

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

30 September 2014



26 February 2015

Home Building Compensation Fund Board
NSW Fair Trading
Department of Finance and Services
Level 11, 10-14 Smith Street
Parramatta NSW 2150

Dear Members of the Board

HWI Scheme Data as at 30 September 2014

Finity Consulting Pty Limited (Finity) was engaged by NSW Fair Trading 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 Fair Trading, 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

1. 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 has been renamed from the Home Warranty Insurance Fund (HWIF) to the Home Building Compensation Fund (HBCF) from 15 January 2015 following major changes to home building laws.

In New South Wales, insurance under the HBCF may only be offered by licensed insurers approved by the Minister under the Act. The NSW Self Insurance Corporation is part of the Office of Finance and Services, and 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 have been appointed as insurance agents of the NSW Self Insurance Corporation through contractual arrangements. Vero Insurance Limited was also an agent for the three months to 30 September 2010.

HBCF Scheme Data

NSW Fair Trading, within the Office of Finance and Services, has certain regulatory responsibilities in relation to the HBCF. One of the roles of Fair Trading is to collect data on claims and policies from insurers in order to be able to monitor the operation of the scheme.

Since September 2005 insurers in the HBCF scheme have been providing data on a quarterly basis to Fair Trading. 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 since June 2006 for the insurance period 1 July 2002 to 30 September 2014. 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 of the scheme, and major changes to the home building laws from 15 January 2015, are available on the following websites:

NSW Fair Trading:

http://www.fairtrading.nsw.gov.au/Tradespeople/Home_warranty_insurance.html

Home Building Compensation Fund:

https://www.hbcf.nsw.gov.au/portal/server.pt/community/home_building_compensation_fund

2 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 September 2014, there was an increase of \$51 million, or 11%, in the overall estimated net incurred claims cost reported by the scheme insurers. This illustrates the point made earlier that it takes many years for the ultimate experience of this class of business to emerge.

3 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 HBCF's Insurance Agents.

A.1 Builder eligibilities

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.

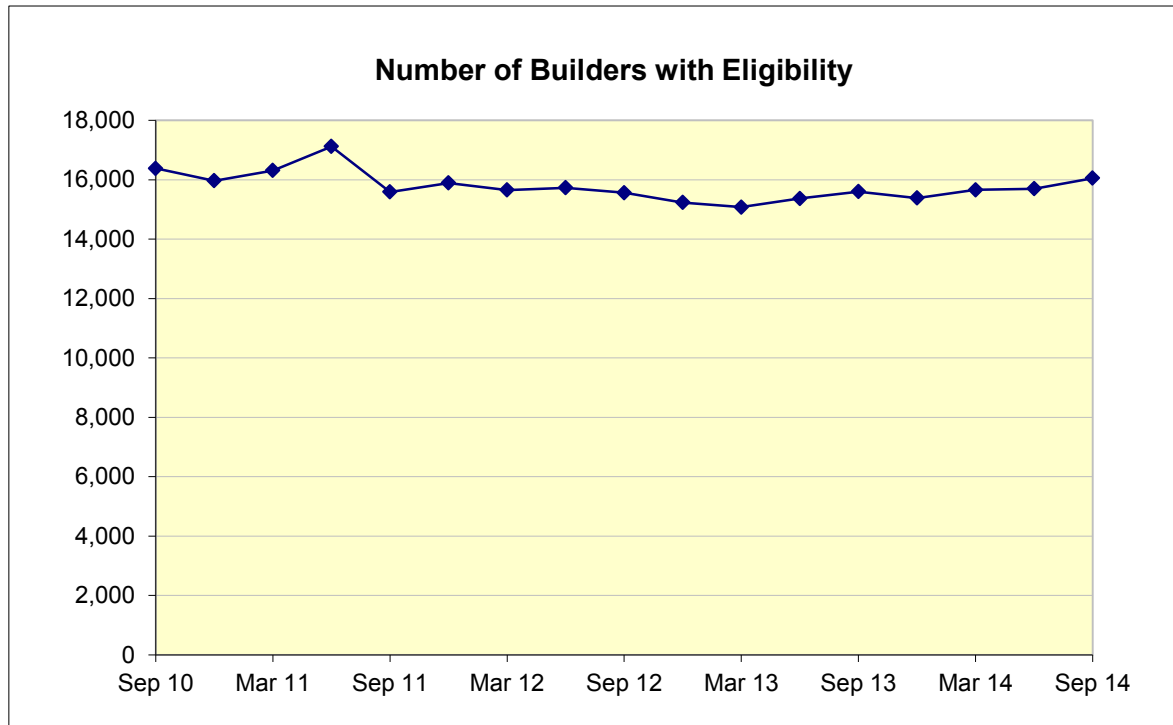
Table A1 shows the number of builder eligibilities at the end of each quarter by annual turnover limit bands for all types of cover.

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 |
|-----------------------|-------------|-------------|-----------|-----------|-----------|------------|--------|--------|
| Sep 11 | 2,947 | 2,486 | 4,352 | 2,392 | 2,673 | 661 | 78 | 15,589 |
| Dec 11 | 3,071 | 2,601 | 4,495 | 2,419 | 2,573 | 662 | 71 | 15,892 |
| Mar 12 | 3,069 | 2,601 | 4,499 | 2,361 | 2,424 | 629 | 68 | 15,651 |
| 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 |

As at 30 September 2014, the proportion of builders with eligibility for annual turnover are: less than \$1 million: 40%, \$1m to less than \$5m: 55%, and \$5m and over: 5%, largely 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, the 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 by the HBCF for providing insurance eligibility, although a builder can provide a bank guarantee if the builder chooses to do so (refer Table B1).

