

# **NSW Home Warranty Insurance Scheme**

**Information on the Scheme as at**

**31 December 2012**



21 June 2013

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 2012

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 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.

The approved insurers from the private sector all ceased writing business on or before 30 June 2010. However, all approved insurers will continue to manage and settle claims on policies written up until that date.

QBE Insurance (Australia) Limited and Calliden Insurance Limited have been appointed as insurance agents of the NSW Self Insurance Corporation through contractual arrangements. Vero Insurance Limited was also an agent for the three months to 30 September 2010.

### 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 2012. 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](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.

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 2012, there has been a significant increase of \$138 million, or 55%, in the overall estimated net incurred claims cost reported by the scheme insurers. This illustrates the point made earlier that it takes many years for the ultimate experience of this class of business to emerge.

### 3 DATA

#### Part I Information Related only to Licensed Builders

##### A Eligibility Information

'Eligibility' is the term used to describe the entitlement that a builder has to apply for a Certificate of Insurance for home building projects, and the conditions under which the Certificate of Insurance may be granted. From 1 July 2010, eligibility application may be made via an insurance broker to one of 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	Totals
<b>Dec 09</b>	1,906	1,886	4,514	3,305	3,923	706	106	<b>16,346</b>
<b>Mar 10</b>	2,089	1,995	4,619	3,393	3,986	711	107	<b>16,900</b>
<b>Jun 10</b>	2,241	2,127	4,732	3,403	4,039	749	107	<b>17,398</b>
<b>Sep 10</b>	2,469	2,199	4,674	3,449	3,788	680	98	<b>17,357</b>
<b>Dec 10</b>	2,358	2,230	4,363	3,184	3,102	640	91	<b>(#1) 15,968</b>
<b>Mar 11</b>	2,543	2,327	4,418	3,103	3,176	653	93	<b>16,313</b>
<b>Jun 11</b>	3,168	2,617	4,614	2,895	3,054	692	82	<b>17,122</b>
<b>Sep 11</b>	2,947	2,486	4,352	2,392	2,673	661	78	<b>(#2) 15,589</b>
<b>Dec 11</b>	3,071	2,601	4,495	2,419	2,573	662	71	<b>15,892</b>
<b>Mar 12</b>	3,069	2,601	4,499	2,361	2,424	629	68	<b>15,651</b>
<b>Jun 12</b>	3,142	2,668	4,567	2,340	2,328	614	70	<b>15,729</b>
<b>Sep 12</b>	3,157	2,729	4,618	2,241	2,121	621	74	<b>15,561</b>
<b>Dec 12</b>	3,145	2,710	4,615	2,167	1,974	556	65	<b>15,232</b>

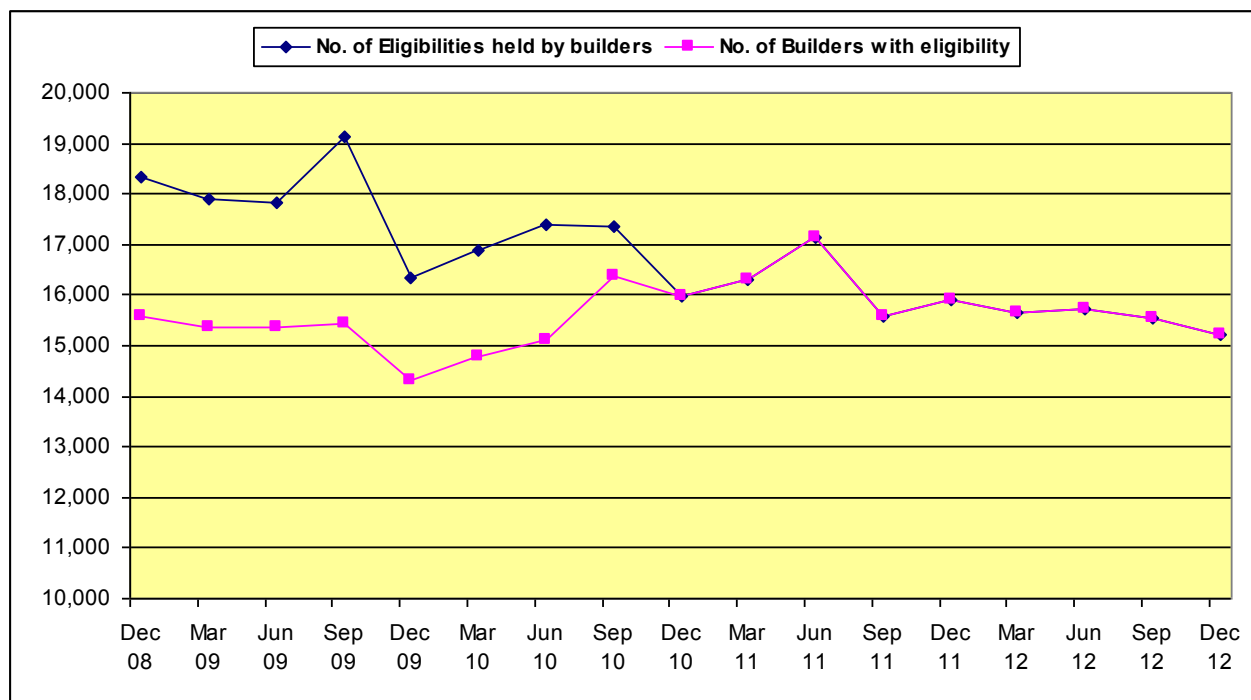
Notes:

#1. 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.

