

NSW Home Warranty Insurance Scheme

Information on the Scheme as at

31 December 2011



26 April 2012

Home Warranty Insurance Scheme Board
NSW Fair Trading
Department of Finance and Services
1 Fitzwilliam Street
Parramatta NSW 2150

Dear Members of the Board

HWI Scheme Data as at 31 December 2011

Finity Consulting Pty Limited (Finity) was engaged by NSW 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



David Minty



Mark Hurst

Fellows of the Institute of Actuaries of Australia

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Home Warranty Insurance Scheme Information

1 PREAMBLE

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

In New South Wales, HWI may only be offered by licensed insurers approved by the Minister under the Act. 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.

The NSW Self Insurance Corporation became the sole provider of home warranty insurance in NSW from 1 July 2010. The Corporation trades as the NSW Home Warranty Insurance Fund (HWIF) and is a part of NSW Treasury. The Scheme is underwritten and capitalised by the Government and funded by warranty insurance premiums.

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.

HWI Scheme Data

NSW Fair Trading, within the Department of Finance and Services, has certain regulatory responsibilities in relation to home warranty insurance. 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 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, 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 Consumer, Trader and Tenancy 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 31 December 2011. 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 is available on the following websites:

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

Home Warranty Insurance Fund: <http://www.homewarranty.nsw.gov.au>

2 CAUTION IN INTERPRETING THE INFORMATION

HWI 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.

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 either 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 is starting to emerge as the business matures.

Claims experience of HWI 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 HWI scheme commenced in 2002, the NSW economy performed reasonably well, and conditions were generally favourable for home builders. As over 90% of home warranty 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 HWI insurers extends over at least six years from completion of work, the downturn in the building industry since 2008 has given rise to claims because structural 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 December 2011, there has been an increase of \$79 million, or 45%, in the estimated total 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 HWIF's Insurance Agents.

A.1 Builder eligibilities

Table A1 shows the number of builder eligibilities at the end of each quarter by turnover band. It includes builders who may have eligibility via more than one insurer /agent at the time of reporting (refer note #2 below). 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 |
|-----------------------|-------------|-------------|-----------|-----------|-----------|------------|--------|------------------------------|-----------|-------------|
| Dec 08 | 2,142 | 1,948 | 4,743 | 4,072 | 3,921 | 925 | 145 | 3 | 452 | 18,351 |
| Mar 09 | 2,227 | 1,915 | 4,677 | 3,852 | 3,892 | 818 | 125 | 2 | 373 | 17,881 |
| Jun 09 | 2,225 | 1,983 | 4,768 | 3,788 | 3,860 | 780 | 122 | 2 | 298 | 17,826 |
| Sep 09 | 2,381 | 2,219 | 5,477 | 3,882 | 3,952 | 799 | 126 | 16 | 286 | (#1) 19,138 |
| Dec 09 | 1,906 | 1,886 | 4,514 | 3,305 | 3,923 | 706 | 106 | 0 | 0 | (#1) 16,346 |
| Mar 10 | 2,089 | 1,995 | 4,619 | 3,393 | 3,986 | 711 | 107 | 0 | 0 | 16,900 |
| Jun 10 | 2,241 | 2,127 | 4,731 | 3,403 | 4,039 | 749 | 107 | 1 | 0 | 17,398 |
| Sep 10 | 2,469 | 2,199 | 4,674 | 3,449 | 3,788 | 680 | 98 | 0 | 0 | 17,357 |
| Dec 10 | 2,358 | 2,230 | 4,363 | 3,184 | 3,102 | 640 | 91 | 0 | 0 | (#2) 15,968 |
| Mar 11 | 2,543 | 2,327 | 4,418 | 3,103 | 3,176 | 653 | 93 | 0 | 0 | 16,313 |
| Jun 11 | 3,168 | 2,617 | 4,614 | 2,895 | 3,054 | 692 | 82 | 0 | 0 | 17,122 |
| Sep 11 | 2,947 | 2,486 | 4,352 | 2,392 | 2,673 | 661 | 78 | 0 | 0 | (#3) 15,589 |
| Dec 11 | 3,071 | 2,601 | 4,495 | 2,419 | 2,573 | 662 | 71 | 0 | 0 | 15,892 |

Notes:

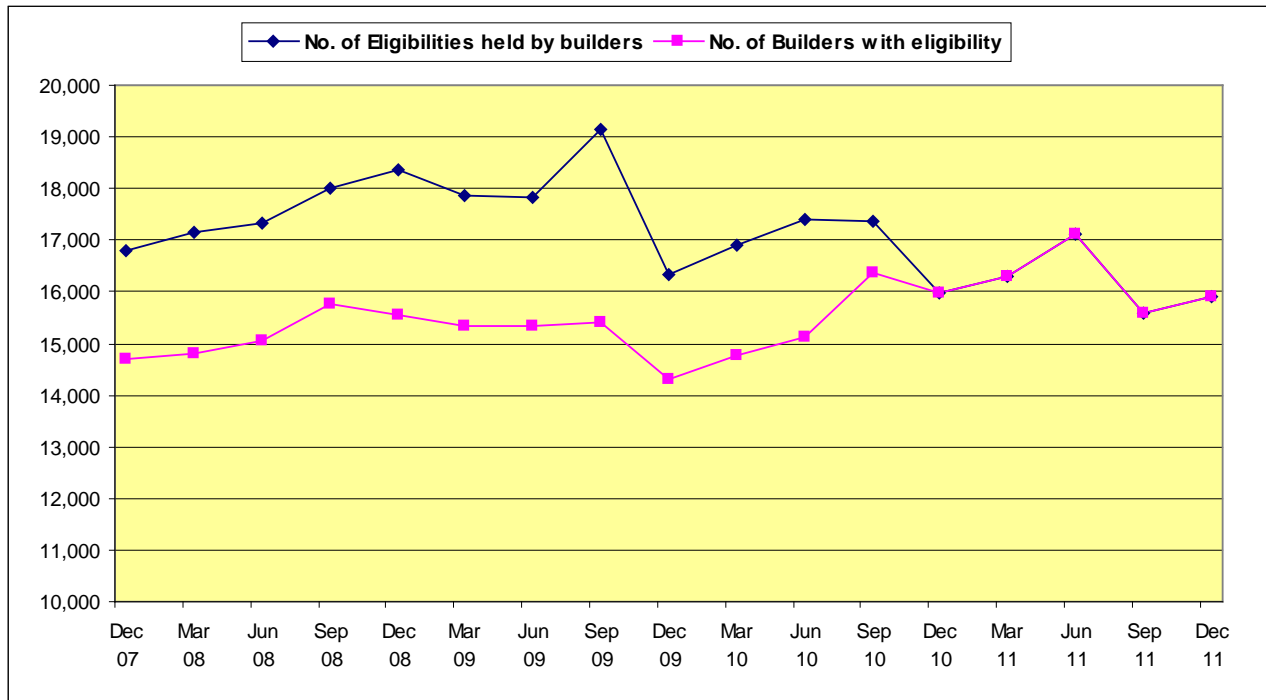
#1 As at September 2009 the high proportion of builders with eligibility from multiple insurers was largely due to existing builders who were then insured by CGU and Lumley, obtaining alternative eligibility with the remaining insurers. During the December 2009 quarter, as CGU and Lumley withdrew from the market, the total number of builders with multiple eligibilities fell accordingly.

#2. Vero ceased as an insurance agent for the HWIF as at 1 October 2010. The multiple eligibility cleansing process implemented by HWIF has resulted in all builders having only one active eligibility at any one time through either one of the agents QBE or Calliden as at 31 December 2010. Consequently, the number of builder eligibilities fell by 8% as at that date.

#3 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.

As at 31 December 2011, the proportion of builders with eligibility for annual turnover are: less than \$1 million: 36%, \$1m to less than \$5m: 60%, and \$5m and over: 4%.

