

**NSW Home Building Compensation Fund
Information on the Scheme as at**

30 June 2015



21 January 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 June 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 June 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 on the following websites:

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 June 2015, there was an increase of \$71 million, or 15%, 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

Prior to 4 August 2015, builders who have been granted eligibility are allowed to purchase Certificates of Insurance up to the approved "Annual turnover limit" over a rolling 12 month period. From 4 August 2015, Builder Eligibility Limits have changed to Open Job Limits - the maximum number and value of jobs under construction. Individual limits on the maximum contract value for the various types of projects will continue.

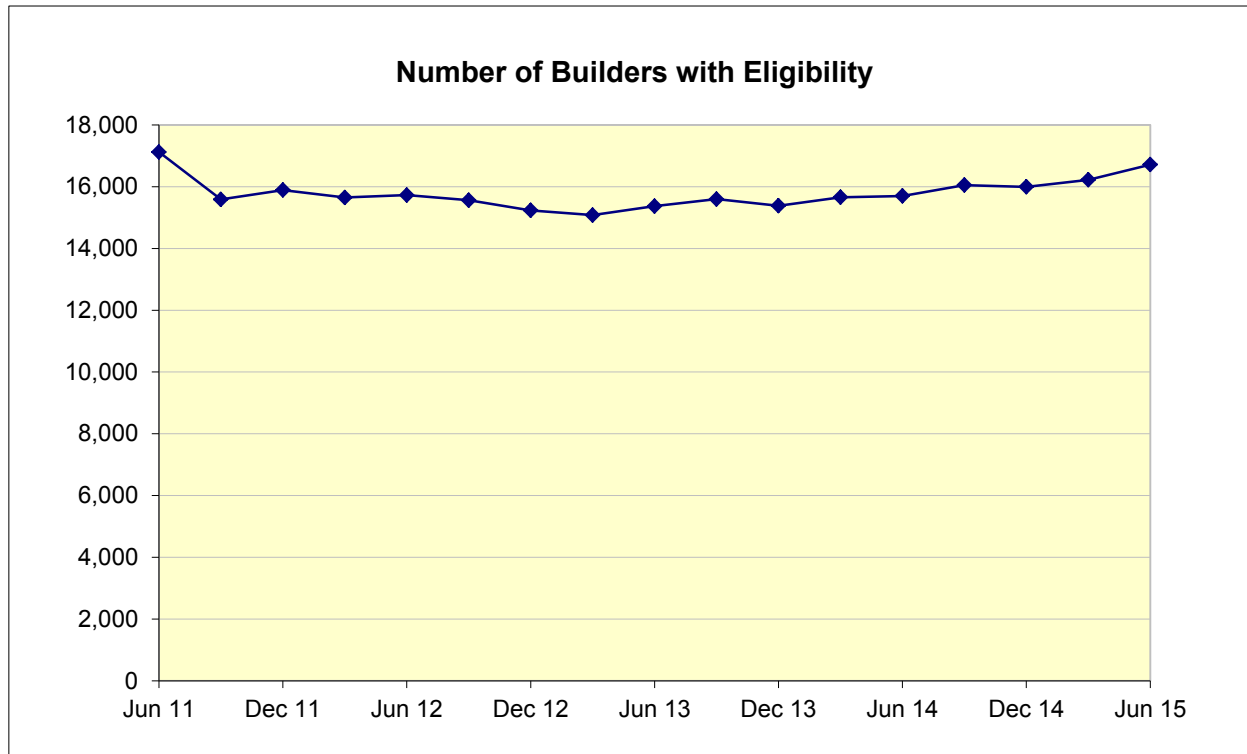
Table A1 shows the number of builder eligibilities at the end of each quarter by annual turnover limit bands for all types of cover.

Table A1 Number of builder eligibilities by annual turnover limit band

Turnover band (\$' m)	\$0 - <0.5m	\$0.5 - <1m	\$1 - <2m	\$2 - <3m	\$3 - <5m	\$5 - <20m	\$20+m	Totals
Jun 12	3,142	2,668	4,567	2,340	2,328	614	70	15,729
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

As at 30 June 2015, the proportion of builders with eligibility for annual turnover is: less than \$1 million: 39%, \$1m to less than \$5m: 56%, and \$5m and over: 5%, unchanged from last quarter.

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



Note: The drop in the number of current builder eligibilities as at 30 September 2011 was mainly due to the removal of around 1,400 non-current (expired, cancelled or surrendered) licences included in prior quarters.

