

NSW Home Warranty Insurance Scheme

Information on the Scheme as at

31 December 2007

12 May 2008

Office of Fair Trading
NSW Department of Commerce
201 Elizabeth Street
SYDNEY NSW 2000

Dear Sirs


HWI Scheme Data as at 31 December 2007

Finity Consulting Pty Limited (Finity) was engaged by the Office of Fair Trading to review the publication of data for the Home Warranty Insurance (HWI) 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



Bruce Watson



David Minty

Fellows of the Institute of Actuaries of Australia



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HWI SCHEME INFORMATION

1 PREAMBLE

The *Home Building Act 1989* establishes a home warranty insurance (HWI) scheme. The scheme involves approved private insurers and provides protection for consumers where builders fail to complete residential building work or rectify defects.

The Office of Fair Trading, within the Department of Commerce, has certain regulatory responsibilities in relation to home warranty insurance. One of the roles of Fair Trading is to collect data from insurers offering HWI to enable monitoring of the financial progress of the scheme.

In New South Wales, HWI may only be offered by insurers approved by the Minister under the Act. As at 31 December 2007, there were six insurers approved to offer HWI. While one of the insurers only provides HWI to owner-builders the remainder are able to offer cover to licensed builders and owner-builders.

Since September 2005 insurers in the HWI 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 which from that date made it clear that the protection offered applied only in the event of the death, disappearance or insolvency of a builder.

The following changes were made to the report since last quarter to enhance transparency:

- Information relating to project certificates, premiums and claims for owner-builders are now separately disclosed in Part II of this document. Previously they were aggregated together with builder information.

This publication summarises the data that has been provided for the period 1 July 2002 to 31 December 2007. The information provided has been aggregated across insurers. Data provided by individual insurers is commercially confidential and has not been disclosed.

2 CAUTION IN INTERPRETING THE INFORMATION

The current version of the HWI scheme is at an early stage of evolution. As a result, considerable caution is required when interpreting the information provided in this publication. Data collection systems have only been in place for around two years and improvements are ongoing. Care must be taken in relying upon initial (baseline) data in determining trends at this stage.

In addition, HWI is a 'long tail' class of business 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 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.

The data in this publication relates only to project certificates issued from 1 July 2002 and claims notified on those certificates. It does not include claims not yet 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. Experience with the former Government administered schemes showed that claims may be lodged with insurers as long as ten years after the issue of HWI.

It is only possible to make an assessment of the financial performance of the HWI scheme by comparing premiums collected with all the relevant costs of insurers over the full life of the HWI cover. At this time, there is insufficient information to make such an assessment although useful information will emerge as the business matures.

It is also expected that the claims experience of HWI may vary greatly from year to year depending on economic conditions in the home building market and in the community generally. The nature of insurance is that there are good years and bad years. Since the new HWI scheme commenced, the NSW economy has performed reasonably well, and conditions have generally been favourable for home builders.

3 DATA

A Eligibility Information

Under the HWI scheme, licensed builders may apply to an insurer of their choice for HWI eligibility. Eligibility is a form of pre-approval for the issue of HWI project certificates. Eligibility for HWI does not apply to owner-builders.

A.1 Builder eligibilities

Table A1 shows the number of builder eligibilities at the end of each quarter by turnover band. It excludes builders with eligibility pending, but includes builders who may have eligibility with more than one insurer at the time of reporting. Turnover refers to the total annual turnover for which the builder has eligibility from the insurer at the end of the quarter for all types of cover.

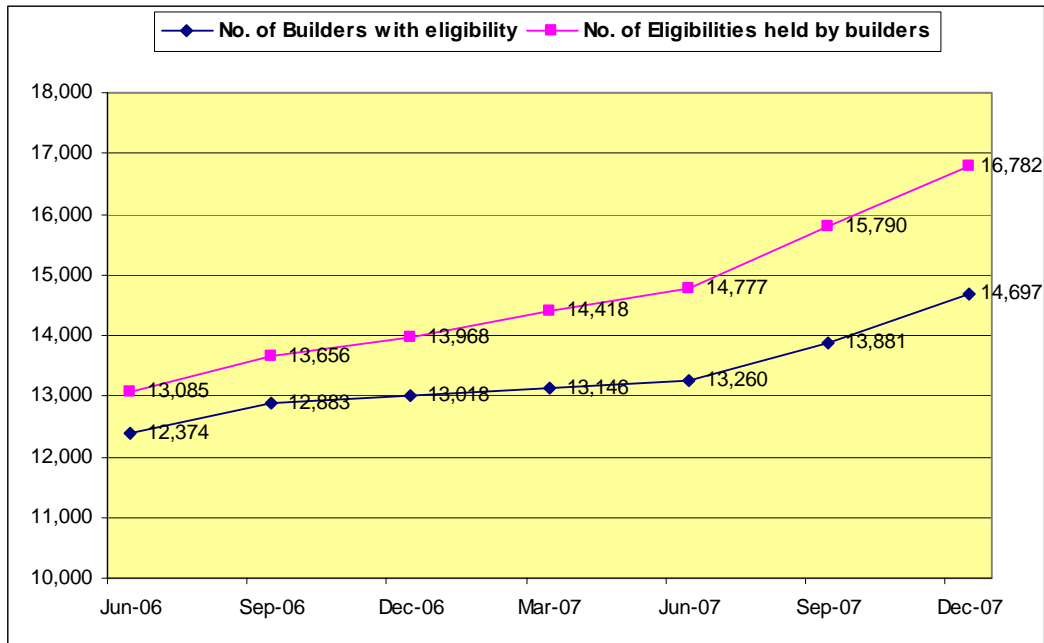
Table A1 Number of builder eligibilities by turnover band

