MASTER BUILDERS INSURANCE BROKERS
Your Industry Specialists

MBIB Response to SIRA Consultation Paper on HBC Reform

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Executive Summary

In response to the State Insurance Regulatory Authority (SIRA) consultation paper on home building compensation reform, Master Builders Insurance Brokers (MBIB) are pleased to enclose our response to the paper.

MBIB's fundamental aim is to protect the interests of the Home Building Compensation Fund (HBCF), builders and consumers to support the schemes long-term viability. Accordingly, careful consideration must be given to any increased risk, financial or otherwise, associated with any changes to the current scheme. Were all the reforms proposed in the discussion paper adopted, the overall effect on scheme profitability would likely be significantly detrimental. This would necessitate the Government providing substantial financial support and/or raising of premiums to mitigate shortfalls. The HBCF is a crucial part of the NSW residential building industry – it's unlikely that there will never not be a need for its existence – however it's evolution should continue to towards the best possible outcomes for all parties.

It is not currently the role of the HBCF to protect consumers from builders who deliberately choose not to comply with the statutory requirement to purchase home warranty insurance. There is clearly a need to do so as it is in the public interest. However, it would be fiscally irresponsible to provide cover for uninsured homeowners without stricter guidelines and parameters.

Early access to the HBCF contravenes its very nature of being a 'last resort' safety net. Whilst we don't agree with an early access pathway to the HBCF, should such an adoption be made, the dispute resolution process should be reviewed and subsequently tightened. The dispute resolution process, as it currently stands, is typically perceived by the building industry to be geared towards the consumer and it would be in the public interest to ensure all action is executed fairly.

MBIB have long held a view that a split policy with a minimum coverage level for each policy would only create additional capital requirements for a class of insurance that is already suffering under the weight of its extended liability trail. While it is correct that splitting the policies could bring additional interest to the scheme with more short tail underwriters being attracted to the idea of non-completion cover, this has not eventuated.

MBIB hold concerns about the ramifications of the possible mentioned exclusions, specifically for single dwelling construction valued at the top-end of the market. The consequence could be a deflated premium pool without coverage for affected homeowners. It could also negatively impact future purchasers of subject properties as they should be able to hold expectation of coverage. A potentially more equitable solution, and one less prone to abuse, would be to cap premium prices for work over $2 million. That way, premiums would be more relative to contract value.

In terms of changes to the structure of the current scheme, MBIB are of the opinion that considered, continued evolution of the HBCF, through discussion papers such as this, is in the public interest. There are many stakeholders, often with differing interests, but ultimately the desired outcome is to protect homeowners and continuously improve the NSW residential building industry on an on-going basis. We welcome the opportunity to participate in these discussions on behalf of our builders

Reform idea 1 – Cover victims of unlawfully uninsured home construction

Question 1:
Should victims of unlawfully uninsured work be able to claim on the home building compensation scheme in some circumstances?

This is a complex issue as the builders who are complying by obtaining the relevant insurance are those that are completing the eligibility process and paying premiums that would ultimately service claims lodged by the uninsured. Compliant builders who are lawfully obtaining certificates of insurance may see this approach as unfair. The home building compensation (HBC) scheme was formed to protect consumers and an element of that protection is ensuring certified builders are obtaining and maintaining an eligibility facility.

Of the 521 penalty infringement notices issued to building businesses for failing to insure their work under Section 92 of the Home Building Act 1989 (the Act), there were 21 reported instances where homeowners were denied a claim because of uninsured loss (equating to 4%)1. While there were 21 claims denied, the 521 penalty infringement notices issued seems to indicate this number had the potential to be much higher. There needs to be a mechanism for managing this type of scenario without a detrimental impact on those that are abiding by the rules.

There appears to be scope to investigate whether the enforcement action available, and being taken, is operating as a sufficient deterrent. As a starting point, there could be a comparison of the fines levied and the HBCF premium that would have been payable. Fines should be of a sufficient amount to cover the premium(s) unpaid and an additional amount as penalty.

