



HOUSING INDUSTRY ASSOCIATION



Housing Australians



Submission to the
Self Insurance Regulatory Authority

Home Building Compensation Eligibility Guidelines
Home Building Compensation Premium Guidelines
Discussion Papers

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ABOUT THE HOUSING INDUSTRY ASSOCIATION

The Housing Industry Association (HIA) is Australia's only national industry association representing the interests of the residential building industry, including new home builders, renovators, trade contractors, land developers, related building professionals, and suppliers and manufacturers of building products.

As the voice of the industry, HIA represents some 40,000 member businesses throughout Australia. The residential building industry includes land development, detached home construction, home renovations, low/medium-density housing, high-rise apartment buildings and building product manufacturing.

HIA members comprise a diversity of residential builders, including the Housing 100 volume builders, small to medium builders and renovators, residential developers, trade contractors, major building product manufacturers and suppliers and consultants to the industry. HIA members construct over 85 per cent of the nation's new housing stock.

HIA exists to service the businesses it represents, lobby for the best possible business environment for the building industry and to encourage a responsible and quality driven, affordable residential building development industry. HIA's mission is to:

"promote policies and provide services which enhance our members' business practices, products and profitability, consistent with the highest standards of professional and commercial conduct."

The residential building industry is one of Australia's most dynamic, innovative and efficient service industries and is a key driver of the Australian economy. The residential building industry has a wide reach into manufacturing, supply, and retail sectors.

The aggregate residential industry contribution to the Australian economy is over \$150 billion per annum, with over one million employees in building and construction, tens of thousands of small businesses, and over 200,000 sub-contractors reliant on the industry for their livelihood.

HIA develops and advocates policy on behalf of members to further advance new home building and renovating, enabling members to provide affordable and appropriate housing to the growing Australian population. New policy is generated through a grassroots process that starts with local and regional member committees before progressing to the Association's National Policy Congress by which time it has passed through almost 1,000 sets of hands.

Policy development is supported by an ongoing process of collecting and analysing data, forecasting, and providing industry data and insights for members, the general public and on a contract basis.

The Association operates offices in 23 centres around the nation providing a wide range of advocacy and business support, including services and products to members, technical and compliance advice, training services, contracts and stationary, industry awards for excellence, and member only discounts on goods and services.



1. INTRODUCTION

On Friday 18 August, the Self Insurance Regulatory Authority (**SIRA**) released two discussions papers dealing with matters that arise as a result of the passage of the *Home Building Amendment (Compensation Reform) Act 2017 (Act)*. One discusses new eligibility guidelines for warranty insurance (**Eligibility Guidelines Discussion Paper**), while the other deals with premium guidelines for licensed insurers (**Premium Guidelines Discussion Paper**).

HIA welcomes the opportunity to provide feedback in response to these discussion papers.

Primarily through the granting of warranty insurance eligibility, the NSW warranty insurance scheme significantly influences the ability of a contractor in the residential construction industry to trade, including the type of work they can carry out, the value of that work and the number of jobs that can be on foot at any one time. In that way the scheme acts as, and is considered to be, a quasi-regulator.

The Eligibility Guidelines should establish a minimum set of criteria for the securing of warranty insurance in NSW. Those criteria should be flexible enough to suit the complexity of the residential construction industry and adaptable to innovative Alternative Indemnity Products that provide equivalent prudential strength. Applicants should be able to understand what is required of them both through the application process and the process of the review of eligibility.

The process of obtaining and granting warranty insurance eligibility should also be seen as a way of lifting industry standards through reasonable risk mitigation measures and prudential controls, rewarding those that are sufficiently capitalised and performing well and not unduly restricting the growth of strong performers.

The Premium Guidelines Discussion Paper looks at how premiums should be calculated and assessed.

Despite the reforms, premiums remain the primary lever through which to control the schemes liabilities, as such the Premium Guidelines must allow HBC providers the flexibility to determine premiums based on their own actuarial analysis and product offering while also monitoring the overall performance of the scheme to meet its commitments should it be required to. Risk based premium pricing should be embraced and used to reward good performers and encourage improvements in business performance and outcomes.