Other Security, which relates to an indemnity under a Group Trading Agreement where an entity is operating as part of a group structure, was introduced by the HBCF from late 2013.

Securities provided prior to 1 July 2010 by builders to former insurers are unable to be transferred to the HBCF, and will remain in place until they are released by the insurers. Such securities held by former insurers are not included in the HBCF report post 30 June 2010.

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 |
|---------|----------------|-----------|----------------|--------|--------------------------------|
| Sep 11 | 0 | 696 | N/A | 696 | 4% |
| Dec 11 | 0 | 719 | N/A | 719 | 5% |
| Mar 12 | 0 | 797 | N/A | 797 | 5% |
| 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% |

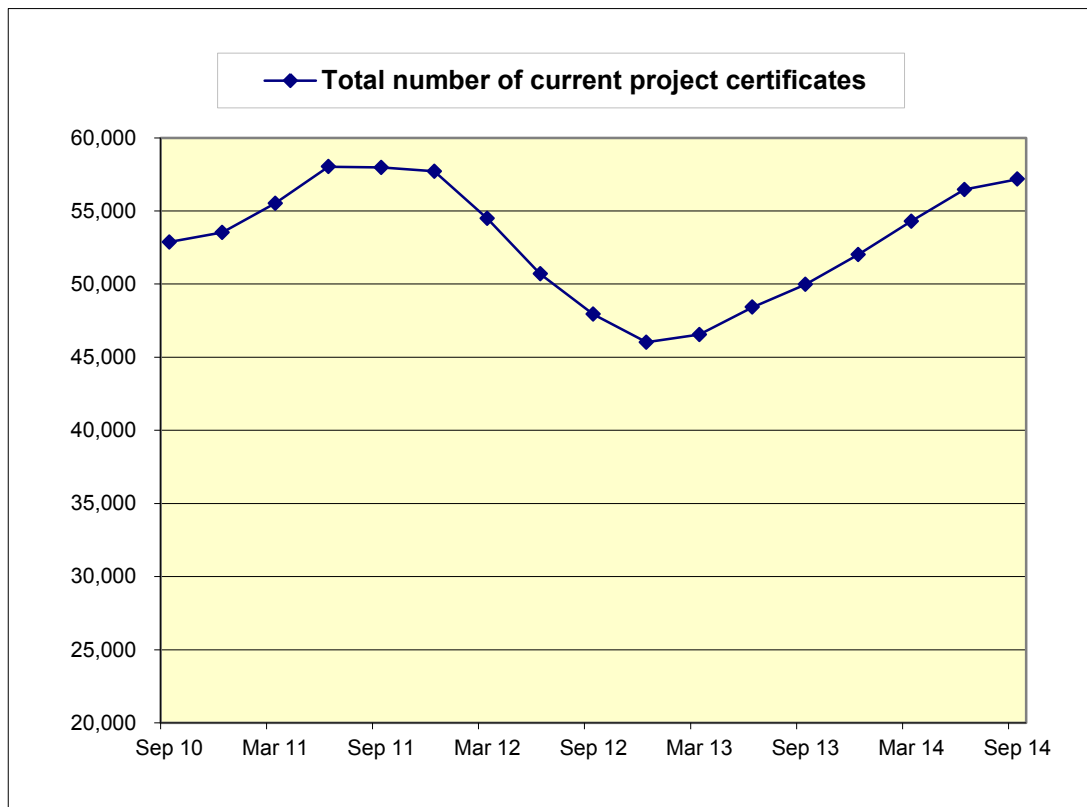
C Project Certificate Information – Builder

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.

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 |
|------------------------|----------------------------------|------------------------------------------|--------------------------|----------------|--------------------------------------------------|-------|--------|
| Sep 11 | 4,274 | 1,140 | 4,383 | 1,176 | 4,301 | 22 | 15,296 |
| Dec 11 | 3,610 | 992 | 3,483 | 1,041 | 3,839 | 14 | 12,979 |
| Mar 12 | 3,633 | 922 | 3,077 | 710 | 2,743 | 8 | 11,093 |
| 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 |

* 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 proportion of project certificates issued during the quarter were: new single and multi-unit dwellings (45%), alterations and renovations (47%) and swimming pools /others (8%).

The number of project certificates issued (15,020) quarter fell 1% since last quarter.

In the 12 months to September 2014, total number of certificates issued (57,176) were up 14% year-on-year, with steady growth in all cover types, including new single dwellings (+16%) and renovations (+18%), new multi dwellings (+9%), with flow-on effects on the total values and written premiums of certificates issued in the period.