One of the costs and risks of reform idea 1 outlined in the discussion paper is ' most consumers have no reason to be aware of [home building compensation] ' We believe that there should be improved consumer education of the HBC scheme, including an awareness campaign, that ensures homeowners are aware of the existence of the insurance product and what to look for when engaging a builder.

The education piece could include advising homeowners of the importance of checking the licence status of their builder, how to perform the licence check and what to look out for. The aim of the education would be to provide homeowners with all the relevant information so that they are able to make an informed decision. It could also address consumer confidence if more consumers were aware of the existence of the insurance.

The Government could potentially have more involvement in driving education of the HBCF. Local councils could be a pertinent actor as they could assist with ensuring the builder has taken out the insurance prior to works commencing or even be required to hold copies of home warranty policies which apply to properties located in their Local Government Area.

[1] State Insurance Regulatory Authority *Home building compensation reform Discussion Paper [https://www.sira.nsw.gov.au/consultations/home-building-compensation-reform]*, accessed 12 August 2022

Question 2:
If adopted, should cover for uninsured loss be limited to the construction or significant alteration of homes that requires planning consent or that must be declared to NSW Fair Trading?

If the proposal in question 1 is adopted, we agree that there should be limitations based on the classification of works that would be covered to ensure the continued viability of the HBC scheme.

It is important that owner-builders be excluded from claiming for uninsured works as they should remain responsible for insuring works that they undertake. Similarly, homeowners who are complicit in non-insured works taking place or related entities of the building business should also be prohibited from claiming on the HBCF as this would protect compliant builders from unnecessary premium increases.

If the builder subject to a loss notification or claim holds HBCF Eligibility, a Special Eligibility Review should be called so that the Insurer can assess if the builder can retain their current Eligibility (as is the case currently). This serves to reduce further risk to other homeowners.

Question 3:
If adopted, should homeowners be required to diligently pursue the responsible businesses and developers for a remedy first, if they want to claim for uninured loss?

MBIB is of the opinion that to protect the financial viability of the HBCF, the homeowner should be required to pursue the responsible business in an attempt to rectify any disputes first. We believe that the HBCF should continue to be a 'last resort' safety net for homeowners, including the uninsured.

Moving towards a 'first resort' model is not desirable as it would place undue pressure on the fund, which has historically been under-resourced. The volume of claims which would follow if there was not a requirement for other dispute resolution strategies to have been exhausted prior to lodgment of a claim on the HBCF would, no doubt, lead to higher premiums for builders in a climate where building material and trade costs are already increasing. As such, there should be a requirement for any homeowner wishing to seek compensation from the fund to provide sufficient evidence to support their claims and demonstrate that they have attempted to solve any issue with the responsible party before lodging a claim with the HBCF.

As discussed in question 1, the regulator should have the power to recover unpaid premiums where a building business or developer has deliberately not obtained the required HBC cover.

Question 4:
Should unpaid premiums and claim costs for uninsured work be recovered from building businesses and developers that have not complied with their insurance obligations, including culpable directors?

We agree that building businesses and developers that do not wish to comply with the requirements of the scheme and consequently have caused losses to the fund should be held accountable for not complying with their obligations. Whilst non-compliant builders are in the minority, the majority of builders are paying higher premiums and abiding by stricter eligibility requirements as a result of the increased risk that those builders bring to the industry.

Builders have long expressed frustration that they are being punished for the actions of the few through stricter eligibility requirements and higher insurance premiums. The possibility of being subject to recovery action would serve as a deterrent and the fund actively pursuing recovery actions would serve as an example.

However, with insolvency being the most likely trigger for a policy to respond2, the ability for SIRA to successfully pursue building businesses, developers, or culpable directors for claims costs is severely limited. It is likely that the costs incurred in pursuing various parties would be more than that which could be recovered, and consideration must be given to this fact.