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

For a small number of builders, the HWIF may require security in the form of a Deed of Indemnity as a condition of approving eligibility or providing home warranty cover for a specific project. Bank guarantees will not be sought by the HWIF for that purpose. The standard Deeds of Indemnity required by the HWIF include a limit of indemnity and have an expiry date.

The HWIF reports to Fair Trading each quarter regarding the Deeds of Indemnity for eligibility held, and were received at the end of the quarter by HWIF from its agents subsequent to their execution. They include only builders with current eligibility as at the end of the quarter. Securities provided prior to 1 July 2010 by builders to former insurers are unable to be transferred to the HWIF, and will remain in place until they are released by the insurers - such securities are not included in the HWIF report.

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 | Multiple Securities | Other Security | Totals | % of Total Builder Eligibility |
|---------|----------------|-----------|---------------------|----------------|--------|--------------------------------|
| Dec 08 | 135 | 1,405 | 117 | 1 | 1,658 | 9.0% |
| Mar 09 | 154 | 1,126 | 58 | 1 | 1,339 | 7.5% |
| Jun 09 | 155 | 1,118 | 59 | 1 | 1,333 | 7.5% |
| Sep 09 | 150 | 1,254 | 56 | 1 | 1,461 | 7.6% |
| Dec 09 | 136 | 1,184 | 53 | 0 | 1,373 | 8.4% |
| Mar 10 | 23 | 539 | 11 | 0 | 573 | 3.4% |
| Jun 10 | 22 | 606 | 11 | 0 | 639 | 3.7% |
| Sep 10 | NA | 0 | NA | NA | 0 | 0% |
| Dec 10 | NA | 0 | NA | NA | 0 | 0% |
| Mar 11 | NA | 255 | NA | NA | 255 | 1.6% |
| Jun 11 | NA | 472 | NA | NA | 472 | 2.8% |
| Sep 11 | NA | 696 | NA | NA | 696 | 4.5% |
| Dec 11 | NA | 719 | NA | NA | 719 | 4.5% |

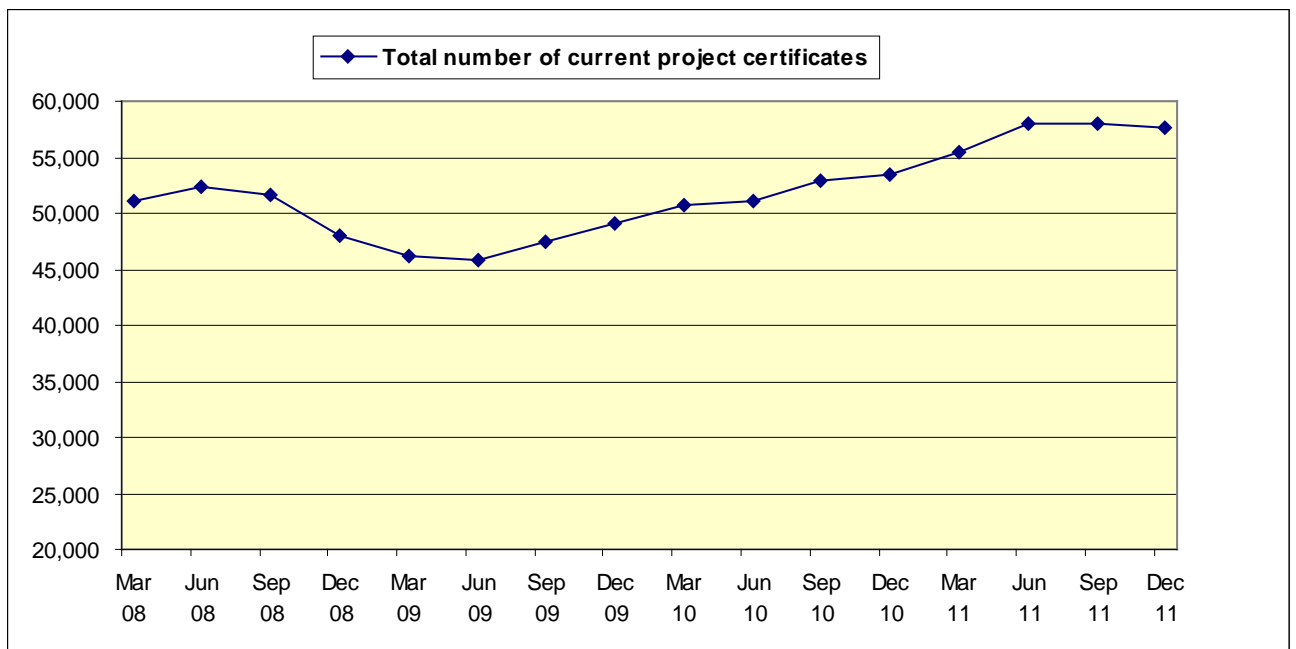
C Project Certificate Information – Builder

Generally a project certificate is issued in relation to a project prior to building commencement. The project certificate is evidence of the HWI contract. Insurers report to Fair Trading the number of project certificates issued during the quarter, and the number of project certificates for projects still in progress (current) at the end of the quarter. For the purpose of this report, building work has been 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 |
|------------------------|----------------------------------|--|--------------------------|----------------|--|-------|--------|
| Dec 08 | 3,020 | 762 | 3,167 | 921 | 3,017 | 175 | 11,062 |
| Mar 09 | 3,008 | 884 | 3,222 | 933 | 2,928 | 267 | 11,242 |
| Jun 09 | 4,206 | 700 | 3,630 | 830 | 3,821 | 304 | 13,491 |
| Sep 09 | 4,965 | 852 | 4,114 | 1,321 | 3,707 | 238 | 15,197 |
| Dec 09 | 4,028 | 969 | 3,782 | 1,156 | 2,899 | 149 | 12,983 |
| Mar 10 | 3,828 | 787 | 4,317 | 823 | 2,487 | 87 | 12,329 |
| Jun 10 | 4,209 | 904 | 3,903 | 830 | 2,652 | 111 | 12,609 |
| Sep 10 | 4,450 | 1,250 | 4,247 | 1,150 | 4,208 | 44 | 15,349 |
| Dec 10 | 3,983 | 719 | 3,353 | 1,021 | 4,144 | 18 | 13,238 |
| Mar 11 | 4,143 | 942 | 3,954 | 1,068 | 4,209 | 12 | 14,328 |
| Jun 11 | 4,314 | 1,040 | 3,932 | 991 | 4,822 | 12 | 15,111 |
| 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 |

* 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.

More than half of the project certificates issued during the quarter was for alterations (27%) and renovations (29%). 36% of certificates were issued for new single and multi-unit dwellings.

The number of certificates issued during the December quarter has dropped 15% compared with the September quarter. Over the 12 months to December 2011, 57,714 certificates were issued, up 8% from the previous 12 months (53,525).