Turnover band (\$' m)	\$0-0.5m	\$0.5-1m	\$1-2m	\$2-3m	\$3-5m	\$5-20m	\$20+m	Change in Turnover Requested	unlimited	Totals
Jun 06	1,034	1,256	4,356	4,305	855	728	113	135	303	13,085
Sep 06	1,174	1,399	4,527	4,450	821	699	107	139	340	13,656
Dec 06	1,292	1,426	4,576	4,469	879	702	105	141	378	13,968
Mar 07	1,364	1,498	4,528	4,451	1,156	755	108	145	413	14,418
Jun 07	1,299	1,405	4,126	3,977	2,581	769	108	135	377	14,777
Sept 07	1,526	1,528	4,356	4,010	2,980	832	122	11	425	15,790
Dec 07	1,708	1,668	4,561	4,168	3,166	904	117	3	487	16,782

Most licensed builders have eligibility for annual turnover within the \$1 million to \$5 million band.

As at 31 December 2007, 1,958 builders (or 13% of the total of 14,697 eligible builders) had established eligibility for cover with two or more insurers. Last quarter, the proportion was also 13%.

Figure A1 - Trend in: a) number of licensed builders with eligibility, and b) number of current eligibilities held by licensed builders, as at end of each quarter



B Securities and Indemnities Information

In some circumstances an insurer may require a security or indemnity of some form before granting eligibility to a builder. The most common form of security is an indemnity (usually provided by an individual director or other third party) and/or a bank guarantee. The information on securities does not include owner-builders.

B.1 Number and type of securities held by insurers

Table B1 Number of Securities and Indemnities – current as at end of each quarter

Quarter	Bank Guarantee	Indemnity	Multiple Securities	Other Security	Totals	% of Total Builder Eligibility
Jun 06	377	*266	10	5	658	5%
Sep 06	339	*719	9	3	1,070	8%
Dec 06	221	1,212	68	2	1,503	11%
Mar 07	227	1,262	76	4	1,569	11%
Jun 07	209	1,312	123	4	1,648	11%
Sept 07	227	1,380	133	4	1,744	11%
Dec 07	229	1,354	132	4	1,719	10%

* The increase in the number of indemnities between the June and December 2006 quarters is attributable to one insurer being previously unable to provide data on all job specific and builder deeds of indemnity and one insurer being previously unable to provide data on deeds of indemnity relating to business which it acquired from another insurer.

Since the June 2006 quarter there has been a shift from bank guarantees to indemnities and multiple securities as a preferred form of security. As at 31 December 2007, 10 per cent of builder eligibilities were subject to some form of security being in place.

B.2 Dollar value of securities held over the past year

Table B2 Value of Securities and Indemnities (\$'000) - current as at end of each quarter

Quarter	Bank Guarantee	Indemnity *	Multiple Securities#	Other Security	Totals
Jun 06	50,636	N/A	2,361	23	53,020
Sep 06	44,000	N/A	2,186	26	46,212
Dec 06	26,519	N/A	10,643	15	37,177
Mar 07	28,935	N/A	10,968	19	39,922
Jun 07	24,739	N/A	14,582	122	39,443
Sept 07	26,740	N/A	16,679	122	43,541
Dec 07	26,077	N/A	16,614	109	42,800

* No value is required to be placed on an indemnity.

Identifies those builders with more than one form of security, such as a bank guarantee, a group trading agreement (involving associated companies) and/or an indemnity.

B.3 Average value of securities and indemnities over the period

Table B3. Average Value of Securities and Indemnities (\$'000)

Quarter	Bank Guarantee	Indemnity *	Multiple Securities	Other Security
Jun 06	134	N/A	236	5
Sep 06	130	N/A	243	9
Dec 06	120	N/A	157	8
Mar 07	127	N/A	144	5
Jun 07	118	N/A	119	30
Sept 07	118	* N/A	125	31
Dec 07	114	* N/A	126	27

* No value is required to be placed on an indemnity.

The average value of bank guarantee reported by insurers has generally reduced since June 2006 (noting that an indemnity does not have a reported value). The average value of multiple securities is down by nearly half since September 2006.

C Project Certificate Information – Builder

Generally an insurer issues a project certificate in relation to a project prior to building commencement. The project certificate is evidence of the HWI contract.

Insurers report to Fair Trading on the number of project certificates issued during each quarter and the number of project certificates for projects still in progress (current) at the end of the quarter. This latter figure involves some degree of estimation as insurers are not necessarily advised by builders on whether all individual projects are complete or still in progress.

All insurers have been requested to assume in future reports that a project has been completed after 12 months if they do not know its status. Some insurers already reported this way. The trend may therefore change in future reports.

