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The future of Home Warranty Insurance in NSW

JLT would like to confirm the recent announcement on 8th November 2009, from Premier Nathan Rees that the NSW Government will step in to protect building industry jobs and home owners across NSW. This is due to significant changes within the Home Warranty Insurance market this year.

Attached is the Press Release which outlines the changes that will be made effective 1st July, 2010.

The Home Warranty Insurance Scheme Board's recent advice to the Government indicated that an extensive reduction of the market has occurred following the Global Financial Crisis. The announcements this year by Lumley General (Lumley) and CGU Insurance Limited (CGU) of their exit from this product is evidence of the tightening of the market.

The advice to the Government is that this contraction and current market conditions will likely lead to further Insurers exiting the market in the near future. Evidence to the Scheme Board and Government is that an increasing number of builders in NSW are unable to obtain cover. The government is acting decisively to protect jobs and give peace of mind to families.

Although full details of the changes are yet to be received, information to date indicates that the new scheme will be:

- Underwritten and capitalised by the NSW Government and funded by premiums from builders;
- Managed by Treasury through the Self Insurance Corporation;
- Operated by private sector providers, selected by competitive tender, which will provide services in relation to the issue of Project Certificates, collection of premium and claims handling; and
- Distributed through brokers.

Implementation of the new scheme has been indicated to take effect from 1st July, 2010, which allows time for the scheme board to:

- Conduct further consultation with industry and consumers to ensure the best possible outcome from the new scheme
- Review and amend current legislation
- Select appropriate providers; and
- Adequately inform industry participants and consumers of the final changes

JLT has been a consistent distributor of Home Warranty insurance products since the scheme was initially set up in 1997.

For our many existing customers, we anticipate current arrangements will remain in place until the government changes take effect. Information to date indicates there are still over 4000 builders that require eligibility before the current scheme concludes. Clients should note that CGU and Lumley will cease issuing policies on 30/11/09 and 31/12/09 respectively.

The main Insurers who are continuing to provide cover, Vero and QBE have advised current delays of up to 20 working days due to a large volume of applications being received. These Insurers will be the key providers until the new scheme commences, consequently, requests for new cover should be well in advance of the date the information is required.

JLT is working closely with Insurers to ensure you remain covered and we are committed to facilitating your Home Warranty Insurance on a long term basis.

We will notify you of any changes as we are informed, however, please visit our website <http://www.jlta.com.au/bis.aspx> for further information, or call us on 1300 300 431.