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

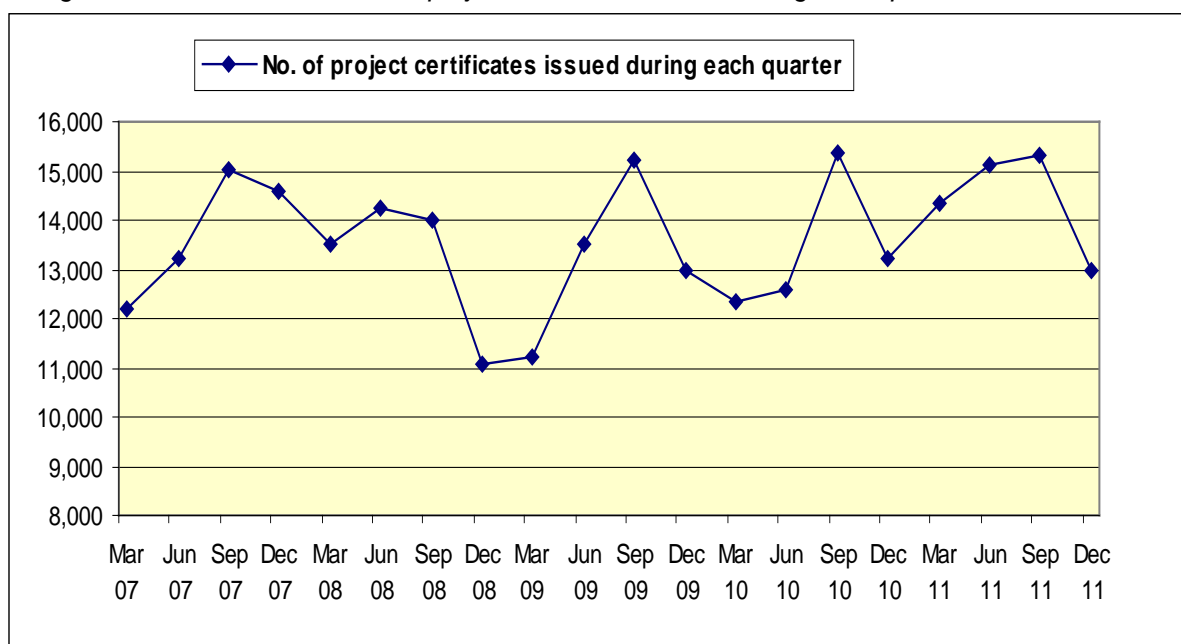


Table C2. Value of project certificates issued by type of cover during each quarter – (\$'million)

| 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) |
|------------------------|----------------------------------|--|--------------------------|----------------|--|-------|---------------------|--|
| Dec 08 | 903 | 158 | 334 | 34 | 96 | 17 | 1,542 | 139 |
| Mar 09 | 850 | 163 | 361 | 33 | 92 | 19 | 1,518 | 135 |
| Jun 09 | 1,166 | 123 | 414 | 33 | 119 | 22 | 1,877 | 139 |
| Sep 09 | 1,355 | 155 | 483 | 50 | 118 | 19 | 2,180 | 143 |
| Dec 09 | 1,240 | 226 | 433 | 42 | 94 | 17 | 2,052 | 158 |
| Mar 10 | 1,116 | 152 | 439 | 30 | 66 | 10 | 1,813 | 147 |
| Jun 10 | 1,274 | 181 | 469 | 34 | 71 | 13 | 2,042 | 162 |
| Sep 10 | 1,354 | 265 | 537 | 47 | 135 | 6 | 2,344 | 153 |
| Dec 10 | 1,177 | 139 | 413 | 38 | 120 | 1 | 1,888 | 143 |
| Mar 11 | 1,265 | 214 | 499 | 41 | 125 | 1 | 2,145 | 150 |
| Jun 11 | 1,304 | 204 | 504 | 41 | 139 | 1 | 2,193 | 145 |
| Sep 11 | 1,316 | 232 | 517 | 47 | 136 | 1 | 2,249 | 147 |
| Dec 11 | 1,129 | 223 | 431 | 40 | 115 | 0.7 | 1,939 | 149 |

* 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 ABS data does not distinguish between builders and owner-builders so we have combined them for this part of the analysis. We have endeavoured to exclude public sector work from the building approval data to enable like-for-like comparison.

Figures C3.1 and C3.2 show the detailed comparisons for numbers and values respectively of new dwellings and project certificates.

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) | (1)/(5) |
| Dec 08 | 3,954 | 4,414 | 90% | 1,115 | 1,119 | 100% |
| Mar 09 | 4,118 | 3,727 | 110% | 1,076 | 930 | 116% |
| Jun 09 | 5,128 | 4,372 | 117% | 1,354 | 1,078 | 126% |
| Sep 09 | 6,086 | 5,715 | 106% | 1,598 | 1,393 | 115% |
| Dec 09 | 5,257 | 5,694 | 92% | 1,546 | 1,437 | 108% |
| Mar 10 | 4,839 | 4,943 | 98% | 1,334 | 1,244 | 107% |
| Jun 10 | 5,334 | 5,810 | 92% | 1,531 | 1,543 | 99% |
| Sep 10 | 5,900 | 5,290 | 112% | 1,680 | 1,406 | 120% |
| Dec 10 | 4,875 | 5,284 | 92% | 1,363 | 1,413 | 96% |
| Mar 11 | 5,240 | 5,699 | 92% | 1,522 | 1,602 | 95% |
| Jun 11 | 5,560 | 5,436 | 102% | 1,565 | 1,475 | 106% |
| Sep 11 | 5,591 | 5,667 | 99% | 1,599 | 1,562 | 102% |
| Dec 11 | 4,771 | 5,420 | 88% | 1,399 | 1,445 | 97% |
| Average | 5,345 | 5,496 | 99% | 1,514 | 1,452 | 107% |

Notes: ABS8731.0 Building Approvals, Australia; Tables 12, 22 and 43

"Dwelling units approved in new residential buildings - New South Wales"

Figure C3.1 Numbers of building approvals versus certificates issued - Trend

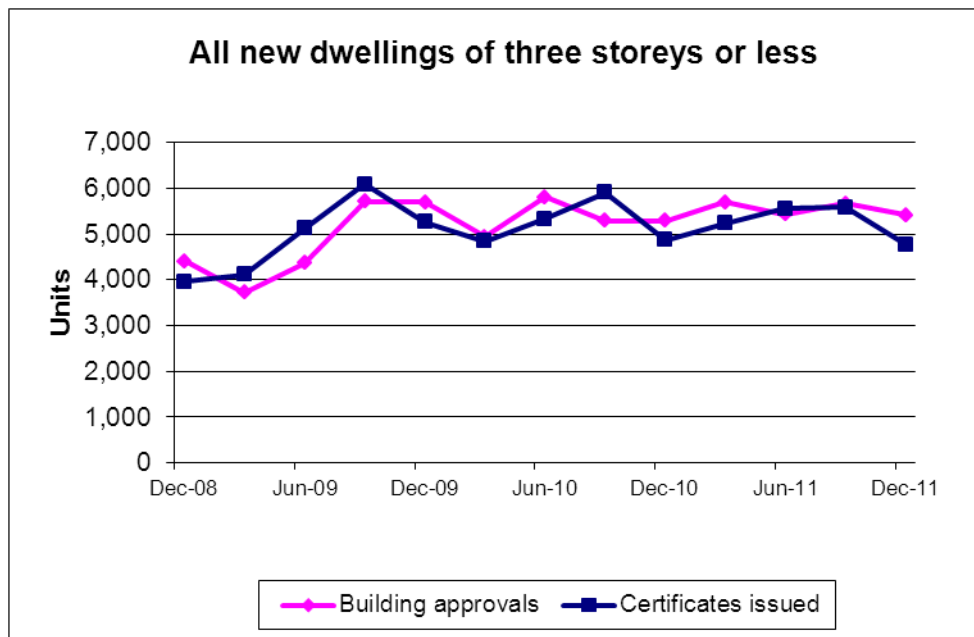
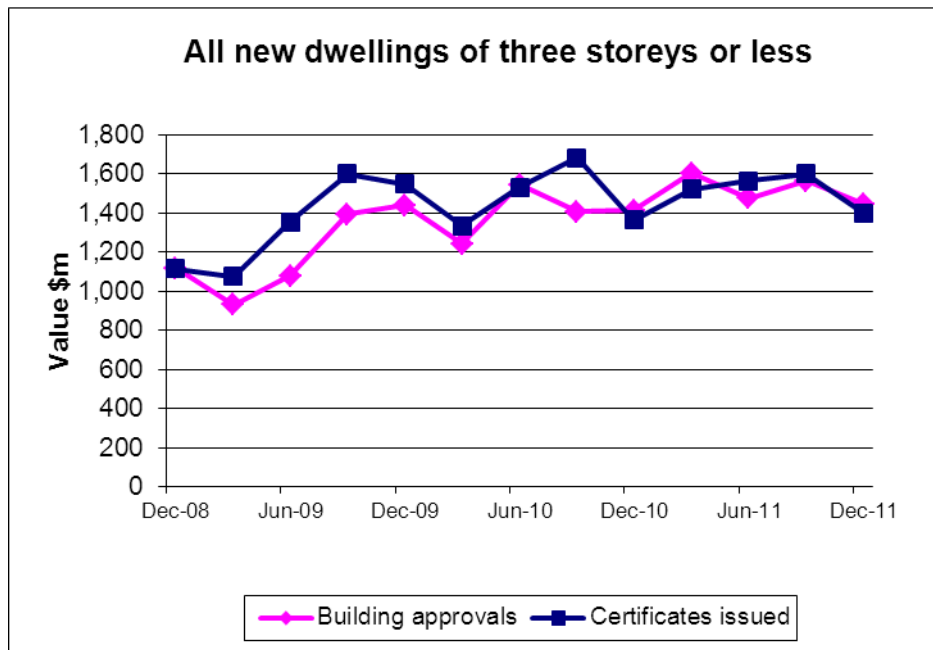