Figure C2.1 Total Number of project certificates issued during each quarter

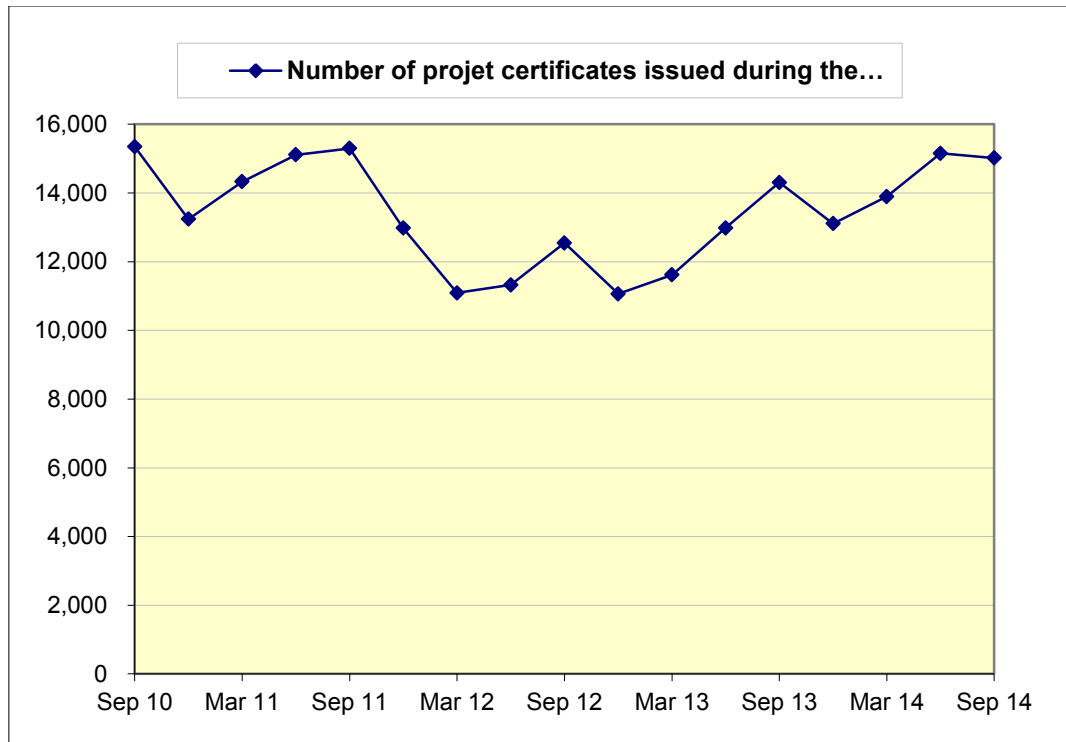


Table C2. Value of project certificates issued by type of cover during each quarter – (\$'million)

| 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) |
|------------------------|----------------------------------|------------------------------------------|--------------------------|----------------|--------------------------------------------------|-------|---------------------|------------------------------------------------|
| Sep 11 | 1,316 | 232 | 517 | 47 | 136 | 1 | 2,249 | 147 |
| Dec 11 | 1,129 | 223 | 431 | 40 | 115 | 1 | 1,939 | 149 |
| Mar 12 | 1,104 | 199 | 465 | 29 | 97 | 1 | 1,895 | 171 |
| 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 |

* 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 HBCF 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) |
| Sep 11 | 5,591 | 6,060 | 92% | 1,599 | 1,660 | 96% |
| Dec 11 | 4,771 | 5,630 | 85% | 1,399 | 1,499 | 93% |
| Mar 12 | 4,696 | 4,945 | 95% | 1,344 | 1,352 | 99% |
| Jun 12 | 5,445 | 5,374 | 101% | 1,586 | 1,540 | 103% |
| Sep 12 | 5,534 | 6,613 | 84% | 1,552 | 1,746 | 89% |
| Dec 12 | 5,334 | 6,730 | 79% | 1,485 | 1,743 | 85% |
| Mar 13 | 5,747 | 5,808 | 99% | 1,608 | 1,600 | 101% |
| Jun 13 | 6,447 | 7,001 | 92% | 1,856 | 1,824 | 102% |
| Sep 13 | 7,099 | 7,004 | 101% | 1,984 | 1,875 | 106% |
| Dec 13 | 6,750 | 7,272 | 93% | 1,911 | 1,881 | 102% |
| Mar 14 | 6,633 | 7,087 | 94% | 1,956 | 1,957 | 100% |
| Jun 14 | 7,705 | 7,870 | 98% | 2,287 | 2,123 | 108% |
| Sep 14 | 6,964 | 8,380 | 83% | 2,159 | 2,293 | 94% |
| Average | 6,055 | 6,598 | 92% | 1,748 | 1,776 | 98% |

