwritten and capitalised by the Government and funded by the insurance premiums.

The approved insurers from the private sector all ceased writing business on or before 30 June 2010. However, all approved insurers will continue to manage and settle claims on policies written up until that date.

QBE Insurance (Australia) Limited and Calliden Insurance Limited were insurance agents of SiCorp through contractual arrangements until 30 September 2015. Vero Insurance Limited was also an agent for the three months to 30 September 2010.

icare hbcf commenced new outsourced services agreements on 1 October 2015 for the delivery of underwriting risk, distribution and claims management services. icare hbcf's outsourced services for Underwriting Risk and Claims Management from 1 October 2015 are with QBE Insurance (Australia) Ltd, and Residential Builders Underwriting Agency Pty Ltd as agent of Great Lakes Reinsurance (UK).

HBCF Scheme Data

One of the roles of SIRA, as provided under the market practice guidelines, is to collect data in relation to the HBCF scheme on policies, premiums and claims from insurers in order to be able to monitor the operation of the scheme. The following information on the operation of the scheme applies only to the version of the scheme in operation since 1 July 2002, in which the protection offered applies only in the event of the death, disappearance or insolvency of a builder. For policies issued from 19 May 2009, cover extends to situations where a builder's licence is suspended for a failure to comply with a mandatory monetary order of the NSW Civil and Administrative Tribunal or a court in favour of the homeowner.

This publication summarises the data that has been provided quarterly since June 2006 for the insurance period 1 July 2002 to 30 September 2015. The information provided has been aggregated across insurers. Data provided by individual insurers is commercially confidential and has not been disclosed.

Further information on the operation or any changes in the scheme is available through the following links:

State Insurance Regulatory Authority (SIRA):

<http://www.sira.nsw.gov.au>

icare /Home Building Compensation Fund:

<http://www.icare.nsw.gov.au>

<https://www.hbcf.nsw.gov.au/portal/server.pt/community/homeowners/351>

1 CAUTION IN INTERPRETING THE INFORMATION

Home Building Compensation is a 'long tail' class of insurance business, which means:

- there may be significant delay between the date a project certificate is issued and the commencement of the project;
- the duration of building projects may range from a few weeks to several years;
- coverage remains in place for six years after project completion; and
- it may take some time for home owners to identify a loss, lodge a claim with an insurer and for the insurer to assess the claim and arrange rectification.

Claims experience of the HBCF can vary greatly from year to year depending on economic conditions in both the home building market and in the community generally. Since the adoption of the single insurer model from 1 July 2010, insurance market cycles are only likely to impact the scheme to the extent that the insurer seeks to obtain reinsurance cover from the commercial insurance market.

For the first few years after the current HBCF scheme commenced in 2002, the NSW economy performed reasonably well, and conditions were generally favourable for home builders. As over 90% of the insurance claims arise from the insolvency of the builder, the downturn in the economy in 2008 drove a significant increase in claims on the scheme as even some larger builders have failed. Poor business decisions are also more likely to convert into business failure if additional financing is unexpectedly required or existing loans need to be renegotiated or rolled over when lending or investing conditions are tight. Any serious assessment of the scheme should place substantial weight not only on the long tail nature of the scheme, but also that different economic circumstances can yield significantly different claims results.

As the cover provided by HBCF insurers extends over at least six years from completion of work, the downturn in the building industry between 2008 and 2010 has given rise to claims because major defects now emerging may involve builders that have become insolvent since then. As a consequence, the claim experience of even early underwriting years has continued to deteriorate. During the 12 months to 30 September 2015, there was an increase of \$95 million, or 19%, in the overall estimated net incurred claims cost reported by the scheme insurers.

2 DATA

Part I Information Related only to Licensed Builders

A Eligibility Information

'Eligibility' is the term used to describe the entitlement that a builder has to apply for a Certificate of Insurance for home building projects, and the conditions under which the Certificate of Insurance may be granted. From 1 July 2010, eligibility application may be made via an insurance broker to one of icare hbcf's Insurance Agents.

A.1 Builder eligibilities

Since 4 August 2015, "Builder Eligibility Limits" have changed to "Open Job Limits". The maximum number and value of jobs under construction by an individual licensed builder at any point in time is now limited, in place of the former "Annual turnover limit". Individual limits on the maximum contract value for the various types of projects will continue.

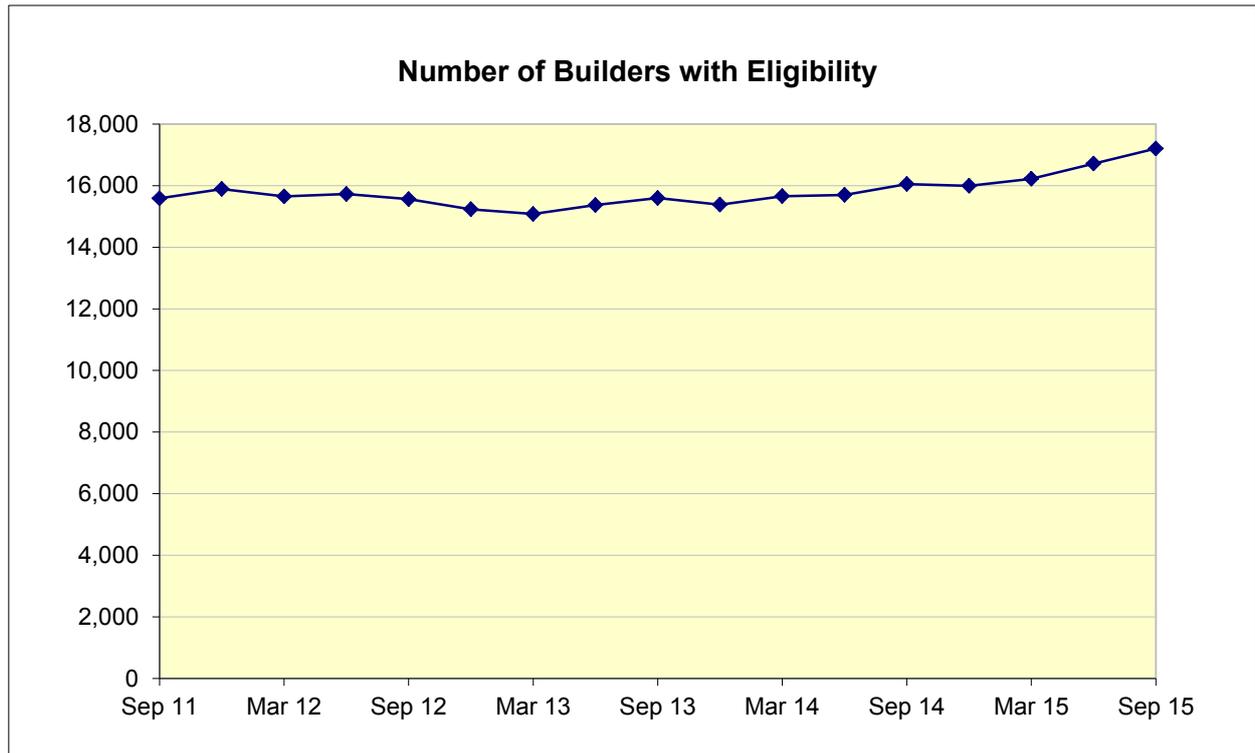
Table A1 shows the number of builder eligibilities at the end of each quarter by open job limit bands for all types of cover. For June 2015 and earlier the annual turnover limits are shown.

Table A1 Number of builder eligibilities by open job limit (previously annual turnover limit) band

Turnover band (\$' m)	\$0 - <0.5m	\$0.5 - <1m	\$1 - <2m	\$2 - <3m	\$3 - <5m	\$5 - <20m	\$20+m	Totals
Sep 12	3,157	2,729	4,618	2,241	2,121	621	74	15,561
Dec 12	3,145	2,710	4,615	2,167	1,974	556	65	15,232
Mar 13	2,979	2,726	4,728	2,135	1,883	557	71	15,079
Jun 13	3,071	2,811	4,857	2,173	1,802	580	76	15,370
Sep 13	3,193	2,934	4,932	2,177	1,700	586	76	15,598
Dec 13	3,109	3,024	4,996	2,155	1,428	591	79	15,382
Mar 14	3,103	3,138	5,151	2,120	1,458	603	84	15,657
Jun 14	3,004	3,217	5,304	2,043	1,409	631	91	15,699
Sep 14	2,979	3,420	5,395	2,081	1,422	665	90	16,052
Dec 14	2,961	3,389	5,342	2,087	1,439	680	97	15,995
Mar 15	2,908	3,421	5,427	2,131	1,511	717	109	16,224
Jun 15	2,955	3,507	5,568	2,223	1,585	751	125	16,714
Sep 15	2,915	3,510	5,521	2,418	1,719	965	158	17,206

As at 30 September 2015, the average open job limit was \$2.3 million. The proportion of builders with eligibility limit of: less than \$1 million: 37% (down 2% from last quarter), \$1m to less than \$5m: 56%, and \$5m and over: 7% (up 2% from last quarter).

