

10th September 2021

To Whom it may concern

SUBJECT: SIRA CONSULTATION PAPER ON HBC CONSTRUCTION TYPE DEFINITIONS

Mirvac Homes Pty Ltd (Mirvac), is sincerely grateful for the opportunity to review and respond to SIRA's "Consultation paper on HBC Construction Type Definitions" dated 9 August 2021 and would like to offer the following responses to the consultation questions.

Question 1: Do you agree with excluding land title from premium price setting?

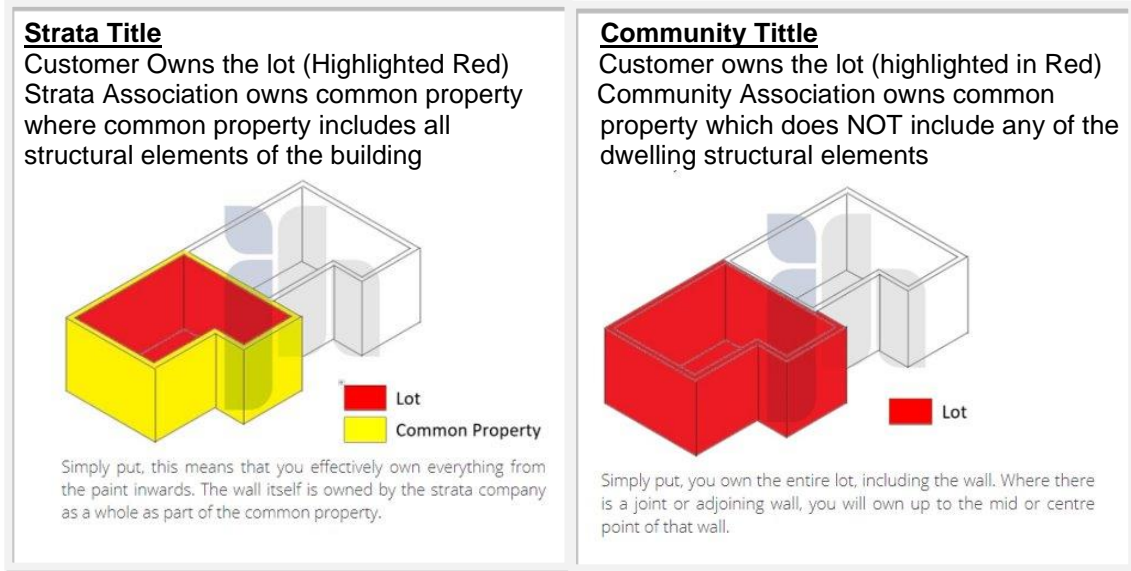
Answer: Mirvac strongly agrees with the exclusion of land title from premium price setting for the following reasons:

1. The HBCF Insurance Policy Premium must relate to the type of building, value of work and risk profile and not the type of land title that exists.
2. Currently, the premium pricing is being adopted equally for strata and community title, which provides no consideration to the actual risk associated with the product or dwelling being constructed and hence the premium is being measured on risk of title and not risk of product. i.e. Homes vs Apartments.
3. Community title developments and Strata title developments have a clear and distinct difference in relation to common risk profile from the HBCF perspective.
4. Community Title vs Strata title
 - (a) The main difference relates to the way in which the boundaries of each are defined:
 - (i) Strata titles are created when a structure (i.e. apartment block, townhouses and duplexes) is subdivided with the strata lot boundaries being defined by structural aspects of the building (such as walls, floors and ceilings). Typically this results in:
 - (A) the strata lot owner owning the inside of the unit (i.e. comprising internal walls, fixtures, carpet and paint on the walls) but not the main structure of the building; and
 - (B) the Owners Corporation (which is created on registration of the strata plan) owning (and hence being responsible for the repair and maintenance of) the main structure which comprises the main walls, the ceiling, roof and the floor of each lot.
 - (ii) In a community scheme the boundaries of lots for individual occupation (**Community Lots**) are defined by survey land measurements (in the same manner as typical Torrens Title flat land subdivision), with the result that the Community Association (created on registration of the community plan) as well as any subsidiary association (such as a precinct or neighbourhood association), have no interest in the structure or

This ensures owners' rights reflect the fact that each lot depends on the structural integrity of the whole building. As the owner of the structural elements of the building the Owners Corporation has a very real (and indeed greater) interest in any defects liability periods and warranties from the Developer/Builder and hence an interest and ability to claim under any Home Owners Warranty insurance.

indeed any elements of the home erected on the Community Lot. The only “property” which a Community Association owns or has responsibility for maintaining or repairing is the community association property. The definition of what elements comprise community association property is individual to each community scheme and can range from a pocket park, to private roads and services through to swimming pools and whole buildings such as a health and recreation centre.