#2 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 2012, the proportion of builders with eligibility for annual turnover are: less than \$1 million: 38%, \$1m to less than \$5m: 58%, and \$5m and over: 4%, unchanged from last quarter.

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 relatively small proportion of builders, the HWIF may require security as a condition of approving eligibility or providing home warranty cover for a specific project. This will generally be provided in the form of a Deed of Indemnity.

Bank guarantees are not sought by the HWIF for security purpose although a builder can provide a bank guarantee if the builder chooses to do so. As at 31 December 2012, the HWIF has received only one bank guarantee as a security from a builder as the preferred option of that builder in order to satisfy the HWIF's eligibility underwriting criteria.

The HWIF reports to Fair Trading each quarter regarding the security held for 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 held by former insurers are not included in the HWIF report for post 30 June 2010 data, but may be included in the pre-1 July 2010 data if the builder had eligibility at that time.

## 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 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%
Mar 12	NA	797	NA	NA	797	5.1%
Jun 12	NA	871	NA	NA	871	5.5%
Sep 12	1	993	NA	NA	994	6.4%
Dec 12	1	1,101	NA	NA	1,102	7.2%

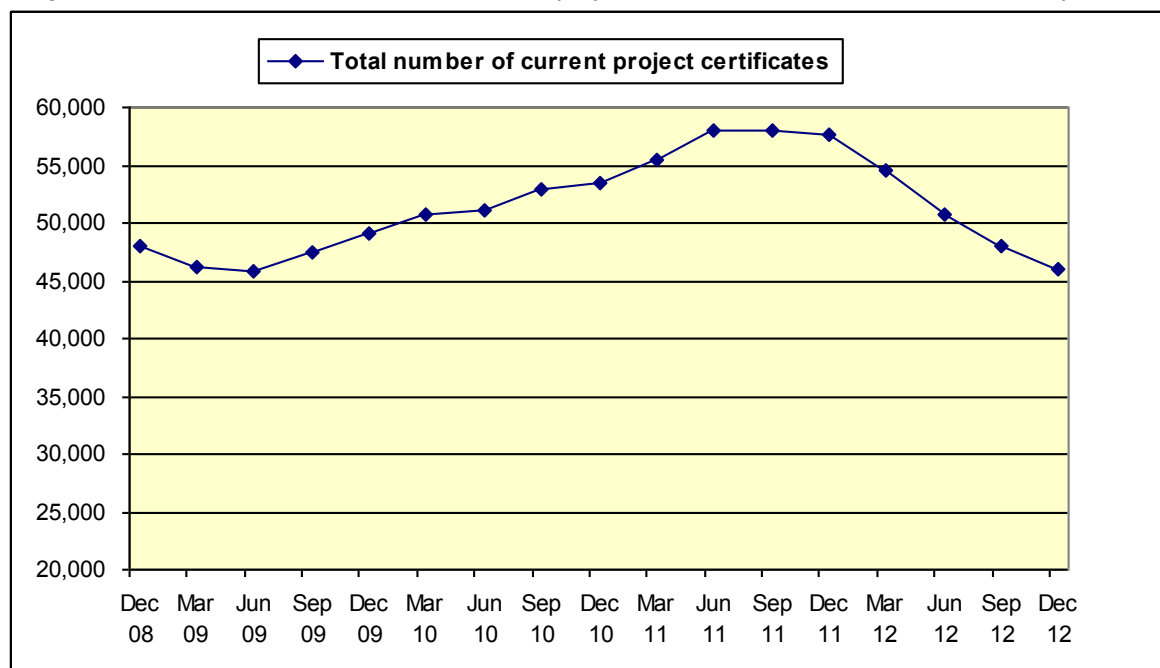
## C Project Certificate Information – Builder

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 works are deemed completed 12 months after certificate issue date.

### C.1 Current project certificates - Builder

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

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





## C.2 New project certificates issued - Builder

Tables C1, C2 and figure C2.1 show the number and value of new project certificates issued during the quarter, reduced by the number (or value) of project certificates cancelled in the quarter. A cancellation occurs when a project certificate is terminated because the project did not commence. If a project certificate applies to more than one type of cover, then it is classified under the type of cover that represents the greatest value under the contract.

Table C1. Number of project certificates issued by type of cover

Quarter /Type of cover	New single dwelling construction	New multi dwelling (3 storeys or less) *	Alterations /Additions #	Swimming Pools	Renovations (including kitchens and bathrooms) ^	Other	Totals
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
Mar 12	3,633	922	3,077	710	2,743	8	11,093
Jun 12	4,260	1,044	3,129	743	2,138	11	11,325
Sep 12	4,210	1,170	3,597	930	2,621	15	12,543
Dec 12	3,942	1,225	2,872	858	2,158	8	11,063

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

# Alterations and additions - structural (i.e. the majority of the work is structural).

^ Renovations - non-structural (i.e. the majority of the contract is non-structural), including e.g. kitchen/bathroom renovations and trade work.