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

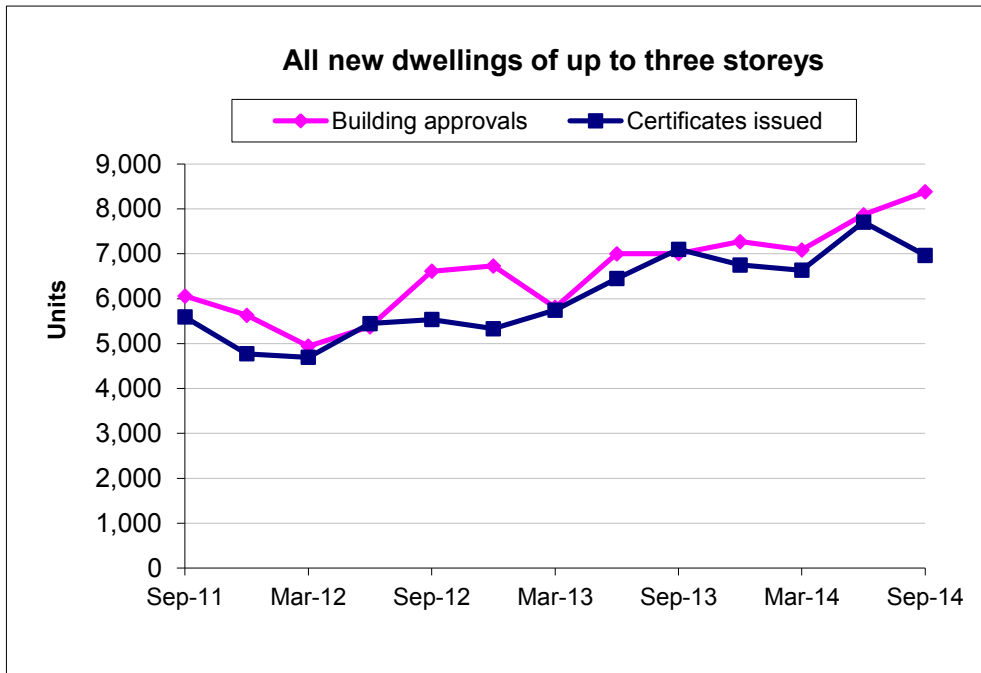
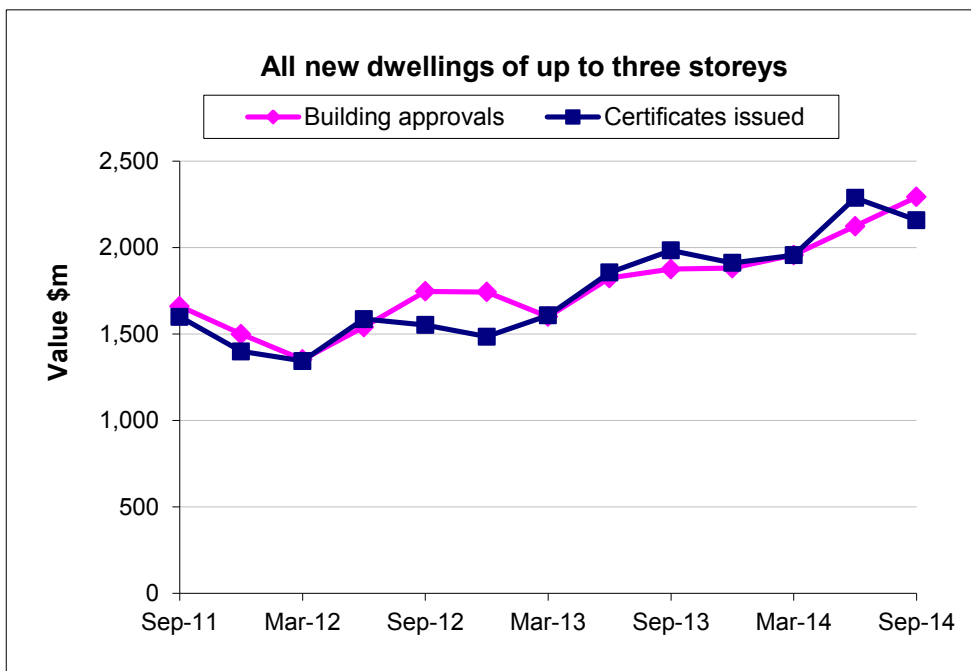


Figure C3.2 Value of building approvals versus certificates issued - Trend



D Premium Information - Builder

Insurers provide information to Fair Trading 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 Fair Trading.

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) |
|------------------------|----------------------------------|------------------------------------------|-------------------------|----------------|--------------------------------------------------|-------|-----------------|
| Sep 11 | 7,481 | 2,341 | 3,660 | 442 | 1,016 | 9 | 14,949 |
| Dec 11 | 6,524 | 2,215 | 3,035 | 387 | 875 | 5 | 13,041 |
| Mar 12 | 6,341 | 2,071 | 3,236 | 275 | 683 | 5 | 12,611 |
| 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 |