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
Jun 12	0	871	N/A	871	6%
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%

C Project Certificate Information – Builder

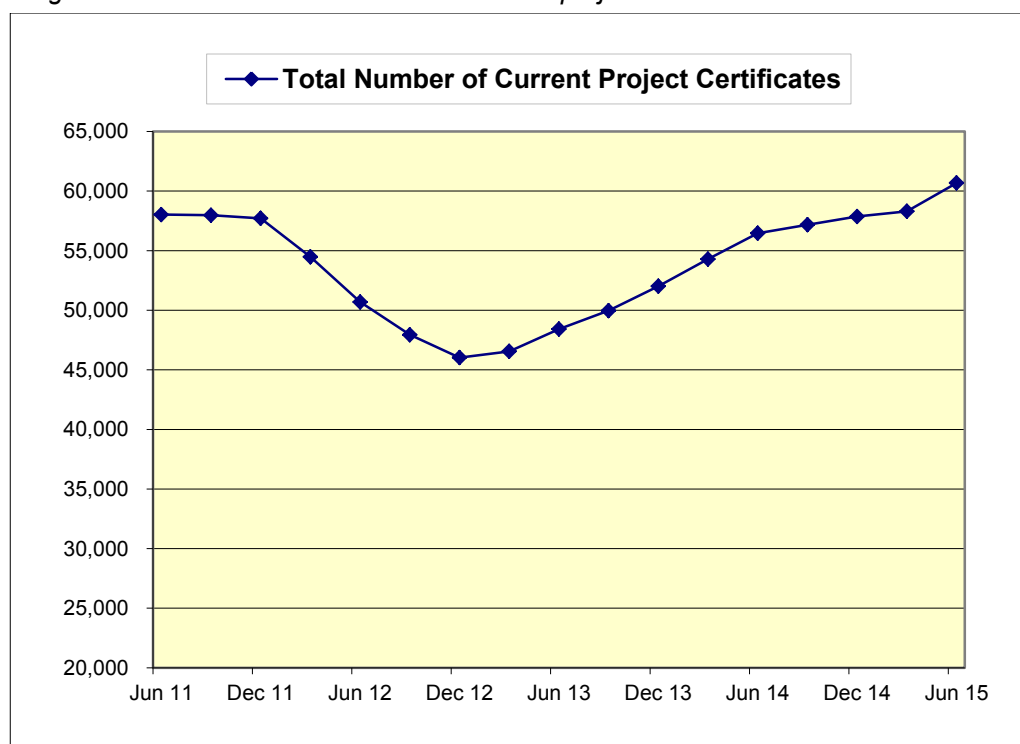
Generally a project certificate is issued in relation to a project prior to building commencement. The project certificate is evidence of the insurance contract. The number of current project certificates refers to projects still in progress at the end of the quarter.

For the purpose of this report, building works are deemed completed 12 months after certificate issue date. With the introduction of the new CIMS system and “open job eligibility limits” by icare hbcf on 4 August 2015, 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
Jun 12	4,260	1,044	3,129	743	2,138	11	11,325
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

* 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 (17,528) in the June 2015 quarter has risen by 22% from last quarter.

For the 12 months to June 2015, the number of certificates issued (60,677) was up 7% 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