Figure A1 Number of Builders with Current Eligibility - as at end of each quarter.



B Securities and Indemnities Information

For some builders, icare hbcf may require security in the form of a Deed of Indemnity as a condition of approving eligibility or providing cover for a specific project. Bank guarantees will not be sought for providing insurance eligibility, although a builder can provide a bank guarantee if the builder chooses to do so (refer Table B1). Other Security relates to an indemnity under a Group Trading Agreement where an entity is operating as part of a group structure.

Securities provided prior to 1 July 2010 by builders to former insurers are unable to be transferred to icare hbcf, and will remain in place until they are released by the insurers. Such securities held by former insurers are not included in the table below.

B.1 Securities held by insurers for builders with current eligibility

Table B1 Number of Securities held by insurers for builders with current eligibility as at end of each quarter

Quarter	Bank Guarantee	Indemnity	Other Security	Totals	% of Total Builder Eligibility
Sep 12	1	993	N/A	994	6%
Dec 12	1	1,101	N/A	1,102	7%
Mar 13	1	1,193	N/A	1,194	8%
Jun 13	1	1,332	N/A	1,333	9%
Sep 13	1	1,438	N/A	1,439	9%
Dec 13	1	1,541	8	1,550	10%
Mar 14	1	1,621	15	1,637	10%
Jun 14	1	1,723	34	1,758	11%
Sep 14	1	1,788	48	1,837	11%
Dec 14	1	1,858	74	1,933	12%
Mar 15	1	1,942	89	2,032	12%
Jun 15	1	2,062	121	2,184	13%
Sep 15	1	2,273	174	2,448	14%

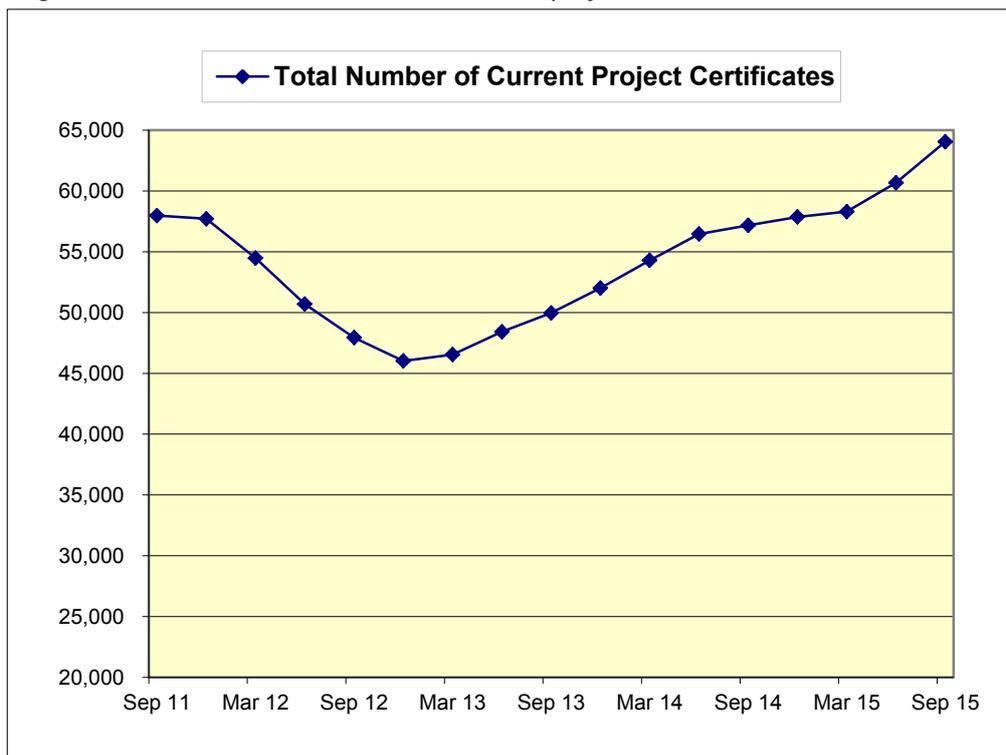
C Project Certificate Information – Builder

Generally a project certificate is issued in relation to a project prior to building commencement. The project certificate is evidence of the insurance contract. The number of current project certificates refers to projects still in progress at the end of the quarter. For the purpose of this report, building works are deemed completed 12 months after certificate issue date. With the recent introduction of the new CIMS system and “open job eligibility limits” by icare hbcf, that definition will change for future reporting quarters.

C.1 Current project certificates - Builder

Figure C1 shows the trend in the total number of current project certificates for “work in progress” as at the end of each quarter. These figures do not include owner builder projects.

Figure C1 Trend in total number of current project certificates - as at the end of each quarter



C.2 New project certificates issued - Builder

Tables C1, C2 and figure C2.1 show the number and value of new project certificates issued during the quarter, reduced by the number (or value) of project certificates cancelled in the quarter. A cancellation occurs when a project certificate is terminated because the project did not commence. If a project certificate applies to more than one type of cover, then it is classified under the type of cover that represents the greatest value under the contract.

Table C1. Number of project certificates issued by type of cover

Quarter /Type of cover	New single dwelling construction	New multi dwelling (3 storeys or less) *	Alterations /Additions #	Swimming Pools	Renovations (including kitchens and bathrooms) ^	Other	Totals
Sep 12	4,210	1,170	3,597	930	2,621	15	12,543
Dec 12	3,942	1,225	2,872	858	2,158	8	11,063
Mar 13	4,228	1,349	3,014	764	2,253	10	11,618
Jun 13	4,790	1,482	3,446	754	2,497	15	12,984
Sep 13	5,040	1,845	3,747	984	2,674	14	14,304
Dec 13	4,899	1,666	3,163	1,049	2,323	8	13,108
Mar 14	5,054	1,401	3,482	948	3,002	7	13,894
Jun 14	5,507	2,020	3,670	946	3,001	10	15,154
Sep 14	5,457	1,345	4,005	1,189	3,016	8	15,020
Dec 14	5,008	1,906	3,239	1,125	2,510	9	13,797
Mar 15	5,151	1,786	3,773	1,118	2,496	8	14,332
Jun 15	6,371	2,260	4,342	1,214	3,334	7	17,528
Sep 15	5,757	2,320	5,042	1,423	3,830	22	18,394

* A project certificate is issued for each unit in a multi-unit development.

Alterations and additions - structural (i.e. the majority of the work is structural).

^ Renovations - non-structural (i.e. the majority of the contract is non-structural), including e.g. kitchen/bathroom renovations and trade work.

The total number of certificates issued (18,394) in the September 2015 quarter has risen by 5% from last quarter.

For the 12 months to 30 September 2015, the number of certificates issued (64,051) was up 12% compared with the preceding 12 months.

The proportions of project certificates issued during the last 12 months are: new single and multi-unit dwellings (48%), alterations and renovations (44%) and swimming pools/others (8%).