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

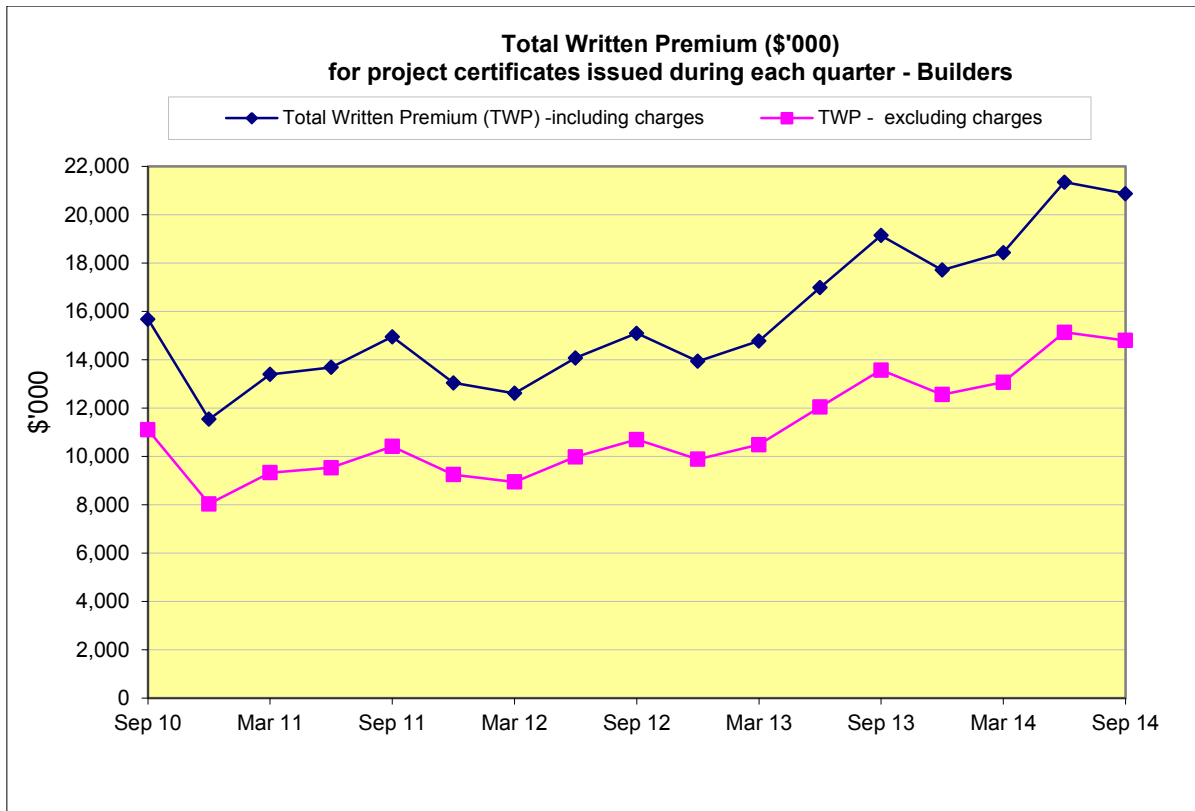
| Quarter /Type of cover | New single dwelling construction | New multi dwelling (3 storeys or less) * | Alterations /Additions# | Swimming Pools | Renovations (including kitchens and bathrooms) ^ | Other | Totals (\$'000) |
|------------------------|----------------------------------|------------------------------------------|-------------------------|----------------|--------------------------------------------------|-------|-----------------|
| Sep 11 | 5,210 | 1,631 | 2,553 | 308 | 707 | 6 | 10,415 |
| Dec 11 | 4,625 | 1,570 | 2,152 | 274 | 620 | 4 | 9,245 |
| Mar 12 | 4,496 | 1,469 | 2,294 | 195 | 484 | 3 | 8,941 |
| 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 |

* 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 \$ |
|------------------------|----------------------------------|------------------------------------------|-------------------------|----------------|--------------------------------------------------|-------|-----------------------------------|
| Sep 11 | 1,750 | 2,054 | 835 | 376 | 236 | 409 | 977 |
| Dec 11 | 1,807 | 2,233 | 871 | 371 | 228 | 377 | 1,005 |
| Mar 12 | 1,745 | 2,247 | 1,052 | 388 | 249 | 569 | 1,137 |
| 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 |

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 \$ |
|------------------------|----------------------------------|------------------------------------------|--------------------------|----------------|--------------------------------------------------|-------|-------------------------------------------|
| Sep 11 | 5.68 | 10.12 | 7.07 | 9.31 | 7.46 | 7.57 | 6.65 |
| Dec 11 | 5.78 | 9.92 | 7.04 | 9.60 | 7.61 | 7.61 | 6.72 |
| Mar 12 | 5.74 | 10.41 | 6.96 | 9.36 | 7.01 | 7.34 | 6.65 |
| 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 |

* 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* that are available on the Fair Trading website. Fair Trading is provided with 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 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 each quarter end*

| Quarter | Notification only # | Liability being assessed | Liability fully, partially or deemed accepted | Liability fully denied | Liability in dispute | Total |
|---------|---------------------|--------------------------|-----------------------------------------------|------------------------|----------------------|--------------|
| Sep11 | 1,977 | 227 | 2,693 | 807 | 29 | 5,733 |
| Dec 11 | 2,090 | 248 | 2,910 | 831 | 25 | 6,104 |
| Mar 12 | 2,118 | 307 | 3,261 | 888 | 44 | 6,618 |
| 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 |

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 September 2014, there were 2,815 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 |
|---------|-------------------|-------------|---------------|------------------|-----------------------|---------------------|--------------|
| Sep 11 | 3 | 61 | 77 | 2 | 216 | 448 | 807 |
| Dec 11 | 4 | 64 | 79 | 2 | 221 | 461 | 831 |
| Mar 12 | 4 | 74 | 86 | 2 | 222 | 500 | 888 |
| 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 |

[^] Decrease due to 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 claims where liability has been accepted by the insurer in regards to builders (not owner-builders) as at **30 September 2014**. 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 | 3,911 | 257,335,717 | 20,741,206 | 278,076,923 | 71,101 |
| A02: Death | 45 | 3,389,877 | 166,449 | 3,556,326 | 79,029 |
| A03: Disappearance | 188 | 10,954,083 | 829,191 | 11,783,274 | 62,677 |
| Total | 4,144 | 271,679,677 | 21,736,846 | 293,416,523 | 70,805 |