Figure C3.2 Value of building approvals versus certificates issued - Trend



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 also is 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) |
|------------------------|----------------------------------|--|-------------------------|----------------|--|-------|-----------------|
| Dec 08 | 3,153 | 875 | 2,588 | 458 | 833 | 126 | 8,033 |
| Mar 09 | 3,049 | 859 | 2,721 | 430 | 776 | 156 | 7,991 |
| Jun 09 | 4,738 | 834 | 3,403 | 438 | 1,020 | 181 | 10,614 |
| Sep 09 | 6,060 | 1,492 | 4,187 | 707 | 1,037 | 198 | 13,681 |
| Dec 09 | 6,141 | 1,777 | 3,859 | 667 | 792 | 127 | 13,363 |
| Mar 10 | 5,525 | 1,620 | 4,150 | 465 | 600 | 81 | 12,441 |
| Jun 10 | 6,690 | 2,322 | 4,393 | 510 | 635 | 109 | 14,659 |
| Sep 10 | 6,819 | 2,234 | 4,861 | 659 | 1,060 | 48 | 15,681 |
| Dec 10 | 6,224 | 1,290 | 2,795 | 330 | 892 | 7 | 11,538 |
| Mar 11 | 6,542 | 2,166 | 3,408 | 356 | 913 | 6 | 13,391 |
| Jun 11 | 6,810 | 2,069 | 3,404 | 349 | 1,046 | 5 | 13,683 |
| 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 |

Total premiums (Tables D1.1) dropped 13% during the quarter. This broadly reflects the net effects of a 15% fall in number of certificates issued (Table C1), offset by a 3% rise in average premium per certificate (Table D2.1). The latter, in turn, is in line with a 1% increase in average premium per \$1,000 value of Certificate (Table D2.2) and a 2% increase in average value per certificate (Table C2) issued compared to last quarter.

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

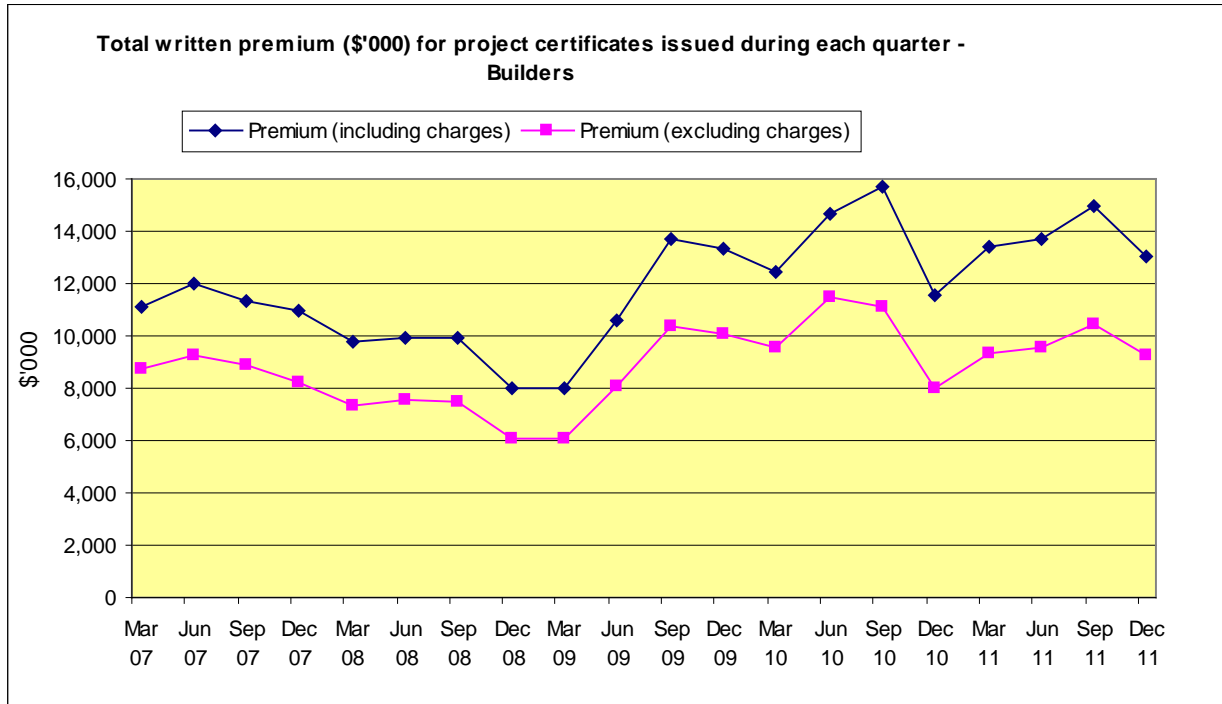
| Quarter /Type of cover | New single dwelling construction | New multi dwelling (3 storeys or less) * | Alterations /Additions# | Swimming Pools | Renovations (including kitchens and bathrooms) ^ | Other | Totals (\$'000) |
|------------------------|----------------------------------|--|-------------------------|----------------|--|-------|-----------------|
| Dec 08 | 2,424 | 668 | 1,982 | 328 | 612 | 94 | 6,108 |
| Mar 09 | 2,347 | 661 | 2,075 | 317 | 575 | 118 | 6,093 |
| Jun 09 | 3,629 | 632 | 2,596 | 319 | 753 | 141 | 8,070 |
| Sep 09 | 4,665 | 1,120 | 3,184 | 519 | 759 | 155 | 10,402 |
| Dec 09 | 4,711 | 1,317 | 2,922 | 489 | 566 | 99 | 10,104 |
| Mar 10 | 4,263 | 1,225 | 3,162 | 351 | 458 | 66 | 9,525 |
| Jun 10 | 5,322 | 1,674 | 3,509 | 391 | 508 | 91 | 11,495 |
| Sep 10 | 4,821 | 1,573 | 3,457 | 465 | 752 | 34 | 11,102 |
| Dec 10 | 4,335 | 898 | 1,947 | 230 | 622 | 5 | 8,037 |
| Mar 11 | 4,556 | 1,509 | 2,373 | 248 | 636 | 4 | 9,326 |
| Jun 11 | 4,743 | 1,441 | 2,370 | 243 | 728 | 4 | 9,529 |
| 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 |