Reform idea 2 – Allow claims earlier in the building dispute process

Question 5:
Should homeowners be able to make an insurance claim if the business that worked on their home fails to comply with a rectification order issued by NSW Fair Trading (whereas currently claims are only accepted if the business is no longer trading)?

MBIB does not agree with a quicker pathway to claim but, should homeowners be given this ability, it should be limited to the six-year warranty period (plus 6 months).

If there was an option put forward for claiming earlier in the dispute resolution process, it should include an expectation that the homeowner had taken reasonable steps to resolve the dispute. For example, a homeowner could be required to provide evidence confirming that the repairs were not rectified to standard or provide sufficient evidence that the builder is not willing to conduct the rectification works. Builders should be given the opportunity to rectify as, if a rectification order is marked against them, this could negatively impact a builders' ability to hold a HBCF facility.

If adopted, the eligibility criteria for an insured to be able to claim earlier would have to be very clear and there needs to be strict guidelines on when a claim can be put through as we expect this would result in a financial impact on the HBCF scheme.

However, before this is established, we believe that a review should be conducted of the current dispute resolution process through NSW Fair Trading. The current dispute resolution process is considered amongst some participants as one-sided and geared to the side of the consumer. Builders that hold a HBCF eligibility facility are placed on notice, where they often only have a very short time to prove their position. This process impacts them significantly, especially if the homeowner is unwilling to work with the builder to resolve the issue. This process would most certainly need to be reviewed as there could potentially be numerous liability disputes which, in turn, will be more costly for all parties involved.

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[2] State Insurance Regulatory Authority (2021) *Home building compensation data tables June 2021 [https://www.sira.nsw.gov.au/corporate-information/home-building-compensation-fund-reports],* accessed 04 August 2022

Question 6:
Should homeowners be able to make an insurance claim if the business that worked on their home fails to comply with a rectification order issued by NSW Fair Trading (whereas currently claims are only accepted if the business is no longer trading)?

In the event that homeowners are given earlier access to compensation via the HBCF, we feel that only costs directly arising from non-completion and breaches of statutory warranty should be claimable. The argument could be made that there would be less accrued associated costs (such as legal fees or temporary accommodation costs) with earlier intervention, however the costs to the fund of managing the volume of claims lodged at the earlier stage would likely be passed onto building businesses through insurance premiums.

As mentioned in question 5, before any change of this nature is made, we strongly recommend that a review be conducted for the current dispute resolution process through NSW Fair Trading. We recognise that Fair Trading attempts to ensure fairness for all parties involved in the dispute process however we believe more can be done to improve builders' confidence with respect to the operation of the process and, in turn, encourage more compliance with its requirements.

Question 7:
If homeowners are provided a quicker pathway to claim, should claims be limited to those lodged within the 6-year warranty period, plus an extended 6 months for losses that only became apparent at end of the warranty period (whereas currently the scheme accepts claims up to 10 years after the work is completed)?

MBIB maintains that the 6-year warranty period plus the extended 6 months where applicable is a manageable period of cover for home warranty policies in NSW. Between Years six and ten, there are a plethora of maintenance related issues which may arise and it would be the responsibility of the fund to investigate and verify where the resultant works were defective or not. Such building issues only become more complex over time and would certainly lead to increased demand on the fund.

If there is a quicker pathway to claim made available to homeowners, we believe that the proposed warranty period is acceptable.

Reform idea 3 – Update the minimum insurance cover

Question 8:
Should the minimum amount of cover offered by the scheme be increased from $340,000 to $400,000 to reflect the increase in the average cost of building a new single dwelling since the cover amount was last updated in 2012?

If you prefer a different amount, please tell us what it is and your reasons.