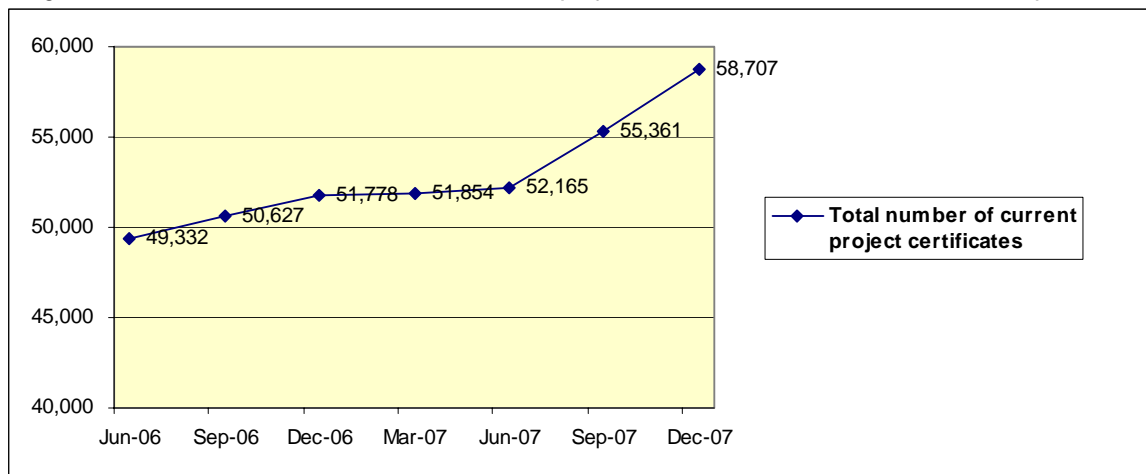
C.1 Current project certificates - Builder

Table C1 shows the number of current project certificates for “work in progress” as at the end of each quarter as reported by insurers. Figure C1.1 shows the trend in the total number of current project certificates over the period. These figures do not include owner builder projects.

Table C1 Number of current project certificates - as at end of each quarter

Report Quarter	Totals
Jun 06	49,332
Sep 06	50,627
Dec 06	51,778
Mar 07	51,854
Jun 07	52,165
Sept 07	55,361
Dec 07	58,707

Figure C1.1 Trend in total number of current project certificates - as at the end of each quarter



C.2 New project certificates issued - Builder

Tables C2, C3 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 C2. Number of project certificates issued by type of cover

Quarter /Type of cover	New single dwelling construction	New multi dwelling (greater than 3 storeys) *	New multi dwelling (3 storeys or less) *	Alterations /Additions #	Swimming Pools	Renovations (including kitchens and bathrooms) ^	Other	Totals
Jun 06	4,089	41	1,439	3,402	1,703	2,995	211	13,880
Sep 06	3,961	0	1,719	3,677	1,632	3,027	283	14,299
Dec 06	3,548	33	1,331	3,104	1,407	2,664	350	12,437
Mar 07	3,453	24	1,348	3,369	1,161	2,580	240	12,175
Jun 07	4,016	0	1,280	3,738	1,254	2,715	222	13,225
Sept 07	4,227	0	1,358	4,129	1,383	3,760	165	15,022
Dec 07	4,222	0	1,249	3,834	1,580	3,488	234	14,607

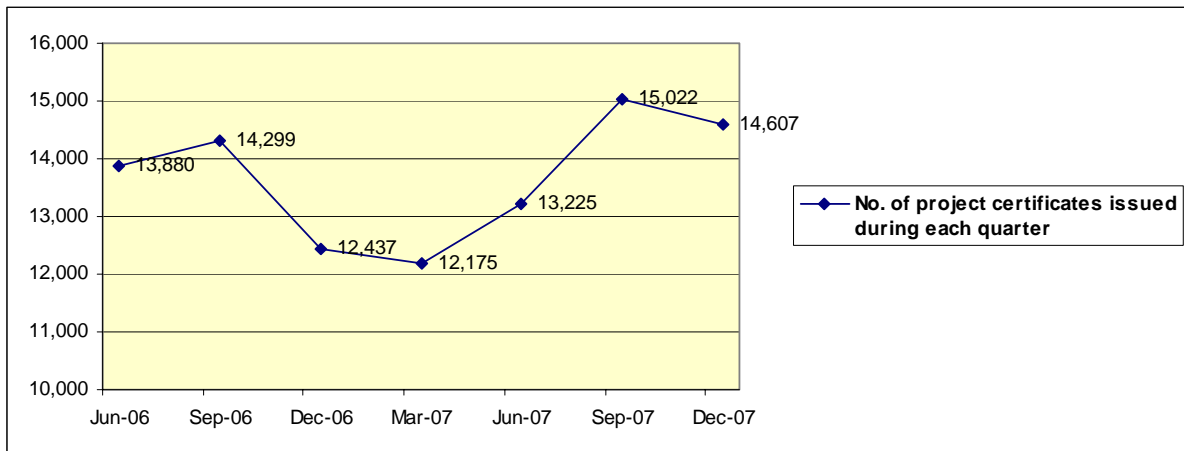
* A project certificate is issued for each unit in a multi-unit development.

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.

Roughly half of the project certificates issued in December 2007 were for alterations (26%) and renovations (24%). Just under 40% of certificates were issued for new single and multi-unit dwellings with the balance being for swimming pools.

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



While the number of certificates issued is quite volatile from quarter to quarter, the average number issued per quarter in 2007 (13,757 per quarter) is just 1.6% higher than the average number issued per quarter in the three quarters of 2006 (13,538) where data is available.