The proportion of project certificates issued during the quarter were: new single and multi-unit dwellings (47%), alterations (26%), renovations (19%) and 8% for swimming pools /others.

The number of project certificates issued fell overall by 12% during the quarter, with the main decline coming from Alterations, Swimming Pools and Renovations. This may be explained by seasonal factors as the December quarter has been around 15% lower than the September quarter in each of the preceding three years.

Total numbers of certificates issued were 20% lower in calendar 2012 compared to 2011. By contrast, the fall in value of certificates issued was only 4% (Table C2). This may have been caused by the **increase in the insurance threshold** set by Fair Trading from \$12,000 to \$20,000 from 1 February 2012. This change removed the requirement for insurance for smaller value projects, most of which were Renovations and Swimming Pools.

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

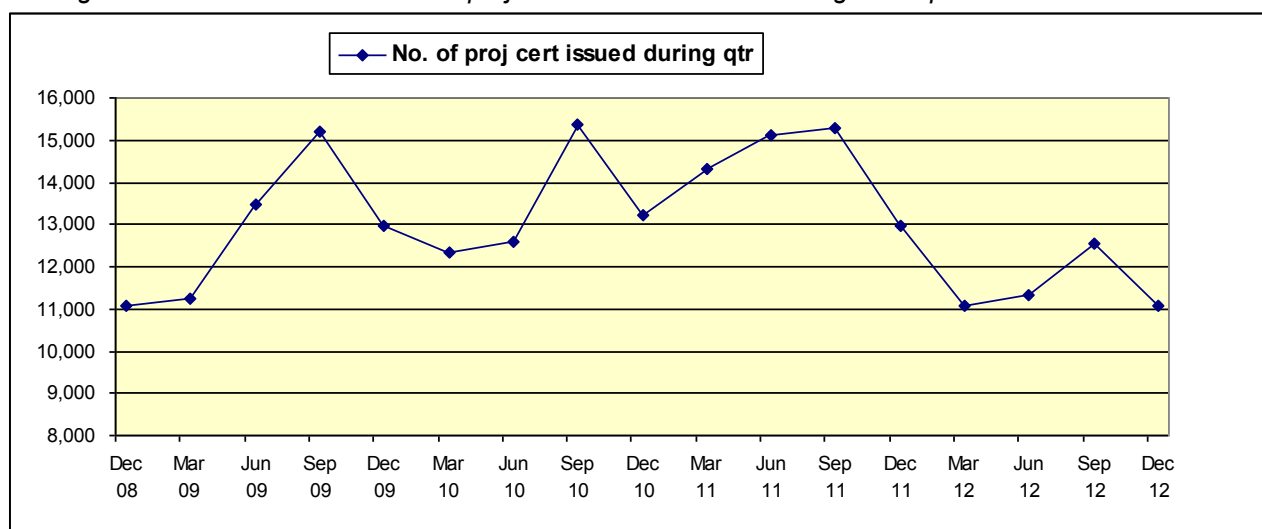


Table C2. Value of project certificates issued by type of cover during each quarter – (\$'million)

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 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
Mar 12	1,104	199	465	29	97	1	1,895	171
Jun 12	1,330	219	474	32	106	1	2,162	191
Sep 12	1,275	233	499	40	126	1	2,174	173
Dec 12	1,178	253	432	35	93	0	1,991	180

\* 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. We have combined the HWI builders and owner-builders data in this part of the analysis to be consistent with ABS data (which does not distinguish between builders and owner-builders data). 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)	(6)
Dec 09	5,257	6,007	88%	1,546	1,507	103%
Mar 10	4,839	5,313	91%	1,334	1,339	100%
Jun 10	5,334	6,070	88%	1,531	1,607	95%
Sep 10	5,900	5,510	107%	1,680	1,459	115%
Dec 10	4,875	5,550	88%	1,363	1,476	92%
Mar 11	5,240	5,922	88%	1,522	1,653	92%
Jun 11	5,560	5,606	99%	1,565	1,516	103%
Sep 11	5,591	6,060	92%	1,599	1,660	96%
Dec 11	4,771	5,630	85%	1,399	1,499	93%
Mar 12	4,696	4,945	95%	1,344	1,352	99%
Jun 12	5,445	5,375	101%	1,586	1,540	103%
Sep 12	5,534	6,128	90%	1,552	1,646	94%
Dec 12	5,334	6,649	80%	1,485	1,719	86%
<b>Average</b>	5,260	5,751	91%	1,500	1,536	98%

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

Building approvals differ from those shown in previous issues of this report with the inclusion of new residential buildings of exactly three storeys from the ABS. Figures for more recent quarters may also change as the ABS revises its estimates, and there will continue to be differences between the series from both timing of reporting and the inclusion of some public sector building work in the approvals data.