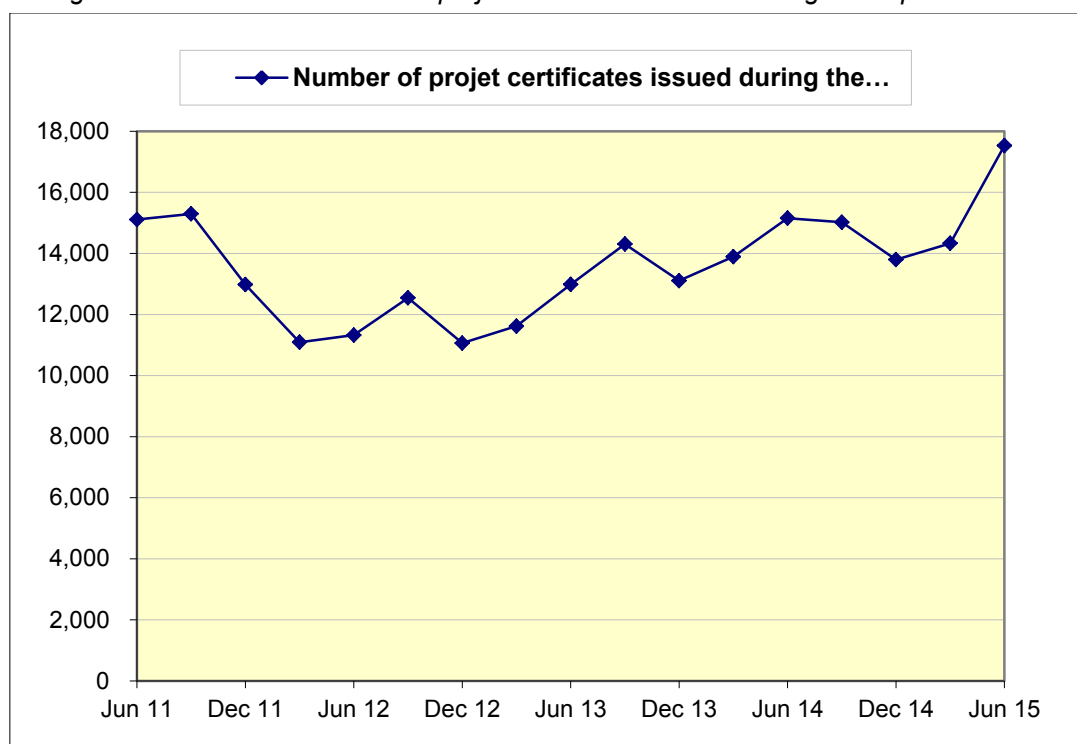


Table C2. Value of project certificates issued by type of cover during each quarter – (\$'million)

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)
Jun 12	1,330	219	474	32	106	1	2,162	191
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

* 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. The builders and owner-builders data in this part of the analysis have been combined to be consistent with ABS data (which does not distinguish between builders and owner-builders data).

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)
Jun 12	5,445	5,380	101%	1,586	1,544	103%
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	8,414	83%	2,159	2,300	94%
Dec 14	7,125	7,982	89%	2,175	2,174	100%
Mar 15	6,957	7,929	88%	2,162	2,223	97%
Jun 15	8,631	9,125	95%	2,767	2,582	107%
Average	6,644	7,256	92%	1,961	1,969	100%

Notes: ABS8731.0 Building Approvals, Australia; Tables 12, 22 and 43 "Dwelling units approved in new residential buildings - New South Wales"

We have endeavoured to exclude public sector work where possible 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 from both timing of reporting and the unavoidable inclusion of some public sector building work in the approvals data.