Figure C2.1 Total Number of project certificates issued during each quarter

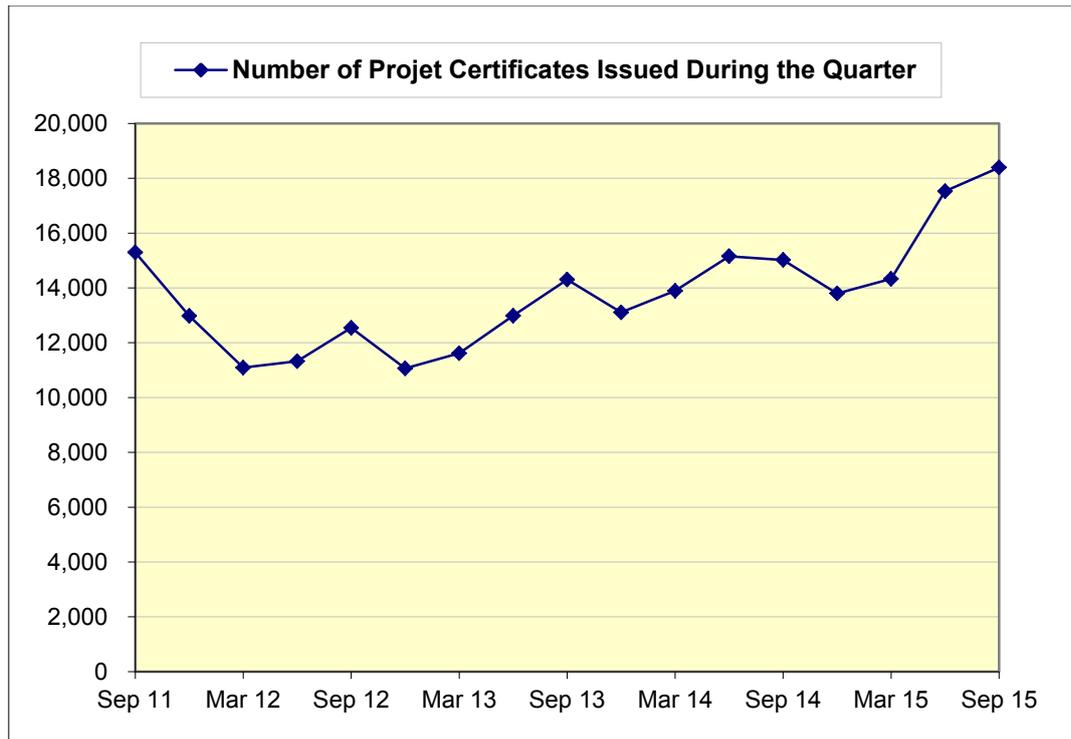


Table C2. Value of project certificates issued by type of cover during each quarter – (\$'million)

Quarter /Type of cover	New single dwelling construction	New multi dwelling (3 storeys or less) *	Alterations /Additions #	Swimming Pools	Renovations (including kitchens and bathrooms) ^	Other	Totals (\$'million)	Average Value per Project Certificate (\$'000)
Sep 12	1,275	233	499	40	126	1	2,174	173
Dec 12	1,178	253	432	35	93	0	1,991	180
Mar 13	1,296	263	451	32	98	1	2,141	184
Jun 13	1,494	308	538	34	119	2	2,495	192
Sep 13	1,521	401	537	42	131	1	2,633	184
Dec 13	1,489	365	430	41	109	3	2,437	186
Mar 14	1,600	301	536	40	134	1	2,612	188
Jun 14	1,783	452	551	43	144	1	2,974	196
Sep 14	1,789	321	635	53	150	1	2,949	196
Dec 14	1,677	435	513	48	117	1	2,791	202
Mar 15	1,735	422	577	48	128	0	2,910	203
Jun 15	2,192	575	696	56	161	0	3,680	210
Sep 15	2,017	650	746	65	195	2	3,674	200

* A project certificate is issued for each unit in a multi-unit development.

Alterations and additions - structural (i.e. the majority of the work is structural)

^ Renovations - non-structural (i.e. the majority of the contract is non-structural), including e.g. kitchen/bathroom renovations and trade work.

C.3 Building approvals versus new project certificates issued – Builder and Owner-Builder

Table C3 and the figures following compare new project certificates issued with building approvals for new dwellings granted based on Australian Bureau of Statistics (ABS) data collected from NSW local government authorities.

Table C3. Building approvals versus project certificates issued – All new dwellings of three storeys or less

Quarter	Numbers			Value of (\$m)		
	Certificates issued	Building Approvals	Ratio	Certificates issued	Building Approvals	Ratio
	(1)	(2)	(3)	(4)	(5)	(6)
Sep 12	5,534	6,632	83%	1,552	1,750	89%
Dec 12	5,334	6,736	79%	1,485	1,746	85%
Mar 13	5,747	5,819	99%	1,608	1,603	100%
Jun 13	6,447	6,984	92%	1,856	1,815	102%
Sep 13	7,099	7,031	101%	1,984	1,883	105%
Dec 13	6,750	7,279	93%	1,911	1,875	102%
Mar 14	6,633	7,113	93%	1,956	1,963	100%
Jun 14	7,705	7,909	97%	2,287	2,138	107%
Sep 14	6,964	8,361	83%	2,159	2,279	95%
Dec 14	7,125	7,944	90%	2,175	2,161	101%
Mar 15	6,957	7,884	88%	2,162	2,208	98%
Jun 15	8,631	9,086	95%	2,767	2,564	108%
Sep 15	8,077	8,900	91%	2,667	2,550	105%
Average	6,846	7,514	91%	2,044	2,041	100%

Notes: ABS8731.0 Building Approvals, Australia; Tables 12, 22 and 43 "Dwelling units approved in new residential buildings - New South Wales". Both builder and owner-builder data is included in the above table as ABS did not distinguish between type of builder in its statistics. From 15 January 2015 owner-builder work is no longer insured which may lead to a change in the relationship over time, although this is likely to be small.

We have excluded public sector work from the building approval data to enable like-for-like comparison.

Figures for more recent quarters may change where the ABS revises its estimates, and there will continue to be differences between the series due to factors such as timing of reporting and the scope and coverage of the ABS statistics.

Figures C3.1 and C3.2 show the detailed comparisons for numbers and values respectively between new dwellings project certificates issued and building approvals. Subject to the above, they show the number and value of project certificates issued generally move broadly in line, as expected, with the building approvals data.

Figure C3.1 Numbers of building approvals versus certificates issued - Trend

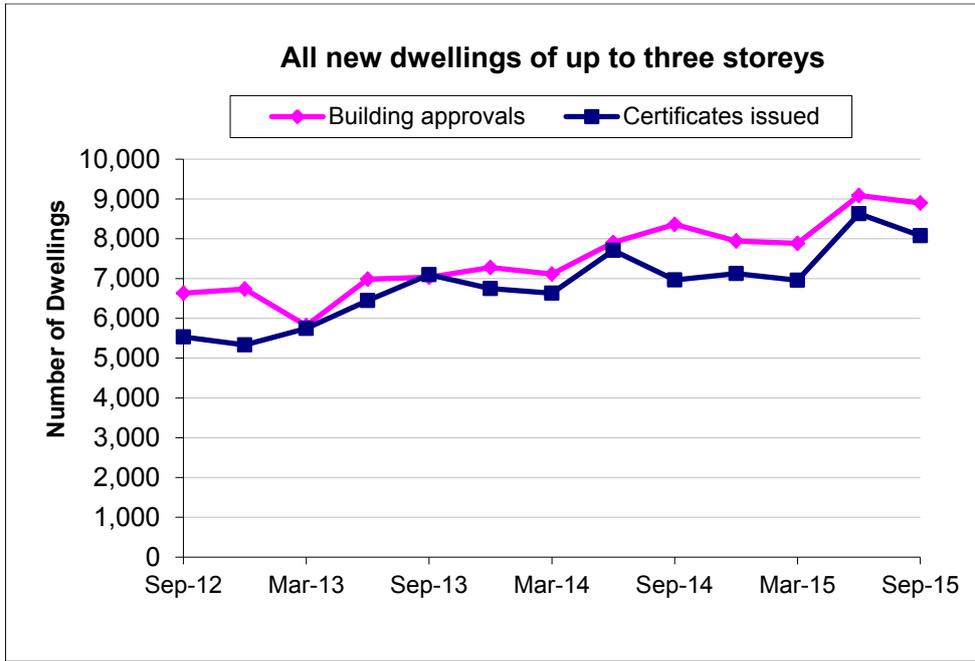
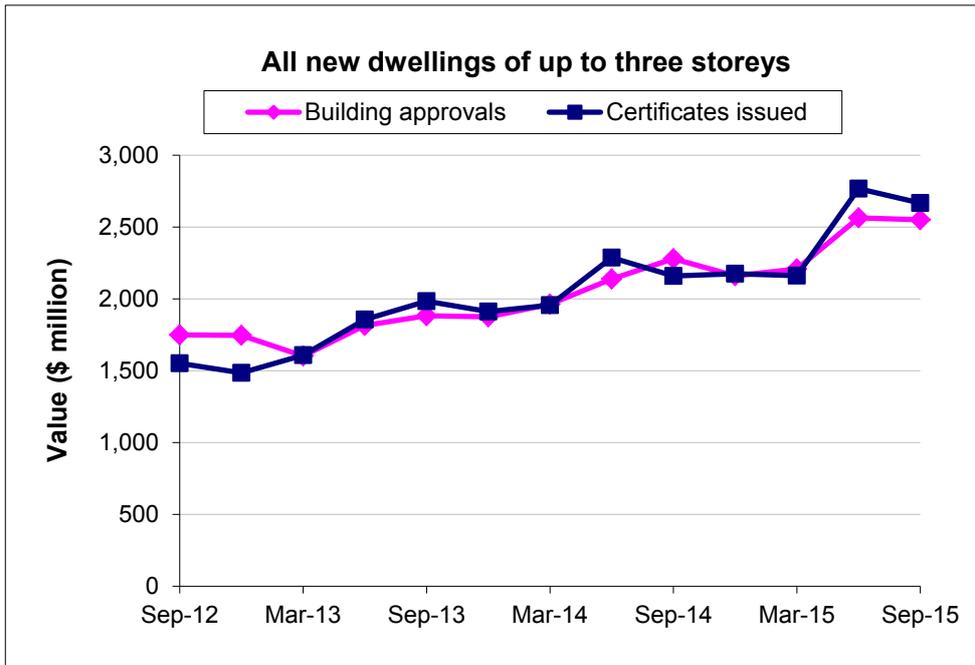