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

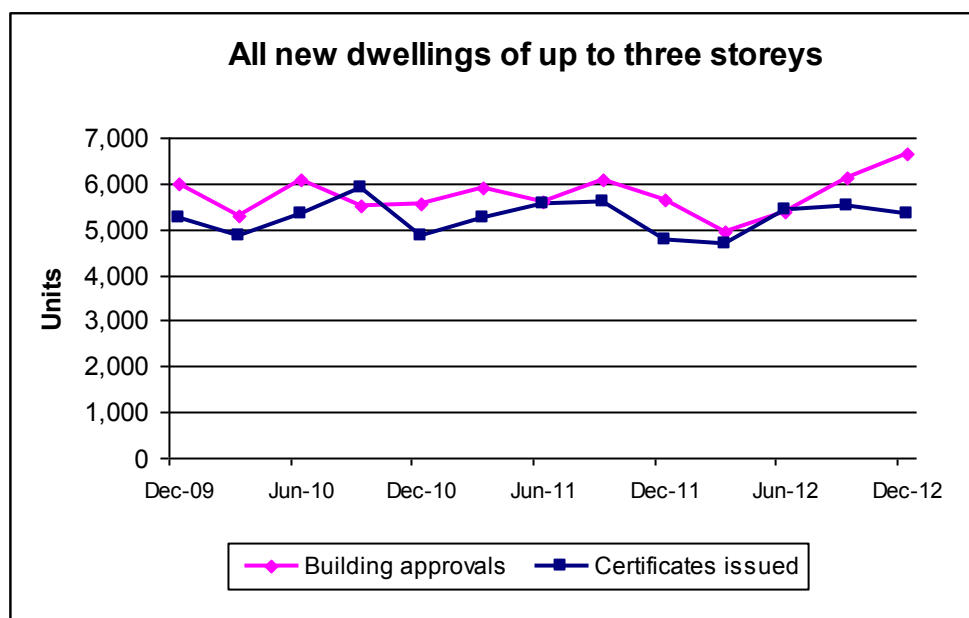
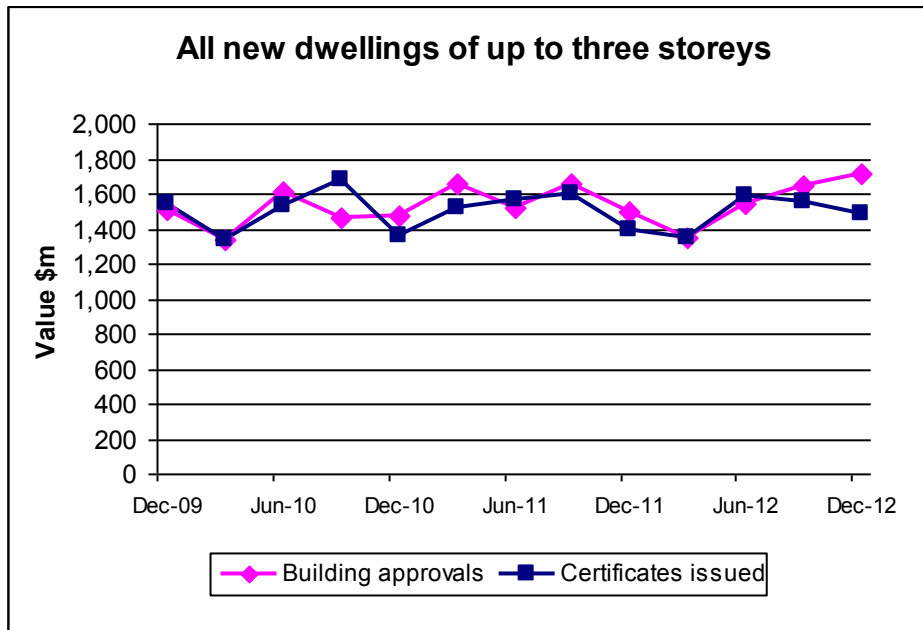


Figure C3.2 Value of building approvals versus certificates issued - Trend



**D Premium Information - Builder**

Insurers provide information to Fair Trading on the premium charged for project certificates issued to builders during the quarter. For the reports below, premium is shown on two bases: including charges and excluding charges. “Charges” refer to all commissions, government and other charges (i.e. GST, stamp duty, government levies and credit card surcharges) as reported by insurers to Fair Trading.

Premium excluding charges is the amount retained by the insurer to pay claims and the insurer’s expenses.

Premium including charges is intended to represent the amount paid by the builder including statutory charges such as GST. However, it excludes any fees charged by brokers or intermediaries in addition to the insurer’s premium. Any margin added by the builder in on-charging the premium to consumers 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 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
Mar 12	6,341	2,071	3,236	275	683	5	12,611
Jun 12	7,510	2,269	3,348	294	652	5	14,078
Sep 12	7,852	2,487	3,565	377	805	7	15,093
Dec 12	7,319	2,594	3,095	324	599	4	13,935