Throughout the review of the NSW Home Building Compensation Fund, HIA has raised concerns that claims that the legislative changes to date *'will allow competition into the market, ensuring the scheme's financial sustainability and maintaining high levels of consumer protection'*¹ have not yet been met. In HIA's view the measures introduced do not sufficiently encourage innovation or private sector re-entry into the NSW warranty insurance market.

¹ Home Building Eligibility Guidelines Discussion Paper, August 2017 at pg.4



The development of these Guidelines (and further supporting guidelines and regulations) have been approached as another opportunity for HIA to put forward the industry's concerns and to make suggestions that we consider promote innovation, competition and premium relief.

2. GENERAL COMMENTS

2.1 USE OF DATA

On a number of occasions the Discussion Papers raise questions about the use and collection of data. From HIAs perspective, the use, collection and re-distribution of data should be assessed from one of two categories.

The first category is the use of data that is currently publically available. HIA understand that the Discussion Paper refers to this type of additional as including:

'...data concerning disciplinary or enforcement action concerning contractors, consumer complaints, certification of building and development work, planning system data, or information from publicly available data sources outside the NSW Government...'²

HIA does not oppose the compilation or analysis of existing publically available data to assist SIRA.

The second form of data is that which is currently not made publically available.

Currently, a consumer can access information relating to a contractors:

- License, including details of compliance related matters.
- Warranty insurance eligibility including:
 - A premium pricing tool.
 - A register of warranty insurance certificates.

This information ensures that a consumer has some insight into the works they have been engaged in and the compliance of their contractor with legislative requirements.

Proposals seeking to make other information that is not currently publically available but is (or will be) collected by SIRA and HBC providers publically available should be approached with caution.

Further, private warranty insurance providers could (appropriately) have their own commercial process and procedure for collecting and using data and despite any legislative permission given to SIRA to request and collect information from those private providers, any further use of that information should be limited.

² Home Building Eligibility Guidelines Discussion Paper, August 2017 at pg.12.



In HIA's view the information currently made publically available is appropriate.

2.2 ALTERNATIVE INDEMNITY PRODUCTS (AIP)

Both Discussion Papers consider how to regulate an AIP that may come into the NSW warranty insurance market as a result of the legislative changes.

It is also of note that the Act makes provision for the issuance of specific AIP Guidelines³, which includes guidance on the determination of premiums.

HIA is concerned that treating AIP separately will 'lower the bar', increase risk to consumers by creating an uneven playing field between AIP and other warranty insurance products.

It is unclear why separate guidelines would need to be issued for AIP. Differences in the treatment of premiums or eligibility under the current warranty insurance product and any other products that could be offered may negatively influence the insurance market. Competition will ultimately determine how the market should operate and should not be artificially distorted by differential intervention and treatment by the regulator.

The guidelines which are ultimately developed should be the minimum requirements and should be able to apply equally to insurance products in the current form and AIP.

2.3 TRANSITIONAL ARRANGEMENTS

Any newly developed guidelines must include transitional arrangements clearly outlining how current arrangements are to be treated.

Past experience has shown that industry must be given sufficient lead time prior to the commencement of any new arrangements. Transparency in relation to when the changes take effect and their practical impact is essential.

HIA proposes the following approach:

- Those with existing eligibility should be deemed eligible under new guidelines. Any changes should not adversely affect current eligibility.
- Only when a contractor seeks an eligibility review should the new arrangements apply.
- Applications on foot when the new guidelines are introduced should continue to be dealt with under the previous criteria.

³ s104E of the Act



3. ELIGIBILITY GUIDELINES

The Eligibility Guidelines Discussion Paper examines how building contractors should be assessed for eligibility for insurance. HIA supports the need for an approach that *'must strike a balance between limiting HBC Scheme costs while avoiding unreasonable inhibitions on contractors' ability to trade*⁴.