Given the rising costs of construction materials and labour, it would be fair to increase the minimum cover offered. Referring to the SIRA data of the current average of claim payments (approximately

$88,000 since 2010)3, and the discussion paper which noted that the increase would affect only a minority of claims, we understand that this reform is expected to have a minimal effect in terms of financial impact to the fund. However, it will be seen as a 'win' for consumers as recognition of the rising cost of construction. Noting, the increase could potentially place more risk on the HBCF scheme which was underperforming until recently.

We note that the increase to $400,000 would make the HBCF scheme the most generous scheme of its type nationally, the next closest being is the Victorian scheme with a maximum payout of $300,000.

Question 9:
The legislation allows for projects to be insured by means of two contracts of insurance (one covering the construction period and the other for the post-completion warranty period), although no insurer offers this option at this time. If insurers were to start offering this option, should each contract also be increased from $340,000 to $400,000 of cover (i.e. together offering a potential total of $800,000 cover)?

If you prefer a different amount, please tell us what it is and your reasons.

It does not seem appropriate to allow claims up to double the amount of the contract. In our opinion, it would be simpler to have one maximum claimable limit for pre and post completion. MBIB have a long-held view that a split policy with a minimum coverage level for both policies and/or policy sections would only create additional capital requirements for a class of insurance that is already suffering under the weight of its extended liability tail.

If the proposed reform was to be enacted, the above amount would be dependent on where the funds for the claim payouts would be funded from. There would likely be a negative impact to builders in the scheme as the scheme has historically failed to break-even. This would mean more builders would be reluctant to pursue projects in the residential market as this would likely result in higher premiums for them and another added expense to an already expensive industry.

While it is correct that splitting the policies could bring additional interest to the scheme with more short tail underwriters being attracted to the idea of non-completion cover, this has not eventuated.

Question 10:
How often should the threshold be reviewed:

a. **Every 3 years?**
b. **Every 5 years?**
c. **Every 10 years?**

If you prefer a different frequency, please tell us what it is and your reasons.

Five years would be appropriate given the current rate of inflation and the rising cost of materials. This would mean that the industry would have the most updated figures assessed when minimum amounts are being set while balancing the administrative impacts of regular reviews.

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[3] State Insurance Regulatory Authority (2021) *Home building compensation data tables June 2021 [https://www.sira.nsw.gov.au/corporate-information/home-building-compensation-fund-reports],* accessed 04 August 2022

It is important that the HBCF scheme be seen to be taking into account the prevailing conditions in the building industry in NSW in a timely fashion in order to increase confidence in the management of the fund.

Reform idea 4 – Increase cover for non-completion claims

Question 11:
Should the cover for non-completion claims be increased from 20% of the value of the insured work, given most non-completion claims exceed that amount? Which of the following options do you prefer?

a. **Keep the current 20% amount of cover, or**
b. **Increase non-completion cover to 25% of the value of the insured work (paid for by an estimated increase in insurance premiums of 2.4%), or**
c. **Increase non-completion cover to 30% of the value of the insured work (paid for by an estimated increase in insurance premiums of 4.9%).**

Without additional information around the claims and what is driving the increase in costs we cannot make an informed decision. But we do note that increasing the cover for non-completion claims will have cost implications with again, higher premiums and higher amount of values being paid in non-completion claims.

There is concern with regards to the percentage of non-completion claims reaching the full cover. As previously mentioned, it is imperative that there is more consumer education surrounding the insurance cover rather than just increasing coverage as the increase could place more risk on the scheme and more builders and consumers will be liable for more costs due to additional increases in their premiums.

A higher percentage of coverage will place more pressure on the fund and in turn impact the consumers and builder with higher costs in premiums. It may be valuable for HBCF to put in place an inspection regime which could ensure that works line up with progress claims (similar to the structure of the Builder Contract Review Program). In order to manage costs, it could rely on self-declaration to the insurer in stages and be subject to audit at any time.

Reform idea 5 – Publish exemptions granted by SIRA

Question 12:
Should SIRA publish a register of projects that SIRA has exempted from insurance, so that a person with an interest in the property may check whether work was lawfully done without insurance under an exemption granted by SIRA?