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

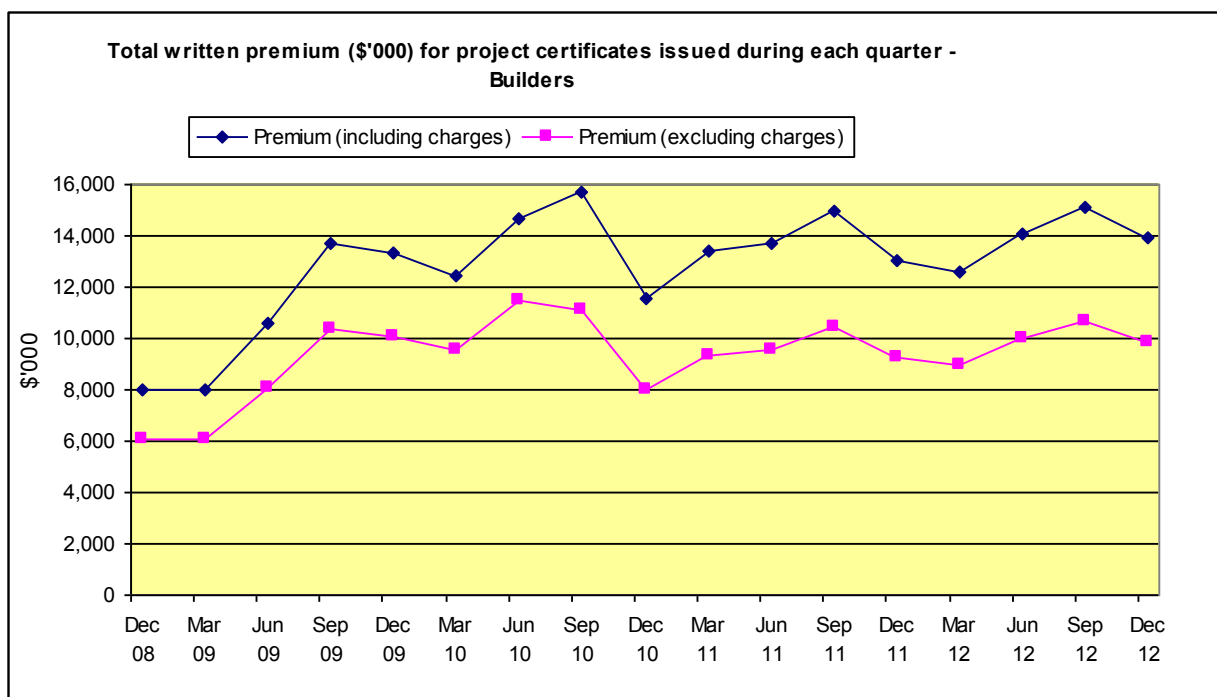
Quarter /Type of cover	New single dwelling construction	New multi dwelling (3 storeys or less) *	Alterations /Additions#	Swimming Pools	Renovations (including kitchens and bathrooms) ^	Other	Totals (\$'000)
Dec 09	4,711	1,317	2,922	489	566	99	10,104
Mar 10	4,263	1,225	3,162	351	458	66	9,525
Jun 10	5,322	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
Mar 12	4,496	1,469	2,294	195	484	3	8,941
Jun 12	5,324	1,609	2,373	208	462	4	9,980
Sep 12	5,567	1,763	2,528	267	570	5	10,700
Dec 12	5,193	1,839	2,195	230	425	3	9,885

\* 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 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
Mar 12	1,745	2,247	1,052	388	249	569	1,137
Jun 12	1,763	2,174	1,070	396	305	490	1,243
Sep 12	1,865	2,125	991	405	307	471	1,203
Dec 12	1,857	2,118	1,078	377	277	528	1,260

Table D2.2 Average Premium (including charges) per \$1,000 of Value of Project Certificates issued by Insurer

Quarter /Type of cover	New single dwelling construction	New multi dwelling (3 storeys or less) *	Alterations/ Additions #	Swimming Pools	Renovations (including kitchens and bathrooms) ^	Other	Average rate per \$1,000 project value \$
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
Mar 12	5.74	10.41	6.96	9.36	7.01	7.34	6.65
Jun 12	5.65	10.36	7.07	8.99	6.14	6.35	6.51
Sep 12	6.16	10.70	7.14	9.63	6.37	6.90	6.94
Dec 12	6.22	10.24	7.17	9.26	6.47	6.61	7.00

\* 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. HWIF introduced new underwriting criteria and premium rates from 1 October 2010 since which overall average rates have remained relatively stable, with increased rates for new dwellings being offset by reduced rates for most other construction types.

## 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 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
Mar 12	2,118	307	3,261	888	44	6,618
Jun 12	2,242	301	3,462	928	29	6,962
Sep 12	2,343	285	3,671	983	37	7,319
Dec 12	2,435	340	3,858	994	42	7,669

# If a 'Notification' has not become a claim after an extended period, its status is recorded as 'Finalised' within the 'Notification' category. As at 31 December 2012, there were 2,154 such 'Notifications' which have been recorded as 'Finalised' with nil payment to claimant.

As at 31 December 2012, around 14% of accepted liability claims under the scheme related to the Beechwood collapse in May 2008.

There have also been 426 notifications or claims against the HWIF and former insurers arising from the December 2011 quarter insolvencies of Cosmopolitan Constructions and Westminster Homes. Insurers have accepted liability on 346 of these claims (9% of all accepted liability claims in the scheme); 31 are pending determination; 26 liability fully declined and 23 finalised with nil payment.