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

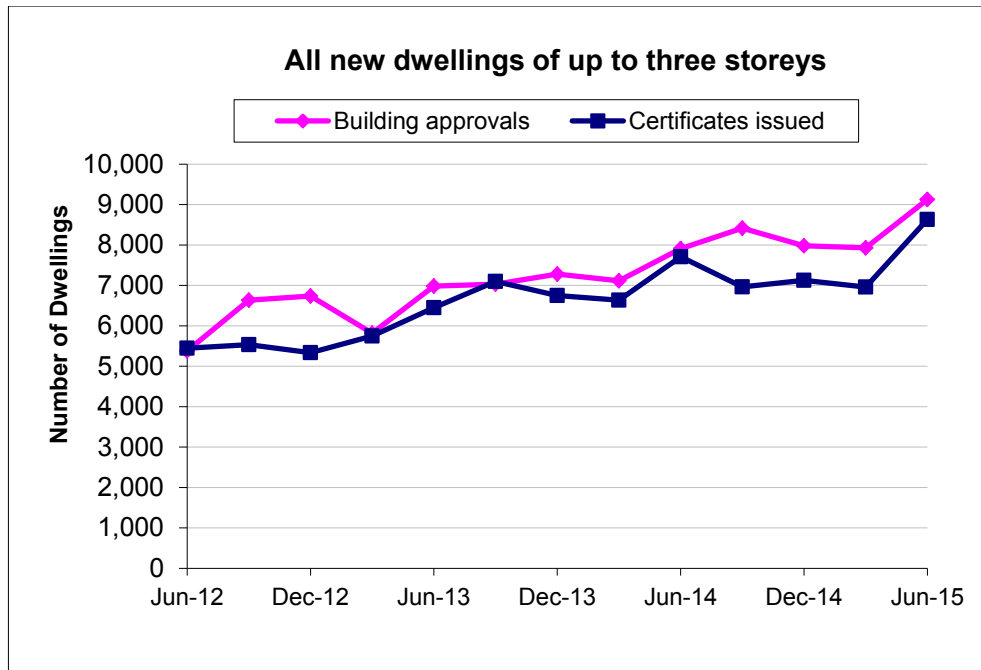
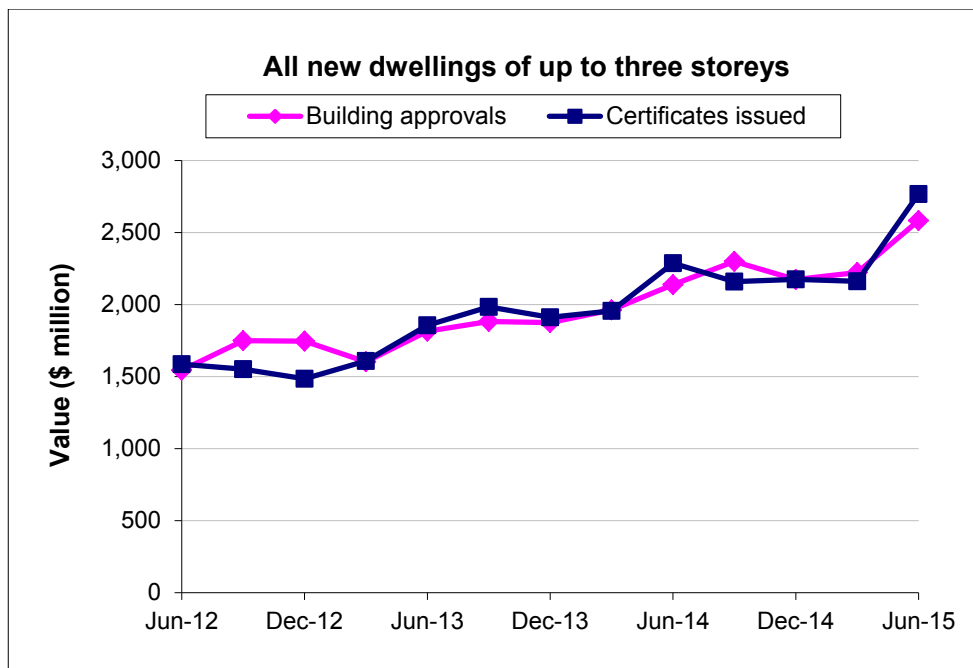


Figure C3.2 Value of building approvals versus certificates issued - Trend



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)
Jun 12	7,510	2,269	3,348	294	652	5	14,078
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

