

17th September 2021

Attention:
Richard Potts
Manager
HBCF Regulatory Policy
Level 14-15, 231 Elizabeth St Sydney NSW 2000

RE: Home Building Compensation Consultation Paper dated 9th August 2021

Dear Mr Potts,

We have considered the options proposed in the home building compensation consultation paper and our response is as follows:

1. Do you agree with excluding land title from premium price setting? Please indicate your reasons

Yes, pricing should not be based on land titles but the underlying claim factors and experience.

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

Our recommendation is the adoption of option 1 with some modifications.

Our rationale for the adoption of option 1 is to encourage private insurers to enter the home warranty market in NSW. In order to consider participating in the NSW scheme, insurers should have the option to price risk according to their own internal assessments and experience of claims, whilst also achieving an acceptable margin.

The most effective pricing model for this product is a risk loaded pricing structure determined by the insurer with variables factored into the price, such as type of build, contractor history, contractor financial strength, claims experience, location, build cost and other factors deemed appropriate.

Although we support option 1, we do not support the oversight controls requiring SIRA to approve changes to pricing structures based on SIRA's definitions of 'excessive' or 'inadequate' unless this is limited in scope to icare HBCF for the purposes of evaluating a government run scheme. Insurers are best placed to judge their pricing structures and should have the freedom to make changes without regulatory hurdles.

If you have any questions, please feel free to reach out to me directly.

Yours sincerely

Head of Builders Warranty & Domestic Building Insurance