## 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 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
Mar 12	4	74	86	2	222	500	888
Jun 12	5	76	86	2	242	517	928
Sep 12	5	78	85	2	259	554	983
Dec 12	6	78	87	3	263	557	994



### 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 2012**. 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	2,775	154,388,294	11,342,433	165,730,727	59,723
A02: Death	37	2,192,138	81,290	2,273,428	61,444
A03: Disappearance	134	7,243,857	481,634	7,725,491	57,653
<b>Total</b>	<b>2,946</b>	<b>163,824,289</b>	<b>11,905,357</b>	<b>175,729,646</b>	<b>59,650</b>

\*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	868	73,952,700	10,978,713	77,751,129	162,682,542	187,422
A02: Death	2	462,143	42,781	230	505,154	252,577
A03: Disappearance	40	2,394,309	281,147	1,535,116	4,210,572	105,264
A05: Lic suspended (non-compliance of CTTT money order)	2	18,498	3,070	26,211	47,779	23,890
<b>Total</b>	<b>912</b>	<b>76,827,650</b>	<b>11,305,711</b>	<b>79,312,686</b>	<b>167,446,047</b>	<b>183,603</b>

\*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	191	4,069,639	168,307	4,237,946	22,188
T02: Failure to complete	1,111	72,457,210	4,555,111	77,012,321	69,318
T03: Structural defect	1,267	70,463,115	5,626,875	76,089,990	60,055
T04: Other loss#	377	16,834,325	1,555,064	18,389,389	48,778
<b>Total</b>	<b>2,946</b>	<b>163,824,289</b>	<b>11,905,357</b>	<b>175,729,646</b>	<b>59,650</b>

*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	14	261,469	20,136	144,346	425,951	30,425
T02: Failure to complete	225	17,613,884	2,367,135	6,904,597	26,885,616	119,492
T03: Structural defect	626	55,392,139	7,826,418	64,799,255	128,017,812	204,501
T04: Other loss#	47	3,560,158	1,092,022	7,464,488	12,116,668	257,801
<b>Total</b>	<b>912</b>	<b>76,827,650</b>	<b>11,305,711</b>	<b>79,312,686</b>	<b>167,446,047</b>	<b>183,603</b>

# '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	1,876	99,355,777	7,316,571	106,672,348	56,862
C02: New multi dwelling (greater than 3 storeys)	4	970,663	80,247	1,050,910	262,728
C03 : New multi dwelling (3 storeys or less)	408	28,202,407	2,036,231	30,238,638	74,114
C04 : Alterations/Additions	386	27,912,426	1,849,109	29,761,535	77,102
C05: Swimming Pools	170	3,536,825	427,311	3,964,136	23,318
C06 : Renovations (including kitchens and bathrooms)	58	1,873,789	111,230	1,985,019	34,224
C07: Other	44	1,972,401	84,659	2,057,060	46,751
<b>Total</b>	<b>2,946</b>	<b>163,824,289</b>	<b>11,905,357</b>	<b>175,729,646</b>	<b>59,650</b>

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	483	32,297,438	4,054,682	17,738,227	54,090,347	111,988
C02: New multi dwelling (greater than 3 storeys)	17	9,336,902	1,195,236	14,829,734	25,361,872	1,491,875
C03 : New multi dwelling (3 storeys or less)	239	27,061,997	4,891,055	38,890,273	70,843,325	296,416
C04 : Alterations/Additions	126	7,084,066	999,642	6,446,153	14,529,861	115,316
C05: Swimming Pools	39	962,262	124,379	546,732	1,633,373	41,881
C06 : Renovations (including kitchens and bathrooms)	6	16,985	29,772	856,605	903,362	150,560
C07: Other	2	68,000	10,945	4,962	83,907	41,954
<b>Total</b>	<b>912</b>	<b>76,827,650</b>	<b>11,305,711</b>	<b>79,312,686</b>	<b>167,446,047</b>	<b>183,603</b>

#### 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)	132	18,470,922	2,179,744	4,986,767	25,637,433	194,223
2003	360	34,816,122	4,866,479	29,742,214	69,424,815	192,847
2004	540	33,719,171	4,078,936	12,384,770	50,182,877	92,931
2005	452	24,782,939	3,046,380	8,556,225	36,385,544	80,499
2006	531	30,007,736	2,744,318	5,901,261	38,653,314	72,793
2007	735	35,901,218	3,072,007	3,753,364	42,726,589	58,131
2008	442	23,653,265	1,628,170	2,742,724	28,024,159	63,403
2009	235	14,501,864	818,885	3,096,186	18,416,935	78,370
2010	245	16,082,128	791,670	5,263,520	22,137,319	90,356
2011	230	14,981,833	676,792	2,955,748	18,614,373	80,932
2012	41	622,578	46,464	525,221	1,194,263	29,128
<b>Total</b>	<b>3,943</b>	<b>247,539,777</b>	<b>23,949,846</b>	<b>79,907,998</b>	<b>351,397,621</b>	<b>89,119</b>

Table E9 shows the claims experience to date split by the year the project certificate was issued. For reasons explained in Section 2, this data provides an incomplete view of the claims experience for each year. For all years of issue, even for the earliest under the current scheme with certificates issued in 2002 and 2003, the number of claims and amount paid on claims will continue to increase over the next few years because:

- there may be significant delay between the date a project certificate is issued and the commencement of the project;
- the duration of building projects may range from a few weeks to a few years;
- coverage remains in place for six years after project completion; and
- it may take some time for home owners to identify a loss, lodge a claim with an insurer and for the insurer to assess the claim and arrange rectification.