The Discussion Paper also outlines a view often expressed by HIA members that the:

*'...current system imposes requirements that are difficult or costly to meet, and that it's sometimes hard to understand why some eligibility decisions have been made and what the contractor can do to get a better outcome.'*⁵

Equally important is the recognition that warranty insurance in NSW acts as a quasi-regulator, dictating the *'number, value and type of construction projects'*⁶ that a NSW contractor can carry out. Decisions by iCare affect the day to day livelihood of those in the industry and warranty insurance is consequently an emotive issue for HIA members.

HIA considers this Discussion Paper as an opportunity to inject transparency and objectivity into the assessment of a contractor's eligibility for warranty insurance for the benefit of both homeowners and contractors.

3.1 WHY HAVE ELIGIBILITY?

1. *Should the eligibility guidelines give HBC providers the flexibility to set their own standards within certain limits to issue an eligibility profile, as long as they can demonstrate they meet certain principles? Or should SIRA prescribe in detail the standards and criteria that all HBC providers must apply?*

Yes, in order to be attractive to the private market HBC providers should be given the flexibility to set their own eligibility criteria. As such, those set by SIRA must be limited to a minimum set of requirements and set a flexible approach. HBC providers can and should manage their own risk criteria, to do otherwise would undermine the principle of encouraging a competitive market.

2. *Should contractor eligibility profiles be portable between HBC providers, so that a contractor may buy HBC insurance from any provider without needing to be reassessed*

No, HBC providers will have their own unique risk assessment criteria.

⁴ Home Building Eligibility Guidelines, Discussion Paper, August 2017 at pg. 5

⁵ ibid

⁶ Home Building Eligibility Guidelines, Discussion Paper, August 2017 at pg. 7



3. SIRA intends to collect and share some information between HBC providers to help manage scheme-wide risks and potentially reduce the amount of information that a contractor would need to resupply when applying to a new provider for HBC insurance. What information should SIRA require be shared? What information should SIRA not share? Please provide reasons.

Whilst the Act makes it clear that in a range of circumstances the *Privacy and Personal Information Protection Act 1998* does not prevent the disclosure of certain information, HIA submit that in making decisions about the disclosure of information regard should still be had to the underlying intent of the Information Protection Principles, the fact that the nature of the information disclosed to licensed insurers will most likely be regarded as confidential information by the warranty insurance applicant, and that some information may be the IP of a licensed insurers.

4. Should HBC providers be obliged to offer insurance to any contractor who meets that provider's eligibility criteria (or should they retain some discretion)?

No, HBC providers should have discretion to offer or refuse insurance whether they meet the providers eligibility criteria. There may be factors beyond those set out in the eligibility criteria that influence a decision by a licensed insurer to offer insurance.

3.2 HOW ELIGIBILITY AFFECTS BUILDERS AND WHY IT MUST BE FAIR

5. What aspects of the current eligibility system are the most difficult or costly to comply with? Please provide examples or estimates of relevant costs.

The largely unfettered discretion of the HBCF to restrict the ability of a contractor to trade is a frustration for many HIA members. In some instances, eligibility limits can unduly restrict the growth of a residential builder and the imposition of risk mitigation measures to have such limits lifted (often through the piercing of the corporate veil) is needlessly excessive and onerous. Specifically, the requirement for the provision of a deed of indemnity by individual company directors, often in excessive amounts, is generally the only option provided in order to secure a change to eligibility limits. In some instances, the scheme has also required the restructure of a contractors business in order to gain eligibility.

Equally punitive is the imposition of frequent reporting requirements.

Other aspects of the current eligibility system in need of review include:

- Inconsistent interpretation of the guidelines at HBCF level, which filters down to Insurance Agents and inevitably to the Distributor. Naturally this fragmented view leads to delays in the review process.
- Decisions made on erroneous data within CIMS such as construction times which are not related to the specific sector such as pool builders, lengthy land registration times which invariably increases assumed turnovers, and increased accountancy fees and taxes for capitalisation of the business.
- Overly conservative viewpoints on working capital requirements, requiring unnecessary lines of credit to be established attracting increased fees, security held on assets etc.
- HBCF requirements to provide audited financials in order to attract a discount in premium rating which is clearly offset by cost of undertaking the audit.