Figure C3.2 Value of building approvals versus certificates issued - Trend



D Premium Information - Builder

Insurers provide information to SIRA on the premium charged for project certificates issued to builders during the quarter. For the reports below, premium is shown on two bases: including charges and excluding charges. “Charges” refer to all commissions, government and other charges (i.e. GST, stamp duty, government levies and credit card surcharges) as reported by insurers to SIRA.

Premium excluding charges is the amount retained by the insurer to pay claims and the insurer’s expenses.

Premium including charges is intended to represent the amount paid by the builder including statutory charges such as GST. However, it excludes any fees charged by brokers or intermediaries in addition to the insurer's premium. Any margin added by the builder in on-charging the premium to consumers is also not captured in the insurers' data and is therefore not reported in the figures below.

D.1 Total premiums by project type - Builder

Table D1.1 Written premium for project certificates issued (including charges) - (\$'000)

Quarter /Type of cover	New single dwelling construction	New multi dwelling (3 storeys or less) *	Alterations /Additions#	Swimming Pools	Renovations (including kitchens and bathrooms) ^	Other	Totals (\$'000)
Sep 12	7,852	2,487	3,565	377	805	7	15,093
Dec 12	7,319	2,594	3,095	324	599	4	13,935
Mar 13	7,837	2,780	3,208	303	644	5	14,777
Jun 13	8,996	3,203	3,698	315	760	10	16,982
Sep 13	9,901	4,204	3,786	414	829	10	19,144
Dec 13	9,621	3,877	3,089	417	694	13	17,711
Mar 14	10,210	3,195	3,786	392	850	5	18,438
Jun 14	11,343	4,704	3,938	429	931	3	21,348
Sep 14	11,566	3,318	4,515	531	938	5	20,873
Dec 14	10,798	4,604	3,686	472	743	6	20,309
Mar 15	11,050	4,287	4,120	477	805	3	20,742
Jun 15	14,033	5,897	5,016	557	973	2	26,478
Sep 15	13,080	6,030	5,278	669	1,174	16	26,247

Table D1.2 Written premium for project certificates issued (excluding charges) - (\$'000)

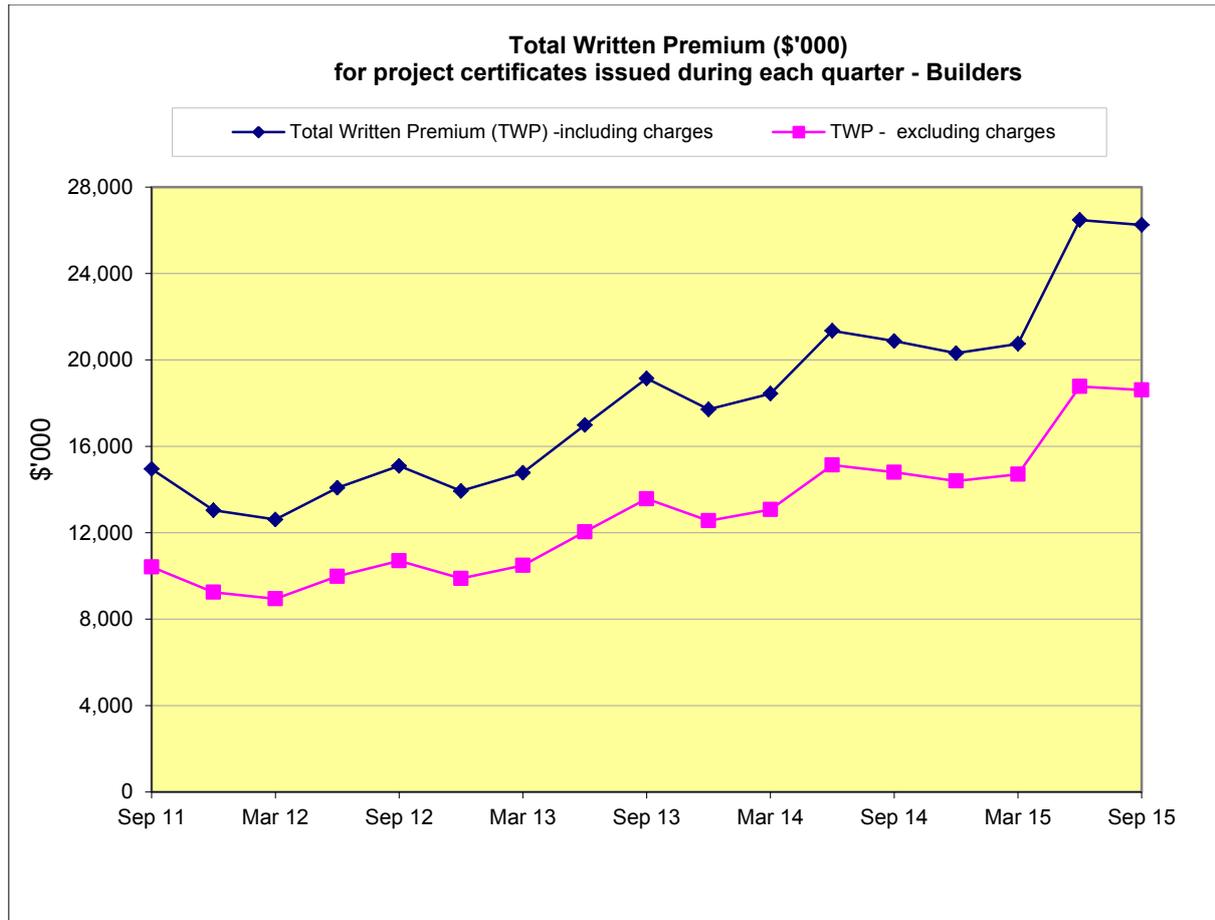
Quarter /Type of cover	New single dwelling construction	New multi dwelling (3 storeys or less) *	Alterations /Additions#	Swimming Pools	Renovations (including kitchens and bathrooms) ^	Other	Totals (\$'000)
Sep 12	5,567	1,763	2,528	267	570	5	10,700
Dec 12	5,193	1,839	2,195	230	425	3	9,885
Mar 13	5,561	1,976	2,275	215	457	4	10,488
Jun 13	6,380	2,271	2,623	223	539	7	12,043
Sep 13	7,020	2,980	2,684	293	588	7	13,572
Dec 13	6,821	2,748	2,190	295	492	10	12,556
Mar 14	7,239	2,266	2,684	278	602	3	13,072
Jun 14	8,042	3,335	2,792	304	660	2	15,135
Sep 14	8,200	2,353	3,201	376	665	3	14,798
Dec 14	7,655	3,264	2,613	335	526	4	14,397
Mar 15	7,835	3,040	2,921	338	570	2	14,706
Jun 15	9,949	4,181	3,556	395	689	1	18,771
Sep 15	9,273	4,275	3,742	474	832	11	18,607

* A project certificate is issued for each unit in a multi-unit development.

Alterations and additions - structural (i.e. the majority of the work is structural)

^ Renovations - non-structural (i.e. the majority of the contract is non-structural), including e.g. kitchen/bathroom renovations and trade work.