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

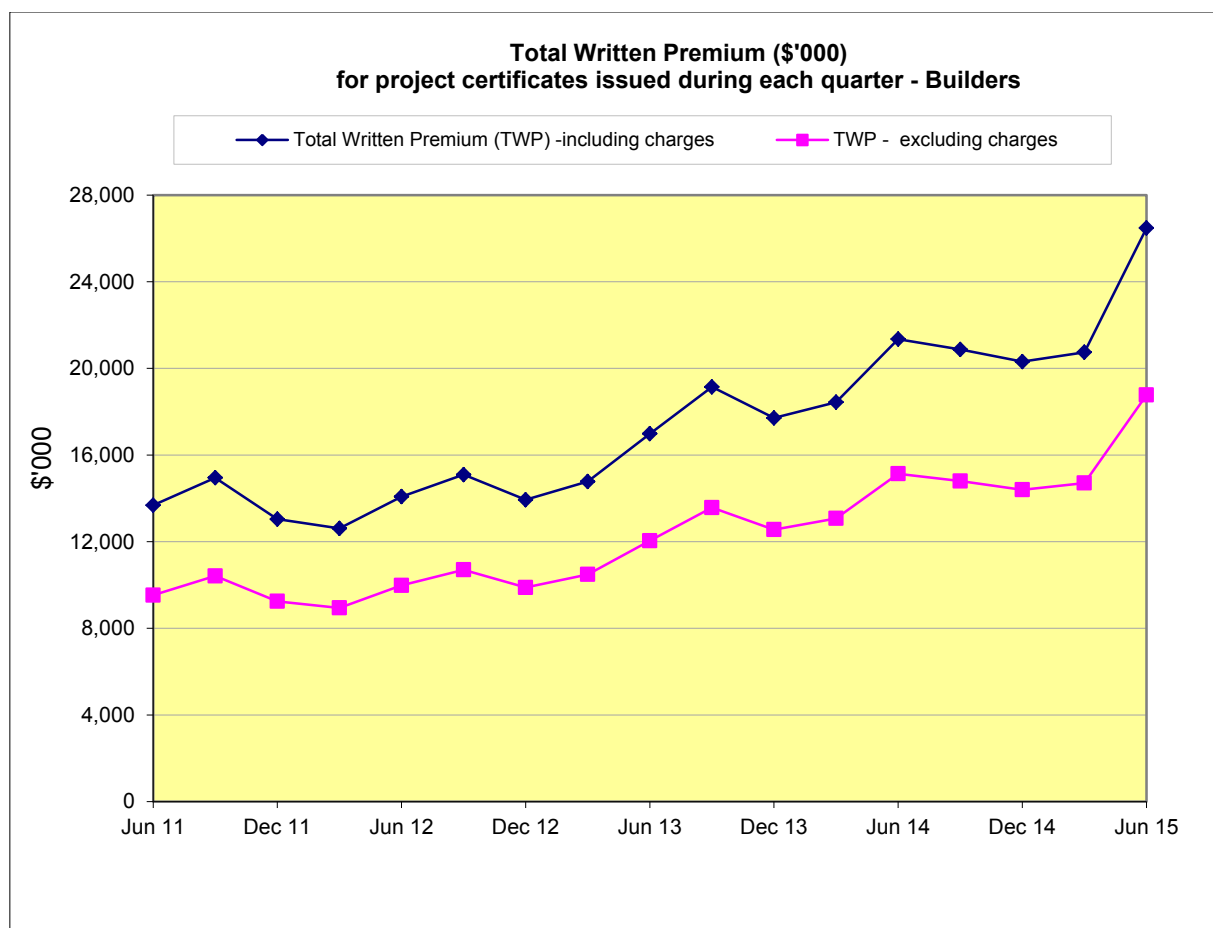
Quarter /Type of cover	New single dwelling construction	New multi dwelling (3 storeys or less) *	Alterations /Additions#	Swimming Pools	Renovations (including kitchens and bathrooms) ^	Other	Totals (\$'000)
Jun 12	5,324	1,609	2,373	208	462	4	9,980
Sep 12	5,567	1,763	2,528	267	570	5	10,700
Dec 12	5,193	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

* 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 \$
Jun 12	1,763	2,174	1,070	396	305	490	1,243
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

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 \$
Jun 12	5.65	10.36	7.07	8.99	6.14	6.35	6.51
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

* 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	Notification only #	Liability being assessed	Liability fully, partially or deemed accepted	Liability fully denied	Liability in dispute	Total
Jun 12	2,242	301	3,462	928	29	6,962
Sep 12	2,343	285	3,671	983	37	7,319
Dec 12	2,435	340	3,858	994	42	7,669
Mar 13	2,535	268	4,116	1,055	47	8,021
Jun 13	2,668	213	4,268	1,063	45	8,257
Sep 13	2,751	157	4,489	1,087	40	8,524
Dec 13	2,834	121	4,620	1,119	30	8,724
Mar 14	2,894	130	4,764	1,137	25	8,950
Jun 14	2,957	125	4,870	1,188	21	9,161
Sep 14	3,000	132	4,947	1,222	16	9,317
Dec 14	3,100	92	5,075	1,253	14	9,534
Mar 15	3,159	158	5,166	1,276	14	9,773
Jun 15	3,269	135	5,301	1,327	13	10,045

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 June 2015, there were 3,177 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
Jun 12	5	76	86	2	242	517	928
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

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

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 June 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 \$
A01: Insolvency	4,138	279,827,751	23,571,804	303,399,555	73,320
A02: Death	48	3,491,952	170,388	3,662,340	76,299
A03: Disappearance	211	12,388,488	949,182	13,337,670	63,212
Total	4,397	295,708,191	24,691,374	320,399,565	72,868

*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).