6. Are there any requirements of the current eligibility system that are difficult to understand or can improve to provide more transparency about what contractors can do to improve assessment outcomes?

When assisted by an intermediary the eligibility criteria are understandable, however, it is often the case that builders require advocacy in regard to seeking eligibility.

The desire for transparency must be balanced with the fact that HBC providers will not want to disclose every element of the eligibility criteria as this may lead to an orchestration of the application to meet the requisite criteria rather than a true reflection of the situation.

Specifically, the application of builder ratings and how they are determined is ambiguous. There are 8 factors that contribute to determining a rating which ranges from +30% to -30%, applied in 5% increments or 13 pricing points. Ratings can sometimes change after each financial review, in some cases, up to four times a year as a result of quarterly reviews.

HIA members often express frustration with a lack of flexibility in approach by iCare in relation to the application of the eligibility criteria and how an assessment as to the contractors risk is determined.

Where contractors have been refused eligibility, refused a change to their eligibility or have had limitation otherwise placed on them, they should be informed of the reasons and given a range of risk mitigation options and the reasons for their impositions. Currently iCare tend to dictate these arrangements for which non-compliance prevents the issuance of eligibility.

7. Is there particular information or other requirements of the eligibility system that you think are not effective at reducing risk or should be reviewed? Please advise which they are and your reasons.

No.

8. Are there matters not currently considered in the eligibility process that should be considered? What are they and why?

While this will generally be for the HBC providers to determine, the current eligibility criteria appears to be adequate and has been developed over many years of risk experience.

Of note however is that the existing guidelines seem to suit the project home builder sector well, however there is no allowance built into the guidelines to suit other market segments such as pool builders, alterations and additions builders or developer builders.

For example, pools are usually built in two very distinct stages during the overall home construction. When the pool base is poured, the pool builder is unable to complete the project until such time that the home is complete and landscaping begins.



Developer builders are consistently disadvantaged by the financial review of the guidelines whereby the volatility on the balance sheet as a result of land banking is counted towards the overall Group liability which inevitably heavily discounts the final net position of the Group.

9. Do you agree that eligibility methodology should be transparent (public) and based on objective and evidence-based elements (please give reasons)?

While HBC providers will not want to publically disclose every element of the eligibility criteria as this may lead to an orchestration of the application to meet the requisite criteria rather than a true reflection of the situation, there should be a level of transparency between the HBC provider and the applicant during the application process. For example perhaps including areas of the review which provides further clarity on how the final result was obtained such as ANTA calculations and how builder rating factors were applied.

3.3 MANAGING/EXCLUDING RISKS VERSUS PRICING RISKS

10. What factors should be considered in the eligibility risk assessment?

The current factors considered in the eligibility risk assessment are wide ranging spanning both quantitative and qualitative factors. This is both necessary and appropriate to ensure that all facets of a business can be assessed and offset depending on a particular contractors circumstances in order to obtain eligibility.

11. Which factors are most important and why?

The most important factors are those that relate to financial strength and performance. If a contractor is performing well financially this is generally reflected in the quality of work and a lower level of claims and/or complaints.

12. The current eligibility system can restrict contractors to certain types of work as outlined in the seven factors, above. Are there issues with this approach or the particular categories that are used?

HIA's primary view is that the current categories and approach seem appropriate. However, in circumstances in which a contractor seeks to undertake works in a different category, a contractor should not be prevented from doing so simply because they have never carried out that type of work before. A holistic approach to eligibility is preferred, seeking to find and assess transferable elements of, for example, financial management techniques or experience to counter balance any perceived risks in undertaking a different category of work.