Figure D1.1 Trend in written premiums for project certificates issued during each quarter



D.2 Average premium per project certificate - Builder

Table D2.1 Average Premium (including charges) per Project Certificate Issued by Type of Cover – (\$)

Quarter /Type of cover	New single dwelling construction	New multi dwelling (3 storeys or less) *	Alterations /Additions#	Swimming Pools	Renovations (including kitchens and bathrooms) ^	Other	Average per certificate issued \$
Sep 12	1,865	2,125	991	405	307	471	1,203
Dec 12	1,857	2,118	1,078	377	277	528	1,260
Mar 13	1,853	2,061	1,064	396	286	536	1,272
Jun 13	1,878	2,161	1,073	418	304	687	1,308
Sep 13	1,965	2,279	1,010	421	310	667	1,338
Dec 13	1,964	2,327	976	397	299	1,677	1,351
Mar 14	2,020	2,281	1,087	413	283	705	1,327
Jun 14	2,060	2,329	1,073	453	310	322	1,409
Sep 14	2,119	2,467	1,127	447	311	574	1,390
Dec 14	2,156	2,415	1,138	420	296	622	1,472
Mar 15	2,145	2,400	1,092	426	322	400	1,447
Jun 15	2,203	2,609	1,155	459	292	286	1,511
Sep 15	2,272	2,599	1,047	470	306	721	1,427

Table D2.2 Average Premium (including charges) per \$1,000 of Value of Project Certificates issued by Insurer

Quarter /Type of cover	New single dwelling construction	New multi dwelling (3 storeys or less) *	Alterations/ Additions #	Swimming Pools	Renovations (including kitchens and bathrooms) ^	Other	Average rate per \$1,000 project value \$
Sep 12	6.16	10.70	7.14	9.63	6.37	6.90	6.94
Dec 12	6.22	10.24	7.17	9.26	6.47	6.61	7.00
Mar 13	6.05	10.58	7.10	9.53	6.58	7.16	6.90
Jun 13	6.02	10.39	6.87	9.42	6.38	6.86	6.81
Sep 13	6.51	10.49	7.05	9.88	6.36	7.33	7.27
Dec 13	6.46	10.61	7.18	10.06	6.38	5.30	7.27
Mar 14	6.38	10.61	7.07	9.85	6.35	6.92	7.06
Jun 14	6.36	10.41	7.15	9.99	6.46	7.38	7.18
Sep 14	6.46	10.35	7.11	10.03	6.27	7.12	7.08
Dec 14	6.44	10.59	7.19	9.84	6.33	6.07	7.28
Mar 15	6.37	10.16	7.14	9.88	6.30	6.73	7.13
Jun 15	6.40	10.25	7.21	9.91	6.07	6.87	7.20
Sep 15	6.49	9.28	7.07	10.37	6.01	7.93	7.14

* A project certificate is issued for each unit in a multi-unit development.

Alterations and additions - structural (i.e. the majority of the work is structural)

^ Renovations - non-structural (i.e. the majority of the contract is non-structural), including e.g. kitchen/bathroom renovations and trade work.

E Claims information - Builder

The handling and management of claims by insurers is subject to *Claims Handling Guidelines*, refer link: http://www.fairtrading.nsw.gov.au/pdfs/Tradespeople/SI_Corp_claims_handling_guidelines.pdf

SIRA is provided with a snapshot of the cumulative data at the end of each quarter of all claims received by insurers in respect of the HBCF business issued after 1 July 2002.

The information set out below provides only a partial picture of HBCF Scheme activity. Therefore, care must be taken in basing conclusions on trends that have emerged to date. The data in this publication relates only to project certificates issued from 1 July 2002 and to claims that have been notified to date on those certificates. **It does NOT include claims that have not yet been reported to insurers on those certificates or any provisions made by insurers in their accounts for the cost of unreported claims or cost escalation on reported claims.** Also, it does not include any information on claims arising from project certificates issued prior to 1 July 2002, even though claims relating to prior years may continue to be reported and settled in the post 1 July 2002 period.

E.1 Number of claims by liability assessment status - Builder

Table E1 Cumulative Number of Claims by Liability Status at end of each quarter

Quarter	Liability accepted	Liability fully denied	Liability in dispute	Liability being assessed	Notification only #	Total
Sep 12	3,671	983	37	285	2,343	7,319
Dec 12	3,858	994	42	340	2,435	7,669
Mar 13	4,116	1,055	47	268	2,535	8,021
Jun 13	4,268	1,063	45	213	2,668	8,257
Sep 13	4,489	1,087	40	157	2,751	8,524
Dec 13	4,620	1,119	30	121	2,834	8,724
Mar 14	4,764	1,137	25	130	2,894	8,950
Jun 14	4,870	1,188	21	125	2,957	9,161
Sep 14	4,947	1,222	16	132	3,000	9,317
Dec 14	5,075	1,253	14	92	3,100	9,534
Mar 15	5,166	1,276	14	158	3,159	9,773
Jun 15	5,301	1,327	13	135	3,269	10,045
Sep 15	5,464	1,420	26	98	3,255	10,263

If a 'Notification' has not become a claim after an extended period, its status is recorded as 'Finalised' within the 'Notification' category. As at 30 September 2015, there were 3,228 such 'Notifications' which were 'Finalised' with nil payment to claimant.

E.2 Reasons claims denied - Builder

Table E2. Number of claims with liability fully denied - breakdown by Reason Claim Declined – cumulative at end of each quarter

Quarter	Incorrect Insurer	Out of time	Builder found	Builder not dead	Builder not insolvent	Not deemed a defect	Total
Sep 12	5	78	85	2	259	554	983
Dec 12	6	78	87	3	263	557	994
Mar 13	5	87	88	3	277	595	1,055
Jun 13	5	98	89	3	273	595	1,063
Sep 13	7	103	90	3	274	610	1,087
Dec 13	7	114	91	3	275	629	1,119
Mar 14	7	126	92	3	278	631	1,137
Jun 14	7	132	92	3	301	653	1,188
Sep 14	7	141	93	4	306	671	1,222
Dec 14	7	150	92	4	309	691	1,253
Mar 15	8	152	93	4	313	706	1,276
Jun 15	9	163	95	4	324	732	1,327
Sep 15	8	174	97	4	309	828	1,420

Note: A decrease from prior quarter may occur due to a correction to a claim or its classification.

E.3 Claims experience - Builder

The remaining tables in this section show a further breakdown of the cumulative claims experience where liability has been accepted by the insurer in regards to builders (not owner-builders) as at **30 September 2015**. Information is shown separately between (a) claims that are finalised with all costs known and (b) those that are open, in which case at least part of the cost is an estimate of future payments.

Table E3. Claims Experience by Principal Cause (incl GST) – for Finalised Accepted Claims*

Principal Cause	No. of Claims	Sum Paid to Claimant	Sum Paid to Third Parties	Total Gross Paid \$	Average Claim Size \$
Insolvency#	4,312	303,613,944	25,396,189	329,010,133	76,301
Death	49	3,500,260	170,547	3,670,807	74,914
Disappearance	226	13,356,286	1,027,312	14,383,598	63,644
Total	4,587	320,470,490	26,594,048	347,064,538	75,663

*Accepted Claims are those in which liability is partially, fully or deemed accepted by the insurer.

“Paid to Claimant” includes all payments to the claimant or to suppliers involved in the rectification of the works.

“Paid to Third Parties” includes payments to investigators, loss adjusters, legal expenses, etc. but not insurers’ claims handling expenses (overheads).

Includes situation where a builder’s licence is suspended for a failure to comply with monetary order of the NSW Civil and Administrative Tribunal or a court in favour of the homeowner.

Table E4. Claims Experience by Principal Cause (incl GST) – for Open Accepted Claims*

Principal Cause	No. of Claims	Sum of Paid to Claimant	Sum of Paid to Third Parties	Net Outstanding Estimate \$	Estimated Total Claims Cost	Average Claim Size \$
Insolvency#	813	113,259,069	18,759,396	75,939,269	207,957,734	255,791
Death	3	365,682	20,477	357,832	743,991	247,997
Disappearance	61	5,782,571	749,993	4,544,112	11,076,676	181,585
Total	877	119,407,322	19,529,866	80,841,213	219,778,401	250,603

*Open claims are claims which are not finalised.

Table E5. Claims Experience by Claim Code (incl GST) - for Finalised Accepted Claims

Claim Code	No. of Claims	Sum Paid to Claimant	Sum Paid to Third Parties	Total Gross Paid \$	Average Claim Size \$
Failure to commence	232	4,584,879	167,485	4,752,364	20,484
Failure to complete	1,537	119,151,500	7,922,399	127,073,899	82,677
Major defect §	2,283	162,077,653	15,342,261	177,419,914	77,713
Other defect §	535	34,656,458	3,161,903	37,818,361	70,689
Total	4,587	320,470,490	26,594,048	347,064,538	75,663

§ Following major changes to home building laws from 15 January 2015, the definition of what is a “structural defect” and therefore what is covered by the six year warranty period is replaced by a definition for ‘major defect’. Other defects that don’t meet the “major defect test” will continue to be covered by the standard 2-year statutory warranty.