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 \$
A01: Insolvency	828	114,228,094	18,317,630	71,420,492	203,966,216	246,336
A02: Death	4	341,319	17,335	147,881	506,535	126,634
A03: Disappearance	72	6,041,103	757,980	2,957,569	9,756,652	135,509
Total	904	120,610,516	19,092,945	74,525,942	214,229,403	236,979

*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 \$
T01: Failure to commence	219	4,477,337	167,848	4,645,185	21,211
T02: Failure to complete	1,471	111,694,580	7,228,776	118,923,356	80,845
T03: Major defect #	2,194	148,266,750	14,320,956	162,587,706	74,106
T04: Other defect #	513	31,269,524	2,973,794	34,243,318	66,751
Total	4,397	295,708,191	24,691,374	320,399,565	72,868

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 \$
T01: Failure to commence	13	100,566	75	4,970	105,611	8,124
T02: Failure to complete	124	10,880,045	1,812,546	3,958,523	16,651,114	134,283
T03: Major defect	692	98,371,267	15,510,536	65,771,282	179,653,085	259,614
T04: Other defect	75	11,258,638	1,769,788	4,791,167	17,819,593	237,595
Total	904	120,610,516	19,092,945	74,525,942	214,229,403	236,979

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 \$
C01 : New single dwelling construction	2,816	171,471,320	13,538,361	185,009,681	65,699
C02: New multi dwelling (greater than 3 storeys)	8	3,604,671	562,009	4,166,680	520,835
C03 : New multi dwelling (3 storeys or less)	640	62,584,741	5,901,139	68,485,880	107,009
C04 : Alterations/Additions	581	46,025,838	3,549,273	49,575,111	85,327
C05: Swimming Pools	212	4,620,731	576,313	5,197,044	24,514
C06 : Renovations (including kitchens and bathrooms)	94	5,351,375	469,889	5,821,264	61,928
C07: Other	46	2,049,515	94,390	2,143,905	46,607
Total	4,397	295,708,191	24,691,374	320,399,565	72,868

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 \$
C01 : New single dwelling construction	421	24,326,278	5,472,848	16,625,186	46,424,312	110,272
C02: New multi dwelling (greater than 3 storeys)	10	18,777,232	2,110,291	10,531,048	31,418,571	3,141,857
C03 : New multi dwelling (3 storeys or less)	236	64,019,266	9,683,277	37,426,774	111,129,317	470,887
C04 : Alterations/Additions	144	8,912,835	1,139,936	6,714,331	16,767,102	116,438
C05: Swimming Pools	60	1,123,520	237,943	927,803	2,289,266	38,154
C06 : Renovations (including kitchens and bathrooms)	32	3,436,385	438,545	2,300,771	6,175,701	192,991
C07: Other	1	15,000	10,105	29	25,134	25,134
Total	904	120,610,516	19,092,945	74,525,942	214,229,403	236,979

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	27,964,654	3,088,436	1,441,927	32,495,017	242,500
2003	374	58,705,191	8,162,879	16,821,904	83,689,974	223,770
2004	564	51,987,113	6,585,119	6,694,101	65,266,333	115,720
2005	503	43,083,550	5,216,608	5,480,407	53,780,565	106,920
2006	656	50,403,873	5,283,868	9,728,671	65,416,412	99,720
2007	892	48,278,413	4,813,745	5,939,975	59,032,133	66,180
2008	608	36,097,267	3,219,579	3,987,955	43,304,801	71,225
2009	399	26,350,083	2,317,424	8,014,647	36,682,154	91,935
2010	414	30,045,513	2,105,000	4,388,155	36,538,668	88,258
2011	512	33,964,404	2,631,600	5,228,449	41,824,453	81,688
2012	273	17,225,115	1,150,425	3,898,981	22,274,521	81,592
2013	53	2,089,802	521,232	2,770,299	5,381,333	101,535
2014	34	480,718	28,471	631,271	1,140,460	33,543
2015	1	26,896	0	0	26,896	26,896
Total	5,417	426,702,592	45,124,386	75,026,742	546,853,720	100,951

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 \$22 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 is up 136 or 3% and the reported costs up \$24 million or 5%, 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.

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
Jun 12	135	6	117	8	0	4	270
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 ⁸	18	2	12	0	0	0	32
Jun 15 ⁸	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.