* 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 \$ |
|------------------------|----------------------------------|--|-------------------------|----------------|--|-------|-----------------------------------|
| Dec 08 | 1,044 | 1,148 | 817 | 497 | 276 | 722 | 726 |
| Mar 09 | 1,014 | 972 | 845 | 461 | 265 | 583 | 711 |
| Jun 09 | 1,126 | 1,192 | 937 | 528 | 267 | 597 | 787 |
| Sep 09 | 1,221 | 1,751 | 1,018 | 535 | 280 | 834 | 900 |
| Dec 09 | 1,525 | 1,834 | 1,020 | 577 | 273 | 849 | 1,029 |
| Mar 10 | 1,443 | 2,059 | 961 | 565 | 241 | 928 | 1,009 |
| Jun 10 | 1,590 | 2,569 | 1,125 | 614 | 240 | 981 | 1,163 |
| Sep 10 | 1,532 | 1,787 | 1,145 | 573 | 252 | 1,094 | 1,022 |
| Dec 10 | 1,562 | 1,794 | 834 | 323 | 215 | 404 | 872 |
| Mar 11 | 1,579 | 2,300 | 862 | 333 | 217 | 459 | 935 |
| Jun 11 | 1,579 | 1,990 | 866 | 353 | 217 | 431 | 906 |
| Sep 11 | 1,750 | 2,054 | 835 | 376 | 236 | 409 | 977 |
| Dec 11 | 1,807 | 2,233 | 871 | 371 | 228 | 377 | 1,005 |

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 (less than or equal 3 storeys) * | Alterations/ Additions # | Swimming Pools | Renovations (including kitchens and bathrooms) ^ | Other | Average rate per \$1,000 project value \$ |
|------------------------|----------------------------------|---|--------------------------|----------------|--|-------|---|
| Dec 08 | 3.49 | 5.55 | 7.74 | 13.47 | 8.69 | 7.63 | 5.21 |
| Mar 09 | 3.59 | 5.28 | 7.55 | 12.96 | 8.41 | 8.12 | 5.26 |
| Jun 09 | 4.06 | 6.79 | 8.21 | 13.26 | 8.58 | 8.14 | 5.65 |
| Sep 09 | 4.47 | 9.61 | 8.67 | 14.21 | 8.80 | 10.29 | 6.28 |
| Dec 09 | 4.95 | 7.85 | 8.92 | 15.94 | 8.44 | 7.47 | 6.51 |
| Mar 10 | 4.95 | 10.64 | 9.45 | 15.66 | 9.07 | 8.20 | 6.86 |
| Jun 10 | 5.25 | 12.80 | 9.37 | 15.21 | 8.97 | 8.37 | 7.18 |
| Sep 10 | 5.04 | 8.43 | 9.04 | 13.91 | 7.88 | 8.43 | 6.69 |
| Dec 10 | 5.29 | 9.25 | 6.77 | 8.78 | 7.46 | 6.56 | 6.11 |
| Mar 11 | 5.17 | 10.14 | 6.83 | 8.61 | 7.33 | 7.23 | 6.24 |
| Jun 11 | 5.22 | 10.15 | 6.75 | 8.55 | 7.52 | 7.35 | 6.24 |
| 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 |
| # 15 months to Dec 11 | 5.42 | 9.97 | 6.89 | 8.98 | 7.48 | 7.23 | 6.40 |

* 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 \$1,000 value of certificate issued fell fairly consistently from September 2006 to June 2008 by about 27%, but increased by 44% from June 2008 to June 2010.

The insurance agents were underwriting against their own criteria up to 30 September 2010. The introduction of HWIF's new underwriting criteria and premium pricing structure from **1 October 2010** has resulted in systemic alterations in the premium rates applied. The new underwriting criteria include assessment of a number of risk factors such as location of the project, the value of the works (contract price) and the type of work (e.g. structural, non-structural, new multi dwellings, owner-builder etc.).

For the 15 months to 31 December 2011, the average premiums for:

- New Single and Multi Dwellings **increased** by 8% and 18% respectively, and
- Alterations/Additions and swimming pools **decreased** by 24% and 35% respectively, compared with September 2010.

The net effect of the above offsetting movements resulted in an overall 4% reduction in the average premium rates (per \$1,000 value of certificate) issued since 1 October 2010. **Refer Table D2.2.**

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. 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 |
|---------|---------------------|--------------------------|---|------------------------|----------------------|-------|
| Dec 08 | 791 | 279 | 1,222 | 305 | 29 | 2,626 |
| Mar 09 | 970 | 261 | 1,339 | 333 | 25 | 2,928 |
| Jun 09 | 1,004 | 217 | 1,531 | 356 | 29 | 3,137 |
| Sep 09 | 1,110 | 228 | 1,642 | 393 | 34 | 3,407 |
| Dec 09 | 1,133 | 204 | 1,784 | 489 | 35 | 3,645 |
| Mar 10 | 1,234 | 196 | 1,911 | 530 | 38 | 3,909 |
| Jun 10 | 1,332 | 155 | 2,065 | 563 | 52 | 4,167 |
| Sep 10 | 1,406 | 149 | 2,188 | 616 | 44 | 4,403 |
| Dec 10 | 1,488 | 156 | 2,307 | 647 | 45 | 4,643 |
| Mar 11 | 1,645 | 185 | 2,403 | 712 | 36 | 4,981 |
| Jun 11 | 1,799 | 193 | 2,565 | 749 | 33 | 5,339 |
| Sep 11 | 1,977 | 227 | 2,693 | 807 | 29 | 5,733 |
| Dec 11 | 2,090 | 248 | 2,910 | 831 | 25 | 6,104 |

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 2011, there were 1,625 such 'Notifications' which have been recorded as 'Finalised' with nil payment to claimant.

A significant number of claims were due to the Beechwood Homes collapse in May 2008. As at 31 December 2011, around 18% of accepted liability claims under the scheme relate to Beechwood claims.

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 |
|---------|-------------------|-------------|---------------|------------------|-----------------------|---------------------|-------|
| Dec 08 | 0 | 49 | 42 | 1 | 88 | 125 | 305 |
| Mar 09 | 0 | 32 | 50 | 1 | 114 | 136 | 333 |
| Jun 09 | 0 | 32 | 54 | 1 | 114 | 155 | 356 |
| Sep 09 | 0 | 35 | 59 | 2 | 121 | 176 | 393 |
| Dec 09 | 1 | 40 | 66 | 2 | 123 | 257 | 489 |
| Mar 10 | 1 | 43 | 65 | 2 | 131 | 288 | 530 |
| Jun 10 | 1 | 50 | 66 | 2 | 133 | 311 | 563 |
| Sep 10 | 2 | 52 | 68 | 2 | 137 | 355 | 616 |
| Dec 10 | 2 | 53 | 69 | 2 | 147 | 374 | 647 |
| Mar 11 | 2 | 57 | 74 | 2 | 176 | 401 | 712 |
| Jun 11 | 2 | 56 | 76 | 2 | 203 | 410 | 749 |
| Sep 11 | 3 | 61 | 77 | 2 | 216 | 448 | 807 |
| Dec 11 | 4 | 64 | 79 | 2 | 221 | 461 | 831 |

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 **31 December 2011**. 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 | 2,067 | 95,941,842 | 7,153,696 | 103,095,538 | 49,877 |
| A02: Death | 28 | 1,305,837 | 54,379 | 1,360,216 | 48,579 |
| A03: Disappearance | 92 | 4,779,956 | 369,772 | 5,149,728 | 55,975 |
| Total | 2,187 | 102,027,635 | 7,577,847 | 109,605,482 | 50,117 |

*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 | 667 | 40,557,132 | 7,838,213 | 58,121,514 | 106,516,859 | 159,695 |
| A02: Death | 9 | 829,403 | 31,662 | 158,557 | 1,019,622 | 113,291 |
| A03: Disappearance | 46 | 2,610,598 | 302,743 | 2,162,713 | 5,076,054 | 110,349 |
| A05: Lic suspended (non-compliance of CTTT money order) | 1 | 0 | 25,513 | 2,608 | 28,121 | 28,121 |
| Total | 723 | 43,997,133 | 8,198,131 | 60,445,392 | 112,640,656 | 155,796 |

*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 | 135 | 3,247,358 | 95,923 | 3,343,281 | 24,765 |
| T02: Failure to complete | 866 | 47,718,303 | 3,224,247 | 50,942,550 | 58,825 |
| T03: Structural defect | 841 | 35,640,249 | 2,917,738 | 38,557,987 | 45,848 |
| T04: Other loss# | 345 | 15,421,725 | 1,339,939 | 16,761,664 | 48,585 |
| Total | 2,187 | 102,027,635 | 7,577,847 | 109,605,482 | 50,117 |