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

Quarter /Type of cover	New single dwelling construction	New multi dwelling (greater than 3 storeys) *	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 06	1,068	9	270	621	58	126	23	2,175	157
Sep 06	1,058	0	323	451	55	113	26	2,026	142
Dec 06	941	10	263	344	45	80	29	1,712	138
Mar 07	1,000	2	245	427	41	89	24	1,828	150
Jun 07	1,118	0	264	455	47	93	22	1,999	151
Sept 07	1,170	0	242	471	53	133	20	2,089	139
Dec 07	1,189	0	256	412	53	113	22	2,045	140

* 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.

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. Based on information received from insurers, such brokerage fees are understood generally to be a flat dollar amount per certificate ranging from \$50 to \$400 depending on the volume of business of a particular broker with a particular builder. Any margin added by the builder in on-charging the premium to consumers also is not captured in the insurers' data and is therefore not reported in the figures below.

As at 31 December 2007 there were five groups of licensed insurers providing home warranty insurance in New South Wales. There appears to be competition among insurers with no one group having more than a 50% market share in providing cover for builders (in terms of reported total written premium including charges) and with each of the other groups holding between 10% and 20% of the market.

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 (greater than 3 storeys) *	New multi dwelling (3 storeys or less) *	Alterations /Additions#	Swimming Pools	Renovations (including kitchens and bathrooms) ^	Other	Totals (\$'000)
Jun 06	5,313	66	1,756	4,424	1,072	1,073	195	13,899
Sept 06	4,880	0	2,048	4,587	1,003	1,044	237	13,799
Dec 06	4,276	58	1,546	3,559	820	870	275	11,404
Mar 07	4,206	22	1,466	3,740	653	858	194	11,139
Jun 07	4,611	0	1,649	3,917	736	914	189	12,016
Sept 07	4,334	0	1,332	3,756	698	1,094	133	11,347
Dec 07	4,309	0	1,265	3,377	775	1,042	172	10,940

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

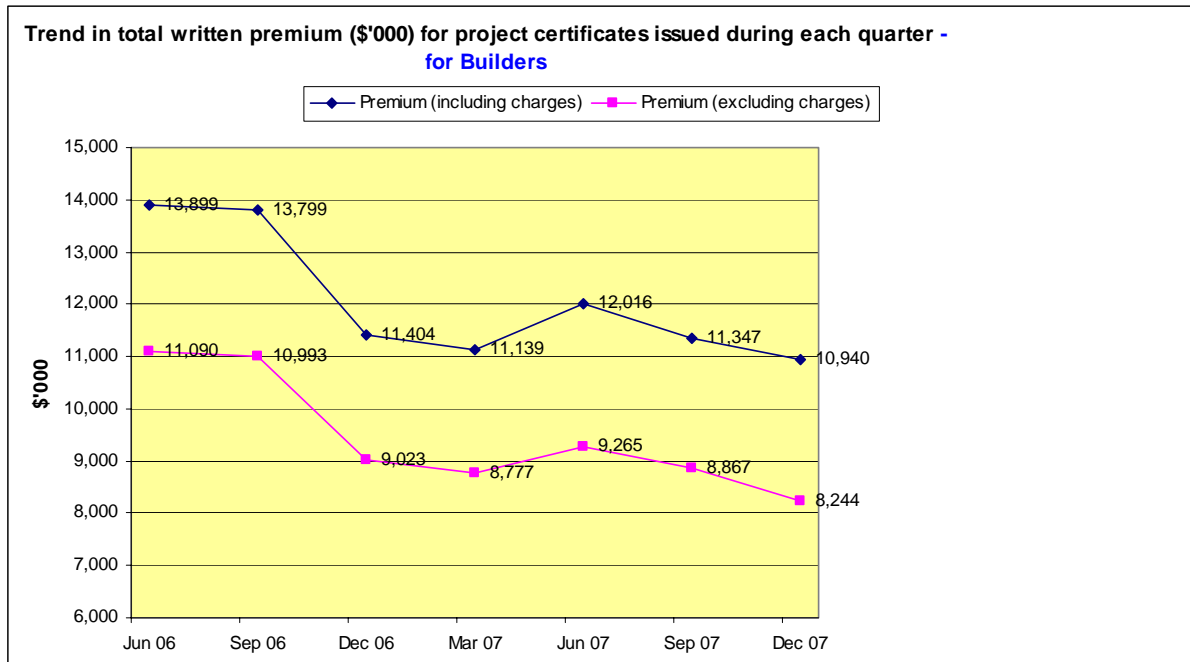
Quarter /Type of cover	New single dwelling construction	New multi dwelling (greater than 3 storeys) *	New multi dwelling (3 storeys or less) *	Alterations /Additions#	Swimming Pools	Renovations (including kitchens and bathrooms) ^	Other	Totals (\$'000)
Jun 06	4,296	39	1,372	3,598	800	833	152	11,090
Sept 06	3,939		1,586	3,721	745	819	183	10,993
Dec 06	3,422	34	1,211	2,863	605	677	211	9,023
Mar 07	3,355	12	1,133	2,983	477	668	149	8,777
Jun 07	3,577		1,248	3,063	537	691	149	9,265
Sept 07	3,376		1,044	2,946	534	858	109	8,867
Dec 07	3,284		955	2,573	533	768	131	8,244