8 No owner-builder certificates issued since 15 January 2015

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

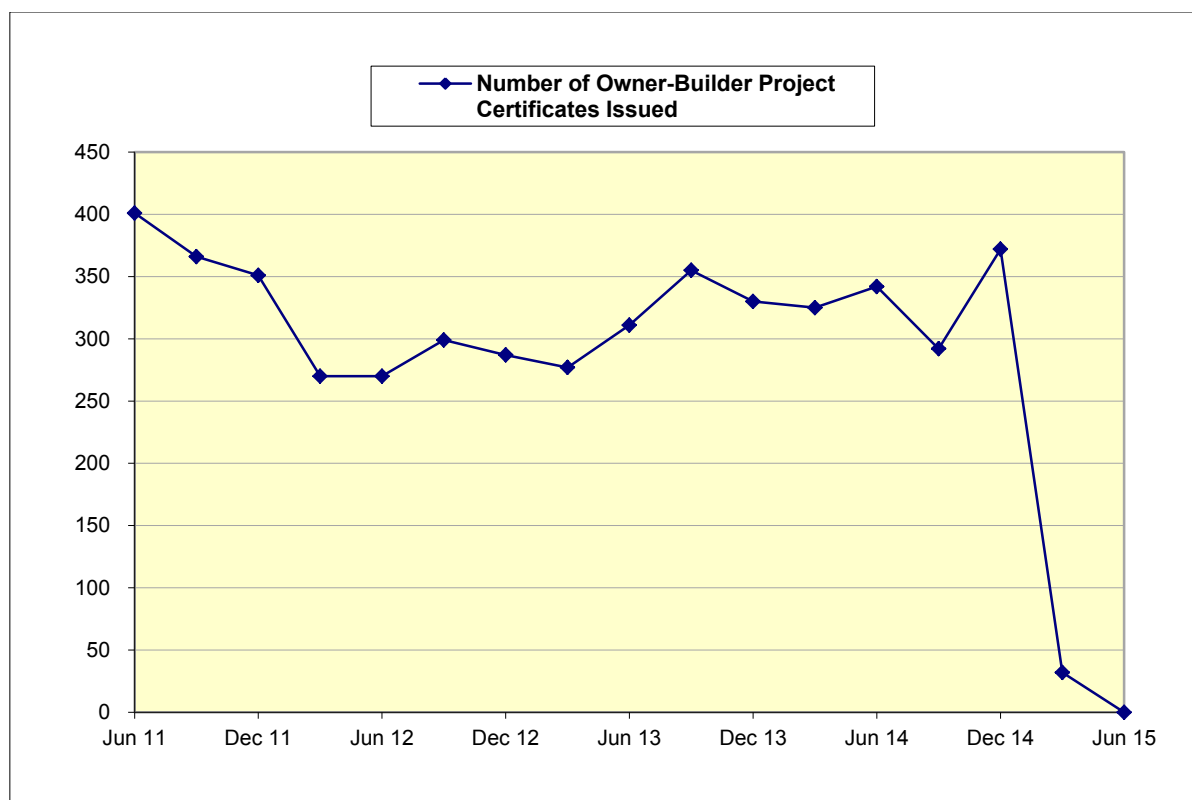


Table OB.C3. Value of project certificates issued by type of cover – (\$'000)

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)
Jun 12	36,169	1,010	13,559	272	0	380	51,390	190
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 ⁸	5,208	450	2,087	0	0	0	7,745	242
Jun 15 ⁸	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

8 No 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
Jun 12	311	10	120	3	0	3	447
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