5. Mirvac offers the following diagrammatical example of the above statements



6. As the Community Association has no authority over the individual dwellings, this then does not allow for the Association’s intervention on individual lots and associated defect issues that may expose the scheme to higher costs
7. Insurance requirements of the Community Association is over Community Association property and their contractors only, this is important as the Insurance requirements of the dwellings are the responsibility of the individual owners.
8. The risk profile and subsequent premium for an individual home under community title is significantly less in comparison to a block of three storey apartments where the common property of apartment block hold a much higher risk profile.
9. Mirvac has provided examples to ICARE and SIRA where we have built homes under a Torrens title DA, which attracted a C01 category for insurance premium and in the same Local Government Area, Mirvac have built the exact same type of homes under a Community Title DA, however, this insurance policy was allocated to C03 category, which attracted a 500% increase in premium price for the exact same type of dwelling. Therefore the risk and cost of the dwelling is the exact same, however the different title label has attracted a significant increased premium.

Question 2: Which of the options outlined in this paper do you prefer and why?

Answer: Mirvac wishes to nominate **Option 2A** as the most appropriate and logical amendment to the policy Guidelines for the following reasons:

1. Option 2A will allow insurance policy premiums to be applied based on the risk of the dwelling being insured and not the land title.
2. This option will provide a more simplistic form of categorising construction types and subsequent risk profiles for insurers, contractors and customers.
3. This option will also provide a more reasonable, practical and financially sustainable application of Insurance Premiums to homes built in a community title development.

4. Option 2A will provide a consistency of applying insurance based on risk of homes being insured and not land title. i.e A home built in a Torrens title development will have the same insurance premium as the same type of home built in a community title development.

Mirvac also wishes to acknowledge that **Option 2B** is also an appropriate and logical option, however, we believe that the changes to the Guidelines proposed under Option 2A would be minimal and therefore allow a change to the guideline to occur much more efficiently. Mirvac believes that adopting Option 2B, albeit achieving the same outcome as 2A, would take much longer as it will require a significant change to the policy guidelines and therefore recommends that Option 2A be adopted immediately, with a consideration to move to an alignment to building classes as tabled in Option 2B over time so as not to delay the change to the guidelines to resolve the current inconsistency relating to title.

Question 3: If icare were required to define its own construction categories for premium purposes, when and how should industry be notified or consulted about proposed future amendments?

Answer: Mirvac does NOT agree that icare should be required to define its own construction categories for premium purposes as we feel this would create additional and unnecessary complexity and potential confusion. Mirvac also feels that this option has the potential to create further inconsistency and subjectivity around assessment of risk.

Question 4: If you prefer Option 2A or 2B, are the categories appropriate? If not, what changes do you recommend and why?

Answer: Mirvac would like to confirm that the categories set out in Option 2A or 2B are appropriate and in particular relation to Option 2A where, detached homes being categorised as C01 and duplexes and terraces to be categorised as C09. Option 2B relates to NCC and building Classes and again, Mirvac is in agreement that insurance policies relating to the Class of building is also appropriate as this would see all Class 1 Buildings such as detached, duplex or terrace to be categorised in the same way in relation to insurance premium.

Question 5: If you prefer a different option to the ones outlined in this consultation paper, please explain your preferred approach and the reasons.

Answer: Mirvac does not prefer any other option and again strongly supports the adoption of Option 2A.

Mirvac would again like to thank you for the opportunity to be involved in SIRA's consultation process and would welcome any further discussions. Mirvac would also like to offer any further evidence or examples to support its recommendation to adopt Option 2A to ensure that the necessary changes are made as soon as practically possible.

Yours sincerely

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Masterplanned Communities,
Mirvac Homes