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 | 10 | 133,923 | 38,845 | 42,952 | 215,720 | 21,572 |
| T02: Failure to complete | 152 | 8,680,776 | 1,931,439 | 6,388,222 | 17,000,437 | 111,845 |
| T03: Structural defect | 479 | 30,850,801 | 5,070,208 | 38,916,525 | 74,837,534 | 156,237 |
| T04: Other loss# | 82 | 4,331,633 | 1,157,639 | 15,097,693 | 20,586,965 | 251,061 |
| Total | 723 | 43,997,133 | 8,198,131 | 60,445,392 | 112,640,656 | 155,796 |

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

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 | 1,389 | 62,715,050 | 4,850,282 | 67,565,332 | 48,643 |
| C02: New multi dwelling (greater than 3 storeys) | 2 | 340,978 | 15,584 | 356,562 | 178,281 |
| C03 : New multi dwelling (3 storeys and less) | 300 | 16,570,636 | 1,194,502 | 17,765,138 | 59,217 |
| C04 : Alterations/Additions | 288 | 16,641,385 | 1,027,907 | 17,669,292 | 61,352 |
| C05: Swimming Pools | 133 | 2,799,704 | 358,546 | 3,158,250 | 23,746 |
| C06 : Renovations (including kitchens and bathrooms) | 34 | 1,177,671 | 61,586 | 1,239,257 | 36,449 |
| C07: Other | 41 | 1,782,211 | 69,440 | 1,851,651 | 45,162 |
| Total | 2,187 | 102,027,635 | 7,577,847 | 109,605,482 | 50,117 |

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 | 357 | 16,405,861 | 2,901,794 | 14,933,360 | 34,241,015 | 95,913 |
| C02: New multi dwelling (greater than 3 storeys) | 14 | 1,209,445 | 802,342 | 9,811,766 | 11,823,553 | 844,540 |
| C03 : New multi dwelling (less than or equal 3 storeys) | 202 | 18,270,591 | 3,237,038 | 29,223,599 | 50,731,228 | 251,145 |
| C04 : Alterations/Additions | 100 | 7,340,045 | 1,069,922 | 4,873,919 | 13,283,886 | 132,839 |
| C05: Swimming Pools | 38 | 637,081 | 129,107 | 716,176 | 1,482,364 | 39,010 |
| C06 : Renovations (including kitchens and bathrooms) | 10 | 134,110 | 54,049 | 809,439 | 997,598 | 99,760 |
| C07: Other | 2 | 0 | 3,879 | 77,133 | 81,012 | 40,506 |
| Total | 723 | 43,997,133 | 8,198,131 | 60,445,392 | 112,640,656 | 155,796 |

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) | 131 | 14,321,918 | 1,780,605 | 3,963,077 | 20,065,600 | 153,173 |
| 2003 | 348 | 21,291,589 | 3,539,748 | 26,725,240 | 51,556,577 | 148,151 |
| 2004 | 485 | 24,294,646 | 3,364,396 | 9,207,375 | 36,866,417 | 76,013 |
| 2005 | 346 | 14,360,182 | 1,832,547 | 5,799,464 | 21,992,193 | 63,561 |
| 2006 | 403 | 20,420,225 | 1,735,901 | 2,559,788 | 24,715,914 | 61,330 |
| 2007 | 653 | 28,944,812 | 2,295,630 | 3,769,981 | 35,010,423 | 53,615 |
| 2008 | 365 | 17,001,690 | 1,243,831 | 3,168,600 | 21,414,121 | 58,669 |
| 2009 | 148 | 8,025,013 | 384,692 | 4,005,105 | 12,414,810 | 83,884 |
| 2010 | 85 | 2,617,824 | 168,098 | 2,487,164 | 5,273,086 | 62,036 |
| 2011 | 21 | 583,213 | 29,442 | 74,601 | 687,256 | 32,726 |
| Total | 2,985 | 151,861,112 | 16,374,890 | 61,760,395 | 229,996,397 | 77,051 |

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. 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.

Insurers have also estimated additional costs of \$24 million in respect of claims in which liability have **not** been determined.

Insurers do manage to recover some claim payments, generally as creditors of insolvent builders. Since the scheme commenced, some \$5m has been recovered or about 2% of estimated total claims cost to date.

A significant proportion of the Accepted Liability claims for project certificates issued in the 2006, 2007 and 2008 calendar years relate to the Beechwood collapse.

Overall for the Scheme, the number of **accepted liability** claims is up 221 or 8%, and the reported costs up \$31 million or 16%, since the last quarter.

Part II Owner-Builder Information

This section sets out 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.

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 |
|------------------------|----------------------------------|--|--------------------------|----------------|--|-------|--------|
| Dec 08 | 171 | 1 | 165 | 11 | 25 | 0 | 373 |
| Mar 09 | 226 | 0 | 156 | 10 | 10 | 0 | 402 |
| Jun 09 | 222 | 0 | 221 | 16 | 10 | 1 | 470 |
| Sep 09 | 269 | 0 | 226 | 12 | 3 | 0 | 510 |
| Dec 09 | 260 | 0 | 230 | 10 | 1 | 0 | 501 |
| Mar 10 | 224 | 0 | 191 | 17 | 0 | 0 | 432 |
| Jun 10 | 221 | 0 | 207 | 18 | 0 | 0 | 446 |
| Sep 10 | 200 | 0 | 168 | 7 | 0 | 0 | 375 |
| Dec 10 | 173 | 0 | 191 | 13 | 5 | 3 | 385 |
| Mar 11 | 152 | 3 | 156 | 13 | 4 | 4 | 332 |
| Jun 11 | 199 | 7 | 179 | 12 | 3 | 1 | 401 |
| Sep 11 | 175 | 2 | 180 | 6 | 1 | 2 | 366 |
| Dec 11 | 161 | 8 | 167 | 9 | 5 | 1 | 351 |

* 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

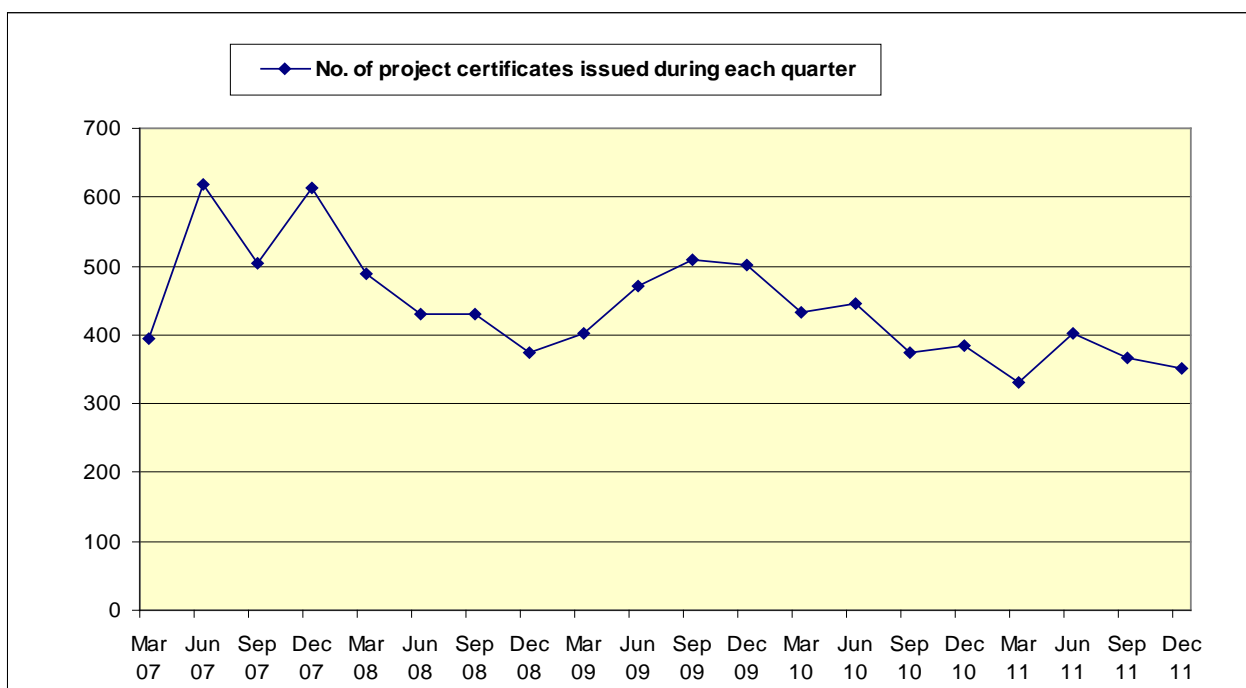


Table OB.C3. Value of project certificates issued by type of cover – (\$'000)