13. Could the threshold where contractors are denied eligibility be made more flexible if contractors were charged a higher premium or were subject to risk controls such as greater supervision of the contractor by the HBC provider? If so, how should SIRA regulate such arrangements?

No this should be determined by the HBC provider.

A higher premium for a bad risk or training a builder on the job is unfair to good builders who have the requisite skills and have capitalised their business. HIA is concerned that the suggested approach will ultimately lead to good builders subsidising bad ones. In any case, an approach of this nature really only applies to larger builders as a portfolio approach may be adopted by the underwriter for the small builders.



14. Could eligibility profiles give contractors scope to take on extra work beyond their current limit? For example: if they were willing to pay a higher premium for HBC insurance or were subject to risk controls such as greater supervision of the contractor by the HBC provider? If so, how should SIRA regulate such arrangements?

Higher premiums should not be a replacement for what is perceived to be a risk greater than that which has been approved. If the risk is real then higher premiums will not offset this risk.

15. Are the current dispute resolution mechanisms to resolve eligibility decision disputes appropriate? Are there any material issues and what could be done to address them?

Feedback from HIA members indicates that they appear to be working adequately, however competition in the market will provide greater choice and an alternative which does not currently exist.

3.4 ELIGIBILITY AND NEW BUILDERS

16. How can the eligibility guidelines best support or encourage HBC providers to include better access for new and small contractors to be classified as eligible, while ensuring that homeowners and the scheme are not exposed to unreasonable risks?

New entrants should be allowed to operate without the current Builder managed scheme. They should be restricted to lower levels of activity, but not subject to the requirement of inspections and restrictions on progress payments.

3.5 ELIGIBILITY AND REGIONAL OR CROSS-BORDER BUSINESSES

17. In terms of getting and maintaining eligibility under the current scheme, what specific challenges do contractors face when operating across NSW's borders?

Contractors operating across borders can experience intermittent activity levels which could have an impact on eligibility. However this is why cross border contractor businesses need to be assessed on their operations in all jurisdictions as a whole across all borders.

18. How can the eligibility guidelines better support contractors who operate across NSW's border regions?

These builders should be no more impacted by the guidelines than any other builders, but subject to HBC providers discretion based on known risks affecting specific geographic locations.

19. Should the eligibility requirements vary for contractors who work in regional locations?

No, but subject to HBC providers discretion based on known risks affecting specific geographic locations.

As is currently the case these contractors should be assessed on the performance of their business as a whole and not just on the projects undertaken in NSW.

3.6 ELIGIBILITY AND NEW HBC PRODUCTS

20. Should the guidelines specify different eligibility standards depending on the type of product to be offered? For example, if the HBC provider proposes to perform quality

assurance checks and oversight progress payments, could the standard to issue an eligibility profile be lowered to reflect these risk controls?

No. The standard eligibility criteria should set a minimum standard only and should be flexible enough to apply across HBC products with the discretion of a provider to adapt and/or add to those criteria where appropriate.

21. Should the eligibility guidelines specify appropriate standards for any additional insurance products (in excess of minimum HBC insurance requirements) that HBC providers might want to incorporate?

No, SIRA should only be involved in ensuring that the minimum HBC insurance requirements are covered and APRA standards are not lessened or compromised. Individual HBC providers could have discretion to set their own standards in excess of the minimum if seen as necessary and appropriate.

3.7 ELIGIBILITY DATA AND ANALYTICS

22. Whatever the eligibility standards, should SIRA require that HBC providers collect certain data from contractors that contribute to predicting insolvency or other relevant factors?

While this may be of some use the following is unclear:

- What information would be collected?
- How would this information be used?
- As outlined above, a substantial amount of information is currently collected by iCare, including both qualitative and quantitative information. It is unclear from the Eligibility Guidelines Discussion Paper if this is proposed to be changed.

HIA can provide further feedback when, and if, further detail is made available in relation to the collection of information.

23. Designing and building suitable systems to integrate data and apply analytics will take time and resources. What data projects should SIRA prioritise to support the HBC scheme?