* 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 (greater than 3 storeys) *	New multi dwelling (3 storeys or less) *	Alterations /Additions#	Swimming Pools	Renovations (including kitchens and bathrooms) ^	Other	Average per certificate issued \$
Jun 06	1,299	1,610	1,220	1,300	629	358	924	1,001
Sept 06	1,232	0	1,191	1,247	615	345	837	965
Dec 06	1,205	1,758	1,162	1,147	583	327	786	917
Mar 07	1,218	917	1,088	1,110	562	333	808	915
Jun 07	1,148	0	1,288	1,048	587	337	851	909
Sept 07	1,025	0	981	910	505	291	806	755
Dec 07	1,021	0	1,013	881	491	299	735	749

* 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.

Average premiums per certificate issued in the December 2007 quarter were 18% lower than the corresponding quarter of 2006. Average premiums have been falling fairly consistently since June 2006. Each insurer has reduced the average premium it has charged over that time.

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 (greater than 3 storeys) *	New multi dwelling (less than or equal 3 storeys) *	Alterations/ Additions #	Swimming Pools	Renovations (including kitchens and bathrooms) ^	Other	Average rate per \$1000 project value \$
Jun 06	4.97	7.33	6.50	7.12	18.48	8.52	8.48	6.39
Sept 06	4.60	0	6.34	10.17	18.24	9.24	9.12	6.81
Dec 06	4.54	5.80	5.88	10.35	18.22	10.88	9.48	6.66
Mar 07	4.21	11.00	5.98	8.76	15.93	9.64	8.08	6.09
Jun 07	4.12	0	6.25	8.61	15.66	9.83	8.59	6.01
Sept 07	3.70	0	5.50	7.97	13.17	8.23	6.65	5.43
Dec 07	3.62	0	4.94	8.20	14.62	9.22	7.82	5.35

* 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.

Average premium rates per \$1,000 of project value have fallen 20% between the December 2006 and December 2007 quarters. This is a slightly greater percentage fall than for average premiums because average project values increased slightly over the corresponding period.

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 HWI business issued after 1 July 2002.

The information set out below provides only a partial picture of HWI Scheme activity. For the reasons set out in the Preamble it will be some years before a complete, and thus realistic, record of claims from a single year of HWI business is available. 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 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 or Liability being assessed	Liability fully, partially or deemed accepted	Liability fully denied	Liability in dispute	Total
Jun 06	344	177	117	0	638
Sept 06	371	203	129	0	703
Dec 06	279	275	136	60	750
Mar 07	291	314	150	61	816
Jun 07	335	350	174	62	921
Sept 07	359	434	186	66	1,045
Dec 07	416	491	206	62	1,175

Note: Most of the "Liability in dispute" claims arise from one multi-unit building.

E.2 Reasons claims denied - Builder

Table E2. Liability fully denied – breakdown by Reason Claim Declined – cumulative at end of each quarter

Quarter	Out of time	Builder found	Builder not dead	Builder not insolvent	Not deemed a defect	Reason not available from insurer #	Total
Jun 06	16	3		20	29	49	117
Sep 06	17	6		26	28	52	129
Dec 06	17	6		29	33	51	136
Mar 07	17	20		35	41	37	150
Jun 07	35	22		38	42	37	174
Sept 07	37	24		41	47	37	186
Dec 07	38	29	1	51	50	37	206

refers to claims declined by an insurer prior to the commencement of the data reporting requirements where the reason for the claim being declined was not reported in the insurer's systems. In some cases, insurers have subsequently identified a cause of claim and so this figure has reduced in some quarters

E.3 Claims experience - Builder

The remaining tables in this section show a further breakdown of the claims that have been accepted. Information is shown separately between claims that are finalised with all costs known and 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 as at 31 December 2007

Principal Cause	No. of Claims	Sum Paid to Claimant	Sum Paid to Third Parties	Total Gross Paid \$	Average Claim Size \$
A01: Insolvency	243	10,525,446	721,378	11,246,824	46,283
A02: Death	9	362,308	18,788	381,096	42,344
A03: Disappearance	9	383,221	27,804	411,025	45,669
Total	261	11,270,975	767,970	12,038,945	46,126

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

“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 as at 31 December 2007

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	218	4,413,625	1,093,621	6,693,916	12,201,162	55,969
A02: Death	1	0	743	17,623	18,366	18,366
A03: Disappearance	11	124,360	24,402	273,882	422,644	38,422
Total	230	4,537,985	1,118,766	6,985,421	12,642,172	54,966

*Open claims are claims which are not finalised.

Table E5. Claims Experience by Claim Code (incl GST) – for Finalised Accepted Claims - as at 31 December 2007

Claim Code	No. of Claims	Sum Paid to Claimant	Sum Paid to Third Parties	Total Gross Paid \$	Average Claim Size \$
T01: Failure to commence	2	10,080	990	11,070	5,535
T02: Failure to complete	158	8,541,352	513,093	9,054,445	57,307
T03: Structural defect	19	512,444	48,691	561,135	29,533
T04: Other loss #	82	2,207,099	205,196	2,412,295	29,418
Total	261	11,270,975	767,970	12,038,945	46,126

'Other loss' claims are generally for non-structural defects.