*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 | 737 | 94,548,631 | 15,317,663 | 61,817,588 | 171,683,882 | 232,950 |
| A02: Death | 4 | 94,748 | 13,289 | 156,374 | 264,411 | 66,103 |
| A03: Disappearance | 62 | 4,212,928 | 543,598 | 2,599,102 | 7,355,628 | 118,639 |
| Total | 803 | 98,856,307 | 15,874,550 | 64,573,064 | 179,303,921 | 223,293 |

*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 | 210 | 4,343,450 | 160,647 | 4,504,097 | 21,448 |
| T02: Failure to complete | 1,455 | 107,954,613 | 6,880,974 | 114,835,587 | 78,925 |
| T03: Major defect # | 1,982 | 132,109,557 | 12,259,979 | 144,369,536 | 72,840 |
| T04: General defect # | 497 | 27,272,057 | 2,435,246 | 29,707,303 | 59,773 |
| Total | 4,144 | 271,679,677 | 21,736,846 | 293,416,523 | 70,805 |

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'. General 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 | 4 | 107,077 | 5,521 | 6,046 | 118,644 | 29,661 |
| T02: Failure to complete | 113 | 11,381,742 | 1,652,436 | 3,011,578 | 16,045,756 | 141,998 |
| T03: Major defect | 618 | 76,318,260 | 12,699,181 | 56,921,506 | 145,938,947 | 236,147 |
| T04: General defect | 68 | 11,049,228 | 1,517,412 | 4,633,934 | 17,200,574 | 252,950 |
| Total | 803 | 98,856,307 | 15,874,550 | 64,573,064 | 179,303,921 | 223,293 |

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 | 2,673 | 162,885,786 | 12,234,324 | 175,120,110 | 65,514 |
| C02: New multi dwelling (greater than 3 storeys) | 7 | 3,531,337 | 552,719 | 4,084,056 | 583,436 |
| C03 : New multi dwelling (3 storeys or less) | 577 | 51,427,185 | 4,730,104 | 56,157,289 | 97,326 |
| C04 : Alterations/Additions | 540 | 42,531,989 | 3,186,745 | 45,718,734 | 84,664 |
| C05: Swimming Pools | 207 | 4,418,021 | 540,846 | 4,958,867 | 23,956 |
| C06 : Renovations (including kitchens and bathrooms) | 95 | 4,839,408 | 399,533 | 5,238,941 | 55,147 |
| C07: Other | 45 | 2,045,951 | 92,575 | 2,138,526 | 47,523 |
| Total | 4,144 | 271,679,677 | 21,736,846 | 293,416,523 | 70,805 |

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 | 391 | 23,965,397 | 4,662,871 | 13,416,090 | 42,044,358 | 107,530 |
| C02: New multi dwelling (greater than 3 storeys) | 11 | 15,162,009 | 1,697,015 | 11,530,499 | 28,389,523 | 2,580,866 |
| C03 : New multi dwelling (3 storeys or less) | 225 | 49,515,894 | 8,373,814 | 31,915,310 | 89,805,018 | 399,133 |
| C04 : Alterations/Additions | 121 | 7,437,512 | 781,999 | 4,428,668 | 12,648,179 | 104,530 |
| C05: Swimming Pools | 27 | 735,751 | 135,993 | 432,534 | 1,304,278 | 48,307 |
| C06 : Renovations (including kitchens and bathrooms) | 27 | 2,039,744 | 221,043 | 2,839,113 | 5,099,900 | 188,885 |
| C07: Other | 1 | 0 | 1,815 | 10,850 | 12,665 | 12,665 |
| Total | 803 | 98,856,307 | 15,874,550 | 64,573,064 | 179,303,921 | 223,293 |

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 | 26,212,708 | 2,891,868 | 1,802,479 | 30,907,055 | 230,650 |
| 2003 | 372 | 52,826,183 | 7,488,008 | 18,157,255 | 78,471,446 | 210,945 |
| 2004 | 560 | 44,541,959 | 6,075,033 | 10,925,486 | 61,542,478 | 109,897 |
| 2005 | 497 | 37,764,065 | 4,757,788 | 7,372,793 | 49,894,646 | 100,392 |
| 2006 | 638 | 44,723,470 | 4,485,940 | 4,439,453 | 53,648,863 | 84,089 |
| 2007 | 865 | 44,837,259 | 4,164,675 | 5,410,421 | 54,412,355 | 62,904 |
| 2008 | 555 | 32,359,173 | 2,797,397 | 3,451,835 | 38,608,405 | 69,565 |
| 2009 | 338 | 21,765,128 | 1,728,421 | 4,382,343 | 27,875,892 | 82,473 |
| 2010 | 366 | 27,711,621 | 1,626,148 | 2,024,945 | 31,362,714 | 85,690 |
| 2011 | 468 | 30,614,880 | 1,937,050 | 5,297,217 | 37,849,147 | 80,874 |
| 2012 | 238 | 15,501,219 | 696,542 | 1,412,730 | 17,610,491 | 73,994 |
| 2013 | 22 | 388,191 | 74,867 | 982,327 | 1,445,385 | 65,699 |
| 2014 | 1 | 0 | 1,939 | 83,000 | 84,939 | 84,939 |
| Total | 5,054 | 379,245,856 | 38,725,676 | 65,742,284 | 483,713,816 | 95,709 |