We believe that it would be beneficial for consumers to have transparency and for this information to

be readily available. The more the homeowners are kept informed, the better it will be for builders who are exempted from requiring insurance on specific jobs.

This information could best be included in SIRA's existing public register (www.hbccheck.nsw.gov.au) so that homeowners need only search one area to determine the insurance status of a project.

Reform idea 6 – Update threshold for requiring insurance

Question 13:
Should the $20,000 threshold above which work must be insured be increased to $26,000 in line with increases in the average cost of building since the threshold was last updated in 2012? If not, what should the threshold be?

The threshold should remain at $20,000 to align with the Act.

The HBCF scheme currently has the highest threshold for when a certificate of insurance is required (equal to the Home Indemnity Insurance scheme in Western Australia). The next closest is the Domestic Building Insurance scheme in Victoria with a threshold of $16,000.

Question 14:
How often should the threshold amount be reviewed:

a. **Every 3 years?**
b. **Every 5 years?**
c. **Every 10 years?**

If you prefer a difference frequency, please tell us what it is and your reasons.

If the threshold is to be regularly reviewed, a review conducted every five years would be sufficient.

Reform idea 7 – Opt-outs or premium caps for high value projects

Question 15:
Should homeowners and building businesses be able to agree to opt-out of insurance for work of over $2 million to a single dwelling?

The benefits of the opt-out identified in the discussion paper are somewhat limited. While it is acknowledged that there would be cost savings for homeowners undertaking high-value single dwelling work, this would impact only a small proportion of projects. Also, builders that specialise in high-value projects would likely still require an eligibility facility to allow them to undertake work that is below the $2 million single dwelling threshold, negating this potential benefit.

A homeowner's decision to opt-out of insurance could negatively impact future owners who purchase an uninsured property, which the discussion paper acknowledges. Notwithstanding, it would have the effect of removing the decision of whether to obtain insurance cover from a homeowner. A potential option to ensure there is still consumer protection could be to require that Decennial Liability insurance is taken out as an alternative to HBC.

If incorporated in future, the threshold above which homeowners and building businesses would be able to agree to opt out of insurance should be regularly reviewed to ensure the threshold adjusts with inflation. This is particularly important during times of high inflation which has been experienced by the construction industry recently where the costs associated with constructing a dwelling have increased significantly.

It should be noted that banks or other funders may still require HBC insurance to be obtained as a condition of funding.

Question 16:
Alternatively, should insurance remain mandatory for high value work on single dwellings, but with premium prices to be capped for work over $2 million?

A potentially more equitable solution to the opt-out proposed in question 15, and one less prone to abuse, would be to cap premium prices for work over $2 million. This would address the current issue where the premiums charged can represent a significant percentage of the total coverage.

As an example, MBIB already caps its broker fees for larger single dwelling projects in acknowledgement of the exorbitant premiums that can occur in this area.

Reform idea 8 – Broader insurance exemptions for high rise buildings

Question 17:
Should the insurance exemption for the construction of multi-dwelling buildings over 3 storeys be expanded so that insurance is not required for renovations or alterations for such buildings?

At a base premium rate of 7.630% of contract value, the premium rate for multi dwelling renovations is the highest rate across all construction types.

According to the claims data released by SIRA, the average payment per claim for C02 multi dwelling alterations/additions is $226,793. This is compared with an average of $88,467 across all claims4. This would indicate that the risk associated with this type of work is relatively high.

[4] State Insurance Regulatory Authority (2021) *Home building compensation data tables June 2021 [https://www.sira.nsw.gov.au/corporate-information/home-building-compensation-fund-reports],* accessed 04 August 2022

Noting the potentially significant claims in this area, the exemption should only be expanded if there is a suitable alternative to ensure adequate consumer protection.