Table E6. Claims Experience by Claim Code (incl GST) – for Open Accepted Claims

Claim Code	No. of Claims	Sum of Paid to Claimant	Sum of Paid to Third Parties	Net Outstanding Estimate \$	Estimated Total Claims Cost	Average Claim Size \$
Failure to commence	3	17,297	622	279	18,198	6,066
Failure to complete	94	6,475,222	1,975,804	5,038,560	13,489,586	143,506
Major defect §	652	101,502,255	15,926,816	69,172,923	186,601,994	286,199
Other defect §	128	11,412,548	1,626,624	6,629,451	19,668,623	153,661
Total	877	119,407,322	19,529,866	80,841,213	219,778,401	250,603

Table E7. Claims Experience by Type of Cover (incl GST) – for Finalised Accepted Claims

Type of Cover	No. of Claims	Sum of Paid to Claimant	Sum of Paid to Third Parties	Total Gross Paid \$	Average Claim Size \$
New single dwelling construction	2,917	182,484,063	14,538,768	197,022,831	67,543
New multi dwelling (greater than 3 storeys)	9	5,000,850	723,848	5,724,698	636,078
New multi dwelling (3 storeys or less)	646	69,879,137	6,253,188	76,132,325	117,852
Alterations/Additions	618	49,431,774	3,859,580	53,291,354	86,232
Swimming Pools	245	4,953,203	615,458	5,568,661	22,729
Renovations (including kitchens and bathrooms)	106	6,671,948	506,891	7,178,839	67,725
C07: Other	46	2,049,515	96,315	2,145,830	46,648
Total	4,587	320,470,490	26,594,048	347,064,538	75,663

Table E8. Claims Experience by Type of Cover (incl GST) – for Open Accepted Claims

Type of Cover	No. of Claims	Sum of Paid to Claimant	Sum of Paid to Third Parties	Net Outstanding Estimate \$	Estimated Total Claims Cost	Average Claim Size \$
New single dwelling construction	410	19,035,886	4,842,461	19,515,158	43,393,505	105,838
New multi dwelling (greater than 3 storeys)	9	19,039,358	2,096,992	8,112,884	29,249,234	3,249,915
New multi dwelling (3 storeys or less)	225	68,162,624	10,310,609	41,963,475	120,436,708	535,274
Alterations/Additions	156	8,872,624	1,710,701	8,171,914	18,755,239	120,226
Swimming Pools	49	1,048,551	211,739	955,947	2,216,237	45,229
Renovations (including kitchens and bathrooms)	27	3,233,279	345,262	2,121,806	5,700,347	211,124
C07: Other	1	15,000	12,102	29	27,131	27,131
Total	877	119,407,322	19,529,866	80,841,213	219,778,401	250,603

E.4 Claims experience by year certificate issued

Table E9. Scheme Claims Experience to date by year of issue of project certificates (incl GST) – for all Accepted liability (finalised and open) claims: **builders and owner-builders combined**

Certificate calendar year of issue	No. of Claims	Sum of Paid to Claimant	Sum of Paid to Third Parties	Net Outstanding Estimate \$	Estimated Total Claims Cost	Average Claim Size \$
2002 (from 1/7/2002)	134	28,216,655	3,137,265	1,100,795	32,454,715	242,199
2003	374	60,757,918	8,320,805	15,209,812	84,288,535	225,370
2004	565	53,011,496	6,892,072	8,719,584	68,623,152	121,457
2005	504	44,659,608	5,536,366	6,074,278	56,270,252	111,647
2006	658	55,046,920	5,435,891	4,747,549	65,230,360	99,134
2007	897	51,425,991	5,490,487	7,356,844	64,273,322	71,654
2008	612	37,200,721	3,308,525	5,796,803	46,306,049	75,663
2009	412	27,797,026	2,564,814	10,037,470	40,399,310	98,057
2010	434	32,678,629	2,251,216	3,762,193	38,692,038	89,152
2011	538	37,225,802	2,634,143	8,868,321	48,728,266	90,573
2012	296	17,932,618	1,381,330	4,927,114	24,241,062	81,895
2013	85	3,274,105	337,097	2,910,385	6,521,587	76,725
2014	71	1,307,084	114,842	1,765,088	3,187,014	44,888
2015	3	31,956	2,679	98,414	133,049	44,349
Total	5,583	450,566,529	47,407,532	81,374,650	579,348,711	103,770

Table E9 shows the claims experience to date split by the year the project certificate was issued. For reasons explained in Section 2, this data provides an incomplete view of the claims experience for each year. For all years of issue, even for the earliest under the current scheme with certificates issued in 2002 and 2003, the number of claims and amount paid on claims will continue to increase over the next few years because:

- there may be significant delay between the date a project certificate is issued and the commencement of the project;
- the duration of building projects may range from a few weeks to a few years;
- coverage remains in place for six years after project completion; and
- it may take some time for home owners to identify a loss, lodge a claim with an insurer and for the insurer to assess the claim and arrange rectification.

The impact of these factors is even greater for more recent years and for multi-storey dwellings.

Insurers have also estimated additional costs of \$29 million in respect of claims in which liability has **not** yet been determined.

Insurers do manage to recover some claim payments, generally as creditors of insolvent builders or from third parties. Since the scheme commenced, some \$17 million has been recovered or about 3% of estimated total claims cost to date.

Overall for the Scheme, the number of accepted liability claims was up 166 or 3% and the reported costs up \$32 million or 6%, since last quarter.

Part II Owner-Builder Information

This section sets out the data for owner-builders (**OB**) in a similar format to that shown earlier for builders. Not all tables in Part I have a corresponding table in this section as some data is not relevant or available in respect of owner-builder insurance.

As new home building laws came into effect on 15 January 2015, owner-builders who sell properties built under owner-builder permits are no longer required to provide insurance to the subsequent purchaser, or attach certificate of insurance to contract for sale for intending purchasers of owner-builder work.

Consequently, **icare hbcf ceased issuing new insurance cover from 15 January 2015 to owner-builders who sell their properties and so no new data is applicable for reporting in sections OB.C and OB.D post-March 2015 quarter.** Claims will continue to be reported and settled for many years.

OB.C Project Certificate information – Owner-Builder

OB.C2 New project certificates issued – Owner-Builder

Table **OB.C2.** Number of project certificates issued by type of cover

Quarter /Type of cover	New single dwelling construction	New multi dwelling (3 storeys or less) *	Alterations /Additions #	Swimming Pools	Renovations (including kitchens and bathrooms) ^	Other	Totals
Sep 12	146	8	136	9	0	0	299
Dec 12	159	8	117	2	0	1	287
Mar 13	164	6	99	8	0	0	277
Jun 13	165	10	132	3	0	1	311
Sep 13	202	12	134	6	0	1	355
Dec 13	173	12	141	4	0	0	330
Mar 14	162	16	140	6	1	0	325
Jun 14	156	22	153	10	0	1	342
Sep 14	156	6	128	2	0	0	292
Dec 14	195	16	155	5	1	0	372
Mar 15 ^{&}	18	2	12	0	0	0	32
Jun 15 ^{&}	0	0	0	0	0	0	0

* A project certificate is issued for each unit in a multi-unit development.

Alterations and additions - structural (i.e. the majority of the work is structural).

^ Renovations - non-structural (i.e. the majority of the contract is non-structural), including e.g. kitchen /bathroom renovations and trade work.