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 \$26 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 \$14 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 76 or 2% and the reported costs up \$15 million or 3%, since the 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. HBCF will cease issuing 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 |
|------------------------|----------------------------------|------------------------------------------|--------------------------|----------------|--------------------------------------------------|-------|--------|
| Sep 11 | 175 | 2 | 180 | 6 | 1 | 2 | 366 |
| Dec 11 | 161 | 8 | 167 | 9 | 5 | 1 | 351 |
| Mar 12 | 131 | 10 | 122 | 5 | 0 | 2 | 270 |
| 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 |

* 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.C2 Total Number of project certificates issued during each quarter

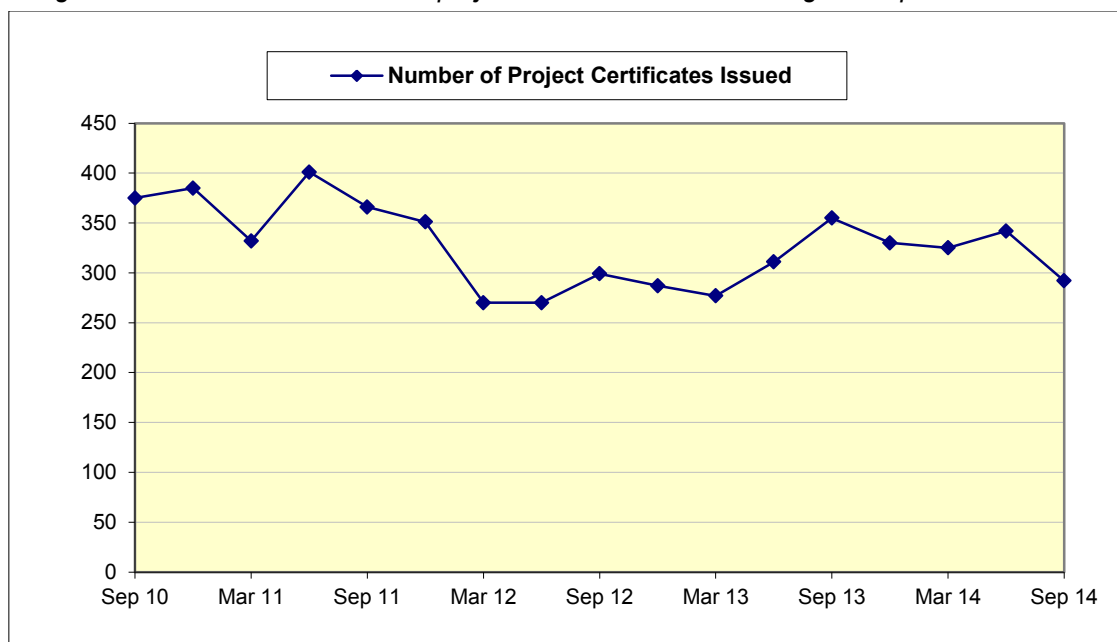


Table OB.C3. Value of project certificates issued by type of cover – (\$'000)

| 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) |
|------------------------|----------------------------------|------------------------------------------|--------------------------|----------------|--------------------------------------------------|-------|-----------------|------------------------------------------------|
| Sep 11 | 50,091 | 620 | 21,195 | 168 | 40 | 444 | 72,558 | 198 |
| Dec 11 | 45,218 | 1,540 | 19,911 | 308 | 263 | 98 | 67,338 | 192 |
| Mar 12 | 38,867 | 2,390 | 16,307 | 139 | 0 | 570 | 58,273 | 216 |
| 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 |

* 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.

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 |
|------------------------|----------------------------------|------------------------------------------|-------------------------|----------------|--------------------------------------------------|-------|--------|
| Sep 11 | 443 | 9 | 199 | 2 | 0 | 4 | 657 |
| Dec 11 | 401 | 20 | 186 | 4 | 2 | 1 | 614 |
| Mar 12 | 308 | 34 | 151 | 2 | 0 | 4 | 499 |
| 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 |

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) |
|------------------------|----------------------------------|------------------------------------------|-------------------------|----------------|--------------------------------------------------|-------|-----------------|
| Sep 11 | 308 | 7 | 138 | 2 | 0 | 2 | 457 |
| Dec 11 | 284 | 14 | 132 | 3 | 1 | 1 | 435 |
| Mar 12 | 219 | 24 | 107 | 1 | 0 | 3 | 354 |
| 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 |