Reform idea 9 – Insurance exemptions for some housing services

Question 18:
Should building work be exempt from insurance if there will be no beneficiary, because the homes will be used to provide social or affordable housing or specialist disability accommodation?

Without knowing the potential number of projects this would affect, it is difficult to form an opinion. Considering only six applications were made to SIRA (and only four were successful) within a 12-month period, this indicates that it is not a significant issue.

The number of projects impacted is expected to be relatively minor as compared to the scheme as a whole.

The current exemptions provided by law are relatively clear to understand and apply. The proposed exemption as described is not as clear-cut. This is because the type of building work being undertaken is of a type that would ordinarily require insurance. Additionally, neither party to the contract may necessarily be aware of the exemption available.

By introducing a set of criteria that must be met to qualify for the exemption, it could give rise to circumstances where either insurance is not taken out when it should have been or insurance is taken out when it was not required due to a misunderstanding of the rules, conflicting advice and/or to protect themselves from inadvertently undertaking work without the required insurances in place and the ramifications that flow from that.

It could also have the effect of increasing the administrative burden on contracting parties, including the requirement to seek legal or other advice on whether the exemption applies, which is what the proposed exemption is seeking to avoid in the first place.

It is noted that this exemption would likely result in higher premiums payable for insurance as the premium pool would be reduced, however it is not expected that the amount of the reduction would be material.

If HBC reverted to a single provider, government run scheme only then yes, these exemptions should apply.

Question 19:
Should this insurance exemption be limited to building work done on behalf of charities that provide housing services, so that there is no profit motive to sell the homes without insurance?

Yes. Although a charity could derive a benefit not available to others from selling the homes without insurance, as a not-for-profit entity the usual profit motive is absent.

Confining the contracting party to a charity that provides housing services should largely achieve the desired outcome of the exemption while keeping the administrative burden on the parties to a minimum. This is due to the ability of a building business to search publicly available registers to confirm a charity's status to determine if the exemption applies.

Question 20:
Should this insurance exemption only apply to work where the conditions of planning consent or restrictions on the use of the land require that the homes must be used for housing services?

No. If the proposed exemption comes into effect, determining the circumstances of the work is likely to be the area where much of the uncertainty or risk of abuse exists.

Reform idea 10 – Insurance exemptions for local government

Question 21:
Should councils be exempt from insurance to develop housing on council-owned land?

Similar to reform idea 9, any exemption from insurance for local councils should be confined to those developments used to provide social or affordable housing or specialist disability accommodation. It is noted that this exemption would likely result in higher premiums payable for insurance as the premium pool would be reduced, however it is not expected that the amount of the reduction would be material.

Reform idea 11 – Premium refunds or exemptions for 'build-to-rent' schemes

Question 22:
Given there is no beneficiary to claim insurance, should Build-to-Rent scheme developers be able to cancel the policy and claim a refund for the insurance premium?

As the government has strict guidelines that set out which projects qualify under the Build-to-Rent scheme and that there is no beneficiary able to claim on the insurance it is reasonable for these projects to be exempt or eligible for a refund.

MBIB note that this approach would require amendment to the current cancellation criteria as presently a certificate of insurance can only be cancelled in limited circumstances, including the requirement that no works can have started.

While there is no available data of which MBIB is aware, it can be assumed that this reform would result in reduced premium pool available in the HBCF and a likely increase in premiums. There would also be an additional administrative burden on all parties required to process the necessary cancellations.

Question 23:
Should the renovation or alteration of a Build-to-Rent building be exempt from insurance, given the homes are intended to be used for long term lease over 15 years and there will be no person able to claim on insurance during that time?

As discussed above, given the Government has strict guidelines that set out which projects qualify under the Build-to-Rent scheme and that there is no beneficiary able to claim on the insurance it is reasonable for these types of projects to be exempt from the requirement to obtain insurance.