Table E6. Claims Experience by Claim Code (incl GST) – for Open Accepted Claims - as at 31 December 2007

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	2	41,659	0	77,450	119,109	59,555
T02: Failure to complete	104	3,272,667	673,816	2,222,035	6,168,518	59,313
T03: Structural defect	54	598,479	171,812	2,240,110	3,010,401	55,748
T04: Other loss #	70	625,180	273,138	2,445,826	3,344,144	47,773
Total	230	4,537,985	1,118,766	6,985,421	12,642,172	54,966

Table E7. Claims Experience by Type of Cover (incl GST) – for Finalised Accepted Claims - as at 31 December 2007

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	120	7,323,695	418,969	7,742,664	64,522
C02: New multi dwelling (greater than 3 storeys) *	0	0	0	0	0
C03 : New multi dwelling (3 storeys and less) *	27	901,568	65,284	966,852	35,809
C04 : Alterations/Additions	75	2,633,790	227,223	2,861,013	38,147
C05: Swimming Pools	18	181,523	37,643	219,166	12,176
C06 : Renovations (including kitchens and bathrooms)	19	211,399	16,144	227,543	11,976
C07: Other	2	19,000	2,707	21,707	10,854
Total	261	11,270,975	767,970	12,038,945	46,126

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

Table E8. Claims Experience by Type of Cover (incl GST) – for Open Accepted Claims - as at 31 December 2007

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	85	2,697,920	433,597	2,220,607	5,352,124	62,966
C02: New multi dwelling (greater than 3 storeys) *	3	13,400	18,372	35,027	66,799	22,266
C03 : New multi dwelling (less than or equal 3 storeys) *	57	697,948	301,354	3,515,882	4,515,184	79,214
C04 : Alterations/Additions	60	799,237	257,931	1,006,652	2,063,820	34,397
C05: Swimming Pools	17	78,576	86,049	185,734	350,359	20,609
C06 : Renovations (including kitchens and bathrooms)	6	192,787	18,560	15,868	227,215	37,869
C07: Other	2	58,117	2,903	5,651	66,671	33,335
Total	230	4,537,985	1,118,766	6,985,421	12,642,172	54,966

Table E9. Claims Experience by year of issue of project certificates (incl GST) – for all Accepted (finalised and open) claims - as at 31 December 2007

Certificate 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)	62	2,833,803	324,943	1,332,389	4,491,135	72,438
2003	123	4,154,579	524,214	2,065,568	6,744,361	54,832
2004	162	3,532,811	559,922	1,830,579	5,923,312	36,564
2005	82	2,852,089	347,950	651,177	3,851,216	46,966
2006	50	1,827,842	99,903	784,529	2,712,274	54,245
2007	12	607,836	29,804	321,179	958,819	79,902
Total	491	15,808,960	1,886,736	6,985,421	24,681,117	50,267

This table 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. Even for the earliest certificates under the current scheme (those 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.

Part II Owner-Builder Information

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 (greater than 3 storeys) *	New multi dwelling (3 storeys or less) *	Alterations /Additions #	Swimming Pools	Renovations (including kitchens and bathrooms) ^	Other	Totals
Jun 06	314	0	15	140	4	22	3	498
Sep 06	307	0	27	147	6	23	0	510
Dec 06	210	0	52	187	8	17	0	474
Mar 07	182	0	37	145	7	24	0	395
Jun 07	356	0	2	194	12	47	7	618
Sept 07	248	0	28	188	12	28	0	504
Dec 07	310	0	0	250	12	34	8	614

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

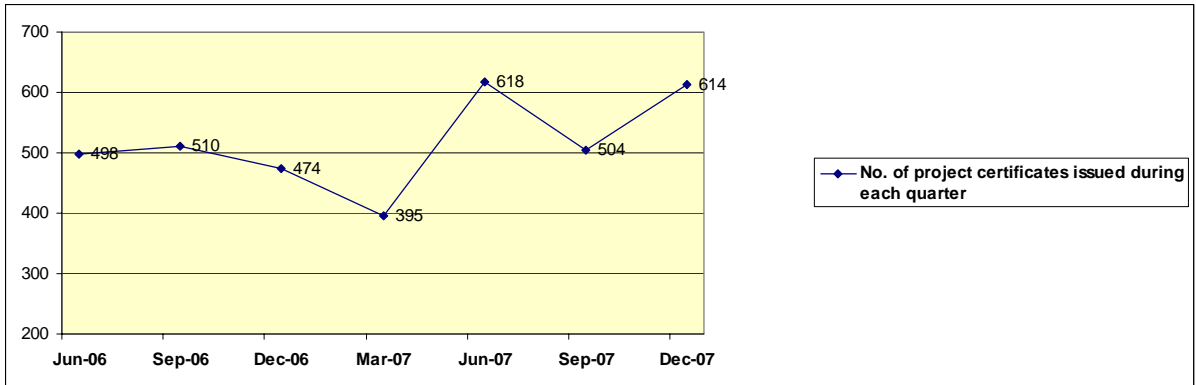


Table OB.C3. Value of project certificates issued by type of cover – (\$'m)