HIA does not have a view on this at this time.

24. Should SIRA develop assessment tools and make these available to all HBC providers to support their eligibility assessments, or should it be up to individual HBC providers to decide whether and how to apply their own data analytics models?

HBC providers will have or will develop their own tools and would not normally rely on third parties to provide underwriting tools. This may also create an unintended liability for SIRA if a risk predictive tool was provided by SIRA and it failed or was perceived to have failed and this led to a builders collapse.

25. SIRA may seek to use data to improve how the eligibility requirements apply to different contractors (e.g. so that the process is less burdensome for some contractors). How can SIRA best support HBC providers with such an approach?

In HIA's view this is an issue for the HBC providers and SIRA should not dictate the requirements.

26. What information about contractor eligibility should SIRA make publicly available? In what ways and what formats should the data be made available?

HIA refers to the comments outlined above and reiterates the view that the information currently provided is appropriate and the form of the current information is also appropriate.

4. PREMIUM GUIDELINES

4.1 PREMIUM PRINCIPLES

1. *What premium principles should apply to the HBC Scheme?*

HIA agrees that the premium principles outlined within the Discussion Paper are appropriate.

2. *Are there particular principles applied in the workers compensation or motor accidents insurance regimes that should apply or not apply in the HBC Scheme?*

No.

3. *How detailed or prescriptive should the premium principles be about how they will be interpreted or applied?*

The premium principles are just that, principles. They should be used as a guide when undertaking an assessment of a premium filing and not applied in a way that is unduly prescriptive or inflexible.

4.2 PREMIUM FILINGS

4. *What should the premium guidelines require for filings by licensed HBC providers to ensure that premiums are not excessive or inadequate?*

Premiums need to be supported by actuarial analysis.

5. *Is there any additional information or other matters that the premium guidelines should require that licensed HBC providers submit with a premium filing?*

As above.

6. *What, if any, matters should the premium guidelines prescribe about maximum fees payable to the agents of licensed HBC providers and other expenses that may be included in the determination of premiums?*

Fees should not be prescriptive. SIRA should only concern itself with premiums. Fees are charged for professional services provided by advocacy firms and commensurate with the value of service provided, they bare no relationship to premiums and should not under any circumstances be considered by SIRA. Market forces will determine the appropriate fee for service.

7. *Should SIRA publish a standard premium filing template and information to support the premium filing process?*

HIA agree that a standard premium filing template maybe of use. However, the information to support the process may differ depending on the HBC provider.

8. *What information should be required in a standard template?*

Contract band by product by builder rating.



9. Are there any other issues or risks that SIRA should be addressing through the premium guidelines?

No.

10. Is there information or data from premium filing documentation that should be published by SIRA or that SIRA should require that licensed HBC providers publish?

No this should be left to the HBC providers who will publish their respective premium information.

11. What period should the premium guidelines allow for rejecting a premium filing?

No more than 21 days.

4.3 RISK-BASED PREMIUMS

12. How should the relative riskiness of contractors be assessed? This will be assessed through the eligibility criteria of each HBC Provider.

HBC providers need to take responsibility for underwriting its own risk.

13. What approach should SIRA take to location-based pricing of premiums?

There might be an argument for a premium differential based on geography, however the current process appears to be appropriate, but again pricing should be supported by actuarial analysis.

14. Are there any issues with the current risk-based pricing model?

The current risk based pricing model was only introduced in November last year as such it is too early to tell if there are any issues with the current arrangements. Initial feedback would be that it appears sound.

15. Should SIRA regulate risk-rating criteria that must be considered, or should individual HBC providers be able to determine their own risk rating methodologies for the purpose of pricing their products?

HBC providers should be left to determine their own risk rating methodologies for the purpose of pricing their products.

16. How can SIRA best support evidence-based risk-ratings that support best practice in the building industry (e.g. through giving licensed HBC providers better access to data or data analytics services)?