Reform idea 12 – Repeal provisions that regulate former scheme insurers

Question 24:
The former private home warranty insurance scheme stopped insuring work in 2010 and is no longer receiving claims. Is there any reason to not repeal legislation for that former insurance scheme?

MBIB is not aware of any reason that would prevent the repeal of legislation governing the former insurance scheme.

SIRA could consider incentivising insurers to finalise any outstanding matters. Alternatively, icare could take over the remaining open matters under a deed arrangement with the insurers.

Reform idea 13 – Reform or repeal provision for 'alternative indemnity products'

Question 25:
Should fidelity funds be allowed to operate in the scheme that are not legally obliged to compensate homeowners, and instead have the discretion whether and how much to pay?

Reforming legislation around alternative indemnity providers would be unlikely to result in improved outcomes for consumers in NSW.

Fidelity funds have been successful in some of the smaller marketplaces where the funds are not required to comply with APRA capital requirements. The long-term viability of a fidelity fund in a market such as NSW is uncertain and would be unlikely to provide consumers with the level of protection they would expect.

MBIB notes that the discussion paper states that in the ACT there is the Master Builders Association's fidelity fund and QBE insurance offered by the Housing Industry Association which is not entirely correct. Builders warranty insurance in the ACT is offered by QBE insurance and can be obtained through QBE authorised brokers, of which MBIB is one.

Question 26:
If you answered 'yes', how can the risks to homeowners and buildings businesses from such a discretionary fund be managed?

Not applicable, see response to previous question.

Question 27:
Should the NSW Government instead remove provision for 'alternative indemnity products' such as fidelity funds from the scheme, given that IPART has found it is unlikely that any such product could be offered that would have the same consumer protections as insurance?

Yes, MBIB believe the NSW Government should remove the provision for 'alternative indemnity products' from the scheme.

Reform idea 14 – Legislatively amend SIRA's functions to regulate icare HBCF

Question 28:
Should SIRA have the power to make icare HBCF amend and resubmit its eligibility or claims handling models to adopt specific changes, if SIRA finds the models do not comply with legislation or guidelines?

Yes, MBIB supports this proposal. It is expected that this reform would improve efficiencies in the regulation process and improve outcomes.

Question 29:
Should the law require that SIRA must publish a statement about its assessment and decision each time icare HBCF's [sic] lodges a new eligibility or claims handling model?

Yes. MBIB supports measures that improve transparency of regulatory decisions affecting the operation of the scheme.

Reform idea 15 – Refocus the regulatory regime to a single, State-insurer model

Question 30:
Do you think it is commercially viable for multiple insurers and providers to operate in the NSW home building scheme?

Within the current framework, MBIB does not believe it is commercially viable for multiple insurers and providers to operate in the NSW home building scheme.

Question 31:
If relaxing the regulation of private insurers' pricing and eligibility practices fails to achieve new market entrants, should the NSW Government reinstate icare's monopoly and focus on running a sole insurer model as efficiently as possible?

Yes. In the absence of competition from new entrants, icare's focus should be on running a sole provider insurer model as efficiently and transparently as possible. It would also allow icare a greater focus on consumer protection.

With the possibility of new entrant's requiring icare to operate in a commercially competitive manner, there has been a reluctance from icare to be transparent regarding eligibility assessments, insurance policy pricing and claims information.

It has also resulted in consumers incurring higher costs than necessary as icare's premiums include a notional profit margin to account for non-existent competitors.

Contact us

For more information, or to discuss this report further, please contact:

Home Warranty Team

[redacted] | National Home Warranty Manager
Master Builders Insurance Brokers | AFS Licence Number 281729
332 Albert Street, East Melbourne, Victoria 3002
Phone: [redacted] | Mobile: [redacted]

[redacted] |Home Warranty Team Leader
Master Builders Insurance Brokers | AFS Licence Number 281729
52 Parramatta Road, Forest Lodge, NSW 2037
Phone: [redacted] | Mobile: [redacted]