The impact of these factors is even greater for more recent years.

Insurers have also estimated additional costs of \$42 million in respect of claims in which liability has **not** yet been determined.

Insurers do manage to recover some claim payments, generally as creditors of insolvent builders. Since the scheme commenced, some \$7m has been recovered or about 2% of estimated total claims cost to date.

Overall for the Scheme, the number of accepted liability claims is up 192 or 5%, and the reported costs up \$19.5 million or 6%, 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 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
Mar 12	131	10	122	5	0	2	270
Jun 12	135	6	117	8	0	4	270
Sep 12	146	8	136	9	0	0	299
Dec 12	159	8	117	2	0	1	287

\* 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

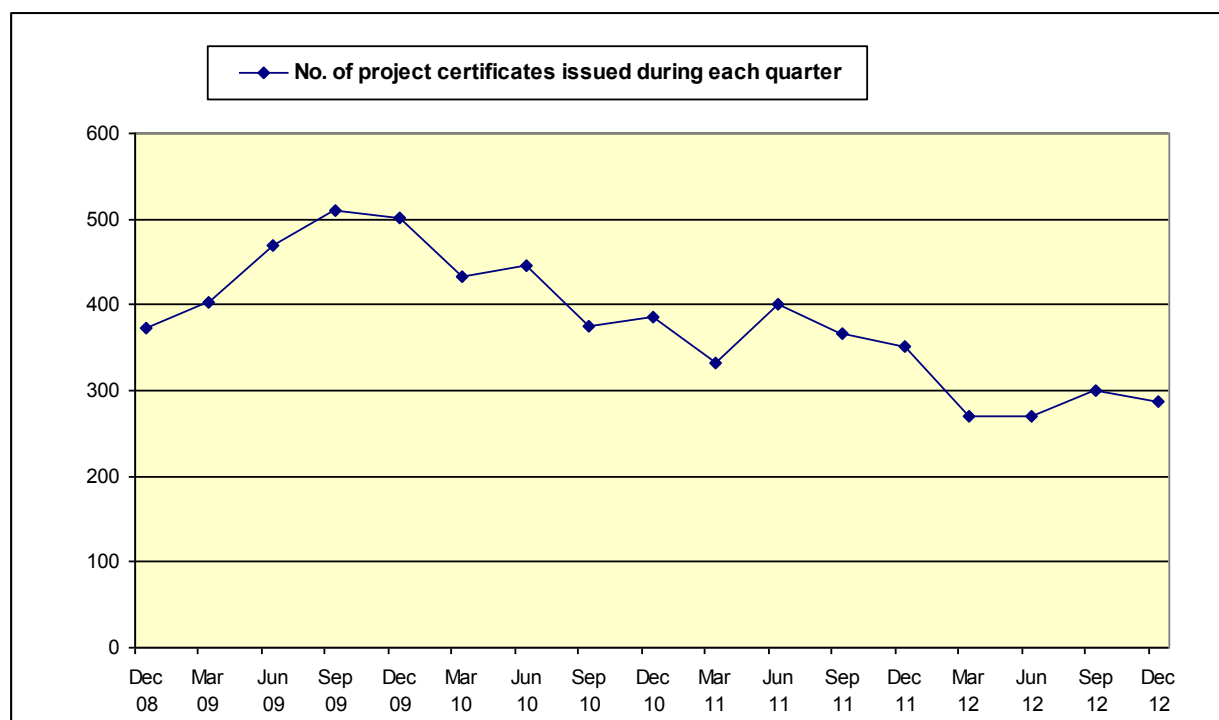


Table OB.C3. Value of project certificates issued by type of cover – (\$'000)

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 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
Mar 12	38,867	2,390	16,307	139	0	570	58,273	216
Jun 12	36,169	1,010	13,559	272	0	380	51,390	190
Sep 12	42,671	1,420	18,937	218	0	0	63,246	212
Dec 12	51,501	2,120	13,645	61	0	150	67,477	235

\* 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 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
Mar 12	308	34	151	2	0	4	499
Jun 12	311	10	120	3	0	3	447
Sep 12	367	20	169	2	0	0	558
Dec 12	444	32	123	1	0	1	601