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

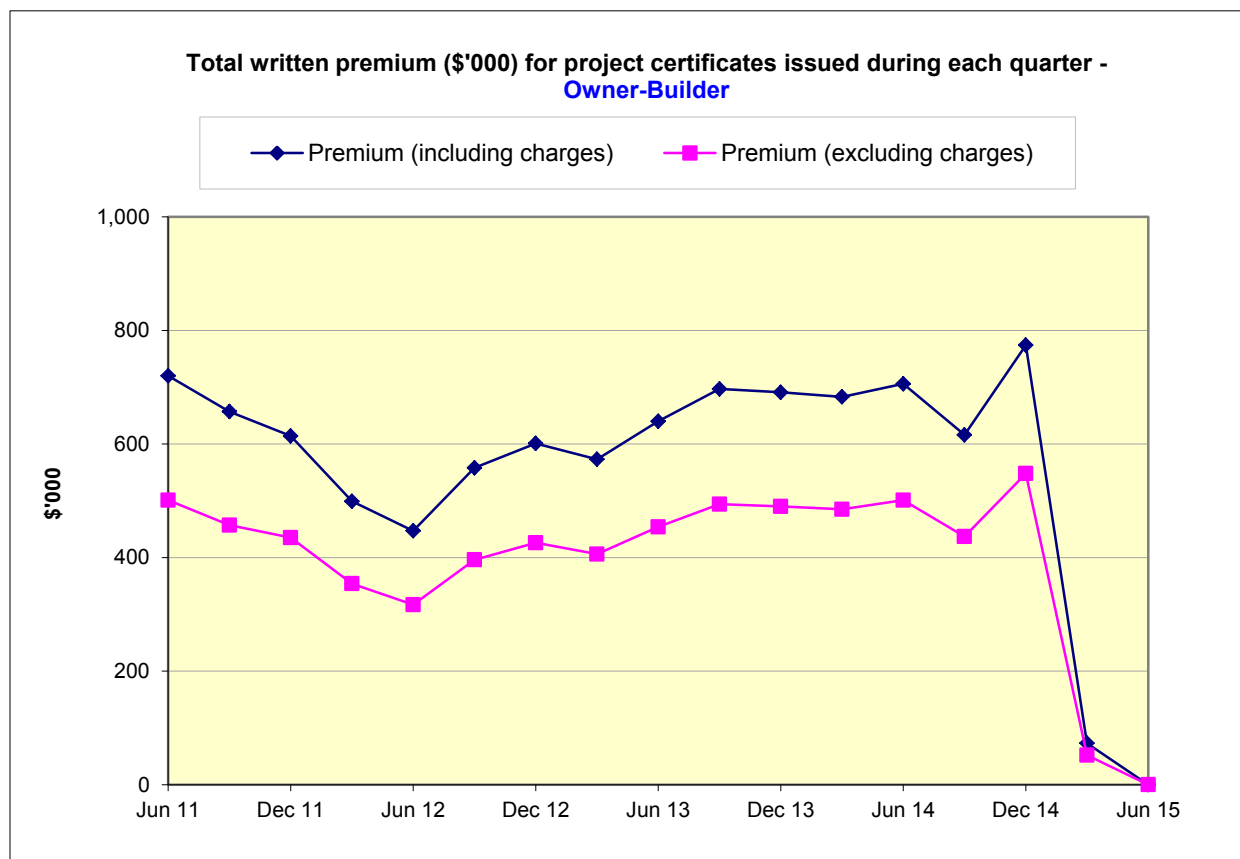
Quarter /Type of cover	New single dwelling construction	New multi dwelling (3 storeys or less) *	Alterations /Additions#	Swimming Pools	Renovations (including kitchens and bathrooms) ^	Other	Totals (\$'000)
Jun 12	221	7	85	2	0	2	317
Sep 12	260	14	120	2	0	0	396
Dec 12	314	23	87	1	0	1	426
Mar 13	311	13	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.

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 \$
Jun 12	2,307	1,662	1,023	451	0	662	1,657
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 \$
Jun 12	8.61	9.87	8.83	13.24	0	6.97	8.71
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	Notification only #	Liability being assessed	Liability fully, partially or deemed accepted	Liability fully denied	Liability in dispute	Total
Jun 12	47	14	80	140	2	283
Sep 12	56	10	80	151	2	299
Dec 12	59	7	85	152	1	304
Mar 13	71	6	87	159	1	324
Jun 13	81	4	87	169	1	342
Sep 13	88	5	91	169	2	355
Dec 13	92	2	95	172	0	361
Mar 14	99	7	101	179	0	386
Jun 14	107	4	108	181	0	400
Sep 14	112	2	107	185	0	406
Dec 14	118	2	112	187	0	419
Mar 15	123	2	115	187	0	427
Jun 15	129	2	116	195	0	442

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 June 2015, there were 125 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
Jun 12	8	91	1	30	10	140
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

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 June 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 \$
A01: Insolvency	45	7	4,866,881	4,922,905	109,398
A02: Death	5	0	171,939	171,939	34,388
A03: Disappearance	66	9	6,685,132	7,129,908	108,029
Total	116	16	11,723,952	12,224,752	105,386

“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 \$
T03: Major defect	109	16	11,205,172	11,705,972	107,394
T04: Other defect	7	0	518,780	518,780	74,111
Total	116	16	11,723,952	12,224,752	105,386

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	90	13	8,829,941	9,329,122	103,657
C03 : New multi dwelling (3 storeys or less) *	2	0	238,867	238,867	119,434
C04 : Alterations/Additions	23	3	2,552,525	2,554,144	111,050
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	116	16	11,723,952	12,224,752	105,386

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

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