Quarter /Type of cover	New single dwelling construction	New multi dwelling (greater than 3 storeys) *	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 06	81	0	4	15	0.2	2	1	103	207
Sep 06	74	0	5	13	0.2	6	0	98	192
Dec 06	56	0	3	17	0.2	3	0	79	167
Mar 07	52	0	2	16	0.2	5	0	75	190
Jun 07	95	0	0	29	0.2	6	0.1	130	210
Sept 07	71	0	12	19	0.3	6	0	108	214
Dec 07	96	0	0	32	0.3	5	0.4	133	217

* 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 (greater than 3 storeys) *	New multi dwelling (3 storeys or less) *	Alterations /Additions#	Swimming Pools	Renovations (including kitchens and bathrooms) ^	Other	Totals (\$'000)
Jun 06	648	0	31	169	3	45	13	909
Sept 06	556	0	48	163	5	56	0	828
Dec 06	351	0	30	184	7	37	0	609
Mar 07	366	0	14	183	6	43	0	612
Jun 07	705	0	4	271	7	61	4	1,052
Sept 07	425	0	58	223	14	43	0	763
Dec 07	633	0	0	313	14	46	8	1,014

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

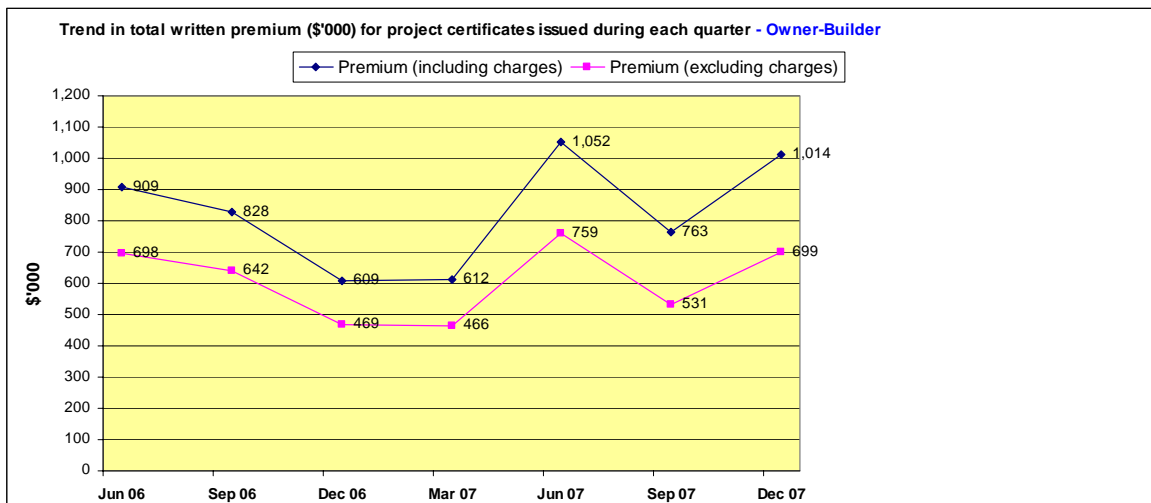
Quarter /Type of cover	New single dwelling construction	New multi dwelling (greater than 3 storeys) *	New multi dwelling (3 storeys or less) *	Alterations /Additions#	Swimming Pools	Renovations (including kitchens and bathrooms) ^	Other	Totals (\$'000)
Jun 06	508	0	23	126	3	27	11	698
Sept 06	435	0	40	126	4	37	0	642
Dec 06	271	0	23	146	6	23	0	469
Mar 07	279	0	12	143	5	27	0	466
Jun 07	510	0	2	199	5	40	3	759
Sept 07	280	0	48	166	10	27	0	531
Dec 07	437	0	0	216	10	31	5	699

* 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.D1.1** 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 (greater than 3 storeys) *	New multi dwelling (3 storeys or less) *	Alterations /Additions#	Swimming Pools	Renovations (including kitchens and bathrooms) ^	Other	Average per certificate issued \$
Jun 06	2,064	0	2,067	1,207	750	2,045	4,333	1,825
Sept 06	1,811	0	1,778	1,109	833	2,435	0	1,624
Dec 06	1,679	0	577	984	875	2,176	0	1,285
Mar 07	2,033	0	378	1,262	857	1,792	0	1,549
Jun 07	1,980	0	2,000	1,397	583	1,298	571	1,702
Sept 07	1,714	0	2,071	1,186	1,167	1,536	0	1,514
Dec 07	2,042	0	0	1,252	1,167	1,353	1,000	1,651

* 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.

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 (greater than 3 storeys)	New multi dwelling (less than or equal 3 storeys)	Alterations/Additions	Swimming Pools	Renovations (including kitchens and bathrooms)	Other	Average rate per \$1000 project value \$
Jun 06	8.07	0	8.62	11.01	17.80	20.59	10.59	8.84
Sept 06	7.59	0	9.50	12.58	35.84	8.95	0	8.48
Dec 06	6.18	0	11.20	11.14	39.77	13.56	0	7.72
Mar 07	6.93	0	8.85	11.54	30.82	9.24	0	8.15
Jun 07	7.48	0	11.00	9.36	35.14	10.88	25.48	8.12
Sept 07	5.98	0	4.76	11.91	45.23	7.50	0	7.06
Dec 07	6.60	0	0	9.86	42.35	9.79	22.31	7.62