& No new owner-builder certificates issued since 15 January 2015

Figure OB.C2 Total Number of project certificates issued during each quarter

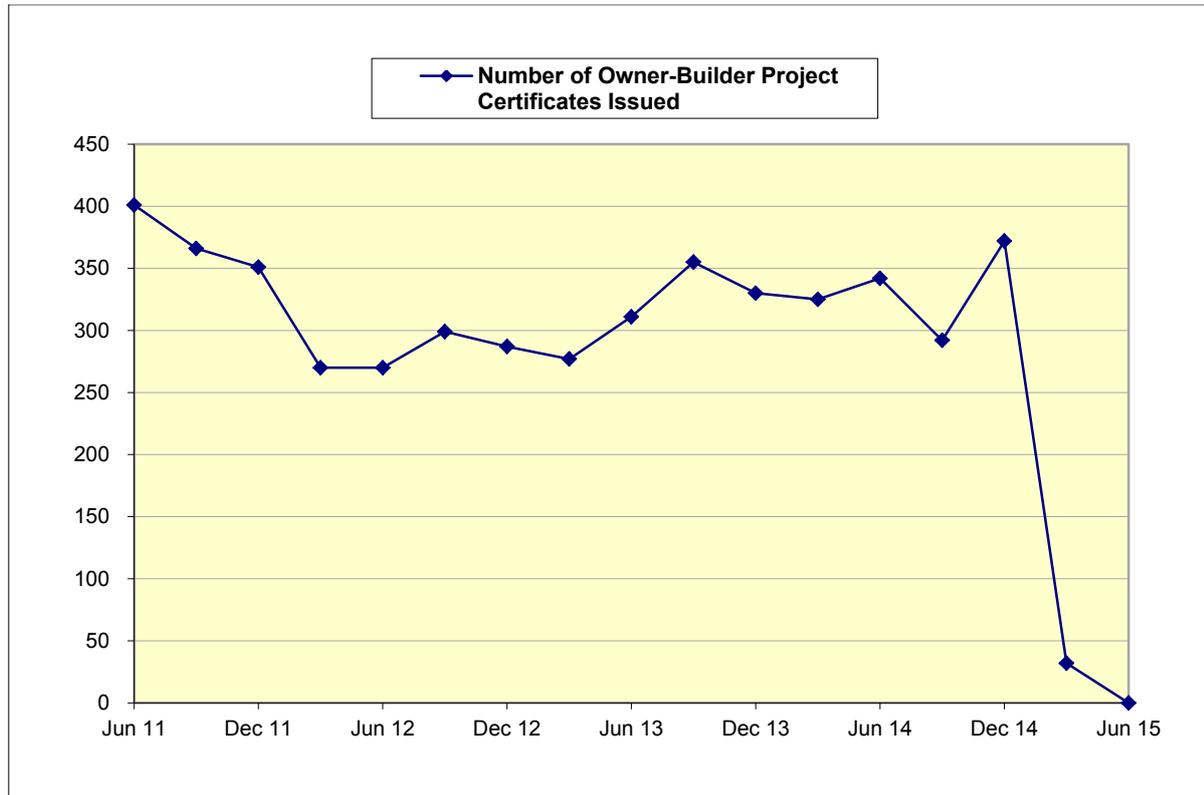


Table OB.C3. Value of project certificates issued by type of cover – (\$'000)

Quarter /Type of cover	New single dwelling construction	New multi dwelling (3 storeys or less) *	Alterations /Additions #	Swimming Pools	Renovations (including kitchens and bathrooms) ^	Other	Totals (\$'000)	Average Value per Project Certificate (\$'000)
Sep 12	42,671	1,420	18,937	218	0	0	63,246	212
Dec 12	51,501	2,120	13,645	61	0	150	67,477	235
Mar 13	47,831	1,248	12,845	240	0	0	62,164	224
Jun 13	51,870	2,070	18,181	97	0	200	72,418	233
Sep 13	59,949	2,380	18,112	229	0	240	80,910	228
Dec 13	53,554	2,512	22,436	119	0	0	78,621	238
Mar 14	51,268	3,512	21,512	269	140	0	76,701	236
Jun 14	46,968	4,800	24,375	344	0	110	76,597	224
Sep 14	48,094	1,270	20,267	144	0	0	69,775	239
Dec 14	59,179	3,580	23,107	292	69	0	86,227	232
Mar 15 ^{&}	5,208	450	2,087	0	0	0	7,745	242
Jun 15 ^{&}	0	0	0	0	0	0	0	0

* A project certificate is issued for each unit in a multi-unit development.

Alterations and additions - structural (i.e. the majority of the work is structural)

^ Renovations - non-structural (i.e. the majority of the contract is non-structural), including e.g. kitchen/bathroom renovations and trade work

& No new owner-builder certificates issued since 15 January 2015

OB.D Premium Information- Owner-Builder**OB.D1 Total premiums by project type – Owner-Builder**Table **OB.D1.1** Written premium for project certificates issued (including charges) - (\$'000)

Quarter /Type of cover	New single dwelling construction	New multi dwelling (3 storeys or less) *	Alterations /Additions#	Swimming Pools	Renovations (including kitchens and bathrooms) ^	Other	Totals
Sep 12	367	20	169	2	0	0	558
Dec 12	444	32	123	1	0	1	601
Mar 13	438	19	113	3	0	0	573
Jun 13	466	17	155	1	0	1	640
Sep 13	514	23	156	2	0	2	697
Dec 13	465	38	186	2	0	0	691
Mar 14	444	52	183	3	1	0	683
Jun 14	421	66	214	4	0	1	706
Sep 14	416	19	179	2	0	0	616
Dec 14	518	53	198	4	1	0	774
Mar 15 ^{&}	47	7	19	0	0	0	73
Jun 15 ^{&}	0	0	0	0	0	0	0

& No new owner-builder certificates issued since 15 January 2015

Table **OB D1.2** Written premium for project certificates issued (excluding charges) - (\$'000)

Quarter /Type of cover	New single dwelling construction	New multi dwelling (3 storeys or less) *	Alterations /Additions#	Swimming Pools	Renovations (including kitchens and bathrooms) ^	Other	Totals (\$'000)
Sep 12	260	14	120	2	0	0	396
Dec 12	314	23	87	1	0	1	426
Mar 13	311	13	80	2	0	0	406
Jun 13	330	12	110	1	0	1	454
Sep 13	364	16	111	2	0	1	494
Dec 13	330	27	132	1	0	0	490
Mar 14	315	37	130	2	1	0	485
Jun 14	298	47	152	3	0	1	501
Sep 14	295	14	127	1	0	0	437
Dec 14	367	37	141	3	0	0	548
Mar 15 ^{&}	33	5	14	0	0	0	52
Jun 15 ^{&}	0	0	0	0	0	0	0

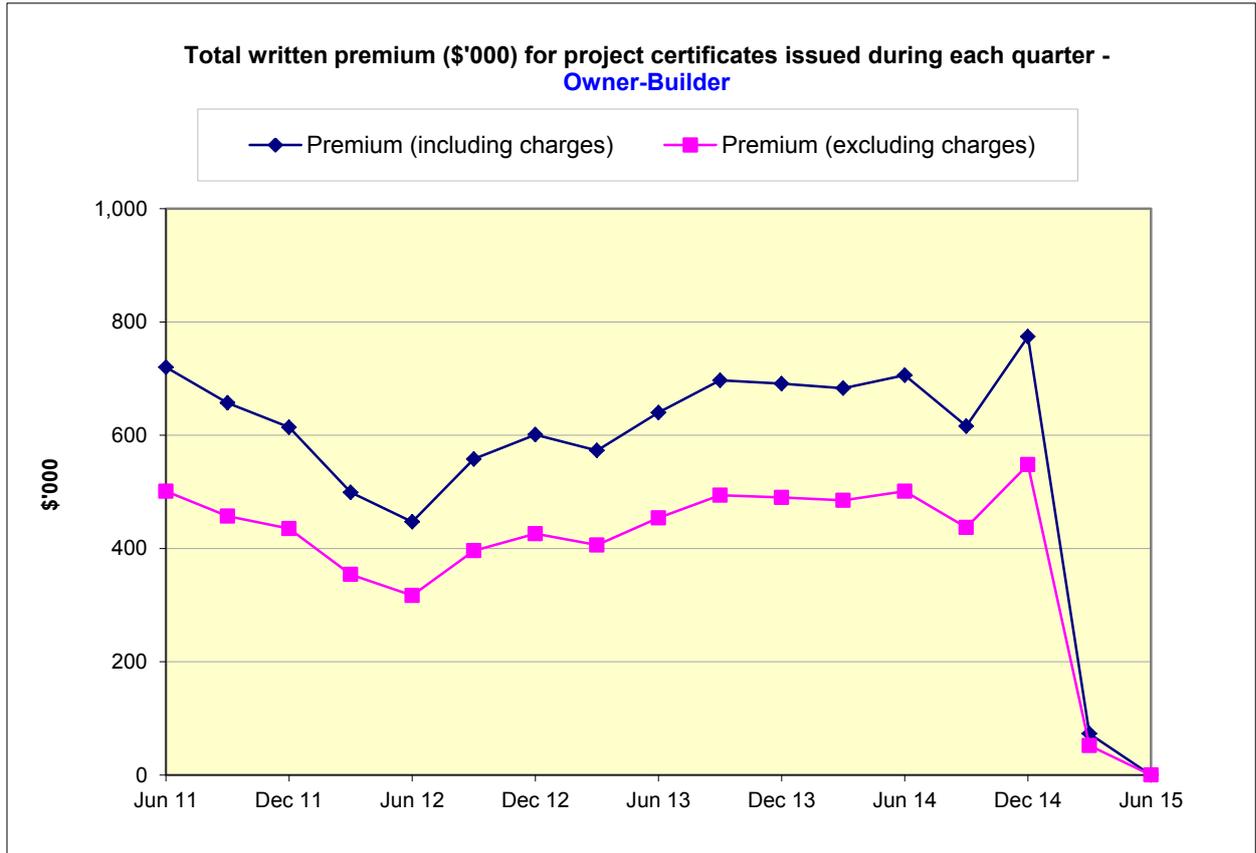
* A project certificate is issued for each unit in a multi-unit development.