| 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 | Average Value per Project Certificate (\$'000) |
|------------------------|----------------------------------|--|--------------------------|----------------|--|-------|---------|--|
| Dec 08 | 53,785 | 170 | 19,744 | 238 | 3,281 | 0 | 77,218 | 207 |
| Mar 09 | 63,048 | 0 | 20,752 | 450 | 890 | 0 | 85,140 | 212 |
| Jun 09 | 64,694 | 0 | 28,027 | 1,061 | 757 | 59 | 94,598 | 201 |
| Sep 09 | 87,514 | 0 | 27,332 | 289 | 490 | 0 | 115,625 | 227 |
| Dec 09 | 79,572 | 0 | 28,495 | 272 | 70 | 0 | 108,409 | 216 |
| Mar 10 | 66,358 | 0 | 20,455 | 457 | 0 | 0 | 87,270 | 202 |
| Jun 10 | 75,764 | 0 | 29,919 | 347 | 0 | 0 | 106,030 | 238 |
| Sep 10 | 61,250 | 0 | 17,839 | 167 | 0 | 0 | 79,256 | 211 |
| Dec 10 | 47,033 | 0 | 23,635 | 353 | 294 | 665 | 71,980 | 187 |
| Mar 11 | 42,306 | 675 | 19,254 | 447 | 245 | 720 | 63,647 | 192 |
| Jun 11 | 56,327 | 1,160 | 22,042 | 328 | 104 | 91 | 80,052 | 200 |
| 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 |

* 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 |
|------------------------|----------------------------------|--|-------------------------|----------------|--|-------|--------|
| Dec 08 | 310 | 1 | 186 | 8 | 41 | 0 | 546 |
| Mar 09 | 406 | 0 | 182 | 7 | 12 | 0 | 607 |
| Jun 09 | 425 | 0 | 281 | 26 | 17 | 1 | 750 |
| Sep 09 | 541 | 0 | 292 | 12 | 7 | 0 | 852 |
| Dec 09 | 573 | 0 | 312 | 13 | 1 | 0 | 899 |
| Mar 10 | 442 | 0 | 237 | 20 | 0 | 0 | 699 |
| Jun 10 | 474 | 0 | 322 | 20 | 0 | 0 | 816 |
| Sep 10 | 438 | 0 | 225 | 8 | 0 | 0 | 671 |
| Dec 10 | 438 | 0 | 237 | 6 | 2 | 6 | 689 |
| Mar 11 | 427 | 11 | 198 | 7 | 2 | 7 | 652 |
| Jun 11 | 498 | 16 | 200 | 4 | 1 | 1 | 720 |
| Sep 11 | 443 | 9 | 199 | 2 | 0 | 4 | 657 |
| Dec 11 | 401 | 20 | 186 | 4 | 2 | 1 | 614 |

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

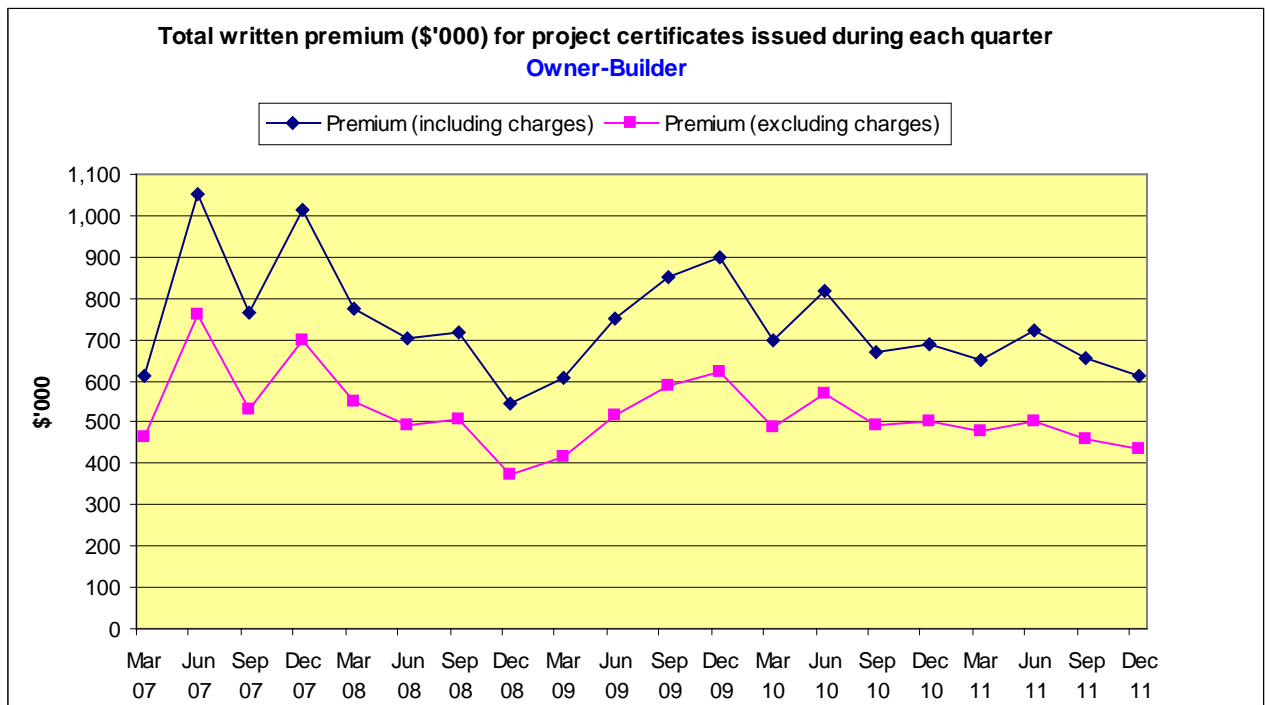
| Quarter /Type of cover | New single dwelling construction | New multi dwelling (3 storeys or less) * | Alterations /Additions# | Swimming Pools | Renovations (including kitchens and bathrooms) ^ | Other | Totals (\$'000) |
|------------------------|----------------------------------|--|-------------------------|----------------|--|-------|-----------------|
| Dec 08 | 215 | 1 | 128 | 5 | 23 | 0 | 372 |
| Mar 09 | 282 | 0 | 124 | 5 | 7 | 0 | 418 |
| Jun 09 | 294 | 0 | 193 | 19 | 9 | 1 | 516 |
| Sep 09 | 373 | 0 | 200 | 9 | 4 | 0 | 586 |
| Dec 09 | 398 | 0 | 212 | 9 | 1 | 0 | 620 |
| Mar 10 | 310 | 0 | 164 | 15 | 0 | 0 | 489 |
| Jun 10 | 329 | 0 | 223 | 15 | 0 | 0 | 567 |
| Sep 10 | 322 | 0 | 166 | 6 | 0 | 0 | 494 |
| Dec 10 | 319 | 0 | 173 | 4 | 2 | 4 | 502 |
| Mar 11 | 313 | 9 | 145 | 5 | 1 | 5 | 478 |
| Jun 11 | 347 | 12 | 139 | 3 | 0 | 0 | 501 |
| Sep 11 | 308 | 7 | 138 | 2 | 0 | 2 | 457 |
| Dec 11 | 284 | 14 | 132 | 3 | 1 | 1 | 435 |