Average premium rates in each quarter of 2007 are less than the corresponding quarter of 2006, suggesting that rates for owner-builders have also been subject to competitive pressure over the last year. It can be noted that 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 particularly for structural and non-structural defects in respect of owner-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 or Liability being assessed	Liability fully, partially or deemed accepted	Liability fully denied	Liability in dispute	Total
Jun 06	10	7	27	0	44
Sep 06	8	9	29	0	46
Dec 06	4	11	34	0	49
Mar 07	3	12	35	1	51
Jun 07	5	15	39	0	59
Sept 07	10	13	39	1	63
Dec 07	9	20	48	0	77

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	Reason not available from insurer #	Total
Jun 06	1	19	0	7	0	0	27
Sep 06	1	21	0	7	0	0	29
Dec 06	1	26	0	7	0	0	34
Mar 07	1	26	1	7	0	0	35
Jun 07	1	30	1	7	0	0	39
Sept 07	1	30	1	7	0	0	39
Dec 07	1	39	1	7	0	0	48

refers to claims declined by an insurer prior to the commencement of the data reporting requirements where the reason for the claim being declined was not reported in the insurer's systems.

OB.E3 Claims experience - Owner-Builder

The remaining tables in this section show a further breakdown of the claims that have been accepted. Information is shown separately between claims that are finalised with all costs known and those that are open - in which case at least part of the cost is an estimate of future payments.

Table OB.E3. Claims Experience by Principal Cause (incl GST) – for Finalised Accepted* Claims as at 31 December 2007

Principal Cause	No. of Claims	Sum Paid to Claimant	Sum Paid to Third Parties	Total Gross Paid \$	Average Claim Size \$
A01: Insolvency	2	5,790	4,370	10,160	5,080
A02: Death	0	0	0	0	0
A03: Disappearance	12	56,170	74,046	130,216	10,851
A04: Cause not yet determined	0	0	0	0	0
Total	14	61,960	78,416	140,376	10,027

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

“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 **OB.E4.** Claims Experience by Principal Cause (incl GST) – for Open* Accepted Claims as at 31 December 2007

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	2	101,783	7,000	51,985	160,768	80,385
A02: Death	1	0	1,018	12,652	13,670	13,669
A03: Disappearance	3	110,040	7,026	0	117,066	39,022
A04: Cause not yet determined	0	0	0	0	0	0
Total	6	211,823	15,044	64,637	291,504	48,584

*Open claims are claims which are not finalised.

Table **OB.E5.** Claims Experience by Claim Code (incl GST) – for Finalised Accepted Claims - as at 31 December 2007

Claim Code	No. of Claims	Sum Paid to Claimant	Sum Paid to Third Parties	Total Gross Paid \$	Average Claim Size \$
T01: Failure to commence	0	0	0	0	0
T02: Failure to complete	1	2,239	1,137	3,376	3,376
T03: Structural defect	12	56,541	76,045	132,586	11,049
T04: Other loss	1	3,180	1,234	4,414	4,414
Total	14	61,960	78,416	140,376	10,027

Table **OB.E6** Claims Experience by Claim Code (incl GST) – for Open Accepted Claims - as at 31 December 2007

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	0	0	0	0	0	0
T02: Failure to complete	0	0	0	0	0	0
T03: Structural defect	6	211,823	15,044	64,637	291,504	48,584
T04: Other loss	0	0	0	0	0	0
Total	6	211,823	15,044	64,637	291,504	48,584

Table **OB.E7.** Claims Experience by Type of Cover (incl GST) – for Finalised Accepted Claims - as at 31 December 2007

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	11	56,170	69,787	125,957	11,451
C02: New multi dwelling (greater than 3 storeys) *	0	0	0	0	0
C03 : New multi dwelling (3 storeys and less) *	1	0	4,245	4,245	4,245
C04 : Alterations/Additions	2	5,790	4,384	10,174	5,087
C05: Swimming Pools	0	0	0	0	0
C06 : Renovations (including kitchens and bathrooms)	0	0	0	0	0
C07: Other	0	0	0	0	0
Total	14	61,960	78,416	140,376	10,027

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

Table OB.E8. Claims Experience by Type of Cover (incl GST) – for Open Accepted Claims - as at 31 December 2007

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	3	110,040	7,026	0	117,066	39,022
C02: New multi dwelling (greater than 3 storeys) *	1	0	539	17,230	17,769	17,769
C03 : New multi dwelling (less than or equal 3 storeys)	0	0	0	0	0	0
C04 : Alterations/Additions	2	101,783	7,479	47,407	156,669	78,335
C05: Swimming Pools	0	0	0	0	0	0
C06 : Renovations (including kitchens and bathrooms)	0	0	0	0	0	0
C07: Other	0	0	0	0	0	0
Total	6	211,823	15,044	64,637	291,504	48,584

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

Table OB.E9. Claims Experience by year of issue of project certificates (incl GST) – for all Accepted (finalised and open) claims - as at 31 December 2007

Certificate 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)	6	13,352	19,733	0	33,085	5,514
2003	6	43,190	53,480	0	96,670	16,112
2004	5	113,219	12,109	12,652	137,980	27,596
2005	3	104,022	8,138	51,985	164,145	54,715
2006	0	0	0	0	0	0
2007	0	0	0	0	0	0
Total	20	273,783	93,460	64,637	431,880	21,594

The general comments under Table E9 for Builder claims are similarly applicable for Owner-Builder claims.