Access to data would be helpful; however the IP of each HBC provider needs to be protected.

17. Should SIRA place controls or limits on how providers apply risk loadings or discounts to contractors? If so, why and what should they be?

No. These matters should remain solely within the discretion of the HBC provider.

18. What, if any requirements should SIRA impose on licensed HBC providers to ensure that risk-based pricing is done in a clear and transparent fashion that ensures contractors understand why ratings have been applied and how contractors can improve their rating?

Transparency in relation to the actions a business can take to improve their risk rating is important. Such an approach has positive benefits for individual businesses, can lift the standard in the industry and led to better outcomes for the community, however, the requirements to be 'dictated' by SIRA must be balanced with the



need for a flexible approach and the directive that SIRA set a minimum standard only, in order to attract (and maintain) HBC providers in the market and the reluctance of private insurers to accept some dictated risks. Pricing is an underwriting decision of the risk taker.

19. Should risk-based pricing accommodate more flexible eligibility standards, (e.g. to allow contractors to pay a premium loading or surcharge to take on work beyond their current eligibility limit without the need for it to be reviewed)? What issues would such arrangements need to address?

No, underwriters need to have prudential certainty that any risk they have accepted remains within the guidelines and will not be significantly changed without the opportunity to review the insurability of that risk. It may be that on review that an insurer may be prepared to accept a changed risk and that an additional premium is required to mitigate but this would be the exception. No underwriter will want to insure a risk that is uncertain in nature in that it could change materially during the period of insurance .

20. How should SIRA approach managing the sharing or equalisation of risks across different HBC providers in the HBC Scheme?

This should be left to market forces and allow HBC providers to be innovative. Each provider will have a different appetite for risk and this should not be subject to regulatory process.

4.4 PREMIUMS FOR NEW HBC PRODUCTS

21. Are there ways that the premium guidelines could facilitate licensed HBC providers to offer innovative products?

No. As outlined at the beginning of this paper, the ability to facilitate licensed HBC providers to offer innovative products is difficult under the legislative arrangements. The reforms introduced very prescriptive arrangements and while the split product offering was a positive move, the doubling of the minimum cover amount when offering each of the 2 limbs is clearly inequitable and the premium guidelines can do nothing to rectify this.

22. How should the premium guidelines assess the pricing of split cover products, products that indemnify other risks or losses, or products that include additional services or options?

The split product will not eventuate under the current legislation as in effect it requires a doubling of the premium applied to other comparable products. Any other value added services or options should be left to the provider, SIRA should only be responsible for managing the statutory component.

23. Should SIRA assess premiums only in respect of the component relating to the minimum standards required for HBC cover, or the total price inclusive of any innovative features that exceed minimum requirements?

As above only the minimum component.

24. How can the premium guidelines support transparency for contractors and home owners about the cost of HBC products, including product innovations that exceed minimum requirements?

The purpose of the premium guidelines is clearly set out in the Act and summarised at page 5 of the Premium Guidelines Discussion Paper, supporting transparency as to the cost of HBC products in not one of those matters. As is currently the case information about warranty insurance is provided by the relevant consumer protection and regulatory agencies. It is not appropriate to include such information on the premium guidelines.

25. What, if any, controls should SIRA place on HBC product policy wording and conditions that relate to premiums or other fees or charges associated with HBC products?

SIRA should simply ensure policy wordings meet the minimum statutory requirements.

26. What if any requirements for premiums should SIRA apply to support the entry of new providers in a competitive market, but also support sustainability?

The requirement for premiums should be ultimately supported by actuarial analysis. All providers new or existing should be treated in the same manner.

27. What if any controls should SIRA place on licensed providers offering premium discounts for bundling HBC cover with other separate products that SIRA does not regulate?

Under no circumstances should discounting for premium bundling be acceptable. This will lead to an unsustainable outcome driving pricing below the necessary requirement. Discounting is only appropriate where it relates to risk rating based on proven eligibility criteria and not simply based on cross sell opportunities.