* 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 (3 storeys or less) * | Alterations /Additions # | Swimming Pools | Renovations (including kitchens and bathrooms) ^ | Other | Average per certificate issued \$ |
|------------------------|----------------------------------|--|--------------------------|----------------|--|-------|-----------------------------------|
| Dec 08 | 1,819 | 1,093 | 1,125 | 706 | 1,623 | 0 | 1,464 |
| Mar 09 | 1,797 | 0 | 1,163 | 737 | 1,171 | 0 | 1,509 |
| Jun 09 | 1,913 | 0 | 1,274 | 1,603 | 1,706 | 1,128 | 1,596 |
| Sep 09 | 2,009 | 0 | 1,292 | 1,041 | 2,260 | 0 | 1,670 |
| Dec 09 | 2,202 | 0 | 1,356 | 1,345 | 748 | 0 | 1,794 |
| Mar 10 | 1,971 | 0 | 1,243 | 1,182 | 0 | 0 | 1,618 |
| Jun 10 | 2,146 | 0 | 1,553 | 1,110 | 0 | 0 | 1,829 |
| Sep 10 | 2,188 | 0 | 1,342 | 1,144 | 0 | 0 | 1,789 |
| Dec 10 | 2,530 | 0 | 1,242 | 446 | 488 | 1,872 | 1,789 |
| Mar 11 | 2,808 | 3,867 | 1,270 | 513 | 500 | 1,655 | 1,963 |
| Jun 11 | 2,501 | 2,331 | 1,118 | 355 | 214 | 628 | 1,795 |
| 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 |

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 (less than or equal 3 storeys) * | Alterations /Additions # | Swimming Pools | Renovations (including kitchens and bathrooms) ^ | Other | Average rate per \$1,000 project value \$ |
|------------------------|----------------------------------|---|--------------------------|----------------|--|-------|---|
| Dec 08 | 5.78 | 6.43 | 9.40 | 32.70 | 12.36 | 0 | 7.07 |
| Mar 09 | 6.44 | 0 | 8.74 | 16.38 | 13.16 | 0 | 7.13 |
| Jun 09 | 6.56 | 0 | 10.04 | 24.18 | 22.54 | 19.12 | 7.93 |
| Sep 09 | 6.18 | 0 | 10.69 | 43.29 | 13.84 | 0 | 7.37 |
| Dec 09 | 7.20 | 0 | 10.94 | 49.41 | 10.69 | 0 | 8.29 |
| Mar 10 | 6.65 | 0 | 11.60 | 43.98 | 0 | 0 | 8.01 |
| Jun 10 | 6.26 | 0 | 10.74 | 57.67 | 0 | 0 | 7.69 |
| Sep 10 | 7.15 | 0 | 12.63 | 48.00 | 0 | 0 | 8.47 |
| Dec 10 | 9.31 | 0 | 10.03 | 16.42 | 8.31 | 8.45 | 9.57 |
| Mar 11 | 10.09 | 17.19 | 10.29 | 14.93 | 8.17 | 9.19 | 10.24 |
| Jun 11 | 8.84 | 14.07 | 9.08 | 12.96 | 6.18 | 6.90 | 8.99 |
| 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 |
| 15 months to Dec 11 | 9.15 | 14.33 | 9.62 | 14.45 | 7.46 | 8.47 | 9.37 |

* 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 structural and non-structural defects in respect of owner-builders compared to licensed builders.

As noted in section D2 (builders), the insurance agents were underwriting against their own criteria up to 30 September 2010. The new HWIF underwriting criteria and premiums pricing structure was effective from **1 October 2010**, which include an assessment of a number of risk factors such as location of the project, the value of the works (contract price) and the type of work (e.g. structural, non-structural, new multi dwellings, owner-builder etc.).

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 |
|---------|-------------------|--------------------------|---|------------------------|----------------------|-------|
| Dec 08 | 3 | 8 | 33 | 65 | 2 | 111 |
| Mar 09 | 3 | 4 | 29 | 64 | 4 | 104 |
| Jun 09 | 4 | 9 | 34 | 65 | 5 | 117 |
| Sep 09 | 6 | 9 | 37 | 71 | 6 | 129 |
| Dec 09 | 5 | 11 | 44 | 81 | 7 | 148 |
| Mar 10 | 5 | 9 | 50 | 91 | 6 | 161 |
| Jun 10 | 12 | 6 | 57 | 94 | 2 | 171 |
| Sep 10 | 12 | 6 | 60 | 96 | 4 | 178 |
| Dec 10 | 20 | 10 | 67 | 94 | 4 | 195 |
| Mar 11 | 25 | 4 | 70 | 103 | 3 | 205 |
| Jun 11 | 29 | 2 | 70 | 116 | 4 | 221 |
| Sep 11 | 33 | 6 | 71 | 128 | 3 | 241 |
| Dec 11 | 35 | 4 | 75 | 130 | 3 | 247 |

OB.E2 Reasons claims denied – Owner-Builder

Table **OB.E2.** Liability fully denied – breakdown by Reason Claim Declined

| Quarter | Out of time | Builder found | Builder not dead | Builder not insolvent | Not deemed a defect | Total |
|---------|-------------|---------------|------------------|-----------------------|---------------------|-------|
| Dec 08 | 1 | 48 | 2 | 14 | 0 | 65 |
| Mar 09 | 1 | 50 | 2 | 11 | 0 | 64 |
| Jun 09 | 1 | 52 | 1 | 11 | 0 | 65 |
| Sep 09 | 2 | 55 | 1 | 13 | 0 | 71 |
| Dec 09 | 3 | 64 | 1 | 12 | 1 | 81 |
| Mar 10 | 5 | 66 | 1 | 13 | 6 | 91 |
| Jun 10 | 5 | 67 | 1 | 15 | 6 | 94 |
| Sep 10 | 6 | 68 | 1 | 15 | 6 | 96 |
| Dec 10 | 6 | 65 | 1 | 15 | 7 | 94 |
| Mar 11 | 7 | 70 | 1 | 18 | 7 | 103 |
| Jun 11 | 7 | 80 | 1 | 21 | 7 | 116 |
| Sep 11 | 8 | 87 | 1 | 24 | 8 | 128 |
| Dec 11 | 9 | 87 | 1 | 25 | 8 | 130 |

OB.E3 Claims experience - Owner-Builder

The remaining tables in this section show a further breakdown of the claims as at 31 December 2011 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 | 19 | 4 | 1,625,778 | 1,753,780 | 92,304 |
| A02: Death | 5 | 1 | 171,939 | 207,130 | 41,426 |
| A03: Disappearance | 51 | 12 | 4,637,539 | 5,789,349 | 113,517 |
| Total | 75 | 17 | 6,435,256 | 7,750,259 | 103,337 |

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

"Total amounts paid to date" includes all payments to the claimant or to suppliers involved in the rectification of the works; 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: Structural defect | 70 | 17 | 6,030,873 | 7,345,876 | 104,941 |
| T04: Other loss* | 5 | 0 | 404,383 | 404,383 | 80,877 |
| Total | 75 | 17 | 6,435,256 | 7,750,259 | 103,337 |

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

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 | 57 | 14 | 4,724,848 | 5,909,659 | 103,678 |
| C03 : New multi dwelling (3 storeys and less) * | 2 | 1 | 164,971 | 259,971 | 129,986 |
| C04 : Alterations/Additions | 15 | 2 | 1,442,818 | 1,478,010 | 98,534 |
| 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 | 75 | 17 | 6,435,256 | 7,750,259 | 103,337 |

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

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