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

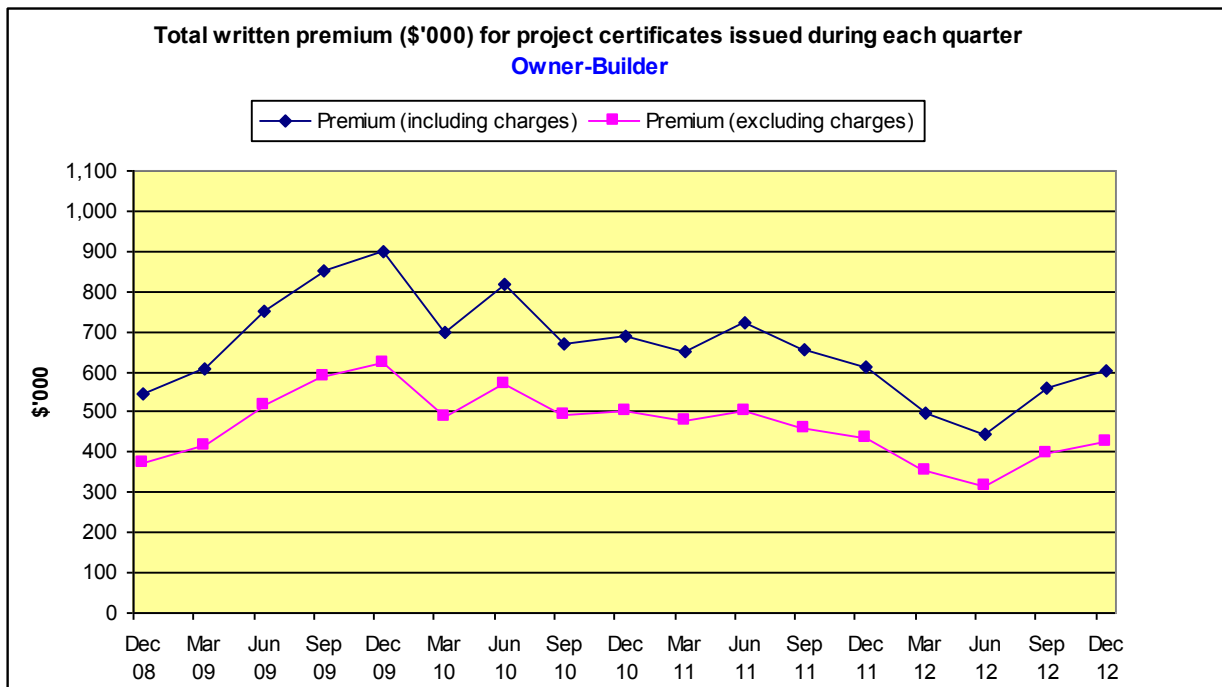
Quarter /Type of cover	New single dwelling construction	New multi dwelling (3 storeys or less) *	Alterations /Additions#	Swimming Pools	Renovations (including kitchens and bathrooms) ^	Other	Totals (\$'000)
Dec 09	398	0	212	9	1	0	620
Mar 10	310	0	164	15	0	0	489
Jun 10	329	0	223	15	0	0	567
Sep 10	322	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
Mar 12	219	24	107	1	0	3	354
Jun 12	221	7	85	2	0	2	317
Sep 12	260	14	120	2	0	0	396
Dec 12	314	23	87	1	0	1	426

\* 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 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
Mar 12	2,354	3,464	1,237	352	0	1,842	1,849
Jun 12	2,307	1,662	1,023	451	0	662	1,657
Sep 12	2,512	2,549	1,242	274	0	0	1,868
Dec 12	2,788	4,003	1,054	413	0	1,209	2,093

Table OB.D2.2 Average Premium (including charges) per \$1,000 of Value of Project Certificates issued by Insurer

Quarter /Type of cover	New single dwelling construction	New multi dwelling (3 storeys or less) *	Alterations /Additions #	Swimming Pools	Renovations (including kitchens and bathrooms) ^	Other	Average rate per \$1,000 project value \$
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
Mar 12	7.93	14.49	9.25	12.66	0	6.46	8.57
Jun 12	8.61	9.87	8.83	13.24	0	6.97	8.71
Sep 12	8.59	14.36	8.92	11.33	0	0	8.83
Dec 12	8.61	15.11	9.04	13.51	0	8.06	8.90

\* 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.

## 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 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
Mar 12	39	9	81	134	3	266
Jun 12	47	14	80	140	2	283
Sep 12	56	10	80	151	2	299
Dec 12	59	7	85	152	1	304

### 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 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
Mar 12	8	89	1	26	10	134
Jun 12	8	91	1	30	10	140
Sep 12	8	98	1	33	11	151
Dec 12	8	98	1	34	11	152



### OB.E3 Claims experience - Owner-Builder

The remaining tables in this section show a further breakdown of the claims as at 30 September 2012 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	30	11	2,641,317	3,168,297	105,610
A02: Death	5	0	171,939	171,939	34,388
A03: Disappearance	50	3	4,813,360	4,881,692	97,634
<b>Total</b>	<b>85</b>	<b>14</b>	<b>7,626,616</b>	<b>8,221,928</b>	<b>96,729</b>

\*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	79	13	7,145,041	7,735,662	97,920
T04: Other loss*	6	1	481,575	486,266	81,044
<b>Total</b>	<b>85</b>	<b>14</b>	<b>7,626,616</b>	<b>8,221,928</b>	<b>96,729</b>

\* '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	66	12	5,837,879	6,402,149	97,002
C03 : New multi dwelling (3 storeys or less) *	2	0	238,867	238,867	119,434
C04 : Alterations/Additions	16	2	1,447,251	1,478,293	92,393
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
<b>Total</b>	<b>85</b>	<b>14</b>	<b>7,626,616</b>	<b>8,221,928</b>	<b>96,729</b>

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

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