Alterations and additions - structural (i.e. the majority of the work is structural)

^ Renovations - non-structural (i.e. the majority of the contract is non-structural), including e.g. kitchen/bathroom renovations and trade work.

& No new owner-builder certificates issued since 15 January 2015

Figure OB.D1 Trend in written premiums for project certificates issued during each quarter



OB.D2 Average premium per project certificate – Owner-Builder

Table OB.D2.1 Average Premium (including charges) per Project Certificate Issued by Type of Cover (\$)

Quarter /Type of cover	New single dwelling construction	New multi dwelling (3 storeys or less)*	Alterations /Additions #	Swimming Pools	Renovations (including kitchens and bathrooms) ^	Other	Average per certificate issued \$
Sep 12	2,512	2,549	1,242	274	0	0	1,868
Dec 12	2,788	4,003	1,054	413	0	1,209	2,093
Mar 13	2,669	3,142	1,146	408	0	0	2,069
Jun 13	2,824	1,714	1,169	474	0	1,381	2,059
Sep 13	2,546	1,906	1,163	431	0	1,934	1,965
Dec 13	2,691	3,163	1,319	406	0	0	2,094
Mar 14	2,741	3,247	1,310	580	705	0	2,103
Jun 14	2,698	3,031	1,398	410	0	633	2,065
Sep 14	2,669	3,198	1,395	1,058	0	0	2,110
Dec 14	2,657	3,297	1,279	799	486	0	2,080
Mar 15	2,612	3,399	1,581	0	0	0	2,274
Jun 15	0	0	0	0	0	0	0

Table **OB.D2.2** Average Premium (**including charges**) per \$1,000 of Value of Project Certificates issued by Insurer

Quarter /Type of cover	New single dwelling construction	New multi dwelling (3 storeys or less) *	Alterations /Additions #	Swimming Pools	Renovations (including kitchens and bathrooms) ^	Other	Average rate per \$1,000 project value \$
Sep 12	8.59	14.36	8.92	11.33	0	0	8.83
Dec 12	8.61	15.11	9.04	13.51	0	8.06	8.90
Mar 13	9.15	15.11	8.83	13.60	0	0	9.22
Jun 13	8.98	8.28	8.49	14.63	0	6.91	8.84
Sep 13	8.58	9.61	8.61	11.30	0	8.06	8.62
Dec 13	8.69	15.11	8.29	13.62	0	0	8.79
Mar 14	8.66	14.79	8.52	12.92	5.04	0	8.91
Jun 14	8.96	13.89	8.77	11.94	0	5.75	9.22
Sep 14	8.66	15.11	8.81	14.66	0	0	8.83
Dec 14	8.76	14.74	8.58	13.68	7.09	0	8.97
Mar 15	9.03	15.11	9.09	0	0	0	9.40
Jun 15	0	0	0	0	0	0	0

* A project certificate is issued for each unit in a multi-unit development.

Alterations and additions - structural (i.e. the majority of the work is structural)

^ Renovations - non-structural (i.e. the majority of the contract is non-structural), including e.g. kitchen/bathroom renovations and trade work.

Premium rates for owner-builders were generally higher than for corresponding work done by builders. This may reflect insurer expectations of higher costs of claims for major and general defects in respect of owner-builders compared to licensed builders.

OB.E Claims Information- Owner-Builder

OB.E1 Number of claims by liability assessment status – Owner-Builder

Table **OB.E1** Number of Claims by Liability Status at each quarter end

Quarter	Liability accepted	Liability fully denied	Liability in dispute	Liability being assessed	Notification only #	Total
Sep 12	80	151	2	10	56	299
Dec 12	85	152	1	7	59	304
Mar 13	87	159	1	6	71	324
Jun 13	87	169	1	4	81	342
Sep 13	91	169	2	5	88	355
Dec 13	95	172	0	2	92	361
Mar 14	101	179	0	7	99	386
Jun 14	108	181	0	4	107	400
Sep 14	107	185	0	2	112	406
Dec 14	112	187	0	2	118	419
Mar 15	115	187	0	2	123	427
Jun 15	116	195	0	2	129	442
Sep 15	119	204	2	1	134	460

If a 'Notification' has not become a claim after an extended period, its status is recorded as 'Finalised' within the 'Notification' category. As at 30 September 2015, there were 133 such 'Notifications' which were 'Finalised' with nil payment to claimant.

OB.E2 Reasons claims denied – Owner-Builder*Table OB.E2. Liability fully denied – breakdown by Reason Claim Declined*

Quarter	Out of time	Builder found	Builder not dead	Builder not insolvent	Not deemed a defect	Total
Sep 12	8	98	1	33	11	151
Dec 12	8	98	1	34	11	152
Mar 13	9	103	1	36	10	159
Jun 13	10	108	1	39	11	169
Sep 13	9	109	1	39	11	169
Dec 13	10	111	1	39	11	172
Mar 14	10	117	1	39	12	179
Jun 14	10	120	1	39	11	181
Sep 14	11	121	1	39	13	185
Dec 14	11	123	1	39	13	187
Mar 15	11	122	1	39	14	187
Jun 15	12	127	1	41	14	195
Sep 15	16	123	1	43	21	204

Note: A decrease from prior quarter may occur due to a reclassification to another category for the claim concerned.

OB.E3 Claims experience - Owner-Builder

The remaining tables in this section show a further breakdown of the claims as at 30 September 2015 where liability has been accepted as at that date. Both open and finalised claims are included in these tables.

Table OB.E3. Claims Experience by Principal Cause (incl GST) – Accepted Liability Claims

Principal Cause	No. of Claims Reported	No. of claims Open	Total amounts paid to date \$	Estimated Total Claims Cost \$	Average Claim Size \$
Insolvency	47	6	4,854,486	4,924,266	104,772
Death	5	0	171,939	171,939	34,388
Disappearance	67	9	6,945,910	7,409,567	110,591
Total	119	15	11,972,335	12,505,772	105,091

“Total amounts paid to date” includes all payments to the claimant or to suppliers involved in the rectification of the works. It also includes payments to third parties such as investigators, loss adjusters, legal expenses, etc. Insurers’ own claim handling expenses (overheads) are excluded.

Disappearance of builder is the dominant cause of claims with respect to owner-builders, in contrast to claims against builders which are predominantly in respect of builder insolvency.

Table OB.E4. Claims Experience by Claim Code (incl GST) – Accepted Liability Claims

Claim Code	No. of Claims Reported	No. of claims Open	Total amounts paid to date \$	Estimated Total Claims Cost \$	Average Claim Size \$
Major defects	111	14	11,453,252	11,969,127	107,830
Other defects	8	1	519,083	536,645	67,081
Total	119	15	11,972,335	12,505,772	105,091

Non-commencement and non-completion are not applicable as to the circumstances giving rise to claims against owner-builders.

Table **OB.E5**. Claims Experience by Type of Cover (incl GST) – Accepted Liability Claims

Type of Cover	No. of Claims Reported	No. of claims Open	Total amounts paid to date \$	Estimated Total Claims Cost \$	Average Claim Size \$
C01 : New single dwelling construction	92	12	9,076,399	9,590,036	104,240
C03 : New multi dwelling (3 storeys or less) *	2	0	238,867	238,867	119,434
C04 : Alterations/Additions	24	3	2,554,4450	2,574,250	107,260
C05: Swimming Pools	0	0	0	0	0
C06 : Renovations (including kitchens and bathrooms)	0	0	0	0	0
C07: Other	1	0	102,619	102,619	102,619
Total	119	15	11,972,335	12,505,772	105,091

*Multi-unit claims for common areas are averaged over all units within a development

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However to ensure you comply with your legal obligations you must refer to the appropriate legislation as currently in force. Up to date legislation can be found at the NSW Legislation website legislation.nsw.gov.au

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State Insurance Regulatory Authority, Level 25, 580 George Street, Sydney NSW 2000

General phone enquiries 1300 137 131 or Claims Advisory Service 1300 656 919

Website www.sira.nsw.gov.au

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