* 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

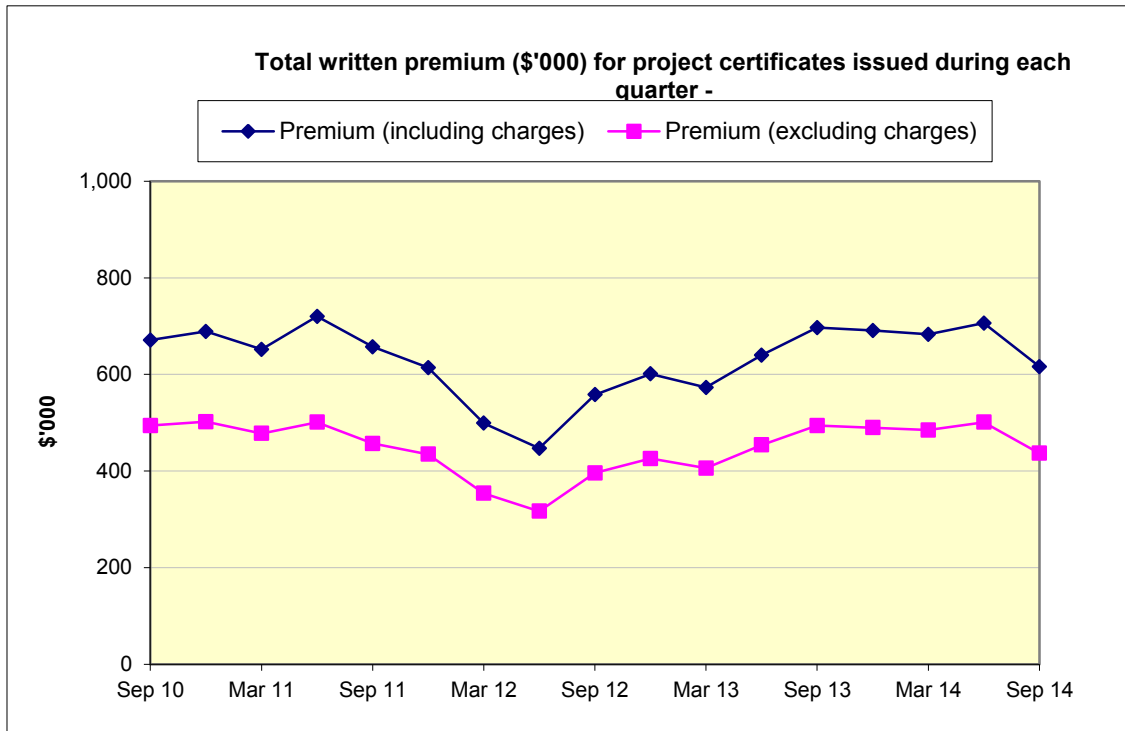
**OB.D2 Average premium per project certificate – Owner-Builder**

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 \$ |
|------------------------|----------------------------------|------------------------------------------|--------------------------|----------------|--------------------------------------------------|-------|-----------------------------------|
| Sep 11 | 2,529 | 4,684 | 1,105 | 366 | 282 | 1,712 | 1,795 |
| Dec 11 | 2,492 | 2,496 | 1,113 | 475 | 338 | 790 | 1,749 |
| Mar 12 | 2,354 | 3,464 | 1,237 | 352 | 0 | 1,842 | 1,849 |
| 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 |

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 \$ |
|------------------------|----------------------------------|------------------------------------------|--------------------------|----------------|--------------------------------------------------|-------|-------------------------------------------|
| Sep 11 | 8.84 | 15.11 | 9.39 | 13.08 | 7.05 | 7.72 | 9.05 |
| Dec 11 | 8.87 | 12.96 | 9.34 | 13.86 | 6.44 | 8.10 | 9.12 |
| Mar 12 | 7.93 | 14.49 | 9.25 | 12.66 | 0 | 6.46 | 8.57 |
| 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 |

* 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 are 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 |
|---------|---------------------|--------------------------|-----------------------------------------------|------------------------|----------------------|------------|
| Sep 11 | 33 | 6 | 71 | 128 | 3 | 241 |
| Dec 11 | 35 | 4 | 75 | 130 | 3 | 247 |
| Mar 12 | 39 | 9 | 81 | 134 | 3 | 266 |
| 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 |

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 September 2014, there were 78 such 'Notifications' which were 'Finalised' with nil payment to claimant.

OB.E2 Reasons claims denied – Owner-BuilderTable **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 |
|---------|-------------|---------------|------------------|-----------------------|---------------------|-------|
| Sep 11 | 8 | 87 | 1 | 24 | 8 | 128 |
| Dec 11 | 9 | 87 | 1 | 25 | 8 | 130 |
| Mar 12 | 8 | 89 | 1 | 26 | 10 | 134 |
| 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 |

^ Decrease from prior quarter 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 September 2014 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* 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 | 39 | 10 | 3,724,648 | 4,275,888 | 109,638 |
| A02: Death | 5 | 0 | 171,939 | 171,939 | 34,388 |
| A03: Disappearance | 63 | 8 | 5,927,565 | 6,545,545 | 103,898 |
| Total | 107 | 18 | 9,824,152 | 10,993,372 | 102,742 |

*Accepted Claims are those in which liability is partially, fully or deemed accepted by the insurer.

"Total amounts paid to date" includes all payments to the claimant or to suppliers involved in the rectification of the works. It also include 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 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 | 100 | 17 | 9,333,339 | 10,476,740 | 104,767 |
| T04: General defect | 7 | 1 | 490,813 | 516,632 | 73,805 |
| Total | 107 | 18 | 9,824,152 | 10,993,372 | 102,742 |

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 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 | 84 | 15 | 7,719,559 | 8,483,549 | 100,995 |
| C03 : New multi dwelling (3 storeys or less) * | 2 | 0 | 238,867 | 238,867 | 119,434 |
| C04 : Alterations/Additions | 20 | 3 | 1,763,107 | 2,168,337 | 108,417 |
| 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 | 107 | 18 | 9,824,152 | 10,993,372 | 102,742 |

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

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